

Report title

Agenda item

**2008/09 Statement of Accounts and Statutory  
Determinations****9**

Meeting

Date

Finance, Procurement &amp; Property Committee

15 June 2009

**Authority****25 June 2009**

Report by

Document Number

Head of Finance

FEP 1364

19 May 2009

Public

**Summary**

To comply with the Accounts and Audit Regulations 2003, the Statement of Accounts is subject to formal approval by the Authority as soon as reasonably practicable. For the current year, approval, in any event, must be given before 30 June. This report presents the Authority's 2008/2009 Statement of Accounts for approval and adoption by the Authority. It also seeks formal determination by the Authority of the sum that is to be charged to Revenue to meet credit liabilities for 2008/09. This forms the Authority's Minimum Revenue Provision as required under statute.

**Recommendations****Finance, Procurement and Property Committee**

1. That the Committee review the statement of accounts as presented at Appendix A, and agree the recommendations made to Authority.

**Authority**

1. That the Authority agree that:

(i) the 2008/2009 Statement of Accounts be approved and adopted. These are attached at Appendix A to this report and are certified by the Head of Finance as presenting fairly the financial position of the Authority as at 31 March 2009 and its income and expenditure for the 2008/09 financial year.

(ii) following approval the person presiding at the meeting signs and dates the statement of accounts,

(iii) the Authority determine, under section 21(1), of the Local Government Act 2003, the sum to be set aside from revenue as a provision to meet credit liabilities. The amount to be set aside in this way is £4,476,000 which is not less than the minimum revenue provision calculation as prescribed in

amendment regulation 4(1) of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2008.

## Introduction/Background

### STATEMENT OF ACCOUNTS

2. The purpose of this report is to present the 2008/2009 Statement of Accounts for review by the Finance, Procurement and Property Committee and for onward consideration and approval by the Authority. The accounts will be subject to audit by the Audit Commission as the Authority's external auditors. The Audit Commission will start their audit process on 13 July 2009.
3. A copy of the 2008/2009 Statement of Accounts is attached at Appendix A. As required by the Accounts and Audit Regulations 2003, the Head of Finance has signed and dated the Statement and certifies that it presents fairly the position of the Authority as at 31 March 2009 and its income and expenditure for the 2008/09 financial year. The Regulations require that the Authority shall approve and adopt the Statement as soon as reasonably practicable and in any event by the statutory deadline. The Accounts and Audit Regulations make provision that the pre-audited accounts must be approved before 30 June, i.e. no later than 29th June.
4. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom Statement of Recommended Practice (SORP) 2008. This is issued by the Chartered Institute of Public Finance and Accountancy (CIPFA), which is recognised as representing proper accounting practices, for the purposes of the Regulations.
5. The 2008 SORP introduces a number of changes to accounting practices. The substantive changes introduced by the 2008 SORP for this Authority are;
  - the accounting treatment of Local Area Agreement (LAA) grant, which, with effect from 1 April 2008, has been replaced by Area Based Grant (ABG). LAA grant is treated as Government grant even when it is received indirectly. ABG is treated as Government grant only if received directly from a Government department. Any residual LAA grant carried over from previous years will therefore be treated as Government grant in the income and expenditure account. Any funds received through Local Strategic Partnerships will not be treated as government grant with effect from 1 April 2008, but as a contribution. The Authority received no Area Based Grant in 2008/09
  - the LGPS Pension fund valuation of quoted and unlisted securities is now at current bid price, rather than mid market price. (When buying or selling stock or shares on the market, a broker or trader will offer to buy it for one price, the bid price, but will sell the same stock or shares at another, higher market price. The difference is the trader/broker's profit). The change in valuation price resulted in a decrease (£832k), as at 31 March, in the value of Pension assets held by the Local Government Pension Scheme. This decrease has no immediate impact on the Authority as the value will rise and fall year to year. However, a prolonged downturn in values over a significant number of years could result in a future need for increased contributions from the employer to the fund,
  - fixed assets cannot be revalued at the time of their disposal. The Authority did not dispose of any properties during 2008/09. This is purely an accounting requirement for calculating the value of any deterioration in fixed assets. It would not impact on the Authority's ability to dispose of property or have any actual financial impact on any agreed conditions and/or price.

6. The Statement of Accounts includes further explanation of these accounting changes within the Accounting policies section.
7. The Explanatory Foreword on pages 1 to 5 of the Statement of Accounts provides a guide to the most significant matters reported in the accounts. It also provides in overall terms the Authority's financial position and a commentary on the major influences affecting the Authority's income and expenditure. It includes an explanation of the accounting statements, their purpose and the relationship between them.

### Income and Expenditure

8. The net cost of services in 2008/09 was £407.3m, excluding depreciation and pension accounting adjustments under Financial Reporting Standard (FRS) 17. This was £14.6m (3%) less than the approved budget of £421.9m. This was due to additional income (£7.3m); with under spends in respect of employee costs (£3m), premises (£1.9m), transport (£1m) and other services (£1.4m). As at 31 March 2009, the planned use of £20m of earmarked reserves to support the revenue budget (£18.4m) and to support sustainability projects in the capital programme (£1.6m) resulted in a decrease in earmarked reserves of £20m from £26.4m to £6.4m. The revenue surplus for 2008/09 (£14.6m) was applied to the general fund, increasing it from £25.1m to £39.7m. The net movement in reserves was a reduction of £5.4m as shown in the table below;

Reserves	Opening Balance 1/4/08	Closing balance 31/3/09	Movement in year
	£000	£000	£000
Earmarked Reserves	26,406	6,423	(19,983)
General funded balance	25,131	39,753	14,622
Total	51,537	46,176	(5,361)

9. Section 29 of the Local Government Act 2003 requires the Authority to make a report to the Mayor in the event of any deterioration in the Authority's finances. There has been no such deterioration and therefore there is no need to report.
10. During 2008/09, spending on the capital programme amounted to £18.2m resulting in expenditure on tangible and intangible assets of £16.7m with £1.5m on smoke alarm installation works. A detailed analysis of revenue and capital expenditure for the year is provided under separate report at this meeting as part of the quarterly service and financial performance for the period ending 31 March 2009.
11. The significant areas of movement in the Authority's Balance Sheet relate to the following:

### Fixed Assets

12. The Authority's property and land element of Fixed Assets was the subject of a revaluation exercise as at 1 April 2008. This saw the value of land increase by £23.4m and the value of buildings drop by £7.3m. These assets were the subject of further assessment as at 31 March 2009, in light of the economic climate over the year. Following discussions with the Authority's property experts it was decided to reduce land values as at 31 March by 20%. However the value of buildings was not varied where valuation was based on Depreciated Replacement Cost because of the increase in building costs. This meant that the cost of replacing those buildings offsets any reduction in value due to the economy over the year. Where operational buildings were valued on either an Existing Use Value or Market Price basis their value was reduced as at 31 March by 20%.

### Debtors and Creditors

13. The Authority's balance sheet debtors increased year on year by £18.5m. This mainly reflects the increase in monies due to the Authority from the Department for Communities and Local Government

(CLG) (£17m) as a result of the revised regulations relating to the Firefighter's pension scheme. This sum is due to be paid by CLG in July 2009 as part of their annual pension fund settlement arrangements. Balance sheet creditors fell by £4.7m due to the settlement of outstanding legal and procurement liabilities, and as a result of improved Authority procurement and payment arrangements, which included a new property maintenance contract.

## **Investments**

14. Investments fell from £96.7m to £54.9m. This reflects the use of reserves (£5.4M) in supporting revenue spend linked to the increase in debtors and decrease in creditors (£23.2m). It also reflects the use of internal borrowing during the year (£8.8M) to fund the Capital programme and the use of deferred grant and income (£4.4m). The cost of internal borrowing during the year was less than the cost of external borrowing; it also reduced the Authority's exposure to the current uncertainties in the money market.

## **Provisions**

15. Provisions increased by £4.4m mainly due to the establishment of a £4.1m provision to cover the potential cost of backdated entitlement to commutation payments under the firefighter pension scheme. This is in the light of a possible CLG decision on retrospective entitlement. This was offset by a debtor raised on CLG to cover the cost of this. Both the provision and debtor were attributable to the Firefighter pension fund account.

## **Annual Governance Statement**

16. An Annual Governance Statement (AGS) is to be published with the Statement of Accounts and is included for completeness. The AGS sets out the framework within which the Authority's internal control is managed and reviewed, and is reported to the Audit Committee separately in its own right.

## **Authorisation and publication of the Accounts**

17. The Accounts and Audit Regulations require that the Authority's Statement of Accounts shall be approved by resolution of the full Authority or of a Committee. The regulations also require that, following approval, two copies of the statement of accounts shall be signed and dated by the person presiding at the meeting. A copy is required by the Audit Commission, with one original copy to be retained by the Authority.
18. The Audit Opinion and certificate on pages 7 to 9 of the statement is included as a draft, subject to completion of the audit process, and is not for approval. The certificate will not only give an opinion on the Authority's financial statements, but will also provide an audit conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources, with comments on the Authority's Best Value Performance Plan. A final version of the certificate will be signed by the auditors once the audits are completed.
19. To meet best practice under Use of Resources a summary of the accounts with high level performance information will be published alongside the full accounts. The summary will show key extracts from the full statement of accounts avoiding technical accounting language.
20. The London Safety Plan 2009/2012 (which now incorporates the Corporate Plan) was agreed in March 2009. As set out in the covering report (FEP1334) to the Plan, it is proposed to produce an annual report each September which sets out how well the Authority has performed in the past year. This annual report will include extracts from the annual accounts, the annual governance statement, information from our annual efficiency statement as well as details of our performance against indicators and targets.

## AUDIT AND PUBLIC INSPECTION

21. The Authority's external auditors will commence their audit on 13 July 2009 with public inspection currently programmed for a four week period from 6 July to 31 July 2009. The Auditor's appointed day is \*scheduled for Monday 3 August 2009. The appointed day gives electors of the Greater London Area the opportunity to raise any objections they may have to the content of the accounts.
22. The auditors have produced a Supplementary Opinion Plan, copy attached at Appendix B. The auditors are required by International Auditing standards to share this plan with those charged with governance and have asked that the plan goes to both the Audit Committee and the Finance Procurement, and Property Committee. The plan covers risks the auditors will address as part of their accounts audit. They will report back on these risks in their Annual Governance Report (AGR). It is considered that the Auditor's review of risk as described in Table 2 would not be likely to impact significantly on the audit of the accounts process as the Authority's approach to estimation and valuation techniques as regards the current economic climate is considered standard practice. The AGR has to be reported to the Finance, Procurement and Property Committee as it is their role to approve the draft accounts. The Supplementary Opinion Plan is therefore included here as background to this.
23. Following the audit close a schedule of unadjusted misstatements is provided by the Authority's external auditors. This will not be available before the required approval date of 29 June 2009, but this will not invalidate the approval of the accounts. The schedule, which is part of the Audit Commission's schedule of matters arising, showing both adjusted and unadjusted items, will be presented, following audit conclusion, at the Authority meeting in September 2009. A revised set of accounts will also be presented if they prove to be materially different as a result of the audit process.

## STATUTORY DETERMINATION

24. The Authority is required to make a determination\* of the amount, which is to be set aside from the revenue account as provision for credit liabilities. During 2008 the Department for Communities and Local Government proposed four options to calculate MRP. Options 1 and 2 were based on existing methods, and are only allowed to be used for calculating MRP for the years 2007/08 and 2008/09. Option 1, based on 4% of the Authority's Capital Financing Requirement as in previous years, has been adopted by the Authority (FEP1200) in calculating its MRP for 2008/09. MRP for 2008/09 has been calculated to be £4,476,000. Option 3, which is based on an Asset life basis, will be used for calculating MRP for 2009/10 onwards as detailed in the Authority's MRP policy (FEP1323).

## CONCLUSIONS

25. That the Authority approves the recommendations as now submitted.

## Authority's Strategic Objectives

26. This report presents the Authority's statement of accounts which informs stakeholders of the Authority's financial position as at 31 March 2009 and discharges the Authority's statutory requirement to approve the accounts before 30 June 2009. It also determines an appropriate level of provision for the repayment

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\* Determination is made under regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the provision not being less than the required minimum revenue provision (MRP) for the year) Prior to its amendment by the 2008 regulations, regulation 4(i) of the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulation 2008 set out the method Authorities were required to follow in calculating MRP.

of debt for the year 2008/09. This contributes to the Authority's objective to managing risk by using our resources flexibly, efficiently and effectively, continuously improving the way we use public money.

### **Head of Legal and Democratic Services comments**

27. Under section 127 of the Greater London Authority Act 1999 the Authority is required to make arrangements for the proper administration of its financial affairs. The Head of Finance as the statutory Chief Finance Officer under the same section is the officer who has responsibility for the administration of those affairs.
28. The Authority has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. These include the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.
29. Regulation 7 of the Accounts and Audit Regulations 2003 provides that a functional body such as LFEPA is a body required to prepare an annual statement of accounts. Details of the specific requirement upon the Authority to make a determination of regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 which were made by the Secretary of State under the Local Government Act 2003.
30. Under section 29 of the Local Government Act 2003 where in relation to a financial year the Greater London Authority has the component budget of a functional body such as LFEPA, that body must from time to time during the year review the calculations relating to it . In doing this it must use the same figures for financial reserves as those used in the calculations under review, except in the case of financial reserves to meet a revenue account deficit from an earlier financial year. If as a result of carrying out a review appears to the body that that there has been a deterioration in its financial position, it must take such action, if any, as it considers necessary to deal with the situation, and report the deterioration to the Mayor of London, and the Chair of the London Assembly.

### **Head of Finance Comments**

31. The report is presented by the Head of Finance and there are no further comments.

### **Environmental Implications**

32. There are no environmental implications associated with this report

### **Consultations Undertaken**

33. Staff side consultation was not required in regard to this report

### **Equalities Implications**

34. There are no equalities implications associated with this report

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### **List of Appendices to this report:**

1. 2008/09 Statement of Accounts
  2. Audit Commission Supplementary Opinion Plan
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## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

### **List of background documents**

1. 2008/09 Statement of Accounts
2. Accounts and Audit Regulations 2003
3. 2008 Code of practice on Local Authority Accounting in the United Kingdom
4. Local Authorities (Capital Finance and Accounting) (England) Regulations 2003
5. Local Authorities (Capital and Accounting) (England) (Amendment) Regulations 2008
6. Local Government Act 2003

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Appendix A

**LONDON FIRE AND EMERGENCY PLANNING AUTHORITY**

**Statement of Accounts**  
**2008 -2009**

A summary version of the Accounts is available on the Authority's website at  
[www.london-fire.gov.uk](http://www.london-fire.gov.uk)

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# Explanatory Foreword

## Introduction

1. The London Fire and Emergency Planning Authority (LFEPA) is part of a unique government arrangement. The Greater London Authority (GLA) group comprises the London Mayor, LFEPA, the core GLA, the London Development Agency, the Metropolitan Police Authority and Transport for London. The Mayor appoints all LFEPA's 17 Members and chooses one of them to be the Chairman of the Authority. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees. The current political composition of the Authority is six Conservative members, six Labour members, two Liberal Democrat members, two Mayoral appointees and one Green party member.
2. The London Fire Brigade is run by LFEPA. The Authority sets the strategy and policies for the provision of fire and rescue services in London and it has adopted structures and processes to ensure that it is regularly able to scrutinise performance against its strategies and priorities.
3. The Mayor has the power to give LFEPA directions and guidance, including the manner in which the Authority is to perform any of its duties or to conduct any legal proceedings. However, any direction or guidance given by the Mayor must be consistent with the Fire and Rescue National Framework and fire safety enforcement guidance. The Mayor and Assembly are responsible for setting the Authority's budget requirement.
4. The Authority's accounting statements have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Statement of Recommended Practice (SORP) 2008. The 2008 SORP introduced changes to the accounting treatment for Local Area Agreements grants, having been replaced by Area Based Grant, and the valuation of quoted and unlisted securities held by the Local Government Pension Scheme (LGPS), which are now valued at current bid price, rather than mid market price. These changes as they affect the Authority are explained further in the Authority's Accounting policies section that follows.
5. The accounting statements that follow comprise:

- **The Statement of Responsibilities for the Statement of Accounts** which sets out the respective responsibilities of the Authority and its Head of Finance for the accounts.

