LFB
LONDON FIRE BRIGADE

LFC-25-011

Statement of Accounts 2023/24

Report to:	**Date:**
Investment & Finance Board	23 January 2025
Commissioner's Board	12 February 2025
Audit Committee	03 March 2025
London Fire Commissioner	

Report by:

Catharine Gregory, Assistant Director of Finance

Report classification:

For decision

For publication

Values met

Service
Integrity
Teamwork
Courage
Learning

I agree the recommended decision below.

Andy Roe
London Fire Commissioner

Date **This decision was remotely signed on 27 February 2025**

PART ONE

Non-confidential facts and advice to the decision-maker

Executive Summary

This report presents Ernst & Young LLP's draft Audit Results Report for London Fire Commissioner's (LFC's) Statement of Accounts 2023/24, including the Annual Governance Statement, for review; and recommends to LFC to approve the report, and the Statement of Accounts, for publication.

The draft Statement of Accounts was presented to the Commissioner's Board on 9 July 2024 and published and passed for external audit.

The audit of the Statement of Accounts is now largely complete; verbal updates will be provided on the process as this report moves through the governance process.

Recommended decision

For the London Fire Commissioner

That the Commissioner notes the Audit Results Report and approves the attached audited Statement of Accounts 2023/24, certified by the Director for Corporate Services and audited by the LFC's external auditor Ernst & Young (EY) LLP.

That the Commissioner delegates authority to the Director for Corporate Services to make any necessary corrections and editorial changes to the approved Statement of Accounts to align with the opinion expressed in the Audit Results Report prior to certification by the Director for Corporate Services. The approved and certified Statement of Accounts will constitute the LFC's Statement of Accounts 2023/24.

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 for Corporate Services, to certify draft accounts for audit and public inspection.

1.2 The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 requires the accounting statements for this financial year to be signed and published not later than 28 February 2025. This revised date, and similarly revised dates for previous and future financial years, was in response to a backlog in local government audits across the sector and was part of a government strategy to get the sector back on track.

1.3 The draft Statement of Accounts 2023/24 was approved by the Director for Corporate Services on 31 May 2024, and the audited Statement of Accounts 2023/24 is expected to be approved by the LFC and certified by the Director for Corporate Services on or before 12 February 2025.

1.4 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 2023/24 was, following review by Commissioner's Board, incorporated into draft unaudited Statement of Accounts ahead of publication and passing to the external auditors on 31 May 2024.

1.5 The external audit of the draft Statement of Accounts 2023/24 by the LFC's external auditors, EY, is now essentially complete. The outcome of the audit will be formally notified to the Director for Corporate Services and the LFC; the draft Audit Results Report is attached. The audited Statement of Accounts 2023/24 will be made available on the LFB website to comply with Regulation 10, paragraph (2b), which requires these to be published as soon as reasonably practical. The final audited accounts are presented in this report for formal CB approval, to comply with governance requirements. [Note to CB: the attachment is currently the final draft Statement of Accounts, as presented to EY. The accounts will be updated following conclusion of the audit.],

1.6 We are expecting to receive a disclaimer of opinion for the 2023/24 accounts. This is related to Government plans to address the significant backlog in audit across the sector and does not reflect a criticism of the LFC's Statement of Accounts 2023/24, or the work done in preparing them. Full details of what this means, and a potential timeline of the implications for future years, are set out in section 8 below.

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

2 The 2023/24 audit process – lessons learnt

2.1 Although draft accounts were published by the 31 May 2023 deadline, the 2022/23 statement of accounts was never audited or published. As such, LFB entered the 2023/24 audit process with no audited prior year statements to start from; while the previous year (2021/22) had also had its problems, leading our auditors to make various recommendations which they then, naturally, wished to follow up on.

2.2 Compounding this problem, a high volume of staff turnover within Finance, exacerbated by further turnover during the audit process itself, meant that a lot of knowledge and expertise had been lost from the team.

2.3 Because of the combination of these factors, a lot of the work had to be developed from first principles rather than building on previous efforts; and this work was then closely scrutinised. As a result, the audit took longer than the team would have wished.

2.4 A more positive view would be that, in spite of these obstacles, the audit was completed to the satisfaction of the auditors before the final cut-off deadline and an appropriate opinion is anticipated (see paragraph 8.4 below.) Nevertheless, the team is keen to learn from this process and make improvements for the 2024/25 audit, especially as this will be against a backdrop of launching a new finance system (SAP) and key changes to accounting regulations, (notably IFRS16, which governs the treatment of leases.)

2.5 The lessons learnt, which will drive the necessary improvements, can be summarised as follows:

- building on current year models and processes
- making sure that, where possible, predictable requirements are prepared in advance
- clear and current documentation of processes
- clear expectations of what constitutes good-quality audit evidence and working papers
- face-to-face engagement with auditors, supported by regular office attendance
- improved corporate communications about deadlines and, more broadly, the message that audit concerns and involves the whole organisation, not just Finance

2.6 This will become more concrete as the preparations for the 2024/25 audit gather pace.

3 Statutory accounting framework

3.1 The Statement of Accounts for 2023/24 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".

3.2 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.

4 Statement of accounting policies

4.1 The accounting policies form part of the work carried out 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 ensures consistency in the financial figures being reported year on year.

5 Capital expenditure

5.1 In 2023/24, total spending on the capital programme for tangible and intangible assets was £28.4m (£19.2m in 2022/23). Spend included the rebuilding and modernising of fire stations and other buildings (£18.7m), upgrading ICT equipment (£2.0m), providing Respiratory Protective Equipment (£5.7m) and the purchase of fleet vehicles and equipment (£2.0m). Capital expenditure on assets (£28.4m) is to be financed in accordance with the Prudential Code, funded by capital receipts (£332k), borrowing (£26.8m), grants (£1.0m) and reserves (£250k):

5.2 The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2023/24 totalled £2.000m. As a result, as at 31 March 2024, the level of outstanding principal debt totalled £46.725m. The average interest payable on outstanding loans as at 31 March 2024 was 4.71% (4.71% at 31 March 2023).

6 Service income and expenditure

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

6.2 The figure for net service expenditure for 2023/24 shown in the table below excludes these accounting adjustments.

6.3 Following movements between the LFC's general fund and reserves, the general fund balance increased by £3.4m from £13.9m as at 1 April 2023 to £17.3m as at 31 March 2024 and the LFC's earmarked reserves decreased by £24.4m from £91.7m as at 1 April 2023 to £67.4m as at 31 March 2024.

LFC revenue	Budget FY2324	Outturn FY2324	Variance FY2324
	£'000	£'000	£'000
Operational staff	307,937	315,612	7,675
Other staff	73,093	73,342	249
Employee related	34,539	36,048	1,509
Pensions	20,773	23,005	2,232
Premises	48,266	48,013	(253)
Transport	18,820	19,904	1,084
Supplies and services	36,811	37,864	1,053
Third party payments	1,333	1,854	521
Capital financing costs	11,524	10,585	(939)
Central contingency against inflation	(49)	-	49
Total revenue expenditure	**553,047**	**566,227**	**13,180**
Other income	(57,947)	(64,685)	(6,738)
Net revenue expenditure	**495,100**	**501,542**	**6,442**
Use of reserves	(16,672)	(18,724)	(2,052)
Financing requirement	**478,428**	**482,818**	**4,390**
Financed by:			
Specific grants	(32,628)	(31,945)	683
GLA funding	(445,800)	(445,800	-
Net financial position	**-**	**5,073**	**5,073**

7 Pensions deficit

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 £5.531bn as at 31 March 2024 (31 March 2023 £5.503bn). 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.

8 Audit results report

8.1 The LFC's external auditor will shortly be issuing a draft Audit Results Report (ARR) which shows their audit findings. It is the intention of the external auditors, and the purpose of this report, to present that draft ARR to Commissioner's Board on 12 February 2025.

8.2 During the course of the audit, the Director for 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.

8.3 The Director for Corporate Services has agreed amendments and/or future actions with the external auditor on all matters arising from the audit.

8.4 Even though the 2023/24 accounts have undergone a thorough audit, the audit opinion is still affected by the Local Audit Reset and Recovery Implementation Guidance, which was issued in autumn 2024. Our auditors, EY, have confirmed that the only possible opinion in 2023/24 for the whole sector is a "disclaimer of opinion". Simply put, because the prior year was not audited, EY cannot place appropriate reliance on either the prior year figures or the opening balances for 2023/24. Instead, such reliance will need to be rebuilt gradually, over several audit periods. LFC is among the group least affected by this uncertainty, as only one year's accounts were unaudited, and the work done in the course of this audit has been so thorough on both sides. Therefore, an ambitious, but realistic, trajectory is as follows, and is now our goal:

- 2023/24 disclaimer of opinion (as for 2022/23)
- 2024/25 qualification (on a specific basis e.g. uncertainty around reserves)
- 2025/26 unqualified opinion (i.e. return to normal)

8.5 We have yet to receive the disclaimer wording from our auditors, which will be standard wording for the whole sector. This is currently being reviewed by EY and may not be available by the date of CB but will be reviewed by the Director for Corporate Services before signing the accounts.

9 Schedule of uncorrected misstatements

9.1 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 IFB: This is the expected position and will be finalised on conclusion of the audit. A verbal update on the schedule of uncorrected misstatements, if relevant, will be presented at the CB meeting on 12 February 2025. The schedule will also, if relevant, be attached to the CB report at Appendix 3.]

10 Audit and public inspection

10.1 EY commenced their audit on 13 June 2024 and the LFC's draft accounts were open to public inspection from 1 June 2024 to 12 July 2024 inclusive. 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.

10.2 No person or elector raised any objection to the LFC's accounts during the inspection period.

11 Letter of representation

11.1 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. This letter was prepared as part of the submission of the draft accounts as at 31 May 2024 and we do not anticipate any further changes.

12 Audit fee 2023/24

12.1 The best current information on the audit fee for 2023/24, subject to further updates from LFC's external auditors, EY, is as follows. The proposed audit fee includes a scale fee of £184,964 and then additional fees for the following, subject to approval by Public Sector Audit Appointments

(PSAA) at date of authorisation of 2023/24 accounts), Additional fee areas are:

- Lower materiality limit £30,000
- IFRS16 £10,000
- ISA 315 £20,000

12.2 The first of these areas reflects the concerns raised at the last full audit. A lower materiality limit means more items fall into scope for a more forensic level of review than in the last audit, and this additional work leads to additional fees.

12.3 The charge for IFRS 16 reflects the fact that this accounting standard will take full effect in 2024/25, and so part of the auditors' work this year will be to review LFB's preparedness for this implementation.

12.4 The last item, the revisions to ISA 315, will have an impact on the auditors' scope and approach as they evaluate the impact of IT on key processes supporting the production of the financial statements.

12.5 We are awaiting final confirmation of the proposed external audit fee for 2024/25 - a verbal update will be provided, if appropriate, at Commissioner's Board.

13 Annual Governance Statement (AGS)

13.1 The Annual Governance Statement provides an overview of the governance arrangements that were in place for the LFC during the year 2023/24 and is included with the Statement of Accounts. Resource capacity issues faced by the Accountancy section of the Corporate Finance team is a new addition to the AGS, by request of the external auditors.

14 Values comments

14.1 The LFC notes the Fire Standards Board requirements around adopting and embedding the Core Code of Ethics at an individual and corporate level. Following extensive engagement, the LFC has introduced Brigade values which build on and do not detract from the Code of Ethics. This report demonstrates the Brigade values as follows:

- **Service: we put the public first** – published accounts with an appropriate audit opinion build public and corporate confidence in LFB and allow us to see through our corporate aspirations without adverse scrutiny or challenge

- **Integrity: we act with honesty** – good-quality, audited accounts demonstrate our commitment to be transparent on our financial performance

- **Teamwork: we work together and include everyone** – external audit involves teams from across the organisation, inside and outside Finance, working towards a common goal

- **Equity: we treat everyone fairly according to their needs** – not directly addressed in this report

- **Courage: we step up to the challenge** – we set out our performance honestly

- **Learning: we listen so that we can improve** – we embrace lessons learnt and use prior-year information to improve performance going forwards

15 Equality comments

15.1 The LFC and the Deputy Mayor for Planning, Regeneration and the Fire Service are required to have due regard to thePublic Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.

15.2 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, andafter the decision has been taken.

15.3 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.

15.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:

- eliminate discrimination, harrassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
- 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.

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

15.6 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 dueregard, in particular, to the need to:

- tackle prejudice
- promote understanding.

15.7 An Equality Impact Assessment has not been completed as this report requires no decisions and only sets out the financial position of the LFC as part of the annual budgetary and audit processes of the LFC.

16 Other considerations

Workforce comments

16.1 No workforce implications have been identified therefore no formal consultation has been undertaken.

Sustainability comments

16.2 There are no direct sustainability implications arising from this report.

Procurement comments

16.3 There are no direct procurement implications arising directly from this report.

Communications comments

16.4 There are no direct communications implications arising directly from this report.

17 Financial comments

17.1 This report is prepared by the Assistant Director – Finance and, as such, financial comments have been incorporated into the report.

18 Legal comments

18.1 Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "LFC") 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 LFC specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.

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

18.3 This report asks the LFC 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.

18.4 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 for 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.

18.5 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.

18.6 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.

18.7 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.

18.8 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).

18.9 The Accounts and Audit (Amendment) Regulations 2021, 2022 and 2024 have amended the dates for compliance with the 2015 Regulations as set out in this report.

18.10 Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out how the Director for Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records.

18.11 The Director for Corporate Services is required by the Commissioner's Scheme of Governance, at part 6, paragraph 10, to "ensure the Commissioner approves the Statement of Accounts before 31 July" and "is responsible for the preparation of the Commissioner's statement of accounts." The decision in this report allows for the Director for Corporate Services to make limited amendments to the approved Statement of Accounts to allow for certification.

18.12 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.

List of appendices

Appendix	Title	Open or confidential*
1	Statement of Accounts 2023/24	No protective marking
2	Ernst & Young LLP draft Audit Results Report	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

Statement of Accounts 2023/2024

Contents

WRITTEN STATEMENTS AND NARRATIVE REPORT

Director for Corporate Services' Narrative Report

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 strategy is aligned with our organisational purpose, "trusted to serve and protect London" and our long-term vision, "we will be a dynamic, forward-looking organisation of fully engaged people at the centre of the communities we serve, adapting to the needs of London".

A number of internal and external factors 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 Brigade's Community Risk Management Plan (CRMP) – called *Your London Fire Brigade* - launched in January 2023. It sets out how we will deliver and transform our service over the period 2023-2029, so that we achieve our vision to be trusted to serve and protect London. *Your London Fire Brigade* includes **four pillars and eight commitments**, which address the public directly and explain to them how and why we are changing. The eight commitments form the basis of our eight transformation programmes.

The CRMP is based on extensive engagement with and feedback from the communities we serve and informed by the views of our staff. One of the most important things the CRMP does is operarationalise our Assessment of Risk in London and what we plan to do to help reduce and respond to those risks.

One of these commitments is that the LFB will work together to supply the best possible services to meet your needs. This includes wanting to have a culture that learns from its people and the people it serves. Page 5 of this statement sets out additional detail on the actions the LFB is taking to improve its workplace culture.

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 CRMP and has the power to direct the LFC but must act reasonably and must not cut across responsibilities of the LFC.

HOW THE LONDON FIRE BRIGADE IS GOVERNED

All formal decisions about the LFB are approved by the LFC. Some decisions must also be approved by the Mayor or Deputy Mayor of London. This includes approval of the Brigade's annual budget, and the CRMP, which sets out the Brigade's plan for protecting London.

The Deputy Mayor covering fire responsibilities also holds the LFC to account for the delivery of fire and rescue services in London, and is consulted on a variety of topics as part of the Brigade's formal decision-making processes.

HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

The London Assembly

The London Assembly provides scrutiny of the services provided to London by the Brigade. It does this through the Fire Committee (previously the Fire, Rescue and Emergency Planning Committee before the May 2024 local elections). The Fire Committee reviews the priorities of the London Fire Commissioner, and scrutinises and questions decisions made by the Commissioner and the Deputy Mayor for Planning, Regeneration and the Fire Service (previously the Deputy Mayor for Fire and Resilience).

His Majesty's Inspectorate of Constabulary and Fire & Rescue

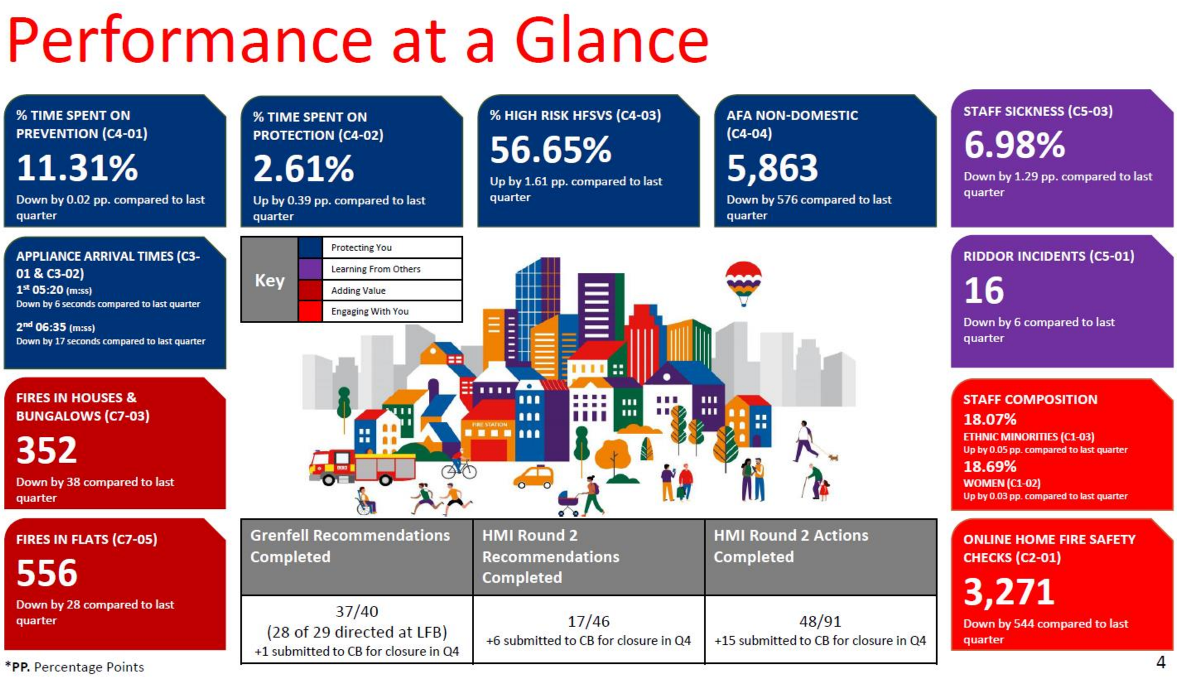
Scrutiny is also provided by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The HMICFRS regularly inspects the Brigade, makes judgments on the services provided to Londoners, and identifies areas of improvement for the LFC to act upon.

THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2023/24

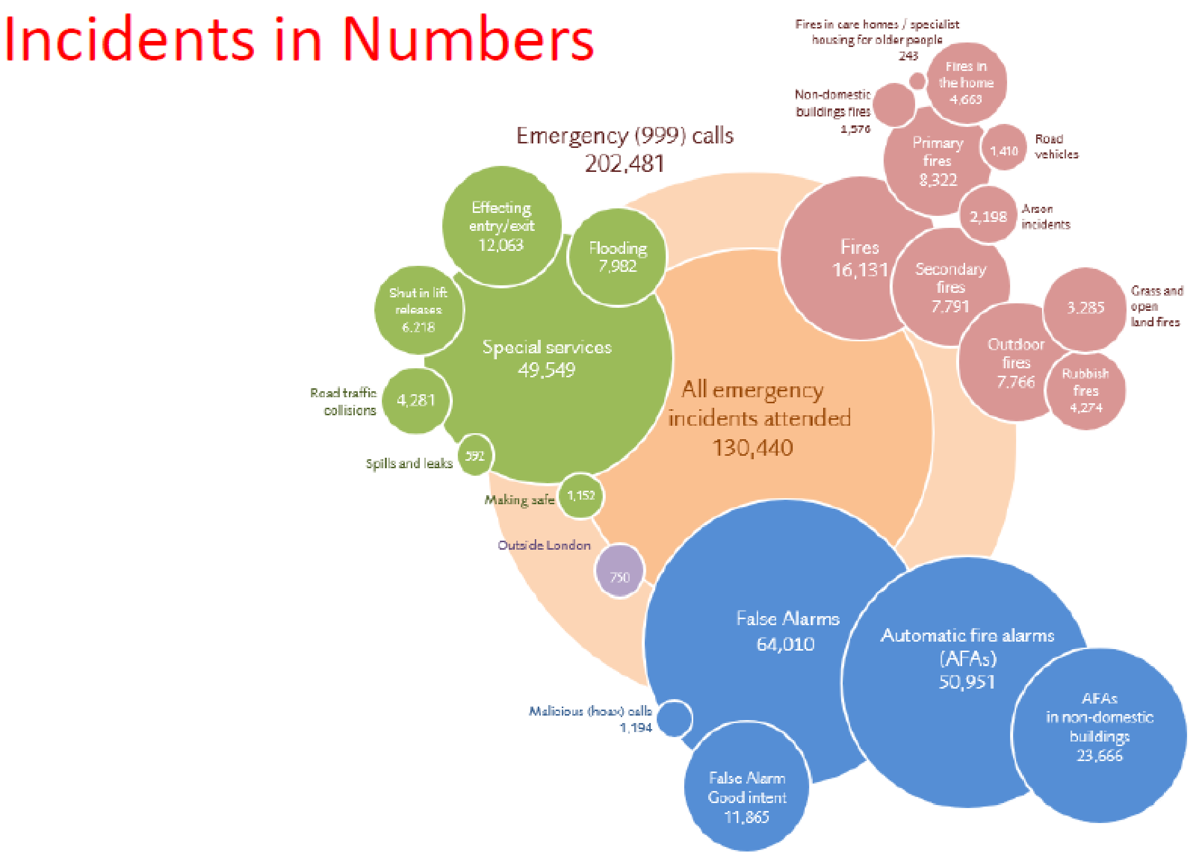
The full performance report can be found on the London Data Store at the below link:

https://data.london.gov.uk/dataset/lfb-financial-and-performance-reporting-2023-24

Highlights of the LFC's performance as at the 31 March 2024 include:



Incidents in Numbers for the 2023/24 Financial Year



12 month rolling data ending 31 March 2024

The Brigade has developed a set of key performance indicators (KPIs) to monitor progress against the pillars and commitments contained in the Community Risk Management Plan. The new KPIs, effective from April 2023, are scrutinised internally on a monthly basis at the Performance, Risk and Assurance Board, and quarterly at the Commissioner's Board, the Deputy Mayor for London's Fire Board (previously the Deputy Mayor's Fire and Resilience Board), LFC Audit Committee and the London Assembly's Fire Committee.

IMPROVING OUR WORKPLACE CULTURE

We want everyone in the Brigade to feel valued, safe and accepted in their workplace and to put public service at the heart of what we do. We're working hard to achieve that and have made significant progress.

We're listening and talking as we improve

- Our senior leaders are visiting every Watch and team to discuss our new values and what they mean. Our leaders also visited our people to discuss our culture after the publication of the review.
- We run online all staff briefings every month, focussing on important topics including culture.
- Our Commissioner speaks at four in-person briefings at Headquarters every year, and also joins department meetings, joint training sessions and fire stations.
- Last February our staff conference, Your LFB Live, focused on culture change; hearing and responding to the experiences of those with protected characteristics.
- We introduced a briefing for staff – Your LFB Update – which is sent every eight days and gives regular information about culture-related and other changes in the Brigade.

The effectiveness of the work carried out so far was recognised in a letter to the London Fire Commissioner written by Nazir Afzal OBE in December 2023. Nazir is the author of the Independent Culture Review published in November 2022. You can read his letter commending the progress made at the below link.

https://www.london-fire.gov.uk/media/8535/nazir-afzal-letter-to-commissioner-lfb-05-12-2023.pdf

We're moving forward

We're focusing our work to improve our workplace culture in five areas:

Build a leadership model of trust

- We've had conversations about culture with all frontline managers and leaders. These conversations have helped build understanding and a commitment to change.
- Our leaders are meeting more staff through a new programme and are sharing their learnings with their peers. This gives leaders more insight into the daily working lives of our staff.
- 130 of our leaders have completed inclusive leadership training.

Work with communities

- We know that if we can better understand what matters to the people we serve, we can work with them to create better solutions together. That's why our new community engagement strategy sets out how we will work with communities to shape services that meet their needs. This includes annual engagement about our Assessment of Risk.

- We've created Borough Risk Management Plans which are focused on the specific local risks and needs of each area. This focus on a local level means our plans are more closely aligned to the needs of local communities and help us to increase trust.
- Our new Community Forum meets each month and makes important contributions by providing insight directly from the people we serve.

