

LONDON FIRE AND EMERGENCY PLANNING AUTHORITY

STATEMENT OF ACCOUNTS 2016/2017



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Narrative Statement

London Fire and Emergency Planning Authority (LFEPA)

The London Fire and Emergency Planning Authority (LFEPA) is part of a number of organisations operating under the umbrella of the Greater London Authority (GLA), which includes this Authority, the core GLA, the Mayor's Office for Policing and Crime, overseeing the work of the Metropolitan Police Service, Transport for London, the London Legacy Development Corporation and the Old Oak and Park Royal Development Corporation.

The London Fire Brigade (LFB) is run by LFEPA. The Mayor appoints all LFEPA's 17 Members and appoints one of them to be the Chair of the Authority. Eight members are nominated from the London Assembly, seven from the London Boroughs and two are Mayoral appointees. 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.

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 is responsible for setting the Authority's budget requirement, subject to presentation to the London Assembly.

We provide services across the whole of the Greater London area serving London's 8.6 million residents as well as those who work in, or visit the city. 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 have 102 land fire stations and one river station with 142 pumping appliances (fire engines). As at March 2017, we employed just over 5,550 staff, of which circa 4,660 are operational staff including firefighters, 790 support staff (like lawyers, accountants, office staff, fire safety inspectors) and 100 control staff who handle the 999 calls.

In 2016/17 we handled 174,039 emergency (999) calls and attended 104,740 incidents in London, plus 577 incidents outside of London (in support of neighbouring fire and rescue services). These incidents included 20,266 fires, 33,205 non-fire special services and 51,266 false alarms. Whilst attending and resolving emergencies is still a key part of our work; preventing fire, help keeping people safe and promoting wider safety in the community are also equally important.

The Authority's core aims and objectives for 2016/17 were set out in its Fifth London Safety Plan (LSP5), which is then cascaded to departmental service plans. The Authority's risk policy statement is included within the Plan, together with the key corporate risks. The new London Safety Plan was agreed by the Authority on 30 March 2017 and covers the period from April 2017 to March 2021. The new plan can be accessed on the London Fire Brigade website-

<http://www.london-fire.gov.uk/Documents/London-Safety-Plan-2017.pdf>

Narrative Statement

150 years celebration

London Fire Brigade's 150th anniversary year began on 1 January 2016. During the year many activities took place to celebrate this landmark event involving staff, stakeholders, members, partners and the public. The aims and objectives of the year were achieved and the legacies of the year include:

- environmental/sustainability – the naming and planting of a 150 tree forest in east London.
- historical – the laying down of LFB's standards in Southwark Cathedral – an important symbolic representation of the London Fire Brigade.
- cultural – the development of a giant mosaic made up of photographs submitted by staff during the anniversary year. The mosaic is on display at the Brigade's pop-up museum and will eventually be housed in the new LFB museum when it opens to the public.

Implementing Operational Changes

The 2016/17 Budget approved the permanent removal of a pumping appliance from 13 fire stations and an increase in establishment at Fire Rescue Unit (FRUs) stations; the pumping appliances had originally been removed from stations in August 2013, to form a contingency reserve to be used in case of strike action. These operational changes were implemented by 30 June 2016.

Funding for New Training Centre

LFEP members have approved funding to build a new third training centre in south London on the Croydon Fire Station site. Plans for the centre include a six storey real fire training facility where firefighters will train in a realistic high rise environment, a modern incident command training facility, classrooms and group rooms, a dining room and parking space for 40 cars. Current plans will retain the existing fire station at Croydon, and operations will be maintained throughout the construction of the training centre.

Building of the new training centre will be funded by the capital receipts generated from the sale of fire stations closed under LSP5. All proposals for the new training centre will be subject to approval by the local council, and plans are being developed to ensure that local residents are kept informed during the process. Subject to all the planning approvals, building work should start in 2018 with the new training centre operational in 2019.

Review of Resourcing of the London Fire Brigade

In August 2016, the Mayor appointed Anthony Mayer CBE to carry out an independent strategic resources review of the London Fire Brigade. The review was one of the Mayor's manifesto commitments and aimed to ensure the Authority is fully equipped to fight and prevent fires, and to respond effectively to a terror attack or a major incident such as flooding. The findings of the review were reported on 2 November 2016 and the six recommendations made were addressed in the new London Safety Plan.

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London's Preparedness to Respond to a Major Terrorist Incident

The Mayor appointed Lord Toby Harris to undertake a full and independent review of emergency service resilience in London to ensure London is as prepared as possible to respond to a major terrorist incident. The findings of the review were reported on 28 October 2016. The report contained a number of recommendations with direct relevance for LFEPA, which were addressed in the new London Safety Plan.

Future of the Authority

The Policing and Crime Act received Royal Assent on 31 January 2017. The Act will abolish the London Fire and Emergency Planning Authority (LFEPA), and provides for the Mayor to take responsibility for fire and rescue services in London. The functions will sit within existing Greater London Authority structures, creating a Deputy Mayor for Fire, a statutory "London Fire Commissioner" (LFC) and a new Committee of the London Assembly, which will provide scrutiny and oversight. All Assets, Liabilities and Resources of the LFEPA will transfer to the London Fire Commissioner.

Among other provisions, the Act also placed a duty on police, fire and ambulance services to work together if doing so would improve efficiency or effectiveness.

The Home Office has yet to complete the arrangements for the abolition of the Authority – it is now expected that the new governance arrangements will commence in April 2018.

Community Safety Investment Fund

As part of the 2016/17 budget, £1m was earmarked for fire safety initiatives targeted at the most vulnerable in the community, which would provide fire safety equipment such as sprinklers, personal protection systems and telecare. There was significant engagements between Borough Commanders and local partners/stakeholders across all London Boroughs to develop proposals for the use of the funds. This generated substantial interest in the funding available, to the extent that the fund was doubled to just over £2m, in order to meet as many as possible of the initiatives which met the funding criteria.

Property PFI Scheme

The Authority has a Private Finance Initiative (PFI) agreement with Blue3 (London) Ltd to design, build, finance and maintain nine new fire stations. The PFI project will see the Brigade receive £51.5m over a 25 year period, from Central Government, to replace and build new fire stations at Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwell. The £51.5m is the agreed grant funding as at 1 August 2013 (the date of the signed agreement) which is indexed linked to cover for inflation.

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PFI provides a way of funding major capital investments, without the public purse having to find all the cost up front. This £51.5m is extra money for the Brigade. All nine fire stations are now complete and are in operational service.

Eight of the stations were completely re-built on their existing sites and one station, Mitcham, has been built on a new site. The stations at Mitcham and Old Kent Road were completed in 2014/15 and during 2015/16 Orpington, Plaistow, Dagenham, Leytonstone, Purley and Shadwell were completed. The last fire station, Dockhead, was completed and became operational in April 2016.

London Fire Brigade Enterprises Ltd

Following a decision taken by the Authority on 26 June 2014 (FEP 2254), to establish a LFEPa trading company, the Authority registered a company, on 23 January 2015, called London Fire Brigade Enterprises Ltd.

The company started trading in 2015/16 in order to provide consultancy and other services associated with our expertise in fire. The Authority, as the only shareholder, will receive a financial return from the company, either as dividends from profits or as a contribution to overheads on charges to the company for services provided.

The Company employs no staff directly; it operates using staff seconded by the Authority and engaging third parties. Group accounts have not been produced for the combined entities as the net expenditure, income, assets and liabilities of the company do not have a material impact on the results published. The company made a small loss (£50k) for the year end 31 March 2017.

Authority's Key Strategic Aims and performance

The Authority's Fifth London Safety Plan (LSP5) continued to set the strategic aims and performance aspirations during 2016/17.

Overall, performance for 2016/17 remained good, with the majority of our headline targets and performance indicators showing achievement and a number exceeding the target.

Details of performance against all the Authority's performance indicators and service measures (without targets), can be found on the Authority's website at the following link. <http://www.london-fire.gov.uk/OurPerformance.asp>

The performance highlights of 2016/17 (performance indicator references (LI) are shown) are set out below. Some numbers, which are not indicators with targets, are included to provide context.

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Calls and incidents attended

- All incidents attended in London were up by 5 per cent, with calls up by 2 per cent; an increased number of special service (up 10 per cent) and false alarm incidents (up 5 per cent) was responsible for the increase.
- Incidents attended by London Fire Brigade to provide assistance to neighbouring Brigades were up by 2 per cent compared to 2015/16.

Performance indicator	2015/16	2016/17	Target 2016/17	Met target?
- All emergency calls	171,137	174,039	-	-
- All incidents in London	99,535	104,740	-	-
- Incidents attended outside London*	567	577	-	-

* mutual assistance to brigades sharing the London border

Fires attended

- Total fires were down by 2 per cent but remained over 20,000 after falling below that level in 2014/15 for the first time.
- The number of primary fires was about the same in 2016/17 compared to the year before, with secondary fires falling by 5 per cent because of fewer outdoor fires due to the relatively cooler/wetter Summer in 2016.
- The number of fires in the home continued to fall in 2016/17; 3 per cent lower compared to 2015/16.

Performance indicator	2015/16	2016/17	Target 2016/17	Met target?
- All fires	20,773	20,266	-	-
- Primary (more serious) fires	10,619	10,603	-	-
LI 2 Arson (deliberate fires)	4,135	4,192	5,924	✓
LI 3 Primary fires – dwellings	5,693	5,494	6,390	✓
LI 4 Outdoor rubbish fires	6,124	5,788	6,275	✓
LI 5 Fires in care homes/sheltered housing	530	321	503	✓
LI 8i Fires in non-domestic buildings	2,052	1,951	2,372	✓
- Secondary fires	10,095	9,615	-	-

Narrative Statement

Non-fire emergencies (special services) and false alarms

- Co-responding incidents accounted for some of the 10 per cent increase in special service incidents.
- There were increased numbers of flooding incidents (up 11 per cent) although the majority of these calls were to domestic leaks.
- Other types of special service were also higher in 2016/17, like road traffic collisions (up 6 per cent), shut in lift releases (up 5 per cent), and incidents effecting entry/exit (up 4 per cent). These higher numbers were offset by a lower number of other types of special service incidents (e.g. 'making safe' incidents were down 16 per cent).

Performance indicator	2015/16	2016/17	Target 2016/17	Met target?
All special services (SS)	30,066	33,205	-	
- SS – medical corresponding*	218	1,598	-	
LI 13 SS – lift release	4,895	5,134	5,573	✓
SS – road traffic collisions	4,213	4,459	-	
SS – flooding	6,346	7,055	-	
- All false alarms	48,696	51,266	-	
LI 12 False alarms – Automatic fire alarms in non-domestic buildings	21,160	21,930	21,932	✓

* pilot in four boroughs only in 2016/17 starting in February 2016.

Fire casualties (fatal and non-fatal)

- All fire deaths are up by six in 2016/17 (based on annual numbers).
- Fire deaths numbers do fluctuate on an annual basis so to measure the trend we use a ten year average for our performance indicator and this shows that fire deaths numbers have fallen over time.
- The number of serious fire injuries continues to fall.

Performance indicator	2015/16	2016/17	Target 2016/17	Target met?
LI 1i All fire deaths – rolling 10 year average	46	46	52	✓
- All fire deaths – annual figures	36	44	-	-
- Deaths in accidental dwelling fires	21	39	-	-
LI 1ii Serious fire injuries	570	544	757	✓

Narrative Statement

Responding to emergency calls

- The answering of 999 calls remains fast, but was slower than in 2015/16 and outside target; this is due to changes to the way calls are allocated to Control staff flowing from the introduction of a new computerised mobilising system in November 2015.
- The slightly slower answering of calls, is more than offset by the speedier mobilisation of resources by Control staff in response to an emergency call (i.e. call handling) which improved by 4 seconds comparing 2016/17 with the previous year.
- First and second appliance attendance times in 2015/16 were impacted by the temporary closure of stations as a result of the PFI rebuild programme. Performance in 2016/17 is, therefore, improved on the previous year.

Performance indicator	2015/16	2016/17	Target 2016/17	Target met?
LI 15ii 999 calls answered within 7 seconds	89.4%	85.1%	92%	✗
LI 15iii Control call handling time	01:41	01:37	01:40	✓
LI 14i First pumping appliance arrival	05:36	05:25	06:00	✓
LI 14ii Second pumping appliance arrival	06:56	06:48	08:00	✓
LI 14 iii First pump arrival within 12 minutes	97.6%	98.0%	95%	✓

Fire safety

- Home Fire Safety Visits are down slightly in 2016/17, which is reflected in the visits to priority people/areas.
- The inspection/audit of (mainly) non-domestic premises subject to the Regulatory Reform (Fire Safety) Order (RRO) reduced in 2016/17 as a result of better targeting of higher risk buildings, but was within target.

Performance indicator	2015/16	2016/17	Target 2016/17	Target met?
LI 6ii All Home Fire Safety Visits (HFSVs)	86,610	84,880	73,500	✓
LI 6iii HFSVs to priority risk areas/people	69,921	68,221	58,800	✓
LI 7 Station time on community safety work	14%	14%	13%	✓
LI9i Fire safety inspections	16,270	14,627	14,000	✓

Details of the Authority's performance can be found on the Authority's website at the following link. <http://www.london-fire.gov.uk/OurPerformance.asp>

For more updates and information about the brigade you can follow us on social media or visit our website www.london-fire.gov.uk

Narrative Statement

Accounting Statements

The Authority's accounting statements that follow have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, this is based on International Financial Reporting Standards (IFRS), except where interpretations or adaptations have been made to fit the Public Sector as detailed in the Code. Accounting policy changes arising out of the adoption of the IFRS-based Code are accounted for retrospectively unless the Code requires an alternative treatment. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

The accounting statements that follow comprise:

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

The following Core Accounting statements:

- **The Movement in Reserves Statement** which shows the movement in year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to the earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.
- **The Comprehensive Income and Expenditure Account**, which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.
- **The Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

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

- **The Cash Flow Statement**, which shows the changes in cash and cash equivalents of the Authority during the year. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

The Statement of Accounts also includes the following;

- **The Firefighters' Pension Schemes Fund Account**, which shows transactions on the fund account determined by regulation for the Firefighters' 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 Home Office (HO).
- **The Expenditure and Funding Analysis**. This is a new note to the accounts which shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices.

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 6 of The Accounts and Audit Regulations 2015 and does not form part of the annual financial statements.

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Capital Expenditure

The Local Government Act 2003 provides a prudential framework for capital finance. As part of these arrangements a Prudential Code for Capital Finance in Local Authorities, developed by CIPFA, provides a professional code of practice to support local authorities in taking decisions on capital management. The key objectives of the code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

In 2016/17, total spending on the capital programme for tangible and intangible assets was £23.9m, of which £18.4m was capital expenditure incurred by the Authority and £5.5m under a PFI arrangement. The spend included the rebuilding and modernising of fire stations and other buildings (£11.7m), upgrading equipment (£1.5m), upgrading of ICT (£1.4m) and the purchase of fleet vehicles (£9.4m). Capital expenditure on Authority assets (£23.9m) is to be financed in accordance with the Prudential Code, funded by Government capital grant (£0.2m), capital receipts (£18.2m) and finance lease borrowing (£5.5m).

The Authority took no external borrowing during the year. Settlement of maturing principal debt during 2016/17 totalled £14m. As a result, as at 31 March 2017, the level of outstanding principal debt totalled £78.3m. The average interest payable on outstanding loans as at 31 March 2017 was 4.89% (4.34% at 31 March 2016).

Disposal of property during the year resulted in £9.9m of capital receipts.

Income and Expenditure for the year

The income and expenditure relates to monies we collect and spend on the day to day running of the Authority's services, such as employees, premises, supplies and services costs and income from levies and services we supply. The balance of expenditure that exceeds our income is funded by grant from the Greater London Authority (£382.4m) made up of the following elements; Revenue Support Grant (£128.5m), Retained Business Rates (£115.7m) and Council Tax (£138.2m).

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see core statement note 30), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2016/17, shown in the table below, was £391.3m against a budgeted net expenditure sum of £402.1m. The outturn position after application of reserves and grants was £9.9m less than the approved Authority budget.

Following movements between the Authority's general fund and reserves, the general fund balance increased by £2.1m from £19.4m as at 31 March 2016 to £21.5m as at 31 March 2017 and the Authority's earmarked reserves increased by £2m from £13.6m as at 31 March 2016 to £15.6m as at 31 March 2017.

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The £9.9m underspend in year was a combination of under and overspends as set out in the table below.

Set out in the table below is a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the Authority's main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the Authority's funding requirements through GLA grant.

Service Expenditure and Income 2016/17

Service Expenditure	2016/17		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational Staff	236,671	232,467	(4,204)
Other Staff	56,284	55,793	(491)
Employee Related	23,839	23,294	(545)
Pensions	21,601	20,312	(1,289)
Premises	36,438	35,380	(1,058)
Transport	19,300	18,528	(772)
Supplies and Services	27,294	26,203	(1,091)
Third Party Payments	2,961	3,703	742
Capital Financing Costs	9,759	9,716	(43)
Central Contingency	119	0	(119)
Revenue Service Expenditure	434,266	425,396	(8,870)
Income	(32,164)	(34,140)	(1,976)
Net Service Expenditure	402,102	391,256	(10,846)
Transfer to General Reserves	1,000	2,200	1,200
Use of Earmarked Reserves	(8,088)	(8,093)	(5)
Financing Requirement	395,014	385,363	(9,651)
Financed by			
Specific grants	(12,586)	(12,845)	(259)
GLA funding	(382,428)	(382,428)	0
Total Net Expenditure	0	(9,910)	(9,910)

Narrative Statement

What we own, money we owe and money owed to us

Our Balance Sheet below shows the value of what the Authority owns, is owed, and what it owes to others as at 31 March 2017.

