LONDON FIRE AND EMERGENCY PLANNING AUTHORITY

Statement of Accounts 2014/2015

Contents

Review of the Year

The London Fire Brigade (LFB) is run by the London Fire and Emergency Planning Authority (LFEPA). We provide services across the whole of the Greater London area serving London's 8.2 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. We operate a two shift; four watch system, resulting in over 400 points of service delivery. In 2014/15 we handled just over 171,000 emergency (999) calls and attended some 95,000 incidents in London. These included around 20,000 fires, just over 28,000 special services and around 46,000 false alarms.

We are a partner in over 850 individual initiatives ranging from youth engagement through to carrying out home fire safety visits for London's most vulnerable people.

The Authority's core aims and objectives are set out in its London Safety Plan, 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 fifth Plan covers the period 2013 to 2016 and addresses budgetary requirements for the financial years 2014/15 and 2015/16. The plan can be accessed on the London Fire Brigade website - http://www.london-fire.gov.uk/lsp5.asp

Firefighter industrial action

During the financial year firefighters in the Fire Brigades Union continued to take strike action over the Government's reforms to the Firefighters' Pension Scheme and declared action short of strike until further notice. The Authority's plans to cover the periods when firefighters are on strike were implemented, which saw provision of fire cover by the Authority's retained contractor Securitas. The cost to the Authority relating to business continuity during 2014/15 due to strike action was £5.3m (2013/14 £3.2m).

Property PFI Scheme

The Authority has 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 build new fire stations at Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwell. 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.

Eight of the stations are being completely re-built on their existing sites and one station, Mitcham, has been built on a new site. The new fire station at Mitcham opened on 23 February 2015 and the station at Old Kent Road opened on 24 March 2015.

The remaining stations are due to be constructed during 2015/16, with six stations programmed to open in 2015/16 and the last station, Dockhead, due to open in early 2016/17.

Review of the Year

National Operational Guidance Programme

The National Operational Guidance programme is a partnership between the London Fire Brigade, the Chief Fire Officers Association and the Local Government Association to produce common, national, operational policy platform which local services can base local policies, procedures and training on. The aim of the programme is to develop a new catalogue of national operational doctrine for the UK fire and rescue service to deliver three core benefits:

- to provide the foundation for safe systems of work for firefighters;
- to provide the foundation for interoperability between fire and rescue services; and
- to provide the foundation for interoperability between the UK fire and rescue service and other emergency services.

As at March 2015 the programme established representative and authoritative programme boards with senior representatives from across the fire and rescue service and wider sector that have delivered nine pieces of operational guidance covering many operational areas.

It has delivered innovative research, such as the Building Research Establishment's review of fire behaviours and building attributes, to support guidance for Fires in the Built Environment and completed an 18-month review of 8,000 government legacy guidance documents, which have been reconciled and catalogued, with extant guidance published in an easily searchable online library.

It has also played a significant role in developing Government's new Interoperability Framework. Approved by Secretaries of State, this framework brings together Government departments and over 100 emergency services, military and voluntary organisations, to co-ordinate the development of operational doctrine and training for the most dangerous incidents and events, whilst sharing incident ground learnings with each other. The interoperability arrangement recognises the National Operational Guidance Programme as the responsible body for national doctrine for the fire and rescue service.

You can read more about the programme on the Authority's website by following the link below;

http://moderngov.london-fire.gov.uk/mgconvert2pdf.aspx?id=3998

Review of the Year

FIRED-uP Project

During the year London Fire Brigade continued their joint project with Ghent Fire Brigade in Belgium in an EU funded project designed to make both fire and rescue services greener. The FIRED-uP project is looking for innovative ways of reducing the environmental impact of the cities' frontline fleet of fire engines and other vehicles.

Running until August 2015, the project provides the opportunity to investigate a range of new technologies and processes – from alternative fuels to components and power management to logistics. Following initial research, the Brigade identified a number of areas for further investigation. These included on-vehicle data logging systems for fire engines which can track fuel and water consumption, emissions, use of operational systems and equipment; and software which collates and analyses this data.

Following a procurement process which took place in 2014, two companies were appointed to develop and install data collection systems on a pumping appliance based at Hammersmith. The station was selected for the pilot of the new systems being developed as part of the FIRED-uP project, which aim to improve the management of pumping appliances (fire engines) and the resources they use.

The system is being piloted to determine its suitability for broader roll-out across LFB's fleet, and to identify the benefits in terms of operations, environmental footprint and cost savings. Crews are being asked to provide feedback on their use of the system and any areas for improvement. Several other UK brigades have already expressed an interest in the system.

For more information about the FIRED-uP project and the consultation you can visit the FIRED-uP website, www.fired-up.eu

Fifth London Safety Plan (LSP5)

Following the implementation of LSP5, ten fire stations were closed and the sites have been marketed to be sold. The sale of the former fire stations at Bow, Silvertown and Woolwich completed in March 2015 and the sale of former fire station at Downham completed on 1 April 2015. The disposal of the remaining stations closed under LSP5 is on going and it is expected that these sales will complete in 2015/16.

Review of Top Management Structure

The Authority approved a new top management structure at their meeting on 26 March 2015. The new structure will produce savings of £486k in a full year and it is anticipated that £350k savings will be achieved in 2015/16 rising to the full amount in 2016/17.

The new structure will result in the establishment of three Directorates and a number of functions will report directly to the Commissioner. The three Directorates will be the Directorate of Finance and Contractual Services with a Directorate of Operations and a Directorate of Safety and Assurance. The former posts of Deputy Commissioner, Strategic Advisor to the Commissioner and the Head of Human Resources and Development were deleted with effect from 1 April 2015.

Full details of the top management review can be found on the Authority's website http://moderngov.london-fire.gov.uk/mgChooseDocPack.aspx?ID=339

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 will start trading in 2015/16 and provide consultancy services, training and other services associated with our expertise in fire. A dividend will be paid to the shareholder - The Authority - who will use it to fund projects or as part of the annual budget cycle

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

Explanatory Foreword

Introduction

The London Fire and Emergency Planning Authority (LFEPA) is part of a unique government arrangement of organisations operating under the umbrella of the 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 London Fire Brigade is run by LFEPA. The Mayor appoints all LFEPA's 17 Members and chooses one of them to be the Chairman of the Authority. Eight are nominated from the London Assembly, seven from the London Boroughs and two Mayoral appointees. The 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 and Assembly are responsible for setting the Authority's budget requirement.

The Authority's accounting statements have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, 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 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). 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 Accounting Statement;

- **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 Department for Communities and Local Government (CLG).

The Annual Governance Statement (AGS) is also published in conjunction with the Statement of Accounts. In England, the preparation and publication of the statement is in accordance with the CIPFA/SOLACE publication `Delivering good governance in Local Government framework' and is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit (England) Regulations 2011 and does not form part of the annual financial statements.

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 (£389.2m) made up of the following elements; Revenue Support Grant (£138.8m), Retained Business Rates (£112.2m) 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 31), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2014/15, shown in the table below, was £397.5m against a budgted net expenditure sum of £398m. The outturn position after application of reserves and grants was £938k more than the approved Authority budget. After the net movement from general fund and reserves (£0.3m), the Authority's General fund balance increased from £10.2m as at 31 March 2014 to £12.6m as at 31 March 2015 and the Authority's earmarked reserves decreased from £9.2m as at 31 March 2014 to £6.5m as at 31 March 2015.

The £938k over spend in year was a combination of under and over spends as set out in the table below. Business Continuity costs incurred during the year were unbudgeted and relate to the cost of the provision of fire cover whilst firefighters undertook industrial action.

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 2014/15

Service Expenditure	2014/15		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational Staff	247,424	241,680	(5,744)
Other Staff	48,906	48,462	(444)
Employee Related	22,807	23,991	1,184
Pensions	21,701	21,143	(558)
Premises	30,152	28,173	(1,979)
Transport	20,082	18,863	(1,219)
Supplies and Services	23,334	22,990	(344)
Third Party Payments	1,912	1,895	(17)
Capital Financing Costs	10,633	10,377	(256)
Central Contingency	960	237	(723)
Business Continuity	0	10,559	10,559
Revenue Service Expenditure	427,911	428,370	459
Income	(29,869)	(30,862)	(993)
Net Service Expenditure	398,042	397,508	(534)
Use of General Reserves	3,940	3,940	0
Use of Earmarked Reserves	(3,271)	(3,272)	(1)
Financing Requirement	398,711	398,176	(535)
Financed by			
Specific grants	(9,536)	(8,063)	1,473
Revenue Support Grants	(138,838)	(138,838)	-
Retained Business Rates	(112,162)	(112,162)	-
Council Tax Requirement	(138,175)	(138,175)	
Total Net Expenditure	**0**	**938**	**938**

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 2015.

The Authority's property portfolio, which is located throughout the Greater London area includes 98 operational land fire stations, including one river station, 2 Leasehold Offices, 2 workshops, 1 Stores unit, 6 sites under development, 4 surplus sites, 7 sites 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 includes cash sums invested with financial institutions on a short term basis totalling £29m.

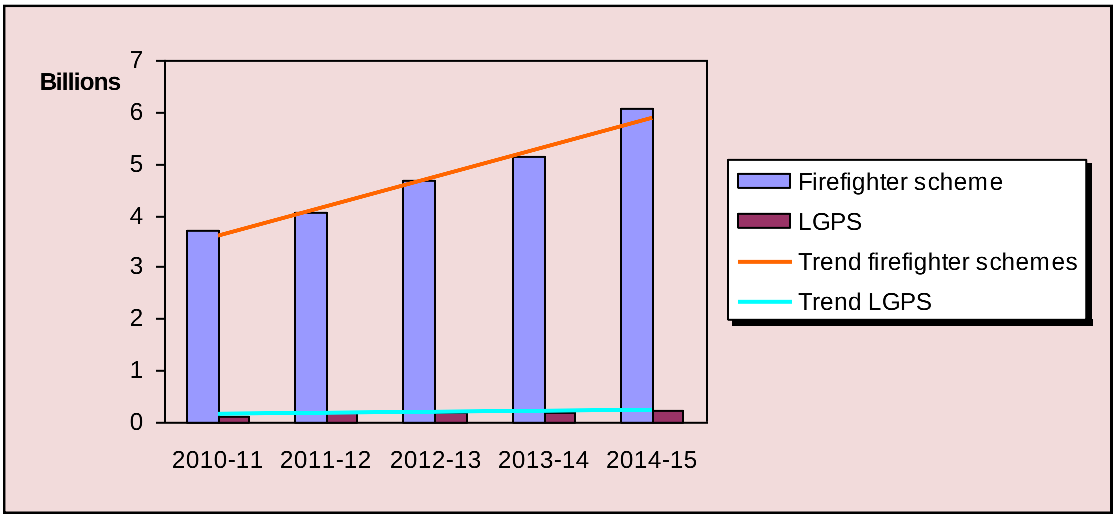
Summary Balance Sheet as at 31 March 2015	**£m**
Computer Software	4.3
Land, Buildings, Vehicles & Equipment	321.0
Assets Held for Sale	36.2
Stock	0.4
Money owed to the Authority within the next year	52.6
Money owed to the Authority after one year	0.1
Money owed by the Authority within the next year	(47.8)
Money owed by the Authority after one year	(6,422.6)
Total	(6,055.8)
Unusable Reserves	
Reserves not available for use	211.6
Pension Fund deficit	(6,293.9)
Usable Reserves	26.5
Total Net worth	(6,055.8)

Pension Funds

The Authority participates in three pension schemes that meet the needs of particular groups of employees. There are two firefighter pension schemes known as the 1992 Firefighters' Pension scheme and the 2006 New 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 2015, is £6.3bn (31 March 2014 £5.3bn). 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.

Firefighter schemes and Support staff (LGPS) Pension obligation 2010/11 to 2014/15



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.

