LONDON FIRE AND EMERGENCY PLANNING AUTHORITY

STATEMENT OF ACCOUNTS 2017/2018

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London Fire and Emergency Planning Authority (LFEPA) Background

Under the Policing and Crime Act 2017, the London Fire and Emergency Planning Authority (LFEPA) was abolished on 31 March 2018 and the London Fire Commissioner (LFC) was established as a corporation sole and new functional body of the Greater London Authority (GLA) from 1 April 2018. As a result the 2017/18 statement of accounts will be the last set of accounts for LFEPA, with these being approved by the LFC, and in future years the accounts will be prepared for the LFC. Additional detail on these changes are set out in the Governance section below and in the Annual Governance Statement.

The information set out in this statement provides information on LFEPA, its main objectives and strategies and the principal risks that it faced. LFEPA was part of a number of organisations operating under the umbrella of the GLA, which included this Authority, the core GLA, the Mayor's Office for Policing and Crime, overseeing the work of the Metropolitan Police Service, Transport for London, the London Legacy Development Corporation and the Old Oak and Park Royal Development Corporation.

The London Fire Brigade (LFB) was run by LFEPA. The Mayor appointed all LFEPA's 17 Members and appointed one of them to be the Chair of the Authority. Eight members were nominated from the London Assembly, seven from the London Boroughs and two were Mayoral appointees. The Authority set the strategy and policies for the provision of fire and rescue services in London and it adopted structures and processes to ensure that it was regularly able to scrutinise performance against its strategies and priorities.

The Mayor had the power to give LFEPA directions and guidance, including the manner in which the Authority was to perform any of its duties or to conduct any legal proceedings. However, any direction or guidance given by the Mayor had to be consistent with the Fire and Rescue National Framework and fire safety enforcement guidance. The Mayor was responsible for setting the Authority's budget requirement, subject to presentation to the London Assembly.

The Brigade provided services across the whole of the Greater London area serving London's 8.9 million residents as well as those who work in, or visit, the city. It covered 33 unitary authorities, all with specific political, social and geographic conditions, and was the only regional fire and rescue service in the country.

The Brigade had 102 land fire stations and one river station with 142 pumping appliances (fire engines). As at March 2018, we employed almost 5,520 staff, of which circa 4,620 were operational staff including firefighters, 790 support staff (like lawyers, accountants, office staff, fire safety inspectors) and 110 control staff who handle the 999 calls.

In 2017/18 the Brigade handled 173,537 emergency (999) calls and attended 104,672 incidents in London, plus 510 incidents outside of London (in support of neighbouring fire and rescue services). These incidents included 19,535 fires, 32,858 non-fire special services and 52,299 false alarms. Whilst attending and resolving emergencies is still a key part of the Brigade's work; preventing fire, help keeping people safe and promoting wider safety in the community are also equally important.

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The Authority's core aims and objectives for 2017/18 were set out in its London Safety Plan (LSP), 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 London Safety Plan 2017 (LSP2017) was agreed by LFEPA on 30 March 2017 and covers the period from April 2017 to March 2021. LSP 2017 can be accessed on the London Fire Brigade website-

https://www.london-fire.gov.uk/media/1670/london-safety-plan-2017.pdf

Grenfell Tower fire

The Brigade received the first of multiple calls to a fire at Grenfell Tower in North Kensington at 00:54 on the morning of Wednesday, 14 June 2017. The fire affected all floors of the 24 storey building, from the second floor up, and was declared a major incident by the Brigade. Over 200 firefighters and officers attended, with 40 appliances and a range of specialist vehicles, including 14 fire rescue units. Crews wearing breathing apparatus worked in extremely difficult conditions to rescue 65 people and to bring the major fire under control. Nevertheless, the fire led to major loss of life.

The Grenfell Public Inquiry two week commemoration hearings were held from the 21 May, with the inquiry continuing from 4 June through until 29 October. The Criminal Police Investigation led by the Metropolitan Police also continues. Both of these investigations are expected to have resource implications for the London Fire Commissioner in future years.

Inspection of fire and rescue authorities in England

The Home Office has formally announced the creation of an independent inspectorate for fire and rescue authorities in England, Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS), as part of the fire reform programme within the Policing and Crime Act 2017.

The announcement confirmed that:

- The first phase of inspection will commence in early 2018 and every fire and rescue authority in England will be inspected thereafter with a report published on every inspection.
- The provisions made by the Policing and Crime Act 2017 require the Chief Inspector of Fire and Rescue Services to lay before Parliament an annual report on the inspections undertaken.
- The Home Secretary also has the ability to commission HMICFRS to inspect and report on any particular issue in addition to individual authority inspections.

The other elements of the Government's fire reform programme include the formation of a professional standards body, the creation of a new national website in order to increase transparency, and the publication of incident level data from the Incident Recording System so that members of the public can have access to the raw data on fire incidents across England.

Opening up fire stations

A project is underway to look at how the Brigade can open up its fire stations for use by the local community, one of the commitments set out in LSP2017 . There are a number of community organisations that need a safe space to meet and organise community initiatives and the Brigade wants to help with this by providing spaces for people to use, and, at the same time, sharing key fire safety messages with Londoners.

Role to Rank project

A project board and team have been set up to implement the changes to the watch structure at fire stations, agreed last year with the Fire Brigades Union (FBU).

Implementing the new structure will require a substantial amount of work and time as it affects all areas of the Brigade. The project board and team includes all relevant stakeholders, including the FBU. The project group will work with all departments to ensure the changes are implemented effectively.

New website launched

A new Brigade website was launched in March 2018. The new site will fully support access from all mobile devices as well as desktops and PCs. It features new and improved functionality based on the needs identified. This development of this new website was included in LSP2017, with the aim to improve how people can access information and interact with us online.

Fire, Safe and Well visits

A new team of 10 community safety advisors is taking part in a pilot to enhance the Brigade's Home Fire Safety Visits (HFSVs). Fire, Safe and Well visits have started in the boroughs of Waltham Forest, Ealing, Merton, Greenwich and Islington.

The Brigade made a commitment in the London Safety Plan to look at how to support local health interventions and it's also a driver in the Brigade's community health strategy, Healthier Futures , which was agreed by LFEPA in 2016. Local Fire, Safe and Well working groups have been set up in pilot boroughs involving fire, health, social care and the voluntary sector who have come together to explore a joined up service to improve the safety and wellbeing of local communities.

The pilots will explore the development of core areas associated with fire risk assessment with the aim of improving fire and health outcomes for those most vulnerable. Areas include mobility (falls prevention), cold homes, social isolation and smoking cessation.

NOG Integration project

The National Operational Guidance (NOG) Programme has been underway since 2012, developing operational guidance to replace existing manuals and bulletins for all fire and rescue services nationally. This work finished in March 2018.

A new project, LFB NOG Integration, will oversee the next stage, which is to make sure this national approach is effectively integrated into LFB. The aim is to review all of the Brigade's operational policies, procedures, technical information, training and associated documents to create a user-friendly framework of information that reflects NOG. The project will develop a range of new documents which will be accessed via a new 'one-stop-shop' ICT system.

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London Fire Brigade Enterprises Ltd

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

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

Group accounts have not been produced for the combined entities as the net expenditure, income, assets and liabilities of the company do not have a material impact on the results published.

Personal Protective Equipment

LFEPA agreed in January 2015 that the Authority participate in a collaborative procurement project with Kent Fire and Rescue Service (KFRS) for the provision of Personal Protective Equipment. The procurement concluded in 2017/18 and provided for a cost model which enabled volume discounts, thereby optimising the collective buying power of the FRS's and generating cashable savings. This is in addition to the cost avoidance savings that FRS's will benefit from in terms of reduction in time and resource to place a call-off via this framework. The saving for the Brigade was £343k annually.

People Services Review

The people services review looked at the functions carried out by the teams and departments most associated with providing support for staff at work; Human Resources; Development and Training and Inclusion. Over the course of six months the review team spoke to 750 staff ranging from watches and teams to heads of service. This resulted in detailed recommendations for improvement to both delivery and structures.

The top level changes were:

- A new People Services Department was set up in the Corporate Services Directorate which replaces Human Resource Management.
- A new Training and Operational Skills Department was set up in the Safety and Assurance Directorate to replaces Development and Training.

National Fire Chiefs Council launched

On 1 April 2017, the National Fire Chiefs Council (NFCC) was launched. The NFCC is the leading organisation representing UK fire and rescue services nationally. The Chief Fire Officers Association (CFOA) developed the NFCC after it identified the need to ensure that representation of professional and technical issues for fire and resilience was fit for purpose, and well positioned to provide leadership across the UK.

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The NFCC, made up of representatives from all UK fire and rescue services, provides clear, professional advice to government, devolved administrations and the fire sector to:

- Strengthen professional and operational leadership.
- Improve national coordination.
- Reduce duplication.
- Increase efficiency.
- Support local service delivery.
- Provide increased influence for fire and rescue services.

The Chair is a dedicated, full-time role and part of the Chair's remit is to build strong relationships and improve communications with UK governments, fire and rescue authorities, emergency services and other key partners.

Governance

The London Fire Commissioner

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

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

The London Fire Commissioner is responsible for providing London's fire and rescue service, ensuring that it is effective and efficient. All formal decisions about London Fire Brigade are approved by London Fire Commissioner, although some decisions may need to be consulted on and/or approved by the Deputy Mayor for Fire and Resilience or the Mayor of London. The LFC approved a new Scheme of Governance for the organisation on the 1 April 2018, which can be found in the record of LFC decisions at the below link.

https://www.london-fire.gov.uk/about-us/our-decisions/

The Scheme of Governance comprises:

- Part 1 – Code of Corporate Governance
- Part 2 – Standing Orders Relating to Business
- Part 3 – Standing Orders Relating to Procurement
- Part 4 – Delegations to Officers
- Part 5 – Appointment of Statutory and Proper Officers
- Part 6 – Financial Regulations

On the 1 April 2018 the LFC also approved a number of additional reports relevant to the good and effective operation of the fire and rescue authority for Greater London. These included reports on:

- the LFC Governance Direction 2018 issued by the Mayor on 1 April 2018.
- the adoption by the LFC of a corporate seal.
- the adoption of LFEPA's policies, strategies, codes of practice, guidance, instructions anddecisions by the LFC.
- the LFC's structures and politician restrictions.

The Fire, Resilience and Emergency Planning (FREP) Committee has been set up to scrutinise how the London Fire Commissioner is exercising their functions. The FREP is a committee of the London Assembly and is made up of six London Assembly Members, who are agreed by the London Assembly. The LFB will prepare performance reports, monitoring data and help develop thematic reviews to facilitate the scrutiny work of FREP.

Risks and Opportunities

Corporate risks

Strategic risk management enables the Authority to plan for, anticipate, manage, and mitigate risks which have the potential to seriously impact upon the services provided by the organisation. As a fire and rescue service, many of our activities are naturally underpinned by a response to a range of hazards, but it is only through the evaluation of the chance or probability of harm associated with those hazards (i.e. by undertaking a risk assessment) that we are able to accurately understand the risk they pose to the organisation.

Risk management is a process which seeks to identify, evaluate and manage these risks in a structured way. A robust strategic risk management framework enables the Authority to take sufficient action, which could involve prevention of significant risks and/or reduction of the impact of those that do occur by putting adequate risk mitigation controls in place.

Corporate risks are those which officers have identified could have a serious impact on how the Authority operates. Controls and triggers for the corporate risks are kept under review to take account of any new developments.

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The current corporate risks for the London Fire Brigade are as follows:

Risk Code	Risk Description	Score
CRR1	A death or serious injury occurs as a result of our staff not operating a safe system of work	6
CRR2	Disconnect between top, middle and junior management leads to a lack of consistent leadership affecting our ability to manage and change behaviours	4
CRR7	Failure of a significant contractual relationship impacts on the delivery of services	6
CRR8	The new inclusion strategy doesn't deliver a more diverse workplace	6
CRR10	Uncertainty about the government's approach to Home Office funding for fire and rescue services impacts on the Brigade's ability to budget effectively	6
CRR13	A breakdown in industrial relations affects our ability to deliver the service	6
CRR14	A risk averse culture within the organisation lessens our ability to deliver efficient and effective services	4
CRR15	The national programme to replace Airwave with the Emergency Services Network (ESN) to deliver a solution for the provision of radio and data communications which is both affordable in the long term and which delivers the complete functionality required by LFB	6
CRR16	Failure to adequately prepare for the governance changes under the Policing and Crime Bill leads to bureaucratic, undemocratic or ineffective arrangements	3
CRR17	Environmental concerns regarding diesel vehicles leads to challenges regarding the Brigade's fleet	6
CRR18	The current threat levels arising from terrorism means that the Brigade is under prepared in its initial response to certain types of incidents	9

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Strategy and Resource Allocation

The Brigade's Medium Term Forecast provides a high level forecast of the organisations spend and funding for each of the next four financial years. The below table summarises the most recent position which was included in the 2018/19 Budget report.

Summary Budget Gap

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Budget Gap	**(4.4)**	**8.7**	**8.5**	**10.2**
Payment into / (Draw from) Budget Flexibility Reserve	4.4	(8.7)	(7.1)	0.0
Budget Flexibility Reserve Balance	15.8	7.1	0.0	0.0
Budget Gap After Reserve Use	**0.0**	**0.0**	**1.4**	**10.2**

The above table demonstrates that the four year budget gap is £10.2m. The table also shows that a budget surplus of £4.4m in 2018/19 will be transferred into the Budget Flexibility reserve, increasing that reserve to £15.8m. That funding will then be used to close the £8.7m budget gap in 2019/20. The remaining £7.1m would then be used to reduce the budget gap in 2020/21 from £8.5m to £1.4m. There would then be a budget gap of £10.2m in the 2021/22 financial year.

The budget gap over a new four year period up to 2022/23 will be considered as part of the budget process in 2018/19.

Resources Allocation for the Brigade reflects the organisation's priorities as set out in the London Safety Plan.

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The below table sets how the Brigade expects to spend its revenue money over the next four years.

Subjective analysis	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
Operational staff	239.5	250.9	254.6	259.1
Other staff	57.8	62.7	62.0	63.0
Employee related	21.1	18.4	18.6	19.4
Pensions	23.5	23.8	24.1	24.3
Premises	37.6	38.2	38.8	39.2
Transport	17.5	17.2	17.4	17.4
Supplies and services	29.2	27.8	28.0	28.1
Third party payments	1.9	1.9	1.9	1.9
Capital financing costs	9.8	9.8	11.3	12.4
Contingency against inflation	0.0	0.4	0.2	0.2
Savings to be required	0.0	0.0	(1.4)	(10.2)
Total revenue expenditure	**437.9**	**451.1**	**455.5**	**454.8**
Total income	(36.8)	(38.1)	(39.7)	(41.2)
Net revenue expenditure	**401.1**	**413.0**	**415.8**	**413.6**
Transfer to/from reserves	(2.1)	(9.5)	(7.4)	(0.1)
Financing Requirement	**399.0**	**403.5**	**408.4**	**413.5**
Specific grants	(12.2)	(12.2)	(12.2)	(12.2)
Mayoral Funding Requirement	**386.8**	**391.3**	**396.2**	**401.3**

The below tables sets how the Brigade expects to spend its capital money over the next four years.