The Authority's property portfolio, which is located throughout the Greater London area includes 102 operational land fire stations, and one river station, 2 Leasehold Offices, 2 workshops, 1 Stores unit, 1 site under development, 4 surplus sites, 1 site held for sale, 3 Radio mast sites and 9 interests in other property (data back up facility, car parking and telecommunication paging sites).

Money owed to us within the next year includes cash sums invested with financial institutions on a short term basis totalling £66.6m.

Money owed by the Authority after one year includes a £6.4bn pensions liability.

Summary Balance Sheet as at 31 March 2017	£m
Computer Software	8.0
Land, Buildings, Vehicles & Equipment	436.8
Assets Held for Sale	26.5
Stock	0.4
Money owed to the Authority within the next year	92.3
Money owed to the Authority after one year	0.1
Money owed by the Authority within the next year	(58.2)
Money owed by the Authority after one year	(6,506.8)
Total	(6,000.9)
Unusable Reserves	
Reserves not available for use	(295.9)
Pension Fund deficit	6,361.4
Usable Reserves	(64.6)
Total Net worth	6,000.9

Narrative Statement

Pension Funds

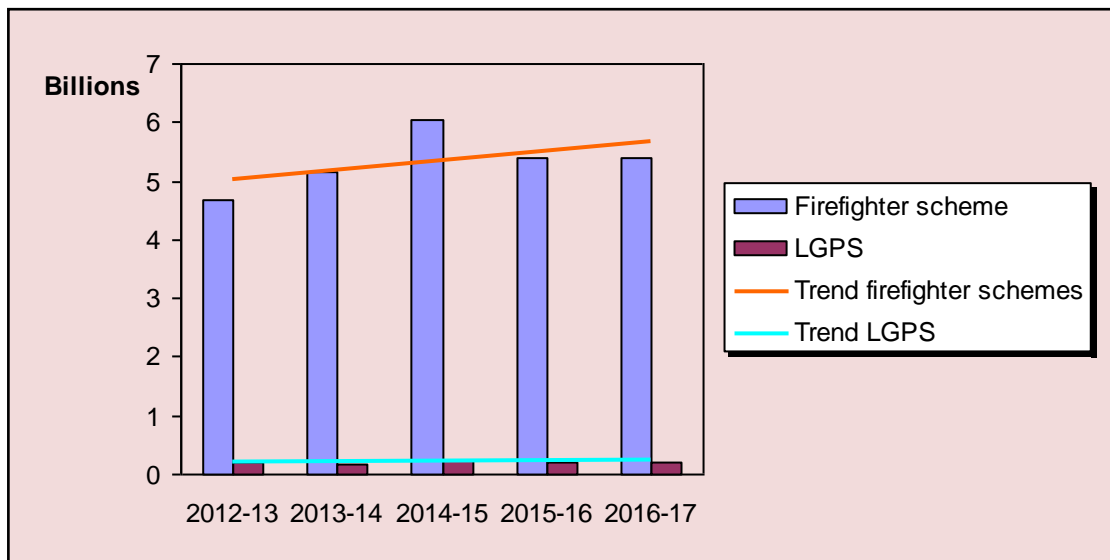
The Authority participates in four pension schemes that meet the needs of particular groups of employees. There are three firefighter pension schemes known as the 1992 Firefighters' Pension scheme, the 2006 Firefighters' Pension scheme, and the 2015 Firefighters' Pension Scheme, for which only operational firefighters are eligible.

The other scheme is the Local Government Pension Scheme, which all other employees may join. The schemes provide members with defined benefits related to pay and service.

The Net Pensions Obligation, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, as at 31 March 2017, is £6.4bn (31 March 2016 £5.6bn). This is the sum of the Authority's liabilities in both schemes arising from pension benefits earned by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the Authority. The chart below shows the movement in the level of liability in the Firefighter pension schemes and the Local Government Pension Scheme (LGPS) over five years.

The movement in the pension liability between years relates to an increase of £0.8bn in the long term liability for the firefighter schemes, as assessed by the Authority's actuary. The increase relates to a re-measurement of the schemes net defined liability taking into account the rate of CPI inflation, Discount rates, Long term salary increases and the rate of revaluation for CARE pensions.

Firefighter schemes and Support staff (LGPS) Pension obligation 2012/13 to 2016/17



Narrative Statement

Further Information

Further information concerning the accounts is available from the Director of Finance and Contractual Services, London Fire Brigade Headquarters, 169 Union Street, London SE1 0LL.

Formal approval and adoption of the Accounts by the Authority

Subject to approval by the Authority's Governance, Performance and Audit Committee at a meeting to be held on 10 July 2017.

Signed on behalf of the London Fire and Emergency Planning Authority

A handwritten signature in black ink, appearing to read 'Jack Hopkins', with a long horizontal line extending from the end of the signature.

Councillor Jack Hopkins

Chair of Governance, Performance and Audit Committee

Dated 28 July 2017

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 Director of Finance and Contractual Services;
- ◆ to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- ◆ to approve the Statement of Accounts.

Director of Finance and Contractual Service's Responsibilities

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

In preparing this Statement of Accounts, the Director of Finance and Contractual Services has:

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

The Director of Finance and Contractual services has also:

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

Certification of the Director of Finance and Contractual Services

I hereby certify that the Statement of Accounts on pages 19 to 101 gives a 'true and fair view' of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2017.

Signed



Sue Budden CPFA
Director of Finance and Contractual Services

Dated 28 July 2017

Audit Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LONDON FIRE AND EMERGENCY PLANNING AUTHORITY

Opinion on the Authority financial statements

We have audited the financial statements of London Fire and Emergency Planning Authority for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- Related notes 1 to 36 to the Core Accounting Statements; and
- Include the firefighters' pension fund financial statements comprising the: Fund Account; Net Assets Statement and the related note 1.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

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

Respective responsibilities of the Director of Finance and Contractual Services and auditor

As explained more fully in the Statement of the Director of Finance and Contractual Services' Responsibilities set out on page 15, the Director of Finance and Contractual Services is responsible for the preparation of the Authority's financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Audit Opinion and Certificate

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Contractual Services; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2016/2017 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of London Fire and Emergency Planning Authority as at 31 March 2017 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2016/2017 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or

Audit Opinion and Certificate

- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on London Fire and Emergency Planning Authority's 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 to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2016, as to whether the London Fire and Emergency Planning Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Fire and Emergency Planning Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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

Audit Opinion and Certificate

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, we are satisfied that, in all significant respects, London Fire and Emergency Planning Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

Certificate

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

Debbie Hanson

Debbie Hanson (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Luton

28 July 2017

The maintenance and integrity of the London Fire and Emergency Planning Authority web site is the responsibility of the Authority; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Accounting Policies

Accounting Policies

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

General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end of 31 March 2017. The Financial Statements provide information about the Authority's financial performance, financial position and cash flow which is useful to a wide range of users for assessing the stewardship of the Authority's management and for making economic decisions. The Authority has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other statutory guidance.

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

Accruals of Income and Expenditure

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

- Revenue from the sale of goods is recognised when the Authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Revenue from the provision of services is recognised when the Authority can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Authority.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

Statement of Accounting Policies

- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding non-current assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by services where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service

The Authority is not required to raise funding for depreciation, revaluation and impairment losses or amortisations. However, it is required to make annual contribution from revenue towards the reduction in its overall borrowing requirement (equal to an amount calculated on a prudent basis determined by the Authority in accordance with statutory guidance).

Depreciation, revaluation impairment losses and amortisations are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision), by way of an adjusting transaction with the Capital Adjustment Account in the Movement of Reserves Statement for the difference between the two.

Events After the Balance Sheet Date

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

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

Statement of Accounting Policies

Fair Value Measurements

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

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

The Authority must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Foreign Currency Translation

When the Authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective.

Statement of Accounting Policies

VAT

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

Accounting Standards that have been issued but have not yet been adopted

The Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) does not introduce any changes in accounting policies/standards which will affect the Authority's accounting policies.

Movement in Reserves Statement

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

Movement in Reserves Statement									
	Usable Reserves					Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	General Fund	Earmarked Reserves	Revenue grants Unapplied	Capital Grants Unapplied	Capital Receipts Reserve				
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance as at 1/4/15	(12,655)	(6,548)	(2,846)	0	(4,522)	(26,571)	6,082,389	6,055,818	
(Surplus) or deficit on provision of services (accounting basis)	87,518	0	0	0	0	87,518	0	87,518	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(818,845)	(818,845)	4
Total Comprehensive Income and Expenditure	87,518	0	0	0	0	87,518	(818,845)	(731,327)	
Restated - Adjustments between accounting basis & funding basis under regulations	(101,363)	0	(2,196)	(590)	(22,251)	(126,400)	126,400	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(13,845)	0	(2,196)	(590)	(22,251)	(38,882)	(692,445)	(731,327)	
Transfers (to)/from Earmarked Reserves	7,064	(7,064)	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(6,781)	(7,064)	(2,196)	(590)	(22,251)	(38,882)	(692,445)	(731,327)	
Balance as at 31/3/16	(19,436)	(13,612)	(5,042)	(590)	(26,773)	(65,453)	5,389,944	5,324,491	
(Surplus) or deficit on provision of services (accounting basis)	99,480	0	0	0	0	99,480	0	99,480	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	576,985	576,985	4
Total Comprehensive Income and Expenditure	99,480	0	0	0	0	99,480	576,985	676,465	
Adjustments between accounting basis & funding basis under regulations	(103,497)	0	(539)	126	5,277	(98,633)	98,633	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(4,017)	0	(539)	126	5,277	847	675,618	676,465	
Transfers(to)/from Earmarked Reserves	1,965	(1,965)	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(2,052)	(1,965)	(539)	126	5,277	847	675,618	676,465	
Balance as at 31/3/17	(21,488)	(15,577)	(5,581)	(464)	(21,496)	(64,606)	6,065,562	6,000,956	

Comprehensive Income and Expenditure Statement

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

Comprehensive Income and Expenditure Statement							
31 March 2016			Division of Service	31 March 2017			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure	
£000	£000	£000		£000	£000	£000	Note
327,661	(44,147)	283,514	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	344,107	(47,087)	297,020	
327,661	(44,147)	283,514	Cost of services	344,107	(47,087)	297,020	
13,434	(30,817)	(17,383)	Other operating expenditure	3,351	(20,117)	(16,766)	3
8,635			Interest payable and similar charges	10,076			10
	(568)		Interest and investment income		(546)		10
192,700			Firefighter pensions net Interest on the net defined benefit liability	187,960			29
7,994			Support staff pension net interest on the net defined benefit liability	7,971			29
209,329	(568)	208,761	Financing and Investment Income and Expenditure	206,007	(546)	205,461	
	(382,400)		GLA Grant		(382,428)		23
	(3,732)		PFI Grant		(3,732)		23
	(1,242)		Capital Grant		(75)		23
		(387,374)	Taxation and Non-Specific Grant Income			(386,235)	
		87,518	(Surplus) or Deficit on Provision of Services			99,480	19
(39,010)			Surplus on revaluation of non-current assets	(45,891)			
411			Impairment losses on non-current assets charged to revaluation reserve	3,604			
(780,246)			Remeasurement of the net defined benefit liability	619,272			
		(818,845)	Other Comprehensive Income and Expenditure			576,985	4
		(731,327)	Total Comprehensive Income and Expenditure			676,465	

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

BALANCE SHEET					
31 March 2016			31 March 2017		Note
£000	£000		£000	£000	
		Property, Plant & Equipment			
96,365		Land	116,420		
248,284		Buildings	280,897		
18,565		Vehicles, Plant and Equipment	19,708		
2,030		Non Operational Assets – Surplus	10,450		
3,210		Non Operational Assets – Other	8,019		
1,346		Heritage Assets	1,346		
26,507		Assets Held For Sale	0		
	396,307			436,840	9
10,542	10,542	Intangible Assets	7,997	7,997	9
76	76	Long Term Debtors	63	63	13
	406,925	Long Term Assets		444,900	
6,738		Assets Held For Sale	26,506		9
983		Inventories	444		12
41,940		Short Term Debtors	28,537		13
58,032		Cash and Cash Equivalents	63,723		14
	107,693	Current Assets		119,210	
(14,177)		Short Term Borrowing	(6,042)		10
(44,954)		Short Term Creditors	(48,320)		15
(5,691)		Provisions	(2,686)		16
(1,119)		Short Term Liabilities	(1,178)		27
	(65,941)	Current Liabilities		(58,226)	
(1,540)		Provisions	(2,098)		16
(79,447)		Long Term Borrowing	(73,425)		11
(5,692,181)		Other Long Term Liabilities	(6,431,317)		26
	(5,773,168)	Long Term Liabilities		(6,506,840)	
	(5,324,491)	Net Assets		(6,000,956)	
(65,453)		Usable Reserves		(64,606)	17
5,389,944		Unusable Reserves		6,065,562	18
	5,324,491	Total Reserves		6,000,956	

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The statement shows how the authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the authority are funded by way of grant income or from recipients of services provided by the authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the authority.

CASH FLOW STATEMENT	Notes	31 March 2016	31 March 2017
		£000	£000
Net (Surplus) or Deficit on the Provision of Services		87,518	99,480
Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	34	(132,125)	(139,778)
Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		32,060	9,963
Net cash flows from Operating Activities		(12,547)	(30,335)
Investing Activities	36	(24,794)	9,523
Financing Activities	36	6,476	15,121
Net (Increase) or Decrease in Cash and Cash Equivalents		(30,865)	(5,691)
Cash and cash equivalents at the beginning of the period	14	27,167	58,032
Cash and Cash Equivalents at the End of Period	14	58,032	63,723

Notes to Core Accounting Statements

1. Critical Judgements in Applying Accounting Policies

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

Former Brigade HQ 8 Albert Embankment

The Authority decided to sell its old Headquarters building based at 8 Albert Embankment, Lambeth and moved to a refurbished leased building at 169 Union Street, Southwark. The old headquarters site was remarketed and a developer appointed in March 2016. During 2016/17 the site was an operational property given its continued use as an operational fire station, and included in the balance sheet as an operational asset rather than an asset held for sale.

Property PFI project

The Authority entered into a PFI agreement to re provide nine new fire stations over a three year period. Eight of the stations have been re provided on existing sites with one on a new site. The stations concerned were non operational during the period of construction and became operational under a lease agreement once the new stations were completed. The sites concerned, whilst under construction, were classified in the financial accounts as non-operational non current assets.

The stations at Mitcham and Old Kent Road were completed and became operational in 2014/15. During 2015/16 a further six stations were completed and became operational at Dagenham, Leytonstone, Orpington, Plaistow, Purley and Shadwell. They have been valued by the Authority's valuer and included on the balance sheet as operational assets using a Depreciated Replacement Cost valuation. The remaining PFI station at Dockhead became operational in April 2016 and has been valued and is now included in the balance sheet as at 31st March 2017.

The stations were designed and built by Blue3 (London) Ltd who will maintain the stations under a twenty five year lease agreement. The stations will revert back to Authority ownership at the end of the lease period. Ownership of the land at each site remains with the Authority.

Assets Held for Sale at Fair Value

The sites closed following the implementation of the last London Safety Plan that have not been sold have been valued at 31st March 2017 at the lower of its carrying value and fair value less costs to sell at initial reclassification. LFEPA is satisfied that the estimated disposal proceeds (EDP) figures provided by Dron and Wright meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2016/17. EDP figures are not market valuations as they were not subject to the standards and guidance which is contained in the RICS 'Red Book', as the preparation of agency advice, including estimates of disposal proceeds, is specifically excluded from the provisions of the 'Red Book'.

Notes to Core Accounting Statements

Government Grants

The Authority receives government grants and contributions and under the CIPFA Code must determine the conditions under which the grants and contributions can be applied. Apart from funding from the Home Office for the firefighter pensions fund account, which is conditional based on corresponding expenditure, all other grants and contributions have been determined to be unconditional.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	<p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. The current carrying value of non-current assets as at 31st March 2017 is £436.8m.</p> <p>A full valuation was carried out as at 1 April 2017.</p> <p>The following issues result in heightened estimation uncertainty:</p> <ul style="list-style-type: none"> Use of existing assets rather than MEA to determine existing use value using a depreciated replacement cost methodology Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13 Treatment of Lambeth former HQ as wholly a specialised asset, thereby valuating it using a depreciated replacement cost methodology <p>For more details of the assumptions applied and treatments used, please refer to note 9.</p>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that the annual depreciation charge for buildings would increase by £0.8m for every year that useful lives had to be reduced</p> <p>It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £5.8m and £14.0m respectively.</p>

Notes to Core Accounting Statements

Pensions Liability	<p>Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters scheme) to provide the Authority with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2017 is £6,361m.</p>	<p>The effects of the net pensions liability of changes in individual assumptions can be measured.</p> <p>For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 9% increase in the pension liability, in the region of £563.3m.</p> <p>However the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected as a result of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included under note 30</p>
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3. Material items of Income and Expense

The Authority collected £24.6m from the Insurance industry under the Metropolitan Fire Brigade Act 1865. This is included as income in the Net Cost of Services against Community Fire Safety and Fire fighting and Rescue Operations.