The following Core Accounting statements:

- **The Income and Expenditure Account**, which is a summary of the resources generated and consumed in providing services and managing the Authority during 2008/09. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. The account is presented in a Best Value Accounting format as recommended by the CIPFA Best Value Accounting Code of Practice, which establishes proper practice with regard to consistent financial reporting. Consequently, the statement shows income and expenditure, for the year 2008/09, in an objective format (cost of fire fighting, community fire safety, fire service emergency planning and central services).
- **The Statement of Movement on the General Fund Balance**, which shows amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance and raising Council Tax.

## Explanatory Foreword

- **Statement of Total Recognised Gains and Losses**, which recognises all gains and losses in the accounting period. This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase/decrease in its net worth. In addition to the surplus/deficit generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
  - **The Balance Sheet**, which shows the Authority's balances, reserves, long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held.
  - **The Cash Flow Statement**, which summarises the inflows and outflows of cash, arising from both revenue and capital transactions with third parties.
6. The Statement of Accounts also includes the following Supplementary Accounting Statement;
- **The Firefighter Pension Fund Account**, which shows transactions on the fund account determined by regulation for the Firefighter's scheme for England. The Fund is unfunded but is no longer on a pay as you go basis as far as Fire Authorities are concerned. The Authority no longer meets the pension outgoings directly: instead it pays an employer's pension contribution based on a percentage of pay into the Pension Fund. The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid in and out of the Fund are specified by regulation. The fund is balanced to nil at year end by either payment of the excess to, or receiving a top up grant to meet a deficit from, the Department for Communities and Local Government (CLG).
7. The accounts are supported by the **Statement of Accounting Policies** and by various notes to the accounts.
8. **The Annual Governance Statement (AGS)** 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 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006.
9. The AGS sets out the governance framework within which the Authority operates. It comprises the systems and processes, and culture and values, by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Authority to monitor the achievement of its strategic objectives, and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

### Income and Expenditure

10. Based on figures, prior to accounting adjustments for pensions liabilities under Financial Reporting Standard 17 (FRS17) Retirement benefits (see core statement note 6) and Depreciation charges, the net cost of services in 2008/09 was £407.3m (£460.1m including Pensions and depreciation and impairment charges). This was £14.6m (3%) less than the approved budget of £421.9m, due to additional income (£7.3m), under spends on employees (£3m), premises (£1.9m), transport (£1m), and other services (£1.4m).

11. Set out below is a comparison of the actual and budgeted figures for the year:

## Explanatory Foreword

Net Expenditure excluding FRS17 and Depreciation charges	Budget £m	Actual £m	Variance £m
Net Cost of services	421.9	407.3	(14.6)
Capital financing items	10.7	10.2	(0.5)
Interest Receipts	(4.8)	(4.3)	0.5
Net Expenditure	427.8	413.2	(14.6)
Drawings on the General Fund	0	0	0
Net Contribution to/(from) earmarked reserves	(18.4)	(18.4)	0
Amount to be met by Government grant and Local Taxpayers	409.4	394.8	(14.6)
Income from GLA grant	(405.1)	(405.1)	0
Income from PFI Special Grant	(4.3)	(4.3)	0
(Surplus)/Deficit for the year on the General Fund	0	(14.6)	(14.6)

12. As a consequence of the above, as at 31 March 2009, the planned application of earmarked reserves (£18.4m) to support the revenue budget, offset by the surplus (£14.6m) resulted in a decrease in earmarked reserves of £18.4m and an increase in general fund balances from £25.1m as 31 March 2008 to £39.7m as at 31 March 2009.

13. During the year, the Authority made unitary payments of £14.3m on a Private Finance Initiative (PFI) 20-year contract for the provision, acquisition and maintenance of all operational vehicles.

### Capital Expenditure

14. 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 code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

15. During 2008/09, spending on the capital programme that resulted in tangible and intangible assets totalled £16.7m. The spending included the rebuilding and modernising of fire stations and other buildings (£11.9m), upgrading equipment (£2.9m) and software (£1.9m). Further details of these are contained in the notes to the core statements. Additional capital expenditure of £1.5m was incurred on the Home Fire Safety Check initiative, which was fully funded by grant (£1.5m) from CLG. This expenditure relates to the provision and installation of smoke alarms in private property and as such does not enhance or create any Authority assets.

16. Capital expenditure on Authority assets is to be financed in accordance with the Prudential Code from borrowing of £13.9m, Contributions from partners and Government capital grant applied of £1.3m, and a contribution of £1.5m from the sustainability reserve, which is part of earmarked reserves. No new finance leases were entered into during the year.

17. The Authority's external borrowing amounted to £7m during the year, and was new long-term borrowing from the Public Works Loans Board. Settlement of maturing debt during 2008/09 totalled £5m. As a result, as at 31 March 2009, the level of outstanding principal debt totalled £108.424m. The average interest of outstanding loans as at 31 March 2009 was 5.26% (5.36% 31 March 2008). No capital receipts were generated from asset sales during the year, although, as at 31 March 2009, the Authority was actively marketing two sites.

### Direct Service Organisations

18. The Authority does not operate any Direct Service Organisations.

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### The euro

19. The Authority has not incurred any significant expenditure in relation to the euro.

### Further information

20. LFEPa employs over 7,200 staff of which almost 6,000 are operational. We have 111 fire stations and 1 river station. We operate a two shift; four watch system, resulting in over 450 points of service delivery. In 2008/09 we handled around 230,000 emergency calls and attended over 137,000 incidents. These included approximately 29,000 fires, 44,000 special services and over 63,000 false alarms.

21. We cover 33 unitary authorities, all with specific political, social and geographic conditions, and are the only regional fire and rescue service in the country. We are a partner in over 850 individual initiatives ranging from youth engagement through to improvement in English spoken by immigrants.

22. We achieved an excellent rating in the corporate performance assessment in 2008, where the audit commission noted, *'sound financial management directs resources to priorities and enables a flexible response to changing needs. LFEPa has delivered significant efficiency savings in recent years and there is a strong commitment to value for money...Reliable internal systems such as performance management, risk management and procurement help LFEPa to deliver its aims, the requirements of the National Framework for Fire and Rescue Services (the National Framework) and the priorities of the London Mayor'*

23. The Authority's core aims and objectives are set out in the Corporate Plan, which is then cascaded to Departmental service plans. The Authority's risk policy statement is included within the Corporate Plan, together with the key corporate risks. The Corporate Plan is approved by the Authority alongside the budget and also sets out the arrangements for continuous improvement. The approved budget for 2008/09 provided for net expenditure of £427.8m to support the Authority in achieving its aims and objectives.

24. We continued our programmes of home fire safety visits, school visits, the LIFE programme, our Junior Firesetter Intervention Scheme, and made sustainable funding available for our specialist home fire safety visit practitioners. These programmes specifically target Londoners who are particularly at risk from fire in their home, or may be involved in anti-social or firesetting behaviour. We developed our work with young people by reviewing and updating our schools package, increasing the number of schools officers and continuing our cadet scheme.

25. During the year we reduced our use of electricity, gas and nonoperational use of water. As a result we saved money, and were recognised as one of only six public sector organisations to achieve the Carbon Trust Standard. We beat the Mayor's 2010 target for the reduction of CO<sub>2</sub> emissions. We also completed delivery of the first phase of our Sustainability Reserve Programme ahead of target, and achieved the Gold Standard for the Mayor's Green Procurement Code.

26. We have reduced ill health retirements and sickness absence rates which have netted us non-cashable savings of £5.8m. We have also won two Gold National Health and Safety Awards from the Royal Society for the Prevention of Accidents (RoSPA) and are being considered for an appropriate achievement award within the emergency services sector.

27. We have targeted development and graduate entry schemes already in place – both key objectives of the Governments FRS Equality and Diversity Strategy. The Graduate Entry Strategy won the 'Advancing Women in Public Service' award at Now Awards 2009, organised by 'Business in the Community'

## Explanatory Foreword

28. In 2008, Londoners elected a new Mayor and his budget guidance requires that there should be no addition to the GLA council tax precept for Olympic security costs and that LFEPa budget increase should not exceed 1.75% in 2009/10 and 1.25% in subsequent years. The functional bodies are also required to take into account the following priorities from 2009/10

- Contribute towards the Mayor's priority of tackling youth violence through preventative measures and increasing youth opportunities.
- Deliver value for money and better quality of life for all Londoners.
- Prioritise measures consistent with the commitment to carbon reduction targets of 60% by 2025 and promoting open spaces.
- Support the delivery of the London 2012 Olympic Games and Paralympics Games and its legacy.
- Deliver the Mayor's revised Housing Strategy
- Implement the Living Wage for London and promoting equality in the workforce.

29. Further information concerning the accounts is available from the Head of Finance, London Fire Brigade Headquarters, 169 Union Street, London SE1 0LL.

### Formal approval and adoption of the Accounts by the Authority

I confirm that these accounts were approved by the Authority at the meeting held on 25 June 2009.

Signed on behalf of the London Fire and Emergency Planning Authority

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Date

25 June 2009

**Councillor Brian Coleman AM, FRSA**

Chairman of London Fire and Emergency Planning Authority

# Statement of Responsibilities for the Statement of Accounts

## Statement of Responsibilities for the Statement of Accounts

### The Authority's Responsibilities

The Authority 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 Head of Finance;
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ◆ to approve and adopt the Statement of Accounts as soon as practical and in any event before the end of June after the period to which it relates.

### Head of Finance's Responsibilities

The Head of Finance is responsible for the preparation of the Authority's Statement of Accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2009).

In preparing this statement of accounts, the Head of Finance has:

- ◆ selected suitable accounting policies and then applied them consistently;
- ◆ made judgements and estimates that were reasonable and prudent;
- ◆ complied with the Code.

The Head of Finance 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 Head of Finance

I hereby certify that the Statement of Accounts on pages 18 to 51 present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2009.

Signed

Sue Budden CPFA  
Head of Finance

Dated 5 June 2009

# Independent Auditor's report to the Members of the London Fire and Emergency Planning Authority

## Audit Opinion and Certificate 2008-2009

### **DRAFT - Independent auditor's report to the Members of The London Fire and Emergency Planning Authority**

#### **Opinion on the financial statements**

I have audited the accounting statements, the firefighters' pension fund accounting statements and related notes of The London Fire and Emergency Planning Authority for the year ended 31 March 2009 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, Statement of Movement on the General Fund, Balance Sheet, Statement of Total Recognised Gains and Losses, Cash Flow Statement, and the related notes. The firefighters' pension fund accounting statements comprise the Fund Account, the Net Assets Statement and the related notes. The financial statements and firefighters' pension fund accounting statements have been prepared under the accounting policies set out within them.

This report is made solely to the members of The London Fire and Emergency Planning Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

#### ***Respective responsibilities of the Head of Finance and auditor***

The Head of Finance's responsibilities for preparing the financial statements, including the firefighters' pension fund accounting statements, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008 are set out in the Statement of Responsibilities.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements, the firefighters' pension fund accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008:

- the financial position of the Authority and its income and expenditure for the year; and
- the financial transactions of its firefighters' pension fund during the year and the amount and disposition of the fund's assets and liabilities, other than liabilities to pay pensions and other benefits after the end of the scheme year.

I review whether the governance statement reflects compliance with 'Delivering Good Governance in Local Government: A Framework' published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures.

## Independent Auditor's report to the Members of the London Fire and Emergency Planning Authority

### Audit Opinion and Certificate 2008-2009

I read other information published with the accounting statements, the firefighters' pension fund accounting statements and related notes and consider whether it is consistent with the audited accounting statements, the firefighters' pension fund accounting statements and related notes. This other information comprises the Explanatory Foreword and the Annual Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements, the firefighters' pension fund accounting statements and related notes. My responsibilities do not extend to any other information.

#### ***Basis of audit opinion***

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements, the firefighters' pension fund accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements, the firefighters' pension fund accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements, the firefighters' pension fund accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements, the firefighters' pension fund accounting statements and related notes.

#### ***Opinion***

In my opinion:

- The accounting statements and related notes present fairly, in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial position of the Authority as at 31 March 2009 and its income and expenditure for the year then ended; and
- The firefighters' pension fund accounting statements present fairly, in accordance with the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2008, the financial transactions of the firefighters' pension fund during the year ended 31 March 2009 and the amount and disposition of the fund's assets and liabilities as at 31 March 2009, other than liabilities to pay pensions and other benefits after the end of the scheme year.

#### **Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources**

##### ***Authority's Responsibilities***

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 regularly to review the adequacy and effectiveness of these arrangements.

# Independent Auditor's report to the Members of the London Fire and Emergency Planning Authority

## Audit Opinion and Certificate 2008-2009

### ***Auditor's Responsibilities***

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to relevant criteria specified by the Audit Commission for fire and rescue authorities. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### ***Conclusion***

I have undertaken my audit in accordance with the Code of Audit Practice and having regard to the criteria for fire and rescue authorities specified by the Audit Commission and published in December 2006, I am satisfied that, in all significant respects, The London Fire and Emergency Planning Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009.

### ***Best value performance plan***

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2007/08. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

### **Certificate**

I certify that I have completed the audit of the accounts in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Michael Haworth-Maden  
District Auditor  
Audit Commission  
1<sup>st</sup> Floor, Millbank Tower  
Millbank  
London SW1P 4HQ

Date September 2009

# Statement of Accounting Policies

## STATEMENT OF ACCOUNTING POLICIES

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2008/09 financial year and its position at the year-end of 31 March 2009. It has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2008, a Statement of Recommended Practice (the SORP) issued by CIPFA, which is recognised by statute as representing proper accounting practices. The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets.

### 2. 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:

- Fees, charges and rents due from customers are accounted for as income at the date the Authority provides the relevant goods or services.
- 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 stocks on the Balance Sheet.
- Works are charged as expenditure when they are completed, before which they are carried as works in progress on the balance Sheet
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 3. Provisions

Provisions are made where an event has taken place that gives the Authority an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance the Authority 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 to the appropriate service revenue account in the year that the authority becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes more likely than not that a transfer of economic benefits will not now be required ( or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service

## Statement of Accounting Policies

revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

### 4. Reserves

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

Certain reserves and accounts are kept to manage the accounting processes for tangible fixed assets and retirement benefits and that do not represent usable resources for the Authority. These consist of:

- a pensions reserve, established under Financial Reporting Standard 17 Retirement benefits, which reflects the extent of the Authority's future pension liabilities.
- a Revaluation Reserve, which replaces the Fixed Asset Revaluation Account (FARA) and 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 which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- a Capital Adjustment Account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or the repayment of external loans and certain other capital financing transactions.

### 5. Government Grants and Contributions (Revenue)

Government grants are accounted for on an accruals basis. Revenue grant income is credited to the Income and Expenditure account to match with the expenditure and in the period to which it relates. Capital grant income is credited to a Balance Sheet grants account and applied to associated capital expenditure in the year works are carried out, and written down in line with associated depreciation of the assets they have financed.

### 6. Retirement benefits

The Authority participates in two different pension schemes that meet the needs of particular groups of employees. The two schemes are the Firefighters' Pension Scheme, for which only operational firefighters are eligible, and the Local Government Pension Scheme, which all other employees may join. Both schemes provide members with defined benefits related to pay and service.

**Fire Service Pension Scheme:** This is an unfunded scheme, which is administered by the Authority in accordance with regulations laid down by the Department for Communities and Local Government (CLG). For such schemes as there are no investment assets, the FRS17 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Income and Expenditure Account for movements in the liability and reserve.

**Local Government Pension Scheme:** The Local Government Pension Scheme is accounted for as a defined benefits scheme:

## Statement of Accounting Policies

The liabilities of the London Pensions Fund pension scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and forecast of projected earnings for current employees. Liabilities are discounted to their value at current prices, using a discount rate of 3.2% (based on indicative rate of return on a high quality corporate bond).