Create a workplace where everyone is treated with dignity

- We've made it clear that we don't tolerate bullying, harassment and discrimination. In a first for a fire and rescue service, we have launched a Professional Standards Unit (PSU), supported by an independent complaints service. This unit sets, monitors and upholds professional standards across the Brigade and reports when these standards are not met. New grievance and disciplinary policies have been launched to underpin the new PSU.
- 57 cases have been independently reviewed as part of our Historic Case Review.
- We've introduced independent training for managers to help improve the handling of complaint hearings and appeals.
- Work is underway to introduce individual restrooms, with specified male, female and gender-neutral toilet and shower facilities, as part of our Privacy for All programme. This is a long-term initiative with significant financial and resource investment.
- We've improved maternity pay provision to be among the best in the fire and rescue sector. Mothers receive 39 weeks at full pay and 15 weeks at half pay.
- We've set up a clothing board to improve uniform for all staff. As part of the improvements, we're rolling out blue shirts for all our uniformed staff, and are working to improve our undress uniform and the Personal Protective Equipment (PPE) worn by our firefighters.
- Our new People Dashboard provides leaders with better access to information about their teams. That includes data on sickness, staff turnover, transfer requests and more, which can be used to identify potential areas of poor workplace culture.
- We've worked with hundreds of staff and community groups to develop and launch new values for the Brigade. These values give us a shared understanding of what London Fire Brigade stands for. The six values are: service, integrity, teamwork, equity, courage and learning.

Improve wellbeing

- Additional support is being provided to trainee firefighters when they're exposed to traumatic incidents. This includes counselling from our counselling and trauma service.
- Mental health training is being rolled out to 800 leaders, to better raise awareness of stress, anxiety and depression, so that they can confidently recognise and offer support to their staff and peers.
- We've commissioned detailed analysis to improve our wellbeing data, helping us identify mental health red flags and provide support earlier.
- Peer-to-peer support has also been increased as we continue to train Mental Health First Aiders (323 have been trained to date) and have introduced peer trauma support training.
- We've been working with Samaritans to improve our understanding of suicide and plan to introduce a suicide 'postvention' toolkit, created by the Samaritans, who have been talking to people across the Brigade about their own experiences.

Transform People Services

- Our People Services department has been transformed. Phase 1 focused on the transactional HR services and is complete while Phase 2 focuses on Organisational Development and completes by end June. The new HR service and associated processes are being communicated to staff.
- The Professional Standards Unit has received over 100 contacts since its launch in January 2024.
- We launched a new procedure for promotion which makes the process more transparent and consistent. We will continue to develop this in order to build trust with our staff.
- We are reviewing all our People Services policies, starting with disciplinary, grievance and promotion policies.

What we're doing next

We're confident that improving our culture, and in particular our new values, now run through all our transformation work and will continue to be a consideration in all the changes we're making.

Here is what's coming up next:

- A conference for leaders from Black, Asian and ethnic minority backgrounds.
- Expanding our mental health support for staff through our Mental Health First Aiders programme.
- Transforming People Services (our Human Resources department) is one of the biggest projects within our culture change programme so there will be more improvements in this area that will support everything we are doing.
- There will be further improvements to uniform, working environments and training and we'll continue to seek feedback from staff and communities throughout.
- Changing how we vet current and future staff, using new powers provided by the government.

MAJOR EVENTS AND CAMPAIGNS

King's Coronation

On the 6th of May 2023 the London Fire Brigade joined the world to celebrate the Coronation of His Majesty The King and Her Majesty The Queen Consort.

London Fire Commissioner Andy Roe said: "London Fire Brigade staff have worked hard to make sure those attending can celebrate safely. We have been working with our blue light partners to support the preparations to protect Londoners and tourists attending the event. Thousands of fire risk assessments and inspections have been carried out at premises across London. This includes transport hubs that many will travel into, as well as shops, restaurants, businesses and key venues that support delivery of the event."

Holey Hoses

Following a review, London Fire Brigade unveiled brand new firefighting equipment to tackle the increasing risk of wildfires following the record-breaking extreme weather in July 2022.

The LFB saw the devastating impact grass fires and wildfires had on our open spaces and communities. The grass fires were an example of how firefighters are increasingly being challenged by new extremes of weather as the climate changes.

As an example, the Holey Hose is a new tool the Brigade hopes will help restrict the amount of damage caused by these fires. It is a type of fire service hose which has pre-prepared holes that create a curtain of water reaching up to two metres high. When a fire is spreading across land, the hose will be deployed to protect life and property. This hose can be called upon in addition to existing equipment such as traditional firefighting hose and beaters.

The Holey Hoses can be rolled out by all our firefighters, who have been undergoing enhanced wildfire response training in preparation for what could be another challenging summer.

ChargeSafe Campaign

Fires involving e-bike and e-scooter batteries are London's fastest growing fire trend and on average there was a fire every two days in 2023. Throughout the year, the Brigade continued to raise awareness of the risk of these fires and public polling shows the proportion of Londoners aware of e-bike and e-scooter fires has increased by a third since the LFB's campaign began to almost six in ten people (58%) by September 2023.

In 2024, the LFB will continue its campaign and push for regulatory changes to better protect Londoners, working with the Home Office, Electrical Safety First, the Office for Product Safety and Standards, as well as Amazon and Deliveroo and other users of lithium-ion batteries.

RESPONDING TO MAJOR REVIEWS

Improving for London

The LFB has been making improvements throughout the services it provides, including in response to the Independent Culture Review and our review of the summer 2022 heatwave, both of which are mentioned above.

London Fire Brigade has been evolving and improving to better support the communities we serve. 2024 will see us continue this journey with energy and passion so that we can be trusted to serve and protect our capital.

Grenfell Tower Inquiry

On 13 March 2024 the LFB announced that it had completed all 29 of the recommendations from Phase 1 of the Grenfell Tower Inquiry. Improvements include changes to firefighter training, refreshed processes for managing major incidents and the introduction of innovative technology to support firefighting.

Specific examples include:

New equipment

London Fire Brigade has replaced the entire fleet of high-reach vehicles and introduced new 64 metre Turntable Ladders, the tallest ladders in service across Europe. New command units equipped with technology to improve incident commanders' ability to respond at the incident ground entered service at the end of 2023.

Over 200 people have been rescued using escape hoods since their introduction in 2018. London's firefighters are amongst the first in the UK to carry them and they offer the public protection from toxic smoke.

Improved communication

The latest upgrades and new fire ground radios allow firefighters wearing helmets and breathing apparatus (BA) sets to communicate effectively with their teams and entry control officers when inside buildings.

Drones are also used to transmit information about incidents. The drones provide live images and thermal imagery to better allow incident commanders to develop tactics to tackle fires. The drones can also act as a loudspeaker to provide instructions or reassurance and provide light in dark conditions.

Better processes

Changes have been implemented across the Brigade, enabling LFB to respond to the most challenging emergencies. This includes control officers benefitting from improved training on providing fire survival guidance, as well as software that allows members of the public to provide control officers with a video feed from an incident.

His Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS)

Following an inspection in August 2023, HMICFRS closed the cause of concern for prevention in relation to how LFB prioritised Home Fire Safety Visits (HFSVs). The decision recognised the progress LFB had made in rolling out a new approach to HFSVs. This included the development of a prevention strategy; creation of an effective system for assessing levels of risk and prioritising HFSVs; and development of a plan to address a backlog of HFSVs. Our Home Fire Safety Checker is available for everyone, providing bespoke advice for individual homes, and has been used by more people during 2023/24 than in 2022/23.

HMICFRS continuously monitors the performance of all fire and rescue services in England. The monitoring process consists of two stages: Scan and Engage. All fire and rescue services are in routine monitoring under the Scan stage by default, but may be escalated to enhanced monitoring under the Engage stage if they are not effectively addressing the inspectorate's concerns.

London Fire Brigade was moved into Engage in December 2022 linked to the cause of concern regarding culture.

In March 2024 HMICFRS took the decision to remove LFB from enhanced monitoring (Engage). This decision follows an inspection carried out by HMICFRS between 19 -22 February 2024 in relation to the cause of concern regarding culture. The Inspectorate recognised that LFB has made several improvements, including:

- clear involvement of staff in developing values, with significant work to communicate values to staff;
- most staff felt senior leaders displayed brigade values;
- clear commitment to improve leadership skills among managers through an ongoing programme of leadership training;
- clear progress in the Brigade's ongoing plan to improve its human resources function;
- improved processes to deal with behaviours such as bullying and discrimination, including establishing a Professional Standards Unit;
- a comprehensive plan in place to improve vetting of brigade staff; and
- assurance in the sustainability of the Brigade's plans to change its culture.

His Majesty's Chief Inspector of Fire & Rescue Services Andy Cooke said:

"I am pleased with the progress that London Fire Brigade has made so far. Whilst there is still more to do, I have decided to remove the brigade from our enhanced level of monitoring, known as Engage, and return it to routine monitoring.

"I am reassured by the plans London Fire Brigade has in place to continue making improvements. The brigade will be inspected again this summer, when we will assess its progress to make sure the people of London are getting the service they deserve from their fire and rescue service."

London Fire Commissioner Andy Roe said:

"The Inspectorate's decision recognises the significant amount of work that has been undertaken over the last 15 months since the Independent Culture Review. I want to take the opportunity to thank the whole Brigade. This is important recognition for so many of our staff that go about their work professionally every day. I am proud that our core values are rooted in our incredible history which shows our staff's courage and commitment to London."

"There is still more to do. As Commissioner, I have always been clear that the work to ensure that we have a safe and dignified workplace culture can never stop. I look forward to the Inspectorate, our staff and Londoners continuing to hold us to account."

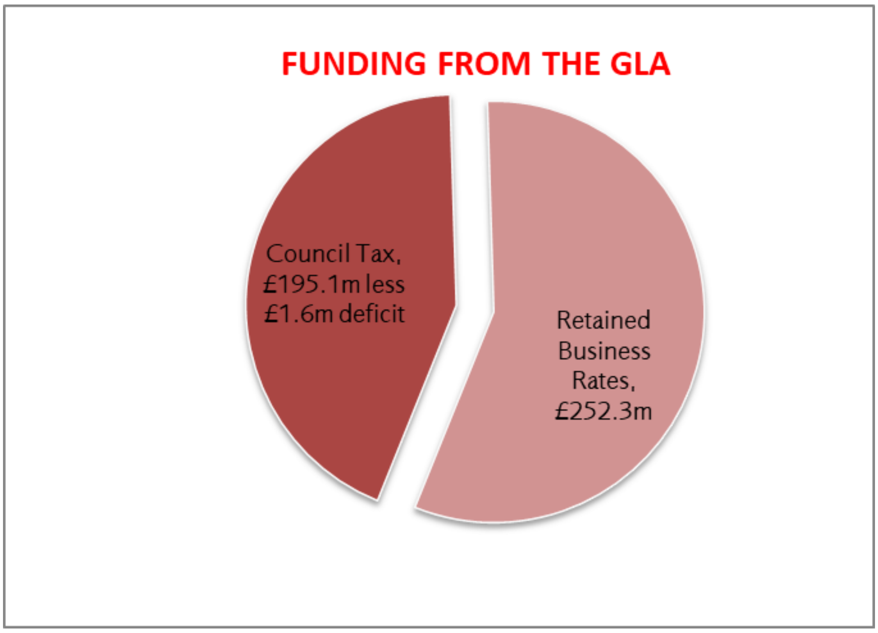
We look forward to our next full inspection in June 2024.

FINANCIAL PERFORMANCE

CORE FUNDING

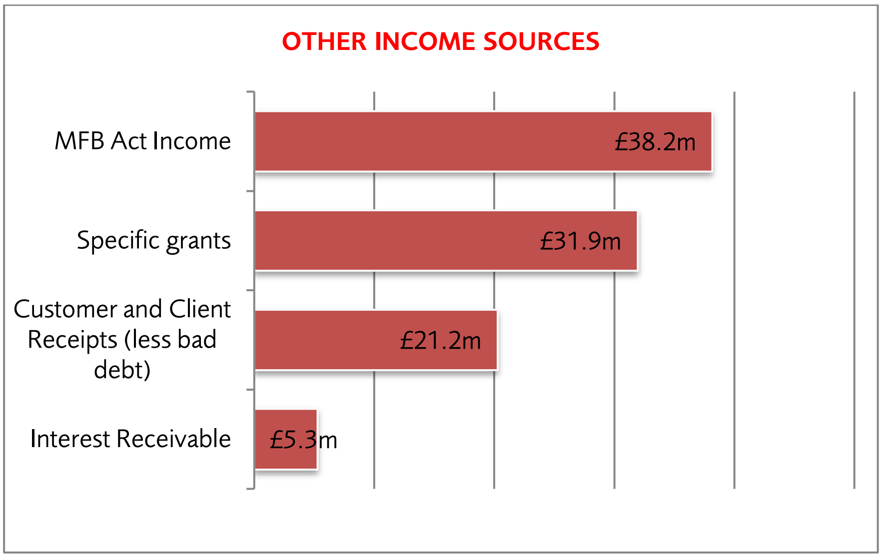
As one of the Greater London Authority's functional bodies the LFC's core funding is set and provided by the Mayor of London. This funding is provided through a mix of council tax, retained business rates and government grants which provided funding of £445.8m in 2023/24 (£421.8m in 2022/23). The GLA also required the LFC to use £1.6m of reserves as part of its core funding in 2023/24 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 £62.48 in 2023/24, or £1.20 a week (£58.80 in 2022/23, or £1.13).



Income

The LFC also received 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 £96.6m after a £0.8m reduction for bad debt. (£92.4m in 2022/23).



REVENUE EXPENDITURE

This combination of core funding from the GLA and other income provided total funds of £542.4m in 2023/24 (£514.2m in 2022/23). After including a net draw from reserves of £18.7m this provided for expenditure of £561.1m.

Total expenditure net of reserve funding in 2023/24 was £566.2m, £5.1m more than budgeted. This will be covered by the Budget Flexibility Reserve. The breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£315.6m) and Other Staff (£73.3m). Expenditure increased from 2022/23 levels because of inflation and pay awards.

The largest variance in 2023/24 relates to Operational staff with this largely being driven by the impact of operational overtime in Fire Stations (albeit at a much reduced level compared to 2022/23. In 2022/23, there was an overspend on operational overtime of around £12.5m (excluding National Insurance), the largest component of which was due to Pre- Arranged Overtime (PAO); following a range of actions the outturn overspend for 2023/24 is £6.8m, a reduction of £5.7m.

2022/23 Budget £'000	2022/23 Outturn £'000	2022/23 Variance £'000	LFC Revenue	2023/24 Budget £'000	2023/24 Outturn £'000	2023/24 Variance £'000
282,257	302,698	20,441	Operational staff	307,937	315,612	7,675
73,012	70,736	(2,277)	Other staff	73,093	73,342	249
27,323	26,693	(630)	Employee related	34,539	36,048	1,509
21,772	21,532	(240)	Pensions	20,773	23,005	2,232
47,343	39,905	(7,437)	Premises	48,266	48,013	(253)
17,342	18,457	1,115	Transport	18,820	19,904	1,084
31,968	31,460	(508)	Supplies and services	36,811	37,864	1,053
1,694	1,299	(395)	Third party payments	1,333	1,854	521
9,624	9,733	109	Capital financing costs	11,524	10,585	(939)
3,883	-	(3,883)	Central contingency against inflation	(49)	-	49
516,218	**522,513**	**6,296**	**Total revenue expenditure**	**553,047**	**566,227**	**13,180**
(48,019)	(54,582)	(6,563)	Other income	(57,947)	(64,685)	(6,738)
468,198	**467,931**	**(267)**	**Net revenue expenditure**	**495,100**	**501,542**	**6,442**
(7,601)	(7,601)	-	Use of reserves	(16,672)	(18,724)	(2,052)
460,597	**460,330**	**(267)**	**Financing Requirement**	**478,428**	**482,818**	**4,390**
			Financed by:			
(38,797)	(37,847)	950	Specific grants	(32,628)	(31,945)	683
(421,800)	(421,800)	-	GLA funding	(445,800)	(445,800	-
-	**683**	**683**	**Net Financial Position**	**-**	**5,073**	**5,073**

CAPITAL EXPENDITURE

Total capital expenditure in the year was £28.4m, of which £250k was funded by reserves, £332k was from capital receipts, £1,046k from grants, with the remainder being funded by borrowing (£26.8m).

The were two main areas of spend, i.e. Property (63%) and Operational Policy Equipment (20%).

Outturn 2022/23 £'000	LFC Capital	Outturn 2023/24 £'000
194	ICT Projects	2,047
12,219	Property Projects	18,677
6,739	Fleet and Equipment Projects	1,997
-	Operational Policy Equipment	5,668
19,152	**Total capital expenditure**	**28,389**
	Financed by:	
-	Reserves	250
64	Capital Receipts	332
-	Grants /Contributions	1,046
19,088	Use of existing reserves / Borrowing	26,761
19,152	**Total**	**28,389**

RESERVES

The LFC had total usable reserves of £84.9m as at 31 March 2024, comprising £17.3m in general reserves, £67.4m in earmarked reserves, and £0.2m in unapplied capital grants. A detailed breakdown of forecast composition and movements in the reserve balances is included elsewhere within the Statement of Accounts.

The general reserve is maintained at a minimum of 3.5% of the net revenue expenditure (£495.1m in 2023/24) of £17.3m, 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 2023/24 financial year, including transfers into earmarked reserves, the general reserve was supplemented by a transfer from the Budget Flexibility Reserve to return it to the minimum level. The use of reserves in future years are as per the approved published Budget Report for 2023/24 and is included in Note 31 Going Concern.

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 tables.

Revenue

	2024/25 £m	2025/26 £m	2026/27 £m
Operational Staff	340.3	346.7	351.9
Other Staff	79.7	81.3	82.9
Staff Related	32.8	33	37.2
Firefighter Pension Scheme	20.8	20.8	20.8
Premises	48.2	48.8	49.4
Transport	19.6	19.6	19.6
Supplies and Services	37.1	39.1	41.6
Third Party	1.3	1.3	1.3
Financing	16	19.8	23.2
Income	(50)	(50.5)	(51.0)
Surplus (+) / Savings (-) still to be achieved	0.0	(1.9)	(16.2)
Net Revenue Expenditure Total	**545.8**	**558**	**560.7**
Funding			
Reserves (excl. BFR)	18.5	12.2	0.0
Budget Flexibility Reserve (BFR)	5.4	4.9	0.0
Total – Reserves	**23.9**	**17.1**	**0.0**
Specific Grants	26.8	26.8	26.8
Budget – Mayoral Funding	**495.1**	**514.1**	**533.9**

Capital

Project	**2024/25**	**2025/26**	**2026/27**
	£m	**£m**	**£m**
Capital Schemes			
Properties	25.5	39.2	28.0
Fleet Replacement Plan	2.0	7.3	4.0
ICT Projects	3.8	3.3	5.1
Communications Project	0.1	0.3	0.3
Operational Policy Equipment	1.1	0.0	0.0
Assumed 10% Optimism Bias	-3.2	-5.0	-3.7
Total Expenditure	**29.3**	**45.1**	**33.7**
Funded by:			
Reserve	0.5	0.0	0.0
Capital Receipts	0.0	11.3	0.0
Borrowing	28.8	33.8	33.7
Total Funded Financing	**29.3**	**45.1**	**33.7**

The plans show a balanced revenue budget in 2024/25, a budget gap of £1.9m in 2025/26 and a budget gap of £16.2m in 2026/27 (largely due to substantial investment in modern firefighting / training, for which discussions have started with local and national government regarding sustainable funding sources). These figures are as per the approved published Budget Report for 2024/25 (LFC–24-027).

FINANCIAL CHALLENGE

The final Local Government Finance Settlement for 2024/25 was published on the 5 February 2024. There remains considerable uncertainty in the medium term regarding future funding levels, including any revision of the fire formula as part of the fair funding review.

The budget estimates for 2024/25 to 2026/27 include assumptions for pay and inflation. Actual inflation rates now being observed continue to be above previous estimates and are resulting in increased financial pressures over the planning period, albeit they have been falling recently.

This position will continue to be reviewed as part of budget setting for future years, which will be done alongside work to deliver the new Community Risk Management Plan.

RISK MANAGEMENT

The Brigade's internal risk management framework has been in operation since May 2021 and enables the organisation to identify and manage significant risks. The framework is applied across directorates and departments where risks are evaluated for their likelihood and impact and which places them in the framework at either the corporate, directorate or departmental level, whereby they can be monitored, managed, and scrutinised effectively. Risks and risk management action at corporate and directorate level have been reviewed at appropriate monthly board meetings, and at Commissioner's Board at least quarterly. The Annual Governance Statement sets out the steps we are taking to continuously improve our approach to risk management.

The Brigade has a 5x5 matrix approach to risk scoring in line with good practice. The matrix allows for greater granularity in risk assessment and enables the Brigade to compare its risks to other organisations (including our GLA partners) to spot common threats as well as providing clarity on unique risks to the Brigade. The approach is supported by 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 Director Scrutinised by LFC and Audit Committee
Directorate risks (Risk score of 10 to 16)	Owned by Head of Service Scrutinised by Director
Departmental risks (high) (Risk score of 4 to 9)	Owned by Lead Officer Scrutinised by Head of Service
Departmental risks (low) (Risk score of 1 to 3)	Owned by Lead Officer Scrutinised by Head of Service

CORPORATE RISKS

The highest rated corporate risks below are shown with their current scores (with controls applied) and RAG-ratings. The risks are Red-rated but for each one there are a suite of actions in place aimed at ultimately reducing the likelihood of the risks transpiring (i.e. becoming issues) and/or any consequential impacts.

Ref	Risk description	L	I	Score
ICT19	Supply chain attack against an LFB supplier that compromises the confidentiality, integrity, and availability of LFB data held within the third-party system; has potential to cause severe impact to services if critical systems and data are affected	5	4	**20**
OP7	In an emergent and unregulated alternative fuels market, the Brigade is unable to keep pace with new fire and rescue responses to alternative fuel technology applications, complex fire dynamics and commercial uptake which potentially exposes the safety of our staff and the public at incidents.	4	5	**20**
ORC18	Increasing geo-political tensions lead to protracted and/or violent demonstrations in London (including terrorist activity) placing significant increased demand on services and the safety of our staff, impacting the Brigade's resilience and potentially resulting in a degradation of service	5	4	**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	4	5	**20**
P3	The culture of LFB does not provide a safe, modern workplace where everyone is treated with dignity and respect negatively impacting on staff wellbeing and retention, damaging stakeholder trust and engagement, and preventing the LFB from delivering sustainable positive change	4	5	**20**
PS13	Ineffective workforce planning processes (including lead in times for specialist skills) results in a resource and skills gap across all staff groups that negatively impacts our service delivery	4	5	**20**

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 2023/24. 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 for 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'.

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 or receiving a top up grant to meet a deficit from the Home Office.

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 2023/24, total spending on the capital programme for tangible and intangible assets was £28.4m (£19.2m in 22/23). Spend included the rebuilding and modernising of fire stations and other buildings (£18.7m), upgrading ICT equipment (£2.0m), providing Respiratory Protective Equipment (£5.7m) and the purchase of fleet vehicles and equipment (£2.0m). Capital expenditure on assets (£28.4m) is to be financed in accordance with the Prudential Code, funded by capital receipts (£332k), borrowing (£26.8m), grants (£1.0m) and reserves (£250k).

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2023/24 totalled £2.000m. As a result, as at 31 March 2024, the level of outstanding principal debt totalled £46.725m. The average interest payable on outstanding loans as at 31 March 2024 was 4.71% (4.71% at 1 April 2023).

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 (£445.8m) made up of the following elements: Retained Business Rates (£252.3m), Council Tax (£195.1m), offset by a £1.6m 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 2023/24 was £566.2m against a budgeted net expenditure sum of £561.1 including £21.4m in agreed use of reserves. The outturn position after application of reserves and grants was £5.1m more than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance increased by £3.4m from £13.9m as at 1 April 2023 to £17.3m as at 31 March 2024 and the LFC's earmarked reserves decreased by £24.4m from £91.7m as at 1 April 2023 to £67.4m as at 31 March 2024.

The £5.1m overspend 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 2024, is £5.040bn (31 March 2023 £5.045n). This is the sum of the LFC's liabilities in both schemes arising from pension benefits accrued by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the LFC.

The movement in the pension liability between years, an increase of £0.028bn relates mainly to the long-term liability for the firefighter schemes, as assessed by the LFC's actuary. The increase relates to a re-measurement of the schemes net defined liability considering the changes in demographic and financial assumptions (including interest rates).

FURTHER INFORMATION

Further information concerning the accounts is available from:

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

Mostaque Ahmed FCA
Director for Corporate Services and Chief Financial Officer
25 February 2025

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 for 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 FOR CORPORATE SERVICES – RESPONSIBILITIES

The Director for 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 for 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 for 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 FOR CORPORATE SERVICES

I hereby certify that the Statement of Accounts on pages 22 to 129 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 2024.