Other operating expenditure/(income)

The sum shown in the CIES comprises of the following

	2015/16	2016/17
Other operating expenditure	£000	£000
Non current assets impairment	6,657	192
Non current assets derecognised	0	0
Non current assets – disposed in year	6,777	3,159
Foreign exchange losses	0	0
Sub total	13,434	3,351
Foreign exchange gains	(39)	0
Sale proceeds received in year	(30,778)	(9,887)
Reversal of impairment charged	0	(10,230)
Sub total	(30,817)	(20,117)
CIES - Other operating expenditure/(income)	(17,383)	(16,766)

Notes to Core Accounting Statements

4. Other Comprehensive income and expenditure

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

Surplus or deficit on revaluation of non-current assets	2015/16 £000	2015/16 £000	2016/17 £000	2016/17 £000
Gain on the revaluation of Property assets	(39,010)		(45,891)	
Loss on the revaluation of Property assets	411		3,604	
Surplus on revaluation of non current assets		(38,599)		(42,287)
Actuarial losses on Firefighter pension liabilities	(756,200)		582,850	
Actuarial losses on LGPS pension assets/liabilities	(24,046)		36,422	
Actuarial (gains)/losses on pension assets/liabilities		(780,246)		619,272
Total Other Comprehensive Income and Expenditure		(818,845)		576,985

5. Events after the Balance Sheet date

Accounts Authorised

The accounts to be authorised for issue by Sue Budden, Director of Finance and Contractual services and post balance sheet events to be considered up to this date.



28 July 2017

Notes to Core Accounting Statements

6. Adjustments between Accounting Basis and Funding Basis under Regulations

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

2016/17 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Revenue Grants Unapplied	Capital Grants Unapplied	Capital Receipts Unapplied	Total Usable Reserves	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000
Depreciation, amortisation and impairment of fixed assets	(19,337)	0	0	0	(19,337)	19,337
Impairment reversal on fixed assets previously charged to provision of services	14,070	0	0	0	14,070	(14,070)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital	9,888	0	0	(9,888)	0	0
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	7,007	0	0	0	7,007	(7,007)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	(3,159)	0	0	0	(3,159)	3,159
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	(115,849)	0	0	0	(115,849)	115,849
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	76	0	(76)	0	0	0
Application of capital grants, receipts and contributions to capital financing transferred to the Capital Adjustment Account	3,000	0	202	15,165	18,367	(18,367)
Transfer to Revenue Grants Unapplied Account	539	(539)	0	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	4,177	0	0	0	4,177	(4,177)
Adjustment due to Accumulated Absences, current year charge	(3,909)	0	0	0	(3,909)	3,909
Total Adjustments	(103,497)	(539)	126	5,277	(98,633)	98,633

Notes to Core Accounting Statements

The following table provides comparative figures for 2015/16.

2015/16 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Revenue Grants Unapplied	Capital Grants Unapplied	Capital Receipts Unapplied	Total Usable Reserves	Total Unusable Reserves
	£000	£000	£000	£000	£000	£000
Depreciation, amortisation and impairment of fixed assets	(23,258)	0	0	0	(23,258)	23,258
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital	30,817	0	0	(30,778)	39	(39)
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	6,365	0	0	0	6,365	(6,365)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	(6,777)	0	0	0	(6,777)	6,777
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	(112,659)	0	0	0	(112,659)	112,659
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	1,242	0	(1,242)	0	0	0
Application of capital grants, receipts and contributions to capital financing transferred to the Capital Adjustment Account	0	0	652	8,527	9,179	(9,179)
Transfer to Revenue Grants Unapplied Account	2,196	(2,196)	0	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	4,888	0	0	0	4,888	(4,888)
Adjustment due to Accumulated Absences, current year charge	(4,177)	0	0	0	(4,177)	4,177
Total Adjustments	(101,363)	(2,196)	(590)	(22,251)	(126,400)	126,400

Notes to Core Accounting Statements

7. Transfers to/from Earmarked Reserves

The table below shows the in year movements between the Authority's earmarked reserves.

Earmarked Reserves	Balance as at 31/3/2017	Transfers Out	Transfers In	Balance as at 31/3/2016	Transfers Out	Transfers In	Balance as at 31/03/2015
	£000	£000	£000	£000	£000	£000	£000
Firefighter III Health Pensions	1,172	0	0	1,172	0	520	652
Vehicle Fleet reserve	1,103	(93)	1,091	105	(355)	0	460
London Resilience	1,281	(121)	0	1,402	(95)	0	1,497
Sustainability Reserve	235	0	0	235	0	0	235
Hydrants	462	0	198	264	0	0	264
Compensation	1,000	0	0	1,000	0	0	1,000
Hazardous Material Protection	203	(138)	0	341	(87)	0	428
Property	85	(1,015)	0	1,100	(75)	955	220
National Operational Guidance	0	0	0	0	(1,045)	0	1,045
Property PFI	1,912	0	0	1,912	0	1,693	219
Review of workwear	0	0	0	0	(128)	0	128
Pension Early Release	400	0	0	400	0	0	400
LSP 2017 Implementation	5,000	0	0	5,000	0	5,000	0
Emergency Services Mobile Communication Programme	356	0	0	356	0	356	0
EU Procurement Projects	0	(105)	0	105	0	105	0
Training	0	(220)	0	220	0	220	0
Community Safety Fund	602	(1,598)	2,200	0	0	0	0
Fleet Replacement	0	(3,000)	3,000	0	0	0	0
ICT Development Reserve	668	0	668	0	0	0	0
LGPS Past Pensions Cost	0	(2,500)	2,500	0	0	0	0
New Governance Arrangements	100	0	100	0	0	0	0
Recruitment/Outreach	600	0	600	0	0	0	0
Fire Safety & Youth Engagement	338	0	338	0	0	0	0
Retrofit LFB Vehicles	60	0	60	0	0	0	0
Total	15,577	(8,790)	10,755	13,612	(1,785)	8,849	6,548

Notes to Core Accounting Statements

8. Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision, that it considers prudent, for the redemption of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2016/17 was £7.01m (2015/16 £6.37m), being assessed by the Authority as being prudent given Department for Communities and Local Government (DCLG) guidance.

9. Property Plant and Equipment

Accounting Policy

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

Notes to Core Accounting Statements

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

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

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

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

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

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

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

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

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

Impairment

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

Notes to Core Accounting Statements

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

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

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

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

Land	Not depreciated
Heritage Assets	Not depreciated
Buildings – Structure, roof, plant & services	Estimated life between 10 to 60 years
Vehicles	5 to 25 years
Plant and Equipment	5 to 10 years

Depreciation is calculated on the following bases:

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

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

Notes to Core Accounting Statements

Component Accounting

For assets that are classed as material (£5 million and above) to the Authority, component accounting is applied. Componentisation is applicable to any significant enhancement and/or acquisition expenditure incurred and revaluations carried out as from 1st April 2010. During 2016/17, the non-current tangible assets of the Authority were re-valued and this included a re-consideration of the components. Component accounting requirements effects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets and it applies where an item of property, plant and equipment asset has major components whose cost is significant (20% or above) in relation to the total cost of the item. In these instances, the components are recognised and depreciated separately according to it's useful life.

Surplus Assets

Surplus assets are those assets that are not being used to deliver services but do not meet the criteria to be classified as either investment properties or non-current assets held for sale. The asset is revalued immediately before reclassification from operational non current assets to surplus assets under the existing use value (DRC). Once the asset is reclassified to surplus assets, the asset is revalued under the IFRS13 fair value measurement methodology. Where there is a decrease in the fair value, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement (even where there is a balance on the asset's revaluation reserve). Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount or fair value less costs to sell which is deemed to be the estimated disposal proceeds for the site. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on the Provision of Services. Depreciation is not charged on Assets Held for Sale.

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

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

Notes to Core Accounting Statements

Only amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in Movement in Reserves Statement.

The written-off value of disposals is not a charge against Authority revenue funding, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for vehicles arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Lifecycle replacement costs – recognised as additions to property, plant and equipment when vehicles are purchased.

Notes to Core Accounting Statements

The table below shows the movements in the Authority's Non Current Assets during 2016/17:

Non Current Assets	Operational				Non Operational & Surplus Assets	Heritage Assets	Assets held for sale	Total
	Land	Buildings	Vehicles	Equipment				
	£000	£000	£000	£000	£000	£000	£000	£000
Net Book value as at 1/4/16	96,365	248,284	11,982	6,583	5,240	1,346	33,245	403,045
Add back Depreciation	0	88,032	7,989	30,792	178	0	11,578	138,569
Gross Value as at 1/4/16	96,365	336,316	19,971	37,375	5,418	1,346	44,823	541,614
Reclassification	497	0	0	495	3,694	0	(4,686)	0
Revaluation Increase to Revaluation Reserve	19,404	21,632	0	0	4,855	0	0	45,891
Revaluation Increase to CIES	751	13,320	0	0	0	0	0	14,071
Revaluation Decrease	(597)	(2,832)	0	0	(175)	0	0	(3,604)
Impairments	0	(820)	0	0	0	0	0	(820)
Additions in year	0	10,824	4,937	2,059	5,856	0	0	23,676
Disposals in year	0	0	(771)	0	(55)	0	(3,495)	(4,321)
Gross value as at 31/3/17	116,420	378,440	24,137	39,929	19,593	1,346	36,642	616,507
Accumulated Depreciation as at 1.4.2016	0	(88,032)	(7,989)	(30,792)	(178)	0	(11,578)	(138,569)
Disposals in year	0	0	666	0	0	0	496	1,162
Reclassification	0	0	0	0	(946)	0	946	0
Depreciation for year	0	(9,511)	(3,500)	(2,743)	0	0	0	(15,754)
Total Depreciation as at 31/3/17	0	(97,543)	(10,823)	(33,535)	(1,124)	0	(10,136)	(153,161)
Net Book Value as at 31/3/2017	116,420	280,897	13,314	6,394	18,469	1,346	26,506	463,346

Notes to Core Accounting Statements

The table below shows the comparative movements in the Authority's Non Current Assets during 2015/16:

Non Current Assets	Operational				Non Operational & Surplus Assets	Heritage Assets	Assets held for sale	Total
	Land	Buildings	Vehicles	Equipment				
	£000	£000	£000	£000	£000	£000	£000	£000
Net Book value as at 1/4/15	78,780	206,811	15,733	8,014	10,440	1,198	36,215	357,191
Add back Depreciation	0	79,039	3,997	28,239	178	0	13,134	124,587
Gross Value as at 1/4/15	78,780	285,850	19,730	36,253	10,618	1,198	49,349	481,778
Reclassification	2,516	254	0	1,041	(8,679)	0	0	(4,868)
Revaluation	15,069	18,331	0	0	1,386	148	3,665	38,599
Impairments	0	(6,657)	0	0	(342)	0	0	(6,999)
Additions in year	0	38,538	251	81	2,577	0	0	41,447
Disposals in year	0	0	(10)	0	(142)	0	(8,191)	(8,343)
Gross value as at 31/3/16	96,365	336,316	19,971	37,375	5,418	1,346	44,823	541,614
Accumulated Depreciation as at 1.4.2015	0	(79,039)	(3,997)	(28,239)	(178)	0	(13,134)	(124,587)
Disposals in year	0	0	10	0	0	0	1,556	1,566
Depreciation for year	0	(8,993)	(4,002)	(2,553)	0	0	0	(15,548)
Total Depreciation as at 31/3/16	0	(88,032)	(7,989)	(30,792)	(178)	0	(11,578)	(138,569)
Net Book Value as at 31/3/2016	96,365	248,284	11,982	6,583	5,240	1,346	33,245	403,045

Notes to Core Accounting Statements

Basis of Valuations

Non Current 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 2017, in accordance with the current edition of the RICS Valuation – Professional Standards (the 'Red Book').

In accordance with UK Valuation Standard 1.15 of the Red Book the figures reported using DRC methodology are subject to the prospect and viability of the continued occupation and use of the properties by the Authority. Based on the current plans of the Authority, this assumption is appropriate.

Operational portfolio

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 to determine EUV, as there are no market transactions for this type of asset. The DRC has been assessed on the basis of the existing properties, rather than by reference to 'Modern Equivalent Assets' (MEAs), which would include deduction for physical deterioration, obsolescence and optimisation. Deductions instead are based on a blended approach of the age and obsolescence of the property. Where a property has physically deteriorated the property would be revalued as and when it is known. This departure from the Red Book and the CIPFA Code is necessary because it is impractical to ascertain the 'service potential' of MEAs, due to the following factors:-

- The very large number of fire stations in LFEPA operational property portfolio and associated cost of detailed valuation exercises.
- The 'services' which are provided from individual fire stations are not 'standard' and vary significantly between different properties.
- When fire stations are rebuilt, that opportunity is often taken to reconfigure a site to provide services from the property to match local community requirements.
- LFEPA own a significant number of nationally or locally listed buildings in central London locations. In the context of the market conditions prevailing at the valuation date, it would not have been financially viable to purchase a replacement asset – modification of the existing asset would be more likely in these circumstances.

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

We have determined that the overall impact of the valuation approach adopted to asset values is not material in the context of the value of our total asset base and that it is impractical to ascertain the service potential of MEAs for the reasons stated above.

The former LFEPA headquarters site at Lambeth is considered to be operational. It has been valued as a specialised asset although the specialised element consists of

Notes to Core Accounting Statements

approximately 10% of the total building. Had the valuation been split to consider the specialised and non-specialised elements separately, this would have altered the valuation. Our assessment is that the valuation is conservative, since the non-specialised elements would likely have resulted in a higher valuation. We have determined that any difference in valuation as a result of this treatment is not material in the context of the value of our total asset base.

Surplus Assets

Once an asset is classified to surplus assets the asset is revalued under the IFRS13 fair value methodology. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the Authority by Dron & Wright, in connection with the estimated disposal proceeds (EDP). The EDP figures are not market valuations as they were not subject to the standards and guidance which is contained in the RICS 'Red Book', as the preparation of agency advice, including estimates of disposal proceeds, is specifically excluded from the provisions of the 'Red Book'.

LFEPA is satisfied that the EDP figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2016/17. On the basis of that advice, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

Assets held for sale

Assets held for sale are valued at the lower of EUV/DRC and fair value. The methods and assumptions applied to these valuations are the same as noted above for our operational portfolio (EUV/DRC) and surplus assets (fair value).

The fair value is represented by the market value of the asset, which is defined at the estimated amount for which an asset or liability should exchange on the valuation date, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Freehold and long leasehold interests

The freehold and long leasehold interests in the various properties which are owned by London Fire And Emergency Planning Authority (LFEPA), were valued by External Valuers, Dron & Wright, Chartered Surveyors and Property Consultants, at 1st April 2017, in accordance with the current edition of the RICS Valuation - Professional Standards January 2014, as amended in April 2015 (the Red Book).

Valuer's report

In their report, Dron & Wright confirmed that, 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. Special assumptions have been made to disregard the leases which are linked to commercial contracts between LFEPA and third parties, in the case of the PFI properties (with Blue3) and Ruislip Workshops (with Babcock). Properties which

Notes to Core Accounting Statements

are held for sale have been valued adopting Market Value, based on sales comparisons and market variables. The EUVs may be different to the prices which would have been obtainable in the open market for LFEPA's interests in the properties, if they had been declared surplus to LFEPA's operational requirements, at the valuation date.

In accordance with section 8.1 of Professional Standard 2 of the Red Book, Dron & Wright have made the following disclosures:-

1. This is the seventh time that the Valuers have been the signatory of the report provided to London Fire And Emergency Planning Authority (LFEPA) and the previous valuation dates were 1st April 2003, 1st April 2008, 1st April 2013, 1st April 2014, 1st April 2015 and 1st April 2016. This is the eighth time that the Valuer's firm has carried out the valuation instruction, with the first valuation date being 1st April 1999. Although this may be construed as a departure from the recommendations which are contained in the Red Book, we do not consider that it has prevented us from providing you with an independent and objective opinion of the values of your various properties.
2. The firm has acted for LFEPA for a period of over 20 years. During that time, the firm has provided property management, landlord and tenant, agency, building surveying and rating services to LFEPA, under a series of contracts for the provision of property and estate management functions.
3. In the firm's preceding financial year, the fees payable to the firm by LFEPA represented a significant proportion of the total fee income of the firm.
4. No material increase is anticipated in the proportion referred to in 3, in the foreseeable future.

LFEPA are satisfied with the safeguards that the valuers have put in place to ensure independence and objectivity, which include peer review from a valuer who has no involvement with other services provided by Dron & Wright to the Authority.

Vehicles

Expenditure on vehicles is part of an ongoing fleet replacement programme over several years.

The Authority have ownership New Dimension vehicles and equipment, that were previously the property of the Department for Communities and Local Government. These vehicles are available for national deployment and include specialist vehicles and equipment such as high volume pumps and mass de-contamination equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the Authority due to past events (e.g. software licences) are capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Authority.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the Authority will be able to generate future economic benefits or service potential by being able to sell or use the asset. Expenditure is capitalised where it can be

Notes to Core Accounting Statements

measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

Expenditure on the development of websites is not capitalised if the website is primarily intended to promote or advertise the Authority's goods or services.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Authority can be determined by reference to an active market. If intangible assets held by the Authority fail to meet this criterion they are carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Intangible Assets represent expenditure on computer software which has been capitalised, but which is not an integral part of a particular IT system and accounted for as part of the hardware item of Property Plant and Equipment. All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

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

The carrying amounts of intangible assets are amortised on a straight line basis and the amortisation is charged to the relevant service heading in the Comprehensive Income and Expenditure Statement.