The assets of the London Pension Fund pension scheme attributable to the authority are included in the Balance Sheet at their fair value:

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

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

- Current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Income and Expenditure Account to the revenue accounts of 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 Net Cost of services in the Income and Expenditure Account 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 Net Operating Expenditure in the Income and Expenditure Account
- expected return on assets – the annual investment return on the fund assets attributable to the authority, based on an average of the expected long term return – credited to Net Operating Expenditure in the Income and Expenditure Account
- gains/losses on settlements and curtailments – the result of actions to relieve the authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services in the Income and Expenditure Account as part of Non Distributed Costs
- actuarial gains and losses – changes in the net pensions liability that arise because events are not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to the Statement of Total Recognised Gains and Losses
- contributions paid to the London Pension Fund - cash paid as employer's contribution to the pension fund

Statutory provisions limit the authority to raising Authority precept to cover the amounts payable by the Authority to the pension fund in the year. In the Statement of Movement on the General Fund Balance this means that there are appropriations to and from the pension reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end.

## Statement of Accounting Policies

**Discretionary benefits:** The Authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Scheme.

### 7. Value Added Tax

Income and expenditure excludes any amounts related to Value Added Tax, as all VAT collected on income is paid away to HM Revenue and Customs and all VAT paid on expenditure is recoverable from it.

### 8. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Best value Accounting Code of Practice 2008 (BVACOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multi-functional democratic organisation
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early and any depreciation and impairment losses chargeable on non operational properties

These two cost categories are defined in BVACOP and accounted for as separate headings in the Income and Expenditure Account, as a part of Net Cost of Services.

### 9. Intangible Fixed Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Authority (e.g. software) is capitalised when it will bring benefits to the Authority for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment to reflect the pattern of consumption of benefits.

### 10. Tangible Fixed Assets

Tangible assets are assets that have a physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**Recognition:** expenditure on the acquisition, creation or enhancement of fixed assets is capitalised on an accruals basis, provided that it yields benefits to the Authority and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of asset (e.g. repairs and maintenance) is charged to revenue as it is incurred.

**Measurement:** assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. Assets are then carried in the Balance Sheet using the following measurement bases:

- Investment properties and assets surplus to requirements – lower of net current replacement cost or net realisable value

## Statement of Accounting Policies

- Land and buildings, plant and equipment – lower of net current replacement cost or net realisable value in existing use

Net current replacement cost is assessed as:

- Non specialised operational properties – existing use value
- Specialised operational properties – depreciated replacement cost
- Investment properties and surplus assets – market value.

Fixed assets included in the Balance Sheet at current value are revalued where there have been material changes in the value on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting.

CIPFA recommends that an asset included in the Balance Sheet at current value should be revalued at intervals of not more than five years. The current asset values included in the Balance Sheet are based upon a valuation report and certificate issued by an external independent valuer as at 1 April 2008. Where a loss in value occurs as a result of physical damage or other impairment this is reflected in an increased depreciation charge to the service revenue account. Additions since 1 April 2008 are therefore included in the balance sheet at their cost of acquisition.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Account where they arise from the reversal of an impairment loss previously charged to a service account.

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

**Impairment:** the values of each category of assets and of material individual assets that are not being depreciated are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified as part of this review or as a result of a valuation exercise, this is accounted for by:

- Where attributable to the clear consumption of economic benefits – the loss is charged to the relevant service revenue account
- Otherwise – written off against any revaluation gains attributable to the relevant asset in the Revaluation Reserve, with any excess charged to the relevant service revenue account.

Where an impairment loss is charged to the Income and Expenditure Account, but there were accumulated revaluation gains in the Revaluation Reserve for that asset, an amount up to the value of the loss is transferred from the Revaluation Reserve to the Capital Adjustment Account.

**Disposals:** when an asset is disposed of or decommissioned, the value of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposals are credited to the Income and Expenditure Account 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 in the Revaluation Reserve are transferred to the Capital Adjustment Account. Amounts in excess of £10,000 are categorised as capital receipts. Capital receipts are credited to the Usable Capital Receipts Reserve, and can then only be used for new capital investment or set aside to

## Statement of Accounting Policies

reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the Statement of Movement on the General Fund Balance.

The written off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the Statement of Movement on the General Fund Balance.

### Community Assets

The Authority's community assets are mainly works of art and museum pieces gifted to the London Fire Brigade over a number of years. In the absence of a historical cost figure for the items they have been included in the Authority's Balance Sheet at a nominal figure.

### Depreciation

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use, on a straight-line basis. Newly acquired assets are depreciated in the year following acquisition and assets under construction are not depreciated until they become operational. Other than land, which is not depreciated, assets are depreciated using the following methods over their useful economic lives:

Land	Not depreciated
Community	Not depreciated
Buildings	Estimated life between 10 to 60 years
Plant and Equipment	5 to 10 years

The remaining useful life of each building has been assessed, for accounting purposes, based on individual assessments of properties as part of a revaluation exercise carried out by the Authority's Valuer. Where an asset has major components with different estimated lives, they are depreciated separately. Depreciation is not applicable to community assets as they are not in operational use.

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.

### Grants and contributions

Where grants and contributions are received that are identifiable to fixed assets with a finite useful life, the amounts are credited to the Government Grants Deferred Account. The balance is then written down to the income and expenditure account to offset depreciation charges made for the related assets in the service revenue account, in line with the depreciation policy applied to them.

## 11. Charges to Revenue for Fixed Assets

Service revenue accounts and support services are debited with the following amounts to record the real cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- impairment losses attributable to the clear consumption of economic benefits on tangible fixed assets used by the service and other losses where there are no accumulated gains in the revaluation reserve against which they can be written off

## Statement of Accounting Policies

- amortisation of intangible fixed assets attributable to the service

The Authority is not required to raise funding to cover depreciation, impairment losses or amortisations. However, it is required to make annual provision from revenue (a Minimum Revenue Provision) to contribute towards the reduction in its overall borrowing requirement.

The Authority will implement the Department for Communities and Local Government's (CLG) Minimum Revenue Provision (MRP) guidance in 2008/09, and assess their MRP for 2008/09 in accordance with the main recommendations contained within the guidance issued by the Secretary of State under section 21(1A) of the Local Government Act 2003.

Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Statement of Movement on the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

### 12. Leases

#### Finance leases

The Authority accounts for leases as finance leases when substantially all the risks and rewards relating to the leased property transfer to the Authority. Rentals payable are apportioned between:

- a charge for the acquisition of the interest in the property (recognised as a liability in the Balance Sheet at the start of the lease, matched with a tangible fixed asset – the liability is written down as the rent becomes payable), and
- a finance charge (debited to Net Operating Expenditure in the Income and Expenditure Account as the rent becomes payable).

Fixed assets recognised under finance leases are accounted for using the policies applied generally to tangible fixed assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life.

**Operating leases:** Leases that do not meet the definition of finance leases are accounted for as operating leases. Rentals payable are charged to the relevant service revenue account on a straight-line basis over the term of the lease, generally meaning that rentals are charged when they become payable.

### 13. Financial Liabilities

Financial liabilities are held at amortised cost using the effective interest rate method. The Authority has only taken loans from the Public Works Loans Board (PWL) at fixed rates 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. Payables are of short duration payable with no stated interest rate, which are measured at the original invoice amount.

### 14. Financial Assets

Financial assets are shown as loans and receivables, held at amortised cost using the effective interest rate method. To date loans made by the Authority are short term investments placed at fixed interest rates and as such require no formal effective rate calculation as the instruments carry

## Statement of Accounting Policies

the same interest rate the whole term of the instrument. Receivables are short duration receivables with no stated interest rate, which are measured at the original invoice amount.

### 15. Stocks and Work in progress

Stocks are included in the balance sheet at the lower of cost and net realisable value. Where appropriate work in progress is subject to an interim valuation at the year-end and recorded in the Balance Sheet at cost plus any profit reasonably attributable to the works.

### 16. Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making available the fixed assets needed to provide the services passes to the PFI contractor. Payments made by the Authority under a contract are generally charged to revenue to reflect the value of services received in each financial year.

#### Prepayments

A prepayment for services receivable under the contract arises when assets are transferred to the control of the PFI contractor, usually at the start of the scheme. The difference between the value of the asset at the date of transfer and any residual value that might accrue to the authority at the end of the contract is treated as a contribution made to the contractor and is accounted for as a prepayment. The prepayment is written down to the respective revenue account over the life of the contract to show the full value of services received in each year. However, as the charge is a notional one, it is reversed out in the Statement of Movement on the General Fund Balance to remove any impact on the authority's funding requirement through the GLA grant.

**PFI credits:** Government grants received for PFI schemes, in excess of current levels of expenditure, are carried forward as an earmarked reserve.

## Core Accounting Statements

Income and Expenditure Account					
2007/08	Division of Service	2008/09			Note
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	
53,660	Community fire safety	61,435	(4,692)	56,743	
394,492	Fire fighting and rescue operations	421,852	(24,036)	397,816	
577	Fire service emergency planning and civil defence	1,137	(688)	449	
	Central Services				
1,868	Corporate and Democratic Core	1,926	0	1,926	1
510	Non Distributed Costs	3,127	0	3,127	2
451,107	<b>Net Cost of Services</b>	489,477	(29,416)	460,061	3
0	Gain or loss on disposal of fixed assets		0		5
5,574	Interest payable and similar charges		5,732		
(7,530)	Interest income		(4,323)		
				1,409	
179,400	Firefighter Pensions Interest cost and expected return on pensions assets		202,600		6
2,112	Support staff Pensions Interest cost and expected return on pensions assets		5,805		6
				208,405	
630,663	<b>Net Operating Expenditure</b>			669,875	
(391,500)	GLA Grant		(405,100)		
(4,382)	PFI Grant		(4,382)		
				(409,482)	7
234,781	<b>(Surplus)/Deficit for the Year</b>			260,393	

## Core Accounting Statements

<b>Statement of Movement on the General Fund Balance</b>			
2007/08 £000		2008/09 £000	Note
234,781	Deficit for the year on the Income and Expenditure Accounts	260,393	
(224,780)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(275,015)	8
10,001	(Increase)/decrease in General Fund Balance for the Year	(14,622)	
(35,132)	General Fund Balance brought forward	(25,131)	
(25,131)	General Fund Balance carried forward	(39,753)	
(25,131)	Amount of General Fund Balance available for new expenditure	(39,753)	

<b>Statement of Total Recognised Gains and Losses</b>			
2007/08 £000		2008/09 £000	Note
234,781	(Surplus)/Deficit on the Income and Expenditure Account	260,393	
(2,120)	(Surplus)/Deficit arising on revaluation of Fixed Assets	(37,363)	
(571,352)	Actuarial (gains) and losses on pension fund assets and liabilities	(194,342)	
(29,560)	Difference between actuarial estimate and actual contributions	(46,804)	
	Total Pension adjustment	(241,146)	6
0	Other gains and Losses		
(368,251)	<b>Total Recognised (gains) and losses for the year</b>	(18,116)	
0	Cumulative effect on Reserves of any prior period adjustments made during the period	0	

## Core Accounting Statements

Balance Sheet				
As at 31/3/08		As at 31/3/09		Note
£'000		£'000	£'000	
	<b>Fixed Assets</b>			
5,187	Intangible Fixed Assets		3,885	
	Tangible Fixed Assets			
	Operational Assets			
59,050	- Land	65,974		
235,560	- Buildings	230,944		
10,801	- Vehicles Plant and equipment	8,563	305,481	
<u>310,598</u>				
10	- Community Assets		10	
	Non-Operational Assets			
0	- Investment properties	0		
7,660	- Assets under construction	12,154		
2,980	- Surplus Assets, held for disposal	2,900	15,054	
<u>321,248</u>	<b>Total Fixed Assets</b>		<u>324,430</u>	16
173	<b>Long-Term Debtors</b>		107	17
<u>321,421</u>	<b>Total Long-Term Assets</b>		<u>324,537</u>	
	<b>Current Assets</b>			
678	- Stocks	727		18
11,733	- Debtors	30,185		19
96,701	- Investments	54,856		19
186	- Cash in hand	177		
			<u>85,945</u>	
<u>430,719</u>	<b>Total Assets</b>		<u>410,482</u>	
	<b>Current Liabilities</b>			
(5,088)	- Short-term borrowing	(5,951)		20
(37,734)	- Creditors	(32,898)		21
(11,325)	- Cash overdrawn	(4,191)		
			<u>(43,040)</u>	
<u>376,572</u>	<b>Total Assets less Current Liabilities</b>		<u>367,442</u>	
	Long term liabilities			
(102,410)	Long-Term Borrowing	(103,479)		22
(6,175)	Provisions	(10,584)		25
(9,164)	Government Grants Deferred	(7,950)		24
(4,645)	Deferred Credit	(4,045)	(126,058)	23
<u>254,178</u>	<b>Net Assets before pensions asset or liability</b>		<u>241,384</u>	
177,085	Asset related to defined Pension schemes		144,581	6
(3,209,816)	Liability related to defined Pension schemes		(3,146,402)	6
<u>(2,778,553)</u>	<b>Net Assets</b>		<u>(2,760,437)</u>	
	<b>Financed by</b>			
2,120	Revaluation Reserve	39,483		
200,521	Capital Adjustment Account	155,725		
0	Capital Receipts Reserve	0		
(3,032,731)	Pensions Reserve	(3,001,821)		
26,406	Earmarked Reserves	6,423	(2,800,190)	
<u>(2,803,684)</u>	Balances			
25,131	- General Fund		39,753	
<u>(2,778,553)</u>	<b>Total net worth</b>		<u>(2,760,437)</u>	26

## Cash Flow Statement

## Core Accounting Statements

2007/08 £'000		2008/09 £'000	2008/09 £'000	Note
	<b>Revenue Activities</b>			
	<i>Cash Outflows</i>			
358,997	Cash paid to and on behalf of employees	379,133		
70,500	Other operating cash payments	80,175		
429,497			459,308	
	<i>Cash Inflows</i>			
(1,500)	Rents	(1,783)		
(391,500)	Greater London Authority grant	(405,100)		
(5,462)	PFI Special Grant	(4,382)		
(8,645)	Other government grants	(6,660)		31
(4,353)	Cash received for goods and services	(4,745)		
(14,463)	Other operating cash receipts	(19,995)		
(425,923)			(442,665)	
3,574	<b>Revenue Activities Net Cash (Inflow)/Outflow</b>		16,644	33
	<b>Servicing of Finance</b>			
	<i>Cash Outflows</i>			
5,428	Interest paid	5,800		
0	Interest element of finance lease rental payments	0		
5,428			5,800	
	<i>Cash Inflows</i>			
(7,599)	Interest received		(4,693)	
	<b>Capital Activities</b>			
	<i>Cash Outflows</i>			
35,782	Purchase of fixed assets		18,689	
	<i>Cash Inflows</i>			
(6,059)	Capital Grants received	(77)		
0	Sale of fixed assets	0		
0	Other Capital Cash receipts	(12)		
29,723			(89)	
31,126	<b>Net Cash (Inflow)/Outflow Before Financing</b>		36,350	34
	<b>Management of Liquid Resources</b>			
(12,000)	Net increase/(decrease) in short term deposits		(40,500)	35
	<b>Financing</b>			
	<i>Cash Outflows</i>			
4,400	Repayments of amounts borrowed	5,000		
0	Capital element of finance lease rental payments	0		
			5,000	
	<i>Cash Inflows</i>			
(23,000)	New loans raised		(7,000)	35
526	<b>Net (Increase)/ Decrease in Cash</b>		(6,150)	36

## Notes to the Core Accounting Statements

### 1. Cost of Central Services

In the Authority's case, central services relate to the corporate and democratic core and undistributed costs.

#### Corporate and Democratic Core

Corporate and democratic core covers the costs that the Authority incurs over and above the provision of services due to its local authority nature. It includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and general activities relating to governance and the representation of local interests. It also concerns those corporate management activities and costs which provide the infrastructure, which allows services to be provided, whether by the Authority or not, and the information which is required for public accountability. In 2008/09 these totalled £1.926m.