M. Ahmed

Mostaque Ahmed FCA
Director for Corporate Services

Dated 25 February 2025

Audit Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON FIRE COMMISSIONER

DISCLAIMER OF OPINION

We were engaged to audit the financial statements of The London Fire Commissioner ('the Authority') for the year ended 31 March 2024. 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 2023/24.

We do not express an opinion on the accompanying financial statements of the Authority.
Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

BASIS FOR DISCLAIMER OF OPINION

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for The London Fire Commissioner was not completed for the reasons set out in our disclaimer of opinion on those financial statements dated 21 November 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer of opinion in the prior year and the scope of our audit work which was impacted by the backstops date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances and the closing reserves position.

- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet.
- in the cash flow statement and accompanying notes: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet.

MATTERS ON WHICH WE REPORT BY EXCEPTION

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Authority.

We report to you if:

- 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 Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024

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 22, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFALASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, 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 Authority's ability to continue as a going concern, disclosing. as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or 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 responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, 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 f Audit Practice in satisfying ourselves whether the London Fire Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 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 Authority'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 the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of London Fire Commissioner.

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 The 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 85 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 Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Lazarus
Ernst & Young LLP

Ben Lazarus (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
London
26 February 2025

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 2024. 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 2023/24 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 –

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 which are 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, or 'MRP'), by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves statement for the difference between the two.

EVENTS AFTER THE BALANCE SHEET DATE

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

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

PRIOR PERIOD ADJUSTMENT

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

FAIR VALUE MEASUREMENTS

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

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

The LFC must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the 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 LFC's 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 London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF), used by the Authority to maximise liquidity and investment return.

The GLA has delegated LTLF 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 decisions to the Section 127 Officer *cum* Director for 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 LTLF drawdown procedure, therefore, LTLF 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.

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 (issued in January 2016) 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 IFRS 16 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. Local authorities are also advised to reflect, in their financial statements for 2023/24, an estimate of the impact this change is likely to have – and therefore these accounts reflect this recommendation in the required section.
- classification of liabilities as current or non-current (amendments to IAS 1) issued in January 2020
- lease liability in a sale and leaseback (amendments to IFRS 16) issued in September 2022
- non-current liabilities with covenants (amendments to IAS 1) issued in October 2022
- international tax reform: Pillar Two model rules (amendments to IAS 12) issued in May 2023
- supplier finance arrangements (amendments to IAS 7 and IFRS 7) issued in May 2023

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.

2022/23				2023/24			
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Comprehensive Income and Expenditure Statement**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Note**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
440,208	(85,430)	354,778	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	396,986	(87,621)	309,365	
		354,778	**Cost of services**			**309,365**	
19,039	(64)	**18,975**	Other operating income & expenditure	(2,283)	(1,378)	(3,661)	3
5,248	-		Interest payable and similar charges	4,846	-		10
-	(3,491)		Interest and investment income	-	(5,278)		10
180,820	-		Firefighter pensions net Interest on the net defined benefit liability	229,990	-		28
4,974			Support staff pension net interest on the net defined benefit liability	458			28
191,042	**(3,491)**	**187,551**	Financing and Investment Income and expenditure	**235,294**	**(5,278)**	**230,016**	
	(421,800)		GLA Grant		(445,800)		22
	(3,739)		PFI Grant		(3,732)		22
-	**(425,539)**	**(425,539)**	Taxation and Non-Specific Grant Income	**-**	**(449,532)**	**(449,532)**	
		135,765	**(Surplus) or Deficit on Provision of Services**			**86,188**	18
		(38,605)	Surplus on revaluation of non-current assets			53	4
		(2,123,242)	Re-measurement of the net defined benefit liability			(63,925)	4
		(2,161,847)	**Other Comprehensive Income and Expenditure**			**(63,872)**	
		(2,026,082)	**Total Comprehensive Income and Expenditure**			**22,316**	

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	General Fund	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 01/04/23	**(13,871)**	**(91,745)**	**(205)**	**(105,821)**	**4,664,563**	**4,558,742**	
(Surplus) or deficit on provision of services (accounting basis)	86,188	-	-	**86,188**		86,188	
Other Comprehensive Income & Expenditure		-	-		(63,872)	(63,872)	4
Total Comprehensive Income and Expenditure	**86,188**	**-**	**-**	**86,188**	**(63,872)**	**22,316**	
Adjustments between accounting basis & funding basis under regulations	**(65,236)**	**-**	**-**	**(65,236)**	**65,236**	-	*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**20,952**	**-**	**-**	**20,952**	**1,364**	**22,316**	
Transfers (to)/from Earmarked Reserves	(24,381)	24,381	-	-	-	-	7
Increase/(Decrease) in Year	**(3,429)**	**24,381**	**-**	**20,952**	**1,364**	**22,316**	
Balance as at 31/03/24	**(17,300)**	**(67,364)**	**(205)**	**(84,869)**	**4,665,927**	**4,581,058**	

Movement in Reserves Statement (MiRS) (continued)

The following table provides comparative figures for 2022/23:

Movement in Reserves	General Fund	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 31/03/22	**(11,753)**	**(101,624)**	**(205)**	**(113,581)**	**6,698,405**	**6,584,824**	
(Surplus) or deficit on provision of services (accounting basis)	135,765			**135,765**		**135,765**	
Other Comprehensive Income & Expenditure					**(2,161,847)**	**(2,161,847)**	4
Total Comprehensive Income and Expenditure	**135,765**			**135,765**	**(2,161,847)**	**(2,026,082)**	
Adjustments between accounting basis & funding basis under regulations	**(128,005)**		**-**	**(128,005)**	**128,005**	-	*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**7,760**	**-**	**-**	**7,760**	**(2,033,842)**	**(2,026,082)**	
Transfers (to)/from Earmarked Reserves	(9,879)	9,879		-		-	7
Increase/(Decrease) in Year	**(2,119)**	**9,879**	**-**	**7,760**	**(2,033,842)**	**(2,026,082)**	
Balance as at 31/03/23	**(13,872)**	**(91,745)**	**(205)**	**(105,821)**	**4,664,563**	**4,558,742**	

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 is 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'.

These financial statements replace the unaudited financial statements confirmed by Mostaque Ahmed FCA on 25 February 2025.

31 March 2023			31 March 2024		Note
£'000	£'000	Balance Sheet	£'000	£'000	
		Property, Plant and Equipment			
242,852		Land	236,559		
197,096		Buildings	201,446		
50,652		Vehicles, Plant and Equipment	66,569		
15,805		Non-Operational Assets	20,070		
19,478		Non-Operational Assets – Other	12,645		
1,432		Heritage Assets	1,432		
	527,315			**538,721**	9
721	**721**	Intangible Assets	446	**446**	9
66	**66**	Long Term Debtors	247	**247**	
	528,102	**Long Term Assets**		**539,414**	
640		Inventories	1,264		
43,235		Short Term Debtors	52,739		12
88,586		Cash and Cash Equivalents	26,515		13
-		Short Term Investments	1,823		
	132,461	**Current Assets**		**82,341**	
(2,058)		Short Term Borrowing	(3,520)		10
(59,573)		Short Term Creditors	(53,863)		14
(4,787)		Short term provisions	(10,521)		15
(1,557)		Short Term Liabilities	(1,583)		
	(67,975)	**Current Liabilities**		**(69,487)**	
(14,760)		Long term provisions	(9,838)		15
(47,114)		Long Term Borrowing	(43,594)		11
(5,089,456)		Other Long Term Liabilities	(5,079,894)		25
	(5,151,330)	**Long Term Liabilities**		**(5,133,326)**	
	(4,558,742)	**Net Assets**		**(4,581,058)**	
	(105,821)	Usable reserves		**(84,869)**	16
	4,664,563	Unusable Reserves		**4,665,927**	17
	4,558,742	**Total Reserves**		**4,581,058**	

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 2024.

M. Ahmed

Mostaque Ahmed *FCA*
Director for Corporate Services

Date 25 February 2025

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.

2022/23 £'000	Cash Flow Statement	2023/24 £'000	Notes
97,160	**Net (Surplus) or Deficit on the Provision of Services**	**86,241**	
(111,049)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(57,997)	32
64	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	1,378	34
(13,825)	**Net cash flows from Operating Activities**	**29,622**	
19,088	Investing Activities	28,834	34
22,578	Financing Activities	3,615	34
27,841	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**62,071**	
116,427	Cash and cash equivalents at the beginning of the period	88,586	13
88,586	**Cash and Cash Equivalents at the End of Period**	**26,515**	

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:

PROVISION – GRENFELL TOWER CLAIMS

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. The majority of damages claims have now been settled but approximately 100 remain and associated costs still need to be resolved.

These provisions are measured at the LFC's best estimate of the liability as at the date of authorisation of these accounts. These estimates include the estimated value of the settlements and the share for which the LFC may be liable. 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	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 under Construction) as at 31st March 2024 is £526.1m (£507.8m at 31 March 2023). A full valuation of all Fire Stations was carried out as at 31 March 2024. The following issues result in heightened estimation uncertainty: • Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology. • Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £11.8m and £9.8m respectively.
Pension Liability	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters' scheme) to provide the LFC with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2024 is £5,040m (£5,045m at 31 March 2023).	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 7.0% increase in the pension liability, in the region of £354m. 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.

<table>
<tr>
<td>Public Liability Provision</td>
<td>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 relevant legal costs, alternative dispute resolution ("ADR") and the share of costs for which the LFC is liable. The current carrying value of the provision based on the above assumptions is £5,825k.

The LFC ,together with other Defendants, has participated in two successful confidential ADR processes, which have resolved the employers' liability claims and most of the damages claims from members of the public (PL), in particular most claims from the bereaved survivors and residents. The associated costs for the PL claims are still to be resolved. LFC is not directly involved in any ADR processes for the remaining PL claims but will be making a contribution to any settlements, which it is expected will be achieved without litigation. Therefore, uncertainty remains over the amounts which will be required to settle these claims (including costs) and the extent of LFC's potential liability.

LFC anticipate that the remaining claims will be settled and damages paid this financial year (24/25) with costs paid by the end of the next financial year unless they have to be resolved by a costs judge.</td>
<td>Significant changes in any of the estimated inputs would result in a significantly lower or higher settlement value for the claims.

The effects of changes in individual assumptions can be measured.

A 10% increase in the settlement value due to claims outside of the ADR process would result in an approximate £225k increase in the public liability provision. No provision was previously for these claims; the provision does now include an allowance for BLJ claimants.

A 10% increase or decrease in the legal costs of the public liability will increase or decrease the total provision by £403k.
<table>
<tr><th></th><th>Best case scenario</th><th>Current scenario</th><th>Worst case scenario</th></tr>
<tr><td>10% changes in settlement value for claims outside of ADR</td><td>£5,600</td><td>£5,825</td><td>£6,050</td></tr>
<tr><td>10% changes in legal cost</td><td>£5,421</td><td>£5,825</td><td>£6,228</td></tr>
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Note 3 Other operating expenditure

Material items of income and expenditure

The LFC collected £38.2m (£35.4 in 2022/23) 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'. This is an ongoing item and is LFB's most significant source of income outside the Mayoral grant.

The material "one-off" items affecting the comprehensive income and expenditure statement are summarised in the table below.

2022/23 *£'000*	Other operating expenditure	2023/24 *£'000*
(64)	Proceeds from disposal of non-current assets in year	(332)
	Capital Grants Received	(1,046)
19,039	Impairment of fixed assets	(2,283)
18,975	**CIES - Other operating expenditure/(income)**	**(3,661)**

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:

2022/23 £'000	2022/23 £'000	Surplus or deficit on revaluation of non-current assets and actuarial (gains)/losses on pension assets/liabilities	2023/24 £'000	2023/24 £'000
(38,605)		Gain on the revaluation of property assets	53	
		Loss on the revaluation of property assets		
	(38,605)	**Surplus on revaluation of non-current assets**		**53**
(1,926,090)		Actuarial (gains)/losses on firefighter pension liabilities	(28,290)	
(197,152)		Actuarial (gains)/losses on LGPS pension assets/liabilities	(35,635)	
	(2,123,242)	**Actuarial (gains)/losses on pension assets/liabilities**		**(63,925)**
	(2,161,847)	**Total other comprehensive income and expenditure**		**(63,872)**

Note 5 Events After the Balance Sheet Date

The Statement of Accounts are due to be authorised for issue by Mostaque Ahmed, Director for Corporate Services, on 25 February 2025. Events taking place after this date are not currently reflected in the financial statements or notes. Where it subsequently becomes clear that events taking place before this date provide information about conditions existing at 31 March 2024, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2023/24 - Adjustments between accounting basis and funding basis under regulations	**General Fund** **£'000**	**Total usable reserves** **£'000**	**Total unusable reserves** **£'000**
Depreciation, amortisation and impairment of fixed assets	19,465	19,465	(19,465)
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	(332)	(332)	332
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(10,043)	(10,043)	10,043
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to CIES	(2,283)	(2,283)	2,283
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	58,829	58,829	(58,829)
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	(1,046)	(1,046)	1,046
Adjustment due to Accumulated Absences, reversal of prior year charge	(5,645)	(5,645)	5,645
Adjustment due to Accumulated Absences, current year charge	6,291	6,291	(6,291)
Total Adjustments	**65,236**	**65,236**	**(65,236)**

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

The following table provides comparative figures for 2022/23:

2022/23 - Adjustments between Accounting Basis and Funding Basis under Regulations	**General Fund** **£'000**	**Total usable reserves** **£'000**	**Total unusable reserves** **£'000**
Depreciation, amortisation, and impairment of fixed assets	18,714	18,714	**(18,714)**
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	(64)	(64)	**64**
MRP for capital financing not debited to the Comprehensive Income and Expenditure account	(8,772)	(8,772)	**8,772**
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to CIES	19,039	19,039	**(19,039)**
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	100,729	100,729	**(100,729)**
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	**-**
Adjustment due to accumulated absences, reversal of prior year charge	(7,285)	(7,285)	**7,285**
Adjustment due to accumulated absences, current year charge	5,644	5,644	**(5,644)**
Total Adjustments	**128,005**	**128,005**	**(128,005)**

Note 7 Transfers to/from Earmarked Reserves

Earmarked reserves	**Balance as at 31/03/2022**	**Transfers out**	**Transfers in**	**Balance as at 31/03/2023**	**Transfers out**	**Transfers in**	**Balance as at 31/03/2024**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Vehicle Fleet Reserve	2,350	(191)	-	2,159	(371)	570	2,358
London Resilience	771	-	-	771	-	570	1,341
Sustainability Reserve	179	(8)	-	171	-	-	171
Hydrants	246	(127)	-	119	(119)	-	-
Compensation	1,000	(75)	-	925	(176)	-	749
Pension Early Release	845	(281)	1,000	1,564	(5)	-	1,559
CRMP	2,644	(71)	-	2,573	(900)	3,015	4,688
Emergency Services Mobile Communication Programme	1,013	(125)	-	888	-	-	888
Emergency Medical Response	294	-	-	294	(294)	-	-
ICT Development Reserve	1,586	177	900	2,663	(32)	-	2,631
Recruitment / Outreach	-	-	-	-	-	1,342	1,342
Fire Safety & Youth Engagement	6,612	1,577	-	8,189	(1,612)	-	6,577
Additional Resilience Requirements	-	-	-	-	-	-	-
Budget Flexibility	30,533	(5,764)	-	24,769	(21,372)	13,873	17,270
Capital Receipt - GLA	11,745	(4,700)	-	7,045	(7,045)	-	-
LFC Control Centre	729	-	-	729	(729)	-	-
Organisational Reviews	150	-	-	150	(150)	-	-
National Operational Guidance Project	328	-	-	328	-	-	328
Transformation Reserve	3,281	(266)	-	3,015	(3,015)	-	-
In Year Savings Reserve	3,600	-	-	3,600	(3,600)	-	-
Grenfell Infrastructure Reserve	749	(676)	430	503	(288)	-	215
Covid	3,092	(3,092)	-	-	-	-	-
Fire Safety Improvement Reserve	29,680	-	-	29,680	(4,969)	-	24,711
Building Safety Regulator	-	-	-	-	-	1,711	1,711
Leadership Reserve	-	-	350	350	(223)	-	127
Marauding Terrorist Attack	-	(222)	1,219	997	(711)	-	286
Communication Reserve	-	-	83	83	(87)	114	110
HR Reserve	-	-	-	-	-	107	107
Finance Reserve	-	-	-	-	-	15	15
Legal Reserve	-	(302)	302	-	-	-	-
LFB Museum Project	197	(17)	-	180	-	-	180
Total	**101,624**	**(14,163)**	**4,284**	**91,745**	**(45,698)**	**21,317**	**67,364**

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 2023/24 was £10.043m (in 2022/23 it was £8.772m), being assessed by the LFC as being prudent.

Note 9 Property Plant and Equipment

ACCOUNTING POLICIES

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

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

Note 9 Property, Plant and Equipment (continued)

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

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

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

Where decreases in value are identified they are accounted for 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:

- 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 year's deprecation is charged in the year of disposal.

COMPONENT ACCOUNTING

For assets, where the value is classed as material to the LFC (£5m 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 2023/24, the non-current tangible assets of the LFC were revalued and this included a re-consideration of the components. Component accounting requirements affects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets, and it only applies where an item of property, plant and equipment has major components where the cost of these is significant (20% or above) in relation to the total cost of the asset. Where this occurs, the components are recognised and depreciated separately according to their useful lives.

Category	Depreciation Rate
Heritage assets	Not depreciated
Surplus assets	Not depreciated
Assets held for sale	Not depreciated
Buildings – structure, roof, plant and services	Estimated life between 10 to 60 years
Vehicles	5 to 25 years
Plant and equipment	5 to 10 years

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 and 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, 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 the 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 the '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 the '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)
- Life cycle 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 2023/24:

Movement in Balances 2023/24	**Land and buildings £000**	**Vehicles, plant and equipment £000**	**Surplus assets £000**	**Assets under construction £000**	**Heritage assets £000**	**Total £000**
Cost or valuation						
As at 1 April 2023	**444,514**	**122,354**	**15,805**	**19,479**	**1,432**	**603,584**
Additions	6,535	9,712	-	12,142	-	28,389
Revaluation increases/(decreases) recognised in Revaluation Reserve	(14,108)	-	4,265	-	-	(9,843)
Revaluation increases/(decreases) recognised in CIES	2,283	-	-	-	-	2,283
Derecognition – disposals	-	(1,675)	-	-	-	(1,675)
Derecognition – other	828	-	-	(828)	-	-
Other movements in cost or valuation	**4,357**	**13,790**	**-**	**(18,147)**	**-**	-
As at 31 March 2024	**444,409**	**144,181**	**20,070**	**12,646**	**1,432**	**622,738**
Accumulated depreciation and impairment						
As at 1 April 2023	**(4,566)**	**(71,702)**	**-**	**(1)**	**-**	**(76,269)**
Depreciation charge for 2023/24	(11,628)	(7,562)	-	-	-	(19,190)
Derecognition – disposals	-	1,652	-	-	-	1,652
Write out of accumulated depreciation	9,790	-	-	-	-	9,790
As at 31 March 2024	**(6,404)**	**(77,612)**	**-**	**(1)**	**-**	**(84,017)**
Net book value:						
As at 31 March 2023	**439,948**	**50,652**	**15,805**	**19,478**	**1,432**	**527,315**
As at 31 March 2024	**438,005**	**66,569**	**20,070**	**12,645**	**1,432**	**538,721**

Note 9 Property, Plant and Equipment (continued)

The table below shows the comparative movements in the LFC's non-current assets during 2022/23:

Movement in Balances 2022/23	**Land and buildings £000**	**Vehicles, plant and equipment £000**	**Surplus assets £000**	**Assets under construction £000**	**Heritage assets £000**	**Total £000**
Cost or valuation						
As at 1 April 2022	**424,816**	**125,939**	**15,137**	**12,739**	**1,432**	**580,063**
Additions	10,583	1,636	-	6,739	-	18,958
Revaluation increases/(decreases) recognised in Revaluation Reserve	25,770	-	668	-	-	26,438
Revaluation increases/(decreases) recognised in CIES	(13)	-	-	-	-	(13)
Derecognition – disposals	(16,643)	(5,221)	-	-	-	(21,864)
Derecognition – other	-	-	-	-	-	-
Other movements in cost or valuation	1	-	-	1	-	2
As at 31 March 2023	**444,514**	**122,354**	**15,805**	**19,479**	**1,432**	**603,584**
Accumulated depreciation and impairment						
As at 1 April 2022	**(2,862)**	**(69,973)**	**-**	**-**	**-**	**(72,835)**
Depreciation charge for 2022/23	(12,419)	(6,949)	-	(1)	-	(19,369)
Derecognition – disposals	1,282	5,221	-	-	-	6,503
Revaluation increases/(decreases) recognised in the CIES	543	(1)	-	-	-	542
Write out of accumulated depreciation	12,167	-	-	-	-	12,167
Other movements in cost or valuation	(3,277)	-	-	-	-	(3,277)
As at 31 March 2023	**(4,566)**	**(71,702)**	**-**	**(1)**	**-**	**(76,269)**
Net book value:						
As at 31 March 2022	**421,954**	**55,966**	**15,137**	**12,739**	**1,432**	**507,228**
As at 31 March 2023	**439,948**	**50,652**	**15,805**	**19,478**	**1,432**	**527,315**

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 spilt 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 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 Sanderson Weatherall, 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 2023/24. On the basis of this, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

Note 9 Property, Plant and Equipment (continued)

ASSETS HELD FOR SALE

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

FREEHOLD AND LONG LEASEHOLD INTERESTS

The freehold and long leasehold interests in the various properties which are owned by the London Fire Commissioner (LFC) were valued by External Valuers, Sanderson Weatherall LLP, Chartered Surveyors and Property Consultants, at 31st March 2024, 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, Sanderson Weatherall LLP confirmed that, for the whole of the LFC operational portfolio, EUV has been adopted. For specialised operational properties, a 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 £438.0m net book value of property, plant and equipment (PPE) and land and buildings subject to valuation, £414.6m 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.

VEHICLES

Expenditure on vehicles is part of an ongoing and continual fleet replacement programme.

The LFC have ownership of New Dimension vehicles and equipment, which 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 decontamination 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.

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:

Category	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	Not depreciated

The table below shows the movements in the LFC's intangible assets during 2023/24:

Movement in Balances 2023/24	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 1 April 2023						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,335)	(12,491)	(26,826)	-	-	-
Net carrying amount at 1 April 2023	20	701	721	-	-	-
Reclassification	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Amortisation for the period	(10)	(265)	(275)	-	-	-
Net carrying amount at 31 March 2024	**10**	**436**	**446**	**-**	**-**	**-**
Comprising:						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,345)	(12,756)	(27,101)	-	-	-
Net carrying amount at 31 March 2024	**10**	**436**	**446**	**-**	**-**	**-**

The table below shows the movements in the LFC's intangible assets during 2022/23:

Movement in Balances 2022/23	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 1 April 2022						
Gross carrying amounts	14,355	12,998	27,352	-	-	-
Accumulated amortisation	(14,325)	(12,227)	(26,550)	-	-	-
Net carrying amount at 1 April 2022	30	771	802	-	-	-
Reclassification	-	-	-	-	-	-
Additions	-	194	194	-	-	-
Amortisation for the period	(10)	(264)	(274)	-	-	-
Net carrying amount at 31 March 2023	**20**	**701**	**721**	**-**	**-**	**-**
Comprising:						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,335)	(12,491)	(26,826)	-	-	-
Net carrying amount at 31 March 2023	**20**	**701**	**721**	**-**	**-**	**-**

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 the museum library.

Note 10 Financial Instruments

ACCOUNTING POLICY

FINANCIAL LIABILITIES

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

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

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

FINANCIAL ASSETS

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

- **Financial assets held at amortised cost**: These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- **Fair value through other comprehensive income (FVOCI)**: these assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- **Fair value through profit and loss (FVTPL)**: These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

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

Note 10 Financial Instruments (continued)

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

31 March 2023 Long-term £'000	31 March 2023 Current £'000	Financial liabilities and assets at amortised cost Borrowings	31 March 2024 Long-term £'000	31 March 2024 Current £'000
46,725	2,000	Public Work Loan Board (PWLB) debt	43,225	3,500
389	58	PWLB accrued interest	369	20
-	-	Short-term borrowing	-	-
47,114	**2,058**	**Total borrowings**	**43,594**	**3,520**
39,910	1,557	PFI and finance lease liabilities	38,327	1,583
39,910	**1,557**	**Total other long-term liabilities**	**38,327**	**1,583**
-	12,095	Creditors	-	15,331
87,024	**15,710**	**TOTAL**	**81,921**	**20,434**

31 March 2023 Long-term £'000	31 March 2023 Current £'000	Financial liabilities and assets at amortised cost Loans and receivables	31 March 2024 Long-term £'000	31 March 2024 Current £'000
-	-	Investments	-	-
-	-	Short term investments	-	-
-	-	Accrued interest	-	-
-	**-**	**Total investments**	**-**	**-**
66	7,663	Debtors	247	7,392
-	88,586	Cash equivalents	-	26,515
66	**96,249**	**TOTAL**	**247**	**33,907**

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:

2022/23 £'000	Financial instruments income and expenditure	2023/24 £'000
5,248	Interest expense	4,846
(3,491)	Interest income	(5,278)
1,757	**Net loss/(gain) for the year**	**(432)**

2022/23 £'000	Financial instruments income and expenditure	2023/24 £'000
2,403	PWLB borrowing	2,100
2,845	PFI lease interest and contingent rentals	2,746
5,248	**Total interest expense**	**4,846**

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 2024, using bid prices where applicable.