	2018/19 Capital Budget £k	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k
Estates Projects	18,123	21,116	8,284	9,410
ICT Projects	4,611	600	2,360	2,000
Fleet	16,364	25,290	10,738	11,680
TOTAL	**39,098**	**47,006**	**21,382**	**23,090**

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Performance

Authority's Key Strategic Aims and performance

The Authority's London Safety Plan (LSP) continued to set the strategic aims and performance aspirations during 2017/18.

Overall, performance for 2017/18 *remained good, with the majority of our headline targets and performance indicators showing achievement and a number exceeding the target.*

Details of performance against all the Authority's performance indicators and service measures (without targets), can be found on the Authority's website at the following link.

https://www.london-fire.gov.uk/media/2885/london-fire-brigade-our-performance-2017-18.pdf

The performance highlights of 2017/18 (performance indicator references from the LSP are provided) are set out below. Some data is included, which are not for performance indicators with targets, to provide context.

Calls and incidents attended

Emergency calls received were down in 2017/18 by less than one per cent compared to the year earlier.

Incidents attended by the London Fire Brigade in London in 2017/18 were around the same level as in 2016/17 (down by only 68 incidents). Although false alarms were up slightly (two per cent), this was offset by a lower number of fires (down nearly four per cent) and special services (down by one per cent).

Incidents attended by London Fire Brigade to provide assistance to neighbouring Brigades were down by nearly 12 per cent compared to 2016/17.

Performance indicator		**2016/17**	**2017/18**	Target 2017/18	Met target?
-	All emergency calls	**174,039**	**173,537**	-	-
-	All incidents in London	**104,740**	**104,692**	-	-
-	Incidents attended outside London*	**577**	**511**	-	-

* mutual assistance to brigades outside London sharing the London border

Fires

- The number of fires attended by LFB fell below 20,000 again (the last time was in 2014/15), and were down by nearly four per cent compared to 2016/17.
- The total number of primary fires was about the same in 2017/18 compared to the year before (nine more). The number of fires in the home was slightly up compared to 2016/17 (just over two per cent higher); road vehicle fires were down by eight per cent.
- Fewer outdoor rubbish fires, due to the relatively cooler/wetter Summer in 2017, was the driver for lower numbers of secondary fires overall (nearly eight per cent lower).

Performance indicator		2016/17	**2017/18**	Target 2017/18	Met target?
-	All fires	20,268	**19,532**	-	-
-	Primary (more serious) fires	10,605	**10,613**	-	-
H 2	Primary fires in the home (dwellings)	5,495	**5,629**	6,000	✓
H 4	Fires in care homes/sheltered housing	321	**363**	400	✓
H 3	Fires in RRO non-domestic buildings	1,952	**1,985**	2,500	✓
-	Secondary (smaller) fires	9,615	**8,879**	-	-
IP 3	Secondary outdoor rubbish fires	5,789	**5,254**	go down	✓
IP 2	Arson (deliberate fires)	4,196	**3,760**	go down	✓

Fire casualties (fatal and non-fatal)

- Fire deaths in London are significantly higher in 2017/18 as a result of the tragic Grenfell Tower fire in June 2017 when over 70 people died.

The measure for fire injuries uses a five year average from 2017/18, and on this basis, the underlying trend remains downward for fire injuries even though the number, on an annual basis, showed an increase. Annual numbers of injuries in 2017/18 includes the impact of the Grenfell Tower fire.

Performance indicator		2016/17	**2017/18**	Target 2017/18	Target met?
-	Fires in which one or more people died – 10 yr average	42	**41**	-	-
H 5	All fire deaths – 10 yr average	46	**51**	50	×
-	All fire deaths – annual	44	**110**	-	-
H 6	Deaths in accidental dwelling fires – 10 yr average	39	**101**	35	×
-	Deaths in accidental dwelling fires – annual	41	**104**	-	-
H 7	Fire injuries (excl precautionary checks) – 5 yr average	993	**966**	1,000	✓
-	Fire injuries (excl precautionary checks) – annual	851	**1,045**	-	-

Non-fire emergencies (special services) and false alarms

- All special services incidents fell slightly in 2017/18 compared to the previous year. This was largely due to the end of the pilot (in September 2018) to co-respond to some medical emergencies with the London Ambulance Service (co-responding incidents down by 76 per cent).

- There were increased numbers of flooding incidents (up almost ten per cent) although the majority of these calls were to domestic leaks.

- Some other types of special service were also higher in 2017/18, like shut in lift releases (up two per cent), and incidents effecting entry/exit (up one per cent). These higher numbers were offset by a lower number of other types of special service incidents (e.g. 'spills and leak' incidents were down 13 per cent.)

- False alarm increased in 2017/18 by two per cent, but false alarms due to automatic fire alarms in non-domestic buildings were up only slightly (less than half per cent).

Performance indicator		2016/17	**2017/18**	Target 2017/18	Met target?
-	All special services (SS)	33,205	**32,854**	-	
-	SS – medical corresponding*	1,598	**386**	-	
IP 8	SS – lift release	5,134	**5,257**	go down	×
-	SS – road traffic collisions	4,459	**4,466**	-	
-	SS – flooding	7,055	**7,724**	-	
-	All false alarms	51,266	**52,292**	-	
H 11	False alarms – Automatic fire alarms in non-domestic buildings	21,929	**22,017**	20,000	×

* pilot in four boroughs only in 2016/17 starting in February 2016 ending in September 2018.

Responding to emergency calls

- The answering of 999 calls remains fast, and was faster than in 2016/17, but remains just outside our target. This is due to changes to the way calls are allocated to Control staff flowing from the introduction of a new computerised mobilising system in November 2015.

- The slightly slower answering of calls, is more than offset by the speedier mobilisation of resources by Control staff in response to an emergency call (i.e. call handling) which was two seconds faster compared to 2016/17 and within target.

- Both first and second appliance attendance times improved in 2017/18 compared to the previous year. First appliance was nine seconds faster and second was 10 seconds faster.

Performance indictor		2016/17	**2017/18**	Target 2017/18	Target met?
CO 3	999 calls answered within 7 seconds	85.1%	**90.3%**	92%	×
H 12	Control call handling time	01:38	**01:36**	01:40	✓
H 13	First pumping appliance arrival	05:22	**05:13**	06:00	✓
H 14	Second pumping appliance arrival	06:44	**06:34**	08:00	✓
H 15	First pump arrival within 10 minutes	95.8%	**96.6%**	90%	✓
H 16	First pump arrival within 12 minutes	98.1%	**98.8%**	95%	✓

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Fire safety

- Home Fire Safety Visits are down slightly in 2017/18 compared to the previous year, which is also reflected in the visits to priority people/areas. The volume of HFSVs was well in excess of the target.

- The inspection/audit of (mainly) non-domestic premises subject to the Regulatory Reform (Fire Safety) Order (RRO) reduced in 2017/18. Much of this was due to the issues arising following the Grenfell Tower fire which diverted resources to higher priority work.

Performance Indictor		2016/17	**2017/18**	Target 2017/18	Target mt?
H 8	All Home Fire Safety Visits (HFSVs)	84,896	**83,903**	73,000	✓
CX 5	HFSVs to priority risk areas/people	68,215	**66,409**	-	-
CO 1	Station time on community safety work	12.4%	**12.5%**	10%	✓
H 10	Fire safety inspections/audits	14,647	**11,548**	-	-

No target was set for fire safety inspections/audits (H10) in 2017/18 in view of the impact of work arising from the Grenfell Tower fire

Details of our performance can be found on the London Fire Brigade website at the following link:

https://www.london-fire.gov.uk/media/2885/london-fire-brigade-our-performance-2017-18.pdf

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

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Accounting Statements

The Authority's accounting statements that follow have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. The Code is based on International Financial Reporting Standards (IFRS), except where interpretations or adaptations have been made to fit the Public Sector as detailed in the Code. Accounting policy changes arising out of the adoption of the IFRS-based Code are accounted for retrospectively unless the Code requires an alternative treatment. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

The 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 Director of Finance and Contractual Services post title changed from 1 April 2018 to the Director of Corporate Services, the post retains S127 (Chief Finance Officer) responsibilities.

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/ (Deficit) on the Provision of Services line shows the true economic cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to the earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

- **The Comprehensive Income and Expenditure Account**, which shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

- **The Balance Sheet**, which shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

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 Home Office (HO).

- **The Expenditure and Funding Analysis** which shows how annual expenditure is used and funded from resources by the Authority in comparison with those resources consumed or earned by the Authority in accordance with generally accepted accounting practices.

The Annual Governance Statement (AGS) is also published in conjunction with the Statement of Accounts. In England, the preparation and publication of the statement is in accordance with the CIPFA/SOLACE publication `Delivering good governance in Local Government framework' and is necessary to meet the statutory requirement set out in Regulation 6 of The Accounts and Audit Regulations 2015 and does not form part of the annual financial statements.

Capital Expenditure

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

In 2017/18, total spending on the capital programme for tangible and intangible assets was £21.0m, spend included the rebuilding and modernising of fire stations and other buildings (£5.3m), upgrading equipment (£1.5m) and the purchase of fleet vehicles (£14.2m). Capital expenditure on Authority assets (£21.0m) is to be financed in accordance with the Prudential Code, funded by Government capital grant (£0.2m), and capital receipts (£20.8m).

The Authority took no external borrowing during the year. Settlement of maturing principal debt during 2017/18 totalled £6m. As a result, as at 31 March 2018, the level of outstanding principal debt totalled £72.7m. The average interest payable on outstanding loans as at 31 March 2018 was 4.9% (4.89% at 31 March 2017).

There were no disposals of property during the year.

Income and Expenditure for the year

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

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see core statement note 30), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2017/18, shown in the table below, was £379.6m against a budgeted net expenditure sum of £391.8m. The outturn position after application of reserves and grants was £11.9m less than the approved Authority budget.

Following movements between the Authority's general fund and reserves, the general fund balance increased by £2.2m from £21.5m as at 31 March 2017 to £23.7m as at 31 March 2018 and the Authority's earmarked reserves increased by £14.6m from £15.6m as at 31 March 2017 to £30.2m as at 31 March 2018.

The £11.9m underspend in year was a combination of under and overspends as set out in the table below which provides 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 2017/18

Service Expenditure	2017/18		
	Annual Budget	Outturn	Outturn variance
	£000	£000	£000
Operational Staff	236,125	230,897	(5,228)
Other Staff	52,740	51,503	(1,237)
Employee Related	26,479	25,376	(1,103)
Pensions	20,489	20,345	(144)
Premises	37,097	36,059	(1,038)
Transport	15,292	14,852	(440)
Supplies and Services	27,606	26,496	(1,110)
Third Party Payments	2,529	2,908	379
Capital Financing Costs	9,508	9,414	(94)
Central Contingency	24	0	(24)
Revenue Service Expenditure	**427,889**	**417,850**	**(10,039)**
Income	(36,112)	(38,278)	(2,166)
Net Service Expenditure	**391,777**	**379,572**	**(12,205)**
Transfer to General Reserves	4,376	4,947	571
Financing Requirement	**396,153**	**384,519**	**(11,634)**
Financed by			
Specific grants	(13,753)	(13,997)	(244)
GLA funding	(382,400)	(382,400)	0
Total Net Expenditure	**0**	**(11,878)**	**(11,878)**

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 2018.

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

Money owed to us within the next year (£79.9m) includes cash sums invested with financial institutions on a short term basis totalling £40.7m.

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

Summary Balance Sheet as at 31 March 2018	**£m**
Computer Software	6.0
Land, Buildings, Vehicles & Equipment	449.6
Assets Held for Sale	27.0
Stock	0.5
Money owed to the Authority within the next year	79.9
Money owed to the Authority after one year	0.1
Money owed by the Authority within the next year	(52.6)
Money owed by the Authority after one year	(6,555.3)
Total	**(6,044.8)**
Unusable Reserves	
Reserves not available for use	(314.1)
Pension Fund deficit	6,418.1
Usable Reserves	(59.2)
Total Net worth	**6,044.8**

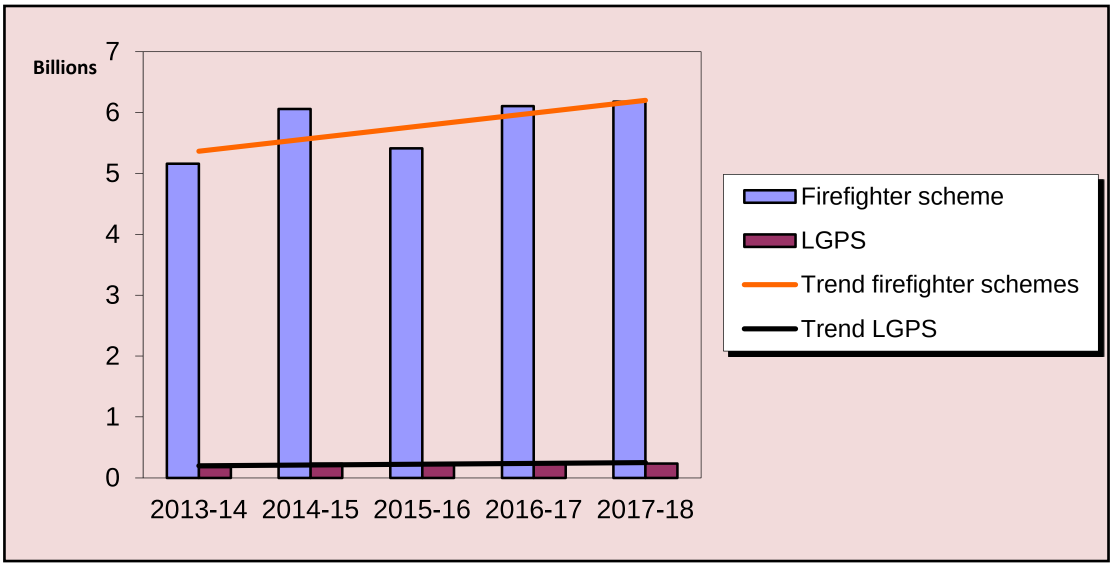
Pension Funds

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

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

The Net Pensions Obligation, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, as at 31 March 2018, is £6.41bn (31 March 2017 £6.36bn). This is the sum of the Authority's liabilities in both schemes arising from pension benefits accrued by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the Authority. The chart below shows the movement in the level of liability in the Firefighter pension schemes and the LGPS over five years.