#### Members' Allowances

Corporate and Democratic Core costs include payments of £183,393 (£127,901- 2007/08) made during the year under the Authority's Scheme for Members' Allowance payments. The payments were in respect of basic and special responsibility allowances to borough members; basic allowances to Mayoral appointees; special responsibility allowances to Assembly Members who hold the position of Chair and Vice-Chair; and together with payments in respect of travel and subsistence allowances and conference fees for all members made under the Local Authorities (Members' Allowances) (England) Regulations 2003.

### 2. Non Distributed Costs

Non Distributed Costs cover those costs that relate to pensions past service costs and any costs associated with unused shares of IT facilities or any other long-term unused but unrealisable assets. The Authority has no such costs as far as IT and other assets are concerned. The Authority does have pension past service costs, which are shown in the table below, based on FRS17 Actuarial figures.

<b>Non Distributed Costs</b>	2008/09	2007/08
	£000	£000
Pension past service costs	2,717	0
Pension settlements and curtailments Local Government Pension Scheme	410	510
Pension settlements and curtailments Firefighter Pension scheme	0	0
Unused Shares of IT facilities and other assets	0	0
<b>Total</b>	<b>3,127</b>	<b>510</b>

### 3. Net Cost of Services

The net cost of services is displayed in a Best Value format. This provides an objective rather than subjective report on revenue service expenditure and income. The format conforms to the service expenditure analysis for fire services, as recommended by CIPFA's Best Value Accounting Code of Practice (BVACOP). The cost of services includes the current cost of retirement benefits for each division of service as required by FRS17 and depreciation.

#### Provision for Doubtful Debts

## Notes to the Core Accounting Statements

Following a review of the particular circumstances and profile of the Authority's debtors, the general provision of £0.531m brought forward from 2007/08 to safeguard against future losses or non-recoveries has been reduced, as at 31 March 2009, by £0.077m to £0.454m. This reduction in the provision has been credited direct to appropriate service revenue accounts and is reflected in the net cost of services.

### 4. Area Based Grant

The Authority is a participant in a number of Local Area Agreements (LAA). These are Borough based partnerships with other public bodies involving the pooling of government grants to finance work towards jointly agreed objectives for local public services through a Local Strategic Partnership (LSP). With effect from 1 April 2008 LAA grant was replaced by Area Based Grant and is non ring-fenced and as such only treated as Government grant by the body that directly receives it. The Authority did not receive any Area Based Grant in 2008/09. Any contributions received through LSPs during the year have been treated as contributions and only residual LAA grant carried forward from previous years has been treated as Government grant.

### 5. Gain or loss on disposal of fixed assets

No Fixed Assets have been disposed of during the year.

### 6. Pension Arrangements

The pension costs included in the accounts, together with respective assets and liabilities for both schemes have been determined by the Authority's Actuary and accounted for in accordance with the CIPFA Code of Practice on Local Authority Accounting 2008. In addition to disclosure notes, accounting entries have been made in the Authority's Income and Expenditure Account and Balance Sheet in respect of the Authority's assessed Pension liability as at 31 March 2009.

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:

- ◆ **Firefighters' Pension Schemes** – There are two firefighter pension schemes known as the 1992 Firefighters' Pension scheme and the 2006 New Firefighters' Pension scheme. These schemes are unfunded, defined benefit, contributory schemes. To assist with financing the Authority's future expenditure liability under the scheme, the Authority will maintain an Earmarked Firefighter ill health Pensions Reserve, details of which are disclosed below. The last actuarial review for FRS17 purposes is dated May 2009.
- ◆ **Local Government Pension Scheme (LGPS)** – This scheme is funded by employer and employee contributions to the London Pension Fund Authority's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review, impacting on 2008/09, being at 31 March 2007. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for FRS17 purposes is dated May 2009.

In addition, the Authority is responsible for all pension payments relating to added years' benefits it has awarded, together with the related increases.

### Pension Revenue Costs

## Notes to the Core Accounting Statements

Under accounting standard FRS17 the Income and Expenditure account is charged with employees' pension benefits accrued during the year, the cost of added years' benefits, and related past service costs. The value of benefits is assessed by the Authority's actuary as separate service cost and past service cost. This differs from actual expenditure incurred meeting the cost of firefighter pensions and employer's contributions to the LGPS. Actual pension costs become cash flow items, and are no longer charged to the Income and Expenditure account. Instead the assessed service cost is charged to the service account, with past costs charged to Non distributed Costs, as they do not relate to serving officers.

The Authority recognises the cost of retirement benefits in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge the Authority is required to make against local taxation is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement in the General Fund Balance. The following transactions have been made in the income and expenditure account and Statement of Movement in the General Fund Balance during the year:

Income and Expenditure Account	Local Government Pension Scheme		Firefighter's Pension Scheme	
	2008/09	2007/08	2008/09	2007/08
	£000	£000	£000	£000
<i>Net cost of Services</i>				
Current service cost	(4153)	(4,425)	6,019	39,700
Past service costs	(35)	(458)	0	0
<i>Net operating expenditure</i>				
• Interest costs	17,510	14,897	202,600	179,400
• Expected return on assets in the scheme	(12,537)	(12,785)	0	0
<i>Charge following prior year restatement of assets</i>	832	0	0	0
Net charge to the income and expenditure account	1,617	(2,771)	208,619	219,100

  

Statement of Movement in the General Fund Balance	Local Government Pension Scheme		Firefighter's Pension Scheme	
	2008/09	2007/08	2008/09	2007/08
	£000	£000	£000	£000
• Reversal of net charges made for retirement benefits in accordance with FRS17	(1,617)	2,771	(208,619)	(219,100)
Actual amount charged against the General Fund Balance for pensions in the year:				
• Employers' contributions payable to scheme	12,418	12,275	41,982	42,098
• Retirement benefits payable to pensioners	0	0	15,961	15,604

The service cost for firefighters and support staff has been allocated to the Income and Expenditure account based on individual levels of staff pensionable pay for the year. Details of the Authority'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:

**London Pension Fund Authority**  
**Dexter House**  
**2 Royal Mint Court**  
**London, EC3 4LP**

### Pensions – Retirement benefits

Following a review of the disclosures required under Financial Reporting Standard 17 (FRS17) an amended version of FRS17 was issued in December 2006, which took effect for accounting

## Notes to the Core Accounting Statements

periods beginning on or after 6 April 2007. Therefore the new disclosures apply to this Authority for the financial year 2008/09. The intention underlying these changes is to achieve harmonisation with the corresponding International Accounting Standard, IAS19.

LPFA assets in respect of the Local Government Pension Scheme are valued at fair value, now principally at bid value for investments, this is a change from the previous year when they were valued at mid market value. The change in valuation resulted in an actuarial loss (£0.832m) which has been taken to the Authority's income and expenditure account. The bid value was estimated by applying an adjustment of 0.47% to the Authority's mid market value asset share of the Local Government Pension Scheme fund as at 31 March 2009.

All FRS17 entries are reversed in the Statement of Movement on the General Fund Balance so as not to impact on council tax payers. The figures for 2007/08 in the tables that follow have been restated to reflect the change.

The Authority's assets consist of:

LFEPFA Assets	31/3/09		31/03/08	
	Long Term Returns	Assets	Long Term Returns	Assets
Fair value of employer assets	%	£000	%	£000
Equity investments	7.0	82,411	7.5	105,277
Target Return Funds	5.5	14,458	6.3	34,015
Alternative Assets	6.0	36,145	6.7	31,674
Cash	4.0	11,567	4.8	5,286
<b>Total</b>		<b>144,581</b>	<b>7.0</b>	<b>176,253</b>

In accordance with the requirements of Financial Reporting Standard No.17 – Retirement benefits (FRS17) the Authority has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained above the Authority participates in two schemes, the Firefighters' Pension Scheme for firefighters which is unfunded, and the Local Government Pension Scheme for other employees which is administered by the London Pension Fund Authority (LPFA). In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The Authority's assets and liabilities are:

	31/3/09	31/3/08
	£000	£000
Estimated liabilities in the Firefighters' Pension Scheme	2,897,700	2,956,800
Share of liabilities in LPFA	231,401	234,879
Unfunded liabilities	17,301	18,137
Estimated liabilities for discretionary added years	0	0
<b>Total liabilities</b>	<b>3,146,402</b>	<b>3,209,816</b>
Less Share of assets in LPFA	144,581	176,253
<b>Net pensions deficit</b>	<b>3,001,821</b>	<b>3,033,563</b>

Liabilities have been valued on an actuarial basis using the projected unit method, which assesses the future liabilities of the fund discounted to their present value. Both the Firefighter and the LPFA fund liabilities have been valued by Hymans Robertson, an independent firm of actuaries. The main assumptions used in the calculations are:

## Notes to the Core Accounting Statements

	31/3/09	31/3/08
Rate of inflation	3.1%	3.6%
Rate of increase in salaries	4.6%	5.1%
Rate of increase in pensions	3.1%	3.6%
Rate for discounting scheme liabilities	6.8%	6.9%

### Local Government Pension Scheme

LFEPA Component	31/3/09	31/3/08
	£000	£000
Fair Value of Employer Assets	144,581	176,253
Present Value of Funded Liabilities	(231,401)	(234,879)
Net (Under)/Overfunding in Funded Plans	(86,820)	(58,626)
Present Value of Unfunded Liabilities	(17,301)	(18,137)
Net Asset/(Liability)	(104,121)	(76,763)
Amounts in the Balance Sheet		
Net Asset/(Liability)	(104,121)	(76,763)

The Authority's actuary has estimated that the present value of scheme liabilities comprises approximately £118,725,700, £24,067,500, and £88,608,000 in respect of employee members, deferred pensioners and pensioners respectively as at 31 March 2009.

### Recognition in the Income and Expenditure Account

Year ended	31 March 2009		31 March 2008	
	£000	% of pay	£000	% of pay
Current service cost	5,103	13.1%	6,882	18.1%
Interest cost	17,510	45.0%	14,897	39.2%
Expected Return on Employer Assets	(12,537)	(32.2%)	(12,745)	(33.6%)
Past Service Cost/(Gain)	2,717	7.0%	0	0
Losses/(Gains) on Curtailments and Settlements	410	1.1%	510	1.3%
Total	13,203	33.9%	9,544	25%
Actual return on Plan assets	(37,626)		(3,740)	

The service cost figures include an allowance for administration expenses of 0.5% of payroll. The Past service cost figure for 2008/09 includes £501,500 in respect of efficiency and other early retirements and £2,215,000 in respect of retrospective changes to member benefits that came into effect on 1 April 2008.

### Reconciliation of defined benefit obligation

Year ended	31 March 2009		31 March 2008	
	£000		£000	
Opening Defined benefit obligation	253,016		276,018	
Current Service Cost	5,103		6,882	

## Notes to the Core Accounting Statements

Interest Cost	17,510	14,897
Contributions by Members	2,715	2,281
Actuarial Losses/ (Gains)	(23,356)	(37,595)
Past Service Costs/(Gains)	2,717	-
Losses/Gains on Curtailments	410	510
Liabilities extinguished on settlements	-	-
Liabilities Assumed in a business Combination	-	-
Exchange Differences	-	-
Estimated Unfunded benefits Paid	(1,010)	(1,016)
Estimated benefits Paid	(8,403)	(8,961)
Closing Defined Benefit Obligation	248,702	253,016

### Reconciliation of fair value of employer assets

Year ended	31 March 2009	31 March 2008
	£000	£000
Opening Fair Value of Employer assets	176,253	174,680
Expected return on assets	12,537	12,745
Contributions by members	2,715	2,281
Contributions by Employer	11,492	11,418
Contributions in respect of Unfunded benefits	1,011	1,016
Actuarial Gains/(Losses)	(50,014)	(15,910)
Assets Distributed on Settlements	-	-
Assets Acquired in a Business Combination	-	-
Exchange Difference	-	-
Unfunded Benefits Paid	(1,010)	(1,016)
Benefits Paid	(8,403)	(8,961)
Closing Fair Value of Employer Assets	144,581	176,253

### Amounts for the current and previous accounting periods

Year ended	31/3/09	31/3/08	31/3/07	31/3/06	31/3/05
	£000	£000	£000	£000	£000
Fair Value of Employer Assets	144,581	176,253	174,680	158,011	126,047
Present Value of Defined benefit Obligation	(248,702)	(253,016)	(276,018)	(274,834)	(230,248)
Surplus/(Deficit)	(104,121)	(76,763)	(101,338)	(116,823)	(104,201)
Experience Gains/(Losses) on Assets	(50,014)	(15,910)	1,536	20,525	3,512
Experience Gains/(Losses) on Liabilities	71	3,769	(460)	(365)	(11,432)

### Amount Recognised in the Statement of Total Recognised Gains and Losses (STRGL)

Year ended	31/3/09	31/3/08	31/3/07	31/3/06	31/3/05
	£000	£000	£000	£000	£000
Actuarial Gains/(Losses)	(26,658)	21,685	17,672	(11,034)	(46,443)
Increase/(Decrease) in irrecoverable Surplus from	-	-	-	-	-

## Notes to the Core Accounting Statements

membership					
Actuarial Gains/(Losses) recognised in STRGL	(26,658)	21,685	17,672	(11,034)	(46,443)
Cumulative Actuarial Gains and Losses	(44,778)	(18,120)	(39,805)	(57,477)	(46,443)

Cumulative Actuarial Gains and Losses are based on Actuarial Gains and Losses from 2004/05 accounting period onwards.

### Firefighters' Pension Scheme Combined Disclosure

Below are the combined disclosures for the 1992 and 2006 firefighters' pension schemes.

#### Net Asset/ (Liability)

Year ended	31 March 2009	31 March 2008
	£000	£000
Active Liabilities	(1,207,000)	(1,300,700)
Deferred Pensioner Liabilities	(38,500)	(36,900)
Pensioner Liabilities	(1,652,200)	(1,619,200)
Present Value of unfunded Obligations	(2,897,700)	(2,956,800)
Unrecognised Past Service Cost	-	-
<b>Net Asset/ (Liability)</b>	<b>(2,897,700)</b>	<b>(2,956,800)</b>
Amount in the Balance Sheet		
Liabilities	2,897,700	2,956,800
<b>Net Asset/ (Liability)</b>	<b>(2,897,700)</b>	<b>(2,956,800)</b>

#### Analysis of amount charged in the Income and Expenditure account

Year ended	31 March 2009	31 March 2008
	£000	£000
Current Service Cost	64,400	97,400
Interest Cost	202,600	179,400
Past service Cost/(Gain) Injury Benefits	-	-
Past Service Cost/(Gain) Others	-	-
Losses/(Gains) on Curtailments and settlements	-	-
<b>Total</b>	<b>267,000</b>	<b>276,800</b>

#### Reconciliation of defined benefit obligation

Year ended	31 March 2009	31 March 2008
	£000	£000
Opening Defined Benefit Obligation	2,956,800	3,316,800
Current Service cost	64,400	97,400
Contributions by members	22,000	21,900
Pensions and Lump sum expenditure	(126,900)	(109,200)

## Notes to the Core Accounting Statements

Transfers in from other authorities	400	700
Transfers out to other authorities	(600)	(500)
Past Service cost/(Gain) Injury Benefits	-	-
Past Service cost/(Gain) Others	-	-
Losses/(Gains) on Curtailments	-	-
Interest Cost	202,600	179,400
Actuarial Losses/ (Gains)	(221,000)	(549,700)
Closing Defined benefit Obligation	2,897,700	2,956,800

### Amount Recognised in the Statement of Total Gains and Losses (STRGL)

Year ended	31/3/09	31/3/08	31/3/07	31/3/06	31/3/05
	£000	£000	£000	£000	£000
Actuarial Gains/(Losses)	221,000	549,700	232,900	(306,200)	(613,400)
0Cumulative Actuarial Gains/(Losses)	84,000	(137,000)	(686,700)	(919,600)	(613,400)

Cumulative Actuarial Gains and Losses are based on Actuarial Gains and Losses from 2004/05 accounting period onwards

### Reconciliation of Fair value of employer assets

Year ended	31 March 2009	31 March 2008
	£000	£000
Opening fair Value of Employer Assets	0	0
Expected return on Assets	-	-
Contributions by members	22,000	21,900
Transfers in from other authorities	400	700
Transfers out to other authorities	(600)	(500)
Actuarial Gains/(Losses)	-	-
Assets acquired in a Business Combination	-	-
Exchange Differences	-	-
Pension and lump Sum expenditure	(126,900)	(109,200)
Closing Fair value of employer assets	0	0

### Amounts for the current and previous accounting periods

Year ended	31/3/09	31/3/08	31/3/07	31/3/06	31/3/05
	£000	£000	£000	£000	£000
Present Value of Defined benefit Obligation	(2,897,700)	(2,956,800)	(3,316,800)	(3,366,300)	(2,903,000)
Surplus/(Deficit)	(2,897,700)	(2,956,800)	(3,316,800)	(3,366,300)	(2,903,000)
Experience Gains/(Losses)	106,200	(112,000)	25,000	16,600	(52,500)

## Notes to the Core Accounting Statements

on liabilities

### 7. Subjective analysis of financing grants

The Authority received a GLA grant and a PFI grant towards financing its net expenditure for the year. GLA grant is made up of two elements, as follows, Central Government funding (£257m) and Council Tax (148.1m). PFI (Private Finance Initiative) grant is fully funded by central Government. The table below shows how the grants were allocated, on a subjective basis, in the year.