Intangible Assets	Operational			Under Development (non operational)		
	Software licences	In-house Software	Total	Software licences	In-house Software	Total
	£000	£000	£000	£000	£000	£000
Net Value as at 1/4/16	2,695	7,847	10,542	0	0	0
Amortised	(1,026)	(1,737)	(2,763)	0	0	0
Additions	0	218	218	0	0	0
Reclassification	0	0	0	0	0	0
Net Value as at 31/3/17	1,669	6,328	7,997	0	0	0

Notes to Core Accounting Statements

Heritage Assets

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

10. Financial Instruments

Accounting Policy

Financial liabilities

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

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

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

Financial Assets

Financial Assets are classified into two types:

Loans and receivables are financial assets that have fixed or determinable payments but are not quoted in an active market.

Available for sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments. The Authority does not have any such assets.

Loans and receivables are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Expenditure and Income line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Notes to Core Accounting Statements

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

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

Financial liabilities and Assets at amortised cost	31/3/16		31/3/17	
	Long Term	Current	Long Term	Current
Borrowings	£000	£000	£000	£000
PWLB & Local Authority Borrowing	78,725	14,000	72,725	6,000
PWLB & Local Authority Accrued Interest	722	177	700	42
Total borrowings	79,447	14,177	73,425	6,042
PFI and finance lease liabilities	62,180	1,119	66,528	1,178
Total Other Long term liabilities	62,180	1,119	66,528	1,178
Creditors	0	19,456	0	20,833
TOTAL	141,627	34,752	139,953	28,053

Financial liabilities and Assets at amortised cost	31/3/16		31/3/17	
	Long Term	Current	Long Term	Current
Loans & Receivables	£000	£000	£000	£000
Investments				
Short term investments	0	0	0	0
Accrued Interest	0	0	0	0
Total investments	0	0	0	0
Debtors	76	38,230	63	23,783
Cash Equivalents	0	58,032	0	63,723
TOTAL	76	96,262	63	87,506

Financial Instruments Gains/ Losses

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

2015/16 £000	Financial Instruments Income & Expenditure	2016/17 £000
8,635	Interest expense	10,076
(568)	Interest income	(546)
8,067	Net gain/(loss) for the year	9,530

Notes to Core Accounting Statements

2015/16 £000	Financial Instruments Income & Expenditure	2016/17 £000
4,017	PWLB borrowing	3,829
104	Local Authority borrowing	0
1,591	PFI lease interest & contingent rentals	3,324
2,923	Merton Lease Payment	2,923
8,635	Total Interest expense	10,076

Fair Value of Assets and Liabilities

Financial liabilities and financial assets represented by loans and receivables are carried on the balance sheet at amortised cost (in long term assets/liabilities with accrued interest in current assets/liabilities). The fair values calculated are as follows:

31/3/2016		Liabilities & Assets	31/3/2017	
Carrying amount	Fair Value		Carrying amount	Fair value
£000	£000		£000	£000
92,725	117,892	PWLB & Local Authority debt	78,725	106,195
63,299	63,299	PFI & Other Finance Leases	67,706	67,706
19,456	19,456	Trade and other creditors	20,833	20,833
175,480	200,647	Total Liabilities	167,264	194,734
0	0	Fixed term deposits	0	0
38,230	38,230	Trade and other debtors	23,783	23,783
76	76	Long term debtors	63	63
58,032	58,032	Cash & Cash Equivalents	63,723	63,837
96,338	96,338	Total Assets	87,569	87,683

The Code of Practice incorporates the adoption of IFRS13 Fair Value measurement, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation should be equal to the same instrument from a comparable lender. The discount rates were obtained by the Authority's treasury advisor (Capita) and PWLB from the market on 31 March 2017, using bid prices where applicable.

Notes to Core Accounting Statements

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

The fair value of PWLB debt is based on PWLB valuation and the local authority debt is based on Capita's valuation, who are an independent treasury management service provider to UK public service organisations. Capita's valuation uses the new borrowing rates in their valuation assessment.

Nature and extent of risk arising from Financial Instruments

Key risks

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

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

Overall procedures for managing risk

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

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

Notes to Core Accounting Statements

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance

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

The Authority's daily treasury management function is managed under a shared service arrangement with the Greater London Authority who carry out borrowing, investment and reporting requirements. Investments are managed through a Group Investment Syndicate. The annual treasury management strategy for 2016/17 which incorporates the prudential indicators and investment strategy was approved by Authority on 17 March 2016 and is available on the Authority website (FEP2576).

The key issues within the strategy were:

- (i) The Authorised Borrowing Limit for 2016/17 was set at £225m with an Operational Borrowing Limit of £220m. This is the maximum limit of external borrowings or other long term liabilities.
- (ii) The maximum amounts of fixed and variable interest rate exposure were set at 100% and 75% respectively based on the Authority's net debt position.
- (iii) The maximum and minimum exposures to the maturity structure of debt are:

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

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

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

Notes to Core Accounting Statements

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Authority's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with financial institutions on the Approved Counterparty Lending List. Acceptability as an authorised counterparty will be based upon credit ratings issued by credit ratings agencies, advice from the Authority's treasury advisors, Capita Treasury Services and other financial information sources deemed appropriate by the Director of Finance and Contractual Services in order to ensure that investments are made giving sufficient priority to security over yield in accordance with Section 15 (1) of the Local Government Act 2003.

The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the Authorities loan portfolio (quantified at the day of lending) are set out in the Authority's investment strategy (FEP2576).

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence as at the 31 March 2017 that this was likely to crystallise.

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

The Authority's cash balances averaged £99.2m for the year 2016/17 and attracted interest of £546k. The closing investment position on the GIS, as of 31 March 2017, was £64.3m with a Weighted Average Maturity of 82.9days. Including a sum held on a Nat West Call account (£2.3m) the total investment position as at 31 March 2017 was £66.6m. Cumulative performance for the year was 0.55% versus the average 3 Month LIBID benchmark of 0.29% (gross outperformance of 0.26%).

Notes to Core Accounting Statements

Throughout 2016/17 all treasury activities were conducted within the parameters of the Authority's Treasury Management strategy, except in respect of a period 1 April to 12 April 2016 when the counterparty concentration limits for Lloyds Bank were exceeded over a period 28 March to 12 April 2017. No losses arose from this exception. The breach was reported to members with actions taken to prevent a reoccurrence (FEP 2624). The Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits and bonds.

Liquidity risk

The Authority manages its liquidity position through the risk management procedures above (the setting and approval of prudential indicators and the approval of the treasury and investment strategy reports), as well as through a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when needed.

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

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

31/3/2016 £000	Maturity analysis	31/3/2017 £000
14,000	Within 1 year	6,000
6,000	Between 1 and 2 years	6,000
17,000	Between 2 and 5 years	14,000
17,500	Between 5 and 10 years	17,225
38,225	More than 10 years	35,500
92,725	Total	78,725

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

Refinancing and Maturity risk

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

Notes to Core Accounting Statements

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

This includes:

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

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31 /3/16	Actual 31 /3/17
Less than 1 year	20 %	0 %	15%	7%
Between 1 and 2 years	20 %	0 %	6%	7%
Between 2 and 5 years	50 %	0 %	19%	18%
Between 5 and 10 years	75 %	0 %	22%	22%
More than 10 years	90 %	25 %	38%	46%

Market risk

Interest rate risk

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

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

Notes to Core Accounting Statements

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

11. Long-Term Borrowing

Long-term Borrowing	31/3/2016	31/3/2017
The sources are:	£000	£000
Public Works Loan Board	78,725	72,725
Local Authority	0	0
Total	78,725	72,725
<i>These loans mature as follows:</i>		
Between 1 and 2 years	6,000	6,000
Between 2 and 5 years	17,000	14,000
Between 5 and 10 years	17,500	17,225
Between 10 and 15 years	14,725	12,000
More than 15 years	23,500	23,500
	78,725	72,725
Add accrued interest	722	700
Total	79,447	73,425

12. Inventories

The Authority held a stock value of £983k at the start of the year. The value reduced to £444k as at 31st March 2017, mainly due to the issue smoke and CO2 alarms stock valued at £560k, which was funded from a grant from the Department for Communities and Local Government (DCLG).

13. Debtors

Long Term Debtors

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

Car loans	Outstanding at 31/3/16	Advanced During year	Repaid During the year	Outstanding At 31/3/17
	£000	£000	£000	£000
Car Loans	76	23	36	63

Notes to Core Accounting Statements

Short Term Debtors

These include:

31/3/2016 £000	Debtors	31/3/2017 £000
28,999	Government departments - DCLG	0
0	Government departments – Home Office	16,347
2,095	Government departments - HMRC	2,686
1,265	Local authorities	1,380
118	Rents	457
7,721	Sundry debtors	5,381
190	Employee Loans	218
2,656	Payments in advance	3,047
43,044	Sub Total	29,516
(1,104)	Less: Provision for doubtful debts (Sundry Debtors)	(979)
41,940	Total	28,537

Provision for Doubtful Debts

Following a review of the particular circumstances and profile of the Authority's debtors, the general provision of £1,104k brought forward from 2015/16 to safeguard against future losses or non-recoveries has been reduced, as at 31 March 2017, by £125k to £979k.

The aged debt analysis below shows that £1,727k (£1,414k 2015/16) of the total outstanding debt is past its due date for payment. All outstanding debt shown below has been allowed for in the Authority's assessment of bad debt provision. The majority of third party debts are being repaid in instalments. The increase in debt is due to a single disputed debt (£771k) as at 31 March 2017, which has since been settled, otherwise the overall debt balance excluding the single debt reduced by £458k.

Aged debt analysis	Greater than 2 years	1-2 years	120-365 days	90-120 days	60-90 days	30-60 days	Total
	£000	£000	£000	£000	£000	£000	£000
Sundry debt	102	166	215	48	830	130	1,491
Third party claims	136	14	49	14	16	7	236
Total	238	180	264	62	846	137	1,727

Notes to Core Accounting Statements

14. Cash and Cash equivalents

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

The balance of Cash and Cash equivalents is made up of the following elements:

31/3/ 2016	Cash and Cash Equivalents	31/3/2017
£000		£000
100	Cash held by the Authority	75
(1,922)	Bank Current Accounts	(4,149)
59,854	Short term deposits held on demand	67,797
0	Short term deposits with maturity of 3 months or less	0
58,032	Total Cash and Cash Equivalents	63,723

15. Creditors

31/3/2016	Creditors	31/3/2017
£000		£000
7,253	Government Departments - HMRC	7,810
46	Government Departments - other	56
1,332	Local Authorities	780
15,263	Sundry creditors	16,924
16	Deferred income	0
4,177	Accumulated Absences	3,909
16,867	Receipts in advance	18,841
44,954	Total	48,320

Notes to Core Accounting Statements

16. Provisions

Provisions

Provisions are made where an event has taken place that gives the Authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation. For instance the 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 as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the Authority settles the obligation.

31/3/2016			Summary of provisions	31/3/2017		
Current	Long term	Total		Current	Long term	Total
£000	£000	£000		£000	£000	£000
1,945	0	1,945	Legal	991	0	991
1,468	0	1,468	Employees	1,023	0	1,023
666	1,109	1,775	Motor Insurance	623	1,337	1,960
0	0	0	Pensions	0	0	0
1,466	431	1,897	Property	0	761	761
146	0	146	Insurance Levy	49	0	49
5,691	1,540	7,231	Total	2,686	2,098	4,784

17. Usable Reserves

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

Notes to Core Accounting Statements

18. Unusable reserves

Accounting Policy

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

31/3/2016	Unusable Reserves	31/3/2017
£000		£000
(112,718)	Revaluation Reserve	(151,859)
(127,869)	Capital Adjustment Account	(147,961)
5,626,354	Pensions Reserve	6,361,473
4,177	Accumulated Absences Account	3,909
5,389,944	Total Unusable Reserves	6,065,562

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment and Intangible Assets.

2015/16		Revaluation Reserve	2016/17	
£000	£000		£000	£000
	(76,584)	Balance as at 1 April		(112,718)
(39,049)		Upward revaluation of assets	(45,891)	
410		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	3,604	
	(38,639)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(42,287)
1,023		Difference between fair value depreciation and historical cost depreciation	1,606	
1,482		Accumulated gains on assets sold or scrapped	1,540	
	2,505	Amount written off to the Capital Adjustment Account	3,146	3,146
	(112,718)	Balance as at 31 March		(151,859)

Notes to Core Accounting Statements

The balance of the Revaluation Reserve is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- Used in the provision of services and the gains are consumed through depreciation, or
- Disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

Capital Adjustment Account

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

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

Notes to Core Accounting Statements

2015/16	2015/16	Capital Adjustment Account	2016/17	2016/17
£000	£000		£000	£000
	(139,855)	Balance at 1 April		(127,869)
22,235		Charges for depreciation and impairment of non current and intangible assets	3,662	
5,295		Amounts of non current assets de-recognised or written off on the disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Account	1,619	
	27,530			5,281
(8,527)		Use of Capital Receipts to finance new capital expenditure	(15,164)	
(652)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing	(3,000)	
0		Application of grants to capital financing from the Capital Grants unapplied Account	(202)	
(6,365)		Statutory provision for the financing of capital investments charged against the General Fund	(7,007)	
	(15,544)			(25,373)
	(127,869)	Balance at 31 March		(147,961)

Pensions Reserve

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

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

2015/16	Pensions Reserve	2016/17
£000		£000
6,293,941	Balance at 1 April	5,626,354
(780,246)	Actuarial gains or losses on pensions assets and liabilities	619,272
309,650	Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	292,036
(196,991)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(176,189)
5,626,354	Balance at 31 March	6,361,473

Notes to Core Accounting Statements

Accumulated Absences Account

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

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

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

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

2015/16		Accumulated Absences Account	2016/17	
£000	£000		£000	£000
	4,887	Balance at 1 April		4,177
(4,887)		Settlement or cancellation of accrual made at the end of the preceding year	(4,177)	
4,177		Amounts accrued at the end of the current year	3,909	
	(710)	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(268)	
	4,177	Balance at 31 March		3,909

Notes to Core Accounting Statements

19. Expenditure and Income Analysed By Nature

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

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

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

The table below show the Deficit on the Provision of Service in a subjective format as presented in end of year outturn management reports.

Management reports are available to view on the Authority's website.

Expenditure and Income Analysed by Nature		
	2015/16	2016/17
	£000	£000
Employee Benefits Expenditure	440,712	447,446
Premises	28,908	32,457
Transport	16,237	18,528
Supplies and Services	25,825	26,203
Third Party Payments	2,136	3,703
Interest Payments	6,569	2,632
Depreciation and Impairment	23,258	19,337
Total expenditure	543,645	550,306
Fees, charges and other service income	(32,133)	(33,575)
Interest and investment income	(568)	(565)
Gain on disposal of non-current assets	(24,001)	(6,729)
Government grants and contributions	(17,025)	(13,459)
GLA Funding	(382,400)	(382,428)
Reversal of previous years impairments	0	(14,070)
Total income	(456,127)	(450,826)
Surplus or Deficit on the Provision of Services	87,518	99,480

Notes to Core Accounting Statements

Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

31 March 2016				31 March 2017		
Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES statement		Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES statement
£000	£000	£000		£000	£000	£000
382,102	(98,588)	283,514	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	391,256	(94,236)	297,020
382,102	(98,588)	283,514	Cost of services	391,256	(94,236)	297,020
(395,947)	199,951	(195,996)	Other income and expenditure	(395,273)	197,733	(197,540)
(13,845)	101,363	87,518	(Surplus) or Deficit on Provision of Services	(4,017)	103,497	99,480
		(19,203)	Opening General Fund Balance @ 1.4.2016			(33,048)
		(13,845)	(Surplus) or Deficit on Provision of Services			(4,017)
		(33,048)	Closing General Fund Balance @ 31.3.2017			(37,065)

31 March 2016				31 March 2017		
Adjustment for capital purposes	Net change for the pensions adjustment	Adjustments between funding and accounting basis	Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustment for capital purposes	Net change for the pensions adjustment	Adjustments between funding and accounting basis
(9,843)	(88,745)	(98,588)	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	(13,886)	(80,350)	(94,236)
(9,843)	(88,745)	(98,588)	Cost of services	(13,886)	(80,350)	(94,236)
(743)	200,694	199,951	Other income and expenditure from the Expenditure and Funding Analysis	1,802	195,931	197,733
(10,586)	111,949	101,363	Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	(12,084)	115,581	103,497

Notes to Core Accounting Statements

20. Members' Allowances

Corporate and Democratic Core costs include payments of £135,102 made during the year under the Authority's Scheme for Members' Allowance payments. The payments were in respect of basic and special responsibility allowances (SRA) 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, conference fees and Employers National Insurance payments for all members made under the Local Authorities (Members' Allowances) (England) Regulations 2003. These are summarised in the table below.

2015/16 £	Summary of Members' Payments	2016/17 £
125,750	Basic & Special Allowances	125,239
3,926	Travel & Subsistence	1,617
5,395	Conference Fees	1,880
5,427	Employers National Insurance	6,366
140,498	Total	135,102

The table below shows totals of Basic and SRA paid for LFEPA Members in the period 1 April 2016 to 31 March 2017.