Explanatory Foreword

In 2014/15, total spending on the capital programme for tangible and intangible assets was £39.3m, of which £28.7m was capital expenditure incurred by the Authority and £10.6m under the PFI arrangement. The spend included the rebuilding and modernising of fire stations and other buildings (£17.2m), upgrading equipment (£5.0m) and the purchase of fleet vehicles (£17.1m). Capital expenditure on Authority assets (£39.3m) is to be financed in accordance with the Prudential Code, Government capital grant (£19.5m), Capital receipts (£9.2m) and finance lease borrowing (£10.6m).

The Authority took £13m of external borrowing during the year. Settlement of maturing principal debt during 2014/15 totalled £16m. As a result, as at 31 March 2015, the level of outstanding principal debt totalled £98.725m. The average interest payable on outstanding loans as at 31 March 2015 was 4.36% (4.52% 31 March 2014).

Disposal of property during the year resulted in £14.24m of capital receipts.

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

I confirm that these accounts were approved by the Authority's Governance, Performance and Audit Committee at the meeting held on 14 September 2015.

Signed on behalf of the London Fire and Emergency Planning Authority

Maurice Heaster

Maurice Heaster OBE
Chairman of Governance, Performance and Audit Committee

Dated 14 September 2015

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 15 to 106 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 2015.

Signed

Sue Budden CPFA
Director of Finance and Contractual Services

Dated 14 September 2015

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 2015 under the Audit Commission Act 1998 (as transitionally saved). The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 36 and include the firefighters' pension fund financial statements comprising the Fund Account, the 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 2014/15.

This report is made solely to the members of London Fire and Emergency Planning Authority, as a body, in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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 12, 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.

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 2014/15 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 2015 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 2014/15.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2014/15 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 to you if:

- in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit

Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under its Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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 Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, 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 2015.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the 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.

Neil Harris
for and on behalf of Ernst & Young LLP, Appointed Auditor
Luton
16th September 2015

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 2015. 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 2011, 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 2014/15 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.

- 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.

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.

Accounting Policies

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15 (SeRCOP). The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the Authority's status as a multi-functional democratic organisation.

- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in SeRCOP and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as a part of Net Expenditure on Continuing Services.

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 2015/16 (the Code) will introduce several changes in accounting policies which will be required from 1 April 2015.

The following standards have issued but not yet adopted:

IFRS13 Fair Value Measurement

IFRIC 21 Levies

Annual Improvements to IFRS (2011-2013 Cycle)

- IFRS1: Meaning of effective IFRSs;
- IFRS3: Scope exceptions for joint ventures;
- IFRS13: Scope of portfolio exception; and
- IAS40: Clarification of the interrelationship of IFRS3 Business Combinations and IAS40 Investment Property when classifying a property as an investment property or owner-occupied property.

These changes are not considered to have a significant impact on the Authority's Statement of Accounts.

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								
	General Fund	Earmarked Reserves	Revenue grants Unapplied	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£000	£000	£000	£000	£000	£000	£000	£000	
Balance as at 1/4/13	**13,540**	**9,008**	**2,905**	**2,000**	**0**	**27,453**	**(4,679,537)**	**(4,652,084)**	
Surplus or (deficit) on provision of services (accounting basis)	(178,854)	0	0	0	0	(178,854)	0	(178,854)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(277,390)	(277,390)	4
Total Comprehensive Income and Expenditure	(178,854)	0	0	0	0	(178,854)	(277,390)	(456,244)	
Restated - Adjustments between accounting basis & funding basis under regulations	175,778	0	(665)	11,850	0	186,963	(186,963)	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(3,076)	0	(665)	11,850	0	8,109	(464,353)	(456,244)	
Transfers (to)/from Earmarked Reserves	(226)	226	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(3,302)	226	(665)	11,850	0	8,109	(464,353)	(456,244)	
Balance as at 31/3/14	**10,238**	**9,234**	**2,240**	**13,850**	**0**	**35,562**	**(5,143,890)**	**(5,108,328)**	
Surplus or (deficit) on provision of services (accounting basis)	(168,747)	0	0	0	0	(168,747)	0	(168,747)	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(778,743)	(778,743)	4
Total Comprehensive Income and Expenditure	(168,747)	0	0	0	0	(168,747)	(778,743)	(949,490)	
Adjustments between accounting basis & funding basis under regulations	168,478	0	606	(13,850)	4,522	159,756	(159,756)	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(269)	0	606	(13,850)	4,522	(8,991)	(938,499)	(947,490)	
Transfers (to)/from Earmarked Reserves	2,686	(2,686)	0	0	0	0	0	0	7
Increase/(Decrease) in Year	2,417	(2,686)	606	(13,850)	4,522	(8,991)	(938,499)	(947,490)	
Balance as at 31/3/15	**12,655**	**6,548**	**2,846**	**0**	**4,522**	**26,571**	**(6,082,389)**	**(6,055,818)**	

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 2014			**Division of Service**	31 March 2015			
Gross Exp	**Gross Income**	**Net Exp**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	
£000	£000	£000		£000	£000	£000	Note
55,617	(5,851)	49,766	Community fire safety	51,051	(5,585)	45,466	
336,694	(30,658)	306,036	Fire fighting and rescue operations	324,153	(33,007)	291,146	
1,676	(94)	1,582	Fire service emergency planning and civil defence	1,538	(119)	1,419	
			Central Services				
2,046	0	2,046	Corporate and Democratic Core	1.870	0	1,870	
1,125	0	1,125	Non Distributed Costs	1,097	0	1,097	
397,158	**(36,603)**	**360,555**	**Cost of services**	**379,709**	**(38,711)**	**340,998**	19
16,603	(1,200)	**15,403**	Other operating expenditure	13,528	(21,980)	**(8,452)**	3
7,208			Interest payable and similar charges	7,162			
	(609)		Interest and investment income		(377)		
210,400			Firefighter pensions net Interest on the net defined benefit liability	221,100			
8,724			Support staff pension net interest on the net defined benefit liability	7,616			
226,332	(609)	**225,723**	**Financing and Investment Income and Expenditure**	235,878	(377)	**235,501**	
	(400,770)		GLA Grant		(389,175)		23
	(3,287)		PFI Grant		(466)		23
	(18,770)		Fire Capital Grant		(9,659)		23
		(422,827)	**Taxation and Non-Specific Grant Income**			**(399,300)**	
		178,854	**(Surplus) or Deficit on Provision of Services**			**168,747**	
(677)			Surplus on revaluation of non-current assets	(57)			
88			Impairment losses on non-current assets charged to revaluation reserve	497			
277,979			Remeasurement of the net defined benefit liability	778,303			
		277,390	**Other Comprehensive Income and Expenditure**			778,743	4
		456,244	**Total Comprehensive Income and Expenditure**			**947,490**	

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 2014			31 March 2015		Note
£000	£000		£000	£000	
		Property, Plant & Equipment			
78,990		Land	78,780		
201,549		Buildings	206,811		
7,520		Vehicles, Plant and Equipment	23,747		
12,814		Non Operational Assets	10,440		
1,198		Heritage Assets	1,198		
	302,071			**320,976**	9
	5,535	**Intangible Assets**		**4,269**	9
	58	Long Term Debtors		**63**	13
	307,664	**Long Term Assets**		**325,308**	
32,813		Assets held for sale	36,215		9
0		Short Term Investments	0		10
497		Inventories	399		12
19,743		Short Term Debtors	25,503		13
42,098		Cash and Cash Equivalents	27,167		14
	95,151	**Current Assets**		**89,284**	
(6,120)		Short Term Borrowing	(6,104)		10
(41,467)		Short Term Creditors	(37,522)		15
(3,752)		Provisions	(3,661)		16
0		Short Term Liabilities	(527)		27
	(51,339)	**Current Liabilities**		**(47,814)**	
(2,630)		Provisions	(2,622)		16
(96,497)		Long Term Borrowing	(93,533)		11
(5,360,677)		Other Long Term Liabilities	(6,326,441)		26
	(5,459,804)	**Long Term Liabilities**		**(6,422,596)**	
	(5,108,328)	**Net Assets**		**(6,055,818)**	
35,562		Usable Reserves		26,571	
(5,143,890)		Unusable Reserves		(6,082,389)	18
	(5,108,328)	**Total Reserves**		**(6,055,818)**	

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 2015	31 March 2014
		£000	£000
Net (Surplus) or Deficit on the Provision of Services		**168,338**	**178,854**
Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	34	(185,890)	(195,065)
Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities		19,156	19,970
Net cash flows from Operating Activities		**1,604**	**3,759**
Investing Activities	36	10,315	(14,767)
Financing Activities	36	3,012	2,250
Net (Increase) or Decrease in Cash and Cash Equivalents		**14,931**	**(8,758)**
Cash and cash equivalents at the beginning of the period		(42,098)	(33,340)
Cash and Cash Equivalents at the End of Period		(27,167)	(42,098)

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:

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 is to be remarketed and is classed as an operational property given its continued use as an operational fire station, rather than an asset held for sale.

Property PFI project

The Authority has entered into a PFI agreement to re provide nine new fire stations over a three year period. Eight of the stations are to be re provided on existing sites with one on a new site. The agreement requires the Authority to provide access, under a lease and lease back arrangement, to the various sites as and when the building works are due to take place. The stations concerned will be non operational during the period of construction and become operational under a lease agreement once the new stations are completed. Therefore the sites concerned have been reclassified in the financial accounts from operational to non-operational non current assets. The stations will revert back to Authority ownership at the end of the lease period of twenty five years. Ownership of the land at each site remains with the Authority.

The stations at Mitcham and Old Kent Road have been completed and become operational in 2014/15. They have been valued by the Authority's valuer and included on the balance sheet using Depreciated Replacement Cost.

Fifth London Safety Plan (LSP5)

The sites closed following the implementation of LSP5 that have not been sold have been valued at 31st March 2015 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 2014/15. 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'.

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 CLG 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	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 2015 is £325,245k	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £925k for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters scheme) to provide the Authority with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2015 is £6,293,941k.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 2% increase in the pension liability, in the region of £116.9m. 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 31

3. Material items of Income and Expense

The Authority collected £22.7m from the Insurance industry under the Metropolitan Fire Brigade Act 1865. This is shown 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

Other operating expenditure	2013/14 £000	2014/15 £000
Non current assets impairment	12,422	6,380
Non current assets derecognised	2,747	3,295
Non current assets – disposed in year	1,432	3,831
Foreign exchange losses	2	22
Sub total	16,603	13,528
Sale proceeds received in year	(1,200)	(14,240)
Reversal of impairment charged in 2013/14	0	(7,740)
CIES - Other operating expenditure/(income)	15,403	(8,452)

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	2013/14 £000	2013/14 £000	2014/15 £000	2014/15 £000
Gain on the revaluation of Property assets	(676)		(57)	
Loss on the revaluation of Property assets	87		497	
Surplus on revaluation of non current assets		(589)		440
Actuarial losses on Firefighter pension liabilities	303,500		728,400	
Actuarial losses on LGPS pension assets/liabilities	(25,521)		49,303	
Actuarial (gains)/losses on pension assets/liabilities		277,979		778,303
Total Other Comprehensive Income and Expenditure		277,390		778,743

5. Events after the Balance Sheet date

Fifth London Safety Plan (LSP5) Disposals

During 2014/15 the Authority sold three of the ten fire stations it closed in January 2014 as part of savings under LSP5.On 1 April 2015 Downham fire station was sold.

The remaining six stations are in the process of being marketed for sale with five sales expected to be completed during 2015/16 with the sale of Southwark expected in 2016/17 pursuant to a subject to planning deal. The overall disposal process has been subject to direction from the Mayor with specific directions subsequently made in respect of the Bow, Silvertown and Southwark sites. The Authority has a potential claim against it relating to elements of the disposal of the Bow site.