Firefighter schemes and Support staff (LGPS) Pension obligation 2013/14 to 2017/18



The movement in the pension liability between years relates to an increase of £0.05bn in the long term liability for the firefighter schemes, as assessed by the Authority's actuary. The increase relates to a re-measurement of the schemes net defined liability taking into account the rate of CPI inflation, discount rates, long term salary increases and the rate of revaluation for CARE pensions.

Further Information

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

Formal approval and adoption of the Accounts by the London Fire Commissioner (formerly know as London Fire and Emergency Planning Authority)

Dany Cotton QFSM
London Fire Commissioner

Dated: 19 July 2018

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 Corporate Services (formerly the Director of Finance and Contractual Services to 31 March 2018);

- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;

- to approve the Statement of Accounts.

Director of Corporate Service's Responsibilities

The Director of Corporate 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 Corporate 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 Corporate Services has also:

- kept proper accounting records which were up to date;

- taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Director of Corporate Services

I hereby certify that the Statement of Accounts on pages 27 to 112 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 2018.

Signed

Sue Budden CPFA **Dated 19 July 2018**
Director of Corporate Services

Audit Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE LONDON FIRE COMMISSIONER

Opinion

We have audited the financial statements and the firefighters' pension fund financial statements of London Fire and Emergency Planning Authority for the year ended 31 March 2018 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement,
- Notes to the core financial statements 1 – 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 2017/18.

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 2018 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 2017/18.

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Director of Corporate Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

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

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in November 2017, 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 2018.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Services Responsibilities set out on page 21, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, and for being satisfied that they give a true and fair view.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in August 2017, as to whether the London Fire and Emergency Planning Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the London Fire and Emergency Planning Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Audit Opinion and Certificate

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

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

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

Certificate

We certify that we have completed the audit of the accounts of London Fire and Emergency Planning Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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

Debbie Hanson

Ernst + Young LLP

Debbie Hanson (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Luton
20 July 2018

The maintenance and integrity of the London Fire Commissioner web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site. Legislation in the United Kingdom governing the preparation and dissemination of financial statem ents may differ from legislation in other jurisdictions.

Statement of Accounting Policies

Accounting Policies

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

General Principles

The Statement of Accounts summarises the Authority's transactions for the financial year and its position at the year-end of 31 March 2018. The Financial Statements provide information about the Authority's financial performance, financial position and cash flow which is useful to a wide range of users for assessing the stewardship of the Authority's management and for making economic decisions. The Authority has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 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 is authorised for issue. Two types of events can be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events

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

Fair Value Measurements

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

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

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

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

Foreign Currency Translation

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

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 (HMRC) and all but very few items of VAT paid on expenditure is recoverable from it. Where VAT is not recoverable from HMRC it is charged to the appropriate area of expense.

Statement of Accounting Policies

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

At the balance sheet date the following new standards and amendments to existing standards have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom:

- IFRS 9 Financial Instruments, which introduces extensive changes to the classification and measurement of financial assets, and a new "expected credit loss" model for impairing financial assets. The impact will be to reclassify assets currently classified as loans and receivables, and available for sale to amortised cost and fair value through other comprehensive income respectively based on the contractual cashflows and business model for holding the assets. This standard is not expected to have a material impact on the Authority's accounts.

- IAS 7 Statement of Cash Flows (Disclosure Initiative) will potentially require some additional analysis of Cash Flows from Financing Activities in future years.

- IFRS 16 Leases will require authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). The effective date of IFRS 16 Leases is 1 January 2019. Therefore (subject to CIPFA/LASAAC decisions) the standard is anticipated to be adopted in the 2019/20 Code.

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/ (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 1/4/16	**(19,436)**	**(13,612)**	**(5,042)**	**(590)**	**(26,773)**	**(65,453)**	**5,389,944**	**5,324,491**	
(Surplus) or deficit on provision of services (accounting basis)	99,480	0	0	0	0	99,480	0	99,480	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	576,985	576,985	4
Total Comprehensive Income and Expenditure	99,480	0	0	0	0	99,480	576,985	676,465	
Restated - Adjustments between accounting basis & funding basis under regulations	(103,497)	0	(539)	126	5,277	(98,633)	98,633	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(4,017)	0	(539)	126	5,277	847	675,618	676,465	
Transfers (to)/from Earmarked Reserves	1,965	(1,965)	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(2,052)	(1,965)	(539)	126	5,277	847	675,618	676,465	
Balance as at 31/3/17	**(21,488)**	**(15,577)**	**(5,581)**	**(464)**	**(21,496)**	**(64,606)**	**6,065,562**	**6,000,956**	
(Surplus) or deficit on provision of services (accounting basis)	87,087	0	0	0	0	87,087	0	87,087	
Other Comprehensive Income & Expenditure	0	0	0	0	0	0	(43,204)	(43,204)	4
Total Comprehensive Income and Expenditure	87,088	0	0	0	0	87,087	(43,204)	43,883	
Adjustments between accounting basis & funding basis under regulations	(103,912)	0	1,627	(200)	20,737	(81,748)	81,748	0	6
Net Increase/Decrease before Transfers to Earmarked Reserves	(16,825)	0	1,627	(200)	20,737	5,339	38,544	43,883	
Transfers(to)/from Earmarked Reserves	14,625	(14,625)	0	0	0	0	0	0	7
Increase/(Decrease) in Year	(2,200)	(14,625)	1,627	(200)	20,737	5,340	38,544	43,883	
Balance as at 31/3/18	**(23,688)**	**(30,202)**	**(3,954)**	**(664)**	**(759)**	**(59,267)**	**6,104,106**	**6,044,839**	

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 2017			**Division of Service**	**31 March 2018**			
Gross Expenditure	**Gross Income**	**Net Expenditure**		**Gross Expenditure**	**Gross Income**	**Net Expenditure**	
£000	**£000**	**£000**		**£000**	**£000**	**£000**	Note
344,107	(47,087)	297,020	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	342,893	(46,461)	296,432	
		297,020	Cost of services			**296,432**	
3,351	(20,117)	**(16,766)**	Other operating expenditure	40	(105)	**(65)**	3
10,076			Interest payable and similar charges	9,725			10
	(546)		Interest and investment income		(447)		10
187,960			Firefighter pensions net Interest on the net defined benefit liability	160,720			29
7,971			Support staff pension net interest on the net defined benefit liability	7,229			29
206,007	(546)	**205,461**	Financing and Investment Income and Expenditure	177,674	(447)	**177,227**	
	(382,428)		GLA Grant		(382,400)		23
	(3,732)		PFI Grant		(3,732)		23
	(75)		Capital Grant		(375)		23
		(386,235)	Taxation and Non-Specific Grant Income			**(386,507)**	
		99,480	(Surplus) or Deficit on Provision of Services			**87,087**	19
(45,891)			Surplus on revaluation of non-current assets	(9,809)			4
3,604			Impairment losses on non-current assets charged to revaluation reserve	1,000			
619,272			Re-measurement of the net defined benefit liability	(34,395)			4
		576,985	Other Comprehensive Income and Expenditure			**(43,204)**	
		676,465	**Total Comprehensive Income and Expenditure**			**43,883**	

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 2017			**31 March 2018**		Note
£000	**£000**		**£000**	**£000**	
		Property, Plant & Equipment			
116,420		Land	113,162		
280,897		Buildings	270,879		
19,708		Vehicles, Plant and Equipment	28,655		
10,450		Non Operational Assets – Surplus	25,450		
8,019		Non Operational Assets – Other	10,126		
1,346		Heritage Assets	1,346		
	436,840			**449,618**	9
7,997	**7,997**	Intangible Assets	5,962	**5,962**	9
63	**63**	Long Term Debtors	52	**52**	13
	444,900	Long Term Assets		**455,632**	
26,506		Assets Held For Sale	27,006		9
444		Inventories	469		12
28,537		Short Term Debtors	41,443		13
63,723		Cash and Cash Equivalents	38,535		14
	119,210	Current Assets		**107,453**	
(6,042)		Short Term Borrowing	(6,123)		10
(48,320)		Short Term Creditors	(41,653)		15
(2,686)		Provisions	(3,596)		16
(1,178)		Short Term Liabilities	(1,213)		27
	(58,226)	Current Liabilities		**(52,585)**	
(2,098)		Provisions	(1,462)		16
(73,425)		Long Term Borrowing	(67,349)		11
(6,431,317)		Other Long Term Liabilities	(6,486,528)		26
	(6,506,840)	Long Term Liabilities		**(6,555,339)**	
	(6,000,956)	Net Assets		**(6,044,839)**	
(64,606)		Usable Reserves		**(59,267)**	17
6,065,562		Unusable Reserves		**6,104,106**	18
	6,000,956	Total Reserves		**6,044,839**	

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	**31 March 2017**	**31 March 2018**	Notes
	£000	**£000**	
Net (Surplus) or Deficit on the Provision of Services	**99,480**	**87,087**	
Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(139,778)	(90,579)	34
Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	9,963	480	
Net cash flows from Operating Activities	**(30,335)**	**(3,012)**	
Investing Activities	9,523	21,022	36
Financing Activities	15,121	7,178	36
Net (Increase) or Decrease in Cash and Cash Equivalents	**(5,691)**	**25,188**	
Cash and cash equivalents at the beginning of the period	58,032	63,723	14
Cash and Cash Equivalents at the End of Period	63,723	38,535	14

Notes to Core Accounting Statements

1. Critical Judgements in Applying Accounting Policies

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

Former Brigade HQ 8 Albert Embankment

The Authority has entered into an agreement to develop the former Brigade HQ at Albert Embankment. The new development will include the re-provision of the existing fire station together with the LFB Museum. In January 2017, LFB entered into a lease with the developer for the rear block at the site, to enable the developer to operate from in order to secure a planning consent for the redevelopment of the whole site in accordance with the Development Agreement. For 2017/18, the site has been split into two separate assets, the former HQ and fire station and the separate rear block at the site. The former HQ and fire station has been an operational property given its continued use as an operational fire station and offices, whilst the rear block has been re-classified as a surplus asset in the financial accounts.

Assets Held for Sale at Fair Value and Surplus Assets

The sites closed following the implementation of the last London Safety Plan that have not been sold have been valued at 31st March 2018 at the lower of its carrying value and fair value less costs to sell at initial reclassification. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the Authority by Dron & Wright, in connection with the estimated Market Values (MVs). LFEPA is satisfied that the figures provided by Dron and Wright meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2017/18.

Government Grants

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant and Equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current carrying value of non-current assets (excluding Assets held for sale) as at 31st March 2018 is £449.6m. A full valuation was carried out as at 1April 2017. The following issues result in heightened estimation uncertainty: Use of exisiting assets rather than Modern Equivalent Asset (MEA) to determine exisiting use value using a depreciated replacement cost methodlogy Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13. For more details of the assumptions applied and treatments used please refer to note 9.	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 £1.9m for every year that useful lives had to be reduced It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £5.7m and £13.5m respectively.
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 2018 is £6,418m.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 10% increase in the pension liability, in the region of £608m. However the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected as a result of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included under note 30

3. Material items of Income and Expenditure

The Authority collected £26.4m in the form of a levy placed on the Insurance industry under the Metropolitan Fire Brigade Act 1865. This is included as income in the Net Cost of Services against Community Fire Safety and Firefighting and Rescue Operations.

Other operating expenditure/(income)

The sum shown in the CIES comprises of the following :

Other operating expenditure	2016/17 £000	2017/18 £000
Non current assets impairment	192	0
Non current assets – disposed in year	3,159	40
Sub total	**3,351**	**40**
Sale proceeds received in year	(9,887)	(105)
Reversal of impairment charged	(10,230)	0
Sub total	**(20,117)**	**(105)**
CIES - Other operating expenditure/(income)	**(16,766)**	**(65)**

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	2016/17 £000	2016/17 £000	2017/18 £000	2017/18 £000
Gain on the revaluation of Property assets	(45,891)		(9,809)	
Loss on the revaluation of Property assets	3,604		1,000	
Surplus on revaluation of non current assets		**(42,287)**		**(8,809)**
Actuarial losses on Firefighter pension liabilities	582,850		(8,260)	
Actuarial losses on LGPS pension assets/liabilities	36,422		(26,135)	
Actuarial (gains)/losses on pension assets/liabilities		**619,272**		**(34,395)**
Total Other Comprehensive Income and Expenditure		**576,985**		**(43,204)**

5. Events after the Balance Sheet date

Policing and Crime Act 2017

The Policing and Crime Act was enacted on 31 January 2017. The Act abolished the London Fire and Emergency Planning Authority (LFEPA), and provided for the Mayor of London to take responsibility for fire and rescue services in London. The functions sit within existing Greater London Authority structures, with a Deputy Mayor for Fire, a statutory "London Fire Commissioner" (LFC) and a new Committee of the London Assembly, which provides scrutiny and oversight. All Assets, Liabilities and Resources of the LFEPA transferred to the London Fire Commissioner under statute on 1 April 2018.

Further details regarding the transfer to the London Fire Commissioner and the governance arrangements can be found on pages 5-6 in the Narrative Statement.

Accounts Authorised

The accounts to be authorised for issue by Sue Budden, Director of Corporate Services and post balance sheet events to be 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.

2017/18 - 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	(18,542)	0	0	0	(18,542)	18,542
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	104	0	(104)	0	0	0
MRP for capital financing Not debited to the Comprehensive Income and expenditure account	7,065	0	0	0	7,065	(7,065)
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	(40)	0	0	0	(40)	40
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	(91,120)	0	0	0	(91,120)	91,120
Capital Grants and contributions unapplied credited to the Comprehensive Income and Expenditure Account	376	0	0	(376)	0	0
Application of capital grants, receipts and contributions to capital financing transferred to the Capital Adjustment Account	0	0	20,841	176	21,017	(21,017)
Transfer to Revenue Grants Unapplied Account	(1,627)	1,627	0	0	0	0
Adjustment due to Accumulated Absences, reversal of prior year charge	3,909	0	0	0	3,909	(3,909)
Adjustment due to Accumulated Absences, current year charge	(4,037)	0	0	0	(4,037)	4,037
Total Adjustments	**(103,912)**	**1,627**	**20,737**	**(200)**	**(81,748)**	**81,748**

The following table provides comparative figures for 2016/17.