Member	Basic	SRA	Total
	£	£	£
Ali, Liaquat	1,937.49	0.00	1,937.49
Arbour, Tony	0.00	0.00	0.00
Bacon, Gareth	0.00	5,488.90	5,488.90
Boff, Andrew	0.00	0.00	0.00
Cartwright, David	1,636.11	0.00	1,636.11
Colley, Fiona	6,113.89	0.00	6,113.89
Cooper, Leonie	0.00	0.00	0.00
Copley, Tom	0.00	0.00	0.00
Dent Coad, Emma	6,113.89	0.00	6,113.89
Dismore, Andrew	0.00	0.00	0.00
Eshalomi, Florence	0.00	0.00	0.00
Hall, Susan	7,750.00	7,500.00	15,250.00
Hayward Sarah	7,750.00	0.00	7,750.00
Heaster, Maurice	1,636.11	1,583.34	3,219.45
Hopkins Jack	7,750.00	5,645.83	13,395.83
Johnson, Darren	0.00	0.00	0.00
Khan, Mehboob	6,113.89	0.00	6,113.89
Knight, Stephen	0.00	0.00	0.00
Kurten, David	0.00	0.00	0.00
Morrison, Pauline	1,636.11	0.00	1,636.11
Moulton, Oonagh	7,750.00	0.00	7,750.00
Russell, Caroline	0.00	0.00	0.00
Twycross, Fiona	0.00	23,677.78	23,677.78
Whelton, Martin	7,750.00	11,291.67	19,041.67
Whitelock Gibbs, Amy	6,113.89	0.00	6,113.89
Total	70,051.38	55,187.52	125,238.90

Notes to Core Accounting Statements

Councillor Tony Arbour, Mr Gareth Bacon, Mr Andrew Boff, Councillor Leonie Cooper, Mr Tom Copley, Mr Andrew Dismore, Councillor Florence Eshalomi, Mr Darren Johnson, Councillor Stephen Knight, Mr David Kurten and Councillor Caroline Russell, as Assembly members are prohibited the payment of basic and special responsibility allowances under schedule 28 to the Greater London Authority Act although the Greater London Authority Act 2007 enables the Authority to pay the Chair of the Authority (Dr Fiona Twycross) an allowance in respect of that office even though they are Assembly members.

The changes to post holders receiving Basic and Special Responsibility Allowances during 2016/2017 were as follows:

Mr Darren Johnson and Councillor Stephen Knight left the Authority in May 2016.

Councillor Liaquat Ali, Mr Andrew Boff, Councillor David Cartwright, Mr Tom Copley, Councillor Maurice Heaster and Councillor Pauline Morrison left the Authority in June 2016.

Councillor Fiona Colley, Councillor Leonie Cooper, Councillor Emma Dent Coad, Councillor Florence Eshalomi, Councillor Mehboob Khan, Mr David Kurten, Councillor Caroline Russell, Councillor Amy Whitelock Gibbs became Authority Members in June 2016.

The table below shows totals of subsistence and travel paid for LFEPA Members and independent members in the period 1 April 2016 to 31 March 2017.

Independent Persons

In accordance with the Localism Act 2011 (the Act), arrangements must be put in place for the appointment by the Authority of at least one Independent Person. The Independent Person(s) views must be sought and taken into account by the Authority before it makes any decision on a formal complaint against an elected Member that it has decided to investigate. The Independent Person's views may be sought by a member or co-opted member of the Authority if that person's behaviour is the subject of an allegation, and may also be sought by the Authority in relation to an allegation it has not yet decided to investigate.

The Authority agreed in June 2012 (FEP 1918A) to appoint Suzanne McCarthy and Anthony Moss as Independent Persons for a two year period from 1 July 2012. The Authority then agreed in June 2014 (FEP 2249) to extend the appointment of Suzanne McCarthy and Anthony Moss as the Authority's Independent Persons to 30 June 2016. Following the delays to the proposed date for the abolition of LFEPA these two appointments were further extended on 30 June 2016 (FEP 2597) to 31 March 2017 and then again on 30 March 2017 (FEP 2725) until 30 September 2017.

Notes to Core Accounting Statements

The table below shows totals of subsistence and travel paid for LFEPA Members and independent members in the period 1 April 2016 to 31 March 2017.

Member	Subsistence		Travel		Total
	Claimed	Paid	Claimed	Paid Direct	
Borough Members	£	£	£	£	£
Ali, Liaquat	0.00	0.00	0.00	0.00	0.00
Colley, Fiona	0.00	0.00	0.00	0.00	0.00
Hopkins, Jack	0.00	307.55	0.00	108.59	416.14
Hall, Susan	0.00	0.00	0.00	0.00	0.00
Hayward, Sarah	0.00	0.00	0.00	0.00	0.00
Morrison, Pauline	0.00	0.00	0.00	0.00	0.00
Moulton, Oonagh	0.00	0.00	0.00	0.00	0.00
Whelton, Martin	0.00	209.60	0.00	96.13	305.73
Whitelocks Gibbs, Amy	0.00	0.00	0.00	0.00	0.00
Assembly Members					
Arbour, Tony	150.00	0.00	0.00	0.00	150.00
Bacon, Gareth	0.00	0.00	0.00	0.00	0.00
Boff, Andrew	0.00	0.00	0.00	0.00	0.00
Cooper, Leonie	0.00	0.00	0.00	0.00	0.00
Copley, Tom	0.00	0.00	0.00	0.00	0.00
Dismore, Andrew	0.00	89.00	0.00	52.40	141.40
Eshalomi, Florence	0.00	0.00	0.00	0.00	0.00
Johnson, Darren	0.00	0.00	0.00	0.00	0.00
Knight, Stephen	0.00	0.00	0.00	0.00	0.00
Kurten, David	0.00	0.00	0.00	0.00	0.00
Russell, Caroline	0.00	0.00	0.00	0.00	0.00
Twycross, Fiona	33.18	92.70	0.00	145.01	270.89
Mayoral Appointee					
Cartwright, David	0.00	0.00	0.00	0.00	0.00
Dent Coad, Emma	0.00	0.00	0.00	0.00	0.00
Heaster, Maurice	0.00	123.70	0.00	209.56	333.26
Khan, Mehboob	0.00	0.00	0.00	0.00	0.00
Independent Persons					
McCarthy, Suzanne	0.00	0.00	0.00	0.00	0.00
Moss, Anthony	0.00	0.00	0.00	0.00	0.00
Total	183.18	822.55	0.00	611.69	1,617.42

Notes to Core Accounting Statements

21. Officer Remuneration

Senior Officers

Senior officers are defined by the CIPFA Code as those officers whose salary is £150k or more, and those whose salary is £50k or more and who meet the criteria of statutory chief officers as defined by Section 2(6) of the Local Government and Housing Act 1989, as amended, and their direct reports.

The remuneration paid to the Authority's senior officers is as follows:

2016/17 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Other Compensation payments	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Commissioner Ron Dobson (last day of service 31/12/2016)	£ 76,440	£ 177	£ 782	£ 77,399	£ 0	£ 77,399
Interim Commissioner Dany Cotton (w.e.f. 1/1/2017)	45,810	0	0	45,810	9,941	55,751

2015/16 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Other Compensation payments	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Commissioner Ron Dobson	£ 101,058	£ 0	£ 0	£ 101,058	£ 0	£ 101,058

Notes to Core Accounting Statements

Senior Officers Salary £50k per year or higher

2016/17 Post title	Salary (including fees and allowances)	Expense Allowances	Other Compensation	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Directors	£	£	£	£	£	£
Director of Safety and Assurance (To 31/12/16) Dany Cotton	108,000	453	0	108,453	23,436	131,889
Interim Director of Safety and Assurance (w.e.f. 1/12/2016) Steve Apter	54,661	0	0	54,661	10,494	65,155
Director of Operations Dave Brown	160,763	668	16,774	178,205	34,886	213,090
Director of Finance and Contractual Services and S127 Officer Sue Budden	163,243	629	0	163,872	24,323	188,195
Head of Legal and Democratic Services Monitoring Officer Miles Smith	176,295	29	0	176,324	0	176,324

2015/16 Post title	Salary (including fees and allowances)	Expense Allowances	Compensation for Loss of Office	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Directors	£	£	£	£	£	£
Acting Director of Operational Resilience and Training (last day of service 13/1/ 2016) James Dalglish	122,422	25	93,077	215,524	16,842	232,366
Director of Safety & Assurance (w.e.f. 1/12/ 2015)	48,000	296	0	48,296	10,416	58,712
Director of Operations (w.e.f. 1/4/ 2015) Dave Brown	155,691	623	0	156,314	33,785	190,099
Director of Finance and Contractual Services and S127 Officer – Sue Budden	158,093	392	0	158,485	23,556	182,041
Strategic Advisor to the Commissioner (last day of service 30/4/ 2015)	7,269	0	7,492	14,761	1,083	15,844
Head of Legal and Democratic Services & Monitoring Officer (last day of service 31/10/2015)	56,685	0	0	56,685	0	56,685
Head of Legal and Democratic Services & Monitoring Officer (w.e.f. 1/11/ 2015)	69,853	0	0	69,853	0	69,853

Notes to Core Accounting Statements

The annual salary of senior officers is reviewed each year and the annual basic salary, excluding fees and allowances, for each of these senior officers as at 31 March 2016 and 31 March 2017 are shown below:

As at 31/3/16	Basic Salary	As at 31/3/17
£		£
100,000	Commissioner	-
-	Interim Commissioner	183,240
158,093	Director of Finance and Contractual Services	164,464
144,000	Director of Safety and Assurance	-
-	Interim Director of Safety and Assurance	145,440
155,691	Director of Operations	164,464
-	Head of Legal and Democratic Services	-

The former Commissioner retired on 31st December 2016 and the interim Commissioner (formally the Director of Safety and Assurance) commenced her new role on 1st January 2017. The Interim Director of Safety and Assurance was on secondment from the Hampshire Fire and Rescue Service from 1st January 2017 to 31st March 2017 and is now employed on a permanent basis with effect from 1 April 2017.

The Head of Legal and Democratic Services is retained by the Authority on an interim basis via an agency arrangement and as such is not salaried. The agency costs are shown for 2016/17 in the above table.

Notes to Core Accounting Statements

Employees whose remuneration (excluding employer's pension contributions) was £50k or higher

2015/16	Salary range	2016/17
No		No
72	£50,000 - £54,999	81
71	£55,000 - £59,999	129
88	£60,000 - £64,999	58
43	£65,000 - £69,999	41
32	£70,000 - £74,999	28
6	£75,000 - £79,999	16
6	£80,000 - £84,999	5
10	£85,000 - £89,999	5
3	£90,000 - £94,999	4
1	£95,000 - £99,999	1
0	£100,000 - £104,999	1
1	£105,000 - £109,999	0
3	£110,000 - £114,999	4
0	£115,000 - £119,999	0
2	£120,000 - £124,999	3
0	£125,000 - £129,999	0

The number of employees shown in each band in this table does not include those senior employees whose remuneration is shown individually in the tables above.

22. Audit Fees

2015/16	Audit Fees	2016/17
£000		£000
70	Fees payable to appointed Auditor for External Audit services	69
70	Total	69

Notes to Core Accounting Statements

23. Grant Income

Government Grants and Contributions Accounting Policy

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

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

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

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

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

Notes to Core Accounting Statements

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17:

2015/16	Credited to Taxation and Non-Specific Grant Income	Source of funding	2016/17
£000			£000
382,400	GLA Grant	Greater London Authority	382,428
3,732	PFI Grant	HO	3,732
0	Fire Capital Grant	HO	0
1,237	Other Capital Grants	HO	76
0	Donated Assets	HO	0
5	Contribution to capital	Chargemaster	0
387,374	Total		386,236
	Credited to services		
2,664	Fire Control Grant	HO	3,882
4,114	New Dimensions & USAR Grant	HO	3,951
209	New Risks grant	HO	92
3,195	National Operational Guidance	HO	1,105
0	Emergency Services Mobile Communications Programme (ESMCP)	HO	1,804
883	Other Revenue Grants	HO	36
196	Fired Up Grant	EU	0
0	Low Emissions Grant	HO	14
14	Access to work	DWP	1
11,275	Revenue Grant income		10,885
374	Revenue Contributions received	Various	931
11,649	Total		11,816

HO - Home Office, PFI - Private Finance Initiative, DWP Dept. for Works and Pension.

The grants received by the Authority are non-ring fenced and therefore these are unconditional. The 2016/17 £382.4m GLA grant (£382.4m 2015/16) shown in the table above is now comprised of three elements, CLG grant funding in the form of Retained Business rates £115.7m (£114.8m 2015/16) and Revenue Support Grant £128.5m (£129.4m 2015/16), with precepts collected by the GLA totalling £138.2m (£138.2m 2015/16).

Notes to Core Accounting Statements

24. Related Party Transactions

Mayor of London and the Greater London Authority (GLA)

The London Fire and Emergency Planning Authority (LFEPA) is part of a number of organisations operating under the umbrella of the Greater London Authority (GLA), which includes this Authority, the core GLA, the Mayor's Office for Policing and Crime, the Metropolitan Police Service and Transport for London.

The Mayor appoints all LFEPA's 17 Members and chooses one of them to be the Chair of the Authority. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees.

The Mayor sets the budget for LFEPA and provides grant funding to support it. The London Assembly can amend the Mayor's budget when two thirds of the twenty-five members agree. The Assembly is also able to summon an officer of LFEPA to answer questions at Assembly meetings.

Central Government

The Authority has relations with and obtains grant funding from Central Government departments. In particular the Home Office has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding via the GLA in the form of various grants. As at 31st March 2017, sums due to and from central government departments are shown in notes 13 and 15. Grants received from government departments are set out in note 23.

Members/Officers

Members of the Authority have direct control over the Authority's financial and operating policies. The total of members allowances paid in 2016/17 is shown in Note 20.

A number of Authority officers are members of the London Fire Brigade Welfare Fund Executive Council. During the year the authority paid an annual donation of £3.7k (£3.7k 2015/16) to the London Fire Brigade Welfare Fund. Three senior officers are unpaid Directors of the LFB Enterprises Ltd, the wholly owned Authority trading company.

No Authority Member and no other member of senior management has declared that during the year they, or their close relations or members of the 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 2017, in respect of related party transactions. The Authority has prepared this disclosure in accordance with its current interpretation and understanding of CIPFA's Code of Practice on Local Authority Accounting in the UK. The Code's provisions are based on International Accounting Standard 24 (IAS24).

Notes to Core Accounting Statements

25. Capital Expenditure and Capital Financing

In 2016/17, total spending on the capital programme for tangible and intangible assets was £23.9m, of which £18.4m was capital expenditure incurred by the Authority and £5.5m under the PFI arrangement. The spend included the rebuilding and modernising of fire stations and other buildings (£11.7m), upgrading equipment (£1.5m) and the purchase of fleet vehicles (£10.7m). Capital expenditure on Authority assets (£23.9m) is to be financed in accordance with the Prudential Code, Government capital grant (£0.2m), a Revenue Contribution to capital (£3.0m) Capital receipts (£15.2m) and finance lease borrowing (£5.5m).

2015/16	Capital expenditure and financing:	2016/17
£000		£000
145,021	Opening Capital Financing Requirement	173,002
4,265	Tangible Operational Assets	12,292
34,727	Tangible Operational Assets under PFI Property Lease	5,528
2,576	Tangible Non Operational Assets	5,856
1,996	Intangible Assets	218
	<i>Sources of finance</i>	
(9,179)	Government grants and other contributions	(15,367)
(6,365)	Minimum Revenue Provision	(7,007)
(39)	Other movements	(3,000)
173,002	Closing Capital Financing Requirement	171,522
	Explanation of movements in year	
34,727	Other long term liability PFI and finance lease	5,528
0	Borrowing from PWLB & Local Authorities in year	0
(6,707)	Increase/(decrease) in underlying need to borrow	(7,008)
(39)	Other movements	0
27,981	Increase/(decrease) in Capital Financing Requirement	(1,480)

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

As at 31st March 2017 the Authority is committed a total of £1.0m .

The capital programme approved by Members on 17 March 2017 (FEP2708) included a total forecast spend of £49m in 2017/18, £51m in 2018/19 and £28m in 2019/20.

Notes to Core Accounting Statements

26. Other Long term Liabilities

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

Other Long Term Liabilities	31/3/16	31/3/17	Note
	£000	£000	
Long Term PFI Properties	43,755	48,103	27
Long term Finance Leases	18,425	18,425	27
Deferred Credit	3,647	3,316	
Pensions Liability	5,626,354	6,361,473	30
Total	5,692,181	6,431,317	

27. Service Concession Arrangements, Finance and Operating Leases

Leases

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

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

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

The Authority as a Lessee

Finance leases

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

Notes to Core Accounting Statements

Lease payments are apportioned between:

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

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

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

Private Finance Initiative (PFI) and Similar Contracts

Property PFI Scheme

The Authority has entered into a PFI agreement with Blue3 (London) Ltd to design, build, finance and maintain nine new fire stations. The PFI project will see the Brigade receive £51.5m at today's prices to replace and make major improvements to Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwell fire stations. Eight of the stations have been completely re-built on their existing sites and one station, Mitcham, built on a new site.

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

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

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

Notes to Core Accounting Statements

During 2016/17, the last fire station opened under the arrangement. Dockhead fire station opened on 26th April 2016. A finance lease liability of £5.5m was raised for this property. The carrying value of these PFI assets on the balance sheet amount to £55.8m.

The amounts paid under the PFI finance lease in 2016/17 is shown below.

Finance Lease Property PFI	2016/17	Unitary Charge	Deferred liability	Income & Expenditure Account
		£000	£000	£000
Opening balance as at 1 Apr 2016			44,874	
New finance lease liability in year			5,528	
Principal sum paid in year		1,121	(1,121)	
Interest		3,324		3,324
Contingent rentals		12		12
Operational expenses		993		993
Balance as at 31 March 2017		5,450	49,281	4,329

The amounts paid under the PFI finance lease in 2015/16 is shown below.

Finance Lease Property PFI	2015/16	Unitary Charge	Deferred liability	Income & Expenditure Account
		£000	£000	£000
Opening balance as at 1 Apr 2015			10,623	
New finance lease liability in year			34,727	
Principal sum paid in year		476	(476)	
Interest		1,591		1,591
Contingent rentals		2		2
Operational expenses		505		505
Balance as at 31 March 2016		2,574	44,874	2,098

The table below shows the forecast future payments due under the property PFI arrangement.