Firefighter pensions back dated Lump sum payments

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Firefighters Pension Scheme 1992 cases where pension entitlements were drawn between 1 December 2001 and 22 August 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the necessary payments by April 2016. There has therefore been no impact on the financial statements for 2014/15.

Accounts Authorised

The accounts were authorised for issue by Sue Budden, Director of Finance and Contractual services, on 14 September 2015 and post balance sheet events have been considered up to this date.

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.

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	15,255	0	0	0	15,255	(15,255)
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	(14,240)	0	0	14,240	0	0
De-recognition of non current assets	3,295	0	0	0	3,295	(3,295)
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	(5,894)	0	0	0	(5,894)	5,894
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	3,832	0	0	0	3,832	(3,832)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	176,913	0	0	0	176,913	(176,913)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(9,659)	0	9,659	0	0	0
Application of capital grants, receipts and contributions to capital financing transferred to the Capital Adjustment Account	0	0	(23,509)	(9,718)	(33,227)	33,227
Transfer to Revenue Grants Unapplied Account	(606)	606	0	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	(5,306)	0	0	0	(5,306)	5,306
Adjustment due to Accumulated Absences, current year charge	4,888	0	0	0	4,888	(4,888)
Total Adjustments	**168,478**	**606**	**(13,850)**	**4,522**	**159,756**	**(159,756)**

Notes to Core Accounting Statements

The following table provides comparative figures for 2013/14.

2013/14	Usable reserves				Unusable Reserves
Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Revenue Grants Unapplied	Capital Grants Unapplied	Total Usable Reserves	Total Unusable Reserves
	£000	£000	£000	£000	£000
Depreciation, amortisation and impairment of fixed assets	26,387	0	0	26,387	(26,387)
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	(1,200)	0	0	(1,200)	1,200
De-recognition of non current assets	2,835	0	0	2,835	(2,835)
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	(5,883)	0	0	(5,883)	5,883
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	1,433	0	0	1,433	(1,433)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	170,927	0	0	170,927	(170,927)
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	(18,770)	0	18,770	0	0
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	0	0	(6,920)	(6,920)	6,920
Transfer to Revenue Grants Unapplied Account	665	(665)	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	(5,922)	0	0	(5,922)	5,922
Adjustment due to Accumulated Absences, current year charge	5,306	0	0	5,306	(5,306)
Total Adjustments	**175,778**	**(665)**	**11,850**	**186,963**	**(186,963)**

7. Transfers to/from Earmarked Reserves

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

Ear marked Reserves	Balance as at 31/3/2015	Transfers Out	Transfers In	Balance as at 31/3/2014	Transfers Out	Transfers In	Balance as at 31/03/2013
	£000	£000	£000	£000	£000	£000	£000
Firefighter Ill Health Pensions	652	0	0	652	0	0	652
Vehicle Fleet reserve	460	(1,263)	0	1,723	0	1,092	631
London Resilience	1,497	0	0	1,497	0	0	1,497
Sustainability Reserve	235	0	0	235	0	0	235
Hydrants	264	(74)	0	338	(445)	500	283
Compensation	1,000	(150)	1,000	150	(1,350)	1,500	0
Hazardous Material Protection	428	(7)	0	435	0	0	435
Property	220	(40)	0	260	(109)	250	119
National Operational Guidance	1,045	(2,331)	0	3,376	(907)	0	4,283
Property PFI	219	(26)	0	245	0	0	245
Salix	0	(195)	0	195	0	81	114
Review of workwear	128	0	0	128	0	128	0
Pension Early Release	400	0	400	0	(514)	0	514
Total	**6,548**	**(4,086)**	**1,400**	**9,234**	**(3,325)**	**3,551**	**9,008**

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 2014/15 was £5.89m (2013/14 £5.88m), being assessed by the Authority as being prudent given CLG 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 deminimis 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.

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.

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
Software and software licences	5 to 7 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 deprecation is charged in the year of disposal.

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 2012/13, the non-current tangible assets of the Authority were re-valued which has resulted in the trigger of the component accounting requirements, which will effect 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.

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.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell. 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.

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.

Notes to Core Accounting Statements

The table below shows the movements in the Authority's Non Current Assets during 2014/15:

Non Current Assets	Operational				Non Operational 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 1/4/14	78,990	201,549	225	7,295	12,814	1,198	32,813	334,884
Add back Depreciation	0	72,781	15	25,353	0	0	14,256	112,405
Gross Value as at 1/4/14	**78,990**	**274,330**	**240**	**32,648**	**12,814**	**1,198**	**47,069**	**447,289**
Reclassification	2,246	6,395	0	262	(8,903)	0	0	0
Revaluation	0	0	0	0	56	0	7,740	7,796
De-recognition - other	0	(5,838)	0	0	0	0	0	(5,838)
Impairments	(2,456)	(3,402)	0	0	0	0	(522)	(6,380)
Additions in year	0	14,365	19,490	3,343	6,706	0	(40)	43,864
Disposals in year	0	0	0	0	(55)	0	(4,898)	(4,953)
Gross value as at 31/3/15	**78,780**	**285,850**	**19,730**	**36,253**	**10,618**	**1,198**	**49,349**	**481,778**
Accumulated Depreciation as at 1.4..2014	0	(72,781)	(15)	(25,353)	0	0	(14,256)	(112,405)
Disposals in year	0	0	0	0	0	0	1,122	1,122
Reclassification	0	178	0	0	(178)	0	0	0
De-recognition - other	0	2,047	0	0	0	0	0	2,047
Depreciation for year	0	(8,483)	(3,982)	(2,886)	0	0	0	(15,351)
Total Depreciation as at 31/3/15	**0**	**(79,039)**	**(3,997)**	**(28,239)**	**(178)**	**0**	**(13,134)**	**(124,587)**
Net Book Value as at 31/3/2015	**78,780**	**206,811**	**15,733**	**8,014**	**10,440**	**1,198**	**36,215**	**357,191**

Notes to Core Accounting Statements

The table below shows the comparative movements in the Authority's Non Current Assets during 2013/14:

Non Current Assets	Operational				Non Operational 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 1/4/13	98,674	238,923	73	9,585	5,766	1,198	0	354,219
Add back Depreciation	0	78,306	0	22,893	0	0	0	101,199
Gross Value as at 1/4/13	**98,674**	**317,229**	**73**	**32,478**	**5,766**	**1,198**	**0**	**455,418**
Reclassification	(16,717)	(31,844)	0	68	1,424	0	47,069	0
Revaluation	0	676	0	0	0	0	0	676
De-recognition – other	0	(3,964)	0	0	0	0	0	(3,964)
Impairments	(2,622)	(9,800)	0	0	0	0	0	(12,422)
Additions in year	0	3,610	167	102	5,624	0	0	9,503
Disposals in year	(345)	(1,577)	0	0	0	0	0	(1,922)
Gross value as at 31/3/14	**78,990**	**274,330**	**240**	**32,648**	**12,814**	**1,198**	**47,069**	**447,289**
Accumulated Depreciation as at 1 April 2013	0	(78,306)	0	(22,893)	0	0	0	(101,199)
Disposals in year	0	489	0	0	0	0	0	489
Reclassification	0	14,256	0	0	0	0	(14,256)	0
De-recognition – other	0	1,129	0	0	0	0	0	1,129
Depreciation for year	0	(10,349)	(15)	(2,460)	0	0	0	(12,824)
Total Depreciation as at 31/3/14	**0**	**(72,781)**	**(15)**	**(25,353)**	**0**	**0**	**(14,256)**	**(112,405)**
Net Book Value as at 31/3/2014	**78,990**	**201,549**	**225**	**7,295**	**12,814**	**1,198**	**32,813**	**334,884**

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 2013, in accordance with the Sixth Edition of the Valuation Standards of the Royal Institution of Chartered Surveyors (the 'Red Book'). In their report dated 26 June 2013 in that connection, Dron and Wright confirmed the information set out below.

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). This departure from the Red Book 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.
- 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 rationalise the services which are provided from the property.
- LFEPA own a significant number of nationally or locally listed buildings in central London locations, and it would not have been viable to purchase a replacement asset, in the context of the market conditions prevailing at the valuation date.

The EUV of non-specialised operational properties have been assessed by reference to sales comparisons and market variables. The EUV's are likely to be different to the prices which would have been obtainable for LFEPA's interests in the properties in the open market, if they had been declared surplus to operational requirements, at the valuation date.

Since then, a valuation review has been undertaken by Dron & Wright, who do not consider that as at 1st April 2015, there has been a 'material and permanent' change in the valuation of the property portfolio since the valuation undertaken on 1st April 2014. In their report Dron & Wright also provided the following information for the Authority to disclose:-

1. This is the fifth time that the Valuer has been the signatory of the valuation report provided to LFEPA, and the previous valuation dates were 1st April 2003, 1st April 2008, 1st April 2013 and 1st April 2014. This is the sixth 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 Valuation Standard 1.9, we do not consider that it has prevented us from providing LFEPA with an independent and objective opinion on the values of its various properties.

2. This firm has acted for LFEPA for a period of over 19 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, fees payable to Dron & Wright 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. above, in the foreseeable future.

Based on advice which has been provided to the Authority by Dron & Wright, in connection with the estimated disposal proceeds (EDP) for the LSP5 former fire stations, Officers have included an amount for the 'assets held for sale' in the balance sheet which is considered to be appropriate for our financial reporting purposes.

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 2014/15. 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.

In March 2015 the Authority disposed of Silvertown, Bow and Woolwich Fire stations, which had been classified as assets held for sale.

Vehicles

The Authority terminated the contract with the previous provider in November 2012 and appointed Babcock to manage and maintain the fleet on an interim basis. In 2013/14 the fleet vehicles were owned by the Bank of Scotland and the Authority leased the fleet from the bank under an operating lease. The lease was discharged in April 2014, at which point the Authority took ownership of the fleet.

In April 2014 the Authority also took ownership from the Department for Communities and Local Government of New Dimension vehicles and equipment. These vehicles are available for national deployment and include specialist vehicles and equipment such as high volume pumps and mass de-contamation 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 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

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 1/4/14	2,411	1,473	3,884	1,052	599	1,651
Amortised	(936)	(329)	(1,265)	0	0	0
Additions	111	(12)	99	0	86	86
Reclassification	0	253	253	0	(253)	(253)
Abortive capital expenditure	0	0	0	0	(186)	(186)
Net Value as at 31/3/15	**1,586**	**1,385**	**2,971**	**1,052**	**246**	**1,298**

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. The Authority's Heritage Assets are housed in the Authority's London Fire Brigade Museum located at Southwark and are the collection which 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 a Local Authority 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.

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	31/3/14		31/3/15	
	Long Term	Current	Long Term	Current
Borrowings	£000	£000	£000	£000
PWLB & Local Authority Borrowing	95,725	6,000	92,725	6,000
PWLB & Local Authority Accrued Interest	772	120	808	104
Total borrowings	**96,497**	**6,120**	**93,533**	**6,104**
PFI and finance lease liabilities	18,425	0	28,520	528
Total Other Long term liabilities	**18,425**	**0**	**28,520**	**528**
Creditors	0	19,041	0	17,064
TOTAL	**114,922**	**25,161**	**122,053**	**23,696**

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	58	16,397	63	21,208
Cash Equivalents	0	42,098	0	27,167
TOTAL	**58**	**58,495**	**63**	**48,375**

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:

2013/14 £000	Financial Instruments Income & Expenditure	2014/15 £000
(7,208)	Interest expense	(7,162)
609	Interest income	377
(6,599)	**Net gain/(loss) for the year**	**(6,785)**

2013/14 £000	Financial Instruments Income & Expenditure	2014/15 £000
(4,649)	PWLB borrowing	(4,391)
(25)	Local Authority borrowing	(104)
0	PFI lease interest & contingent rentals	(60)
(2,534)	Merton Lease Payment	(2,607)
(7,208)	**Total Interest expense**	**(7,162)**

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:

31/3/2014		Liabilities & Assets	31/3/2015	
Carrying amount	Fair Value		Carrying amount	Fair value
£000	£000		£000	£000
101,725	117,915	PWLB & Local Authority debt	98,725	125,189
18,425	18,425	PFI & Other Finance Leases	29,048	29,048
19,041	19,041	Trade and other creditors	17,064	17,064
139,191	**155,381**	**Total Liabilities**	**144,837**	**171,301**
0	0	Fixed term deposits	0	0
16,397	16,397	Trade and other debtors	21,208	21,208
58	58	Long term debtors	63	63
42,098	42,098	Cash & Cash Equivalents	27,167	27,167
58,553	**58,553**	**Total Assets**	**48,438**	**48,438**

The fair value valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in todays 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 2015, using bid prices where applicable.