<b>Grant allocation 2008/09</b>	<b>£m</b>
Employees	363.4
Premises	26.0
Transport	25.2
Supplies & Services	21.7
Third Party payments	0.4
<b>Gross cost of services</b>	<b>436.7</b>
Income	(29.4)
<b>Net Service Costs</b>	<b>407.3</b>
<b>Capital financing costs</b>	<b>10.2</b>
<b>Interest Receipts</b>	<b>(4.3)</b>
<b>Net Operating Expenditure</b>	<b>413.2</b>
Overall Movements in Reserves	(18.4)
<b>Amount to be met by Government Grants and Local Taxpayers</b>	<b>394.8</b>
Grants received	
<b>GLA Grant</b>	<b>(405.1)</b>
<b>PFI Grant</b>	<b>(4.3)</b>
<b>(Surplus)/Deficit for the Year</b>	<b>(14.6)</b>
General Fund Balance at 1 Apr 2008	(25.1)
<b>General Fund Balance at 31 Mar 2009</b>	<b>(39.7)</b>

### 8. Note of reconciling items for the Statement of Movement on the General Fund Balance.

<b>2007/08</b>		<b>2008/09</b>
£000	<b>Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund balance for the year</b>	£000
(10,315)	Depreciation and impairment of fixed assets	(50,914)
46	Government Grants Deferred amortisation matching depreciation and impairments	95

## Notes to the Core Accounting Statements

0	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	(1,465)
0	Net gain or loss on sale of fixed assets	0
(216,330)	Amount by which pension costs calculated in accordance with SORP are different from the contributions due under the pension scheme regulations	(210,236)
	<b>Amounts not included in the income and Expenditure Account but required to be included by statute when determining the Movement on the general Fund Balance for the year</b>	
3,788	Statutory provision for repayment of debt	4,476
1,604	Capital expenditure charged to General Fund balance	1,547
	<b>Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year</b>	
0	Any voluntary provision for repayment of debt	
(3,541)	Net transfer to or from earmarked reserves	(19,983)
(32)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year ending 31 March	1,465
(224,780)	<b>Net additional amount required to be credited to the General Fund balance for the year</b>	(275,015)

### 9. Capital Adjustment Account

This contribution covers:

Capital Adjustment Account	2008/09	2007/2008
	£000	£000
Opening Balance	(200,521)	0
Balance from former Capital Financing Account	0	(5,101)
Balance from former Fixed Asset Revaluation Reserve	0	(190,579)
Capital Expenditure financed from Revenue	(1,547)	(1,604)
Amortised Capital grant	(1,560)	(1,510)
Capital Receipts applied	0	(9,750)
Difference between charge to revenue for repayment of external loans/ finance leases and amount provided for depreciation	47,903	8,023
<b>Total</b>	<b>(155,725)</b>	<b>(200,521)</b>

This account, which also cannot be called upon to support spending, contains the amount of capital expenditure financed from revenue. It also contains the difference between amounts provided for depreciation and that required to be charged to revenue to repay external loans and finance leases.

### Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt and notional interest on credit arrangements, principally leases. The method of calculating the provision is defined by statute. For 2008/09 the minimum amount is £4.476m (2007/08 £3.788m). Therefore the total amount set aside to the Capital Adjustment Account in 2008/09 was £4.476m (2007/08 £3.788m).

### 10. Finance and Operating Leases

## Notes to the Core Accounting Statements

The Authority does not currently hold any Finance Leases. The Authority entered into an operating lease for a new headquarters based in Southwark with effect from 1 March 2006. The Authority also holds a number leases for office accommodation. In addition to a Private Finance Initiative arrangement, which provides the brigade fleet, the Brigade also uses some cars, equipment and hygiene services under the terms of operating leases.

The amounts paid under these arrangements in 2008/09 and charged to the Income and Expenditure account are shown below; with their future cash commitment for 2009/10 and 2010/11:

Operating Leases	2008/2009	2009/2010	2010/2011
	£000	£000	£000
Fire vehicle Fleet (PFI arrangement)	14,771	15,000	15,250
New Headquarters Union Street	3,023	3,023	3,023
2 Greenwich View Control	325	325	325
City Forum offices	283	283	283
Skyline House offices	233	233	233
Purley Way stores facility	128	128	128
Heathrow Fire Station	96	96	96
Personal Protection System for Firefighters	1,870	1,900	1,900
Car Lease scheme	895	807	516
Photocopiers	187	193	195
Pagers	29	30	31

### 11. Publicity

Set out below, under the requirements of section 5 of the Local Government Act 1986, are details of the Authority's spending on publicity.

Publicity	2008/2009	2007/2008
	£000	£000
Recruitment advertising	224	418
Fire safety advertising	11	120
Public notices	10	5
Other activities	89	87
<b>Total</b>	<b>334</b>	<b>630</b>

### 12. Supply of Goods and Services to Other Local Authorities and Bodies

The Authority is empowered by the Local Authorities (Goods and Services) Act 1970 to provide goods and services to other public bodies. In 2008/09 the Authority did not provide any services to any other public body under this arrangement.

### 13. Related Party Transactions

Three senior officers have declared related party transactions. One in respect of their capacity as Chair of the London region of the Firefighters Charity, one in respect of their capacity as Trustee of the Firefighters Charity and one as a Director of CFOA(Chief Fire Officers Association) Services Ltd. A number of Authority officers are also members of the London Fire Brigade Welfare Fund Executive Council. During the year the authority paid an annual donation of £4k to the Firefighters charity.

Apart from those officers disclosed above, no Authority Member and no member of senior management has declared that during the year they, or their close relations or members of the

## Notes to the Core Accounting Statements

same household have undertaken any declarable transactions neither with related parties nor with the Authority.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2009, in respect of related party transactions. The Authority has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector utilising current advice and guidance.

### 14. Employees' Remuneration

The emoluments (excluding pension contributions) of employees earning £50,000 or more during the year fell within the following ranges. They include all taxable amounts paid to, or receivable by employees including sums by way of expenses allowances and the value of all other benefits received by employees, otherwise than in cash.

Salary range	2008/2009	2007/2008
£50,000 - £59,999	241	240
£60,000 - £69,999	102	123
£70,000 - £79,999	29	24
£80,000 - £89,999	4	5
£90,000 - £99,999	5	2
£100,000 - £109,999	1	2
£110,000 - £119,999	3	4
£120,000 - £129,999	5	6
£130,000 - £139,999	1	2
£140,000 - £149,999	2	1
£150,000 - £159,999	0	0
£160,000 - £169,999	0	1
£170,000 - £189,999	0	0
£190,000 - £199,999	1	0

### 15. Audit Fees

	2008/2009	2007/2008
	£000	£000
Fees payable to appointed Auditor for External Audit services	144	135
Fees payable to External Auditor for certification of Grant claims and returns	0	0
Fees payable to the Audit Commission in respect of other services	35	33
CLG Grant	(35)	(33)
<b>Total</b>	<b>144</b>	<b>135</b>

### 16. Fixed Assets

Movements in fixed assets during the year were:

	Intangible Fixed Assets	Tangible Fixed Assets			Non Operational Assets	Community Assets	Total
		Land	Buildings	Equipment			
	£000	£'000	£'000	£'000	£000	£'000	£'000
<b>Net Book value as at 1.4.08</b>	<b>5,187</b>	<b>59,050</b>	<b>235,560</b>	<b>10,801</b>	<b>10,640</b>	<b>10</b>	<b>321,248</b>
Add back Depreciation	5,433	0	29,419	9,366	0	0	44,218

## Notes to the Core Accounting Statements

<b>Gross Value as at 1.4.08</b>	<b>10,620</b>	<b>59,050</b>	<b>264,979</b>	<b>20,167</b>	<b>10,640</b>	<b>10</b>	<b>365,466</b>
Transfers	0	0	80	0	(80)	0	0
Revaluation	0	9,262	28,101	0	0	0	37,363
Impairments	0	(2,338)	(34,867)	0	0	0	(37,205)
Additions	498	0	11,697	44	4,494	0	16,733
<b>Gross value as at 31.3.09</b>	<b>11,118</b>	<b>65,974</b>	<b>269,990</b>	<b>20,211</b>	<b>15,054</b>	<b>10</b>	<b>382,357</b>
Accumulated depreciation	(5,433)	0	(29,419)	(9,366)	0	0	(44,218)
Revaluation/Restatement	0	0	0	0	0	0	0
Assets written out	0	0	0	0	0	0	0
Depreciation for year	(1,800)	0	(9,627)	(2,282)	0	0	(13,709)
<b>Total Depreciation as at 31.3.09</b>	<b>(7,233)</b>	<b>0</b>	<b>(39,046)</b>	<b>(11,648)</b>	<b>0</b>	<b>0</b>	<b>(57,927)</b>
<b>Net book value as at 31/3/09</b>	<b>3,885</b>	<b>65,974</b>	<b>230,944</b>	<b>8,563</b>	<b>15,054</b>	<b>10</b>	<b>324,430</b>

### Intangible Fixed Assets

Intangible Fixed Assets represent expenditure on computer software which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset. Capital expenditure in year amounted to £1.875m. £0.498m was expenditure on upgrading existing assets, with £1.377m on new development projects not yet operational.

### Fixed asset valuations for Land and Buildings were determined as follows:

The freehold and long leasehold interests in the various properties which are owned by London Fire And Emergency Planning Authority (LFEPA), were valued by External Valuers, Dron & Wright, Chartered Surveyors and Property Consultants, at 1st April 2008, in accordance with the Sixth Edition of the Valuation Standards of the Royal Institution of Chartered Surveyors.

For the whole of the LFEPA operational portfolio, Existing Use Value (EUV) has been adopted. For specialised operational properties, a Depreciated Replacement Cost (DRC) methodology has been used. Non-specialised operational properties have been valued by reference to sales comparisons and market variables. Non-operational properties have been valued adopting Market Value, based on sales comparisons and market variables. The EUVs may not bear any relation to the prices which would have been obtainable for LFEPA's interests in the properties at the valuation date.

Dron & Wright have made the following disclosures:-

1. This is the second time that the Valuer has been the signatory to the valuation provided to LFEPA and the third time that the Valuer's firm has carried out that valuation instruction.
2. This firm has acted for LFEPA for a period of over 12 years. During that time, the firm has provided property management, landlord and tenant, agency, building surveying and rating services.
3. In the firm's preceding financial year, fees payable to the firm by LFEPA represented approximately 15% of the total fee income of the firm.

## Notes to the Core Accounting Statements

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

### Vehicles

The Authority's vehicle and marine fleet is entirely owned and managed by AssetCo and is provided by it for Authority use under a Private Finance Initiative (PFI) scheme. The fleet, therefore, does not feature as a Fixed Asset on the balance sheet. Authority equipment assets, which includes computer hardware and some operational items have not been valued, but recorded in the Balance Sheet at historical cost.

### Community Assets

Community assets have been included in the Balance Sheet at a nominal figure of £10k. This treatment has been adopted as a proxy of the SORP requirement to value community assets at historic cost, as their historic cost is unknown. The assets consist of antique furniture pictures, other museum pieces, and a photographic collection acquired as and when equipment has been retired and gifted over many years. The Collection has been valued by an external valuer, for insurance purposes, at £1.141m (Museum items £0.867m, photographic collection £0.43m)

### Capital Expenditure

In 2008/09 the Authority incurred Tangible Fixed Asset capital expenditure of £16.7m, operational buildings (£11.7m), buildings under construction (£0.2m) and equipment and equipment under development (£2.9m), existing software upgrades (£0.5m) software under development (£1.4m) . This expenditure is shown as "Additions" in the above analysis.

Capital Expenditure of £1.5m, funded by Government grant, was also incurred in delivering a CLG Home Fire Safety Check initiative. This expenditure, however, relates to the provision and installation of smoke alarms in private property and as such does not form part of the Authority's assets.

<b>Capital expenditure and financing:</b>	<b>2008/09</b>
	<b>£'000</b>
Opening Capital Financing Requirement	114,697
Operational assets	11,741
Non Operational assets	4,494
Intangible Assets	498
<i>Sources of finance</i>	
Capital receipts	0
Government grants and other contributions	(1,344)
Sums set aside from Revenue	0
Minimum Revenue Provision	(4,476)
Direct Revenue financing	(1,547)
Closing Capital Financing Requirement	124,063
Explanation of movements in year	

## Notes to the Core Accounting Statements

Increase in underlying need to borrow	
(supported by Government financial assistance)	9,366
Increase in underlying need to borrow	
(unsupported by Government financial assistance)	0
<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>9,366</b>

### Significant contractual commitments for capital expenditure outstanding as at 31 March 2009:

	2009/10	2010/11	2011/12
	£m	£m	£m
Firelink – New control facility	2,526	0	0
Respiratory Protective Equipment	2,182	2,913	0
Data Centre Relocation	1,000	0	0
Telephone System replacement	500	0	0
Upgrade of Operating System	700	0	0
Mobile data terminals	1,318	0	0
London Resilience Property development	1,546	1,823	50
West Norwood Fire Station Rebuild	3,147	2,800	2,000
Havering Fire Station - New Fire Station	2,815	414	0
<b>Total</b>	<b>15,734</b>	<b>7,950</b>	<b>2,050</b>

In total, at 31 March 2009 the Authority had estimated contractual commitments of £15.7m, which, at that date, was expected to fall in 2009/10. The Authority's approved capital programme provides for a further £15.1m to be spent on further capital schemes in 2009/10.

### The Authority's premises principally include:

Holdings as at	31 March 2009		31 March 2008	
	<i>Leasehold</i>	<i>Freehold</i>	<i>Leasehold</i>	<i>Freehold</i>
Fire stations and associated buildings	7	105	7	105
Offices	4	0	6	0
Vehicle workshops	0	2	0	2
Sites awaiting development	0	1	0	1
Sites under development	0	0	0	0
Surplus land and property	1	2	1	2
Other properties	4	3	4	3
<b>Total</b>	<b>16</b>	<b>113</b>	<b>18</b>	<b>113</b>

### Notes:

- (i) The figures for fire stations and associated buildings include dual use sites, e.g. Croydon Fire Station, which includes offices and workshops. Such sites are shown as one holding.
- (ii) The Authority no longer has any stand-alone residential units. Residential flats, which are an integral part of the fire station or require access via the station or its drill yard, are included under Fire Stations.
- (iii) The total for other properties does not include miscellaneous holdings, such as Lambeth River Station, which is held on a licence.

Following a move to a new headquarters building in Union Street, Southwark, the site of the previous headquarters is still operational, but is to be disposed of, and the intention is that the fire station, which is part of the old site, is to be re provided as part of any redevelopment package. As at 31 March 2009 the Authority had no assets held under finance leases.