PFI Property Future Liabilities	Within 1 Year	Within 2 to 5 Years	Within 6 to 10 Years	Within 11 to 15 Years	Within 16 to 20 Years	Within 21 to 25 Years
	£000	£000	£000	£000	£000	£000
Lease rental liabilities	1,178	5,192	7,763	8,746	12,861	13,541
Operating Costs	1,062	4,916	7,987	11,471	11,891	9,718
Interest Costs	3,274	12,272	13,194	10,493	7,035	2,054
Contingent Rentals	29	190	243	(308)	(10)	202
Total	5,543	22,570	29,187	30,402	31,777	25,515

Notes to Core Accounting Statements

Finance Leases

The Authority holds two finance lease as at 31 March 2017, one is for its control centre at Merton and the other is for the fire stations being provided under the PFI contract.

The Authority entered into a 25 year finance lease arrangement for the provision of its control function at Merton in March 2011 (currently valued on the balance sheet at £16.2m). The building became operational in February 2012, when control functions transferred from the Authority's site at 2 Greenwich View to Merton. Lease payments of £2,923k were paid during 2016/17 (£2,923k 2015/16). The table below shows the future payments under the lease agreement.

Merton Control Centre Finance Lease	Total value of minimum lease payments as at 31/3/16	Present value of minimum lease payments as at 31/3/16	Total value of minimum lease payments as at 31/3/17	Present value of minimum lease payments as at 31/3/17
	£000	£000	£000	£000
Not later than one year	2,919	1,276	2,919	1,082
Later than one year and not later than five years	11,697	3,439	12,081	2,989
Later than five years	51,841	3,971	48,538	3,339
Total	66,457	8,686	63,538	7,410

PFI Property Finance Lease	Total value of minimum lease payments as at 31/3/16	Present value of minimum lease payments as at 31/3/16	Total value of minimum lease payments as at 31/3/17	Present value of minimum lease payments as at 31/3/17
	£000	£000	£000	£000
Not later than one year	4,439	4,439	4,453	4,453
Later than one year and not later than five years	17,605	14,953	17,465	14,833
Later than five years	79,999	33,116	75,687	32,091
Total	102,043	52,508	97,605	51,377

Notes to Core Accounting Statements

Operating Leases

The Authority as a Lessee

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

The Authority as a Lessor

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and are charged as an expense over the lease term on the same basis as rental income.

The following table shows a breakdown of the Authority's current operating leases as at 31 March 2017 with future sums committed.

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

Operating lease payments	Land and Buildings	Vehicles, Plant and equipment	Land and Buildings	Vehicles, Plant and equipment
	As at 31/3/2016	As at 31/3/2016	As at 31/3/2017	As at 31/3/2017
	£000	£000	£000	£000
Not later than one year	3,421	2,188	4,974	2,179
Later than one year and not later than five years	12,731	2,274	18,916	1,101
Later than five years	18,102	0	22,750	0
Total	34,254	4,462	46,640	3,280

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

Notes to Core Accounting Statements

28. Termination Benefits

Accounting Policy

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

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

The Authority terminated the contracts of 4 employees in 2016/17, incurring liabilities of £0.1m. 4 support service staff were made redundant in 2016/17, comprising of 2 officers from the Commissioner for Fire and Emergency Planning Directorate and 2 from the Directorate of Finance and Contractual Services.

Exit package cost band	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band - £000	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17
£000								
0 – 20	0	0	0	1	0	1	0	17
20 – 40	0	0	3	3	3	3	94	93
40 – 60	0	0	2	0	2	0	92	0
60 – 80	0	0	0	0	0	0	0	0
80 – 100	0	0	1	0	1	0	85	0
100 – 150	0	0	2	0	2	0	266	0
Over 150	0	0	2	0	2	0	353	0
TOTAL	0	0	10	4	10	4	890	110

Notes to Core Accounting Statements

29. Defined Benefit Pension Schemes

Post-employment Benefits – Accounting Policy

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

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

- **The 1992 Firefighters' Pension Scheme, The 2006 Firefighters Pension Scheme, and the 2015 Firefighters Pension Scheme**

These are unfunded schemes, which are administered by the Authority in accordance with regulations initially laid down by the Department for Communities and Local Government (CLG), now the responsibility of the Home Office. These schemes are administered under a shared service arrangement with the London Pension Fund Authority (LPFA), now subcontracted to the Local Pensions Partnership (LLP) on behalf of the Authority. For such schemes as there are no investment assets, IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure Statement for movements in the liability and reserve. The last actuarial review for IAS19 purposes was dated April 2017.

- **Local Government Pension Scheme (LGPS)**

This scheme is funded by employer and employee contributions to the LPFA, with administration and investment management services provided through LLP. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the LPFA with advice from the fund's Actuary, based on triennial actuarial valuations, the last review, impacting on 2016/17, being at 31 March 2013. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS19 purposes was dated April 2017.

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

Consequently, the following tables and disclosures have been presented in the revised formats as required by the CIPFA Code of Practice on Local Authority Accounting 2016/17.

Notes to Core Accounting Statements

Actuarial figures are included in the Authority's accounts on the following basis;

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

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

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

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

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

Notes to Core Accounting Statements

- contributions paid to the Fund - cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Transactions Relating to Post-employment Benefits

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

Notes to Core Accounting Statements

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

Comprehensive Income and Expenditure Statement	Local Government Pension Scheme		Firefighter's Pension Schemes	
	2016/17	2015/16	2016/17	2015/16
Cost of Services	£000	£000	£000	£000
Current service cost	9,214	10,423	83,690	97,500
Past service costs/(gain)	239	933	2,920	100
Settlement prices paid	42	0	0	0
<i>Financing and Investment Income and Expenditure</i>				
Net Interest expense	7,629	7,594	187,960	192,700
Adminstrating expenses	342	400	0	0
<i>Total post-employment Benefit charged to the Surplus or Deficit on the Provision of Services</i>	17,466	19,350	274,570	290,300
<i>Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services</i>				
Re-measurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(44,814)	10,847	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	(5,053)	0	(371,200)	(14,400)
• Actuarial (gains) and losses arising on changes in financial assumptions	106,777	(34,325)	1,074,180	(552,300)
Experience (gains) and losses on defined benefit obligation	(16,772)	(568)	(120,130)	(189,500)
Other	(3,716)	0	0	0
<i>Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement</i>	53,888	(4,696)	857,420	(465,900)
<i>Movement in Reserves Statement</i>				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(17,466)	(19,350)	(274,570)	(290,300)
Employers' contributions payable to scheme	15,153	9,426	159,970	186,500
Benefits paid directly to beneficiaries	1,065	1,065	0	0
<i>Actual amount charged against the General Fund Balance for pensions in the year:</i>	(1,248)	(8,859)	(114,600)	(103,800)

Notes to Core Accounting Statements

Membership of Schemes	LGPS		1992/2015 FPS		2006 FPS	
	Number		Number		Number	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Actives	813	928	3,041	3,569	1,220	1,115
Deferred Pensioners	742	687	811	684	439	278
Pensioners	1,341	1,265	7,370	8,249	7	9
Unfunded pensioners	309	309	-	-	-	-
Injury Pensioners	-	-	2,401	2,240	1	1

Membership of Schemes	LGPS		1992/2015 FPS		2006 FPS	
	Average Age		Average Age		Average Age	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Actives	48	48	45	50	34	50
Deferred Pensioners	49	48	46	47	35	36
Pensioners	71	71	65	62	57	49
Unfunded pensioners	73	73	-	-	-	-
Injury Pensioners	-	-	68	65	36	34

The data for the firefighter pension scheme and the new firefighter pension scheme (2006) included the protection status of each active member. If the member was unprotected or had tapered protection due to end prior to 31 March 2017, then they were assumed to be a member of the 2015 scheme from April 2016 to 31 March 2017 for the purposes of the calculations.

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

Local Pensions Partnership
1st Floor
169 Union Street
London SE1 0LL

Notes to Core Accounting Statements

30. Pensions – Retirement benefits

In accordance with the requirements of IAS19 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 three firefighter schemes, which are unfunded, and the Local Government Pension Scheme for other employees, which is administered by the Local Pensions Partnership (LPP) on behalf of the LPFA. In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

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

LFEPA Pension obligations	Local Government Pension Scheme		Firefighter's Pension Schemes	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Present value of the defined benefit obligation	558,665	463,730	0	0
Fair Value of plan assets	(323,386)	(263,343)	0	0
Net	235,279	200,387	0	0
Present Value of unfunded obligation	22,145	19,367	6,104,050	5,406,600
Net liability arising from defined benefit obligation	257,424	219,754	6,104,050	5,406,600

Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets

LFEPA	Local Government Pension Scheme	
	2016/17	2015/16
	£000	£000
Opening fair value of scheme assets	263,343	266,418
Interest Income	9,522	8,782
Re-measurement gain /(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	44,814	(10,847)
• Other	3,716	0
Contributions from employer	16,218	10,491
Contributions from employees into the scheme	2,623	2,649
Benefits paid	(16,466)	(13,750)
Settlement prices received/(paid)	(42)	0
Other	(342)	(400)
Closing fair value of scheme assets	323,386	263,343

The Firefighters Pension schemes are unfunded schemes and as such have no assets.

Notes to Core Accounting Statements

Reconciliation of present Value of the Scheme Liabilities (Defined Benefit Obligation)

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighter's Pension Schemes	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Opening Balance at 1 April	483,097	501,359	5,406,600	6,059,000
Current service cost	9,214	10,423	83,690	97,500
Interest costs	17,151	16,376	187,960	192,700
Contributions from scheme participants	2,623	2,649	21,800	22,400
Re-measurement (gains) and Losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	(5,053)	0	(371,200)	(14,400)
• Actuarial gains/losses arising from changes in financial assumptions	106,777	(34,325)	1,074,180	(552,300)
• Experience loss/(gain) on defined benefit obligation	(16,772)	(568)	(120,130)	(189,500)
• Other	0	0	0	0
Unfunded pension payments	(1,065)	(1,065)	0	0
Past service cost	239	933	2,920	100
Benefits paid	(15,401)	(12,685)	(181,770)	(208,900)
Liabilities extinguished on settlements	0	0	0	0
Closing balance at 31 March	580,810	483,097	6,104,050	5,406,600

Notes to Core Accounting Statements

Local Government Pension Scheme assets comprised:

Fair Value of Fund Assets	2016/17	Fair Value of Fund Assets	2015/16
Equities - Segregated	£000	Equities - Segregated	£000
Basic Materials	2,264	Basic Materials	3,160
Communications	1,940	Communications	10,270
Consumer	35,572	Consumer	47,138
Energy/Utilities	3,234	Energy/Utilities	1,053
Financial	13,259	Financial	15,011
Industrial	20,050	Industrial	15,537
Technology	17,786	Technology	7,110
Real Estate	2,264	Real Estate	0
Health Care	16,493	Health Care	0
Equities - Unsegregated		Diversified Fund	
Investment funds/unit trusts	20,373	Equities	3,160
Trade Cash/pending	1,940	Bonds	6,584
Synthetic Equity (Futures)	23,284	Pooled funds	6,320
		Cash	1,843
Credit	11,642	Alternative assets	527
Investment/Hedge funds & units trusts	47,538	Fixed Income / Investment funds & units trusts	14,747
Private Equity	33,632	Private Equity	22,911
LDI	38,806	LDI*	26,598
Real Estate	16,493	Government	0
Infrastructure	16,816	Alternative debt	8,954
Cash	(9,055)	Hedge funds	13,957
BlackRock DDG		Infrastructure	14,221
Equities	1,617	Property Fund	9,744
Bonds	3,557	Commodity Funds	1,053
Cash	970	Cash at bank	35,552
Investment/Hedge funds/Unit Trusts	3,234	Derivatives/ forwards	(2,107)
Derivatives	(323)		
Total	323,386	Total	263,343

*As part of the investment strategy the Fund has a liability driven investment (LDI) portfolio managed by Insight investment. The portfolio uses RPI Swaps to hedge 25% of the Fund's cashflow liability against inflation.

Notes to Core Accounting Statements

Rate of return on fund assets

Based on the above the Authority's share of Fund assets is approximately 6%.

Based on a bid value to bid value basis the actuary has estimated that the return on the LGPS fund assets for the year to 31 March 2017 to be 21%. The expected return on assets has been replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Basis for Estimating Assets and Liabilities

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

Valuation Method

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

The main assumptions used in the calculations are:

Financial Assumptions

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

	Local Government Pension Scheme		Firefighter Pension Scheme	
Assumption as at	31/3/17	31/3/16	31/3/17	31/3/16
RPI increases	3.60%	3.20%	3.50%	3.20%
CPI increases	2.70%	2.30%	2.35%	2.20%
Salary increases	4.20%	4.10%	4.35%	3.20%
Pensions increase	2.70%	2.30%	2.35%	2.20%
Discount rate	2.70%	3.60%	2.65%	3.50%

These assumptions are set with reference to market conditions as at 31 March 2017.

Notes to Core Accounting Statements

Actual and future projected employers contribution rates

Employers Contribution	2016/17	2017/18
	£000	£000
LGPS	9,361	8,605
Firefighters Schemes	28,324	28,558
TOTAL	37,685	37,163

In 2016/17 the Authority made an additional one off contribution payment of £6,068k to the LGPS fund to reduce the LGPS pension deficit and is forecast to achieve ongoing savings of £685k from 2017/18 against LFEPA's past service deficit payments. The results from the valuation resulted in additional £511k saving in 2017/18 increasing to £857k by 2020/21.

Local Government Pension Scheme

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. An actuarial valuation of the Fund was carried out as at 31 March 2016 and set contributions for the period from 1 April 2017 to 31 March 2021. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

- Investment risk. The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide

Notes to Core Accounting Statements

real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

- Interest rate risk. The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk. All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk. In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

LGPS - Actuarial assumptions

The actuary's estimate of the duration of the employer's liabilities is 18 years.

The discount rate is the annualised yield at the 18 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities.

The Retail Price Index (RPI) increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 18 year point on the BoE spot inflation curve. The RPI assumption is therefore 3.6% p.a.

As future pension increases are expected to be based on Consumer Price Index (CPI) rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.9% below RPI i.e. 2.7%. The actuary believes this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

Salary increases are then assumed to increase at 1.5% per annum above CPI in addition to a promotional scale.

Notes to Core Accounting Statements

Firefighter Pension schemes - Assumptions

Discount rate

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

The duration of the scheme's liabilities for most authorities is around 20 years. However, there are very few corporate bonds in the market with a sufficiently long duration. Therefore, we propose to set the nominal discount rate based on Government bond yields of appropriate duration plus an additional margin. Based on this methodology, the nominal discount rate at 31 March 2017 is assumed to be 2.65% a year.

Pension Increases

The pension increase assumption as at 31 March 2017 is based on the Consumer Price Index (CPI) expectation of inflation. We have assumed that CPI will be 1.15% a year lower than RPI.

Based on the difference in gross redemption yields on long-term Fixed Interest Government stocks and the real redemption yield on Index-Linked Gilts of a similar term at 31 March 2017, RPI is assumed to be 3.50% a year to the nearest 0.05%. Therefore, CPI is assumed to be 2.35% a year. The assumed rate of return in excess of pension increases is 0.30% a year at 31 March 2017.

Earnings Increases assumption

It is assumed that there is a long term rate of salary growth of 2.00% above CPI.

The assumed nominal rate of salary growth is therefore 4.35% a year. The assumed rate of return in excess of earnings is -1.70% a year at 31 March 2017.

It is proposed to allow for short-term pay restraint by limiting the nominal rate of salary growth to 1.00% each year until the end of the 2019/20 accounting year in line with stated Government policy on short-term pay. During this period the assumed rate of return in excess of earnings is therefore 1.65% a year.

Rate of revaluation for CARE pensions

A rate of revaluation for CARE pensions of 4.35% a year has been assumed, which is equal to our assumed long term rate of salary growth. The rate of revaluation does not take into account any allowance for short-term pay restraint in the public sector as the revaluation is based on Average Weekly Earnings for the economy as a whole.

Notes to Core Accounting Statements

Allowance for contingent injury pensions

As requested an allowance has been made for future injury pensions. Historic data is not available to allow the required analysis to set assumptions relating to the injury retirement incidence rate and amount of injury benefit awarded. Therefore the assumption is set following a high level analysis of injury liabilities and pension amounts relative to normal pension liability and pension amounts.

The above approach in effect assumes that the historic relationship between injury and pension benefits liabilities has been broadly consistent and will continue to be so. It is acknowledged that this may not be realised in practice, although the actuary will continue to monitor the position.

Demographic/Statistical Assumptions

Mortality Assumptions 2016/17	LGPS	Fire Service Pension Schemes
Average Future Life expectancy as at	Age 65	Age 65
	Retiring today	Current pensioners
Male	21.8 years	22.4 years
Female	24.1 years	22.4 years
	Retiring in 20 years	Future pensioners
Male	24.1 years	24.7 years
Female	26.3 years	24.7 years

Mortality assumptions

The post retirement mortality for the LGPS scheme is based on Club Vita analysis. These base tables are then projected using the CMI 2015 model, allowing for a long term rate of improvement of 1.5% per annum.

The mortality assumption for the firefighter schemes is based on the S1NFA/S1NMA tables, published by the Continuous Mortality Investigation Board (CMIB) of the actuarial profession, with future improvement in line with the CMI 2014 model.