The fair value of fixed term deposits includes accrued interest as at the balance sheet date. Interest is calculated using the most common market convention, ACT/365. 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

- 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. Quarterly reports on the treasury management performance are submitted to the Resources Committee for scrutiny, who may then advise the Authority accordingly as part of its progress report 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 and investment requirements. Investments are managed through a Group Investment Syndicate. The annual treasury management strategy for 2014/15 which incorporates the prudential indicators and investment strategy was approved by Authority on 27 March 2014 and is available on the Authority website (FEP2227).

http://moderngov.london- fire.gov.uk/mgChooseDocPack.aspx?ID=226

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2014/15 was set at £195m with an Operational Borrowing Limit of £190m. 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. The day to day management of the Authority's treasury activities are undertaken by the Greater London Authority's treasury team managed under a shared service agreement.

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) assert that the following limits shall not be exceeded:

For Specified Investments	• 30% per non UK country
	• 15% per institution (100% Debt Management Office)
	• 50% overall limit to local authorities • 100% GLA Group Investment Syndicate
	• 25% overall limit to building societies
Loan Maturity/Time Limits	• No portfolio transaction maturing over 365 days
	• A maximum of 50% of aggregate portfolio transactions maturing over 3 months
	• A maximum of 90% of aggregate portfolio transactions maturing over 1 month
Transaction Limits	• No single loan to banks to exceed £10m
	• No single loan to building societies to exceed £5m (except Nationwide BS which is £10m)

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 of £10m 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 at the 31 March 2015 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 and LFEPA through their respective chief financial officers.

The Authority's cash balances averaged £63.8m for the year 2014/15 and attracted interest of £377k. The closing investment position on the GIS, as of 31 March 2015, was £26m with a Weighted Average Maturity of 58days. Including a sum held on a Nat West Call account (£3m) the total investment position as at 31 March 2015 was £29m. Cumulative performance for the year was 0.59% versus the LIBID benchmark of 0.43% (gross outperformance of 0.16%).

No breaches of the Authority's counterparty criteria occurred during the reporting period and 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:

31/3/2014 £000	**Maturity analysis**	31/3/2015 £000
6,000	Within 1 year	6,000
6,000	Between 1 and 2 years	14,000
23,000	Between 2 and 5 years	18,000
20,000	Between 5 and 10 years	22,500
46,725	More than 10 years	38,225
101,725	**Total**	**98,725**

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.

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 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 /3/14	Actual 31 /3/15
Less than 1 year	20 %	0 %	6%	7%
Between 1 and 2 years	20 %	0 %	6%	7%
Between 2 and 5 years	50 %	0 %	19%	19%
Between 5 and 10 years	75 %	0 %	21%	18%
More than 10 years	90 %	25 %	48%	49%

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:

i. Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise

ii. Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances)

iii. Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise

iv. Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

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

11. Long-Term Borrowing

Long-term Borrowing	31/3/2014	31/3/2015
The sources are:	£000	£000
Public Works Loan Board	90,725	84,725
Local Authority	5,000	8,000
Total	95,725	92,725
These loans mature as follows:		
Between 1 and 2 years	6,000	14,000
Between 2 and 5 years	23,000	18,000
Between 5 and 10 years	20,000	22,500
Between 10 and 15 years	17,225	10,725
More than 15 years	29,500	27,500
	95,725	92,725
Add accrued interest	772	808
Total	**96,497**	**93,533**

12. Inventories

The Authority held a stock value of £497k at the start of the year. The value reduced to £399k as at 31st March 2015, following the issue of stock items during the year.

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 31/3/14	Advanced During year	Repaid During the year	Outstanding At 31/3/15
	£000	£000	£000	£000
Car Loans	58	63	58	63

Short Term Debtors

These include:

31/3/2014 £000	**Debtors**	31/3/2015 £000
11,775	Government departments - DCLG	15,194
1,922	Government departments - other	2,832
202	Local authorities	334
166	Rents	263
4,048	Sundry debtors	5,059
204	Employee Loans	218
2,163	Payments in advance	2,579
20,480	Sub Total	26,479
(737)	*Less:* Provision for doubtful debts (Sundry Debtors)	(976)
19,743	**Total**	**25,503**

Provision for Doubtful Debts

Following a review of the particular circumstances and profile of the Authority's debtors, the general provision of £737 brought forward from 2013/14 to safeguard against future losses or non-recoveries has been increased, as at 31 March 2015, by £239k to £976k. The aged debt analysis below shows that £1,430k of the total outstanding debt is past its due date for payment. The £253k for the Metropolitan Fire Brigade Act Levy greater than 2 years relates to an administration cases. 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.

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	48	110	306	42	184	227	917
MFB Act levy	253	8	0	0	0	0	261
Third party claims	139	26	65	0	8	14	252
Total	**440**	**144**	**371**	**42**	**192**	**241**	**1,430**

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/ 2014	**Cash and Cash Equivalents**	31/3/2015
£000		£000
92	Cash held by the Authority	97
(1,576)	Bank Current Accounts	(2,209)
43,582	Short term deposits held on demand	29,279
0	Short term deposits with maturity of 3 months or less	0
42,098	**Total Cash and Cash Equivalents**	**27,167**

15. Creditors

31/3/2014	Creditors	31/3/2015
£000		£000
7,897	Government Departments - HMRC	7,144
223	Government Departments - other	46
1,698	Local Authorities	331
11,814	Sundry creditors	11,760
0	Deferred income	484
5,306	Accumulated Absences	4,888
14,529	Receipts in advance	12,869
41,467	**Total**	**37,522**

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.

31/3/2014			Summary of provisions	31/3/2015		
Current	Long term	Total		Current	Long term	Total
£000	£000	£000		£000	£000	£000
2,788	0	2,788	Legal	2,695	0	2,695
59	0	59	Employees	334	0	334
480	1,052	1,532	Motor Insurance	540	900	1,440
0	0	0	Pensions	92	0	92
425	1,262	1,687	Property	0	1,576	1,576
0	146	146	Insurance Levy	0	146	146
0	170	170	PFI Vehicles	0	0	0
3,752	**2,630**	**6,382**	**Total**	**3,661**	**2,622**	**6,283**

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.

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.

31/3/2014	Unusable Reserves	31/3/2015
£000		£000
78,523	Revaluation Reserve	76,584
121,618	Capital Adjustment Account	139,855
(5,338,725)	Pensions Reserve	(6,293,941)
(5,306)	Accumulated Absences Account	(4,887)
(5,143,890)	**Total Unusable Reserves**	**(6,082,389)**

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. The balance 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.

2013/14		Revaluation Reserve	2014/15	
£000	£000		£000	£000
	80,587	Balance as at 1 April		78,523
676		Upward revaluation of assets	56	
(88)		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(503)	
	588	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(447)
(1,985)		Difference between fair value depreciation and historical cost depreciation	(1,048)	
(667)		Accumulated gains on assets sold or scrapped	(444)	
	(2,652)	Amount written off to the Capital Adjustment Account		(1,492)
	78,523	**Balance as at 31 March**		**76,584**

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.

2013/14	2013/14	**Capital Adjustment Account**	2014/15	2014/15
£000	£000		£000	£000
	135,617	Balance at 1 April		121,618
(24,488)		Charges for depreciation and impairment of non current and intangible assets	(14,202)	
(3,513)		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	(6,684)	
	(28,002)			(20,886)
1,200		Use of Capital Receipts to finance new capital expenditure	9,719	
5,421		Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing	9,659	
1,500		Application of grants to capital financing from the Capital Grants unapplied Account	13,850	
5,882		Statutory provision for the financing of capital investments charged against the General Fund	5,895	
	14,002			39,123
	121,618	**Balance at 31 March**		**139,855**

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.

2013/14	**Pensions Reserve**	2014/15
£000		£000
(4,889,819)	Balance at 1 April	(5,338,725)
(277,979)	Actuarial gains or losses on pensions assets and liabilities	(778,303)
(336,154)	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	(343,571)
165,227	Employer's pensions contributions and direct payments to pensioners payable in the Year	166,658
(5,338,725)	**Balance at 31 March**	**(6,293,941)**

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.

2013/14		**Accumulated Absences Account**	2014/15	
£000	£000		£000	£000
	(5,922)	Balance at 1 April		(5,306)
5,922		Settlement or cancellation of accrual made at the end of the preceding year	5,306	
(5,306)		Amounts accrued at the end of the current year	(4,887)	
	616	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		419
	(5,306)	**Balance at 31 March**		**(4,887)**

19. Amounts Reported for Resource Allocation Decisions

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 following tables show the financial outturn in a subjective format as presented in end of year outturn management reports. These figures have been reconciled back to the Best Value format shown in the Authority's Comprehensive Income and Expenditure Statement. The tables also show comparative figures and reconciliation for the previous year.

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

Notes to Core Accounting Statements

Service Expenditure	2014/15		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational Staff	247,424	241,680	(5,744)
Other Staff	48,906	48,462	(444)
Employee Related	22,807	23,991	1,184
Pensions	21,701	21,143	(558)
Premises	30,152	28,173	(1,979)
Transport	20,082	18,863	(1,219)
Supplies and Services	23,334	22,990	(344)
Third Party Payments	1,912	1,895	(17)
Capital Financing Costs	10,633	10,377	(256)
Central Contingency	960	237	(723)
Business Continuity	0	10,559	10,559
Revenue Service Expenditure	427,912	428,370	459
Income	(29,869)	(30,862)	(993)
Net Service Expenditure	398,042	397,508	(534)
Use of General Reserves	3,940	3,940	0
Use of Earmarked Reserves	(3,271)	(3,272)	(1)
Financing Requirement	398,711	398,176	(535)
Financed by			
Specific grants	(9,536)	(8,063)	1,473
Revenue Support Grants	(138,838)	(138,838)	-
Retained Business Rates	(112,162)	(112,162)	-
Council Tax Requirement	(138,175)	(138,175)	
Total Net Expenditure	**0**	**938**	**938**

Notes to Core Accounting Statements

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2014/15 £000
Net Service Expenditure in the above analysis	397,508
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(43,806)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(12,704)
Net Cost of services in Comprehensive Income and Expenditure Statement	**340,998**

The table below shows the amounts adjusted between management reporting analysis and the Deficit on provision of Services shown in the Comprehensive Income and

Reconciliation to subjective analysis 2014/15	**Service Analysis**	Amounts not included in analysis but included in CIES	Amounts included in analysis but not included in CIES	**Net Cost of Services**	Corporate Amounts	**TOTAL**
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	**(30,484)**	0	(25)	**(30,509)**	0	**(30,509)**
Interest & Investment Income	**(377)**	0	377	**0**	(377)	**(377)**
Government Grants & Contributions	**0**	(8,202)	0	**(8,202)**	(421,280)	**(429,482)**
Sub Total	**(30,861)**	(8,202)	352	**(38,711)**	(421,657)	**(460,368)**
Total Income	**(30,861)**	(8,202)	352	**(38,711)**	(421,657)	**(460,368)**
Staff Costs	**300,700**	(302)	0	**300,398**	0	**300,398**
Other Staff Related	**23,991**	(418)	0	**23,573**	7,616	**31,189**
Firefighters Pension Expenditure	**21,143**	(51,500)	0	**(30,357)**	221,100	**190,743**
Premises	**28,173**	0	(2,607)	**25,566**	0	**25,566**
Transport	**18,863**	0	0	**18,863**	0	**18,863**
Supplies & Services	**22,990**	0	0	**22,990**	0	**22,990**
Third Party Payments	**1,895**	0	0	**1,895**	0	**1,895**
External Financing Costs	**10,377**	0	(10,449)	**(72)**	7,162	**7,090**
Contingency	**237**	0	0	**237**	0	**237**
Depreciation, Amortisation & Impairments	**0**	16,616	0	**16,616**	13,528	**30,144**
Total Expenditure	**428,369**	(35,604)	(13,056)	**379,709**	249,406	**629,115**
Surplus/deficit on the provision of service	**397,508**	**(43,806)**	**(12,704)**	**340,998**	**(172,251)**	**168,747**

Expenditure Statement.