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

7. Transfers to/from Earmarked Reserves

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

Earmarked Reserves	Balance as at 31/3/2018	Transfers Out	Transfers In	Balance as at 31/3/2017	Transfers Out	Transfers In	Balance as at 31/03/2016
	£000	£000	£000	£000	£000	£000	£000
Firefighter Ill Health Pensions	1,172	0	0	1,172	0	0	1,172
Vehicle Fleet reserve	1,103	0	0	1,103	(93)	1,091	105
London Resilience	2,115	0	834	1,281	(121)	0	1,402
Sustainability Reserve	235	0	0	235	0	0	235
Hydrants	462	0	0	462	0	198	264
Compensation	1,000	0	0	1,000	0	0	1,000
Hazardous Material Protection	0	(203)	0	203	(138)	0	341
Property	0	(85)	0	85	(1,015)	0	1,100
Property PFI	0	(1,912)	0	1,912	0	0	1,912
Pension Early Release	400	0	0	400	0	0	400
LSP 2017 Implementation	4,561	(439)	0	5,000	0	0	5,000
Emergency Services Mobile Communication Programme	156	(200)	0	356	0	0	356
Emergency Medical Response	830		830	0	0	0	0
EU Procurement Projects	0	0	0	0	(105)	0	105
Training	0	0	0	0	(220)	0	220
Community Safety Fund	0	(602)	0	602	(1,598)	2,200	0
Fleet Replacement	0	0	0	0	(3,000)	3,000	0
ICT Development Reserve	1,310	0	642	668	0	668	0
LGPS Past Pensions Cost	0	0	0	0	(2,500)	2,500	0
New Governance Arrangements	300	0	200	100	0	100	0
Recruitment/Outreach	350	(250)	0	600	0	600	0
Fire Safety & Youth	318	(20)	0	338	0	338	0
Retrofit LFB Vehicles	60	0	0	60	0	60	0
Additional Resilience Requirements	4,361	(2,396)	6,757	0	0	0	0
Budget Flexibility	11,469	0	11,469	0	0	0	0
Total	**30,202**	**(6,107)**	**20,732**	**15,577**	**(8,790)**	**10,755**	**13,612**

8. Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision, that it considers prudent, for the repayment of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2017/18 was £7.07m (2016/17 £7.01m), being assessed by the Authority as being prudent.

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 limit of £20,000 is in place for the capitalisation of expenditure.

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

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

Statement, they are reversed out of the General Fund Balance to the Capital Adjustment Account in the Movement in Reserves Statement.

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

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

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

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

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

Where decreases in value are identified they are accounted for 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
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 2017/18, the non-current tangible assets of the Authority were re-valued and this included a re-consideration of the components. Component accounting requirements affects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets and it 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 the useful life.

Surplus Assets

Surplus assets are those assets that are not being used to deliver services but do not meet the criteria to be classified as either investment properties or non-current assets held for sale. The asset is revalued immediately before reclassification from operational non current assets to surplus assets under the existing use value. Once the asset is reclassified to surplus assets, the asset is revalued under the IFRS13 fair value measurement methodology. Any revaluation gains or losses are accounted for under the general measurement of non-current assets. Depreciation is not charged on surplus assets.

Disposals and Non-current Assets Held for Sale

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

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

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

Only amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts

Reserve and can then only be used for new capital investment or set aside to reduce the 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.

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

Private Finance Initiative (PFI) and Similar Contracts

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement

- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Contingent rent – increases in the amount to be paid for vehicles arising during the contract, debited to Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)

- Lifecycle replacement costs – recognised as additions to property, plant and equipment when vehicles are purchased.

The table below shows the movements in the Authority's Non Current Assets during 2017/18:

Non Current Assets	Operational				Non Operational & Surplus Assets	Heritage Assets	Assets held for sale	Total
	Land	Buildings*	Vehicles	Equipment				
	£000	£000	£000	£000	£000	£000	£000	£000
Net Book value as at 1/4/17	116,420	280,897	13,314	6,394	18,469	1,346	26,506	463,346
Add back Depreciation	0	0	10,823	33,535	1,124	0	10,136	55,618
Gross Value as at 1/4/17	**116,420**	**280,897**	**24,137**	**39,929**	**19,593**	**1,346**	**36,642**	**518,964**
Reclassification	(3,258)	(4,991)	4,425	1,709	1,615	0	500	0
Revaluation Increase to Revaluation Reserve	0	1,558	0	0	8,251	0	0	9,809
Revaluation Loss to Revaluation Reserve	0	0	0	0	(1,000)	0	0	(1,000)
Additions in year	0	4,575	6,003	1,850	8,241	0	0	20,669
Disposals in year	0	0	(242)	0	0	0	0	(242)
Gross value as at 31/3/18	**113,162**	**282,039**	**34,323**	**43,488**	**36,700**	**1,346**	**37,142**	**548,200**
Accumulated Depreciation as at 1.4.2017	0	0	(10,823)	(33,535)	(1,124)	0	(10,136)	(55,618)
Disposals in year	0	0	202	0	0	0	0	202
Depreciation for year	0	(11,160)	(2,823)	(2,177)	0	0	0	(16,160)
Total Depreciation as at 31/3/18	**0**	**(11,160)**	**(13,444)**	**(35,712)**	**(1,124)**	**0**	**(10,136)**	**(71,576)**
Net Book Value as at 31/3/2018	**113,162**	**270,879**	**20,879**	**7,776**	**35,576**	**1,346**	**27,006**	**476,624**

*Buildings have been revalued as at 1 April 2017 therefore accumulated depreciation has been written out.

Notes to Core Accounting Statements

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

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

Basis of Valuations

Non Current asset valuations for Land and Buildings were determined as follows:
The freehold and long leasehold interests in the various properties which are owned by London Fire and Emergency Planning Authority (LFEPA), were valued by External Valuers, Dron & Wright, Chartered Surveyors and Property Consultants, at 1st April 2018, in accordance with the current edition of the RICS Valuation – Professional Standards (the 'Red Book').

In accordance with UK Valuation Standard 1.15 of the Red Book the figures reported below using DRC methodology are subject to the prospect and viability of the continued occupation and use of the properties by the Authority.

Operational portfolio

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

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

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

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

The former LFEPA headquarters

The Authority has entered into an agreement to develop the former Brigade HQ at Albert Embankment. The new development will include the re-provision of the existing fire station together with the LFB Museum. In addition, a meanwhile use lease has been signed with the developer for the use of the separate rear block at the site, to enable the developer to operate from the site in order to secure a planning consent for the redevelopment of the whole site in accordance with the Development Agreement.

Previously the site has been valued as one asset but due to the above the site has been spilt into two separate assets, the former HQ and fire station and the separate rear block at the site. The former HQ and fire station is considered to be an operational asset and as such has been valued as a specialised asset. Whilst the rear site is a non operational asset and has been classified as a surplus asset which has been revalued at fair value (market value) in line with IFRS13. It is expected that the planning application for the development of the whole site will be submitted by September 2018.

Surplus Assets

Once an asset is classified to surplus assets the asset is revalued under the IFRS13 fair value methodology. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the Authority by Dron & Wright, in connection with the estimated Market Values (MVs).

LFEPA is satisfied that the MV figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Government Accounting 2017/18. On the basis of that advice, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

Assets held for sale

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

Freehold and long leasehold interests

The freehold and long leasehold interests in the various properties which are owned by London Fire And Emergency Planning Authority (LFEPA), were valued by External Valuers, Dron & Wright, Chartered Surveyors and Property Consultants, at 1st April 2018, in accordance with the current edition of the RICS Valuation - Professional Standards January 2014, as amended in April 2015 (the Red Book).

Valuer's report

In their report , Dron & Wright confirmed that, for the whole of the LFEPA operational portfolio, Existing Use Value (EUV) has been adopted. For specialised operational properties, a Depreciated Replacement Cost (DRC) methodology has been used. Non-specialised operational properties have been valued by reference to sales comparisons and market variables. Special assumptions have been made to disregard the leases which are linked to commercial contracts between LFEPA and third parties, in the case of the PFI properties (with Blue3) and Ruislip Workshops (with Babcock). Properties which are held for sale have been valued adopting Market Value, based on sales comparisons and market variables. The EUVs may be different to the prices which would have been obtainable in the open market for LFEPA's interests in the properties, if they had been declared surplus to LFEPA's operational requirements, at the valuation date.

In accordance with section 5 of Professional Standard 2 of the Red Book, Dron & Wright have made the following disclosures:-

1. This is the eighth time that the Valuers have been the signatory of the report provided to London Fire And Emergency Planning Authority (LFEPA) and the previous valuation dates were 1st April 2003, 1st April 2008, 1st April 2013, 1st April 2014, 1st April 2015 and 1st April 2016. This is the ninth time that the Valuer's firm has carried out the valuation instruction, with the first valuation date being 1st April 1999. Although this may be construed as a departure from the recommendations which are contained in the Red Book, we do not consider that it has prevented us from providing you with an independent and objective opinion of the values of your various properties.

2. The firm has acted for LFEPA for a period of over 20 years. During that time, the firm has provided property management, landlord and tenant, agency, building surveying and rating services to LFEPA, under a series of contracts for the provision of property and estate management functions.

3. In the firm's preceding financial year, the fees payable to the firm by LFEPA represented a significant proportion of the total fee income of the firm.

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

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

Vehicles

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

The Authority have ownership of New Dimension vehicles and equipment, that were previously the property of the Department for Communities and Local Government.

These vehicles are available for national deployment and include specialist vehicles and equipment such as high volume pumps and mass de-contamination equipment.

Intangible Assets

Expenditure on non-monetary assets that do not have physical substance but are controlled by the 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 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 1/4/17	1,669	6,328	7,997	0	0	0
Amortised	(602)	(1,781)	(2,383)	0	0	0
Additions	0	13	13	0	335	335
Reclassification	0	0	0	0	0	0
Net Value as at 31/3/18	**1,067**	**4,560**	**5,627**	**0**	**335**	**335**

Heritage Assets

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

10. Financial Instruments

Accounting Policy

Financial liabilities

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

For most of the borrowings that the 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	31/3/17		31/3/18	
	Long Term	Current	Long Term	Current
Borrowings	£000	£000	£000	£000
Public Work Loan Board Debt (PWLB)	72,725	6,000	66,725	6,000
PWLB Accrued Interest	700	42	624	123
Total borrowings	**73,425**	**6,042**	**67,349**	**6,123**
PFI and finance lease liabilities	66,528	1,178	65,315	1,213
Total Other Long term liabilities	**66,528**	**1,178**	**65,315**	**1,213**
Creditors	0	20,833	0	11,386
TOTAL	**139,953**	**28,053**	**132,664**	**18,722**

Financial liabilities and Assets at amortised cost	31/3/17		31/3/18	
	Long Term	Current	Long Term	Current
Loans & Receivables	**£000**	**£000**	**£000**	**£000**
Investments				
Short term investments	0	0	0	0
Accrued Interest	0	0	0	0
Total investments	**0**	**0**	**0**	**0**
Debtors	63	23,783	52	786
Cash Equivalents	0	63,723	0	38,535
TOTAL	**63**	**87,506**	**52**	**39,321**

In prior years the Firefighter Pension Fund top up grant receivable, an accrual for leave not yet taken and pensions not yet paid over at the year end have been included in the financial instruments disclosures. From 2017/18 these have been reassessed and considered to not represent financial instruments as defined by the Code of Practice on Local Authority Accounting in the United Kingdom. Under IAS 8 this change is not considered to be fundamental to a user of the financial statements and as such has been disclosed rather than treated as a restatement.

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:

2016/17 £000	Financial Instruments Income & Expenditure	2017/18 £000
10,076	Interest expense	9,725
(546)	Interest income	(447)
9,530	**Net gain/(loss) for the year**	**9,278**

2016/17 £000	Financial Instruments Income & Expenditure	2017/18 £000
3,829	PWLB borrowing	3,528
3,324	PFI lease interest & contingent rentals	3,274
2,923	Merton Lease Payment	2,923
10,076	**Total Interest expense**	**9,725**

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:

31/3/2017		Liabilities & Assets	31/3/2018	
Carrying amount	**Fair Value**		**Carrying amount**	**Fair value**
£000	**£000**		**£000**	**£000**
78,725	106,195	Public Work Loan Board Debt (PWLB)	72,725	96,719
67,706	67,706	PFI & Other Finance Leases	66,528	66,528
20,833	20,833	Trade and other creditors	11,386	11,386
167,264	**194,734**	**Total Liabilities**	**150,639**	**174,633**
23,783	23,783	Trade and other debtors	786	786
63	63	Long term debtors	52	52
63,723	63,837	Cash & Cash Equivalents	38,535	38,535
87,569	**87,683**	**Total Assets**	**39,373**	**39,373**

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

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in 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 2018, using bid prices where applicable.

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

The fair value of PWLB debt is based on PWLB valuation and the local authority debt is based on Capita's valuation level 2, 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. Bi-annual reports on the treasury management performance are submitted to the Resources Committee for scrutiny, and then to the Authority.

The Authority's daily treasury management function is managed under a shared service arrangement with the Greater London Authority who carry out borrowing, investment and reporting requirements. Investments are managed through a Group Investment Syndicate. The annual treasury management strategy for 2017/18 which incorporates the prudential indicators and investment strategy was approved by Authority on 30 March 2017 and is available on the Authority website (FEP2710).

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2017/18 was set at £225m with an Operational Borrowing Limit of £215m. 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.

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 Corporate Services (formerly the Director of Finance and Contractual Services to 31 March 2018) in order to ensure that investments are made giving sufficient priority to security over yield in accordance with Section 15 (1) of the Local Government Act 2003.The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the Authorities loan portfolio (quantified at the day of lending) are set out in the Authority's investment strategy (FEP2710).

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence as at the 31 March 2018 that this was likely to crystallise.

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

The Authority's cash balances averaged £88.4m for the year 2017/18 and attracted interest of £0.42m. The closing investment position on the GIS, as of 31 March 2018, was £32.4m with a Weighted Average Maturity of 84.6days. Including a sum held on a Nat West Call account (£8.2m) the total investment position as at 31 March 2018 was £40.6m. Cumulative performance for the year was 0.48% versus the average 3 Month LIBID benchmark of 0.28% (gross outperformance of 0.2%).

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:

31/3/2017 £000	Maturity analysis	31/3/2018 £000
6,000	Within 1 year	6,000
6,000	Between 1 and 2 years	6,000
14,000	Between 2 and 5 years	12,000
17,225	Between 5 and 10 years	17,225
35,500	More than 10 years	31,500
78,725	**Total**	**72,725**

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 GLA treasury management team address the operational risks within the approved parameters.