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

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

31 March 2023			31 March 2024	
Carrying amount	**Fair value**	**Liabilities and assets**	**Carrying amount**	**Fair value**
£'000	**£'000**		**£'000**	**£'000**
48,725	53,107	Public Work Loan Board Debt (PWLB)	46,725	49,012
-	-	Short-term borrowing	-	-
39,910	39,910	PFI and other finance leases	38,327	38,327
12,095	12,095	Trade and other creditors	15,331	15,331
100,730	**105,112**	**Total liabilities**	**100,383**	**102,670**
7,663	7,663	Trade and other debtors	7,392	7,392
66	66	Long term debtors	247	247
88,586	88,586	Cash and cash equivalents	26,515	26,515
96,315	**96,315**	**Total assets**	**34,154**	**34,154**

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

**LFB financial instruments, including loans and other borrowings, are measured at fair value by utilising a premature rate, rather than the new loan rate for specific financial instruments. LFB has adopted the premature loan rate at £49,012k rather than the new loan rate of £45,732k, as we do not currently intend to take out any additional external loans.

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 rate 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 (TMS), which outlines the detailed approach to managing risk in relation to the LFC's financial instrument exposure. Bi-annual reports on 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 GLA, who carry out borrowing, investment and reporting requirements. Investments were previously managed through a Group Investment Syndicate (GIS) but, since 30 June 2023, have been managed by the London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF).

The annual TMS for 2023/24, which incorporates the prudential indicators and investment strategy, approved by LFC on 28th March 2023 and is available on the LFC website (LFC-23-028).

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2023/24 was set at £245m with an Operational Borrowing Limit of £240m. As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits will be reviewed and increased as necessary. Updated borrowing limits will be approved separately, once a detailed data gathering exercise has been completed and the impact of IFRS 16 compliance quantified, during the 2024/25 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 (AIS), 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 for 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 28 March 2023.

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 deposits, but there was no evidence as at the 31 March 2024 that this was likely to crystallise.

The major element of the LFC's investments were held and managed in the GLA LTLF, which was jointly controlled by the GLA, and syndicate members, including LFC, through their respective chief financial officers. LTLF funds were instantly accessible, as are funds held within the LTLF.

The closing investment position on the LTLF, as at 29 June 2023, was £55.8m. This was then transferred to the LTLF on 30 June 2023. As at 31 March 2024 it was £21.0m (£76.2m as at 31 March 2023) with a weighted average maturity of 91 days. Including a sum held on a NatWest call account (£0.3m), the total investment position as at 31 March 2024 was £21.3m (£81.5m as at 31 March 2023). Cumulative performance for the year was 2.51% and attracted interest of £5.2m. 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 shown in the table:

31 March 2023 £'000	Maturity analysis	31 March 2024 £'000
2,000	Within 1 year	3,500
3,500	Between 1 and 2 years	5,000
10,725	Between 2 and 5 years	8,725
9,000	Between 5 and 10 years	6,000
23,500	More than 10 years	23,500
48,725	**Total**	**46,725**

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

REFINANCING AND MATURITY RISK

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

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

This includes:

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

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31/03/2023	Actual 31/03/2024
Less than 1 year	20%	0%	4%	7%
Between 1 and 2 years	20%	0%	7%	11%
Between 2 and 5 years	50%	0%	16%	19%
Between 5 and 10 years	75%	0%	25%	13%
More than 10 years	90%	25%	48%	50%

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 would rise

(ii) **borrowings at fixed rates**: the fair value of the borrowing would fall (no impact on revenue balances)

(iii) **investments at variable rates**: the interest income credited to the Comprehensive Income and Expenditure Statement would rise

(iv) **investments at fixed rates**: the fair value of the assets would 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' lines.

Sensitivity analysis	**Best case scenario**	**Current scenario**	**Worst case scenario £'000**
Interest payable (PWLB) – %	**3.71%**	**4.71%**	**5.71%**
Interest payable (PWLB) – £'000	1,654	2,100	2,546
Interest receivable – %	**4.78%**	**5.78%**	**6.78%**
Interest receivable – £'000	(4,365)	(5,278)	(6,191)
Total – £'000	**(2,712)**	**(3,178)**	**(3,644)**

Note 11 Long Term Borrowing

31 March 2023 £'000	Long-term borrowing The sources are:	31 March 2024 £'000
46,725	Public Works Loan Board	43,225
46,725	**Total**	**43,225**
	These loans mature as follows:	
3,500	Between 1 and 2 years	5,000
10,725	Between 2 and 5 years	8,725
9,000	Between 5 and 10 years	6,000
3,000	Between 10 and 15 years	5,000
20,500	More than 15 years	18,500
46,725		**43,225**
389	Add accrued interest	369
47,114	**Total**	**43,594**

Note 12 Debtors

SHORT TERM DEBTORS

These are as illustrated in the table:

31 March 2023 £'000	Debtors	31 March 2024 £'000
29,246	Central government bodies - Home Office	36,394
2,889	Central government bodies - HMRC	5,632
-	Central government bodies – other	20
8,269	Other entities and individuals	8,501
(606)	Impairment allowance for doubtful debts	(1,109)
3,437	Payments in advance	3,301
43,235	**Total debtors**	**52,739**

Aged debt analysis	Greater than 2 years £'000	1-2 years £'000	120-365 days £'000	90-120 days £'000	60-90 days £'000	0-60 days £'000	Total £'000
Sundry debt (excl. MFB)	20	617	306	6	131	795	1875
Third party claims	15	2	3	-	-	-	20
Metropolitan Fire Brigade (MFB) Act	6	12	5,023	-	-	4,186	9,227
Total	41	631	5,332	6	131	4981	11,122

IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £606k brought forward from 2022/23 to safeguard against future losses or non-recoveries has increased by £503k during the year to £1,109k. The aged debt analysis shows that £11.122m (£6.117m 2022/23) 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.

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 majority of the LFC's investments are held and managed in the London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF), to which the Director for Corporate Services is a syndic and the LFC's representative. Funds held within LTLF are instantly available to LFC.
In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the LFC's cash management.

31 March 2023 £'000	Cash and cash equivalents	31 March 2024 £'000
10	Cash held by the authority	10
7,050	Bank current accounts	6,948
81,526	Short term deposits held on demand	19,557
88,586	**Total cash and cash equivalents**	**26,515**

Note 14 Creditors

31 March 2023 £'000	Creditors	31 March 2024 £'000
14,617	Central government bodies – HMRC	10,139
-	Central government bodies – Home Office	(110)
1,310	Other local authorities	(373)
12,095	Other entities and individuals	15,331
5,645	Accumulated absences	6,290
25,906	Receipts in advance	22,586
59,573	**Total creditors**	**53,863**

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 raised a provision based on its number of claimants and the estimated value of the settlement, to make a provision of £3,630k. It is now known that funding to meet the costs of settling these claims will be provided by the Home Office; as such, the decision was taken to release this provision in the current financial year.

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 the related liabilities. The LFC has raised a provision for its estimated share of the total liability which is based on the number of claimants and the estimated value of any settlement. Using this information, a provision was made for £1,292k. This provision is no longer required, as the position it was assuring has been settled by another provision, with further liabilities to be met by QBE; as such, the decision was taken to release this provision in the current financial year.

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 may share the liability. The LFC has raised a provision for its share of the total liability which is based on the estimated value of the settlements and other relevant costs. Using this information, a provision was made for £10,778k. Much of this was used to settle claims in the financial year 2022/23, and at the beginning of the present year the value of the provision stood at £1,304k. A further £448k was utilised in the current financial year; and, on the basis of improved information about the nature of the claims and the potential costs involved, the value of this provision has been revised upwards by £4,969k, resulting in a revised value of £5,825k.

Remaining damages costs are expected be settled within 12 months and are 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 £8,250k. 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 2023/24	Public liability	Employer liability	Immediate detriment	Legal	Motor insurance	MFB refund	MMI insurance levy	Car leases	EU grant repayments	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	1,304	-	-	3,408	-	75	-	-	-	4,787
Increase/(decrease) in provision during the year	4,969	2,525	-	7	-	-	-	855	351	8,707
Utilised during the year	(448)	(2,525)	-	-	-	-	-			(2,973)
Closing balance	**5,825**	**-**		**3,415**	**-**	**75**	-	**855**	**351**	**10,521**

Long Term Provisions 2023/24	Public liability	Employer liability	Immediate detriment	Legal	Motor insurance	MFB refund	MMI insurance levy	Car leases	EU grant repayments	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	8,250	1,292	3,630	-	931	510	147	-	-	14,760
Increase/(decrease) in provision during the year	-	(1,292)	(3,630)	-	-	-	-	-	-	(4,922)
Utilised during the year	-	-	-	-	-	-	-	-	-	-
Closing balance	**8,250**	**-**	**-**	**-**	**931**	**510**	**147**	**-**	**-**	**9,838**

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 the 'provision of services' line in the Comprehensive Income and Expenditure Statement. The usable reserves consist of the LFC's General Fund (£17.301m) and a range of earmarked reserves for specific purposes, including the Budget Flexibility Reserve, of £67.364m; £0.205m is also held as a capital grant unapplied. 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. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure statement.

Note 17 Unusable Reserves

31 March 2023 *£'000*	Unusable reserves	31 March 2024 *£'000*
(237,930)	Revaluation Reserve	(235,897)
5,044,767	Pension Reserve	5,039,671
(147,918)	Capital Adjustment Account	(144,137)
5,644	Accumulated Absences Account	6,290
4,664,563	**Total Unusable Reserves**	**4,665,927**

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;
- 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.

2022/23		Revaluation Reserve	2023/24	
£'000	£'000		£'000	£'000
	(203,451)	Balance as at 1 April		(237,930)
(38,605)		Upward revaluation of assets	53	
-		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on 'provision of services'		
	(38,605)	Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on 'provision of services'		53
		Adjustment to historical cost depreciation		1,980
4,126		Difference between fair value depreciation and historical cost depreciation		
		Accumulated gains on assets sold or scrapped		
	4,126	Amount written off to the Capital Adjustment Account		-
	(237,930)	**Balance at 31 March**		**(235,897)**

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.

2022/23		Capital Adjustment Account	2023/24	
£'000	**£'000**		**£'000**	**£'000**
	(172,710)	Balance at 1 April		(147,918)
37,754		Charges for depreciation and impairment of non-current and intangible assets	17,182	
-		Revaluation losses on property, plant and equipment		
-		Other derecognition (8 A E)		
-		Amounts of non-current assets de-recognised or written off on the disposal or sale as part of the gain/loss on disposal to Comprehensive Income and Expenditure		
	37,754			**17,182**
(64)		Use of capital receipts to finance new capital expenditure	(332)	
-		Adjustment to historical depreciation	(1,980)	
(4,126)		Adjusting amounts written out to the Revaluation Reserve		
-		Capital grant and contributions credited to Comprehensive Income and Expenditure that have been applied to capital financing		
-		Application of grants to capital financing from capital grants unapplied	(1,046)	
(8,772)		Statutory provision for the financing of capital investments charged against the General Fund	(10,043)	
	(12,962)			**(13,401)**
	(147,918)	**Balance at 31 March**		**(144,137)**

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.

2022/23 £'000	Pensions Reserve	2023/24 £'000
7,067,280	Balance at 1 April	5,044,767
(2,123,242)	Actuarial (gains)/losses on pensions assets and liabilities	(63,925)
294,919	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the 'provision of services' line in the Comprehensive Income and Expenditure Statement	262,493
(194,190)	Employer's pensions contributions and direct payments to pensioners payable in the year	(203,664)
5,044,767	**Balance at 31 March**	**5,039,671**

ACCUMULATED ABSENCES ACCOUNT

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

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

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

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

2022/23		Accumulated Absences account	2023/24	
£'000	**£'000**		**£'000**	**£'000**
	7,285	Balance as at 1 April		5,644
(7,285)		Settlement or cancellation of accrual made at the end of the preceding year	(5,644)	
5,644		Amounts accrued at the end of the current year	6,290	
	(1,641)	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		646
	5,644	**Balance as at 31 March**		**6,290**

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.

2022/23 £'000	Expenditure and Income Analysed by Nature	2023/24 £'000
520,735	Employee benefits expenditure	507,482
35,536	Premises	40,828
18,526	Transport	19,941
31,190	Supplies and services	37,865
1,300	Third party payments	1,853
5,248	Interest payments	4,846
37,754	Depreciation and impairment	17,182
650,289	**Total expenditure**	**629,997**
(51,157)	Fees, charges and other service income	(59,408)
(3,491)	Interest and investment income	(5,278)
(64)	Gain on disposal of non-current assets	(332)
(38,012)	Government grants and contributions	(31,945)
(421,800)	GLA Funding	(445,800)
-	Insurance receipts	(1,046)
(514,524)	**Total income**	**(543,809)**
135,765	**(Surplus) or deficit on provision of services**	**86,188**

The table shows the deficit on the provision of services 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.

	2023/24		
Expenditure and Funding Analysis	**Expenditure chargeable to General Fund**	**Adjustments between funding and accounting basis**	**Net expenditure in CIES**
	£'000	**£'000**	**£'000**
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	460,873	(151,508)	309,365
Cost of services	**460,873**	**(151,508)**	**309,365**
Other income and expenditure	(439,921)	216,744	(223,177)
(Surplus)/Deficit on provision of services	**20,952**	**65,236**	**86,188**
Opening General Fund balance			(13,871)
Surplus)/Deficit on provision of services			20,952
Transfers (to)/from earmarked reserves			(24,381)
Closing General Fund balance			**(17,300)**

	2023/24			
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**	**Net change for other adjustments**	**Adjustments between funding and accounting basis**
	£'000	**£'000**	**£'000**	**£'000**
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	19,465	(171,619)	646	(151,508)
Cost of services	**19,465**	**(171,619)**	**646**	**(151,508)**
Other income and expenditure from the expenditure and funding analysis	(12,658)	230,448	(1,046)	216,744
Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement: surplus/deficit on the provision of services	**6,807**	**58,829**	**(400)**	**65,236**

Note 18 Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2022/23:

Expenditure and Funding Analysis	2022/23 Expenditure chargeable to General Fund £'000	Adjustments between funding and accounting basis £'000	Net expenditure in CIES £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	422,770	(67,992)	354,778
Cost of services	**422,770**	**(67,992)**	**354,778**
Other income and expenditure	(415,010)	195,997	(219,013)
(Surplus)/Deficit on provision of services	**7,760**	**128,005**	**135,765**
Opening General Fund balance			(11,753)
Surplus)/Deficit on provision of services			**7,760**
Transfers (to)/from earmarked reserves			(9,879)
Closing General Fund balance			**(13,872)**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2022/23 Adjustment for capital purposes £'000	Net change for the pensions adjustment £'000	Net change for other adjustments £'000	Adjustments between funding and accounting basis £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	18,714	(85,065)	(1,641)	(67,992)
Cost of services	**18,714**	**(85,065)**	**(1,641)**	**(67,992)**
Other income and expenditure from the expenditure and funding analysis	10,203	185,794		195,997
Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement: surplus/deficit on the provision of services	**28,917**	**100,729**	**(1,641)**	**128,005**

Note 19 Members' Allowances

Under the Policing and Crime Act 2017, the London Fire Commissioner (LFC), appointed by the Mayor of London, is a corporation sole and the fire authority for Greater London, discharging the functions described by the Fire and Rescue Services Act 2004. 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 Operational Director for Preparedness and Response. The Mayor has also appointed a Deputy Mayor for Planning, Regeneration and the Fire Service (previously Deputy Mayor for Fire and Resilience) to exercise some functions 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 (including those at Director grade or above) is as follows:

London Fire Commissioner and Corporation Sole – Office Holder – 2023/24

2023/24 Post title and name	Period	Remuneration (incl. fees and allowances) £	2022-23 Back Dated Salary £	Expense allowances £	Compensation on loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
London Fire Commissioner Office Holder and Corporation Sole: Andy Roe	01/04/23 – 31/03/24	218,588	6,181	-	-	224,769	64,733	289,502

Senior officers – 2023/24

2023/24 Post title and Name	Period	Salary (including fees and allowances) £	2022-23 Back Dated Salary £	Expense Allowances £	Compensation for Loss of Office £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
Deputy Commissioner, Operational Director for Prevention, Protection and Policy - Dom Ellis	01/04/23 – 31/03/24	172,211	2,361	1,679	-	176,252	49,566	225,818
Deputy Commissioner, Operational Director for Prevention, Protection and Policy - Charlie Pugsley	18/03/24 – 31/03/24	140,620	2,289	-	-	142,909	41,041	183,951
Deputy Commissioner, Operational Director for Preparedness and Response - Jonathan Smith	01/04/23 – 31/03/24	169,744	2,361	-	-	172,105	49,566	221,672
Director for Corporate Services - Mostaque Ahmed	01/04/23 – 31/03/24	169,944	4,000	466	-	174,410	24,672	199,082
Director for Transformation - Fiona Dolman	01/04/23 – 31/03/24	159,135	4,500	-	-	163,635	23,236	186,871
Director for People - Tim Powell	01/04/23 – 31/05/23	69,670	4,500	-	102,318	176,488	4,507	180,995
Director of Communications - Helen Coleman	01/04/23 – 31/01/24	166,557	941	-	113,381	280,879	18,023	298,902
General Counsel to Commissioner - Kathryn Robinson	01/04/23 – 31/03/24	151,174	2,824	-	-	153,998	21,868	175,866
Assistant Commissioner, Fire Stations - Spencer Sutcliff	01/04/23 – 31/01/24	148,630	2,442	-	-	151,072	40,645	191,718

N.B. Charlie Pugsley was promoted to Deputy Commissioner and Operational Director for Prevention, Protection and Policy on 18 March 2024, with a short period of overlap with Dom Ellis. The salary shown is for full year including the period when he was Assistant Commissioner.

London Fire Commissioner and Corporation Sole – Office Holder – 2022/23

2022/23 Post title and name	Period	Remuneration (incl. fees and allowances) £	PY Back Dated Salary £	Expense allowances £	Compensation on loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
London Fire Commissioner Office Holder and Corporation Sole: Andy Roe	01/04/22 – 31/03/23	206,040	-	162	-	206,202	59,340	265,542

Senior officers – 2022/23

2022/23 Post title and name	Period	Remuneration (incl. fees and allowances) £	PY Back Dated Salary £	Expense allowances £	Compensation on loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
Deputy Commissioner, Director for Operational Delivery - Richard Mills	01/04/22 – 03/10/22	84,787	-	-	-	84,787	24,839	109,626
Deputy Commissioner, Director of Operations for Prevention. Protection and Policy - Dom Ellis	04/10/22 – 31/03/23	79,424	-	1,121	-	80,545	22,528	103,073
Deputy Commissioner, Director of Operations for Preparedness and Response - Jonathan Smith	04/10/22 – 31/03/23	78,222	-	-	-	78,222	22,528	100,750
Director or Corporate Services - Mostaque Ahmed	01/06/22 – 31/03/23	133,333	-	415	-	133,748	20,400	154,148
Director for People - Tim Powell	01/04/22 – 31/03/23	153,477	-	-	-	153,477	23,482	176,959
Director for Transformation - Fiona Dolman	01/04/22 – 31/03/23	150,000	-	-	-	150,000	22,950	172,950

N.B. Deputy Commissioner, Operational Director for Prevention, Protection and Policy & Deputy Commissioner, Operational Director for Preparedness and Response - new posts replacing Deputy Commissioner and Director for Operational Delivery.

Mark McLaughlin was the Interim Director for Corporate Services and s.127 Officer and until 31 May 2022. Mark McLaughlin was retained by the LFC on an interim basis and paid via an arrangement and as such he was not salaried.

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

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

2022/23 number	Salary range	2023/24 number
880	£50,000 - £54,999	1016
360	£55,000 - £59,999	394
103	£60,000 - £64,999	154
70	£65,000 - £69,999	76
65	£70,000 - £74,999	83
58	£75,000 - £79,999	69
33	£80,000 - £84,999	44
25	£85,000 - £89,999	29
16	£90,000 - £94,999	35
13	£95,000 - £99,999	15
7	£100,000 - £104,999	15
1	£105,000 - £109,999	6
2	£110,000 - £114,999	6
2	£115,000 - £119,999	5
4	£120,000 - £124,999	5
2	£125,000 - £129,999	1
1	£130,000 - £134,999	3
1	£135,000 - £139,999	1
1	£140,000 - £144,999	3
-	£145,000 - £149,999	-

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 its external auditors, Ernst and Young (EY). The £245k figure shown in the table represents a planned fee of £185k for the 2023/24 audit, and additional fees proposed by EY for increased regulatory focus and change of scope, while the £87k is for the PSAA approved scale fee variation for the 2021/22 audit.

2022/23	**Audit fees**	**2023/24**
£'000		***£'000***
63	Fees payable to appointed auditor for external audit services	245
-	Prior year audit inspection fees	87
63	**Total**	**332**

Due largely to plans to reduce the nationwide backlog in public sector audit, the statement of accounts for the financial year 2022/23 were not audited (other than a review of the value for money arrangements), making FY2023/24 the first full audit since FY2021/22. This explains both the markedly lower spend for FY2022/23 (the Public Sector Audit Appointments (PSAA) will use its fee variation process to determine the final fee the Authority will have to pay); and, to some extent, the higher fee for the current year, as points of concern raised in FY2021/22, and the increased levels of scrutiny they have prompted, remain on the auditors' programme of work – though the main driver of increased costs is that 2023/24 is the first year of the new PSAA contract period, which has seen large increases in fees for all clients.

The proposed audit fees include a scale fee at £184,964, and then additional fees for the following (subject to approval by PSAA at date of authorisation of 2023/24 accounts):

- Lower materiality limit (£30,000)
- IFRS 16 (£10,000)
- ISA 315 (£20,000)

The first of these areas reflects the concerns raised at the last full audit. A lower materiality limit means more items fall into scope for a more forensic level of review then in the last audit, and this additional work leads to additional fees.

The charge for IFRS 16 reflects the fact that this accounting standard will take full effect in FY2024/25, and so part of the auditors' work this year will be to review LFB's preparedness for this implementation.

The last item, the revisions to ISA 315, will have an impact on the auditors' scope and approach as they evaluate the impact of IT on key processes supporting the production of the financial statements.

Given the information above, the final external audit fees for 2024/25 are likely to remain at a similar or lower level than the current year.

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-ringfenced and therefore unconditional. The 2023/24 £445.8m GLA grant income (£421.8m in 2022/23) shown in the table is comprised of two elements:

2022/23 £'000	Credited to taxation and non-specific grant income	Source of funding	2023/24 £'000
(421,800)	GLA grant	Greater London Authority	(445,800)
(3,739)	PFI grant	Home Office	(3,732)
(425,539)	**Total**		**(449,532)**
£'000	**Credited to services**	**Source of Funding**	**£'000**
21,732	Fire pensions grant	Home Office	21,732
-	Pensions remedy funding	Home Office	-
3,458	New Dimensions & USAR grant	Home Office	3,636
-	Fire Covid 19 grant	Home Office	-
178	New Risks grant	Home Office	-
76	Innovate UK	Innovate UK (formerly Technology Strategy Board)	-
9	Spacecombat	Home Office	-
-	Fire safety grant	Home Office	-
-	Fire contingency grant	Home Office	-
2,182	Merton Regional Control	Home Office	2,182
-	Local resilience fund	Home Office	-
32	Mass fatalities regional capacity	Home Office	32
-	Building risk review	Home Office	-
3,201	Protection uplift	Home Office	-
-	Audit grant	Greater London Assembly	27
805	Fire Revenue Fire Link grant	Home Office	604
2,600	NI health and social care levy	DLUHC	-
34,273	**Total**		**28,213**

- **Grant funding in the form of retained business rates**: £252.3m (£242.7m in 2022/23)
- **GLA precepts**: £193.5m (£179.1m in 2022/23).

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2023/24 as shown in the table.

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.

Under The Policing and Crime Act 2017, the Mayor of London has responsibility for fire and rescue services in London. The functions sit within existing GLA structures, with a Deputy Mayor covering fire, a statutory 'London Fire Commissioner' and a Committee of the London Assembly which provides scrutiny. All assets, liabilities and resources of the former LFEPA transferred to the London Fire Commissioner (LFC) under statute on 1 April 2018.