Service Expenditure	2013/14		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational Staff	261,878	259,950	(1,928)
Other Staff	48,974	48,777	(197)
Employee Related	5,574	7,569	1,995
Pensions	20,468	19,735	(733)
Premises	30,150	29,012	(1,138)
Transport	23,634	22,200	(1,434)
Supplies and Services	41,438	41,798	360
Third Party Payments	1,506	1,452	(54)
Capital Financing Costs	10,900	10,556	(344)
Central Contingency	1,034	0	(1,034)
Business Continuity	0	3,959	3,959
Revenue Service Expenditure	445,556	445,008	(548)
Income	(28,929)	(29,557)	(628)
Net Service Expenditure	416,627	415,451	(1,176)
Use of General Reserves	(523)	(523)	0
Use of Earmarked Reserves	(2,602)	(2,602)	0
Financing Requirement	413,502	412,326	(1,176)
Financed by			
Specific grants	(12,731)	(11,607)	1,124
Revenue Support Grants	(163,500)	(163,500)	-
Retained Business Rates	(108,900)	(108,900)	-
Council Tax Requirement	(128,371)	(128,371)	
Total Net Expenditure	**0**	**(52)**	**(52)**

Reconciliation of Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	2013/14
	£000
Net Service Expenditure in the above analysis	415,451
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the analysis	(42,415)
Amounts included in the analysis not included in the Comprehensive Income and Expenditure Statement	(12,481)
Net Cost of services in Comprehensive Income and Expenditure Statement	**360,555**

Reconciliation to subjective analysis 2013/14	**Service Analysis**	Amounts not included in analysis but included in CIES	Amounts included in analysis but not included in CIES	**Net Cost of Services**	Corporate Amounts	**TOTAL**
	£000	£000	£000	£000	£000	£000
Fees, charges & other service income	**(28,948)**	0	0	**(28,948)**	0	**(28,948)**
Interest & Investment Income	**(609)**	0	609	**0**	(609)	**(609)**
Government Grants & Contributions	**0**	(7,655)	0	**(7,655)**	(424,027)	**(431,682)**
Sub Total	**(29,557)**	(7,655)	609	**(36,603)**	(424,636)	**(461,239)**
Total Income	**(29,557)**	(7,655)	609	**(36,603)**	(424,636)	**(461,239)**
Staff Costs	**312,686**	203	0	**312,889**	0	**312,889**
Other Staff Related	**7,569**	(616)	0	**6,953**	8,724	**15,677**
Firefighters Pension Expenditure	**19,735**	(48,400)	0	**(28,665)**	210,400	**181,735**
Premises	**29,012**	0	(2,534)	**26,478**	0	**26,478**
Transport	**22,200**	0	0	**22,200**	0	**22,200**
Supplies & Services	**41,798**	0	0	**41,798**	0	**41,798**
Third Party Payments	**1,452**	0	0	**1,452**	0	**1,452**
External Financing Costs	**10,556**	0	(10,556)	**0**	7,208	**7,208**
Depreciation, Amortisation & Impairments	**0**	14,053	0	**14,053**	16,603	**30,656**
Total Expenditure	**445,008**	(34,760)	(13,090)	**397,158**	242,935	**640,093**
Surplus/deficit on the provision of service	**415,451**	**(42,415)**	**(12,481)**	**360,555**	**(181,701)**	**178,854**

20. Members' Allowances

Corporate and Democratic Core costs include payments of £139,005 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 Chairman 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:

2013/14 £	Summary of Members' Payments	2014/15 £
137,588	Basic & Special Allowances	127,406
3,777	Travel & Subsistence	3,089
2,974	Conference Fees	1,975
7,323	Employers National Insurance	5,825
151,662	**Total**	**138,295**

The table below shows totals of Basic and SRA paid for LFEPA Members in the period 1 April 2014 to 31 March 2015.

Member	Basic	SRA	Total
	£	£	£
Ali, Liaquat	7,750.00	0.00	7,750.00
Arbour, Tony	0.00	0.00	0.00
Bacon, Gareth	0.00	0.00	0.00
Cartwright, David	7,750.00	0.00	7,750.00
Cleverly, James	0.00	26,000.00	26,000.00
Dismore, Andrew	0.00	0.00	0.00
Fisher, Mike	7,750.00	0.00	7,750.00
Hall, Susan	7,750.00	0.00	7,750.00
Hayward Sarah	7,750.00	7,500.00	15,250.00
Heaster, Maurice	7,750.00	7,500.00	15,250.00
Hopkins Jack	7,750.00	0.00	7,750.00
Johnson, Darren	0.00	0.00	0.00
Knight, Stephen	0.00	0.00	0.00
Morrison, Pauline	6,113.90	0.00	6,113.90
Shah, Navin	0.00	0.00	0.00
Shawcross Valerie	0.00	0.00	0.00
Tandy, Colin	1,636.11	0.00	1,636.11
Truesdale Peter	1,291.66	2,000.00	3,291.66
Twycross, Fiona	0.00	15,000.00	15,000.00
Whelton, Martin	6,113.90	.0.00	6,113.90
Total	**69,405.57**	**58,000.00**	**127,405.57**

Councillors Tony Arbour, Gareth Bacon, Stephen Knight, Navin Shah and Mr Andrew Dismore, Darren Johnson and Ms Valerie Shawcross 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 Chairman of the Authority (Mr James Cleverly) and Vice Chair of the Authority (Dr Fiona Twycross) an allowance in respect of that office even though they are Assembly members.

Notes to Core Accounting Statements

The changes to postholders receiving Basic and Special Responsibility Allowances during 2014/2015 were as follows:

Councillor Peter Truesdale left the Authority in May 2014.
Councillors Navin Shah and Colin Tandy left the Authority in June 2014.
Councillors Pauline Morrison and Martin Whelton became Authority Members in June 2014, and Mr Andrew Dismore became Chair of Resources Committee in June 2014.

In addition to the above Councillor Gareth Bacon became Chairman of the Authority on 27 March 2015, taking over from Mr James Cleverly.

The table below shows totals of subsistence and travel paid for LFEPA Members and independent members in the period 1 April 2014 to 31 March 2015.

Member	Subsistence		Travel		Total
	Claimed	Paid Direct	Claimed	Paid Direct	
Borough Members	£	£	£	£	£
Ali, Liaquat	0	740.40	0	105.09	845.49
Fisher, Mike	0	0	0	0	0
Hopkins, Jack	0	168.70	0	105.09	273.79
Hall, Susan	0	0	0	0	0
Hayward, Sarah	0	0	0	0	0
Morrison, Pauline	0	0	0	0	0
Tandy, Colin	0	0	27.00	0	27.00
Truesdale, Peter	0	0	0	0	0
Whelton, Martin	0	0	0	0	0
Assembly Members					
Arbour, Tony	0	333.70	0	0	333.70
Bacon, Gareth	0	0	0	0	0
Cleverly, James	0	0	0	0	0
Dismore, Andrew	0	0	0	0	0
Johnson, Darren	0	0	0	0	0
Knight, Stephen	0	0	0	0	0
Shah, Navin	0	0	0	0	0
Shawcross, Valerie	0	0	0	0	0
Twycross, Fiona	0	3.70	176.96	0	180.66
Mayoral Appointee					
Cartwright, David	0	571.70	0	128.55	700.25
Heaster, Maurice	0	571.70	27.90	128.55	728.15
Independent Member					
McCarthy, Suzanne	0	0	0	0	0
Moss, Anthony	0	0	0	0	0
Total	**0**	**2,389.90**	**231.86**	**467.28**	**3,089.04**

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 Authority approved a top management review at their meeting on 26 March 2015 that saw the deletion of the Deputy Commissioner and Strategic Advisor to the Commissioner posts with effect from 31 March 2015.

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

2014/15 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Compensation for Loss of Office	Other Compensation payments	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
	£	£	£	£	£	£	£
Commissioner R Dobson	102,274	0	0	0	0	0	102,274
Deputy Commissioner R Dexter Last day of service 31/3/2015	166,370	314	342,509	15,000	524,193	25,274	549,467

2013/14 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
	£	£	£	£	£
Commissioner R Dobson	103,305	(54)	103,251	0	103,251
Deputy Commissioner R Dexter	166,370	483	166,853	45,459	212,312

Senior Officers Salary £50k per year or higher but less than £150k

2014/15 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	£	£	£	£	£	£
Director of Operational Resilience and Training Last day of service 2 January 2015	123,005	2,193	0	125,198	24,461	149,659
Acting Director of Operational Resilience and Training W.e.f. 3 January 2015	36,000	0	0	36,000	5,364	41,364
Director of Finance and Contractual Services and S127 Officer	153,489	324	0	153,813	22,870	176,683
Strategic Advisor to the Commissioner Last day of service 30 April 2015	87,229	0	62,338	149,567	12,997	162,564
Head of Legal and Democratic Services Monitoring Officer	85,630	0	0	85,630	0	85,630

2013/14 Post title	Salary (including fees and allowances)	Expense Allowances	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Directors	£	£	£	£	£
Director of Operational Resilience and Training	149,059	2,846	151,905	31,439	183,344
Director of Finance and Contractual Services and S127 Officer	149,018	309	149,327	39,937	189,264
Strategic Advisor to the Commissioner	87,229	0	87,229	23,377	110,606
Head of Legal and Democratic Services Monitoring Officer	77,325	50	77,375	0	77,375

The annual salary of senior officers is reviewed each year and the annual basic salary for each of these senior officers as at 31 March 2014 and 31 March 2015 are shown below:

As at 31/3/14	**Salary**	As at 31/3/15
£		£
100,000	Commissioner	100,000
169,623	Deputy Commissioner	169,623
147,600	Director of Operational Resilience and Training*	152,028
149,018	Director of Finance and Contractual services	153,488
87,229	Strategic Advisor to the Commissioner	87,229
77,325	Head of Legal and Democratic Services	85,630

*The postholder changed with effect from 2 January 2015.

The Commissioner took a pension in October 2011 and is retained under a contractual arrangement whereby no pension contributions are payable.

The Head of Legal and Democratic Services has taken a pension from previous employment and consequently there are no pension contributions to be made.