This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt

- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Authority's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31 /3/17	Actual 31 /3/18
Less than 1 year	20 %	0 %	7%	8%
Between 1 and 2 years	20 %	0 %	7%	8%
Between 2 and 5 years	50 %	0 %	18%	17%
Between 5 and 10 years	75 %	0 %	22%	24%
More than 10 years	90 %	25 %	46%	43%

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	31/3/2017	31/3/2018
The sources are:	**£000**	**£000**
Public Works Loan Board	72,725	66,725
Total	**72,725**	**66,725**
These loans mature as follows:		
Between 1 and 2 years	6,000	6,000
Between 2 and 5 years	14,000	12,000
Between 5 and 10 years	17,225	16,225
Between 10 and 15 years	12,000	9,000
More than 15 years	23,500	23,500
	72,725	**66,725**
Add accrued interest	700	624
Total	**73,425**	**67,349**

12. Inventories

The Authority held a stock value of £444k at the start of the year. The value increased to £469k as at 31 March 2018.

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 31/3/17	Advanced During year	Repaid During the year	Outstanding At 31/3/18
	£000	**£000**	**£000**	**£000**
Car Loans	63	36	(47)	52

Short Term Debtors

These include:

31/3/2017 £000	Debtors	31/3/2018 £000
19,421	Central government bodies	30,301
1,776	Other local authorities	3,405
23	NHS bodies	29
0	Public corporations and trading funds	0
7,317	Other entities and individuals	7,708
28,537	**Total**	**41,443**

Provision for Doubtful Debts

Following a review of the particular circumstances and profile of the Authority's debtors, the general provision of £979k brought forward from 2016/17 to safeguard against future losses or non-recoveries has been reduced, as at 31 March 2018, by £149k to £830k.

The aged debt analysis below shows that £934k (£1,727k 2016/17) of the total outstanding debt is past its due date for payment. All outstanding debt shown below has been allowed for in the Authority's assessment of bad debt provision. The majority of third party debts are being repaid in instalments and the overall debt balance reduced by £22k.

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	136	24	143	8	200	141	652
Third party claims	112	36	102	24	6	2	282
Total	**248**	**60**	**245**	**32**	**206**	**143**	**934**

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:

31/3/2017	Cash and Cash Equivalents	31/3/2018
£000		£000
75	Cash held by the Authority	53
(4,149)	Bank current accounts	(2,206)
67,797	Short term deposits held on demand	40,688
0	Short term deposits with maturity of 3 months or less	0
63,723	**Total Cash and Cash Equivalents**	**38,535**

15. Creditors

31/3/2017	Creditors	31/3/2018
£000		£000
7,859	Central government bodies	7,890
780	Other local authorities	990
5	NHS bodies	21
20,836	Other entities and individuals	16,843
18,840	Receipts in advance	15,909
48,320	**Total Creditors**	**41,653**

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.

31/3/2017			Summary of provisions	31/3/2018		
Current	Long term	Total		Current	Long term	Total
£000	£000	£000		£000	£000	£000
991	0	991	Legal	1,069	167	1,236
1,023	0	1,023	Employees	1,768	0	1,768
623	1,337	1,960	Motor Insurance	710	968	1,678
0	761	761	Property	0	327	327
49	0	49	Insurance Levy	49	0	49
2,686	**2,098**	**4,784**	**Total**	**3,596**	**1,462**	**5,058**

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.

31/3/2017	Unusable Reserves	31/3/2018
£000		£000
(151,859)	Revaluation Reserve	(158,613)
(147,961)	Capital Adjustment Account	(159,517)
6,361,473	Pensions Reserve	6,418,199
3,909	Accumulated Absences Account	4,037
6,065,562	**Total Unusable Reserves**	**6,104,106**

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

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

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

Capital Adjustment Account

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

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

2016/17		Revaluation Reserve	2017/18	
£000	£000		£000	£000
	(112,718)	Balance as at 1 April		(151,859)
(45,891)		Upward revaluation of assets	(9,810)	
3,604		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	1,000	
	(42,287)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		(8,810)
1,606		Difference between fair value depreciation and historical cost depreciation	2,056	
1,540		Accumulated gains on assets sold or scrapped	0	
	3,146	Amount written off to the Capital Adjustment Account		2,056
	(151,859)	**Balance as at 31 March**		**(158,613)**

2016/17		Capital Adjustment Account	2017/18	
£000	£000		£000	£000
	(127,869)	Balance at 1 April		(147,961)
3,662		Charges for depreciation and impairment of non current and intangible assets	16,486	
1,619		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	39	
	5,281			16.525
(15,164)		Use of Capital Receipts to finance new capital expenditure	(20,841)	
(3,000)		Capital grants and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing	0	
(202)		Application of grants to capital financing from the Capital Grants unapplied Account	(175)	
(7,007)		Statutory provision for the financing of capital investments charged against the General Fund	(7,065)	
	(25,373)			(28,081)
	(147,961)	**Balance at 31 March**		**(159,517)**

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.

2016/17	Pensions Reserve	2017/18
£000		**£000**
5,626,354	Balance at 1 April	6,361,473
619,272	Actuarial gains or losses on pensions assets and liabilities	(34,395)
292,036	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	265,575
(176,189)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(174,454)
6,361,473	**Balance as at 31 March**	**6,418,199**

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.

2016/17		Accumulated Absences Account	2017/18	
£000	£000		£000	£000
	4,177	Balance at 1 April		3,909
(4,177)		Settlement or cancellation of accrual made at the end of the preceding year	(3,909)	
3,909		Amounts accrued at the end of the current year	4,037	
	(268)	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		128
	3,909	**Balance as at 31 March**		**4,037**

19. Expenditure and Income Analysed By Nature

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

- No charges are made in relation to depreciation, revaluation and impairment losses, or amortisation. These are charged to services in the Comprehensive Income and Expenditure Statement. The reports do however include external financing costs, which includes debt charges such as interest costs and Minimum Revenue Provision to reflect the cost of repaying debt.

- The cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year as defined by the Authority's actuaries.

- Expenditure on some support services is budgeted for centrally and not charged to directorates.

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

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

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

Expenditure and Income Analysed by Nature		
	2016/17	**2017/18**
	£000	**£000**
Employee Benefits Expenditure	447,446	419,369
Premises	32,457	33,136
Transport	18,528	14,852
Supplies and Services	26,203	26,496
Third Party Payments	3,703	2,908
Interest Payments	2,632	5,273
Depreciation and Impairment	19,337	18,542
Total expenditure	**550,306**	**520,576**
Fees, charges and other service income	(33,575)	(37,831)
Interest and investment income	(565)	(447)
Gain on disposal of non-current assets	(6,729)	(65)
Government grants and contributions	(13,459)	(12,746)
GLA Funding	(382,428)	(382,400)
Reversal of previous years impairments	(14,070)	0
Total income	**(450,826)**	**(433,489)**
Surplus or Deficit on the Provision of Services	**99,480**	**87,087**

Expenditure and Funding Analysis

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

31 March 2017				31 March 2018		
Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES statement		Expenditure chargeable to general fund	Adjustments between funding and accounting basis	Net Expenditure in CIES statement
£000	£000	£000		£000	£000	£000
391,256	(94,236)	297,020	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	379,572	(83,140)	296,432
391,256	**(94,236)**	**297,020**	**Cost of services**	**379,572**	**(83,140)**	**296,432**
(395,273)	197,733	(197,540)	Other income and expenditure	(396,397)	187,052	(209,345)
(4,017)	103,497	**99,480**	**(Surplus) or Deficit on Provision of Services**	(16,825)	104,912	**87,087**
		(33,048)	**Opening General Fund Balance**			(37,065)
		(4,017)	(Surplus) or Deficit on Provision of Services			(16,825)
		(37,065)	**Closing General Fund Balance**			**(53,890)**

31 March 2017				31 March 2018		
Adjustment for capital purposes	Net change for the pensions adjustment	Adjustments between funding and accounting basis	**Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**	Adjustment for capital purposes	Net change for the pensions adjustment	Adjustments between funding and accounting basis
(13,886)	(80,350)	(94,236)	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	(6,439)	(76,701)	(83,140)
(13,886)	**(80,350)**	**(94,236)**	**Cost of services**	**(6,439)**	**(76,701)**	**(83,140)**
1,802	195,931	197,733	Other income and expenditure from the Expenditure and Funding Analysis	19,103	167,949	187,052
(12,084)	**115,581**	**103,497**	**Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services**	**12,664**	**91,248**	**103,912**

20. Members' Allowances

The Comprehensive Income and Expenditure Statement costs include payments of £126,073 made during the year under the Authority's Scheme for Members' Allowance payments. The payments were in respect of basic and special responsibility allowances (SRA) to Borough Members; basic allowances to Mayoral appointees; special responsibility allowances to Assembly Members who hold the position of Chair and Vice-Chair; and together with payments in respect of travel and subsistence allowances, conference fees and Employers National Insurance payments for all members made under the Local Authorities (Members' Allowances) (England) Regulations 2003. These are summarised in the table below.

2016/17 £	Summary of Members' Payments	2017/18 £
125,239	Basic & Special Allowances	117,591
1,617	Travel & Subsistence	1,421
1,880	Conference Fees	45
6,366	Employers National Insurance	6,516
135,102	**Total**	**126,073**

The table below shows totals of Basic and SRA paid for LFEPA Members in the period 1 April 2017 to 31 March 2018.

Member	Basic	SRA	Total
	£	£	£
Arbour, Tony	-	-	-
Bacon, Gareth	-	-	-
Blake, Rachel	3,875.02	-	3,875.02
Colley, Fiona	7,750.00	-	7,750.00
Cooper, Leonie	-	-	-
Dent Coad, Emma	1,765.27	-	1,765.27
Desai, Unmesh	-	-	-
Dismore, Andrew	-	-	-
Hall, Susan	1,700.69	-	1,700.69
Hayward Sarah	7,750.00	7,500.00	15,250.00
Hopkins Jack	7,750.00	7,500.00	15,250.00
Khan, Mehboob	7,750.00	-	7,750.00
Kurten, David	-	-	-
Moulton, Oonagh	7,750.00	-	7,750.00
Russell, Caroline	-	-	-
Twycross, Fiona	-	26,000.00	26,000.00
Whelton, Martin	7,750.00	15,000.00	22,750.00
Whitelock Gibbs, Amy	7,750.00	-	7,750.00
Total	**61,590.98**	**56,000.00**	**117,590.98**

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

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

Councillor Tony Arbour, Mr Gareth Bacon, Councillor Leonie Cooper, Councillor Unmesh Desai, Mr Andrew Dismore, Councillor Susan Hall (from 20 June 2017) , Mr David Kurten and Councillor Caroline Russell, as Assembly members are prohibited the payment of basic and special responsibility allowances under schedule 28 to the Greater London Authority Act although the Greater London Authority Act 2007 enables the Authority to pay the Chair of the Authority (Dr Fiona Twycross) an allowance in respect of that office even though she is an Assembly member.

The changes to Authority Membership during 2017/2018 were as follows:

Councillor Unmesh Desai became an Authority Member on 1 April 2017.
Councillor Susan Hall became an Assembly Member on 20 June 2017, having previously been a Borough Member.

Councillor Emma Dent Coad resigned as an Authority Member on 22 June 2017.
Councillor Rachel Blake became an Authority Member on 1 October 2017.

The table below shows totals of subsistence and travel paid for LFEPA Members and independent members in the period 1 April 2017 to 31 March 2018.

Independent Persons

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

The Authority agreed in June 2012 (FEP 1918A) to appoint Suzanne McCarthy and Anthony Moss as Independent Persons for a two year period from 1 July 2012. The Authority then agreed in June 2014 (FEP 2249) to extend the appointment of Suzanne McCarthy and Anthony Moss as the Authority's Independent Persons to 30 June 2016. Following the delays to the proposed date for the abolition of LFEPA these two appointments were further extended on 30 June 2016 (FEP 2597) to 31 March 2017 and then again on 30 March 2017 (FEP 2725) until 30 September 2017 and again on 22 June 2017 (FEP 2736) to March 2018.

The table below shows totals of subsistence and travel paid for LFEPA Members and independent members in the period 1 April 2017 to 31 March 2018.

Member	Subsistence		Travel		Total
	Claimed	Paid	Claimed	Paid Direct	
Borough Members	**£**	**£**	**£**	**£**	**£**
Colley, Fiona	0	0	0	0	0
Hopkins, Jack	0	272.94	0	174.21	447.15
Hayward, Sarah	0	0	0	0	0
Moulton, Oonagh	0	0	0	0	0
Whelton, Martin	0	0	0	0	0
Whitelock Gibbs, Amy	0	0	0	0	0
Assembly Members					
Arbour, Tony	0	545.00	0	0	545.00
Bacon, Gareth	0	0	0	0	0
Cooper, Leonie	0	0	0	0	0
Desai, Unmesh	0	0	0	0	0
Dismore, Andrew	0	0	90.00	0	90.00
Hall, Susan	0	0	0	0	0
Kurten, David	0	0	0	0	0
Russell, Caroline	0	0	0	0	0
Twycross, Fiona	0	0	103.50	235.55	339.05
Mayoral Appointee					
Blake, Rachel	0	0	0	0	0
Dent Coad, Emma	0	0	0	0	0
Khan, Mehboob	0	0	0	0	0
Independent Member					
McCarthy, Suzanne	0	0	0	0	0
Moss, Anthony	0	0	0	0	0
Total	**0.00**	**817.94**	**193.50**	**409.76**	**1,421.20**

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

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

21. Officer Remuneration

Senior Officers

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

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

2017/18 Post title and Name	Salary (including fees and allowances)	Expense Allowances	Other Compensation payments	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
	£	£	£	£	£	£
Commissioner Dany Cotton	197,101	173	0	197,274	42,771	240,045

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

Senior Officers Salary £50k per year or higher

2017/18 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 Safety & Assurance Steve Apter	145,804	370	0	146,174	31,639	177,813
Director of Operations Tom George	145,837	265	0	146,102	31,639	177,741
Director of Finance and Contractual Services and S127 Officer Sue Budden	166,451	44	0	166,495	22,870	189,365
Head of Legal and Democratic Services & Monitoring Officer Miles Smith	185,861	0	0	185,861	0	185,861

2016/17 Post title	Salary (including fees and allowances)	Expense Allowances	Other Compensation	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Directors	**£**	**£**	**£**	**£**	**£**	**£**
Director of Safety and Assurance (To 31/12/16) Dany Cotton	108,000	453	0	108,453	23,436	131,889
Interim Director of Safety and Assurance (w.e.f. 1/12/2016) Steve Apter	54,661	0	0	54,661	10,494	65,155
Director of Operations Dave Brown	160,763	668	16,774	178,205	34,886	213,091
Director of Finance and Contractual Services and S127 Officer Sue Budden	163,243	629	0	163,872	24,323	188,195
Head of Legal and Democratic Services Monitoring Officer Miles Smith	176,295	29	0	176,324	0	176,324

The Head of Legal and Democratic Services is retained by the Authority on an interim basis via an agency arrangement and as such is not salaried. The agency costs for 2017/18 are shown in the above table.