## 17. Long-Term Debtors

## Notes to the Core Accounting Statements

These are staff to whom loans have been made under the Authority's essential and casual car users' scheme. Changes during the year were:

	Outstanding at 1/4/08	Advanced During year	Repaid During year	Outstanding At 31/3/09
	£'000	£'000	£'000	£'000
Car loans	173	29	95	107

### 18. Stock

These include:

Category of Stock	31/3/2009 £'000	31/3/2008 £'000
Uniforms	206	158
Protective equipment	70	62
Other	451	458
Total	727	678

### 19. Financial Instruments

#### Borrowings

All Authority borrowing has been sourced from the PWLB at fixed rates, for which amortised cost is the same as principal outstanding recorded in the balance sheet at 1 April 2008. 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. Consequently there is no adjustment required to amounts in the balance sheet. The associated arrangement cost of the loans is not material and the interest chargeable to the Income and Expenditure account remains amounts payable under the loan agreements.

#### Soft Loans

The Authority provides interest free season ticket loans to employees, which are repayable over an eleven month period. The outstanding balance as at 1 April 2008 was £209k, and £215k as at 31 March 2009. Employees are also entitled to car loans, at reduced rates of interest (Essential car users scheme currently 2.75% per annum), where an officer is required to have a car for operational purposes. The balance of outstanding car loans as at 1 April 2008 was £173k, and is £107k as at 31 March 2009.

The outstanding balances involved and the differential in interest rates thereon are not considered material to warrant adjustment to the Balance Sheet and the Income and Expenditure account under transition to the new accounting arrangements.

#### Premiums and Discounts

Premiums and discounts are paid or received on early redemption of borrowing. As at the 31 March 2009 the Authority had no outstanding premiums or discounts balances on its Balance Sheet.

## Notes to the Core Accounting Statements

### Financial Guarantees

The Authority had no outstanding financial guarantees as at 31 March 2009.

### Investments

Loans made by the Authority are short term investments placed at fixed interest rates and as such require no formal effective rate calculation as the instruments carry the same interest rate the whole term of the instrument. Receivables are short duration receivables with no stated interest rate, which are measured at the original invoice amount

### Shareholdings

The Authority had no shareholdings as at 31 March 2009.

### Fair Value - Methodology and assumptions

Fair value is defined as the amount for which an asset could be exchanged or a liability settled, assuming that the transaction was negotiated between parties knowledgeable about the markets in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

The fair value of an instrument is determined by calculating the Net Present Value (NPV) of future cashflows, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation is the prevailing rate of similar instrument with a published market rate.

The PWLB new borrowing rate has been used, as opposed to the premature repayment rate, as the discount factor for all PWLB borrowing. This is because the premature rate repayment rate includes a margin which represents the lender's profit as a result of rescheduling a loan, which is not included in the fair value calculation since any motivation other than securing a fair price should be ignored.

The purpose of the fair value disclosure is primarily to provide a comparison with the carrying value in the Balance Sheet. Since this includes accrued interest as at the Balance Sheet date, accrued interest is also included in the fair value calculation. The rates used were obtained by the Authority's Treasury Management advisors from the market on 31 March.

Interest is calculated using the most common market convention, ACT/365. Where interest is paid/received every 6 months on a day basis, the value of interest is rounded to 2 equal instalments. For fixed term deposits it is assumed that interest is received on maturity. No adjustment has been made for the interest value and date where a relevant date occurs on a non working day. For comparison a PWLB calculation of fair value of borrowing is also included in the table below, which is based on PWLB premature repayment rates.

### Financial Instruments Balances

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

Summary portfolio valuation as at 31 March 2009	Carrying Amount	Fair Value	PWLB Fair Value
	£000	£000	£000
PWLB Short term	5,951		

## Notes to the Core Accounting Statements

PWLB Long term	103,479		
	109,430	119,219	122,813
Loans and receivables			
Cash	25,840	25,840	
Fixed term deposits	29,000	29,000	
	54,840	54,840	

### Nature of extent of risks arising from financial instruments

The authority's activities expose it to a variety of financial risks:

- **Credit risk** – the possibility that other parties might fail to pay amounts due to the Authority
- **Liquidity risk** – the possibility that the Authority might not have funds available to meet its commitments to make payments
- **Market risk** – the possibility that financial loss might arise for the Authority as a result of changes in such measures as interest rates and stock market movements.

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Authority's treasury management function, under policies approved by the Authority in the annual treasury management strategy. The strategy details the Authority's approach and principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and investment of surplus cash.

### Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers. Deposits are not made with banks and financial institutions unless they are within a range of Authority approved Fitch rating criteria. Fitch is an independent organisation providing a rating for each individual financial institution. The Authority requires a counterparty to have a minimum of an 'A' Fitch rating. The Authority has a policy of not lending more than 15% of its surplus balances to one institution, with a geographic sector limit of up to 30% for non UK institutions. There is no limit on the level of investment with the UK sector.

The following analysis summarises the authority's potential maximum exposure to credit risk, based on experience of default and uncollectability over the last five financial years, adjusted to reflect current market conditions.

	Amount as at 31/3/09	Historical experience of default	Historical experience adjusted for market conditions at 31/3/09	Estimated maximum exposure to default and uncollectability
	£m	%	%	£m
Deposits with banks and financial institutions	54.8	0	0	0

No credit limits were exceeded during the reporting period and the authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

## Notes to the Core Accounting Statements

### Liquidity risk

As the authority has ready access to borrowings from the Public Works Loans Board, there is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead the risk is that the authority will be bound to replenish a significant proportion of its borrowings at time of unfavourable interest rates. The strategy is to ensure that not more than a set percentage of loans are due to mature within a given number of years. Below is the maturity analysis of financial liabilities as follows:

Maturing structure of borrowing expressed in upper and lower limits	Upper Limit	Lower limit	Actual as at 31/3/09	Actual as at 31/3/08
	%	%	%	%
Under 12 months	20	0	5	5
12 – 24 months	20	0	5	6
2 -5 years	50	0	16	15
5-10 years	75	0	18	14
10 years and over	90	25	56	60

All trade and other payables are due to be paid in less than one year. Payables outstanding with a breakdown of aged debt as at 31 March 2009 is shown below:

### Debtors

These include:

Debtors	31/3/2009	31/3/2008
	£'000	£'000
Government departments	22,283	4,556
Other local authorities	321	137
Rents	86	186
Sundry debtors	4,931	4,267
Employee season ticket loans	215	209
Payments in advance	1,941	1,975
Payments in advance – deferred consideration under PFI contract	862	934
<b>Sub Total</b>	<b>30,639</b>	<b>12,264</b>
<i>Less: Provision for doubtful debts</i>	<i>(454)</i>	<i>(531)</i>
<b>Total</b>	<b>30,185</b>	<b>11,733</b>

The aged debt analysis below shows that £0.603m of the total debt is past its due date for payment. The £238k for the Metropolitan Fire Brigade Act Levy relates to an administration case and has been provided for, as has all outstanding debt, in the Authority's assessment of bad debt provision.

Aged debt analysis	Greater	1-2	120-	90-	60-90	30-60	Total
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## Notes to the Core Accounting Statements

	than 2 years	years	365 days	120 days	days	days	
	£000	£000	£000	£000	£000	£000	£000
Sundry debt	0	1	9	20	15	76	121
MFB Act levy	238	0	0	15	0	0	253
Third party claims	30	7	144	6	19	23	229
<b>Total</b>	<b>268</b>	<b>8</b>	<b>153</b>	<b>41</b>	<b>34</b>	<b>99</b>	<b>603</b>

### Market Risk

#### Interest rate risk

The Authority is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the authority. For instance, a rise in interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the income and expenditure account will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the income and expenditure account will rise
- Investments at fixed rates – the fair value of assets will fall.

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the income and expenditure account or STRGL. However, changes in interest payable and receivable on variable rate borrowings would be posted to the income and expenditure account and affect the General Fund Balance £ for £. Movements in the fair value of fixed rate investments would be reflected in the STRGL.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep its exposure to variable interest rates to a maximum of 20% of its combined borrowings and investments. The Authority's treasury management function has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse changes to be accommodated.

#### Sensitivity analysis - interest rates

According to the Treasury assessment strategy, as at 31 March 2009, if interest rates had been 1% higher during 2008/09, with all other variables held constant, the financial effect would have been:

Effect of 1% variation to interest rate	£000
Increase in interest payable	38
Increase in interest receivable	(911)
<b>Impact on Income and Expenditure Account</b>	<b>(873)</b>

The impact of a 1% fall in interest rates would be as above but with the movements being reversed. The movement is based on an average of interest rates taken during the year on market investments and PWLB borrowing transactions. The fair value of liabilities and investments is not material and a 1% increase or decrease would not impact on the STRGL.

#### Price risk

The Authority does not hold any investments in equity shares; consequently the Authority is not exposed to any losses arising from movements in the price of shares.

## Notes to the Core Accounting Statements

### Foreign exchange risk

The Authority has no financial assets or liabilities denominated in foreign currencies and thus have no exposure to loss arising from movements in exchange rates.

### 20. Borrowing repayable within 12 months

Loans totalling £5.874m from the Public Loans Board will fall to be repaid as shown below:

Repayment dates	£000
16 May 2009	1,000
14 June 2009	1,000
1 July 2009	2,000
17 March 2010	874
30 March 2010	1,000
Sub Total	5,874
Accrued interest as at 31 March 2008	77
Total	5,951

### 21. Creditors

These include:

Creditors	31/3/2009	31/3/2008
	£000's	£000's
Government Departments	7,600	7,717
Sundry creditors	15,259	21,914
Receipts in advance	10,039	8,103
Total	32,898	37,734

### 22. Long-Term Borrowing

The sources are:	31/3/2009	31/3/2008
	£'000	£'000
Public Works Loan Board	102,550	101,424
<i>These loans mature as follows:</i>		
Between 1 and 2 years	5,925	5,874
Between 2 and 5 years	15,900	15,825
Between 5 and 10 years	21,000	15,000
Between 10 and 15 years	13,000	21,500
More than 15 years	46,725	43,225
	102,550	101,424
Add accrued interest	929	986
Total	103,479	102,410

### 23. Deferred Credit

## Notes to the Core Accounting Statements

As part of acquiring a new Headquarters building the Authority received a one off incentive payments of £5.7m and £0.125m in relation to the new operating leases for its new HQ premises at 169 Union Street and 200 Union Street respectively. These receipts are being deferred over the life of the leases and will be allocated to the revenue account on a straight line basis.

	Opening Balance as at 1/4/08	Additions in year	Write back	Closing Balance as at 31/3/09
	£000	£000	£000	£000
Union Street New Headquarters	4,552	0	(575)	3,977
Union Street Skyline House	93	0	(25)	68
<b>Total</b>	<b>4,645</b>	<b>0</b>	<b>(600)</b>	<b>4,045</b>

### 24. Deferred Government Grant

In 2008/09 the Authority deferred use of income, from Government revenue grants of £2.5m, and £2.1m in capital grants, for use in 2009/10 as summarised in the table below. The balance (£3.3m) on this account has been applied to capital spend and is being written down against depreciation over the life of the assets they financed.

Grant source	Purpose	Nature	£000
CLG	Community Fire Safety	Revenue	714
CLG	Firecontrol and Firelink project	Revenue	1,700
Salix	Energy Saving	Revenue	107
Sub Total – Revenue			2,521
Sums applied to capital			
Contributions	Balance of sums applied		245
Capital Grant	Balance of sums applied		3,096
Capital Grant unapplied			
CLG	New Dimensions	Capital	1,074
CLG	Energy Saving	Capital	12
CLG	Home Fire Safety	Capital	1,002
<b>Total Deferred Grants</b>			<b>7,950</b>

### 25. Provisions

Summary of Provisions	As at 31/03/09 £000	As at 31/03/08 £000
Legal	1,331	2,524
Employees NI	175	0
Pensions	6,272	0
Motor Insurance	1,748	2,401
HQ & Southwark Training Centre	1,058	1,250
<b>Total</b>	<b>10,584</b>	<b>6,175</b>

**Legal**

## Notes to the Core Accounting Statements

This provision is in respect of potential legal liabilities, identified by the Head of Legal Services as at 31 March 2009.

Provision for legal liabilities	Balance as at 1/4/08	Payments During year	Contribution to/(from) during year	Balance as At 31/3/09
	£'000	£'000	£'000	£'000
	2,524	(212)	(981)	1,331

### Employees NI

This provision has been set up to meet the potential cost of backdated National Insurance due to HM Revenue and Customs in relation to the Authority's car schemes. As at 31 March 2009 this has been assessed at £0.175m.

Provision for Employees NI	Balance as at 1/4/08	Payments During year	Contribution to/(from) during year	Balance as At 31/3/09
	£'000	£'000	£'000	£'000
	0	0	175	175

### Pensions

This provision has been set up to meet the potential cost of backdated pension payments arising out a change to the period of retrospection of commuted sums following a recent change in the firefighter pension regulations (£4.085m). This sum would be funded by the Department for Communities and Local Government and an equivalent debtor has been raised in the accounts. In addition a sum of £2.187m has been provided to meet potential payments associated with pensions linked to injury benefit payments.

Provision for Pensions	Balance as at 1/4/08	Payments During year	Contribution to/(from) during year	Balance as At 31/3/09
	£'000	£'000	£'000	£'000
	0	0	6,272	6,272

### Motor Insurance

The provision reflects the level of outstanding Authority motor insurance claims. As at 31 March 2009 the assessment of the Authority's potential liability was assessed at £1.748m, which includes a sum of £1.699m held in escrow by the Authority's insurers to meet current outstanding claims.

Provision for Motor Insurance claims	Balance as at 1/4/08	Payments During year	Contribution to/(from) during year	Balance as At 31/3/09
	£'000	£'000	£'000	£'000
	2,401	(529)	(124)	1,748

### Headquarters move and Southwark Training Centre

## Notes to the Core Accounting Statements

The provision has been maintained to cover potential liabilities relating to the move to a new Headquarters. During 2008/09 the provision was reassessed for Headquarters and reduced from £1.25m to £0.558m. A further sum (£0.5m) was added to cover similar potential liabilities at the Authority's training centre at Southwark. The provision has been renamed accordingly.

Provision for HQ move and Southwark Training Centre	Balance as at 1/4/08	Payments During year	Contribution to/(from) during year	Balance as At 31/3/09
	£'000	£'000	£'000	£'000
	1,250	0	(192)	1,058

### 26. Detail of movements on Reserves

The movements were:

Reserve	Balance as at 1/4/08 £000	Movement in Year £000	Balance as at 31/3/09 £000	Purpose of Reserve
Revaluation Reserve	2,120	37,363	39,483	Revaluation gains and losses on fixed assets
Capital Adjustment Account	200,521	(44,796)	155,725	
Usable Capital Receipts	0	0	0	Proceeds of fixed asset sales available to meet future capital investment
Pensions Reserve	(3,032,731)	30,910	(3,001,821)	Balancing Account to allow inclusion of Pensions liability in the Balance Sheet.
Earmarked Reserves	26,406	(19,983)	6,423	See note below
General Fund	25,131	14,622	39,753	Resources available to meet future running costs.
<b>Total</b>	<b>(2,778,553)</b>	<b>18,116</b>	<b>(2,760,437)</b>	

Ear marked Reserves	Balance as at 1/4/08 £'000	Contribution During year £'000	Applied During year £'000	Balance as at 31/3/09 £'000
Firefighter Ill Health Pensions	2,021	0	250	1,771
Maintenance & Minor works	1,500	0	0	1,500
Vehicle PFI reserve	18,817	0	18,186	631
London Resilience	1,980	0	0	1,980
Sustainability Reserve	2,088	0	1,547	541
<b>TOTAL</b>	<b>26,406</b>	<b>0</b>	<b>19,983</b>	<b>6,423</b>

## Notes to the Core Accounting Statements

The reserve for Maintenance and Minor works has been maintained to address property maintenance issues. The Ill-health Pensions Reserve will be used for any exceptional ill-health retirements, which will require a lump sum payment to the Department of Communities and Local Government under the new firefighter pension scheme. The sustainability reserve is for invest to save projects that result in energy and revenue savings.

The Authority elected to switch from a reducing balance method to an annuity method for PFI grant receivable from CLG. Consequently the PFI reserve became available to support budget requirements and £18.186m from the reserve was used to support the 2008/09 revenue budget, with a further £0.25m from the Ill Health Pensions reserve. £1.547m from the sustainability reserve was applied to finance sustainability projects in the capital programme.