The Mayor sets and provides the budget for LFC and provides grant funding to support it; 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 31 March 2024, 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, assisted by a range of independent roles such as the members of Audit Committee, the Chair of Local Pension Board and operational advisors. Since 2018/19, no member allowances have been paid, as there have not 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 Director of LFB Enterprises Ltd, a wholly-owned trading company, but received no payment during the year.

Aside from the cases detailed in the previous paragraph, all LFC officers, including senior management, have declared that, during the year, neither they nor any member of their close family or household have had any related party transactions with the London Fire Commissioner during the period 1 April 2023 to 31 March 2024.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2024 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 2023/24, total spending on the capital programme for tangible and intangible assets was £28.4m (£19.2m in 22/23). Spend included the rebuilding and modernising of fire stations and other buildings (£18.7m), upgrading ICT equipment (£2.0m), providing Respiratory Protective Equipment (£5.7m) and the purchase of fleet vehicles and equipment (£2.0m). Capital expenditure on assets (£28.4m) is to be financed in accordance with the Prudential Code, funded by capital receipts (£332k), borrowing (£26.8m), grants (£1.0m) and reserves (£250k).

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 £37.9m in 2024/25, £52.4m in 2025/26 and £41.1m in 2026/27.

2022/23 £'000	**Capital Expenditure and Financing**	**2023/24 £'000**
131,463	Opening Capital Financing Requirement	141,779
12,219	Tangible operational assets	16,247
6,739	Tangible non-operational assets	12,142
194	Intangible assets	-
	Sources of finance	
(64)	Government grants and other contributions	(332)
-	Sums set aside from revenue to fund capital expenditure	(250)
(8,772)	Minimum Revenue Provision	(10,043)
-	Other movements	-
141,779	Closing Capital Financing Requirement	159,543
	Explanation of movements in year	
10,316	Increase/(decrease) in underlying need to borrow	17,764
-	Other movements	
10,316	**Increase/(decrease) in Capital Financing Requirement**	**17,764**

Note 25 Other Long-Term Liabilities

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

31 March 2023 £'000	Other Long-Term Liabilities	31 March 2024 £'000	Note
39,910	Long-term PFI properties	38,326	
1,897	Deferred credit	1,897	
2,883	Merton RCC straight line payment	-	
5,044,766	Pensions liability	5,039,671	28
5,089,456	**Total**	**5,079,894**	

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 rules on local government lease accounting are to change in the financial year 2024/25 as the accounting standard IFRS16 becomes applicable to the sector. This is detailed below.

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' line 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.

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 Shadwell; while 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 2023/24 and 2022/23 is shown below:

Finance Lease Property PFI	**Unitary charge £'000**	**Deferred liability £'000**	**Income & expenditure account £'000**
Opening balance as at 1 Apr 2023		41,467	
New finance lease liability in year			
Principal sum paid in year	1,557	(1,557)	-
Interest	2,746	-	2,746
Contingent rentals	137	-	137
Operational expenses	1,651	-	1,651
Balance as at 31 March 2024	**6,091**	**39,910**	**4,534**
Opening balance as at 1 Apr 2022		42,910	
New finance lease liability in year			
Principal sum paid in year	1,443	(1,443)	-
Interest	2,845	-	2,845
Contingent rentals	83	-	83
Operational expenses	1,489	-	1,489
Balance as at 31 March 2023	**5,860**	**41,467**	**4,417**

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 2023/24	Within 1 year £'000	Within 2 to 5 years £'000	Within 6 to 10 years £'000	Within 11 to 15 years £'000	Within 16 to 20 years £'000
Lease rental liabilities	1,583	6,440	10,035	14,912	6,940
Operating costs	1,828	9,301	14,056	14,286	5,590
Interest costs	2,640	9,501	9,267	5,206	571
Contingent rentals	114	(23)	(470)	186	169
Total	**6,165**	**25,219**	**32,888**	**34,590**	**13,270**

Comparative figures for 2022/23:

PFI property future liabilities 2022/23	Within 1 year £'000	Within 2 to 5 years £'000	Within 6 to 10 years £'000	Within 11 to 15 years £'000	Within 16 to 20 years £'000
Lease rental liabilities	1,557	6,359	9,312	13,948	10,292
Operating costs	1,651	8,546	13,884	13,953	8,678
Interest costs	2,746	9,927	9,900	6,157	1,202
Contingent rentals	137	161	(523)	175	163
Total	**6,091**	**24,993**	**32,573**	**34,233**	**20,335**

FINANCE LEASES

The LFC holds one finance lease at 31 March 2024 for the nine fire stations provided under the PFI contract. The table below shows the future payments under the lease agreement.

Total value of minimum lease payments as at 31/03/2023	Present value of minimum lease payments as at 31/03/2023	PFI property finance lease	Total value of minimum lease payments as at 31/03/2024	Present value of minimum lease payments as at 31/03/2024
£'000	***£'000***		***£'000***	***£'000***
4,304	4,026	Not later than one year	4,223	3,951
16,286	12,960	Later than one year and no later than five years	15,941	12,681
46,446	23,512	Later than five years	46,931	22,354
67,036	**40,498**	**Total**	**67,095**	**38,986**

THE LFC AS A LESSEE – OPERATING LEASES

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

OPERATING LEASES AND LIABILITIES

The following table shows a breakdown of the LFC's current operating leases as at 31 March 2024 with future sums committed. The future minimum lease payments payable under non-cancellable leases in future years are:

Land and buildings 31 March 2023 £'000	Vehicles, plant and equipment 31 March 2023 £'000	Operating lease payments	Land and buildings 31 March 2024 £'000	Vehicles, plant and equipment 31 March 2024 £'000
8,081	2,206	Not later than one year	8,351	2,976
26,268	5,607	Later than one year and no later than five years	23,140	4,104
22,590	-	Later than five years	21,469	-
56,940	**7,813**	**Total**	**52,960**	**7,080**

The actual expenditure incurred and charged to the CIES for Merton RCC was £3,306k. There were contingent rents in 2023/24 for Merton RCC. The contingent rent is the difference between the minimum lease payment and the actual amount paid (£364k). The Authority had no subleases.

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 (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and are charged as an expense over the lease term on the same basis as rental income.

INTRODUCTION OF ACCOUNTING STANDARD IFRS16 – ESTIMATE OF IMPACT ON THE STATEMENT OF ACCOUNTS

The rules on local government lease accounting are to change in the financial year 2024/25 as the accounting standard IFRS16 becomes applicable to the sector. Under this standard, all arrangements currently treated as leases, and going forwards all arrangements having the characteristics of a lease, whether or not they have the legal status of a lease, are treated as finance leases; including those leases currently accounted for as operating leases. The only exceptions will be where the remaining life of the arrangement is less than one financial year; and/or where the value of the arrangement is immaterial in the context of the accounts. At this point in time an estimate of the impact in 24/25 has not been prepared. Our work to assess the impact for 23/24 has shown this to be approximately £0.6m for land and buildings and £0.1m for VPE.

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 4 employees in 2023/24, of which three with exit packages incurring liabilities of £0.254m.

Exit package cost band	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
£'000	No.	No.	No.	No.	No.	No.	£'000	£'000
0 - 20	-	-	-	-	-	-	-	-
20 - 40	-	-	4	1	4	1	115	38
40 - 60	-	-	1	-	1	-	53	-
60 - 80	-	-	-	-	-	-	-	-
80 - 100	-	-	-	2	-	-	-	-
100 - 150	-	-	-	-	-	2	-	216
Over 150	-	-	-	-	-	-	-	-
Total	-	-	5	3	5	3	168	254

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 2024.

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 2023/24, being at 31 March 2022. 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 2023/24.

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

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

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

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

The change in the net pension's liability is analysed into seven components, being:

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the LFC to the pension fund in the year or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. 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.

MCCLOUD/SARGEANT JUDGEMENT

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

The Public Service Pensions Act 2013 laid out a new government framework regarding reforms to public service pension schemes. The Local Government Pension Scheme (LGPS) was the first to undergo its reform in 2014, with other schemes following. The changes brought in the new career average revalued earnings schemes (CARE) with some transitional protection for members who met certain criteria.

Employment tribunal claims were subsequently brought by members of the judges' (McCloud) and firefighters' (Sargeant) pension schemes, who argued that the transitional protection arrangements were discriminatory on the grounds of age.

On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified provided to older members of public service pension schemes unlawfully discriminated against younger members on grounds of age.

The Employment tribunal issued interim orders meaning claimants are entitled to be treated as if they had remained in the final salary scheme when the schemes were reformed in April 2015.

Powers to address the discrimination were obtained through the Public Service Pensions and Judicial Offices Act 2022 and further necessary changes have been introduced by scheme specific regulations including:-

- The Police & Firefighters Pension Schemes (Amendment) Regulations 2022.
- The Firefighters Pension Scheme (Remediable Service) Regulations 2023.
- The Local Government Pension Scheme (Amendment) (No 3) Regulations 2023.'

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

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

Local Government Pension Scheme 2022/23 £'000	Firefighter's Pension Schemes 2022/23 £'000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2023/24 £'000	Firefighter's Pension Schemes 2023/24 £'000
		Cost of services		
20,107	88,880	Current service cost	8,727	23,180
		Past service costs/(gain)		
		Financing and investment income and expenditure		
4,974	180,820	Net Interest expense	458	229,990
138		Administrating expenses	138	
25,219	**269,700**	**Total post-employment benefit charged to the surplus or deficit on the provision of services**	**9,323**	**253,170**
		Other post-employment benefits charged to the surplus or deficit on the provision of services		
		Re-measurement of the net defined benefit liability comprising:		
5,862		• Return on plan assets (excluding the amount included in the net interest expense)	(20,620)	
	(251,270)	• Actuarial (gains) and losses arising on changes in demographic assumptions	(5,703)	-
(253,614)	(2,050,130)	• Actuarial (gains) and losses arising on changes in financial assumptions	(10,519)	(96,620)
50,600	375,310	Experience (gains) and losses on defined benefit obligation	1,207	68,330
		Other		
(171,933)	**(1,656,390)**	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(26,312)**	**224,880**
		Movement in Reserves Statement		
(25,219)	(269,700)	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(9,323)	(253,170)
11,790	182,400	Employers' contributions payable to scheme	7,914	195,750
		Benefits paid directly to beneficiaries		
(13,429)	**(87,300)**	**Actual amount charged against the General Fund balance for pensions in the year.**	**(1,409)**	**(57,420)**

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 2022/23	FPS number 2022/23	Membership of schemes	LGPS number 2023/24	FPS number 2023/24
983	4,297	Actives	983	4,297
734	1,318	Deferred pensioners	734	1,318
1,527	8,890	Pensioners*	1,527	8,890
265	-	Unfunded pensioners	265	-

** Includes injury pensioners*

LGPS avg age 2022/23	FPS avg age 2022/23	Membership of schemes	LGPS avg age 2023/24	FPS avg age 2023/24
47	41	Actives	47	41
52	44	Deferred pensioners	52	44
71	66	Pensioners	71	66
76	-	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 not funded by the schemes.

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

Local Government Pension Scheme As at 31 March 2023 £'000	Firefighter's Pension Schemes As at 31 March 2023 £'000	LFC pensions obligations	Local Government Pension Scheme As at 31 March 2024 £'000	Firefighter's Pension Schemes As at 31 March 2024 £'000
459,799	-	Present value of the defined benefit obligation	458,598	-
(459,156)	-	Fair value of plan assets	(491,642)	-
643	**-**	**Net**	**(33,044)**	**-**
12,854	5,031,270	Present value of the unfunded obligation	12,315	5,060,400
13,497	**5,031,270**	**Net liability arising from defined benefit obligation**	**(20,729)**	**5,060,400**

Note 28 Pensions (continued)

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

Local Government Pension Scheme 2022/23 £'000	London Fire Commissioner Asset Scheme	Local Government Pension Scheme 2023/24 £'000
458,562	Opening fair value of scheme assets	459,156
11,855	Interest income	21,807
	Re-measurement gain/(loss)	
(5,862)	• The return on plan assets excluding the amount included in the net interest expense	20,620
	• Other	
11,790	Contributions from employer	7,914
3,639	Contributions from employees into the scheme	3,917
(20,690)	Benefits paid	(21,634)
	Settlement prices received/(paid)	
(138)	Other	(138)
459,156	**Closing fair value of scheme assets**	**491,642**

Note 28 Pensions (continued)

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

Funded Liabilities Local Government Pension Scheme 2022/23 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2022/23 £'000		Funded Liabilities Local Government Pension Scheme 2023/24 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2023/24 £'000
655,782	**6,869,430**	**Opening balance at 1 April**	**472,653**	**5,031,270**
20,107	88,880	Current service cost	8,727	23,180
16,829	180,820	Interest costs	22,265	229,990
3,639	27,760	Contributions from scheme participants	3,917	25,410
		Re-measurement (gains) and losses:		
	(251,270)	• Actuarial gains/losses arising from changes in demographic assumptions	(5,703)	-
(253,614)	(2,050,130)	• Actuarial gains/losses arising from changes in financial assumptions	(10,519)	(96,620)
50,600	375,310	• Experience loss/(gain) on defined benefit obligation	1,207	68,330
(910)		Unfunded pension payments	(910)	
		Past service cost		
(19,780)	(210,160)	Benefits paid	(20,724)	(221,160)
		Liabilities extinguished on settlements		
472,653	**5,030,640**	**Closing balance at 31 March**	**470,913**	**5,060,400**

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

Based on the assets the LFC's share of Fund assets is approximately 6.12%.

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 2024 to be 9.34%. The actual return on the Fund assets over the year may be different. (Note that this figure includes an allowance for the difference in the asset return used in the previous period's report and the Fund's actual asset return.)

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 2023 £'000	Fair value of Fund assets	As at 31 March 2024 £'000
270,011	Equities	297,672
85,374	Target Return Portfolio	84,814
58,097	Infrastructure	56,480
45,088	Property	44,975
586	Cash	7,701
459,156	**Total**	**491,642**

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 2024.

Local Government Pension Scheme 31/03/2023	**Firefighter Pension Scheme 31/03/2023**	**Assumptions as at**	**Local Government Pension Scheme 31/03/2024**	**Firefighter Pension Scheme 31/03/2024**
2.95%	2.60%	CPI increases	2.90%	2.60%
3.95%	3.85%	Salary increases	3.90%	3.85%
2.95%	2.60%	Pensions increase	2.90%	2.60%
4.80%	4.65%	Discount rate	4.90%	4.75%

ACTUAL AND FUTURE EMPLOYERS CONTRIBUTION RATES

In previous years, the LFC made additional employer contribution payments to the LGPS fund to reduce the LGPS pension deficit. That payment in 2022/23 was £3.663m. Together these payments resulted in ongoing savings from against the LFC's past service deficit payments. With the 2022 valuation of the Fund, the requirement to make past service deficit payments stopped for 23/24, with only the ongoing employers contribution rates of 14.2% required.

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.

Employer contribution	**2022/23 £'000**	**2023/24 £'000**
LGPS	11,790	7,914
Firefighters' schemes	48,109	55,742
Total	**59,899**	**63,656**

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 three 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 2025 and will set contributions for the period from 1 April 2026 to 31 March 2029. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

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

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

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

LGPS – ACTUARIAL ASSUMPTIONS

The actuary's estimate of the employer's active (final salary) modified liability duration is 19 years.

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.90% 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 the same as that assumed at the previous accounting date.

Salaries are assumed to increase at 1.0% p.a. above CPI. This is the same as 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 2023/24 pension disclosures.

The cost of benefits accruing in the period from 1 April 2023 to 31 March 2024 was determined using the Projected Unit Credit Method with a one-year control period and based on the principal financial assumptions applying to the 2022/23 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 19 years; this estimate is materially (to the nearest year) 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 2024 is assumed to be 4.75% a year.

PENSION INCREASES

The pension increase assumption as at 31 March 2024 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.60%.

EARNINGS INCREASES ASSUMPTIONS

It is assumed that there is a long term rate of salary growth of 0.50% above CPI.

The assumed nominal rate of salary growth is therefore 3.85% a year.

RATE OF REVALUATION FOR CARE PENSIONS

A rate of revaluation for CARE pensions of 3.85% 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.

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

2022/23		Mortality assumptions	2023/24	
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**			
21.6 years	21.2 years	**Male**	21.3 years	21.3 years
23.7 years	21.2 years	**Female**	23.5 years	21.3 years
Retiring in 20 years	**Future Pensioners**			
22.5 years	22.9 years	**Male**	22.3 years	22.9 years
25.5 years	22.9 years	**Female**	25.3 years	22.9 years

MORTALITY ASSUMPTIONS

The post-retirement mortality for the LGPS scheme is based on Club Vita analysis. These base tables are then projected using the CMI 2022 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 an initial addition parameter of 0.0% p.a. and a 2022 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.

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	464,059	470,913	477,935
Project service cost	7,848	8,140	8,443
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	471,514	470,913	470,315
Project service cost	8,146	8,140	8,135
Adjustment to pension increase and deferred revaluation	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	477,464	470,913	464,518
Project service cost	8,446	8,140	7,844
Adjustment to life expectancy assumptions	**+1 year**	**None**	**-1 year**
Present value of total obligation	489,044	470,913	453,510
Project service cost	8,457	8,140	7,823

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 31/03/2024	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	(7.00)%	(354,000)
1 year increase in member life expectancy	2.50%	127,000
0.5% increase in the salary increase rate	1.00%	51,000
0.5% increase in the salary increase rate (CPI)	6.50%	329,000

Comparative figures at year ended 31/03/2023:

Change in financial assumption at year ended 31/03/2023	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	(7.00)%	(351,000)
1 year increase in member life expectancy	2.50%	136,000
0.5% increase in the salary increase rate	1.00%	51,000
0.5% increase in the salary increase rate (CPI)	6.50%	333,000

DISCLOSURE OF THE ASSESSMENT OF THE IMPACT OF VIRGIN MEDIA CASE IN LPFA – LOCAL GOVERNMENT PENSION

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, LFC does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

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 Note 2 we have outlined estimates of the financial impact this uncertainty could have on the provisions included within these accounts.

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 in 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 2024 the LFC has one contingent asset, for the potential reimbursement of fire authorities for charges made by Motorola in respect of Airwave invoices. the Competition Appeal Tribunal (the Tribunal) took the decision in December 2023 to uphold the Competition and Markets Authority (CMA)'s decision to impose a charge control mechanism on Motorola in respect of the revenue Airwave can earn from its charges. Motorola has lodged an application for permission to appeal the Tribunal's decision to the Court of Appeal (CoA), but in the meantime has commenced issuing credit notes and discounting invoices to reflect the charge control impact from 1 August 2023 onwards. These credit notes have been applied to the totality of the invoice to the Home Office and apportioned to the various authorities, including all Fire and Rescue Authorities (FRA) in England. Since an appeal request has been lodged with the CoA, any credit which is currently applied and accepted may have to be repaid if subsequently it is decided to overturn the Tribunal's decision and in turn set aside CMA's charge control. Motorola have been clear in their communications that this is the basis on which the credits are being applied. If the decision is upheld, the share due to the London Fire Brigade will be £458,603.07.

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 31/03/2023 Amount (£)	Category insured	As at 31/03/2024 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
850,000	Professional indemnity	850,000
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	20,000
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 2023/24 (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 2026. Management have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent forecasted balances, as per the November 2024 budget submission to the GLA for 2025/26, are as follows:

Date	**General Fund**	**Earmarked reserves**	**Grand total**[1]
31/03/24[2]	£17.3m	£67.4m	£84.7m
31/03/25	£14.1m	£28.7m	£42.8m
31/03/26	£17.9m	£11.4m	£29.3m

The LFC's expected General Fund and Earmarked Reserve position would have a predicted balance of £17.8m and £11.4m (total £29.3m) as at 31 March 2026. LFC's reserves strategy is in line with good financial practice in ensuring that reserves are adequate but not excessive (building up and holding on to an unnecessarily large amount of reserves is not a good use of taxpayer funds). LFC has established earmarked reserves for specific and time-limited purposes and using these to support expenditure in line with plans, or releasing these funds if they are no longer required, is part of maintaining financial stability. The Brigade maintains a General Reserve of 3.5 per cent each year to ensure resilience against unforeseen financial risks and this is kept under review.

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

The agreed budget for 2024/25 includes a number of assumptions and key risks. Inflationary pressures continue to be reviewed as part of budget process, ensuring contract inflation is adequately resourced throughout the MTFS. The assumption underpinning the overall LFC budget for 2024/25 was for a pay award

[1] excludes capital grants unapplied
[2] actual

of 3.0 per cent across all staffing groups (although, as a result of local and national negotiations, the final award was 4.0 per cent across all staffing groups), which then falls to an assumed 2.0 per cent pay award in future years. This is linked to the longer-term target on inflation and therefore the potential for future pay awards to fall in line with this.

On funding, whilst the Mayor has provided indicative funding levels for up to 2026/27, 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.

The final LFC Budget report for 2024/25 set out a balanced budget and a budget gap of £1.9 million in 2025-26. The impact of the decrease in funding in the Mayor's Budget Guidance from July 2024, together with the results of the MTFS review as part of the preparation for the 2025/26 budget process, is set out in the November budget submission. Based on the assumptions set out within that report, and after additional funding from the Mayor, there remains at the time of writing a financing requirement of £12.7m in 2025-26, which will be addressed before the budget is finalised.

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 movements

2022/23 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements	2023/24 £'000
(19,369)	Depreciation of Non-Current Assets	(9,400)
35,859	Impairment, Impairment Reversal and Revaluation of Non-Current Assets	(7,560)
(15,361)	Assets de-recognised during year	(23)
(274)	Amortisation of Intangible assets	(275)
98	(Increase)/Decrease in impairment for provision of bad debts	(503)
202	Increase/(Decrease) in inventories	624
(18,312)	Increase/(Decrease) in debtors	10,188
(4,032)	(Increase)/Decrease in creditors	5,710
10,870	(Increase)/Decrease in provisions	(812)
(100,729)	Pension Fund costs adjustment	(58,829)
(1)	Other Non-cash items	2,883
(111,049)	**Net cash (inflow)/outflow from operating activities**	**(57,997)**

Note 33 Cash Flow Statement – Operating Activities

2022/23 £'000	Operating Activities	2023/24 £'000
(3,491)	Interest received	(5,278)
2,403	Interest paid	2,100
2,845	Interest element of finance leases	2,746
1,757	**Total**	**(432)**

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

2022/23 £'000	Investing Activities	2023/24 £'000
19,152	Purchase of property, plant and equipment, investment property and intangible assets	28,389
(64)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(332)
-	Movement in Short term investments	1,823
-	Capital grants received	(1,046)
19,088	**Net cash flows from investing activities**	**28,834**

2022/23 £'000	Financing Activities	2023/24 £'000
17,035	Cash Receipts of Short and Long term borrowing	58
1,543	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	1,557
4,000	Repayments of Short and Long term borrowing	2,000
22,578	**Net cash flows from financing activities**	**3,615**

FIREFIGHTERS' PENSION FUND
ACCOUNT AND NOTES

Firefighters' Pension Fund Account Notes

2022/23 £000	£000	Firefighters' Pension Schemes Fund Account	2023/24 £000	£000
		Contributions receivable		
		- from employer		
(52,229)		- normal	(55,743)	
(1,596)		- early retirements	(1,662)	
(53,825)			**(57,405)**	
(23,545)		- from members	(25,194)	
	(77,370)			(82,599)
		Transfers in		
	(91)	- individual transfers in from other schemes		(294)
		Benefits payable		
164,491		- pensions	179,748	
25,511		- commutations and lump sum retirement benefits	21,704	
(257)		- overpayments recovered	(262)	
118		- lump sum death benefits	139	
	189,863			**201,329**
		Payments to and on account of leavers		
		- refunds of contributions		
		- individual transfers out to the other schemes		
		- other - interest due on back dated lump sums		
744		- interest due on back dated commutation lump sums	305	
	744			**305**
	113,146	Deficit/Surplus for the year before top-up grant receivable/amount payable to central government		118,741
	(113,146)	Top up grant receivable from/amount payable from central government		(118,741)
	-	Grant received from central government for back dated commutations		-
	-	**Net amount payable/receivable for the year**		**-**

31/03/2023 £000		Net Assets Statement		31/03/2024 £000
257		- Recoverable overpayments of pensions	262	
29,247		- Top up receivable from/(payable to) Government	36,393	
(29,504)		- other current liabilities	(36,655)	
-	-		-	-

Firefighters' Pension Fund Account Notes

THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

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

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

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

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

FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

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

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

ACCOUNTING POLICIES

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

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

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

Firefighters' Pension Fund Account Notes

CONTRIBUTIONS

Employees' and employers' contribution levels are set nationally by HM Government and are subject to triennial revaluation by the Government Actuary's Department. Under the firefighter's pension regulations, the standard contribution rates as a percentage of was 24.5% for the 2015 scheme, which from 2024/25 is assessed to be 24.0%. These rates include both the employer and employee elements. 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.