The annual salary of senior officers is reviewed each year and the annual basic salary, excluding fees and allowances, for each of these senior officers as at 31 March 2017 and 31 March 2018 are shown below:

As at 31/3/17	Basic Salary	As at 31/3/18
£		£
183,240	Commissioner	202,000
164,464	Director of Finance and Contractual Services	167,696
145,440	Director of Safety and Assurance	146,894
164,464	Director of Operations	146,894

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

2016/17	Salary range	2017/18
No		No
81	£50,000 - £54,999	103
129	£55,000 - £59,999	83
58	£60,000 - £64,999	84
41	£65,000 - £69,999	64
28	£70,000 - £74,999	32
16	£75,000 - £79,999	29
5	£80,000 - £84,999	9
5	£85,000 - £89,999	10
4	£90,000 - £94,999	3
1	£95,000 - £99,999	2
1	£100,000 - £104,999	0
0	£105,000 - £109,999	2
4	£110,000 - £114,999	1
0	£115,000 - £119,999	2
3	£120,000 - £124,999	2
0	£125,000 - £129,999	2

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

22. Audit Fees

2016/17	Audit Fees	2017/18
£000		£000
69	Fees payable to appointed Auditor for External Audit services	74
69	**Total**	**74**

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-ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

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

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2016/17 and 2017/18;

2016/17	Credited to Taxation and Non-Specific Grant Income	Source of funding	2017/18
£000			£000
382,428	GLA Grant	Greater London Authority	382,400
3,732	PFI Grant	HO	3,732
76	Other Capital Grants	HO	0
0	Contribution to capital	The Metropolitan Masonic Charity	375
386,236	**Total**		**386,507**
	Credited to services		
3,882	Fire Control Grant	HO	3,207
3,951	New Dimensions & USAR Grant	HO	3,683
92	New Risks grant	HO	174
1,105	National Operational Guidance	HO	1,355
1,804	Emergency Services Mobile Communications Programme (ESMCP)	HO	721
36	Other Revenue Grants	HO	88
0	European Unified Response	EU	353
14	Low Emissions Grant	DOT	14
0	Hydrogen Truck Initiative	Tech Strategy Board	14
1	Access to work	DWP	0
10,885	Revenue Grant income		9,609
931	Revenue Contributions received	Various	1,094
11,816	**Total**		**10,703**

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

The grants received by the Authority are non-ring fenced and therefore these are unconditional. The 2017/18 £382.4m GLA grant (£382.4m 2016/17) shown in the table above is now comprised of three elements, CLG grant funding in the form of Retained Business rates £115.7m (£115.7m 2016/17), GLA Precepts £138.2m (£138.2m 2016/17) and Revenue Support Grant £128.5m (£128.5m 2016/17).

24. Related Party Transactions

Mayor of London and the Greater London Authority (GLA)

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

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

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

Central Government

The Authority has relations with and obtains grant funding from Central Government departments. In particular the Home Office has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates and provides the majority of its funding via the GLA in the form of various grants. As at 31st March 2018, 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 2017/18 is shown in Note 20.

A number of Authority officers were members of the London Fire Brigade Welfare Fund Executive Council. Three senior officers are unpaid Directors of the LFB Enterprises Ltd, the wholly owned Authority trading company.

No Authority Members and all members of senior management except The Fire Commissioner declaration below have 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.

The Fire Commissioner , made a declaration of being the Chair of the Executive Committee, Women in the Fire Service UK, this organisation received payments from LFEPA during the 2017/18 financial year of £21,690. No further declaration were made.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2018, 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 2017/18, total spending on the capital programme for tangible and intangible assets was £21.0m. The spend included the rebuilding and modernising of fire stations and other buildings (£5.3m), upgrading equipment (£1.5m) and the purchase of fleet vehicles (£14.2m). Capital expenditure on Authority assets (£21.0m) is to be financed in accordance with the Prudential Code, Government capital grant (£0.2m), and Capital receipts (£20.8m).

2016/17	Capital expenditure and financing:	2017/18
£000		£000
173,002	Opening Capital Financing Requirement	171,522
12,292	Tangible Operational Assets	12,428
5,528	Tangible Operational Assets under PFI Property Lease	0
5,856	Tangible Non Operational Assets	8,240
218	Intangible Assets	348
	Sources of finance	
(15,367)	Government grants and other contributions	(21,016)
(7,007)	Minimum Revenue Provision	(7,065)
(3,000)	Other movements	0
171,522	**Closing Capital Financing Requirement**	**164,457**
	Explanation of movements in year	
5,528	Other long term liability PFI and finance lease	0
0	Borrowing from PWLB & Local Authorities in year	0
(7,008)	Increase/(decrease) in underlying need to borrow	(7,065)
0	Other movements	0
(1,480)	**Increase/(decrease) in Capital Financing Requirement**	**(7,065)**

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

As at 31 March 2018 the Authority is committed a total of £6.6m to Future Capital works and purchases.

The capital programme approved by Authority on 29 March 2018 (FEP2825) included a total forecast spend of £39m in 2018/19, £47m in 2019/20 and £21m in 2020/21.

26. Other Long term Liabilities

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

Other Long Term Liabilities	**31/3/17**	**31/3/18**	**Note**
	£000	**£000**	
Long Term PFI Properties	48,103	46,890	27
Long term Finance Leases	18,425	18,425	27
Deferred Credit	3,316	3,015	
Pensions Liability	6,361,473	6,418,198	30
Total	**6,431,317**	**6,486,528**	

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 from Central Government at today's prices to replace and make major improvements to Dagenham, Dockhead, Leytonstone, Mitcham, Old Kent Road, Orpington, Plaistow, Purley and Shadwell fire stations. Eight of the stations have been completely re-built on their existing sites and one station, Mitcham, built on a new site.

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

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

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

The amounts paid under the PFI finance lease in 2017/18 is shown below:

Finance Lease Property PFI 2017/18	Unitary Charge	Deferred liability	Income & Expenditure Account
	£000	£000	£000
Opening balance as at 1 Apr 2017		49,281	
New finance lease liability in year			
Principal sum paid in year	1,178	(1,178)	
Interest	3,274		3,274
Contingent rentals	29		29
Operational expenses	1,062		1,062
Balance as at 31 March 2018	**5,543**	**48,103**	**4,365**

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

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

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

PFI Property Future Liabilities	Within 1 Year	Within 2 to 5 Years	Within 6 to 10 Years	Within 11 to 15 Years	Within 16 to 20 Years	Within 21 to 25 Years
	£000	£000	£000	£000	£000	£000
Lease rental liabilities	1,213	5,422	7,917	9,312	13,948	10,292
Operating Costs	1,151	5,236	8,767	11,918	11,977	7,449
Interest Costs	3,195	11,922	12,673	9,900	6,157	1,202
Contingent Rentals	41	231	167	(347)	127	121
Total	**5,600**	**22,811**	**29,524**	**30,783**	**32,209**	**19,064**

Finance Leases

The Authority holds two finance leases as at 31 March 2018, one is for its control centre at Merton and the other is for the nine fire stations being provided under the PFI contract.

The Authority entered into a 25 year finance lease arrangement for the provision of its control function at Merton in March 2011 (currently valued on the balance sheet at £15.2m). The building became operational in February 2012, when control functions transferred from the Authority's site at 2 Greenwich View to Merton. Lease payments of £2,923k were paid during 2017/18 (£2,923k 2016/17). The table below shows the future payments under the lease agreement.

Merton Control Centre Finance Lease	**Total value of minimum lease payments as at 31/3/17**	**Present value of minimum lease payments as at 31/3/17**	**Total value of minimum lease payments as at 31/3/18**	**Present value of minimum lease payments as at 31/3/18**
	£000	**£000**	**£000**	**£000**
Not later than one year	2,919	1,082	2,919	1,082
Later than one year and not later than five years	12,081	2,989	12,081	2,989
Later than five years	48,538	3,339	44,628	3,252
Total	**63,538**	**7,410**	**59,628**	**7,323**

PFI Property Finance Lease	**Total value of minimum lease payments as at 31/3/17**	**Present value of minimum lease payments as at 31/3/17**	**Total value of minimum lease payments as at 31/3/18**	**Present value of minimum lease payments as at 31/3/18**
	£000	**£000**	**£000**	**£000**
Not later than one year	4,453	4,453	4,408	4,408
Later than one year and not later than five years	17,465	14,833	17,344	14,732
Later than five years	75,687	32,091	71,399	31,020
Total	**97,605**	**51,377**	**93,151**	**50,160**

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 2018 with future sums committed.

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

Operating lease payments	Land and Buildings	Vehicles, Plant and equipment	Land and Buildings	Vehicles, Plant and equipment
	As at 31/3/2017	As at 31/3/2017	As at 31/3/2018	As at 31/3/2018
	£000	£000	£000	£000
Not later than one year	4,974	2,179	5,129	4,716
Later than one year and not later than five years	18,916	1,101	20,406	10,923
Later than five years	22,750	0	22,813	5,607
Total	**46,640**	**3,280**	**48,348**	**21,246**

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 7 employees in 2017/18, incurring liabilities of £0.2m. One employee was given notice on 31st March 2017 and should have been included in the Financial Statements for 2016/17. Since this was omitted from the 2016/17 accounts, this exit package (£49k) is included within the 2017/18 accounts as the value is deemed to be immaterial to warrant re-statement of the 2016/17 figures.

The support staff comprised of 3 officers from the Safety and Assurance Directorate and 4 from the Finance and Contractual Services Directorate.

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	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
0 – 20	0	0	1	2	1	2	17	27
20 – 40	0	0	3	3	3	3	93	93
40 – 60	0	0	0	2	0	2	0	92
60 – 80	0	0	0	0	0	0	0	0
80 – 100	0	0	0	0	0	0	0	0
100 – 150	0	0	0	0	0	0	0	0
Over 150	0	0	0	0	0	0	0	0
TOTAL	**0**	**0**	**4**	**7**	**4**	**7**	**110**	**212**

Pension Schemes

Post-employment Benefits – Accounting Policy

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

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

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

  These are unfunded schemes, which are administered by the Authority in accordance with regulations initially laid down by the Department for Communities and Local Government (CLG), now the responsibility of the Home Office. These schemes are administered under a shared service arrangement with the London Pension Fund Authority (LPFA), now subcontracted to the Local Pensions Partnership (LLP) on behalf of the Authority. For such schemes as there are no investment assets, IAS19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure Statement for movements in the liability and reserve. The last actuarial review for IAS19 purposes was dated April 2018.

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

  This scheme is funded by employer and employee contributions to the LPFA, with administration and investment management services provided through LLP. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the LPFA with advice from the fund's Actuary, based on triennial actuarial valuations, the last review, impacting on 2017/18, being at 31 March 2013. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS19 purposes was dated April 2018.

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

Consequently, the following tables and disclosures have been presented in the revised formats as required by the CIPFA Code of Practice on Local Authority Accounting 2017/18.

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

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

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

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

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

- current service cost – the increase in liabilities as a result of years of service earned this year allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- interest cost – the expected increase in the present value of liabilities during the year as they move one year closer to being paid –debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement

- expected return on assets (LGPS only) – the annual investment return on the fund assets attributable to the Authority, based on an average of the expected long term return – charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

- gains/losses on settlements and curtailments – the result of actions to relieve the Authority of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs

- actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – debited to Pensions Reserve

- 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, 2006 and 2015 schemes.

Comprehensive Income and Expenditure Statement	**Local Government Pension Scheme**		**Firefighter's Pension Schemes**	
	2016/17	**2017/18**	**2016/17**	**2017/18**
Cost of Services	**£000**	**£000**	**£000**	**£000**
Current service cost	9,214	12,273	83,690	81,590
Past service costs/(gain)	239	3	2,920	3,760
Settlement prices paid	42	0	0	0
Financing and Investment Income and Expenditure				
Net Interest expense	7,629	6,809	187,960	160,720
Administrating expenses	342	420	0	0
Total post-employment Benefit charged to the Surplus or Deficit on the Provision of Services	**17,466**	**19,505**	**274,570**	**246,070**
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)	(44,814)	(5,478)	0	0
• Actuarial (gains) and losses arising on changes in demographic assumptions	(5,053)	0	(371,200)	(159,600)
• Actuarial (gains) and losses arising on changes in financial assumptions	106,777	(20,261)	1,074,180	166,820
Experience (gains) and losses on defined benefit obligation	(16,772)	0	(120,130)	(15,480)
Other	(3,716)	0	0	0
Total Post-employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**53,888**	**(6,234)**	**857,420**	**237,810**
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	(17,466)	(19,505)	(274,570)	(246,070)
Employers' contributions payable to scheme	15,153	9,370	159,970	164,020
Benefits paid directly to beneficiaries	1,065	1,065	0	0
Actual amount charged against the General Fund Balance for pensions in the year:	**(1,248)**	**(9,070)**	**(114,600)**	**(82,050)**

Membership of Schemes	LGPS		1992/2015 FPS		2006 FPS	
	Number		Number		Number	
	2016/17	2017/18*	2016/17	2017/18*	2016/17	2017/18*
Actives	813	813	3,041	3,041	1,220	1,220
Deferred Pensioners	742	742	811	811	439	439
Pensioners	1,341	1,341	7,370	7,370	7	7
Unfunded pensioners	309	309	-	-	-	-
Injury Pensioners	-	-	2,401	2,401	1	1

*2017/18 figures are the same as 2016/17 as these are only updated when an actuarial revaluation takes place.

Membership of Schemes	LGPS		1992/2015 FPS		2006 FPS	
	Average Age		Average Age		Average Age	
	2016/17	2017/18*	2016/17	2017/18*	2016/17	2017/18*
Actives	48	48	45	45	34	34
Deferred Pensioners	49	49	46	46	35	35
Pensioners	71	71	65	65	57	57
Unfunded pensioners	73	73	-	-	-	-
Injury Pensioners	-	-	68	68	36	36

*2017/18 figures are the same as 2016/17 as these are only updated when an actuarial revaluation takes place.