### 27. Self Insurance

With the exception of property theft and damage to operational vehicles (where insurance cover is on a third party basis), the Authority 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 Authority's own resources for any one claim are:

Category insured	£'
Property (material damage)	10,000
Property Contract Works (New HQ)*	10,000
Property – Museum & Residential Properties	100
Combined Liabilities	500,000
Fidelity Guarantee	250,000
Airside Cover	50,000
Motor	35,100
Marine	9,500

### 28. Contingent Liabilities and Assets

Contingent liabilities and assets should not be recognised in the accounting statements; they should be disclosed by way of notes if there is a possible obligation which may require a payment or a transfer of economic benefits. The Authority currently has a number of issues with the Insurance industry as to the interpretation of the Metropolitan Fire Brigade Act 1865. As at the 31 March 2009 the Authority had a contingent asset as regards income due from a levy under the Act.

### 29. Post Balance Sheet Events

The accounts were authorised for issue by Sue Budden, Head of Finance, on 29 September 2009 and post balance sheet events have been considered up to this date.

### 30. Going Concern

The Authority's accounts have been prepared on the basis that it is a going concern. The Authority's Balance Sheet shows a negative Total Equity of £2.8bn, as a result of the full adoption of accounting standard FRS17. The accounting standard requires the recognition of the Authority's pension liabilities in the accounts. However this is purely an accounting entry and does not impact on the Council Taxpayer. It does not affect the Authority's future status or ability to fulfil its function.

### 31. Other Government Revenue Grants

## Notes to the Core Accounting Statements

Type of Grant	Government Source	2008/09 £000	2007/08 £000
London Resilience	CLG	1,058	398
Urban Search	CLG	3,419	6,056
Firelink project	CLG	489	369
Olympics	CLG	610	
Salix Funding	CLG	130	1,201
Community Fire Safety	CLG	348	0
Civil Defence	Cabinet Office	606	606
Civil Contingencies	Cabinet Office	0	15
<b>Total</b>		<b>6,660</b>	<b>8,645</b>

### 32. Client Accounts

The Authority holds two client accounts on behalf of two telecoms companies. The accounts are used to draw down funds on completion of contractual agreements. As at 31 March 2009 the balances stood at £75k.

### 33. Reconciliation of deficit to net cash inflow

	2008/09 £000	2007/08 £000
Deficit for the year on the Income and Expenditure Account	(14,622)	(7,433)
Expenditure met from provisions and reserves	(4,409)	(580)
	(19,031)	(8,013)
Non-cash transactions		
- depreciation	(13,705)	(10,315)
- contributions from/(to) provisions and reserves	28,008	25,338
	(4,728)	7,010
Items on an accruals basis		
- increase/(decrease) in stocks	49	(143)
- increase/(decrease) in debtors	18,386	(1,413)
- (increase)/decrease in creditors	3,745	(4,436)
- deferred credit	600	600
	18,052	1,618
Items shown elsewhere in the cash flow statement		
- interest earnings	4,323	7,530
- interest payments	(5,732)	(5,574)
- finance leasing interest payments	0	0
<b>Net cash (inflow)/outflow from revenue activities</b>	<b>16,644</b>	<b>3,574</b>

### 34. Analysis of net debt

	As at 31/3/08	Cash flow	As at 31/3/09
	£'000	£'000	£'000
Cash (see note 36)	(15,676)	(6,150)	(21,826)
Debt due within 1 year	5,000	874	5,874
Debt due after 1 year	101,424	1,126	102,550
Short term investments	(69,500)	40,500	(29,000)
<b>Total</b>	<b>21,248</b>	<b>36,350</b>	<b>57,598</b>

## Notes to the Core Accounting Statements

### 35. Reconciliation of items under Financing and Management of Liquid Resources

Financing items			Movement In the year
			£'000
Cash outflows			5,000
Cash inflows			(7,000)
Net Cash			(2,000)

Balance Sheet	As at 31/3/08	As at 31/3/09	Movement In the year
	£'000	£'000	£'000
Short term borrowing	5,000	5,874	(874)
Long term borrowing	101,424	102,550	(1,126)
	106,424	108,424	(2,000)

Management of liquid resources	As at 31/3/08	As at 31/3/09	Movement In the year
	£'000	£'000	£'000
Short term investments	69,500	29,000	(40,500)

Balance Sheet	As at 31/3/08	As at 31/3/09	Movement In the year
	£'000	£'000	£'000
Short term investments	96,315	54,840	(41,475)
<i>Less</i>			
Deposits held on call accounts	26,815	25,840	(975)
	69,500	29,000	(40,500)

### 36. Movement in Cash

The movements were:

Movement in Cash	Balance At 31/3/08	Balance At 31/3/09	Movement In the year
	£'000	£'000	£'000
Cash in hand	(186)	(177)	9
Cash overdrawn	11,325	4,191	(7,134)
Deposits Repayable on Demand	(26,815)	(25,840)	975
	(15,676)	(21,826)	(6,150)

## Supplementary Accounting Statement

As at 31/03/08	<b>Firefighter Pensions Scheme Fund Account</b>	As at 31/03/09	
		£000	£000
	<b>Contributions receivable</b>		
	- from employer		
(41,872)	- normal	(41,993)	
(415)	- early retirements	(438)	
0	- other	0	
(42,287)			(42,431)
(21,939)	- from members	(22,160)	
(64,226)			(22,160)
	<b>Transfers in</b>		
(830)	- individual transfers in from other schemes	(543)	
	- other	0	
(830)			(543)
	<b>Benefits payable</b>		
80,532	- pensions	85,956	
14,243	- commutations and lump sum retirement benefits	26,431	
0	- lump sum death benefits		
0	- other	206	
94,775			112,593
	<b>Payments to and on account of leavers</b>		
5	- refunds of contributions	0	
529	- individual transfers out to other schemes	641	
53	- other – interest due on back dated lump sums	195	
587			836
<b>30,306</b>	<b>Net amount payable/receivable for the year before top up grant receivable or payable to sponsoring department</b>		<b>48,295</b>
(30,306)	Top up grant receivable from/amount payable to sponsoring department		(48,295)
<b>0</b>			<b>0</b>

2007/08	<b>Net Assets Statement</b>	2008/09
£000		£000
(1,501)	- unpaid pensions due	(4,085)
8	- Recoverable overpayments of pensions	6
1,916	- Top up receivable from/(payable to) Government	21,663
(423)	- amount owing (to)/from general fund	(17,584)
<b>0</b>		<b>0</b>

## **Supplementary Accounting Statement Note**

### **1. The Firefighters' Pension Scheme in England**

The funding arrangements for the Firefighters' pension scheme in England were introduced on 1 April 2006. Prior to 1 April 2006 the firefighter scheme did not have a percentage of pensionable pay type of employer's contribution, the Authority was responsible for paying pensions of its former employees on a pay-as-you-go basis. Under new funding arrangements the scheme remains unfunded but will not be on a pay-as-you-go basis as far as the Authority is concerned. Apart from the costs of injury awards the Authority 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 Authority 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 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.

#### **Contributions**

Employees and employers contribution levels are set nationally by the CLG and are subject to triennial revaluation by the Government Actuary's Department. Under the firefighters pension regulations the contribution rates for the 2006 scheme were 19.5% of pensionable pay (11% employers and 8.5% employees) and the contribution rates for the 1992 scheme were 32.3% of pensionable pay (21.3% employers and 11% employees). Ill health contributions, for firefighters who retired due to ill health in 2006/07, 2007/08 and 2008/09, were also paid into the pension fund.

#### **Accounting policies**

The Authority'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 the CLG (sponsoring Government department) 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 the CLG equal to the amount payable from the fund exceeded the amount receivable.

#### **Revised Commutation Factors**

In May 2008 the CLG introduced new factors for calculating the lump sums payable to firefighters. The factors increase the lump sums payable to officers under the Firefighters' Pension Scheme 1992 (FPS) arising from the option to commute pensions. The changes to the FPS were backdated to 1 October 2007 and were included in the 2007/08 accounts. There is potential for this arrangement to be further backdated to 22 August 2006. The estimated cost (£4.085m) of this additional backdating has been charged as a provision to the fund to cover lump sums and interest payable. An equivalent debtor on CLG has been raised in the fund to match the cost which would be met by the CLG.

# London Fire and Emergency Planning Authority

## ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

The London Fire and Emergency Planning Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

This statement explains how the Authority meets the requirements of regulation 4(2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit regulations (amendment) (England) Regulations 2006 in relation to the publication of an Annual Governance Statement.

### The Purpose of the Governance Framework

The Authority's governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Authority's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at the Authority for the year ended 31 March 2009 and up to the date of the approval of the annual report and statement of accounts.

### The Governance Framework

The Authority's governance framework comprises its strategic aims, together with the processes which it has in place to secure their delivery.

Making London a safer city by minimising the risks, social and economic costs of fire and other hazards is our principal aim and underpins what we do. In support of this, the Authority approved a new vision, supported by new strategic aims and objectives on 20<sup>th</sup> March 2008. Our vision is to be a world class fire and rescue service for London, Londoners and visitors. In order to achieve this vision our key strategic aims are:

***Aim 1 Prevention***

Engaging with London's communities to inform and educate people in how to reduce the risk of fire and other emergencies

***Aim 2 Protection***

Influencing and regulating the built environment to protect people, property and the environment from harm

***Aim 3 Response***

Planning and preparing for emergencies that may happen and making a high quality effective and resilient response to them

***Aim 4 Resources***

Managing risk by using our resources flexibly, efficiently and effectively, continuously improving the way we use public money

***Aim 5 People***

Working together to deliver the highest quality services within a safe and positive environment for everyone in the organisation

***Aim 6 Principles***

Operating in accordance with our values and ensuring that safety, sustainability, partnership and diversity run through all our activities

The Authority's strategic aims and objectives and corporate risks are set out in the London Safety Plan which incorporates our Corporate Plan. The activities to deliver these objectives and manage these risks are then cascaded to departmental service plans. The London Safety Plan is approved by the Authority alongside the budget.

Key elements of the internal control environment include:

**Establishing and monitoring the achievement of the Authority's objectives**

The full Authority, Finance, Property and Procurement Committee, Audit Committee and member panels have met regularly to consider strategic direction, plans and progress of the Authority.

The Authority's London Safety Plan states the Authority's plans for improvement in services to address the risks facing Londoners, together with the management arrangements required to implement them.

Key performance indicators are established following full consultation and the full Authority approves the Authority's performance targets.

All key targets are subject to close scrutiny and monitoring by the full Authority, supported by a Finance Procurement and Property Committee, and other supporting panels for Human Resources Equalities and Health and Safety and Performance Management and Community Safety.

The Audit Committee reviews the effectiveness of the internal control framework by monitoring work of internal audit, considering both internal and external audit reports and reviewing the corporate risk management framework, including the arrangements for business continuity.

The Authority's corporate risk register was formally approved and established by the full Authority on 17 March 2005. It is subject to regular scrutiny and review and was most recently approved by the full Authority on 26<sup>th</sup> March 2009. The register is reviewed in full consultation with Heads of Service and identifies key risks that could prevent the Authority achieving its aims and objectives. Controls are in place to mitigate these risks and both risks and controls are subject to regular review and scrutiny, which is evidenced in the form of external inspections, reports to Authority: its committees, panels and executive board, and by service managers' assurances through the risk process.

Our Dynamic Intelligent Operational Training process has continued to operate effectively throughout the year. This is the means by which we tailor and shape the training and development of our operational staff by using intelligence gained from health and safety audits, accident investigations and feedback from the Operational Review team who monitor performance at incidents. Identified good practice and potential areas for improvement are also communicated to all operational staff by means of a quarterly bulletin.

### **Ensuring compliance with established policies, procedures, laws and regulations**

The system of internal control comprises a network of policies, procedures, systems, reports and processes. These arrangements are in place to clarify the Authority's objectives, risk management arrangements, performance management processes and financial controls. These controls are in place to:

- Establish and monitor the achievement of the Authority's objectives via, for example, quarterly monitoring reports to members;
- Facilitate policy and decision making via , for example Standing Orders, and the service planning process;
- Ensure compliance with established policies, procedures, laws and regulations, as underpinned by regular reviews carried out by internal and external auditors;
- Identify, assess and manage the risks to the Authority's objectives including risk management;
- Ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, via, for example, the Authority's medium term financial forecasting and budget processes, strategic and annual Internal Audit plans, Fundamental Performance Review programme and budget review process;
- Provide appropriate financial management of the Authority and the reporting of financial management and
- Ensure proper performance management of the Authority and the reporting of performance management.

A well developed internal audit process underpins the internal controls framework. In 2008/09 the Annual Internal Audit Plan was substantially completed and the external auditors concluded that they could place reliance on the work carried out by Internal Audit.

### **Governance improvements**

LFEPa Members and Officers are committed to high standards of governance, as evidenced by its long term commitment to robust and well informed decision-making and more recently by a tranche of activity to review, update, consolidate and enhance its suite of good governance tools and policies. That activity included a review of Standing Orders, including the adoption of

a new Member/Officer protocol; an Ethical Governance Audit; the adoption of a new Corporate Code of Governance, including a Monitoring Officer protocol; the adoption of a Data Quality Strategy and a significant new statement of intention as regards responsibility for the management of governance matters.

The newly adopted Code defines governance as being about how public authorities ensure that they are doing the right things, in the right way, for the right people, in a timely inclusive, open and accountable manner. It is structured in accordance with the six principles of good governance referred to in the CIPFA/SOLACE framework "The Good Governance Standard for Public Services", but we think goes further.

In particular, the Code outlines the specific governance responsibilities of the Commissioner and the Director of Corporate Services, recognising their key roles in ensuring the effectiveness of our governance arrangements at a higher level and requires the Commissioner to convene an annual meeting be held between the Commissioner, the Director of Corporate Services, the Director of Resources; the Head of Legal and Democratic Services (as the Monitoring Officer) and the Head of Finance (as the section 127 officer) to review the effectiveness of the existing governance arrangements and consider the draft Annual Governance Statement and the action plan prior to its presentation to Members.

The Ethical Governance Audit was undertaken independently by the Improvement and Development Agency for Local Government (I&DeA) and identified a significant number of strengths in our approach to ethical governance. An action plan, agreed by the Authority on 26<sup>th</sup> March, is in place to address the key findings of the review.

## **Risk Management**

This year began with the Authority's approval, in June 2008, of our Risk Management Strategy and Policy 2008 – 2011. This set out the vision of risk management within LFB for the future, established a consistent approach and prioritised our risk management activity for the coming three years.

A thorough review of the risks on our corporate risk register led to risks being owned by member of the Corporate Management Board, thereby strengthening the management of those risks and establishing clear direction and leadership for risk owners across the organisation. Quarterly review processes and audit trails have been established and integrated with our other performance management processes to review delivery against our strategic aims.

Risk profiles have been produced for all departments using the departmental risk registers which are also reviewed and reported on quarterly. An assessment is made of the extent to which each register exceeds our risk tolerance threshold and this information is presented in the context of outturn financial performance and alongside other key measures as part of our regular reviews of performance.

Our training strategy continues to develop and last year, the Institute of Risk Management accredited Management of Risk and Uncertainty course was made available to all managers across the organisation.

A review of the way we manage partnership risk was undertaken with staff from across the organisation, and resulted in the production of a toolkit for the management of partnership risk. The toolkit incorporates existing reporting arrangements as well as industry best practice. Further promotion of the toolkit will take place at workshops and training events during the coming year.

Our business continuity work is now also underpinned with both a Strategy and Policy, which are focussed on achieving accreditation against British Standard 25999 in line with best practice. A gap analysis of our current business continuity arrangements has been undertaken and an action plan is being developed to enable us to become compliant with the standard. A significant development this year has been the introduction of a debrief process which is now used to review incidents that interrupt, or have the potential to interrupt, our mission critical activities. Whilst no incident has caused a failure of these critical activities this year, we have learnt valuable lessons from the reviews of our management of those incidents which had the potential to cause such failures.