2022/23			2023/24	
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

2022/23 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2023/24 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

Introduction

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

2. The LFC is a corporation sole that came into being on 1 April 2018, replacing the London Fire and Emergency Planning Authority (LFEPA). The Mayor of London issued a London Fire Commissioner Governance Direction 2018 in March 2018 to set out those matters requiring Mayoral consent, those requiring the Deputy Mayor for Fire and Resilience's prior approval 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 the LFC as a signatory to the GLA Group Corporate Governance Framework Agreement.

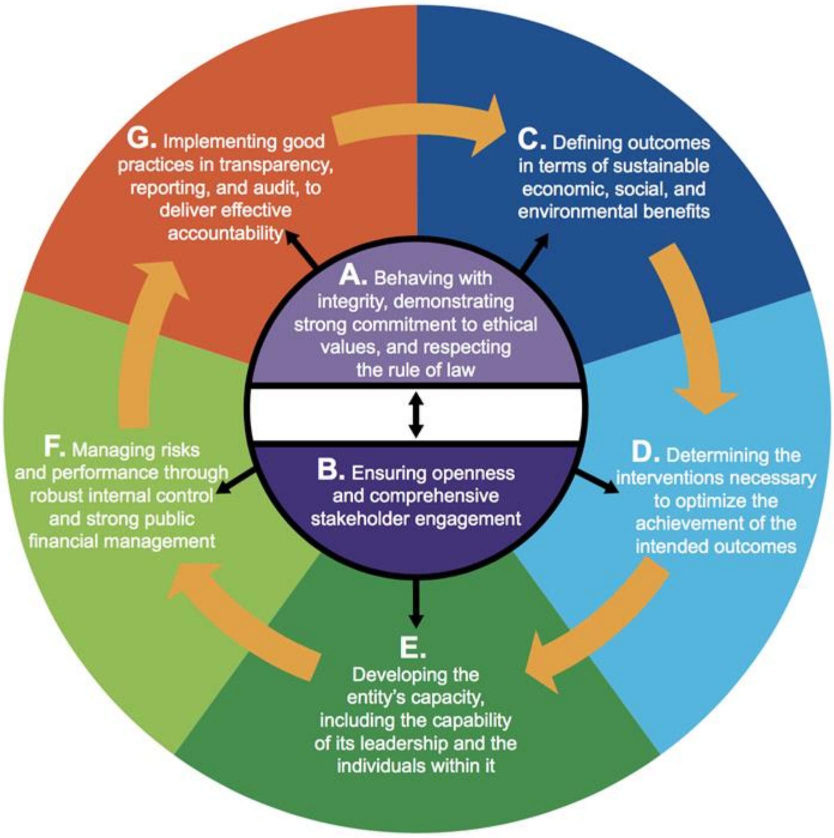
3. This Annual Governance Statement for 2023/24 reflects the governance arrangements in place under the LFC.

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

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

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

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



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

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

CIPFA Principle	How the LFC meets the principle
Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law	• Behaving with integrity through leadership is provided by the LFC, the Top Management Group and senior officers. • Adoption of the National Fire Chiefs Council (NFCC) 'Code of Ethics'. • LFB's Values and Behaviour framework outlines the behaviours expected of all employees in the organisation at all levels set against a set of six values (service, courage, learning, teamwork, equity and integrity). 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. • A Professional Standards Unit that monitors and upholds professional standards across all parts of the London Fire Brigade • Director for Corporate Services is the Head of Paid Service and is responsible for all LFC staff. • Director for Corporate Services is also the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money. • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct and for reporting to the LFC on cases of maladministration. • Decision-making framework and scrutiny and review arrangements (see para 8 below). • Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles. • All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements.

CIPFA Principle	How the LFC meets the principle
Principle B – Ensuring openness and comprehensive stakeholder engagement	• Public consultation on 'Your London Fire Brigade', the Brigade's community 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 • A Community Engagement Strategy which sets out how LFB will work with communities to shape services that meet their needs, and improve the offer to communities before, during and after an incident. • A monthly Community Forum where Londoners act as a critical friend, providing insight, analysis and advice to how the LFB is run. • Community safety youth programmes including Education Team, Fire Cadets,) and Fire setters Intervention Scheme (FIS) and community engagement programmes working with local/emergency service partners. • Borough Commander liaison and local engagement with stakeholders • Resilience partnership working with the National Fire Chiefs Council (NFCC), London Resilience Group and the Government • Utilising online digital communication channels such as X (formerly known as 'Twitter'), Facebook, Instagram and YouTube to promote engagement with the service
Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits	• 'Your London Fire Brigade' sets out the LFC's purpose, vision and strategy. It contains key performance indicators (KPIs) which are used to assess and monitor progress against the Brigade's key deliverables • LFC's Sustainable Development Strategy that focusses on 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

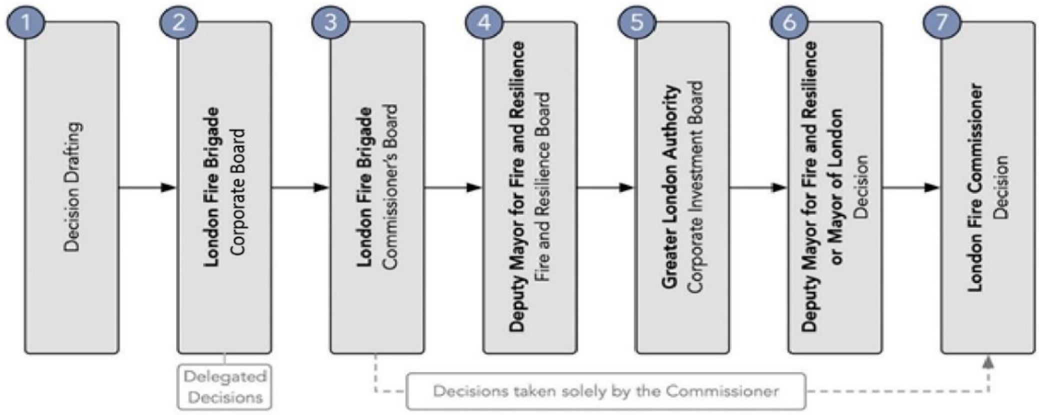
CIPFA Principle	How the LFC meets the principle
Principle D – Determining the intervention necessary to achieve intended outcomes	• Quarterly Risk and Assurance reports which provide updates on the development of organisational assurance in relation to LFB's principal risks and key controls necessary to meet strategic priorities and objectives. • Monthly corporate performance reports which track the performance of all the Brigade's activities in terms of key performance indicators and commitments against the community risk management plan. The report also highlights remedial actions being taken where slippage does occur. • Monitoring of performance against the 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 (formerly via the Fire Resilience and Emergency Planning Committee. now Fire Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • 'Your London Fire Brigade' sets a clear vision, strategy, and action plan for the Brigade's priorities • Borough Risk Management Plans designed to address local risks and how local communities will be made safer. • Monitoring performance of projects and initiatives via programme boards. • Assurance activities undertaken by the Independent Operational Assurance Advisor linked to Operational Learning and Improvement.

CIPFA Principle	How the LFC meets the principle
Principle E – Developing capacity, including the capability of leadership and individuals within the Brigade	• An organisational learning and professional development approach that enables the Brigade to clearly identify its training needs and deliver effective learning interventions, from leadership development through to the provision of high quality realistic operational training, so that all staff are safe and equipped to serve the people of London and meet its complex risk environment. • 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 suite of leadership, coaching and mentoring programmes • Six-monthly appraisal conversations that enable staff to experience regular, meaningful and supportive conversations with their line manager and which encourage individual ownership of professional development and progression; • 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
Principle F – Managing risks and performance through strong internal control and financial management	• 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. • Scrutiny and challenge of strategic risks as part of the quarterly performance reporting cycle. • Budgetary control systems and monthly budget reporting scrutinised at Investment & Finance 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.
Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior 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 for Fire and Resilience (now Deputy Mayor for Planning, Regeneration and the Fire Service). • Fire, Resilience and Emergency Planning Committee (now Fire Committee) review and scrutiny of LFC decisions and can challenge policy. • External audit of Brigade's systems of internal control. • A Culture Advisory Panel which provides support, challenge and assurance to ongoing work to create a safe and professional working environment for all LFB staff. • Assurance via appointment of independent Operational Assurance Advisor.

Decision-making framework and scrutiny

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



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

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

Review of effectiveness

11.The LFC uses a number of ways to review the effectiveness of governance arrangements. One of the key assurance statements in reviewing effectiveness, is the 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. The internal auditors' opinion for 2023/24 was that, based on the areas audited, the LFC's control framework remains adequate. Another significant element is the annual report and opinion of the external auditors.

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

Issues identified	Performance in 2023/24
Formal reports by Section 127 or Monitoring Officer	None issued.
Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations	There were no issues to report.

Proven frauds carried out by members of staff	2 fraud cases have been identified in 2023/24 and dealt with under the LFB's disciplinary procedures. Those 2 cases concerned the falsification of recorded attendance and the falsification of evidence contained in an e-PDR. Other potential cases raised are investigated with support from internal audit as necessary. The newly-created Professional Standards Unit (PSU) leads on discipline procedures within the LFB. The PSU sets, monitors and upholds professional standards across all parts of London Fire Brigade and is responsible for the external reporting service for when standards are not met. The PSU also has an important role in upskilling the organisation and enabling all staff to understand and meet the high standards of behaviour required to represent the LFB. Additionally, there were a number of unsuccessful phishing attacks on the LFC, some of which were directed at individual members of staff. These were identified through the existing controls and reported to and dealt with by MOPAC and LFC ICT Department. The LFC has invested in new cyber security software that increases the protection against phishing attacks. The LFC has also initiated new on-line Cyber Security and Data Protection training packages that are compulsory for all staff to undertake annually.
Use of Regulation of Investigatory Powers Act	There were no applications for any RIPA authorisations in 2023/24, nor were there any previous authorisations that continued into 2023/24.
Complaints/compliments received from members of the public	A total of 115 complaints were received. These have been actioned accordingly. In addition, a total of 270 compliments were received during 2023/24.
Number of whistleblowing cases	There was 1 case which qualified as a whistleblowing item during 2023/24 regarding health and safety in the management of equipment.

SIGNIFICANT GOVERNANCE ISSUES ADDRESSED IN 2023/24

Delivering the LFC'S Community Risk Management Plan (CRMP), 'Your London Fire Brigade' – Approval and rollout of Borough Risk Management Plans, Service Strategies and the introduction of Your LFB Plan for 2024 and Station and Department Plans

13. LFB's Community Risk Management Plan, 'Your London Fire Brigade' reflects up to date risk analyses, including an assessment of all foreseeable fire and rescue related risks and demonstrates how prevention, protection and response activities will best be used to prevent fire and other incidents and mitigate the impact of identified risks on the community.

14. Being trusted to serving and protect communities who live, work and visit London is LFB's vision and is underpinned by pillars and commitments which are captured within programmes of delivery that span the life of the CRMP (2023-29). Those programmes contain the actions that will enable LFB to achieve its vision.

- Service Strategies

15. During the course of 2023/24, a suite of six service strategies (prevent, protect, respond, engage, prepare and recover) were approved to support delivery of the CRMP. They are designed to help LFB prioritise and target its services according to levels of risk, so it can place people and resources where they are needed most. They also help LFB better understand London's communities and the risks they face so trust can continue to be built. LFB continues to raise awareness among Londoners about what these services are and what they mean.

- Borough Risk Management Plans

16. A key commitment within the CRMP was to provide localised services that meet the needs of London's communities and for each borough to have its own Borough Risk Management Plan (BRMP). The BRMPs demonstrate LFB's desire to be linked to, and reflective of, the characteristics of local communities within London and their individual profiles and differing needs. They also directly address the Independent Culture Review recommendation that: "Borough Commanders should build a better understanding of and closer relationships with their local communities which should include learning from them and seeking the input of diverse staff and the communities themselves."

17. Each of the 33 Boroughs have created their BRMP with engagement from local communities and partners, using their knowledge and lived experience. In addition, individual Equality Impact Assessments have been developed to underpin them.

- Your LFB Plan for 2024

18. New for 2024 has been the introduction of an annual internal plan for LFB staff ('Your LFB Plan for 2024') which sets out how colleagues will work together to deliver the ambitions set out in the CRMP so that LFB can be trusted to serve and protect London. The 2024 Plan shows:

Where we are going – LFB's vision to be a professional and efficient organisation with communities at its heart and services prioritised by risk.

What we do - the six services we provide to London.

What is changing - the key changes LFB colleagues will be delivering together in 2024, within the themes of equipment and facilities, service delivery and people and skills.

How we work (new LFB values) - Service, Integrity, Teamwork, Equity, Courage and Learning. Embedding those values as the standards LFB staff set and uphold throughout the organisation.

19. The Plan recognises that all staff across LFB play a vital role in delivering the CRMP. Every station and department created a local plan (Station and Department Plans) that shows how Your LFB Plan for 2024 will be delivered.

Assessment of Risk (AoR)

20. LFB's process for informing its Assessment of Risk (AoR) is also changing. The Brigade's AoR underpins the Community Risk Management Plan (CRMP), which describes the changes that the Brigade needs to make to achieve its vision and how it will make those changes. The CRMP also identifies the improvements to existing services and the new services that are needed to respond to risk. It does this through reference to the AoR, which sets out the LFC's understanding of risk in London.

21. For the 2024 version of the AoR, the layered structure set out below for presenting and assessing different kinds of risk information will be retained. A layered structure allows specific risk types to be highlighted separately and presented in the most appropriate way for the end user of the risk information. There will however be changes to how data is sourced, collated and applied.

- Layer 1 - Public Concerns and Public Risk Perception.
- Layer 2 - Risks relating to property, place and incident type
- Layer 3 - Extraordinary risks and risks from the London Risk Register
- Layer 4 - New and Emerging Risks

22. There will also be enhanced external scrutiny and review. The 2024 AoR will be reviewed by an external panel of academics and subject matter experts who will provide academic and subject matter expert feedback with reference to the robustness and defensibility of the approach.

23. Additionally, the AoR will be reviewed by the Brigades' Community Forum. This is a formal group created by LFB through the community engagement team, including a wide representation of communities living and working in London who share their views, life experience and opinions to inform London Fire Brigade's transformation. The feedback from this forum will be reported alongside the feedback from the academic and subject matter panel.

Embedding portfolio governance

24. The LFB has mobilised its transformational change activities into nine distinct and integrated Programmes of work, directly aligned to the Community Risk Management commitments, with delivery plans spanning 18-24 months in duration.

25. There has been significant progress in mobilising Programmes during 2023/24. This has been due, in-part, to the successful recruitment of and appointment to key posts within the Portfolio function. The majority of Programmes now have a Programme Manager, with Project Managers delivering projects with the support of Business Change Management colleagues. Programme governance has been strengthened through the appointment of Programme Senior Responsible Officers (all of whom are LFB Directors and able to use their delegated authority) who chair Programme Board meetings and provide leadership, direction and to champion programmes, with programme delivery oversight and monitoring undertaken by the Performance, Risk and Assurance Board through monthly highlight reports.

26. Five of the nine programmes are fully mobilised. Of the remaining programmes three will be mobilised early in 2024/25, with the remaining one on course for mobilisation in later transition states.

Increasing maturity to the management of risk and assurance

27. The Brigade's internal risk management framework has been in operation since May 2021 and enables the organisation to identify and manage significant risks. The framework is applied across directorates and departments where risks are evaluated for their likelihood and impact and which places them in the framework at either the corporate, directorate or departmental level, whereby they can be monitored, managed, and scrutinised effectively. Risks and risk management action at corporate and directorate level are reviewed at appropriate monthly board meetings, and at Commissioner's Board at least quarterly.

28. Work has been ongoing to develop the Brigade's maturity towards risk management, with particular interventions at a departmental level to enhance risk register content, including a decluttering exercise to rationalise and refine the number of risks and controls in the system to a more manageable level.

29. As risk intelligence-levels increased within the workforce, it provided the opportunity to introduce a risk appetite approach which would offer clarity on what the organisation is prepared (and not prepared) to do in pursuit of its strategic objectives. It will provide a useful guide to staff to put boundaries in place for acceptable risk taking, the appropriate escalation of risks that exceed appetite levels, definition of the Brigade's risk culture and ultimately, the balancing of risk taking against potential rewards.

30. Work has commenced to define the Brigade's risk appetite, including categorisation and appetite levels, with adoption of a risk appetite statement planned for the summer of 2024.

31. In respect of assurance, the Brigade's Enterprise Assurance Framework (EAF) sets out the approach for how the Brigade identifies and maps its key processes, controls and understanding of the level of assurance in place across four lines of defence. The total number of departments that have either commenced or completed an assurance mapping exercise has increased to 14.

Conclusion of Independent Operational Assurance Advisor activity

32. As part of its response to the recommendations of the Grenfell Tower Inquiry and His Majesty's Inspectorate of Constabulary & Fire and Rescue Services, the LFB commissioned the services of an Independent Operational Assurance Advisor (IOAA) to provide independent assurance on a range of operational areas.

33. Since his appointment in 2021, Alasdair Hay has made 32 recommendations across four functional areas: Learning & Professional Development, Operational Policy & Assurance, Operational Resilience and Control, People Services and the Transformational Directorate. 20 of those recommendations have been completed with 12 currently in progress.

34. In his final report, the IOAA highlighted a number of key governance improvements that have been introduced since his appointment. Firstly, the adoption of Programme Management has been essential for initiating projects, allocating resources, identifying interdependencies, tracking progress and holding people to account for delivery the delivery of the significant transformation to meet GTI and HMICFRS recommendations, where previously that would not have been possible.

35. Secondly, and importantly in the context of operational assurance, has been the creation of the Business Assurance function. The IOAA identified that LFB was an organisation that went through a cycle of identifying and addressing the same lessons repeatedly. The Business Assurance function has played and will continue to play a significant role in breaking that cycle and assuring the LFB that the necessary change/outcome has been delivered.

Continuing work to change the workplace culture at LFB and the adoption of new values

36. The formulation of the Culture Transformation programme involved bringing together initiatives from LFB's Target Operating Model alongside activities that respond to recommendations received from HMICFRS and the Independent Culture Review. A Programme Board led by Deputy Commissioner Jon Smith, the Senior Responsible Owner, has been put in place to oversee the governance of the programme and monitor progress, along with Project Boards for each of the projects within the programme.

37. A Staff Survey took place in May 2023 and received a response rate of 70%. The results of this survey were used to inform action plans and factored into the shaping of the LFB Values. The NFCC Core Code of Ethics was formally adopted in October 2023 and the new LFB values were launched in December 2023. The LFB Values were developed through analysis of 8000 comments from the staff survey, feedback from Leading Culture Conversations events and testing with over 300 staff in workshops. A values and behaviours framework provides clarity to staff about acceptable and unacceptable behaviour aligned to the values. Briefings by senior staff and workshops with all watches and teams have been taking place between December 2023 and will run through to June 2024. A comprehensive approach to embedding the values is being delivered, which includes embedding values throughout policies.

38. The Professional Standards Unit (PSU) was established in January 2024. This is a specialist unit that monitors and upholds the professional standards across all parts of LFB and investigates disciplinary matters. An external provider will manage and investigate any complex cases or those involving senior staff. The PSU has an important role in upskilling all staff and actively promoting the high standards of behaviour required.

39. In August 2023 Martin Forde KC was appointed as the independent chair of an Advisory Panel set up to support and scrutinise LFB in making the improvements. The panel consists of representatives from the Home Office, Greater London Authority (GLA), National Fire Chiefs Council, the community and trade unions. The panel held its first meeting in October 2023.

Completion of Grenfell Tower Inquiry Phase 1 recommendations

40. In March 2024, LFB completed the last of its 29 recommendations produced by the Grenfell Tower Inquiry (GTI).

41. The recommendations have resulted in significant improvements and changes to how LFB trains its firefighters, its processes for major incidents and the introduction of new equipment and technology, including:

- The replacing of all high-reach vehicles and the introduction of new 64 metre Turntable Ladders, the tallest ladders in service across Europe;
- New command units equipped with technology to improve incident commanders' ability to respond at the incident ground;
- Improved communications with new fire ground radios allowing firefighters wearing helmets and breathing apparatus sets to communicate effectively with their teams and entry control officers when inside buildings.
- New policies on high rise firefighting, rescue and fire survival guidance.
- The creation of a dedicated Community Engagement Team to support communities after an incident.

HMICFRS - Round 2 Inspection – Progress against recommendations and decision to remove LFB from enhanced monitoring

42. During 2023/24, HMICFRS removed LFB from its enhanced monitoring regime.

43. Following an inspection in August 2023, HMICFRS closed the cause of concern for prevention in relation to how LFB prioritised Home Fire Safety Visits (HFSVs). The decision recognised the progress LFB had made in rolling out a new approach to HFSVs. This included the development of a prevention strategy; creation of an effective system for assessing levels of risk and prioritising HFSVs; and development of a plan to address a backlog of HFSVs.

44. In March 2024, HMICFRS subsequently took the decision to remove LFB from enhanced monitoring ('Engage'). This decision followed an inspection carried out by HMICFRS between 19 -22 February 2024 in relation to the cause of concern regarding Culture. The cause of concern had three recommendations. The first two related to ensuring that Brigade values were communicated to all staff and that they were well understood, particularly by leaders. The Inspectorate found considerable evidence to show that LFB had achieved these two recommendations, drawing on findings from the feedback given by staff at all levels of the organisation.

45. The third recommendation concerned how LFB was improving its approach and processes for complaints, discipline and grievance, where the Inspectorate found good progress has been made. Despite removing LFB from enhanced monitoring, HMCIFRS left this third part of the Cause for Concern in place. The inspection team recognised that the new Professional Standards Unit (PSU) had only recently become operational (in January 2024) and as such more time was required to build staff trust and confidence. The inspectors were pleased to see the PSU is being underpinned by new and simple policies on discipline and grievance, building on the external reporting line introduced by LFB in 2022. While the volume of complaints already received by the PSU shows growing confidence in its function, progress will need to be sustained and demonstrated. Evidence is being accumulated within LFB to demonstrate a more consistent, faster and robust approach to discipline and grievance.

Most importantly, the PSU is beginning to build confidence on the ground and within London's communities.

46.Progress continues to address recommendations arising from the HMICFRS Round 2 inspection in December 2021. A total of 46 recommendations with 91 associated actions were included in the report for LFB to complete. At the end of 2023/24, a total of 17 recommendations and 48 actions have been completed. This increased to 33 recommendations and 78 actions completed by the end of May 2024.

Introduction of board effectiveness surveys

47. As referenced in previous annual governance statements, the LFC board structure has undergone extensive change over the past couple of years to create a high-level, strategic layer of board governance to address people, performance and risk, operational service delivery and financial oversight. Stability in 2023/24 provided an opportunity to assess the effectiveness of board operations.

48. An internal peer review undertaken in late 2023 illustrated areas of strengths with the current board arrangements which included clarity of purpose, remit, and frequency of board meetings. It also highlighted opportunities for further improvement, notably creating capacity meeting agenda to facilitate detailed discussions, memberships, upskilling of boards and ongoing training, and ensuring that boards maintain a strategic focus.

49. Steps have been taken to build on feedback from surveys, including trials at Performance, Risk and Assurance Board of a revised reporting format designed to reduce the length of reports with a targeted focus on suggested key lines of enquiry, and the inclusion of sub-board minutes at meetings of Service Delivery Board.

50. Annual board effectiveness surveys will be a core feature of board governance going forward and will be included within a defined framework for the monitoring and review of board arrangements which is to be produced in 2024/25.

Key areas of focus for 2024/25	**Planned action**
1. Further embedding recommendations from the Independent Culture Review	
2. Outcome of Grenfell Tower Inquiry Phase 2 report	• Pre-emptive action through the introduction of and investment in Tactical Ventilation
3. HMICFRS Round 3 Inspection results	• Preparation of robust self-assessment and close working with HMI pre- and post-assessment
4. Risk Management	• Adoption of a risk appetite statement and approach
5. Further steps to embed programme and project management best practice	• Implementation of a Project Categorisation and Prioritisation Framework, and a Portfolio Benefits Management Strategy
6. Board effectiveness	

Key areas of focus for 2024/25	Planned action
	• Improving board member skills and capabilities

Equalities considerations

51. The Brigade, under the leadership of the LFC, takes the Public Sector Equality Duty very seriously. The LFC's approach is embodied in its revised Inclusion Strategy which has dedicated strands which focus on 'Education', 'Elevation' and 'Evaluation' with several strategic objectives and actions directly relating to how the Brigade will advance equality of opportunity, foster good relations and eliminate discrimination. These are important deliverables in terms of how the Brigade governs itself and aligns with the Community Risk Management Plan.

52. The outputs and desired outcomes of the revised LFB Inclusion Strategy are monitored through the Transform People Service Board which meets monthly. To provide robust scrutiny and provide meaningful assurances, the delivery of the strategy will be measured against two sets of maturity models: namely the Mayor's Greater London Authority (GLA) Action Standard, and also the National Fire Chiefs Council (NFCC) EDI Maturity Model. In addition, an external accrediting body, The Race Code, will conduct an independent review of progress on an annual basis.