The service cost for firefighters and support staff has been allocated to the Comprehensive Income and Expenditure Statement based on individual levels of staff pensionable pay for the year. Details of the Authority's accrued liability in respect of both the firefighters' and the Local Government Pension Schemes are given below.
Further information in respect of the Local Government Pension Scheme can be found in the Pension Fund's Annual Report, which is available upon request from:

Local Pensions Partnership
2nd Floor
169 Union Street
London SE1 0LL

30. Pensions – Retirement benefits

In accordance with the requirements of IAS19 the Authority has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained above the Authority participates in three firefighter schemes, which are unfunded, and the Local Government Pension Scheme for other employees, which is administered by the Local Pensions Partnership (LPP) on behalf of the LPFA. In addition the Authority has made arrangements for the payment of added years to certain retired employees outside the provisions of the schemes.

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

LFEPA Pension obligations	Local Government Pension Scheme		Firefighter's Pension Schemes	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Present value of the defined benefit obligation	558,665	553,433	0	0
Fair Value of plan assets	(323,386)	(334,227)	0	0
Net	235,279	219,206	0	0
Present Value of unfunded obligation	22,145	21,153	6,104,050	6,177,840
Net liability arising from defined benefit obligation	**257,424**	**240,359**	**6,104,050**	**6,177,840**

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

LFEPA	Local Government Pension Scheme	
	2016/17	2017/18
	£000	£000
Opening fair value of scheme assets	263,343	323,386
Interest Income	9,522	8,687
Re-measurement gain /(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	44,814	5,874
• Other	3,716	0
Contributions from employer	16,218	10,435
Contributions from employees into the scheme	2,623	2,620
Benefits paid	(16,466)	(16,355)
Settlement prices received/(paid)	(42)	0
Other	(342)	(420)
Closing fair value of scheme assets	**323,386**	**334,227**

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	
	2016/17	2017/18	2016/17	2017/18
	£000	£000	£000	£000
Opening Balance at 1 April	**483,097**	**580,810**	**5,406,600**	**6,104,050**
Current service cost	9,214	12,273	83,690	81,590
Interest costs	17,151	15,496	187,960	160,720
Contributions from scheme participants	2,623	2,620	21,800	20,950
Re-measurement (gains) and Losses:				
• Actuarial gains/losses arising from changes in demographic assumptions	(5,053)	0	(371,200)	(159,600)
• Actuarial gains/losses arising from changes in financial assumptions	106,777	(20,261)	1,074,180	166,820
• Experience loss/(gain) on defined benefit obligation	(16,772)	0	(120,130)	(15,480)
• Other	0	0	0	0
Unfunded pension payments	(1,065)	(1,065)	0	0
Past service cost	239	3	2,920	3,760
Benefits paid	(15,401)	(15,290)	(181,770)	(184,970)
Liabilities extinguished on settlements	0	0	0	0
Closing balance at 31 March	**580,810**	**574,586**	**6,104,050**	**6,177,840**

Local Government Pension Scheme assets comprised:

Fair Value of Fund Assets	2016/17
Equities - Segregated	£000
Basic Materials	2,264
Communications	1,940
Consumer	35,572
Energy/Utilities	3,234
Financial	13,259
Industrial	20,050
Technology	17,786
Real Estate	2,264
Health Care	16,493
Equities - Unsegregated	
Investment funds/unit trusts	20,373
Trade Cash/pending	1,940
Synthetic Equity (Futures)	23,284
Credit	11,642
Fixed Income	0
Investment/Hedge funds & units trusts	47,538
Private Equity	33,632
LDI	38,806
Real Estate	16,493
Infrastructure	16,816
Cash	(9,055)
Currency Hedge (Forward Contracts)	0
BlackRock DDG	
Equities	1,617
Bonds	3,557
Cash	970
Investment/Hedge funds/Unit Trusts	3,234
Derivatives	(323)
Total	**323,386**

Fair Value of Fund Assets	2017/18
Equities - Segregated	£000
Basic Materials	5,216
Communications	2,958
Consumer	36,119
Energy/Utilities	5,387
Financial	19,314
Industrial	18,423
Technology	27,166
Real Estate	3,927
Health Care	9,845
Equities - Unsegregated	
Investment funds/unit trusts	11,858
Trade Cash/pending	0
Synthetic Equity (Futures)	0
Credit	16,926
Fixed Income	8,209
Investment/Hedge funds & units trusts	50,841
Private Equity	34,5623
LDI	29,535
Government	24,909
Infrastructure	16,828
Cash	10,785
Currency Hedge (Forward Contracts)	1,389
BlackRock DDG	30
Equities	0
Bonds	0
Cash	0
Investment/Hedge funds/Unit Trusts	0
Derivatives	0
Total	**334,227**

Rate of return on fund assets

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

Based on a bid value to bid value basis the actuary has estimated that the return on the LGPS fund assets for the year to 31 March 2018 to be 6%. The expected return on assets has been replaced with a single net interest cost, which will effectively set the expected return equal to the discount rate.

Basis for Estimating Assets and Liabilities

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

Valuation Method

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

The main assumptions used in the calculations are:

Financial Assumptions

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

	Local Government Pension Scheme		Firefighter Pension Scheme	
Assumption as at	**31/3/17**	**31/3/18**	**31/3/17**	**31/3/18**
CPI increases	2.70%	2.35%	2.35%	2.30%
Salary increases	4.20%	3.85%	4.35%	4.30%
Pensions increase	2.70%	2.35%	2.35%	2.30%
Discount rate	2.70%	2.55%	2.65%	2.55%

These assumptions are set with reference to market conditions as at 31 March 2018.

Actual and future projected employers contribution rates

Employers Contribution	2017/18	2018/19
	£000	£000
LGPS	9,378	10,232
Firefighters Schemes	26,065	25,883
Total	**35,443**	**36,115**

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

Local Government Pension Scheme

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. An actuarial valuation of the Fund was carried out as at 31 March 2016 and set contributions for the period from 1 April 2017 to 31 March 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.

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 1.0% p.a. below RPI i.e. 2.35% p.a. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts. This is a slightly higher deduction than at the last accounting date where it was assumed that CPI was 0.9% lower than RPI.

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

Firefighter Pension schemes - Assumptions

The present value of liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarlal liability allowance for expected future pay increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2017/18 Pension Disclosures.

The cost of benefits accruing in the period from 1 April 2017 to 31 March 2018 was determined using the Projected Unit Credit Method with a one year control period and based on the principal financial assumptions applying to the 2016/17 Pension Disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

Discount rate

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

The duration of the scheme's liabilities for most authorities is around 20 years. However, there are very few corporate bonds in the market with a sufficiently long duration. Therefore, we propose to set the nominal discount rate based on Government bond yields of appropriate duration plus an additional margin. Based on this methodology, the nominal discount rate at 31 March 2018 is assumed to be 2.55% a year.

Pension Increases

The pension increase assumption as at 31 March 2018 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.30%.

Earnings Increases assumption

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

The assumed nominal rate of salary growth is therefore 4.30% a year.

Rate of revaluation for CARE pensions

A rate of revaluation for CARE pensions of 4.30% a year has been assumed, which is equal to our assumed long term rate of salary growth. The rate of revaluation does not take into account any allowance for short-term pay restraint in the public sector as the revaluation is based on Average Weekly Earnings for the economy as a whole.

Allowance for injury pensions

Under paragraph 157 of IAS 19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when that service takes place. As injury awards under the scheme are dependent on service the actuary has valued the liability expected to arise due to injury awards in respect of service prior to the valuation date.

Demographic/Statistical Assumptions

Mortality Assumptions 2017/18	LGPS	Fire Service Pension Schemes
Average Future Life expectancy as at	Age 65	Age 65
	Retiring today	Current pensioners
Male	21.9 years	21.9 years
Female	24.2 years	21.9 years
	Retiring in 20 years	Future pensioners
Male	24.2 years	23.9 years
Female	26.4 years	23.9 years

Mortality assumptions

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

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

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

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	564,656	574,586	584,700
Projected service cost	11,493	11,751	12,041 .
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	575,503	574,586	573,073
Projected service cost	11,751	11,751	11,751
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	583,792	574,586	565,541
Projected service cost	12,015	11,751	11,493
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	596,811	574,586	553,214
Projected service cost	12,126	11,751	11,388

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 31/3/2018	Approximate % increase to Employer liability	Approximate monetary amount (£000)
0.5% decrease in real discount rate	(10.0)%	(608,000)
1 year increase in member life expectancy	2.5%	157,000
0.5% increase in the salary Increase Rate	1.5%	88,000
0.5% increase in the pensions Increase rate (CPI)	7.5%	464,000

31. Contingent Liabilities and Assets

Contingent Liabilities

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. As at 31 March 2018 the Authority had no such liability.

Contingent Assets

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

Contingent assets are not recognised within the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential. As at 31 March 2018 the Authority had no contingent assets.

32. Self Insurance

With the exception of property theft and damage to operational vehicles (where insurance cover is on a third party basis), the Authority generally insures against all material risks with policies to meet the cost of losses over and above predetermined limits, i.e. by policies subject to an excess or to a deductible. Significant excesses to be met from within the Authority's own resources for any one claim are:

Category insured	£
Property (All risks of physical loss or damage)	10,000
Property – Terrorism	25,000
Property – Museum & Residential Properties	100
Engineering Lifting plant	250
Combined Liabilities	850,000
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 Long Term Liability figure of £6.5bn (£6.4bn 2016/17), as result of the full adoption of International Financial Reporting Standard IAS19. The accounting standard requires the recognition of the Authority's pension liabilities in the accounts. However this is purely an accounting entry and does not impact on the Council Taxpayer. It does not affect the Authority's future status or ability to fulfil its function and therefore the accounts have been prepared on a going concern basis.

Policing and Crime Act 2017

The Policing and Crime Act was enacted on 31 January 2017. The Act abolished the London Fire and Emergency Planning Authority (LFEPA) on 31 March 2018, and provided for the Mayor of London to take responsibility for fire and rescue services in London. The functions sit within existing Greater London Authority structures, created a Deputy Mayor for Fire, a statutory "London Fire Commissioner" (LFC) and a new Committee of the London Assembly, which provides scrutiny and oversight. All Assets, Liabilities and Resources of the LFEPA transferred to the London Fire Commissioner under statute

The concept of a going concern assumes that an authority's functions and services will continue in operational existence for the foreseeable future. The provisions in the Code in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. Transfers of services under combinations of public sector bodies are not to be taken as negating the presumption of going concern. The services of the London Fire and Emergency Planning Authority have transferred to the London Fire Commissioner. For this reason the accounts have been prepared on a going concern basis.

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

Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	31/3/2017	31/3/2018
	£000	£000
Depreciation of Non Current assets	(15,754)	(16,160)
Impairment, Impairment Reversal and Revaluation of Non Current Assets	13,250	0
Assets de-recognised during year	(3,159)	(40)
Amortisation of Intangible assets	(2,763)	(2,383)
(Increase)/Decrease in impairment for provision of bad debts	125	149
Increase/(Decrease) in inventories	(539)	24
Increase/(Decrease) in debtors	(13,540)	12,746
(Increase)/Decrease in creditors	(3,996)	6,477
(Increase)/Decrease in Provisions	2,446	(272)
Pension Fund Costs adjustment	(115,848)	(91,120)
Net cash (inflow)/outflow from operating activities	**(139,778)**	**(90,579)**

35. Cash Flow Statement – Operating activities

Operating Activities	31/3/2017	31/3/2018
	£000	£000
Interest Received	(524)	(442)
Interest Paid	3,852	3,480
Interest element of Finance leases	6,907	6,871
Total	**10,235**	**9,909**

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

Investing Activities	31/3/2017	31/3/2018
	£000	£000
Purchase of property, plant and equipment, investment property and intangible assets	19,485	21,503
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(9,888)	(105)
Capital grants received	(76)	(376)
Net cash flows from investing activities	**9,521**	**21,022**

Financing Activities	31/3/2017	31/3/2018
	£000	£000
Cash Receipts of Short and Long term Borrowing	0	0
Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contracts (Principal)	1,121	1,178
Repayments of Short and Long term borrowing	14,000	6,000
Net cash flows from financing activities	**15,121**	**7,178**

Firefighters' Pension Schemes Fund Account

As at 31/03/17	Firefighters' Pension Schemes Fund Account	As at 31/03/18	
£000		**£000**	**£000**
	Contributions receivable		
	- from employer		
(27,556)	- normal	(25,970)	
(665)	- early retirements	(618)	
(28,221)		(26,588)	
(21,687)	- from members	(20,910)	
(49,908)			(47,498)
	Transfers in		
(123)	- individual transfers in from other schemes		(273)
	Benefits payable		
132,829	- pensions	136,681	
26,568	- commutations and lump sum retirement benefits	26,259	
1,738	- Back Dated Commutations	26	
230	- Lump sum death benefits	108	
161,365			163,074
	Payments to and on account of leavers		
0	- refunds of contributions	0	
69	- individual transfers out to other schemes	84	
404	- other – interest due on back dated lump sums	2,141	
3	- interest due on back dated commutations lump sums	0	
476			2,225
111,810	**Deficit/Surplus for the year before top up grant receivable/ amount payable to central government**		**117,528**
(108,865)	Top up grant receivable from/amount payable from central government		(117,528)
(2,945)	Grant received from central government for back dated commutations		0
0	**Net amount payable/receivable for the year**		**0**

2016/17	Net Assets Statement		2017/18
£000			**£000**
91	- Recoverable overpayments of pensions		81
15,975	- Top up receivable from/(payable to) Government		26,377
(16,066)	- other current liabilities		(26,458)
0	**Total**		**0**

Firefighters' Pension Fund Account Notes

1. The Firefighters' Pension Scheme in England

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

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

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

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

The Authority is required by legislation to operate a Pension Fund and the amounts that must be paid into and paid out of the fund are specified by regulation. The Pension Fund is managed by the Authority and the day to day administration of the scheme is provided under contract by the London Pensions Fund Authority. The supplementary fund statement does not take account of any liabilities to pay pensions or any other benefits after the year end; it purely details pension transactions for the year. Notes 29 and 30 to the accounts provide details of the assessed pension liabilities and the corresponding entries in the main statements.

Firefighter pensions back dated refund of contributions

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

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

Contributions

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

2015 scheme. Employee contributions, as a percentage of pensionable pay, depends on the level of earnings for the different schemes as shown in the tables below.

Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
Up to and including £15,454	8.5	11.0
More than £15,454 and up to and including £21,636	9.4	12.2
More than £21,636 and up to and including £30,909	10.4	14.2
More than £30,909 and up to and including £41,212	10.9	14.7
More than £41,212 and up to and including £51,515	11.2	15.2
More than £51,515 and up to and including £61,818	11.3	15.5
More than £61,818 and up to and including £103,030	11.7	16.0
More than £103,030 and up to and including £123,636	12.1	16.5
More than £123,636	12.5	17.0

Firefighters' Pension Scheme employee contributions	2015 Scheme %
Up to and including £27,543	10.5
More than £27,544 and up to and including £51,005	12.7
More than £51,006 and up to and including £142,500	13.5
More than £142,501	14.5

Ill health contributions, for fighters who retired due to ill health, were also paid into the pension fund.