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

2013/14	Salary range	2014/15
No		No
99	£50,000 - £54,999	62
105	£55,000 - £59,999	102
99	£60,000 - £64,999	77
43	£65,000 - £69,999	42
28	£70,000 - £74,999	28
14	£75,000 - £79,999	10
5	£80,000 - £84,999	8
7	£85,000 - £89,999	5
4	£90,000 - £94,999	4
1	£95,000 - £99,999	2
0	£100,000 - £104,999	1
2	£105,000 - £109,999	2
2	£110,000 - £114,999	3
0	£115,000 - £119,999	1
1	£120,000 - £124,999	0
1	£125,000 - £129,999	1
1	£130,000 - £134,999	1
1	£135,000 - £139,999	0
0	£140,000 - £144,999	0
0	£145,999 - £149,999	0
1	£150,000 - £154,999	0
0	£155,000 - £159,999	1

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

2013/14	**Audit Fees**	2014/15
£000		£000
99	Fees payable to appointed Auditor for External Audit services	101
0	Audit Commission National Fraud initative fee	1
99	**Total**	**102**

During the year the Authority received rebates totalling £22k from the Audit Commission following its abolition.

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.

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2014/15:

2013/14	Credited to Taxation and Non-Specific Grant Income	Source of funding	2014/15
£000			£000
400,770	GLA Grant	Greater London Authority	389,175
3,287	PFI Grant	CLG	466
18,770	Fire Capital Grant	CLG	4,921
0	Donated Assets	CLG	4,550
0	Contribution to capital	Chargemaster	188
422,827	**Total**		**399,300**
	Credited to services		
2,457	Fire Control Grant	CLG	2,564
4,555	New Dimensions & USAR Grant	CLG	4,525
555	New Risks grant	CLG	232
83	Fired Up Grant	EU	327
0	European Unified Rescue	EU	468
0	Vehicle development	CLG	35
37	Access to work	DWP	23
7,687	Revenue Grant income		8,174
288	Revenue Contributions received	Various	274
7,975	**Total**		**8,448**

CLG - Department for Communities and Local Government PFI - Private Finance Initiative USAR - Urban Search And Rescue, DWP Department for Works and Pension.

The grants received by the Authority are non-ring fenced and therefore these are unconditional. The 2014/15 £389.2m GLA grant (£400.8m 2013/14) shown in the table above is now comprised of three elements, CLG grant funding in the form of Non-Domestic Rates £112.2m and Revenue Support Grant(£138.8m totalling £251m (£272.4m 2013/14), with precepts collected by the GLA totalling £138.2m (£128.4m 2013/14).

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 unique government arrangement 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 Authority and Transport for London.

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

The 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 members of LFEPA to answer questions at Assembly meetings.

Central Government

The Department for Communities and Local Government (DCLG) 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 2015, 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 2014/15 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 £3.9k (£4.1k 2013/14) to the London Fire Brigade Welfare Fund. One senior officer is an acting chair of Networking Women in the Fire Service (NWFS), the Authority made payments to NWFS totalling £8.5k (£9.5k 2013/14).

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 2015, 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).

25. Capital Expenditure and Capital Financing

In 2014/15, total spending on the capital programme for tangible and intangible assets was £39.3m, of which £28.7m was capital expenditure incurred by the Authority and £10.6m under the PFI arrangement. The spend included the rebuilding and modernising of fire stations and other buildings (£17.2m), upgrading equipment (£5.0m) and the purchase of fleet vehicles (£17.1m). Capital expenditure on Authority assets (£39.3m) is to be financed in accordance with the Prudential Code, Government capital grant (£19.5m), Capital receipts (£9.2m) and finance lease borrowing (£10.6m).

2013/14	Capital expenditure and financing:	2014/15
£000		£000
144,292	Opening Capital Financing Requirement	140,280
3,879	Tangible Operational Assets	26,562
0	Tangible Operational Assets under PFI Property Lease	10,635
5,624	Tangible Non Operational Assets	6,667
488	Intangible Assets	(1)
	Sources of finance	
(8,120)	Government grants and other contributions	(33,228)
(5,883)	Minimum Revenue Provision	(5,894)
140,280	Closing Capital Financing Requirement	145,021
	Explanation of movements in year	
	Other long term liability PFI and finance lease	10,635
5,000	Borrowing from PWLB & Local Authorities in year	3,000
(9,012)	Increase/(decrease) in underlying need to borrow	(8,894)
(4,012)	**Increase/(decrease) in Capital Financing Requirement**	**4,741**

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

There are no significants commitments for capital expenditure as at 31st March 2015.

The capital programme approved by Members in March 2015 (FEP2410) included a total forecast spend of £56.7m in 2015/16 and £19.5m in 2016/17.

26. Other Long term Liabilities

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

Other Long Term Liabilities	31/3/15	31/3/14	31/3/13	Note
	£000	£000	£000	
Long Term PFI Properties	10,095	0	0	27
Long term Finance Leases	18,425	18,425	18,425	27
Deferred Credit	3,980	3,527	3,060	
Pensions Liability	6,293,941	5,338,725	4,889,819	30
Total	**6,326,441**	**5,360,677**	**4,911,304**	

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.

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 are being completely re-built on their existing sites and one station, Mitcham, will be 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. This £51.5m is extra money for the Brigade which is indexed 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.

To ensure that effective provision of services from these stations is not interrupted during construction a number of nearby stations will be refurbished to accommodate an extra appliance and crew from the PFI stations during construction. The host stations currently approved are Deptford, East Ham, Harold Hill, New Cross, Poplar, Stratford, Walthamstow and Woodford. Specialist appliances will be hosted at Beckenham and Romford.

During 2014/15, two new fire stations opened under the arrangement, Mitcham and Old Kent Road. A finance lease liability was raised for these two properties during the year. The carrying value of these assets on the balance sheet amount to £8.568m.

The amounts paid under the PFI finance lease in 2014/15 is shown below.

Finance Lease Property PFI	Unitary Charge	Deferred liability	Income & Expenditure Account
	£000	£000	£000
Opening balance as at 1 Apr 2014		0	
New finance lease liability in year		10,635	
Principal sum paid in year	12	(12)	
Interest	60		60
Contingent rentals	0		0
Operational expenses	23		23
Balance as at 31 March 2013	**95**	**10,623**	**83**

The table below shows the forecast future payments due under the vehicle 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	Within 26 to 30 Years
	£000	£000	£000	£000	£000	£000	£000
Lease rental liabilities	529	4,768	7,282	8,129	10,859	15,904	3,406
Operating Costs	567	4,403	6,959	10,263	12,017	12,485	1,986
Interest Costs	1,788	12,912	14,208	11,616	8,593	4,201	165
Contingent Rentals	2	128	304	(97)	(247)	114	161
Total	**2,886**	**22,211**	**28,753**	**29,911**	**31,222**	**32,704**	**5,718**

Finance Leases

The Authority holds two finance lease as at 31 March 2015, 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 (valued on the balance sheet at £12.6m) for the provision of its control function at Merton in March 2011. 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 £2,607k were paid during 2014/15. The table below shows the future payments under the lease agreement.

Finance Leases	Total value of minimum lease payments as at 31/3/15	Present value of minimum lease payments as at 31/3/15	Total value of minimum lease payments as at 31/3/15	Total value of minimum lease payments as at 31/3/15	Total value of minimum lease payments as at 31/3/14	Total value of minimum lease payments as at 31/3/14
	Merton Control Centre		Property PFI		Merton Control Centre	
	£000	£000	£000	£000	£000	£000
Not later than one year	2,599	1,341	2,316	2,316	2,580	1,571
Later than one year and not later than five years	11,676	4,052	17,680	14,995	11,356	4,616
Later than five years	54,781	4,634	84,362	33,876	57,700	5,411
Total	**69,056**	**10,027**	**104,358**	**51,187**	**71,636**	**11,598**

The Authority has long leases for fire stations in Soho (125 years) and Knightsbridge (500 years). The annual lease payments for these buildings are £5.4k and £0.8k respectively. Knightsbridge fire station has closed under LSP5 and is awaiting disposal.

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 2015 with future sums committed.

Significant operating leases include the property lease for headquarters at Union Street (£2,250k - 2014/15), The Authority also holds leases for equipment extending to 2016 for uniform clothing (£2,355k – 2014/15) and it's leased car fleet (£726k – 2014/15). During 2014/15, operating lease payments of £8,057k were paid for the leases detailed above.

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 31/3/2015	As at 31/3/2015	As at 31/3/2014	As at 31/3/2014
	£000	£000	£000	£000
Not later than one year	3,353	2,172	2,711	5,099
Later than one year and not later than five years	12,319	4,460	12,650	6,632
Later than five years	21,124	0	24,146	0
Total	**36,796**	**6,632**	**39,507**	**11,731**

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

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 15 employees in 2014/15, incurring liabilities of £1.0m. 15 support service staff were made redundant in 2014/15 , comprising of 8 officers from the Deputy Commissioner's Directorate, 1 officer from the Directorate of

Operational Resilience and Training, 4 from the Directorate of Finance and Contractual Services and 2 from the Corporate Management Department.

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**	
£000	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
0 – 20	0	0	104	3	104	3	1,315	46
20 – 40	0	0	16	4	16	4	487	101
40 – 60	0	0	7	2	7	2	319	96
60 – 80	0	0	1	1	1	1	63	62
80 – 100	0	0	0	4	0	4	0	353
100 – 150	0	0	0	0	0	0	0	0
Over 150	0	0	0	1	0	1	0	343
TOTAL	**0**	**0**	**128**	**15**	**128**	**15**	**2,184**	**1,001**

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 and The 2006 New Firefighters Pension Scheme**

  These are unfunded schemes, which are administered by the Authority in accordance with regulations laid down by the Department for Communities and Local Government (CLG). These schemes are administered under contract by the London Pensions Fund Authority (LPFA) 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 is dated April 2015.

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

  This scheme is funded by employer and employee contributions to the London Pension Fund Authority's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review, impacting on 2012/13, being at 31 March 2010. 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 is dated April 2015.

Post employment benefits have been included in the Authority's accounts to comply with accounting standard IAS 19 - 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 2014/15.

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:

- 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

- 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:

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

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**		**Firefighter's Pension Schemes**	
	2014/15	2013/14	2014/15	2013/14
Cost of Services	£000	£000	£000	£000
Current service cost	8,758	9,205	105,000	106,700
Past service costs/(gain)	520	725	200	400
Financing and Investment Income and Expenditure				
Net Interest expense	7,616	8,362	221,100	210,400
Administrating expenses	377	362		-
Total post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	17,271	18,654	326,300	317,500
Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services				
Re-measurement of the net defined benefit liability comprising:				
• Return on plan assets (excluding the amount included in the net interest expense)	(5,833)	1,975	-	-
• Actuarial (gains) and losses arising on changes in demographic assumptions	0	(3,182)	0	116,200
• Actuarial (gains) and losses arising on changes in financial assumptions	55,911	12,823	725,000	185,500
Experience (gains) and losses on defined benefit obligation	(175)	(33,983)	3,400	1,800
Other	0	(3,154)		-
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	67,174	(6,867)	1,054,700	621,000
Movement in Reserves Statement				
• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(17,271)	(18,654)	(326,300)	(317,500)
Employers' contributions payable to scheme	9,075	9,063	156,500	151,100
Benefits paid directly to beneficiaries	1,083	1,065		
Actual amount charged against the General Fund Balance for pensions in the year:	(7,113)	(8,526)	(169,800)	(162,400)

Membership of Schemes	LGPS		1992 FPS		2006 FPS	
	Number		Number		Number	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Actives	928	900	3,635	3,916	1,103	1,167
Deferred Pensioners	687	687	669	632	257	192
Pensioners	1,265	1,265	8,342	8,204	9	7
Unfunded pensioners	313	312	-	-	-	-
Injury Pensioners	-	-	2,513	2,548	1	0

Membership of Schemes	LGPS		1992 FPS		2006 FPS	
	Average Age		Average Age		Average Age	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
Actives	48	48	46	46	32	32
Deferred Pensioners	48	48	48	48	36	36
Pensioners	71	71	61	61	61	61
Unfunded pensioners	72	71	-	-	-	-
Injury Pensioners	-	-	64	64	-	-