53. Papers presented to the LFC have direct reference to 'Equalities Consideration', explaining how the proposed activity, policy or decision complies with the Equality Act 2010, and what proactive and positive/equity actions are being taken to address known institutional issues. There may be a supporting Equality Impact Assessment (EIA) 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 recruitment

54. One of LFB'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, partner-based activities, and digital media channels to increase attraction rates. End of year (March 2024) statistics reveal the recent intake of new firefighters remains below corporate indicator targets. 11.2% of women and 16.7% of ethnically diverse candidates were appointed. A range of measures are earmarked for 2024/25 to positively impact recruitment levels from LFB's target demographic, these include the development of an Employee Value Proposition (EVP) as well as wider work to identify possible operational changes to improve the attractiveness of roles, especially to primary child carers.

Conclusion

55. 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, KFSM

London Fire Commissioner on 26 February 2025

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 dependent 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.

London Fire Commissioner
Audit results report

Year ended 31 March 2024

26 February 2025

EY

Building a better working world

Private and Confidential
London Fire Commissioner
169 Union Street
London
SE1 0LL

26 February 2025

Dear Commissioner

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Commissioner.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Commissioner's accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Commissioner, as the Individual charged with governance, has an essential role in ensuring that they has assurance over both the quality of the draft financial statements prepared by management and the Commissioner's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Commissioner's external financial reporting arrangements and the effectiveness of the Commissioner in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK). However, we have been able to complete all planned procedures set out within these constraints.

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our Audit Completion Report dated 21 November 2024, we issued a disclaimed audit report on the Commissioner's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Whilst we have commenced a good volume of work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement, predominantly driven by the lack of brought forward assurances linked to the disclaimer in the prior year. We therefore anticipate issuing a disclaimed 2023/24 audit opinion. Whilst technically a disclaimed opinion, we have completed all planned procedures agreed with management and have made strong steps forward aligned to Government directions.

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

Yours faithfully

Ben Lazarus

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website ([. Statement of responsibilities of auditors and audited bodies from 2023/24 – PSAA)](#) The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the commissioner and management of the London Fire Commissioner in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the commissioner and management of the London Fire Commissioner those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the commissioner and management of the London Fire Commissioner for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession
- Increased complexity of reporting requirements within the sector
- Lack of capacity within audit firms with public sector experience
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 21/11/2024 Audit Completion Report to the Commissioner we issued a disclaimed audit report on the Commissioner's financial statements for under these arrangements to reset and recover local government audit. Although we have commenced work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and closing reserves balances requiring future build back procedures. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.

Status of the audit

Our audit work is now complete and we have issued our audit opinion on the financial statements for the year ended 31 March 2024 on 26 February 2025.

Executive Summary (cont’d)

Expected modification to the audit report

As reported in our 21 November 2024 Audit Completion Report to the Commissioner, we issued a disclaimed audit report on the Authority’s 2022/23 financial statements under the Government’s legislative arrangements to reset and recover local government audit (Statutory Instrument (2024) No. 907). The reasons for the 2022/23 disclaimed audit report were set out in the aforementioned 2022/23 Audit Completion Report.

As set out within Appendix A of this report we have been able to complete our planned programme of work, obtaining the planned assurances over closing balances and in-year transactions.

However, as a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we also do not have assurance over a number of 2023/24 in-year movements that depend on those opening balances, and therefore closing balances (particularly Reserves). We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. We did not plan to rebuild this assurance in our 2023/24 audit. We did not plan to rebuild this assurance in our 2023/24 audit.

Appendix A of this report sets out the level of assurance we have been able to gain from the procedures that we have completed.

Taken together, and alongside the requirement to conclude the 2023/24 audit by the legislative back stop date of the 28 February 2025, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements.

We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

This is in line with the Government’s legislative arrangements set out above and specifically the ‘Recovery phase’ of those arrangements and with guidance issued by the Financial Reporting Council (FRC) within their ‘Accessible Guide’ which sets out a minimum 3-year timeline to re-build audit assurances to gain full assurance over opening, closing balances and in year movements.

We will reflect on the impact of the areas where we did not gain our planned assurances in 2023/24, through our 2024/25 audit planning and set out our timeline for re-building audit assurance within our Audit Plan.

Scope update

In our Audit Planning Report presented at the 19 March 2024 meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan with the exception of an update to our materiality which we updated using the draft 2023/24 financial statements. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £11.4 million (Audit Planning Report – £11.7 million). This results in updated performance materiality, at 50% of overall materiality, of £5.7 million, and an updated threshold for reporting misstatements of £0.57 million.

A summary of our approach to the audit of the balance sheet including any changes to that approach from the prior year audit is included in Appendix A.

Executive Summary (cont'd)

Audit differences

We have identified 17 audit differences above our agreed reporting threshold throughout our audit as detailed in Section 05. This includes nine audit differences which management have chosen not to adjust.

We identified over 80 disclosure misstatements which have been discussed and agreed with management and corrected in the final statement of accounts. Any uncorrected disclosure points are deemed immaterial.

Control observations

During the audit, we identified internal control deficiencies covering the following areas:

- Reconciliations for bank, debtors, creditors and payroll were not appropriately preformed
- Errors were identified in accounting for MFB income as a result of process not being appropriately followed
- Errors were identified in PPE valuations driven by incorrect information submitted to the valuer
- The PFI accounting model had not been appropriately updated through close procedures; and
- The assets under construction balance could not be evidenced as still under construction.

Refer to section 06 for these further details which includes our detailed recommendations.

As a result of the high level of misstatements and control observations we have applied a lower materiality across our audit which has resulted in more extensive and detailed testing which gives rise to additional audit effort and fee.

Other Reporting Issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts however the London Fire Commissioner falls below the reporting threshold for WGA purposes.

Independence

We confirm that there are no changes in our assessment of Independence since our confirmation in our Audit Planning Report dated 19 March 2024. Please refer to Section 08 for our update on Independence.

Value for Money

In our Audit Planning Report dated 19 March 2024, we reported that we had completed our value for money (VFM) risk assessment, and we had identified a risk of significant weakness in respect of external inspections for London Fire Commissioner. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

02 Areas of Audit Focus

Areas of Audit Focus

Area #1 – Significant Risk - Misstatements due to fraud or error

What is the risk?

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

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

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

What did we do?

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

What judgements are we focused on?

We assess that the risk is particularly associated with:

- journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- accounting estimates; and
- significant unusual transactions.

What are our conclusions ?

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

We did not identify any transactions, not separately identified as audit risks, which appeared unusual or outside LFC's normal course of business.

We did not identify any journal entries that are indicative of fraud or management override of controls.

Areas of Audit Focus (cont'd)

Area #2 – Significant Risk – Risk of fraud in revenue recognition – MFB and other non-grant income

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.
There are two material revenue streams which are not grant related which we have assessed as at risk of manipulation:
1) Metropolitan Fire Brigade (MFB) Act income and;
2) Other Income.

MFB Act income recognised in each financial year is a combination of that levied in the previous and current calendar years. Recognition is therefore complex and susceptible to manipulation.

Other Income relates to income from insurance claims, reimbursements, fees and charges.

In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. At the planning stage, we have concluded that in the case of the London Fire Commissioner, this is not a material or likely risk.

What did we do?

- We reviewed and tested MFB revenue recognition policy and ensured that it was consistent with the Act and with accounting standards;
- Sample tested MFB revenue transactions to ensure that they had been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split.
- Sample tested other non-grant income at a lower testing threshold and ensured that underlying evidence supports the recognition of income within the financial year;
- Tested journal entries that meet unusual criteria where the credit entry side is posted to revenue.

What judgements are we focused on?

We focussed on obtaining evidence to support the occurrence of income and determination of whether the income had been recorded in the correct period in accordance with the LFC's accounting policies.

What are our conclusions ?

We did not identify any errors in our testing of MFB income recognised as at the 31 March 2024. However, in our testing of MFB receipts in advance we identified some sample items incorrectly recognised as receipts in advance that had not actually been received as at the balance sheet date. These items should not have been recorded as receipts in advance. Since a number of errors were identified in our sample of receipts in advance we requested management assess the full population to assess the total level of error. This was concluded to be an overstatement of the receipts in advance balance of £7.99m with a corresponding overstatement of debtors. Management have adjusted for this item in the final financial statements.

We note that management's process notes for accounting for MFB income includes a year-end check on amounts received pre and post YE and instructions for journal postings for those items not received. This process was missed as part of the close of the accounts in FY24 and we recommend that management ensure process notes are followed as part of close for future periods to prevent similar errors occurring in future periods.

In our sample testing of other income we identified two errors in our representative sample whereby income related to the prior period and had not been accrued in the prior year and thus the current year income is overstated. As representative items, we extrapolated these errors across the other non-grant income population to give a projected error of £1.08m. As a projected misstatement, rather than a factual misstatement, this item is unadjusted in the final financial statements.

We also noticed that management had incorrectly posted the debit side of the bad debt provision entry to income rather than to expenditure which results in an understatement of both income and expenditure of £1.1m. Management have chosen not to correct this item which is a reclassification item only with no impact on the net position.

Areas of Audit Focus (cont'd)

Area #3 – Significant Risk – Risk of error in property valuations

What is the risk?

Auditing standards (ISA 620) require us to gain particular assurances, when an expert has been engaged and where this influences material figures in the financial statements.

The London Fire Commissioner engages a professional valuer to provide it with asset valuations.

In 2022/23 the Commissioner engaged a new valuer to prepare these valuations however, since the 2022/23 financial statements have not been subject to audit, the 2023/24 financial statements are the first year subject to audit that contain valuations prepared by the new valuer. A change in valuer constitutes a trigger event for a significant risk to our audit.

What did we do?

- Assessed the objectivity and competency of the new valuer engaged in preparing the 2023/24 assets valuations;
- Reviewed the valuation instructions provided to the valuer against the requirements of the Code of Accounting Practice for Local Government;
- Engaged our internal expert to assess the appropriateness of the methodology applied by the new valuer in valuing specialised assets;
- Engaged our internal expert to review the appropriateness of the valuation of a sample of assets including the Albert Embankment site;
- As an audit team, tested a sample of asset valuation focussing on the appropriateness of underlying assumptions and agreeing these to source evidence where applicable;
- Confirmed that the information provided by the valuer as the management's expert has been appropriately reflected in the financial statements; and
- Reviewed and tested the accounting entries and disclosures made within the financial statements.

What judgements are we focused on?

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

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

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

What are our conclusions ?

Our procedures assessed management's specialist as appropriately independent with the appropriate skills for the portfolio. The specialist's methodology is considered to be consistent with valuation practice given the characteristics of the assets being measured.

Our internal expert performed a detail review of the underlying assumptions for a sample of three assets. All assets were found to be supportable and their valuations sit within our expert's reasonable range.

Part of our work included agreeing the input assumption of fire station areas that is used in the valuations calculation through to underlying floor plans. Through this work we identified that incorrect and out of date floor plans had been provided to the valuer. We requested that management revisit the area sizes for the full portfolio to assess the total impact to the valuation of land and buildings as a result of incorrect floor plans. The total impact was assessed to be an understatement in value of £7.4m to PPE. Management have chosen not to adjust for this item.

Our work also includes agreeing the location factor used in the valuation calculation through to independent BCIS (Build Cost Information Service) indices. We noted small differences across a number of assets within our sample as a result of timing of valuations. We calculated a projected error as an estimate of the impact across the full population of DRC buildings as an overstatement of £0.9m. This is reported as an unadjusted difference.

Areas of Audit Focus (cont’d)

Area #4 – Other areas of audit focus – Inherent Risk – Provisions for legal obligation

What is the risk, and the key judgements and estimates?

Management recognise material provisions in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in relation to legal obligations arising in relation to both public and employer’s liability.

The nature of these estimates means that they are based on uncertain outcomes and are subject to management judgement.

As part of our 2021/22 audit of the financial statements we identified errors in this area including an understatement of the provisions as a result of costs not included in management’s calculations.

What judgements are we focused on?

We focussed on the risk that the provision recognised by management is understated either through understatement of future costs included or through non-inclusion of material costs associated with the events.

What did we do?

- Critically assessed management’s estimate of the provision and challenged consistency to third party evidence and legal advice;
- Stress tested management’s estimate using downside assumptions to assess the risk of material misstatement;
- Assessed the completeness of the provision through inquiry with the legal team with a focus on areas we identified in 2021/22 including claims outside of the ADR process;
- Ensured appropriate accounting and disclosures in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

What are our conclusions ?

We reviewed and challenged each element of the calculation for material provisions and in completing these procedures, we assess that the legal provisions are understated by £0.85m. This is a judgemental difference and management have chosen not to adjust for this item.

We also noted inaccurate information included within the supporting disclosures which management have updated.

Areas of Audit Focus (cont'd)

Area #5 – Other areas of audit focus – Inherent Risk – Risk of error in the valuation of the net pension liability –Fire Fighter Pension Scheme and Local Authority Pension Scheme

What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the London Fire Commissioner to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) and the Fire Fighter's Pension Scheme (FFPS).

The London Fire's fund deficit is a material estimated balance, and the Code requires that this liability be disclosed on the London Fire Commissioner's balance sheet. At 31 March 2024 this totalled £5.04 billion.

The information disclosed is based on the IAS 19 reports issued to the London Fire Commissioner by the actuaries for the respective schemes.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What are our conclusions ?

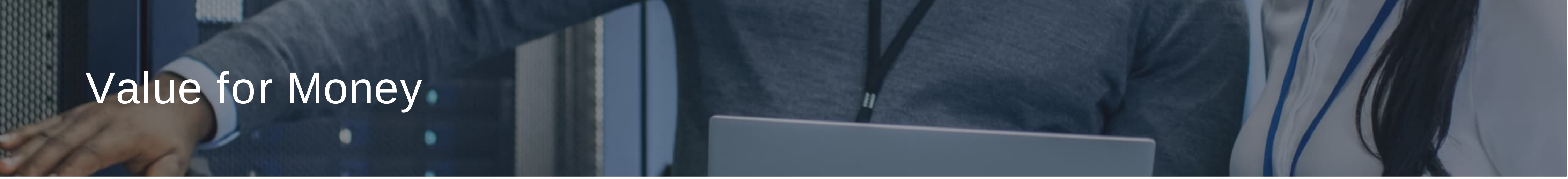
In respect of the Local Government Scheme, the auditors of the London Pension Fund Authority reported to us differences identified through their audit over the Pension Fund assets position. The impact of these differences on London Fire's LGPS pension liability is an understatement of £2.6m. Management have chosen not to adjust for this item.

In respect of the Fire Fighter's Pension Scheme, we identified an error in the data submitted to the actuary resulting in an overstatement of the pension liability amount to £1.7m. Management have chosen not to adjust for this item.

What did we do?

- For the Local Government Pension Scheme (LGPS) we also liaise with the auditors of the London Pensions Fund Authority (LPFA), the LGPS administering authority, to obtain assurances over the information supplied to the actuary in relation to the London Fire Commissioner.
- Assessed the conclusions drawn on the work of the actuaries, Barnett Waddingham (BW) and Government Actuaries Department (GAD), by the Consulting Actuary, PWC, who are commissioned by the National Audit Office, and considered reviews by our EY actuarial team;
- Reviewed the accuracy of the date submitted by management to GAD in respect of the Fire Fighters Pension Scheme.
- We engaged our EY Pensions Specialists to recalculate the liability based on the assumptions and data in the IAS 19 reports to confirm accuracy. This covers the work of GAD for the Firefighters Pension Scheme (FFPS) and Barnett Waddingham for the Local Government Pension Scheme (LGPS). Using this model we have been able to independently reconcile our roll forward with the figures produced by the actuary as at the disclosure date to a difference of less than 1% of the figure for the liabilities. Having implemented the above checks, it is our view that the figures for the LGPS and FFPS liability as at 31 March 2024 are acceptable.
- Reviewed and tested the accounting entries and disclosures made in relation to IAS19;

03 Value for Money



Value for Money

The Authority's responsibilities for value for money (VFM)

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

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

Risk assessment and status of our work

We are required to consider whether the Commissioner has made ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

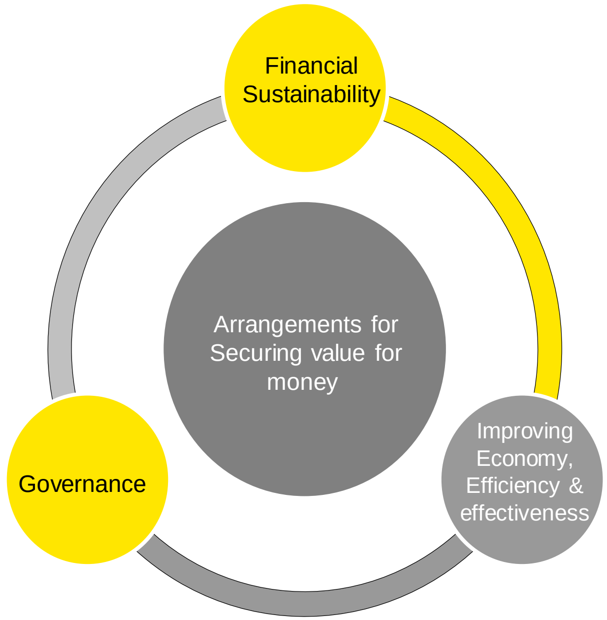
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Commissioner’s arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

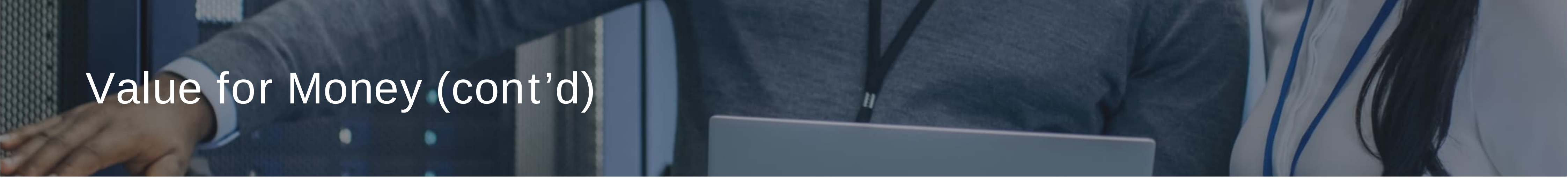
We will provide a commentary on the Commissioner arrangements against three reporting criteria:

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

We have completed our detailed VFM work and identified one risk of significant weakness in arrangements as documented on the next page.

Having completed additional procedures to address this risk of significant weakness we found that the Commissioner had put in place arrangements to secure value for money through 2023/24 and we have not identified any significant weaknesses, our opinion is therefore not modified in respect of VFM.





Value for Money (cont’d)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
<u>Findings from External Bodies</u> At the date of our VFM planning, the London Fire Brigade had outstanding recommendations from the following two inspections: a.) Grenfell Tower Inquiry b.) HMICFRS Round 2 report of effectiveness, efficiency and people. Good progress has been made to develop action plans in response to these inspections and the brigade continues to report progress against each of these actions on a regular basis to both the Home Office and the Mayor of London. In particular, the HMICFRS Round 2 report (published in July 2022) included two areas of Cause for Concern being Home Fire Safety Visits and Culture. The Cause for Concern in relation to the Home Fire Safety Visits has been closed in September 2023 demonstrating good response to the recommendations and agreed action plan however the Cause for Concern in relation to Culture remains open. There is a risk that the Brigade does not have the appropriate resource and capabilities to address all recommendations which could expose the organisation to risks in the future.	Improving Economy, Efficiency & Effectiveness – How the body evaluates the services it provides to assess performance and identify areas for improvement	To address this risk, we have carried out a range of procedures including: ► Reviewing progress made the remaining open recommendations from the Grenfell Tower Inquiry (GTI) Phase 1 report; ► Reviewing progress made against the 46 recommendations made as part of the HMICFRS Round 2 report; ► Reviewing the Grenfell Tower Inquiry (GTI) Phase 2 report published in September 2024 and assessing the nature of the recommendations raised; ► Reviewing progress made against recommendations raised through HMI values and culture report; and ► Specifically assessing the action plans in place to address the open recommendations, particularly those in relation to the culture findings.

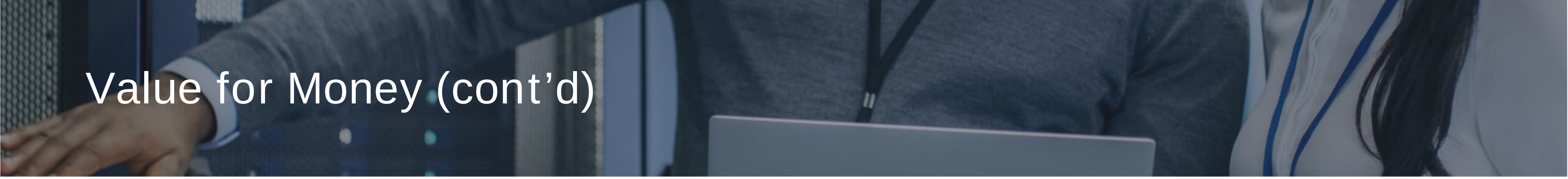
Findings

We have undertaken an extensive and detailed review of four critical reports: GTI Phase 1, GTI Phase 2, HMICFRS 21-22, and the HMICFRS Values and Culture report. This review assessed the London Fire Brigade’s (LFB) position and progress as of 31 March 2024 and beyond. Our primary objective was to note all recommendations, validate actions taken, and identify any potential weaknesses in Value for Money (VFM) arrangements.

Our findings demonstrate that the LFB has made significant strides in addressing and closing most recommendations across these reports.

In our specific review of the Grenfell Tower Phase 1 report, we noted that out of 46 recommendations, 40 required action by LFB. As of 31 March 2024, all these recommendations had been implemented and closed including two significant actions which were closed during 2023/24: the establishment of the High Rise Portal following the introduction of the Fire Safety (England) Regulations 2022, and the launch of new equipment in March 2024.

Continued on the next page.



Value for Money (cont’d)

Risk of significant weakness in VFM arrangements (cont’d)

Findings

We also performed a review of the Grenfell Tower Phase 2 report; which was published in September 2024. This showed only 1 recommendation directed specifically at LFB, and we found strong evidence to support the progress that the Brigade has made in the area. The report’s limited focus on LFB and the effective response to a high-rise fire incident in Dagenham at the end of August 2024, with no fatalities and positive feedback from HMI and the media, further demonstrated LFB’s commitment to implementing lessons learned from the Grenfell tower incident.

We performed a detailed review of all open recommendations from the 2021-22 HMICFRS inspection to assess their impact on VFM arrangements. Out of 46 initial recommendations, 42 have been successfully closed, leaving only four remaining open recommendations at the date of our work. Notable progress includes the closure of the Cause for Concern related to Home Fire Safety Visits and the clear advancements in addressing culture concerns.

The LFB’s exit from ‘engage status’ with HMICFRS on 6 March 2024 was a significant milestone during the year under review, reflecting the substantial improvements made over recent years. This transition means that LFB is now subject to routine, normal monitoring, underscoring the effectiveness of the measures implemented.

Finally, the HMICFRS Values and Culture report, published in March 2023, was proactively analysed by LFB, who have identified and tracked progress against the applicable recommendations. The report included 35 recommendations, of which 20 were identified as specific to fire services. Of these, LFB has closed 14, with 6 open recommendations remaining at the date of our work.

Our work also highlighted the robust communication processes in place at LFB. The Brigade provides quarterly progress reports to the Home Office and the Mayor of London, detailing actions taken to address recommendations from the GTI and HMICFRS inspections. Each quarter, these reports are presented to the Commissioners Board, summarizing the main changes, identifying key risks to delivery, and outlining control measures to manage those risks. We thoroughly assessed the minutes and reports from the Commissioner’s board meetings, where progress against recommendations was discussed and detailed.

<u>Conclusion:</u>

In conclusion, through our comprehensive review, we have determined that the London Fire Brigade has made significant progress in closing and delivering against recommendations, with only a handful of outstanding actions. The exit from ‘engage status’ with HMICFRS and robust communication processes further support the substantial improvements made. Based on our assessment, LFB has established proper arrangements to secure Value for Money for the year ended 31 March 2024, and we will not be reporting any exceptions.

We will have issued our VFM narrative commentary in our 2023/24 Auditor’s Annual Report in March 2025.

04 Audit Report

Audit Report

Disclaimed audit report

Our opinion on the financial statements

INDEPENDENT AUDITORS REPORT TO THE LONDON FIRE COMMISSIONER

Disclaimer of Opinion

We were engaged to audit the financial statements of The London Fire Commissioner **('the Authority')** for the year ended 31 March 2024. 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 2023/24.

We do not express an opinion on the accompanying financial statements of the **Authority**. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date').

The audit of the financial statements for the year ended 31 March 2023 for The London Fire Commissioner **was** not completed for the reasons set out in **our** disclaimer of opinion on those financial statements dated 21 November 2024.

Our audit work in the current year was focused on transactions in the year and the current year balance sheet.