### **Focusing our resources on those most at risk**

Developed during 2005 and launched in the autumn of 2006, iRAT is a tool which combines what we know about incidents with the information we know about people and where and how they live. Developed to support the performance management framework, iRAT identifies the areas of London where incidents are most likely to occur so that preventative campaigns can be focused in those areas to reduce incidents, stop fatalities and casualties and improve London wide performance. iRAT can be used to identify the likelihood of any incident occurring, but most of the work in developing the models has focused on accidental dwelling fires (ADFs) – fires in people's homes, where most fire fatalities occur – where we target our Home Fire Safety Visits (HFSVs) and the majority of our prevention campaigns.

In 2008, the outputs from the statistical modelling and our knowledge about lifestyle risk were combined to create 'priority postcodes' for targeted HFSVs. These priority postcodes enable the iRAT risk information to be more easily interpreted and provide an easy tool for station based staff to plan and prioritise their HFSV work. Doing so means that we are working in the areas of London that are most likely to have a fire and working with the people who have lifestyles that put them at greater risk are over represented in the number of fires they have.

### **Treasury Management**

Across the world, many countries are experiencing an exceptional economic downturn with several major financial institutions reporting considerable losses over the last year. Despite central bank funding the credit crunch intensified during spring 2008 and claimed a number of casualties. In early October 2008 Iceland's three largest commercial banks together with their UK subsidiaries went into administration. Press reports suggested that the failure of the Icelandic banks has put at risk approximately £11 billion in deposits made by UK investors. One hundred and twenty seven English local authorities have deposits with these Icelandic banks, totalling more than £954m. These deposits were not covered by any central government guarantee scheme and although while this money is not necessarily lost, it is too early to say how much will be recovered or when and under what terms it will be repaid.

The Authority's risk averse strategy linked to in-house control and assessment arrangements meant that the Authority recognised Iceland as an unacceptable risk given its small economy and tax base. As a result the Authority had not lodged any deposits with Icelandic banks even though they were within an acceptable credit rating range. However the markets are still volatile and further banking failures cannot be ruled out. The Treasury Management Strategy has recently been updated to ensure that it continues to take a risk averse approach. The controls and procedures that we have in place are also subject to regular review with our Treasury advisors (Sector). Local authorities have traditionally used credit rating systems based on the past performance of counterparties. We now receive information based on the creditworthiness matrix system integrated with Credit Default Swap spreads (CDS) data. Market CDS spreads data is forward looking and has been seen to predict problems for individual institutions. As such the data can act as an early warning indicator. CDS data needs

careful interpretation and our advisors are monitoring this market and providing weekly updates on counterparties with daily alerts where there are particular concerns.

### **Asset Management (Property)**

This year has seen the development of an Asset Management Plan (Property) (AMP - 2009). It has been produced in accordance with the Royal Institution of Chartered Surveyors (RICS) Public Sector Asset Management Guidelines and the Department of Communities and Local Government guidelines "Building on Strong Foundations – a Framework for Local Authority Asset Management". The AMP seeks to deliver the best value for money from our property assets. It brings together three interlinked pressures for investment – property improvement, operational improvement and releasing latent financial value and in so doing; it provides the framework for establishing priorities and objectives for capital investment for the next 15 years.

It includes a new standard design brief for fire stations and seeks to ensure that operational needs are coordinated with maintenance requirements to preserve the capital value of the property whilst meeting current legislation and ensuring that our buildings meet our needs. The Authority's capital programme projects its capital programme to 2012. Additionally a strategic investment programme based on the AMP's priorities will be produced as part of this year's budget setting process and will be reviewed annually thereafter.

### **Review of Effectiveness**

Regulation 4 of the Accounts and Audit Regulations 2003 requires the Authority to conduct, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within the Authority who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and other review agencies and inspectorates.

Throughout 2008/09 the Authority has maintained and reviewed its systems of internal control in a number of ways. In particular:

- The full Authority received regular performance reports on its objectives, policies, and procedures through its Finance Procurement and Property Committee, Performance Management and Community Safety, and Human Resources Equalities and Health and Safety panels, including the oversight of key work such as the Property PFI and FiReControl projects.;
- Comprehensive progress reports are submitted every quarter to the Health and Safety and Environment Strategy Board and the Corporate Management Board on the implementation of the Health, Safety and Environment policy and a full annual report is submitted to the Authority and progress is also reviewed by the Liaison Member for Health and Safety. Corporate Health and Safety has an input to the Authority's competency-based training programmes;
- The Authority's internal audit team works to defined professional standards and the internal audit plan is prepared on the basis of a formal risk assessment. The plan, annual performance and main outcomes and recommendations arising from audit work are reported to the Authority and the Audit Committee. The external auditor relies on the work of internal audit in key areas in accordance with the principles of 'managed audit';
- The external auditor also reports his plan and Audit Memorandum on the year's audit to the Authority's Audit Committee and the Annual Audit and Inspection Letter to the full Authority, and
- Our review of the effectiveness of the system of internal control is informed by the work of senior management within the Authority, who continually assess Departmental and Corporate Risk Registers and provide assurance that controls are in place and the extent

to which they are effective. Our review is also informed through the work of internal auditors as described above, and the external auditors in their annual audit letter and other reports.

### Significant Internal Control Issues

The action plan attached to this statement comprises actions required to address any significant failings in the Authority's governance framework and supporting systems. Issues outstanding from the Authority's action plan in 2007/08 are also shown, with an update on the progress made in addressing them to date. The plan also shows any new issues that have been identified. The plan will typically focus on issues of non-compliance or any other significant action planned or being undertaken to improve governance. It does not seek to replicate the Authority's improvement plans which are documented elsewhere. The criteria used to determine items for inclusion are:

- actions arising from the annual assessment of performance against our Code of Governance;
- actions arising from the annual review of the Code of Governance;
- significant causes for concern identified in the auditor's annual letter;
- performance failings or significant concerns relating to governance identified by comprehensive area assessment;
- significant failings identified by any internal audit and review processes including: internal audits, health and safety audits and accident investigations, risk audits, fundamental performance reviews;
- significant failings identified by the Operational Review Team; significant failings identified by internal management assurance processes, with particular reference to the annual assurance statement provided by each Head of Service assessing the effectiveness of the controls for which they are responsible;
- significant failings identified by any peer review;
- any significant improvements or additions to the Authority's control framework needed in order to bring the Authority's risk profile in line with its risk appetite;
- any other significant actions being undertaken to improve the governance arrangements which the Authority wishes to declare in the statement, and
- any actions outstanding from the previous year's action plan.

In the 2008/09 action plan, the new actions are considered to arise from the criterion: "any other significant actions being undertaken to improve the governance arrangements which the Authority wishes to declare in the statement".

### Annual Governance Statement 2008/09 Action Plan

#### New Actions

Issues	Programmed Action	Action update	Responsible officer
Ethical Governance Audit	To deliver the approved action plan in the agreed timescale	Progress against this action plan is being monitored by the Standards Committee and so will not, in addition, be reported in future quarterly reports.	Head of Legal and Democratic Services
CIPFA guidance on 'The role of the Finance Director in	To incorporate the CIPFA guidance on the role of the Chief Finance Officer into our governance arrangements when it is published later this	To be monitored quarterly by Audit Committee	Head of Finance

Public Service Organisations'	year.		

**Items Carried Forward From 2007/08 Action Plan**

<b>Issues</b>	<b>Programmed Action</b>	<b>Action update</b>	<b>Responsible officer</b>
Risk Appetite <sup>1</sup>	To formalise and approve a risk appetite for the Authority and to take any steps required to bring the Authority's risk profile in line with the appetite.	To be monitored quarterly by Audit Committee	Head of Strategy and Performance

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

**Ron Dobson**  
Commissioner for Fire and Emergency Planning

**Councillor Brian Coleman AM, FRSA**  
Chairman of London Fire and Emergency Planning Authority

Dated 25 June 2009

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<sup>1</sup> Risk appetite is the amount of risk, broadly, that an organisation is willing to accept in pursuit of objectives. It reflects the organisation's history and risk management philosophy and, in turn, influences the organisation's culture and risk management style. By defining the risk appetite for LFB, this will enable us to increase our rewards by optimising risk taking and accepting calculated risks within an appropriate level of authority.

## Annual Governance Statement

### Annual Governance Statement 2007/08 - Action Plan Update

#### New Actions

Issues	Programmed Action	Action update	Responsible officer
Code of Governance	As part of the planned ethical governance audit, to develop a code of governance and processes to ensure its ongoing application and effectiveness.	Completed – The ethical governance audit as agreed by the Standards Committee was carried out by the Improvement and Development Agency for local government (IDeA) in February 2009. The audit report and action plan, as recommended by the Standards Committee, was approved by the Authority in March 2009. Authority approved a Corporate Code of Governance, drafted with reference to the audit report, on 26 March 2009.	Head of Legal and Democratic Services
External assessment	To implement the External Performance Assessment Improvement Plan (cfFEP1162)	Completed – As agreed with Members, actions from future external performance assessment improvement plans will be integrated into the performance management framework as part of the departmental planning process. Progress will be reported upon as part of the quarterly departmental monitoring process and actions arising from any improvement plans will form part of business as usual for the relevant department. The recent Corporate Assessment undertaken by the Audit Commission resulted in an excellent rating for the Authority.	Director of Corporate Services
Risk Appetite <sup>2</sup>	To formalise and approve a risk appetite for the Authority and to take any steps required to bring the Authority's risk profile in line with the appetite	In line with the Risk Management Strategy and Policy (FEP1217), good progress has been made in developing the Authority's risk appetite. A risk appetite matrix is now used to report on departmental risk performance at Performance CMB. Consultation with Directors and Heads of Service has taken place and a discussion paper to agree the risk appetite approach is to follow.	Head of Strategy and Performance

<sup>2</sup> Risk appetite is the amount of risk, broadly, that an organisation is willing to accept in pursuit of objectives. It reflects the organisation's history and risk management philosophy and, in turn, influences the organisation's culture and risk management style. By defining the risk appetite for LFB, this will enable us to increase our rewards by optimising risk taking and accepting calculated risks within an appropriate level of authority.

## Annual Governance Statement

### Items Carried Forward From 2006/7 Action Plan

Issues	Programmed Action	Action update	Responsible officer
Key Partnerships	Implement a risk assessment and risk management process to cover all key partnership arrangements by March 2007	Completed – Following the Challenge Workshop on the 4 <sup>th</sup> November 2008 and recommendations from the Fundamental Performance Review of Partnerships which were reported to Performance Management and Community Safety Panel on 10 November 2008, a partnership risk toolkit has been developed. The toolkit incorporates existing reporting arrangements as well as industry best practice. Opportunities to further promote the toolkit will be taken via training programmes and ongoing workshops.	Head of Strategy and Performance
Corporate Risks	Further work is planned to analyse the red risks and controls on the Corporate Risk Register this year to identify any areas where additional controls or improvements to existing controls are needed	Completed as reported in FEP 1298 – Quarter Two Update.	Head of Strategy and Performance

## 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.

**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.

**CLG** – Communities & Local Government, the Government Department responsible for national policy on Local Government in England.

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

**CONTINGENT ASSET/LIABILITY** - A possible source of future income (ASSET) or liability to future expenditure (LIABILITY) at the balance sheet date dependant upon the outcome of uncertain events.

**CORPORATE AND DEMOCRATIC CORE (CDC)** – The costs attributable to CDC are those costs associated with corporate policy making and member based activities.

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

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

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

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

**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 a side 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.

**PRIVATE FINANCE INITIATIVE (PFI)** – A central Government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.

**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.

**STOCK** – The amount of unused or unconsumed goods held for future use within one year. Stock is valued at the end of each financial year and carried forward to be matched to use when required.

## USER FEEDBACK QUESTIONNAIRE

### 2008 /2009 STATEMENT OF ACCOUNTS

Here at the London Fire and Emergency Planning Authority we are continually trying to improve the ways in which we provide information. Your views are important to us in assisting us to improve the content, language and format used in of our accounts, and we would be extremely grateful if you could complete the attached questionnaire and let us know any ways in which we can make our Statement of Accounts more useful to you.

Please tick the Yes or No boxes below. It would also be very helpful if you would add a comment explaining the reason for any No choices

- 1 Did you find the information contained within the Statement of Accounts easy to understand?

Yes  No

Comments

- 2 Was there a sufficient level of information to allow you the user to assess the financial performance of the Fire and Rescue Authority.

Yes  No

Comments

- 3 Did you find that the financial information contained was presented in a clear and easy to understand format?

Yes  No

Comments

- 4 Did you find the notes to the accounts added value to the financial statements?

Yes  No

Comments

- 5 Did you find the Glossary helpful?

Yes  No

Comments

## USER FEEDBACK QUESTIONNAIRE

6 Overall, has the statement of accounts been of value in helping you to assess the Fire and Rescue Authority's financial position and performance?

Yes  No

Comments

7 Do you think there is anything that should be added to the Statement of Accounts to provide you the user with a more complete view of the financial position and performance of the Fire and Rescue Authority?

Yes  No

Comments

8 Please state below any further comments or suggested improvements you may have regarding the Statement of Accounts.

9 Which of the following best describes you?

An employee or elected member of the authority

A member of the public

A member of another organisation/interested party

**Thank you for taking the time to complete this questionnaire**

Please return the completed feedback questionnaire to:  
**LFEPA, Finance Accountancy, 3<sup>rd</sup> Floor, 169, Union Street, London, SE1 0LL**

**Our reference** 20090219

19 February 2009

Ms B Riddell  
Director of Resources  
London Fire and Emergency Planning Authority  
169 Union Street  
London  
SE1 00L

**Direct line** 0844 798 2506  
**Email** m-haworth-  
maden@audit-  
commission.gov.uk

Dear Barbara

### **Supplementary opinion audit plan 2008/09**

You will recall that I issued my initial Audit Plan for 2008/09 in May 2008. The plan set out the work that I proposed in order to satisfy my responsibilities under the Audit Commission's Code of Audit Practice. As the plan was produced at the start of the financial year to give you an indication of the proposed fee, I was not able at that time to specify the detailed risks that I would need to consider as part of my audit opinion work.

I am now in a position to do this as the opinion work is about to commence. This letter represents my supplementary opinion plan under International Standard on Auditing (United Kingdom and Ireland) 300. That standard requires me to:

- identify the risk of material misstatements in your accounts;
- plan audit procedures to address these risks; and
- ensure that the audit complies with all relevant auditing standards.

I have therefore considered the additional risks that are appropriate to the current opinion audit and I have set these out below.

<b>Risk</b>	<b>Residual risk</b>	<b>Audit response</b>
The disposal of 8 Albert Embankment is still pending and a further two assets were identified as surplus to requirements as at 31 March 2008.	Yes	I will review whether non-operational assets have been classified correctly per the SORP and whether they are included in the balance sheet using an appropriate basis for valuation.
The Authority's asset base was revalued as at 1 April 2008 and	Yes	I will review whether the revaluation has

Risk	Residual risk	Audit response
will be reflected in this year's financial statements.		been accounted for correctly.
The current economic climate increases the likelihood of impairments occurring to the Authority's fixed assets and financial instruments.	Yes	I will review whether the Authority has taken appropriate steps to identify potential impairments and, if they have occurred, ensure that these have been accounted for in accordance with the SORP, FRS11 and FRS26.
<p>My Annual Governance Report 2007/08 included recommendations relating to:</p> <ul style="list-style-type: none"> <li>• the content of the Explanatory Foreword;</li> <li>• processes for obtaining related party transaction declarations; and</li> <li>• compliance with the SORP in respect of recording interest payable and receivable and the fair value of financial instruments.</li> </ul>	Yes	I will follow up the recommendations made in my Annual Governance Report to ensure the issues have been adequately addressed for 2008/ 09 as part of the Authority's closedown arrangements.

In my original audit plan, the estimated fee for the opinion audit was based on my best estimate at the time and agreed at £57,200 as part of a total audit fee of £143,900.

I am satisfied that the original fee estimate for the opinion audit was appropriate and no adjustment is therefore required to the fee at this stage. However, I will keep the fee under review as the opinion audit progresses. If I need to amend the fee subsequently, I will of course first discuss it with you.

Please let me know if you have any queries.

Yours sincerely

Michael Haworth-Maden  
*District Auditor*

cc Ms S Martin, Audit Manager