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:

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

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 two firefighter schemes, which are unfunded, and the Local Government Pension Scheme for other employees, which is administered by the London Pension Fund Authority (LPFA). In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

The 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**	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Present value of the defined benefit obligation	480,104	409,583	0	0
Fair Value of plan assets	(266,418)	(251,635)	0	0
Net	213,686	157,948	0	0
Present Value of unfunded obligation	21,255	19,977	6,509,000	5,160,800
Net liability arising from defined benefit obligation	**234,941**	**177,925**	**6,059,000**	**5,160,800**

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

LFEPA	**Local Government Pension Scheme**	
	2014/15	2013/14
	£000	£000
Opening fair value of scheme assets	251,635	241,183
Interest Income	11,029	10,591
Re-measurement gain /(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	5,833	(1,975)
• Other	0	3,154
Contributions from employer	10,158	10,127
Contributions from employees into the scheme	2,613	2,363
Benefits paid	(15,465)	(13,446)
Settlement prices received/(paid)	992	0
Other	(377)	(362)
Closing fair value of scheme assets	**266,418**	**251,635**

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

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

	Funded Liabilities Local Government Pension Scheme		Unfunded Liabilities Firefighter's Pension Schemes	
	2014/15	2013/14	2014/15	2013/14
	£000	£000	£000	£000
Opening Balance at 1 April	**429,560**	**436,102**	**5,160,800**	**4,694,900**
Current service cost	8,758	9,205	105,000	106,700
Interest costs	18,645	18,953	221,100	210,400
Contributions from scheme participants	2,613	2,363	24,600	24,000
Re-measurement (gains) and Losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	0	(3,182)	0	116,200
• Actuarial gains/losses arising from changes in financial assumptions	55,911	12,823	725,000	185,500
• Experience loss/(gain) on defined benefit obligation	(175)	(33,983)	3,400	1,800
• Other	0	0	0	100
Unfunded pension payments	(1,083)	(1,065)	-	-
Past service cost	111	725	200	400
Benefits paid	(14,382)	(12,381)	(181,100)	(179,200)
Liabilities extinguished on settlements	1,401	0	-	-
Closing balance at 31 March	**501,359**	**429,560**	**6,059,000**	**5,160,800**

Local Government Pension Scheme assets comprised:

Fair Value of Fund Assets	2014/15	2013/14
Equities - Seggregated	£000	£000
Basic Materials	5,034	4,428
Communications	5,674	7,477
Consumer	24,486	26,390
Diversified	413	363
Energy	3,150	3,555
Financial	9,194	9,439
Industrial	8,236	8,620
Technology	5,078	5,969
Utilities	433	426
Investment funds	47,182	53,321
Private Equity	18,901	17,096
LDI*	23,614	15,508
Target Return		
Equities	3,132	2,966
Corporate Bonds	4,647	4,018
Government	53	1,233
Investment funds and unit trust		
Equities	2,686	3,344
Bonds	47,970	57,847
Cash	2,550	3,210
Hedge funds	4,356	1,657
Infrastructure	8,655	8,832
Property Fund	8,965	6,672
Commodity Funds	2,709	2,747
Cash at bank	4,705	5,761
Derivatives - forwards	(728)	756
Derivaitives - futures	88	0
Total	241,183	251,635

*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 liabilty against inflation.

Rate of return on fund assets

Based on the above the Authority's share of Fund assets is approximately 5%.

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 2015 to be 4%. 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 Hymans Robertson LLP 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	31/3/15	31/3/14	31/3/15	31/3/14
RPI increases	3.2%	3.6%	3.3%	3.4%
CPI increases	2.4%	2.8%	2.6%	2.6%
Salary increases	4.2%	4.6%	3.8%	3.8%
Pensions increase	2.4%	2.8%	2.8%	2.8%
Discount rate	3.3%	4.4%	4.3%	4.3%

These assumptions are set with reference to market conditions as at 31 March 2015.

Actual and future projected employers contribution rates

Employers Contribution	2014/15	2015/16
LGPS	10,158	10,144
Firefighters Scheme	33,385	33,907
TOTAL	43,543	44,020

Local Government Pension Scheme

The Administering Authority for the Fund is the London Pensions Fund Authority. The LPFA Board oversees the management of the Fund whilst the day to day fund administration is undertaken by a number of teams within the administering authority. 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. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. 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 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 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. This measure has historically overestimated future increases in the RPI and so, in the past, the actuary has made a deduction of 0.25% to get the RPI assumption. However, the evidence for this in more recent periods is weaker and so they have made no such deduction at 31 March 2014. The RPI assumption is therefore 3.6%. As future pension increases are expected to be based on CPI rather than RPI, the actuary has made a further assumption about CPI which is that it will be 0.8% below RPI i.e. 2.8%. The actuary believes that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods.

Salary increases are then assumed to increase at 1.8% per annum above CPI in addition to a promotional scale. However, the actuary has allowed for a short-term overlay from 31 March 2013 to 31 March 2015 for salaries to rise in line with CPI.

Firefighter Pension schemes - Assumptions

Discount rate

Previously the actuary recommended a single discount rate for all authorities broadly equivalent to the yield available on a basket of AA rated bonds with a duration similar to that of a "typical" fire authority. Their previous approach to setting the discount rate was to identify the yield available on UK Government bonds (of appropriate duration) and add to this the mean credit spread. This spread was determined by comparing yields available on the constituents of the iBoxx AA over 15 year index with the Government bond yields at equivalent duration.
The approach to setting the recommended discount rate as at 31 March 2015 has changed in two key ways;

1. Rather than construct the discount rate as the yield on Government bonds plus a measure of the credit spread, it will be derived from a Corporate bond yield curve constructed from yields on high quality bonds.

2. The recommended discount rate for each Authority will recognise the weighted average duration (or term) of the benefit obligation for each separate Authority and Scheme. For the avoidance of doubt, different discount rates may apply to the pre 2006 and post 2006 sections of the Scheme. For consistency, different salary and pension increase assumptions may also apply.

Corporate Bond yield curve.

Government bond yield curves are updated and available on a daily basis from the Bank of England. It is therefore relatively easy to identify a spot yield on Government bonds at any duration and at any date. Unfortunately, a similarly accessible Corporate bond yield curve is not so readily available.

The actuary has adopted an approach whereby a corporate bond yield curve is constructed based on the constituents of the iBoxx £ Corporate AA index and using the UBS delta curve fitting methodology. The UBS fitting approach is complex and specific details on this can be provided if required. Essentially, this approach aims to achieve a balance between the following conflicting objectives:

- The yield curve should be sufficiently smooth to capture the term structure of the reference yields.

- For all reference bonds, the curve should price all cash flows as accurately as possibly.

The actuary has adopted an approach whereby a Corporate Bond yield curve is constructed based on the constituents of the iBoxx £ Corporates AA index and using the UBS delta curve fitting methodology.

Separate discount rates are then set (and corresponding RPI/CPI inflation assumptions – see below) for individual schemes, dependent on their own weighted average duration. Each scheme is allocated to a duration category, as defined below:

Weighted average duration	Discount rate category
Less than 17 years	Short
Between 17 and 23 years	Medium
More than 23 years	Long

The weighted average duration used to identify the appropriate category for each scheme is that determined at the most recent full valuation.

Retail Price Inflation (RPI) assumption

In previous years, the RPI assumption (which the assumptions for salary growth and pension increases rely on) is derived by considering the difference in the yields available on fixed interest and index linked Government bonds3.

For consistency with the assessment described above, the actuary recommended RPI assumption is derived from the Bank of England implied inflation curve and is set equal to the average rate appropriate for the cash flows of a typical Authority.

Pension increase assumption

The pension increase assumption, as with the accounting exercise in the previous year, will be in line with the Consumer Prices Index (CPI). The CPI assumption will be calculated as RPI less 0.8% p.a., with RPI being calculated as outlined above.

Salary increase assumption

The salary increase assumption is CPI plus 1% (i.e. RPI plus 0.2%). No information is currently available in respect of future planned salary increases, although it is expected that these will be limited due to current public sector budget cuts.

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. A high level analysis of the injury liability and pension amounts relative to the normal pension liability and pension amounts was carried out from which a loading factor has been derived. It has been assumed that future injury pensions will be 10% of the relevant active liability, both for past service and current service contingent liabilities.

The assumption for future injury liabilities may be refined once further data is available. 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 2014/15	LGPS	Fire Service Pension Schemes
Average Future Life expectancy as at	Age 65	Age 60
	Retiring today	Current pensioners
Male	22.2 years	29.5 years
Female	24.7 years	31.7 years
	Retiring in 20 years	Future pensioners
Male	24.5 years	31.1 years
Female	27.0 years	33.2 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 2012 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 medium cohort improvements and a minimum improvement of 1.25% per annum applied from 2010.

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

Sensitivity Analysis

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

Local Government Pension Scheme	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	492,710	501,359	510,169
Projected service cost	10,325	10,552	10,784
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	502,529	501,359	500,195
Projected service cost	10,557	10,552	10,547
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	509,068	501,359	493,790
Projected service cost	10,229	10,552	10,328
Adjustment to mortality age rating assumption	+1 year	none	-1 year
Present value of total obligation	485,271	501,359	547,448
Projected service cost	10,229	10.552	10,875

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 31/3/2015	Approximate % increase to Employer liability	Approximate monetary amount (£000)
0.1% decrease in real discount rate	2%	116,900
1 year increase in member life expectancy	3%	181,800
0.5% increase in the salary Increase Rate	2%	97,800
0.5% increase in the pensions Increase rate (CPI)	8%	502,100

The sensitivities regarding the principal assumptions used to measure the projected current service cost are set out in the table below;

Change in financial assumption at year ended 31/3/2015	Approximate % increase to Projected Current Service Cost	Approximate monetary amount (£000)
0.1% decrease in real discount rate	3%	3,540
1 year increase in member life expectancy	3%	3,220
0.5% increase in the salary Increase Rate	5%	5,550
0.5% increase in the pensions Increase rate (CPI)	12%	12,620

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.

The Authority has a potential claim in relation to the disposal of its Bow site carried out under the fifth London Safety Plan.

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 2015 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 – Museum & Residential Properties	100
Engineering Lifting plant	250
Combined Liabilities	500,000
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

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 £6.1bn (£5.1bn 2013/14), 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.