As a result of the disclaimer**)** of opinion in the prior year and the scope of our audit work which was impacted by the backstop date, we do not have sufficient appropriate audit evidence over the following:

- in the balance sheet and accompanying notes: the opening balances and closing reserves position and the valuation of property assets held at valuation included in 'other land and buildings' that were not revalued in year.

- in the comprehensive income and expenditure account and accompanying notes: comparatives and income and expenditure transactions that are impacted by the opening balances shown in the prior year balance sheet

- in the cash flow statement and accompanying note**s**: opening balances, comparatives and in-year cash flow movements that are calculated as a movement between the opening and closing balance sheet

Audit Report (cont'd)

Our opinion on the financial statements

Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the **Authority.**

We report to you if:

- 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 **Authority** has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 22 , the Director of Corporate Services is responsible for the preparation of the **Statement of Accounts**, which **includes the financial statements and the firefighters pension fund financial statements]],** in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, 2023/24, 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 **Authority**'s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the **Authority** either intends to cease operations, or 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 responsibility is to conduct an audit of the **Authority's** financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matters described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the **Authority** in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Audit Report (cont'd)

Our opinion on the financial statements

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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024**,** as to whether the London Fire Commissioner had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Fire Commissioner put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

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 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of London Fire Commissioner.

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 The 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 85 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 **Authority** and the **Authority's** members as a body, for our audit work, for this report, or for the opinions we have formed.

05 Audit Differences

Audit Differences (cont'd)

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight the following misstatements to the financial statements which have been corrected by management that were identified during the course of our audit. We identified nine adjusted differences listed below.

1.) Receipt in Advance –£2,525k - it was noted that the closing balance for receipts in advance balance included a debit entry of £2,525k related to reversal of a repayment position under insurance policies after an agreement was reached during 2023/24. However the original credit entry for the £2,525k was posted to short term creditors not receipts in advance meaning that receipts in advance was understated and short term creditors balance was overstated by this amount.

2.) Gains/Losses on disposal – Amount £1,046k – It was noted that a gain on disposal had been posted of this amount however the transaction actually related to capital grant income and had been incorrectly posted.

3.) LTLF Investment classification – Amount £1,832k – We challenged the classification of the core commitment balance that London Fire holds with LTLF which was originally classified as cash and cash equivalents. Based on the nature of the core commitment balance this should be classified as short-term investments.

4.) Bank reconciliations – Amount £5,118k – Our audit procedures identified an unreconciled difference of £5.1m that had been received into the bank as at the year end and should have been reflected in cash and debtors within the GL resulting in an understatement of the cash balance and a corresponding overstatement to debtors.

5.) Debtors – Amount £847k – As a result of the reduction to debtors from the adjustment above (number 4) the bad debt provision was also adjusted.

6.) Receipt-in-Advance MFB Income – Amount £7,990k – our testing identified that this amount had been recognised as a receipt in advance as at the year-end. The amount does relate to 24/25 however the cash was not actually received before the balance sheet date and therefore there is no liability as at the year-end.

7.) Leases – Amount £2,883k – our testing identified that the Merton operating lease had been incorrectly recorded as a finance lease within the draft financial statements resulting in an overstatement of £2.3m to the lease liability.

8.) Assets Under Construction– Amount £6,498k – Our testing identified that a number of assets had been incorrectly classified as 'assets under construction' as at the year end but evidence showed that these assets had been completed during the year and should have been classified as operational PPE assets.

Audit Differences

Summary of unadjusted differences

We highlight the following misstatements greater than 0.57 million GBP (£) to the financial statements which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Commissioner and provided within the Letter of Representation:

Factual misstatements

1.) PPE valuation – Amount £7,385k – we identified that incorrect and out of date floor measurements had been provided to the valuer. We requested that management revisit the area sizes for the full portfolio to assess the total impact to the valuation of land and buildings as a result of incorrect floor plans. The total impact was assessed to be an understatement in value of £7.4m to PPE which is supportable based on the updated floor plans. There is no impact to the surplus/deficit on provision of services in the CIES as a result of this misstatement.

2.) PPE Componentization – Amount £6,207k – Management's accounting policy is to only apply componentization to assets with a value above £5m. We challenged management to assess the impact of this on depreciation and we found that this policy results in an understatement to depreciation of £6.2m. As in the previous audit period, we continue to recommend that management reassess this accounting policy which we consider to be outside of our expectations for an organisation of this side and has a material impact on the financial statements.

3.) Payroll reconciliation – Amount £757k – Management's payroll reconciliation showed £757k of unreconciled items.

Judgemental misstatements

4.) LGPS Pension liability – Amount £2,623k – the auditor of the London Pension Fund Authority reported to us material adjustments related to the Pension Fund asset values. We have reviewed these adjustments and considered their impact on London Fire as an admitted body and concluded that there is a judgemental understatement of £2.6m to the LGPS pension liability because of these adjustments.

5.) Firefighters Pension Liability – Amount £1,698k – We identified a difference between actual lump sums paid and lump sums communicated to the actuary when calculating the FFPS liability. This has a direct impact on the overall reported liability within the financial statements.

6.) Legal provisions – Amount £848k - our assessment of the completeness of costs included within certain legal provisions is that there is a judgemental understatement of £0.8m

Reclassification misstatements

7.) Bad debt provision – Amount £1,109k – The Bad Debt Provision journal had been posted as a debit to income and should have been recorded as a debit to expenditure. There is no impact on the net cost of services, and this is a classification difference between gross income and gross expenditure only.

Projected misstatements

8.) PPE– Amount £919k –location factor- We noted small differences in the location factor used within the valuations across a number of assets within our sample as a result of timing of valuations. We calculated a projected error as an estimate of the impact across the full population of buildings as an overstatement of £0.9m.

9.) Other income – Amount £1,078k- In our sample testing of other income we identified two errors in our representative sample whereby income related to the prior period had not been accrued in the prior year and thus the current year income is overstated. As representative items, we extrapolated these errors across the other non-grant income population to give a projected error of £1.08m.

Audit Differences (cont'd)

Summary of adjusted differences

The impact of the unadjusted differences described on the previous page are set out below:

	Effect on the current period:		Net assets (Decrease)/Increase				Impact on reserves
Uncorrected misstatements 31st March 2024 (Currency in £'000)	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Reserves Debit/(Credit)
Errors							
Known / Factual differences:							
► PPE valuation				7,385			(7,385)
► PPE Componentization				(6,207)			6,207
► Unreconciled payroll items		757			(757)		
Judgemental differences:							
► LGPS Pension liability – variance between audited vs IAS 19						(2,623)	2,623
► FFPS Pension liability – Diff between actual lump sums	(1,698)					1,698	
► Legal provisions		848			(848)		
Reclassification differences							
► Bad debt provision taken to income rather than Exp		1,109 (1,109)					
Project differences							
► PPE valuation – location factor				(919)			919
► Other income not accrued in prior year		1,078	(1,078)				
Cumulative effect of uncorrected misstatements:	(1,698)	2,683	(1,078)	259	(1,605)	(925)	2,364

06 Assessment of Control Environment

Assessment of Control Environment

Financial controls

It is the responsibility of the London Fire Commissioner to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the London Fire Commissioner has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. However, as we have adopted a fully substantive approach, we have not tested the operation of controls.

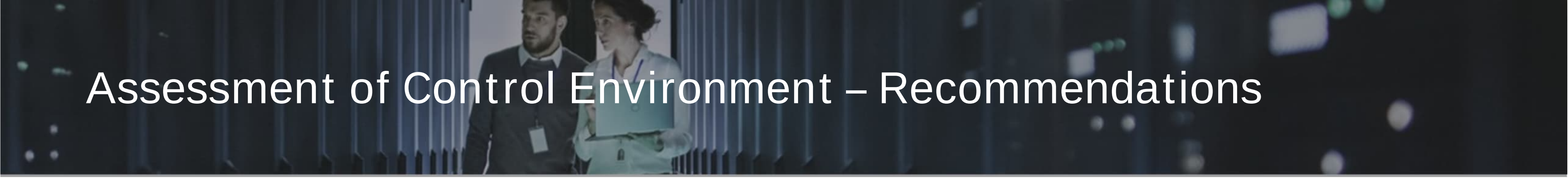
Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

During the audit, we identified a number of deficiencies in internal control deficiencies covering the following areas:

- Bank reconciliations
- Debtors and Creditors reconciliations
- Accounting for MFB income
- PPE Valuation and information submitted to the valuer
- Assets under construction

Detail for these five deficiencies, and our supporting recommendations, are included over the next pages.

In addition to these deficiencies, we also identified a number of observations and improvement recommendations in relation to management’s financial processes and controls. These are also detailed on the next pages.



Assessment of Control Environment – Recommendations

No	Area	Issue	Recommendations
1	Bank reconciliations *(Significant deficiency)*	During testing we noted an unreconciled difference of £5.3m of items that had actually been received as at YE into the bank and should have been reflected in cash and debtors within the GL.	We recommend that management review reconciling items when performing their bank reconciliations and, where relevant, make the appropriate adjustments to the ledger as part of their financial statements close processes. Review of reconciling items and their accounting treatment should be a key element of the bank reconciliation review process.
2	Creditors and Debtors listings *(Significant deficiency)*	Management did not provide appropriate debtor and creditors listings for audit which clearly detailed, at transaction level, the outstanding position as at the balance sheet date. The EY team had to spend a considerable amount of time to reconcile listings to the year-end balance per the GL.	To ensure readiness for audit, management need to be able to provide a transaction listing of outstanding debtors and creditors as at the balance sheet date, in Microsoft Excel format.
3	Receipt-in-Advance (RIA) *(Significant deficiency)*	In our testing we identified items classified as receipts in advance which were not actually received before the balance sheet date and should therefore not have been recognised as liabilities.	Management need to ensure that the process for accounting for MFB income is followed correctly and process notes are shared with all applicable team members. Appropriate review mechanisms need to be incorporated into the financial statements review process to ensure that this happens in future years. *This recommendation was also made as part of our 2021-22 audit.*
4	Payments in advance	In our testing we identified some items that were recorded as pre-payments but the cash had actually not been paid before year-end.	On review of journals accounting for payments in advance, the reviewer needs to check the date at which cash leaves the bank when assessing the correctness of the journal.
5	Leases	Our testing identified that for one lease, the liability has been calculated based on the rent review date of Dec 2025 and should have been calculated based on the lease expiry date of Mar 2027. This resulted in a difference of £6.3m	Appropriate review of lease calculations needs to be incorporated into financial statement close processes to ensure compliance with the CIPFA reporting framework.

Assessment of Control Environment – Recommendations (cont'd)

No	Area	Issue	Recommendations
6	PFI	We identified that the PFI model had not been appropriately updated for the change in RPI as per the PFI contract as part of close processes. Management could also not locate the operator PFI model to share with us for audit.	Management need to develop detailed process notes for updating the PFI accounting model as part of close processes to ensure that appropriate information is available if there are staff changes. Management also needs to ensure consistency between the accounting model and operator's model as part of close processes.
7	Property valuation (PPE) *(Significant deficiency)*	We found that incorrect and out of date information (particularly floor areas) had been provided to the valuer resulting in material misstatements to the property valuations. Resolving this issue was time consuming for the audit team and highlighted a clear lack of communication and understanding between the estates team and finance team.	Management need to incorporate robust checks and challenges to information provided to the valuer and ensure this is appropriately supported by evidence and robust rationales. Management need to ensure open dialogue between the finance and estates team and that mutual understanding is enhanced between teams over the impact and importance of financial statement valuations and the inputs sent to the valuer.
8	Property valuation (PPE)	We saw limited review and challenge of the valuations prepared by the specialist.	Management should ensure that the valuations prepared by the specialist are subject to appropriate review and challenge of the key inputs and whether they are appropriate. We noticed a clear lack of understanding across the finance team of how the valuations are calculated and the assumptions applied. We recommend training is provided to ensure individuals are well placed to challenge the valuations and their inputs. *This recommendation was also made as part of our 2021-22 audit.*
9	PPE Componentization policy	Our audit procedures identified that applying management's accounting policy to only componentize assets above £5m results in a material misstatement to the financial statements. Management had not considered the impact of applying a £5m componentisation threshold on the financial statements as recommended previously by us which resulted in further audit delays.	We recommend that management re-visit this policy and consider lowering this threshold for future years. Management also need to carry out appropriate procedures on a yearly basis to satisfy themselves that applying a threshold does not lead to a material impact on the depreciation charge. *This recommendation was also made as part of our 2021-22 audit.*
10	PPE	Based on our work, we found that the PPE valuation working paper is hard coded rather than linked to workings and supporting evidence.	Valuations working papers provided to audit need to demonstrate how the valuations have been calculated and management should ensure that appropriate due diligence has been performed on these as part of close processes.

Assessment of Control Environment – Recommendations (cont'd)

No	Area	Issue	Recommendations
11	PPE – Assets Under Construction *(Significant deficiency)*	Our audit work identified a number of assets accounted for as 'assets under construction' at the balance sheet date that were not under construction and had become operational during the year. Management struggled to provide evidence to support the balances within the financial statements adding significant delays to the audit timeline.	Management need to incorporate a review of the AUC balance into their close process to ensure that any asset recognised as AUC at the year end meets the accounting definition and is supported by evidence.
12	Payroll	A reconciliation between payroll and the GL had not been completed at the year-end and had to be performed late in the audit process.	Payroll reconciliations should be performed monthly and these should be subject to appropriate levels of review.
13	Data submitted to the actuary	There was no evidence that data submitted to the actuary had been reviewed and the lump sums amount had not been updated to reflect actuals at YE and communicated to the actuary or an assessment of this impact made by management.	Management should ensure appropriate review of the accuracy of information submitted to the actuary. Where estimates are made, management need to form an assessment of this impact at the year-end on the financial statements. *This recommendation was also made as part of our 2021-22 audit.*
14	General	a.) We identified high levels of inconsistencies between working papers and supporting evidence provided to us when compared to the draft financial statements submitted for audit. Significant levels of disclosure differences were also identified showing that insufficient review of the draft financial statements had occurred. b.) Audit supporting documents/working papers were not valid/complete such as payment certificates not signed.	i. Prior to including amounts into the SOA, the relevant support should also be reviewed by the finance team. ii. Listings should be maintained for each line item in the SOA, including expenditure and contras should be removed when being provided to the audit team. iii. Proper working papers and reconciliations need to be provided for all accounts. iv. Proper third-party support should be provided v. Support should be provided in a manner that is easy to follow (Suggest laying out clearly in excel sheets) vi. Proper review of the SOA needs to be completed prior to sharing with the audit team. vii. Statement of account mapping needs to subject to detailed review as numerous mapping issues were noted. viii. Better communication between the finance team and all other departments is recommended to support in better understanding of journals and evidence. ix. Appropriate contract records need to be maintained with signed contracts in place and accessible to audit. A number of these *recommendations were also made as part of our 2021-22 audit.*

07 Other Reporting Issues

Other Reporting Issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Commissioner’s Statement of Accounts 2023/24 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the financial information in the Narrative report and confirm it is consistent with the audited financial statements.

We have also reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

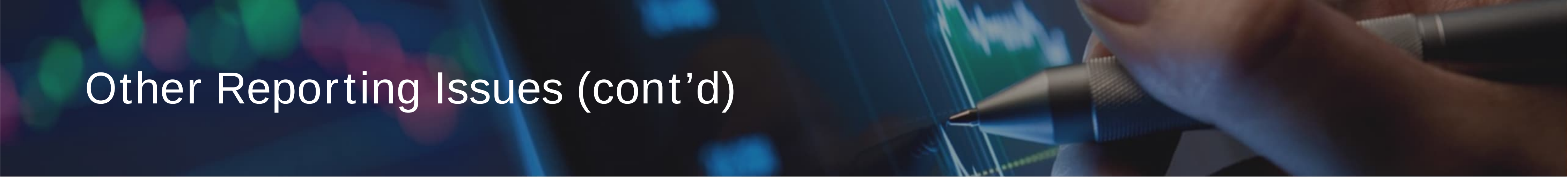
We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Commissioner to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”). We did not identify any issues which required us to issue a report in the public interest.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Commissioner’s financial reporting process. These areas are listed in Appendix B to this report. We have no other matters to report.



Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- Risk Assessment
- Understanding the entity's internal control
- Significant risk
- Approach to addressing significant risk (in combination with ISA 330)

Given that we have disclaimed the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

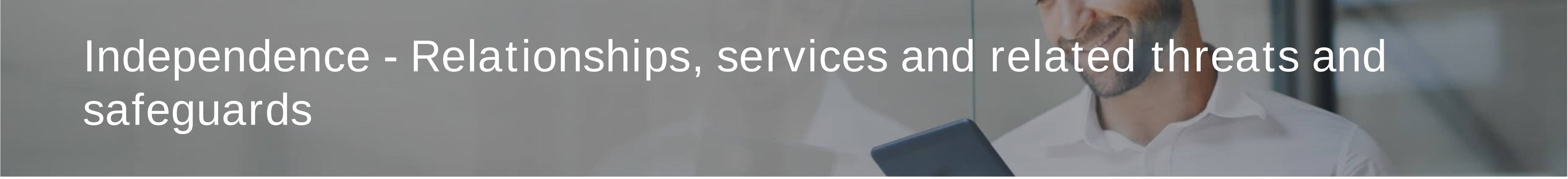
The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- Drive consistent and effective identification and assessment of risks of material misstatement
- Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- Modernise ISA 315 to meet evolving business needs, including:
    - how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
    - how auditors understand the entity's use of information technology relevant to financial reporting.
- Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

We set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures	Audit findings and conclusions
We performed the following procedures: As part of understanding the significant classes of transactions for all the processes, we have understood the systems involved and performed a detailed assessment of the audited entity's IT systems that impact the financial recording and reporting. This includes understanding of the IT processes, change management, security settings, user access IT process, and job scheduling and monitoring of IT processes.	Processes covered:- Cash and bank, Pensions, Procure to pay, Accounts receivables, MFB income, Payroll, FSCP, and PPE. Systems covered: Cyborg, CIPFA asset management, STARS, POMS, PIMS, and Masterpiece, No issues noted.

08 Independence



Independence - Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

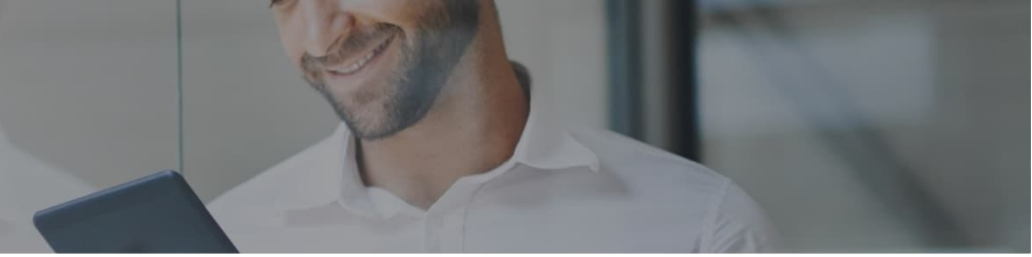
Relationships

There are no relationships from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by EY

There are no services provided by EY from 01 April 2023 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.



Independence - Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Authority; and
- The Authority has an effective control environment
- The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Authority are set out in the fee analysis on this page. Note that these fee variations are our current estimates and will be subject to discussion and approval with PSAA before they are finalised.

	Current Year	Prior Year
	£	£
Scale Fee	184,964	63,211 Note 1
Total scale fee as set by PSAA	184,964	63,211
Additional Fee – IFRS 16 (Note 2)	5,000	-
Additional Fee – ISA 315 (Note 3)	20,000	-
Additional Fee – Lower materiality (Note 4)	30,000	-
Additional Fee – Quality & Preparation issues	140,000	-
Total fees	379,964	63,211

All fees exclude VAT

(1) Note 1 - PSAA Ltd, in line with the joint statement issued by DLUHC (as at that date) and the FRC, is responsible for the determination of the final audit fee in respect of 2022/23. In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.

(2) Note 2 - For accounting periods following 2022/23 there has been a revision to ISA (UK) 315 which required us to perform an enhanced audit risk assessment process with increased focus on the impact of IT on key processes supporting the production of the financial statements. We carried out enhanced risk processes across 6 different IT systems for the first time in 2023/24 .

(3) Note 3 - We apply a 50% performance materiality to the audit for 2023/24. This is a lower level of materiality to reflect the level of error and control issues identified in previous years audits. A lower level of materiality results in additional work across the audit and this work is not reflected in the scale fee.

(4) Note 4- We have encountered pervasive quality and control preparation issues across the audit in 2023/24 and this is supported by the level of error communicated in section 05 as well as the extent of control recommendations in section 06, we also identified over 80 disclosure misstatements all of which required additional work to correct. Overall, our audit has taken over 800 hours more than planned as a result of these quality issues. Throughout the course of the audit, management have acknowledged this considerable additional audit effort and the fee implication of this.

09 Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 04 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements~~.~~ Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 financial statements to demonstrate to the Commissioner the level of assurance that has been obtained as a result of the financial statements audit. We do not provide a separate opinion on these matters as the assurance we have gained is in the context of our audit of the financial statements as a whole, and our disclaimer of opinion on those financial statements.

Account area	Assurance rating	Summary of work performed
Property, Plant and Equipment ('PPE')	Substantial	We have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Commissioner's right to recognize those assets. A full revaluation of all properties was performed in 2023/24 and we have been able to perform procedures across the full balance and therefore have substantial assurance over the closing balance of PPE.
Finance leases (Long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
PFI	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Pension liability (FFPF and LGPS)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Debtors including VAT	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Cash and Cash equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Creditors (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Receipts in advance	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Borrowings (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Provisions (short and long term)	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Reserves	Limited	We have completed our work on the movements in reserves in 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain complete assurance over the useable and unusable reserves of the Commissioner reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Comprehensive Income and Expenditure Statement	Partial	We have completed all of our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Disclosures	Partial	We have completed our planned testing on disclosures in 2023/24 but, but, as a result of not having assurance over the opening balance sheet balances at 1 April 2023, we do not have assurance over the in-year movements or prior year comparatives.
Firefighters Pension Fund	Partial	We have completed all of our planned testing on Firefighters Pension Fund in 2023/24 but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.

Appendix B - Required communications with the London Fire Commissioner

Required communications with the Commissioner

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the London Fire Commissioner of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report – March 2024
Planning and audit approach	Communication of: • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit planning report – March 2024 Audit results report – January 2025
Significant findings from the audit	• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • Significant matters, if any, arising from the audit that were discussed with management • Written representations that we are seeking • Expected modifications to the audit report • Other matters if any, significant to the oversight of the financial reporting process • Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the Commissioner • Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof • The valuation methods used and any changes to these including first year audits • The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework • The identification of any non-EY component teams used in the group audit	Audit results report – January 2025

Appendix B - Required communications with the London Fire Commissioner (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
	• The completeness of documentation and explanations received • Any significant difficulties encountered in the course of the audit • Any significant matters discussed with management • Any other matters considered significant	
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: • Whether the events or conditions constitute a material uncertainty related to going concern • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements • The appropriateness of related disclosures in the financial statements	Audit results report – January 2025
Misstatements	• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation • The effect of uncorrected misstatements related to prior periods • A request that any uncorrected misstatement be corrected • Material misstatements corrected by management	Audit results report – January 2025
Fraud	• Enquiries of the Commissioner to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Commissioner responsibility.	Audit results report – January 2025

Appendix B - Required communications with the London Fire Commissioner (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity	Audit results report – January 2025
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: • Relationships between EY, the company and senior management, its affiliates and its connected parties • Services provided by EY that may reasonably bear on the auditors' integrity, objectivity and independence • Related safeguards • Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees • A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit • Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy • Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard • The Commissioner should also be provided an opportunity to discuss matters affecting auditor independence	Audit planning report – March 2024 Audit results report - January 2025

Appendix B - Required communications with the London Fire Commissioner (cont'd)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	• Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures.	Audit results report – January 2025
Consideration of laws and regulations	• Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the Commissioner into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Commissioner may be aware of	Audit results report – January 2025
Significant deficiencies in internal controls identified during the audit	• Significant deficiencies in internal controls identified during the audit.	Audit results report – January 2025
Written representations we are requesting from management and/or those charged with governance	• Written representations we are requesting from management and/or those charged with governance	Audit results report – January 2025
Auditors report	• Key audit matters that we will include in our auditor's report • Any circumstances identified that affect the form and content of our auditor's report	Audit results report – January 2025
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report – January 2025

Appendix C – Outstanding matters

Outstanding matters

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

Item	Actions to resolve	Responsibility
Agreement of final set of financial statements	Management to provide updated set of financial statements reflecting all corrected adjustments and disclosure amendments – these need to have been thoroughly reviewed and checked at multiple levels before being presented to audit.	EY and management
Form of opinion wording	EY to conclude internal consultation procedures over form of final opinion wording	EY
Management representation letter	Receipt of signed management representation letter	Management and the Commissioner
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Final closing review procedures	EY to conclude final closing review procedures	EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report.

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

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