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Notes to Core Accounting Statements

Sensitivity Analysis

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

Local Government Pension Scheme	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	570,788	580,810	591,019
Projected service cost	12,515	12,795	13,081
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	582,189	580,810	579,442
Projected service cost	12,795	12,795	12,795
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	589,630	580,810	572,147
Projected service cost	13,081	12,795	12,515
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present value of total obligation	603,223	580,810	559,256
Projected service cost	13,203	12,795	12,399

Firefighters Pension Schemes

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

Change in financial assumption at year ended 31/3/2017	Approximate % increase to Employer liability	Approximate monetary amount (£000)
0.5% decrease in real discount rate	(9.2%)	(563,300)
1 year increase in member life expectancy	2.8%	167,900
0.5% increase in the salary Increase Rate	1.3%	76,400
0.5% increase in the pensions Increase rate (CPI)	8.5%	521,200

Notes to Core Accounting Statements

31. Contingent Liabilities and Assets

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. As at 31 March 2017 the Authority had no such liability.

Contingent Assets

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

Contingent assets are not recognised within the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. As at 31 March 2017 the Authority had no contingent assets.

32. 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 (All risks of physical loss or damage)	10,000
Property - Terrorism	25,000
Property – Museum & Residential Properties	100
Engineering Lifting plant	250
Combined Liabilities	750,000
Fidelity Guarantee	250,000
Airside Cover	50,000
Motor Operational fleet	35,000
Motor Leased vehicles	100
Marine Protection and Indemnity	1,000
Marine Hull and Machinery Lambeth River Station	6,750
Marine Hull and Machinery Vessels	1,750

Notes to Core Accounting Statements

33. 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 £6.4bn (£5.6bn 2015/16), as result of the full adoption of International Financial Reporting Standard IAS19. 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 and therefore the accounts have been prepared on a going concern basis.

Policing and Crime Act 2017

The Policing and Crime Act was enacted on 31 January 2017. The Act will abolish the London Fire and Emergency Planning Authority (LFEPA), and provides for the Mayor of London to take responsibility for fire and rescue services in London. The functions will sit within existing Greater London Authority structures, creating a Deputy Mayor for Fire, a statutory "London Fire Commissioner" (LFC) and a new Committee of the London Assembly, which will provide scrutiny and oversight. All Assets, Liabilities and Resources of the LFEPA will transfer to the London Fire Commissioner.

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

Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	31/3/2017	31/3/2016
	£000	£000
Depreciation of Non Current assets	(15,754)	(15,547)
Impairment, Impairment Reversal and Revaluation of Non Current Assets	13,250	(6,999)
Revaluation on foreign exchange	0	(40)
Assets de-recognised during year	(3,159)	(6,777)
Amortisation of Intangible assets	(2,763)	(1,054)
Donated Assets adjustment	0	0
(Increase)/Decrease in impairment for provision of bad debts	(125)	(128)
Increase/(Decrease) in inventories	(539)	584
Increase/(Decrease) in debtors	(13,540)	16,578
(Increase)/Decrease in creditors	(3,746)	(5,096)
(Increase)/Decrease in Provisions	2,446	(948)
Pension Fund Costs adjustment	(115,848)	(112,659)
Other Non cash items	0	(39)
Net cash (inflow)/outflow from operating activities	(139,778)	(132,125)

Notes to Core Accounting Statements

35. Cash Flow Statement – Operating activities

Operating Activities	31/3/2017	31/3/2016
	£000	£000
Interest Received	(524)	(587)
Interest Paid	3,852	4,058
Interest element of Finance leases	6,907	3,823
Total	10,235	7,294

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

Investing Activities	31/3/2017	31/3/2016
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	19,485	7,266
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,888)	(30,818)
Capital grants received	(75)	(1,242)
Net cash flows from investing activities	9,522	(24,794)

Financing Activities	31/3/2017	31/3/2016
	£000	£000
Cash Receipts of Short and Long term Borrowing	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contracts (Principal)	1,121	476
Repayments of Short and Long term borrowing	14,000	6,000
Net cash flows from financing activities	15,121	6,476

Firefighters' Pension Schemes Fund Account

As at 31/03/16	Firefighters' Pension Schemes Fund Account	As at 31/03/17	
£000		£000	£000
	Contributions receivable		
	- from employer		
(28,944)	- normal	(27,556)	
(946)	- early retirements	(665)	
(29,890)			(28,221)
(22,275)	- from members		(21,687)
(52,165)			(49,908)
	Transfers in		
(208)	- individual transfers in from other schemes		(123)
	Benefits payable		
130,116	- pensions	132,829	
37,128	- commutations and lump sum retirement benefits	26,568	
12,397	- Back Dated Commutations	1,738	
281	- Lump sum death benefits	230	
179,922			161,365
	Payments to and on account of leavers		
0	- refunds of contributions	0	
1,509	- individual transfers out to other schemes	69	
245	- other – interest due on back dated lump sums	404	
3,005	- interest due on back dated commutations lump sums	3	
4,759			476
132,308	Deficit/Surplus for the year before top up grant receivable/ amount payable to central government		111,810
(116,892)	Top up grant receivable from/amount payable from central government		(108,865)
(15,416)	Grant received from central government for back dated commutations		(2,945)
0	Net amount payable/receivable for the year		0

2015/16	Net Assets Statement		2016/17
£000			£000
60	- Recoverable overpayments of pensions		91
31,094	- Top up receivable from/(payable to) Government		15,975
(31,154)	- other current liabilities		(16,066)
0	Total		0

Firefighters' Pension Fund Account Notes

1. The Firefighters' Pension Scheme in England

There are three firefighter pension schemes the 1992, 2006 and 2015 schemes.

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

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

Under new funding arrangements the schemes remain unfunded but will not be on a pay-as-you-go basis as far as the 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 Pension Fund is managed by the Authority and the day to day administration of the scheme is provided under contract by the London Pensions Fund Authority. The supplementary fund statement does not take account of any liabilities to pay pensions or any other benefits after the year end; it purely details pension transactions for the year. Notes 29 and 30 to the accounts provide details of the assessed pension liabilities and the corresponding entries in the main statements.

Firefighter pensions back dated refund of contributions

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

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

Contributions

Employees and employers contribution levels are set nationally by CLG and are subject to triennial revaluation by the Government Actuary's Department. Under the firefighters pension regulations the employers contribution rates as a percentage of pensionable pay for the 1992 scheme were 21.7%, 11.9% for the 2006 scheme and 14.3% for the 2015

Firefighters' Pension Fund Account Notes

scheme. Employee contributions, as a percentage of pensionable pay, depends on the level of earnings for the different schemes as shown in the tables below.

Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
Up to and including £15.15k	8.5	11.0
More than £15.15k and up to and including £21.21k	9.4	12.2
More than £21.21k and up to and including £30.3k	10.4	14.2
More than £30.3k and up to and including £40.4k	10.9	14.7
More than £40.4k and up to and including £50.5k	11.2	15.2
More than £50.5k and up to and including £60.6k	11.3	15.5
More than £60.6k and up to and including £101k	11.7	16.0
More than £101k and up to and including £121.2k	12.1	16.5
More than £121.2k	12.5	17.0

Firefighters' Pension Scheme employee contributions	2015 Scheme %
Up to and including £27.27k	10.0
More than £27.27k and up to and including £50.5k	12.5
More than £50.5k and up to and including £142.5k	13.5
More than £142.5k	14.5

Ill health contributions, for fighters who retired due to ill health, 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.

Firefighters' Pension Fund Account Notes

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

Details of the Authority's long term pension obligations can be found under notes to the core Accounting Statements Notes 29 and 30.

Annual Governance Statement

London Fire and Emergency Planning Authority

ANNUAL GOVERNANCE STATEMENT 2016/17

Scope of responsibility

1. The London Fire and Emergency Planning Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and appropriate 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.
2. In discharging this overall responsibility, the Authority is also responsible for putting into place suitable arrangements for the governance of its affairs (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.
3. This statement explains how the Authority meets the requirements of regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

The purpose of the governance framework

4. 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.
5. The governance framework is underpinned by our Corporate Code of Governance which sets out how the Authority discharges its governance responsibilities based on the six core principles defined in the CIPFA/SOLACE *Delivering Good Governance in Local Government* guidance which was amended with an addendum during 2012/13. This includes defining our scrutiny arrangements; maintaining effective policies and procedures on whistleblowing and complaint handling (on the London Fire website); and engaging with all sections of the local community through our community safety strategies and partnerships to ensure accountability. The Corporate Code of Governance was last approved by the Authority on 27 September 2012.
6. The system of internal control is also a significant part of the Authority's governance 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.
7. 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.

Annual Governance Statement

8. The governance framework has been in place at the Authority for the year ended 31 March 2017 and supports the annual budget report and statement of accounts.

The governance framework

9. The key elements of the governance framework are set out in the following paragraphs.

Effective exercise of our functions and the monitoring and achievement of the Authority's objectives

10. Members have met regularly to consider strategic direction, plans and progress of the Authority in various Committees and the Authority itself. Decision making arrangements were confirmed for 2016/17 following reconstitution of the Authority at the meetings in June 2016 (FEP2597). The reconstitution confirmed the roles and duties of the following Committees:
- Resources Committee - with responsibilities for budgets, staffing and assets, and performance related to those responsibilities;
 - Strategy Committee - with responsibilities for policy and strategy for the service delivery functions of emergency response, prevention and protection, including responsibility for community engagement;
 - Governance, Performance and Audit Committee - with responsibilities for service delivery performance (excluding performance related specifically to the functions of the Resources Committee) and for all audit and governance matters, including the Annual Governance Statement; and
 - Appointments and Urgency Committee - to meet on an ad hoc basis as and when urgent matters or appointments dictate.
11. In accordance with the Localism Act 2011, arrangements must be put in place for the appointment by the Authority of at least one Independent Person. The Independent Person(s) views must be sought and taken into account by the Authority before it makes any decision on a formal complaint against an elected Member that it has decided to investigate. The Independent Person's views may be sought by a Member of the Authority if that person's behaviour is the subject of an allegation, and may also be sought by the Authority in relation to an allegation it has not yet decided to investigate. As the function of the Authority is now likely to continue up to 1 April 2018, the Authority extended its appointment of two Independent Persons on 30 March 2017 (FEP2725).
12. The Authority has also established a Local Pensions Board (set up in 2015/16) for the firefighter pension schemes to support it on scheme governance and administration in its role as a Scheme Manager.
13. The Authority has also established a Local Pensions Board (set up in 2015/16) for the firefighter pension schemes to support it on scheme governance and administration in its role as a Scheme Manager
14. The Mayor of London has powers to direct the Authority to take (or not to take) action. No new Mayoral directions were received during 2016/17. However, an administrative amendment dated 9 September 2016 was received from the Greater London Authority (GLA) relating to a direction given by the previous Mayor on the disposal of Southwark Fire Station (FEP2652).

Annual Governance Statement

15. The Authority's London Safety Plan – which is the Authority's corporate plan and its Integrated Risk Management Plan as required by the government's fire and rescue service national framework - sets out the Authority's plans for improvement in services to address the risks facing Londoners, together with the management arrangements required to implement them. The Plan in place for the period covered by this statement was approved by the Authority on 12 September 2013 (FEP2143). The Plan was extended during 2015/16 to run for another year (until end of March 2017). Details of the public consultation undertaken can be found in the covering report to the Fifth London Safety Plan (FEP2091).
16. During 2016/17, a new London Safety Plan has been developed to cover the period from 2017 to 2021. An inclusive approach was taken to the development of the Plan incorporating the ideas, views and contributions from as many people as possible. The new Plan also takes a longer term view, setting out an ambitious schedule of work that will go beyond the expected lifespan of the Plan. The development of the Plan was also run as a project to ensure that the inclusive approach was maintained. The new London Safety Plan was approved by the Authority on 30 March 2017. Details of the public consultation undertaken for the new Plan can be found in the covering report to the Plan (FEP2723). Key performance indicators and targets are included in the London Safety Plan and the relevant committees review indicators and targets on an annual basis.
17. All key LSP targets and commitments as well as key projects, are subject to close scrutiny and monitoring by the Resources, Strategy, and Governance, Performance and Audit Committees.
18. The Authority has performed well against its targets for 2016/17. This information is available online in the annual end of year performance report on the London Fire website via the following link: [Our Performance 2016-17](#). Detailed commentaries against performance can also be found in the end of year performance reports to the Governance, Performance and Audit Committee and the Resources Committee.
19. The Governance, Performance and Audit Committee reviews the effectiveness of the internal control framework by monitoring the work of internal audit, considering both internal and external audit reports and reviewing the corporate risk management framework, including the arrangements for business continuity.

Effective arrangements for the management of risk

20. The risk management strategy 2014-17 contains a number of actions to develop the use of risk management information within the Authority. The strategy was updated and approved by the Strategy Committee on 18 November 2014 (FEP2356). The strategy incorporates the Authority's risk appetite statement.
21. The Authority's corporate risk register is subject to regular reviews by the Governance, Performance and Audit Committee. The corporate risks are summarised in each London Safety Plan and were last approved by full Authority in March 2017 as part of the new London Safety Plan. The register is reviewed regularly in full consultation with the Commissioner and Directors 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

Annual Governance Statement

internal audits, reports to Authority Committees, the Commissioner's Corporate Management Board, including at its regular dedicated performance meetings, and by heads of service assurances through the risk management process.

22. In December 2015, an updated approach to the assessment of risk (AOR) in London (FEP2544) was presented to the Authority. The Authority has a requirement to understand the risks in its area as part of the Integrated Risk Management Plan (IRMP) – the Authority's IRMP is the London Safety Plan. As part of the development of the current London Safety Plan (LSP5), it became clear that some external stakeholders did not understand how their concerns locally (sometimes articulated as 'risks') had been taken into account. To make this consideration of risk more explicit and transparent, it was agreed that officers should annually prepare an assessment of risk in London. This latest iteration of the assessment of risk, which builds on previous approaches, has been developed to cover a wider range of 'concerns' that the public and stakeholders might have about their local area (often articulated as 'risks'), how those 'concerns' translate into actual risks that the Brigade has to deal with, and the response, prevention and protection activity (i.e. 'controls') the Authority has in place to manage or mitigate those risks. It was agreed by Members that the methodology should be further developed, and that key external stakeholders, like the London borough councils, should have an opportunity to feed into this process as part of developing an AOR 2016. The AOR has informed the development of the new London Safety Plan and a new version of the AOR was published on the London Fire website (available [here](#)).

Ensuring compliance with established policies, procedures, laws and regulations

23. The system of internal control comprises a network of policies, procedures, systems, reports, processes and meetings. These arrangements are in place to verify 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 through regular 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, processes, laws and regulations, as underpinned by regular reviews carried out by internal and external auditors;
 - ensure the delivery of high quality services in an efficient and effective manner through established policies and procedures and the monitoring of performance through Directorate Management Boards, the Commissioner's Corporate Management Board, the Corporate Management Team, the Top Management Group performance meetings, the Contracts Oversight Board, the Governance, Performance and Audit Committee, the Resources Committee and the Strategy Committee;
 - 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

Annual Governance Statement

- exercised, through the Authority's medium term financial forecasting and budget processes, strategic and annual internal audit plans, and the budget review process;
- provide appropriate financial management of the Authority and the reporting of financial management to the Resources Committee;
 - provide adherence to the Authority's values and ethical standards through the application of the leadership model and equality framework; and
 - ensure proper performance management of the Authority and the reporting of performance management through the Governance, Performance and Audit Committee, the Resources Committee and the Strategy Committee.
24. The internal audit function is conducted by the Mayor's Office for Policing and Crime (MOPAC) for the Authority via a shared service agreement and provides independent assurance on risk management internal controls and governance arrangements within the Authority. MOPAC completed 42 audits during 2016/17. From the work undertaken during the year, internal audit has concluded that the internal control framework was adequate, with controls to mitigate key risks, generally operating effectively. External Audit also undertake their own programme of key controls testing and will seek to place reliance on the work of Internal Audit where necessary.
25. During 2016/17, the Head of Legal and Democratic Services was the Authority's Monitoring Officer and the duties of this role were discharged in line with the Monitoring Officer Protocol agreed by the Authority on 26 March 2009 (FEP1339).

Regulation of Investigatory Powers Act and confidential reporting ('whistleblowing')

26. As required by the RIPA Codes of Practice, members undertake an annual review of the Brigade's use of the Regulation of Investigatory Powers Act 2000 (RIPA). The Brigade's use of RIPA is undertaken as part of the preparation of the Annual Governance Statement, and the Committee performs the review on behalf of the Authority.
27. A policy governing LFEPA's use of RIPA was approved by the Authority on 22 November 2012 (FEP 2011). LFEPA was inspected by the Office of Surveillance Commissioners in December 2012. The RIPA policy was last revised by the Authority on 1 October 2015 (FEP2513) to take account of senior management changes. There were no applications for any RIPA authorisations in 2016/17, nor were there any previous authorisations that continued into 2016/17. LFEPA therefore continues to make no use of RIPA powers.
28. There were 10 complaints identified as confidential reporting (whistleblowing) cases in 2016/17. All complaints have been investigated (or are the subject of ongoing investigations), and the appropriate management action has been taken in each case.

The Bribery Act 2010

29. The Authority continues to take action to address the requirements of the Bribery Act 2010. The Authority's intranet includes information for staff and managers on bribery, and policies reflect the requirements of the Bribery Act. Key staff, including those in the Legal and Procurement departments, have previously attended a briefing on the Act, and bribery is now included in fraud awareness sessions.

Annual Governance Statement

Review of effectiveness

30. Regulation 6(1) of the Accounts and Audit Regulations 2015 requires the Authority to conduct a review of the effectiveness of the system of internal control. This review is informed by the work of the internal auditors and Authority officers who have responsibility for the development and maintenance of the internal control environment, and also by comments made by the external auditors and any other review agencies and inspectorates.