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	31/3/2015	31/3/2014
	£000	£000
Depreciation of Non Current assets	(15,351)	(12,824)
Impairment and Revaluation of Non Current Assets	1,360	(12,751)
Assets de-recognised during year	(7,126)	(4,268)
Amortisation of Intangible assets	(1,264)	(1,229)
Donated Assets adjustment	4,550	0
(Increase)/Decrease in impairment for provision of bad debts	(239)	230
Increase/(Decrease) in inventories	(97)	(102)
Increase/(Decrease) in debtors	6,004	4,945
(Increase)/Decrease in creditors	2,676	(1,170)
(Increase)/Decrease in Provisions	99	3,029
Pension Fund Costs adjustment	(176,504)	(170,927)
Other Non cash items	2	2
Net cash (inflow)/outflow from operating activities	**(185,890)**	**(195,065)**

35. Cash Flow Statement – Operating activities

Operating Activities	31/3/2015	31/3/2014
	£000	£000
Interest Received	(362)	(841)
Interest Paid	4,320	5,977
Interest element of Finance leases	2,667	2,534
Total	**6,625**	**7,670**

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

Investing Activities	31/3/2015	31/3/2014
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	29,471	10,296
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(14,235)	(1,200)
Capital grants received	(4,921)	(18,770)
Proceeds from short-term and long-term investments	0	(5,093)
Net cash flows from investing activities	**10,315**	**(14,767)**

Financing Activities	31/3/2015	31/3/2014
	£000	£000
Cash Receipts of Short and Long term Borrowing	(13,000)	(9,000)
Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contracts (Principal)	12	0
Repayments of Short and Long term borrowing	16,000	11,250
Net cash flows from financing activities	**3,012**	**2,250**

Firefighters' Pension Schemes Fund Account

As at 31/03/14	Firefighters' Pension Schemes Fund Account	As at 31/03/15	
£000		£000	£000
	Contributions receivable		
	- from employer		
(36,377)	- normal	(33,385)	
(1,350)	- early retirements	(1,143)	
(37,727)			(34,528)
(23,947)	- from members		(24,542)
(61,674)			(59,070)
	Transfers in		
(86)	- individual transfers in from other schemes		(17)
	Benefits payable		
117,395	- pensions	124,476	
33,840	- commutations and lump sum retirement benefits	34,416	
0	- Lump sum death benefits	230	
151,235			159,122
	Payments to and on account of leavers		
5	- refunds of contributions	0	
2,712	- individual transfers out to other schemes	1,662	
237	- other – interest due on back dated lump sums	255	
2,954			1,917
92,429	**Deficit/Surplus for the year before top up grant receivable/ amount payable to central government**		**101,952**
(92,429)	Top up grant receivable from/amount payable from central government		(101,952)
0	**Net amount payable/receivable for the year**		**0**
2013/14	**Net Assets Statement**		**2014/15**
£000			£000
36	- Recoverable overpayments of pensions		33
11,775	- Top up receivable from/(payable to) Government		15,195
(11,811)	- other current liabilities		(15,228)
0	**Total**		**0**

1. The Firefighters' Pension Scheme in England

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 scheme remains unfunded but will not be on a pay-as-you-go basis as far as the Authority is concerned. Apart from the costs of injury awards the Authority no longer meets pension outgoings directly: instead it will pay an employer's pension contribution based on a percentage of pay into the Pension Fund.

The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the fund are specified by regulation. The 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 30 and 31 to the accounts provide details of the assessed pension liabilities and the corresponding entries in the main statements.

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 for the 2006 scheme were 11% of pensionable pay and 21.3% of pensionable pay for the 1992 scheme. Employee contributions, as a percentage of pensionable pay, depends on the level of earnings for both schemes as shown in the table below.

Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
Up to and including £15k	8.5	11.0
More than £15k and up to and including £30k	8.8	11.6
More than £30k and up to and including £40k	8.9	11.7
More than £40k and up to and including £50k	9.0	11.8
More than £50k and up to and including £60k	9.1	11.9
More than £60k and up to and including £100k	9.3	12.2
More than £100k and up to and including £120k	9.5	12.5
More than £120k	9.7	13.0

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.

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 CLG (sponsoring Government department) the amount by which the amounts receivable by the fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from CLG 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 30 and 31

Events after the balance sheet date

Firefighter pensions back dated Lump sum payments

In May 2015, the Pensions Ombudsman (Ombudsman) published their Final Determination in the case of Milne v Government Actuaries Department (GAD). This case centred on whether GAD had a proactive responsibility to review the commutation factors used in the calculation of the lump sum payments made to pensioners when they opt to take an increased amount of their pension benefit in that form.

The Ombudsman found in favour of the plaintiff, which meant that for all Firefighters Pension Scheme 1992 cases where pension entitlements were drawn between 1 December 2001 and 22 August 2006 recalculation of lump sum payments should take place based upon revised commutation factors to be issued by GAD. Payment of any additional amounts identified as due should be made with simple interest calculations as well.

We are currently working through the revised calculations and expect to make the necessary payments by April 2016. There has therefore been no impact on the financial statements for 2014/15.

London Fire and Emergency Planning Authority

ANNUAL GOVERNANCE STATEMENT 2014/15

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 regulation 4(2) of the Accounts and Audit Regulations 2011 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 updated 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 updated and 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.

8. The governance framework has been in place at the Authority for the year ended 31 March 2015 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.

Establishing and monitoring the 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 2014/15 following reconstitution of the Authority at the annual meeting in June 2014 (*FEP2249*). 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. The Mayor of London has powers to direct the Authority to take (or not to take) action. Mayoral directions were received on three matters during 2014/15:

- Disposal of 8 Albert Embankment;
- Disposal of fire stations closed under LSP5; and
- Partial performance in terms of industrial action and related matters.

12. The Authority's Fifth London Safety Plan 2013-2016 (LSP5) – 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. LSP5 was approved by the Authority on 12 September 2013 (*FEP2143*). Details of the public consultation undertaken can be found in the covering report to the Fifth London Safety Plan (*FEP2091*).

13. Key performance indicators and targets are included in the London Safety Plan and the relevant committees review indicators and targets on an annual basis.

14. 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.

15. The Authority has performed strongly against its targets for 2014/15. This information is available online in the annual end of year performance report on the London Fire website via the following link: *Our Performance 2014-15.* http://www.london-fire.gov.uk/OurPerformance.asp Detailed commentaries against performance can also be found in the end of year performance reports to the Governance, Performance and Audit Committee (*FEP2476*) and the Resources Committee (*FEP2457*).

16. 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.

17. The risk management strategy 2014-17 contains a number of new 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 has been refreshed to incorporate the Authority's risk appetite statement (which was formerly included as part of this statement).

18. 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 September 2013 as part of appendix one to LSP5. 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 external inspections and 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.

Ensuring compliance with established policies, procedures, laws and regulations

19. 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 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 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.

20. The internal audit function is conducted by 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 52 audits during 2014/15. 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. For 2014/15, external auditors have concluded that they can continue to place reliance on the work carried out by the Authority's internal audit function in reviewing key financial controls.

21. During 2014/15, 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')

22. As required by the RIPA Codes of Practice, the Authority undertakes an annual review of the Brigade's use of the Regulation of Investigatory Powers Act 2000 (RIPA). 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 reviewed and revised by the Authority on 2 October 2014 (*FEP2326*) so that it fully incorporates the outcome of that inspection. There were no applications for any RIPA authorisations in 2014/15, nor were there any previous authorisations that continued into 2014/15. LFEPA therefore continues to make no use of RIPA powers.

23. There were three complaints identified as confidential reporting (whistleblowing) cases in 2014/15. Two concerned alleged abuse of sickness absence and one concerned unauthorised local arrangements for shift patterns on a fire station. All were dealt with by the Director of Operations.

The Bribery Act 2010

24. 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.

Review of effectiveness

25. Regulation 4 of the Accounts and Audit Regulations (England) 2011 requires the Authority to conduct, at least annually, 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.

26. Throughout 2014/15, the Authority has maintained and reviewed its systems of internal control in a number of ways. In particular:

- the annual review of the effectiveness of the Governance, Performance and Audit Committee (as the committee with responsibility to agree the planned internal audit activities for the year) using CIPFA standards as a benchmark, which concluded that GPAC was operating effectively (*FEP 2298*);
- 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 (CMB);
- 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 Commissioner's 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 key areas in accordance with the principles of 'managed audit';

- 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;
- 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 Authority approved a new top management structure at their meeting on 26 March 2015. The new structure will produce savings of £486k in a full year and it is anticipated that £350k savings will be achieved in 2015/16 rising to the full amount in 2016/17. The new structure will result in the establishment of three Directorates and a number of functions will report directly to the Commissioner. The three Directorates will be the Directorate of Finance and Contractual Services with a Directorate of Operations and a Directorate of Safety and Assurance. The former posts of Deputy Commissioner, Strategic Advisor to the Commissioner and the Head of Human Resources and Development were deleted with effect from 1 April 2015. Full details of the top management review can be found here; http://moderngov.london-fire.gov.uk/mgChooseDocPack.aspx?ID=339
- the Authority agreed to participate in the Local Government Association (LGA) Fire Peer Challenge (*FEP2305*) concentrating on four focus areas: value for money; information collection and use; industrial relations; and operational competence. The site visit by the peer team was conducted during March and April 2015. The LGA report is being compiled and the recommendations from the challenge may inform further governance actions to undertake for the following year (2015/16);
- the Mayor has proposed making changes to the governance model for the Authority. These governance changes were consulted upon by the previous coalition government and a GLA Select Committee review of the operation of the GLA Act is underway which will contribute to the final decision about the proposal; and
- 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.

Statement of accounts

27. 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 all financial systems and monthly officer monitoring of all expenditure and income recorded on the Authority's approved general ledger system. Periodic member level review of financial records and forecast outturn add to the scrutiny carried out by both the Authority's internal and external audit. The statement of accounts is authorised by the Director of Finance and Contractual services as being true and fair by 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.

The role of the Chief Finance Officer

28. 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.

29. 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.

30. 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.

31. **Other Governance Arrangements** 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.

32. 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. London also hosts the Fire

and Rescue Service's National Co-ordination Centre (FRSNCC) at the LOC, where all requests for national assistance at large scale incidents are dealt with.

33. 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.

34. Following the assessment and assurance of the Brigade's USAR capability in the previous year, the National Resilience Assurance Team (NRAT) undertook an assessment of the Brigade's national resilience multi-capability in February 2015. 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.

35. NRAT concluded that there was clear evidence of Brigade's ability to respond using all national resilience capability hosted by the service, with mechanisms for initiating and maintaining that response in place. The Assurance Team concluded that the Brigade is well placed to discharge its statutory duties relating to national resilience capability under the Fire and Rescue Services Act 2004 and the Fire and Rescue Services (Emergencies) (England) Order 2007

36. 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 CFOA National Resilience Lead Officer for CBRN(E) and Counter Terrorism.

Significant internal control issues

37. 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.

38. 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".

39. Four actions have been carried forward from the previous year's action plan, with the equalities action re-focused on setting a new strategy. They are largely substantial challenges to be managed over the long term. New actions have also been added to the plan this year regarding staff engagement and changes to statutory financial reporting:

(i) **National Fire Role** - LFEPA to take a proactive role on policy direction nationally by working with others on a range of matters to secure improvement of the fire service to the public. This will include:

o taking a leading role in supporting the National Joint Council's position on conditions of service; and
o securing funding arrangements for the future of the National Operational Guidance programme.

How progress will be reported - Matters requiring the attention of Members will be reported to GPAC through the risk, business continuity and governance report.

(ii) **Pension changes – Higher Turnover of Experienced Staff** – Analyse the exposure and impact to the organisation of knowledge loss through retirement and the measures required to ensure key learning is retained.

How progress will be reported – Any significant fluctuations in staff turnover will be reported to GPAC through the risk, business continuity and governance report.

(iii) **New mobilising system** –Secure the delivery and operation of a new mobilising system ensuring that it links to existing systems and controls as well as providing opportunities for further efficiencies in service provision.

How progress will be reported – Progress on delivering the new 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.

(iv) **Promoting equality and diversity** – Define a new equality and diversity strategy for the Authority and implement a step change process, working with relevant departments and the support groups to drive the equalities agenda forward both within the Brigade and the service nationally.

How progress will be reported – Strategy proposals will be reported to the Strategy Committee and progress will be reported to the Resources Committee.

(v) **Staff engagement programme** – **(New)** Deliver a staff engagement programme to involve staff at all levels in discussing and shaping the future of the Brigade.

How progress will be reported – This work will form a new LSP5 commitment and progress will be reported through the regular reporting on LSP5 commitments to the Strategy Committee.

(vi) **Statutory financial reporting deadlines** – **(New)** 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 Resources Committee through the regular budget update report. A summary of activity will also be reported to GPAC through the risk, continuity and governance report.

Conclusion

40. 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.

Ron Dobson CBE FIFireE QFSM
Commissioner for Fire and Emergency Planning

Maurice Heaster OBE
Chairman, 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.

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

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

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

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

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

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

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

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

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

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

2014/2015 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, 3rd Floor, 169, Union Street, London, SE1 OLL

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