31. Throughout 2016/17, the Authority has maintained and reviewed its systems of internal control in a number of ways. In particular:

- the Authority received regular performance reports on its LSP commitments, performance against performance indicators, and key projects through its Governance, Performance and Audit Committee, Resources Committee and Strategy Committee;
- comprehensive performance reports covering corporate performance indicators, corporate risks, key projects, as well as departmental performance were considered regularly by the Commissioner's Corporate Management Board;
- progress reports submitted to the Commissioner's corporate management board on the implementation of health and safety policy and the submission of a full annual report to the Resources Committee;
- the regular review of the outcomes from the Authority's dynamic and intelligent operational training (DIOT) process coordinated through the officer-level Operational Directorates Coordination Board chaired by the Director of Operations. The DIOT process supports the Authority in its commitment to protecting the health, safety and welfare at work of all its employees by learning from the performance of staff and crews at operational incidents, via the incident monitoring process, accident investigations, thematic audits, etc.;
- monitoring the development, implementation and delivery of services provided by third parties and key contractual arrangements through the Contracts Oversight Board;
- the Authority's internal audit shared service provider working to defined professional standards and the preparation of the internal audit plan on the basis of a formal risk assessment. The plan, annual performance and main outcomes and recommendations arising from audit work were reported to the Governance, Performance and Audit Committee. The external auditor has relied on the work of internal audit in supporting its risk assessment and understanding of the entity's level of controls;
- the external auditor's plan and audit memorandum on the year's audit reported to the Governance, Performance and Audit Committee and the Independent auditor's opinion and certificate to the full Authority;

Annual Governance Statement

- a review of the effectiveness of the system of internal control informed by the work of senior management, who continually reviewed the identification and management of risks at all levels across the Authority, providing assurance that controls are in place and the extent to which they were 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;
- the Local Audit and Accountability Act 2014 has led to requirements for local authorities to prepare and publish their accounts earlier from 2017/18. The Authority continues to work to prepare its accounts to an earlier timetable, and now provides its draft accounts to its auditors at the beginning of June.
- The Policing and Crime Act received Royal Assent on 31 January 2017. The Act changes the governance arrangements for fire and rescue services in London by abolishing the London Fire and Emergency Planning Authority (LFEPA) and creating the London Fire Commissioner as a corporation sole having the functions of the fire and rescue authority for Greater London under the Fire and Rescue Services Act 2004. A new London Fire Commissioner will be appointed by the Mayor of London and under the new arrangements, the Mayor has the power to give directions and guidance to the Commissioner relating to the exercise of their functions. The Act also provides the option for the Mayor to create a Deputy Mayor for Fire and for the Mayor to arrange for such Deputy Mayor to exercise any function of the Mayor relating to fire and rescue. It also places a duty on police, fire and rescue and ambulance services to collaborate, and enables Police and Crime Commissioners (PCCs) outside London to take on responsibility for fire and rescue services in England and Wales. As a result of the general election called for 8 June 2017, it is likely that the governance changes arising from the Act will now come into effect on 1 April 2018.

Statement of accounts

32. As required by the Authority's financial regulations, the Director of Finance and Contractual Services approves all systems used to record Authority financial transactions. Assurance that the financial data used to produce the Authority's statement of accounts is accurate and complete is obtained through regular central finance reconciliation routines of financial systems and monthly officer monitoring of all expenditure and income recorded on the Authority's approved general ledger system. Members receive quarterly financial position reports in addition to the statement of accounts, and these add to the scrutiny undertaken as part of the Authority's internal and external audits. The statement of accounts is authorised by the Director of Finance and Contractual Services as being true and fair within the current statutory deadline of 30 June each year. The accounts are then fully audited by the Authority's external auditor who issues an audit opinion by the end of the following September.
33. The statutory deadline for producing the accounts will be brought forward for the financial year 2017/18 from 30 June to 31 May, with the publishing deadline brought forward from 30 September to 31 July. The Director of Finance and Contractual Services has signed off the Authority accounts by 31 May for the last three years and officers are working with external audit to target an audited and published set of accounts by 31 July this year.

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The role of the Chief Finance Officer

34. CIPFA's Statement on the Role of the Chief Financial Officer (CFO) in public service organisations sets out the key principles that define the core activities and behaviours that belong to the CFO in public service organisations. The CIPFA statement sets out that the CFO in a public service organisation:

- is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation's strategic objectives sustainably and in the public interest;
- must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation's financial strategy; and
- must lead the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

35. To deliver these responsibilities the CFO:

- must lead and direct a finance function that is resourced to be fit for purpose; and
- must be professionally qualified and suitably experienced.

36. The principles are supported by a range of governance requirements that are used to demonstrate compliance. The role of the CFO is undertaken by the Director of Finance and Contractual Services who is the Authority's section 127 (Greater London Authority Act 1999) officer and is a member of the Authority's Corporate Management Board reporting directly to the Commissioner.

Other governance arrangements

37. This section highlights other noteworthy governance arrangements that the Brigade has either put in place or maintained during the 2016/17 financial year.

National resilience

38. The National Resilience Programme is one part of the Department for Communities and Local Government's contribution to the Government's Civil Contingencies Capabilities Programme. The strategic aim is to continue to enhance preparedness and resilience of the fire and rescue services in England and Wales by maintaining and improving the capability of the National Assets. The programme consists of a number of distinct capabilities. These are:

- Chemical, Biological, Radiological, Nuclear and Explosive CBRN(E);
- Urban Search and Rescue (USAR);
- Water and High Volume Pumping (HVP); and
- Command and Control.

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39. Twenty per cent of the National Resilience assets are located within the Brigade area reflecting the importance of the capital city to national resilience in providing these capabilities to both the London region and the rest of the country. The Brigade hosted the co-ordination of these national assets at the London Operations Centre (LOC) up to 31 March 2017. The function has since moved to the National Resilience Assurance Team in Merseyside.
40. The Brigade has a full USAR capability, as part of the resilience programme, for providing fire and rescue services with a national capability to respond and effectively manage large-scale structural collapses and heavy transportation type incidents. This national capability is designed to augment existing local and specialised planning arrangements within Brigades or regions. As part of this national capability, the LFB provides USAR trained personnel to respond to incidents outside of the Brigade area.
41. Assessment and assurance regarding the Brigade's USAR capability is exercised through the National Resilience Assurance Team (NRAT). The assurance process has been developed as a long term procedure to ensure that the fire and rescue services which have received National Resilience assets, achieve and maintain an efficient, robust and effective operational capability to respond to national and major emergencies. In previous years, this has centred on thematic reviews, including multi-capability and the dedicated use of equipment and vehicles. The assessment process has now changed to a three year rolling programme. At a high level, the process works as follows:
- Year 1 – Self-assessment
 - Year 2 – Coordinated exercise with direct observation by NRAT
 - Year 3 – National or regional exercise
42. The Brigade has recently completed year two of the programme. The NRAT assessor programme focusses on areas such as USAR worksite management and coordination, planning, logistics, operations, worksite safety and structural monitoring and intra/inter-operability. Based on the assessments carried out during 2016/17, summary learning areas for the Brigade include appointing safety advisors, establishing escape routes, gross decontamination procedures and hygiene facilities as per the USAR concept of operations. The Brigade is working on an action plan to address the areas highlighted in the assessment.
43. Brigade staff also lead the fire and rescue service nationally in terms of the sector's role in the government CONTEST strategy. This involves working collaboratively with colleagues from the other blue light agencies as well as government departments to develop multi-agency operational capabilities for responding to a wide range of terrorist related threats. London has successfully introduced the concept of inter-agency liaison officers (ILOs) to UK fire and rescue services and the National ILO coordinator is a London officer. The London Fire Commissioner is the National Resilience Lead Officer for Chemical, Biological, Radiological and Nuclear (Enhanced Explosives) (CBRN(E)).

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Equality, diversity and inclusion

44. A review of equality, diversity and inclusion was undertaken by the then Commissioner during 2015/16. The outcome of the review has led to a new, 10 year Inclusion Strategy being developed and this was approved at the Authority meeting on 30 June 2016 (FEP2599). The strategy was the product of interviews with inclusion leads from organisations cited for best practice in the public, private and not-for-profit sectors, and engagement with senior managers, trades unions and support groups to inform the new strategic inclusion objectives and consequent action plan. Delivery of the action plan is being directed by the Head of Strategy and Inclusion. Given the long term nature of the strategy and associated action plan, an Inclusion Board chaired by the Commissioner has been established during 2016/17 to ensure delivery of the new approach.
45. The Brigade's equality, diversity and inclusion performance is regularly reported to Members through the HR Digest.

Information security

46. The Authority maintains an information security strategy which complies with the ISO/IEC 27001 standard for information security. This standard represents 'best practice' within the security industry. The strategy exists to protect Authority information against any type of accidental loss, damage or abuse, including that relating to its staff as well as third party clients and partners. In addition it maintains a safeguard to ICT systems that process, store, display and transmit information.
47. The strategy is facilitated through the information security policy which has been approved and maintained by the Information Governance Group (the IGG) and has been applied consistently across all parts of the Authority.
48. The Head of Strategy and Inclusion is the Authority's Senior Information Risk Owner (SIRO), and, as Chair of the IGG, is responsible for the effective implementation of a consistent framework for the management of information security across the Authority. This includes the ownership, development, maintenance and communication of the information security policy. The SIRO is also required to review and challenge any non-compliance with the information security policy as highlighted by compliance reports, dispensations, audit findings or the incident management processes. In conjunction with the Head of ICT, the SIRO ensures that Business Contingency Plans (BCP) and IT Disaster Recovery (IT DR) plans respectively are developed implemented and tested to protect all critical information, information systems and functions of LFEPA. There were no issues of non-conformity during 2016/17.

Health and safety

49. Good health and safety management remains a critical (business) issue for the Authority. During 2016/17, preventive initiatives and improved working practices have contributed to the continued reduction in injuries to staff.

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50. Throughout 2016/17 the Authority has maintained and reviewed its systems of internal control in a number of ways, including:

- Regular reports on health and safety performance to the Commissioner's Corporate Management Board and to Resources Committee;
- Continuing the cycle of health, safety and environmental audit and focussed slips and trips risk assessments of our stations;
- Maintaining a system for the early assessment of impact on the health, safety and welfare of staff from new policy or corporate projects;
- The established Dynamic Intelligence Operational Training (DIOT) process continues to identify trends in both operational effectiveness and safety management, which allows targeted intervention to make safety improvements through briefings (e.g. Operational News), operational training, procedures and equipment, and
- Monitoring progress against actions identified through serious accident investigations (SAI), Coroner's Prevention of Future Death reports and other internal reviews.

Collaboration

51. The Policing and Crime Act establishes a duty for the Brigade to collaborate with other emergency services. Collaboration is about creating new opportunities and developing current areas of co-operation that build on existing partnerships with other blue light services and key organisations. It's also about delivering effective and efficient services to the public.

52. The Brigade has been working with emergency partners for a long time, and already operates a number of shared service arrangements in place including internal audit, treasury management, payroll, shared data centre and administration of the firefighter pension scheme. As part of the Brigade's commitment to collaboration, the Brigade has published a joint statement of strategic intent (as part of the new London Safety Plan) which sets out the combined vision of the emergency services in London to make London the safest global city. This includes collaborating in areas such as: control rooms; prevention activities; response activities; support services; inclusion; and infrastructure.

Openness and transparency

53. The Authority meets the mandatory data publication as set out in the DCLG Transparency Code (February 2015). There is a dedicated transparency page on the Brigade [here](#) as well as a number of data sets on the [London Data Store](#), including data for all incidents attended and resources mobilised to those incidents since January 2009 (updated monthly). The web mapping tool ([here](#)) allows users to see the numbers of different types of incidents as well as attendance times for first and second fire engines down to ward level, and is updated monthly.

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Significant internal control issues

54. The action plan below comprises actions required to address any significant failings in the Authority's governance framework and supporting systems and any other significant actions being undertaken to improve the governance arrangements which the Authority wishes to declare. 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 any of the Authority's other reporting arrangements. The criteria used to determine items for inclusion are:

- actions arising from the annual assessment of performance against our Code of Governance;
- significant causes for concern identified in the auditor's annual letter;
- performance failings or significant concerns relating to governance identified by external assessment;
- significant failings identified by any internal audit and review processes including: internal audits, health and safety audits and accident investigations, risk audits;
- significant failings identified by the Incident Management Policy 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.

55. In the action plan for the coming year, the 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".

56. Eight actions have been carried forward from the previous year's action plan as they are substantial items to be managed over the long term. They have been reviewed and refreshed to take account of action already taken.

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57. The complete list of actions is as follows:

- (i) National Fire Role - LFEPA to take a proactive role on policy direction nationally by working closely with the National Fire Chiefs Council (NFCC) and others on a range of matters to secure improvement of the fire service to the public. This will include:
 - taking a leading role in supporting the National Joint Council's position on conditions of service;
 - determining the NFCC central programme office role for the National Operational Guidance programme.

How progress will be reported - Progress will be reported to GPAC through the risk, business continuity and governance report.

- (ii) Delivering further benefits from the mobilising system – Deliver further efficiencies in service provision through implementing the full capability of the mobilising system.

How progress will be reported – Progress on delivering further benefits from the mobilising system will be reported to Strategy Committee through the quarterly commitments and key projects report and to GPAC through the risk, business continuity and governance report.

- (iii) Securing inclusion through good governance– The Inclusion Board supports the arrangements to deliver the inclusion strategy and its action plan. Consideration will need to be given to the governance arrangements when the Mayor appoints the London Fire Commissioner as a corporation sole.

How progress will be reported – Progress will be reported to the Resources Committee.

- (iv) Statutory financial reporting deadlines – To work to prepare the statement of accounts to earlier timescales, and to work with the Authority's external auditors to be ready for the new deadlines from 2017/18.

How progress will be reported – Progress on meeting the new statutory financial reporting deadlines will be reported to GPAC.

- (v) Delivering on the 'People' Plan – To join up the various 'focus on our people' actions through the People Plan and to deliver the plan outcomes to ensure a supportive and progressive workplace.

How progress will be reported – Progress will be reported to the Resources Committee through regular update reports. A summary of activity will also be reported to GPAC through the risk, continuity and governance report.

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(vi) Driving national and local resilience – To drive and influence improvements:

- nationally, through the London Fire Commissioner as the National Resilience Lead Officer for Chemical, Biological, Radiological and Nuclear (Enhanced Explosives) (CBRN(E)) and the Director of Safety and Assurance as the national lead officer for interoperability; and
- locally, through driving improvements at a London, and Brigade level in terms of resilience to reassure the public and key stakeholders at a time when the national threat level remains severe.

How progress will be reported – Progress will be reported to GPAC through the risk, continuity and governance report.

(vii) Safety leadership - Improve health and safety for our staff by focussing on promoting effective safety leadership with senior managers, making improvements to our risk control systems and proactively monitoring the development and maintenance of operational professionalism in our staff.

How progress will be reported: Progress will be reported to the Resources Committee through regular update reports. A summary of activity will also be reported to GPAC through the risk, continuity and governance report.

(viii) Policing and Crime Act 2017 – New governance arrangements – To manage the transition and develop appropriate governance arrangements to implement the new regime which will come into place as the Policing and Crime Act 2017 comes into force.

How progress will be reported – Progress will be reported to Authority. A summary of activity will also be reported to GPAC through the risk, continuity and governance report.

Conclusion

58. We are satisfied that the appropriate internal systems of control are in place with regards to the Authority's governance arrangements, and that adequate processes are in place to ensure compliance with the Corporate Code of Governance.



Dany Cotton QFSM

Commissioner for Fire and Emergency
Planning

Dated: 28 July 2017



Councillor Jack Hopkins

Chair, Governance Performance and Audit
Committee

Glossary of terms

ACCRUALS - Amounts included in the accounts to cover income and expenditure attributable to the financial year, but for which payment had not been received or made as at 31 March.

ACT/365 - is a day count convention which calculates the actual days in a time period, over the actual number of days in a calendar year. Used to determine how interest accrues over time.

BUDGET - A statement defining the Authority's policies over a specified time in terms of finance.

CAPITAL EXPENDITURE - Spending on the acquisition or construction of assets. This would normally be assets of land, buildings or equipment that have a long term value to the Authority.

CAPITAL RECEIPTS - Proceeds from the disposal of land or other capital assets. Capital receipts can be used to finance new capital expenditure, but cannot be used to finance revenue expenditure.

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

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

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

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

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

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

IMPAIRMENT – An accounting adjustment to reflect loss in value of a fixed asset caused either by a consumption of economic benefits or by a general fall in price. The loss is a charge to the Comprehensive Income and Expenditure Statement when a consumption of economic benefits or, if due to revaluation, where there is insufficient balance held in the Revaluation Reserve against the particular asset.

EARMARKED RESERVES - Amounts set aside for a specific purpose to meet future potential liabilities, for which it 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 aside to meet future expenditure. Provisions are for liabilities or losses which are likely or certain to be incurred, but for which the sum is not known.

PUBLIC WORKS LOANS BOARD – A Government controlled agency that provides a source of borrowing for public authorities.

REVENUE EXPENDITURE - The day to day costs incurred by the Authority in providing services.

INVENTORIES – The amount of unused or unconsumed goods held for future use within one year. Stocks of goods held by the Authority are valued at the end of each financial year and carried forward to be matched to use when required.

2016/2017 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

- 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, 2nd Floor, 169, Union Street, London, SE1 0LL

Alternatively you can comment by e-mail by addressing your response or comments to the following e-mail address – cts@london-fire.gov.uk