Accounting policies

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

Firefighters' Pension Fund Account Notes

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

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

London Fire and Emergency Planning Authority

ANNUAL GOVERNANCE STATEMENT 2017/18

Scope of responsibility

1. During 2017/18, the London Fire and Emergency Planning Authority (the Authority) was the body responsible for ensuring that Brigade business was conducted in accordance with the law and appropriate standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also had a duty to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

2. In discharging this overall responsibility, the Authority was also responsible for putting into place suitable arrangements for the governance of its affairs (ensuring that there was a sound system of internal control) which facilitated the effective exercise of its functions and which included arrangements for the management of risk.

3. This statement explains how the Authority met the requirements of regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 in relation to the publication of an Annual Governance Statement.

4. The London Fire Commissioner is the successor fire and rescue authority to the previous governance body (the Authority), and is presenting this statement on behalf of Authority to demonstrate the governance arrangements that were in place for 2017/18, and to satisfy the requirement for an annual governance statement to be presented with the statement of accounts.

The purpose of the governance framework

5. The Authority's governance framework comprised of the systems and processes, and culture and values, by which the Authority was directed and controlled and the activities through which it accounted to, engaged with and led the community. It enabled the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives led to the delivery of appropriate, cost-effective services.

6. The governance framework was underpinned by a Corporate Code of Governance which set out how the Authority discharged its governance responsibilities based on the six core principles defined in the CIPFA/SOLACE *Delivering Good Governance in Local Government* guidance which includes defining 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 community safety strategies and partnerships to ensure accountability. The Corporate Code of Governance was last approved by the Authority on 27 September 2012.[1]

[1] The LFC approved a new Corporate Code of Governance on 1 April 2018.

7. The system of internal control was also a significant part of the Authority's governance framework and was designed to manage risk to a reasonable level. It could not eliminate all risk of failure to achieve policies, aims and objectives; it could therefore only provide reasonable and not absolute assurance of effectiveness.

8. The system of internal control was 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.

9. The governance framework was in place at the Authority for the year ended 31 March 2018 and supports the annual budget report and statement of accounts.

The governance framework

10. The key elements of the governance framework which were in place are set out in the following paragraphs.

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

11. Members 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 2017/18 following reconstitution of the Authority at the meeting in April 2017 (*FEP2730*). The reconstitution confirmed the roles and duties of the following Committees:

   - Resources Committee – had responsibilities for budgets, staffing and assets, and performance related to those responsibilities;
   - Strategy Committee – had 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 – had 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 - met on an ad hoc basis as and when urgent matters or appointments dictated.

12. In accordance with the Localism Act 2011, arrangements had to be put in place for the appointment by the Authority of at least one Independent Person. The Independent Person(s) views needed to be sought and taken into account by the Authority before it made any decision on a formal complaint against an elected Member that it has decided to investigate. The Independent Person's views would also be sought by a Member of the Authority if that person's behaviour was the subject of an allegation, and would also be sought by the Authority in relation to an allegation it had not yet decided to investigate. The Authority extended its appointment of two Independent Persons on 22 June 2017 (*FEP2736*) until 31 March 2018 (to coincide with the abolition of the Authority).

13. The Authority also established a Local Pensions Board (set up in 2015/16) for the firefighter pension schemes to support it on scheme governance and administration in its role as a Scheme Manager.

14. The Mayor of London had powers to direct the Authority to take (or not to take) action. No new directions were received pertaining to the Authority during 2017/18[2].

15. The Authority's London Safety Plan – which was the Authority's corporate plan and its Integrated Risk Management Plan as required by the government's fire and rescue service national framework - set out the Authority's plans for improvement in services to address the risks facing Londoners, together with the management arrangements required to implement them. The Plan in place for the period covered by this statement was approved by the Authority on 30 March 2017 (*FEP2723*) and had been developed to cover the period from 2017 to 2021. An inclusive approach was taken to the development of the Plan incorporating the ideas, views and contributions from as many people as possible. Details of the public consultation undertaken can be found in the covering report to the Plan (*FEP2723*). Key performance indicators and targets are included in the London Safety Plan and the relevant committees have reviewed indicators and targets on an annual basis. The London Safety Plan is the extant corporate plan and Integrated Risk Management Plan for the London Fire Commissioner.

16. All key LSP targets and commitments as well as key projects, were subject to close scrutiny and monitoring by the Resources, Strategy, and Governance, Performance and Audit Committees.

17. The Authority had performed well against the majority of its targets for 2017/18. This information is available online in the annual end of year performance report on the London Fire website under 'Information we publish' (via the following link https://www.london-fire.gov.uk/about-us/transparency/information-we-publish/). Commentaries against performance can also be found in the performance reports to the Governance, Performance and Audit Committee and the Resources Committee.

18. The Governance, Performance and Audit Committee reviewed the effectiveness of the internal control framework for 2017/18 by monitoring the work of internal audit, considering both internal and external audit reports and reviewing the corporate risk management framework, including the arrangements for business continuity.

Effective arrangements for the management of risk

19. The risk management strategy 2014-17 outlined the approach taken to risk management for the Authority. The strategy was approved by the Strategy Committee on 18 November 2014 (*FEP2356*). The strategy incorporated the Authority's risk appetite statement. A new strategy was developed during 2017/18, and was agreed by the Strategy Committee on 12 March 2018 (*FEP2822*). The new strategy refocuses the Brigade's approach to risk

[2] One new Mayoral direction was received during 2017/18 (on 21 March 2018) which directed that the London Fire Commissioner Governance Direction be received and adopted on 1 April 2018. The Direction prepares for the governance changes as per the Policing and Crime Act 2017 and sets out those matters requiring the Mayor's approval, those matters requiring the Deputy Mayor for Fire and Resilience's approval, and those matters on which the Deputy Mayor for Fire and Resilience needs to be consulted. It also requires the Commissioner to follow the GLA Group Corporate Governance Framework Agreement and to follow GLA practice on staff political restrictions, based on those in the Local Government and Housing Act 1989.

management to ensure it remains sighted on key strategic risks. The new strategy will cover the period 2018-2021 (to align with the London Safety Plan).

20. The Authority's corporate risk register was subject to regular reviews by the Governance, Performance and Audit Committee. Risks on the corporate risk register were largely 'internal' (i.e. those that could effect delivery of Authority functions and services). The corporate risks are summarised in each London Safety Plan and were last approved by full Authority in March 2017 as part of the new London Safety Plan. The register had been reviewed regularly in full consultation with the Commissioner and Directors and identified key risks that could prevent the Authority achieving its aims and objectives. Controls were in place to mitigate these risks and both risks and controls were subject to regular review and scrutiny, which is evidenced in the form of internal audits, reports to Authority Committees, the Commissioner's Corporate Management Board, and by heads of service assurances through the risk management process.

21. The Authority also had a requirement to understand the risks in its area (i.e. external risks in London) as part of the Integrated Risk Management Plan (IRMP) – the Authority's IRMP was the London Safety Plan. To make this consideration of risk more explicit and transparent, officers prepared an assessment of risk (AOR) in London. The latest iteration of the assessment of risk, which built on previous approaches, had been developed to cover a wider range of 'concerns' that the public and stakeholders might have about their local area (often articulated as 'risks'), how those 'concerns' translated into actual risks that the Brigade had to deal with, and the response, prevention and protection activity (i.e. 'controls') the Authority had in place to manage or mitigate those risks. Key external stakeholders, like the London borough councils, have also fed into this process. The AOR has informed the development of the London Safety Plan and the latest version of the AOR was published on the London Fire website (available here).

Ensuring compliance with established policies, procedures, laws and regulations

22. The system of internal control comprised a network of policies, procedures, systems, reports, processes and meetings. These arrangements were in place to verify the Authority's objectives, risk management arrangements, performance management processes and financial controls. These controls were in place to:

    - establish and monitor the achievement of the Authority's objectives through regular monitoring reports to members;
    - facilitate policy and decision making via , for example Standing Orders, and the service planning process;
    - ensure compliance with established policies, procedures, processes, laws and regulations, as underpinned by regular reviews carried out by internal and external auditors;
    - ensure the delivery of high quality services in an efficient and effective manner through established policies and procedures and the monitoring of performance through Directorate Management Boards, the Commissioner's Corporate Management Board, the Corporate Management Team, the Top Management Group performance meetings, the 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.

23. The internal audit function was conducted by the Mayor's Office for Policing and Crime (MOPAC) for the Authority via a shared service agreement and provided independent assurance on risk management internal controls and governance arrangements within the Authority. MOPAC completed 15 risk and assurance reviews, 3 advisory reviews and 12 follow up reviews during 2017/18. 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. During 2017/18, 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')

24. As required by the RIPA Codes of Practice, members of LFEPA were provided with an annual review of the Brigade's use of the Regulation of Investigatory Powers Act 2000 (RIPA) as part of the Annual Governance Statement. This arrangement is being reviewed to ensure continued compliance following the recent governance changes.

25. 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 and May 2017. The RIPA policy was last revised by the Authority on 1 October 2015 (*FEP2513*) to take account of senior management changes and by officers in August 2017 to take account of official guidance regarding social networking sites. There were no applications for any RIPA authorisations in 2017/18, nor were there any previous authorisations that continued into 2017/18. The Authority therefore made no use of RIPA powers.

26. There were 10 complaints identified as confidential reporting (whistleblowing) cases in 2017/18. All complaints have been investigated (or are the subject of ongoing investigations), and the appropriate management action has been taken in each case.

The Bribery Act 2010

27. The Authority continued to take action to address the requirements of the Bribery Act 2010. The Authority's intranet included information for staff and managers on bribery, and policies reflected 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 was included in fraud awareness sessions.

Review of effectiveness

28. Regulation 6(1) of the Accounts and Audit Regulations 2015 required the Authority to conduct a review of the effectiveness of the system of internal control. This review was informed by the work of the internal auditors and Authority officers who had 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.

29. Throughout 2017/18, the Authority had maintained and reviewed its systems of internal control in a number of ways. In particular:

- the Authority received regular performance reports on its LSP commitments, performance against performance indicators, and key projects through its Governance, Performance and Audit Committee, Resources Committee and Strategy Committee;
- comprehensive performance reports covering corporate performance indicators, corporate risks, key projects, as well as departmental performance were considered regularly by the Commissioner's Corporate Management Board;
- progress reports submitted to the Commissioner's corporate management board on the implementation of health and safety policy and the submission of a full annual report to the Resources Committee;
- the regular review of the outcomes from the Authority's dynamic and intelligent operational training (DIOT) process which has been informed from the performance of staff and crews at operational incidents. This has been coordinated through the officer-level Operational Directorates Coordination Board chaired by the Director of Operations;
- major contracts have been supported by dedicated commercial managers within Procurement. This support involved daily liaison with the service delivery departments in respect of financial and performance management, and change and issue resolution. Performance and contract monitoring was also supported by a dedicated Contract Performance Manager. There was also a defined and well established process for monitoring contract business continuity arrangements and contingency plans. The key strategic contracts were also monitored through reports to the Commissioner's Corporate Management Board and Authority. Key contracts which provide services to the key operational areas such as, property, fleet, training and mobilising services also had regular oversight board meetings. These meetings, chaired at Director level, were in place to oversee the contract management functions and to ensure issues were being addressed in line with the Authority's priorities;
- the Authority's internal audit shared service provider working to defined professional standards and the preparation of the internal audit plan on the basis of a formal risk assessment. The plan, annual performance and main outcomes and recommendations arising from audit work were reported to the Governance, Performance and Audit Committee. The external auditor has relied on the work of internal audit in supporting its risk assessment and understanding of the entity's level of controls;
- the external auditor's plan and audit memorandum on the year's audit reported to the Governance, Performance and Audit Committee and the Independent auditor's opinion and certificate to the full Authority;

- 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. The review was also informed through the work of internal auditors as described above, and the external auditors in their annual audit letter and other reports;
- the Local Audit and Accountability Act 2014 has led to requirements for local authorities to prepare and publish their accounts earlier from 2017/18. The Authority has completed its work to prepare accounts to an earlier timetable, and provided its draft accounts to its auditors at the beginning of June.
- the Policing and Crime Act received Royal Assent on 31 January 2017. The Act changed the governance arrangements for fire and rescue services in London by abolishing the London Fire and Emergency Planning Authority (LFEPA) and creating the London Fire Commissioner (LFC) as a corporation sole having the functions of the fire and rescue authority for Greater London under the Fire and Rescue Services Act 2004. A new London Fire Commissioner (LFC) has been appointed by the Mayor of London and under the arrangements, the Mayor has the power to give directions and guidance to the London Fire Commissioner relating to the exercise of their functions. The London Fire Commissioner's appointed statutory deputy is the Deputy Commissioner, Operations. The Mayor has also appointed a Deputy Mayor for Fire and Resilience to exercise any function of the Mayor relating to fire and rescue. The Act also places a duty on police, fire and rescue and ambulance services to collaborate, and enables Police and Crime Commissioners (PCCs) outside London to take on responsibility for fire and rescue services in England and Wales. The governance changes arising from the Act came into effect on 1 April 2018.

Statement of accounts

30. As required by the Authority's financial regulations, the Director of Corporate Services (formerly the Director of Finance and Contractual Services to 31 March 2018) approved all systems used to record the Authority financial transactions. Assurance that the financial data used to produce the Authority's statement of accounts was accurate and complete was obtained through regular central finance reconciliation routines of financial systems and monthly officer monitoring of all expenditure and income recorded on the Authority's approved general ledger system. Members received quarterly financial position reports in addition to the statement of accounts, and these added to the scrutiny undertaken as part of the Authority's internal and external audits. The statement of accounts was authorised by the Director of Corporate Services (formerly the Director of Finance and Contractual Services to 31 March 2018) as being true and fair within the current statutory deadline of 30 June each year. The accounts were then fully audited by the Authority's external auditor who issued an audit opinion by the end of the following September.

31. The statutory deadline for producing the accounts was brought forward for the financial year 2017/18 from 30 June to 31 May, with the publishing deadline brought forward from 30 September to 31 July.

The role of the Chief Finance Officer

32. 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.

33. 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.

    The principles are supported by a range of governance requirements that are used to demonstrate compliance. The role of the CFO was undertaken by the Director of Corporate Services (formerly the Director of Finance and Contract Services to 31 March 2018) who was the Authority's section 127 (Greater London Authority Act 1999) officer and was a member of the Authority's Corporate Management Board reporting directly to the Commissioner.

Other governance arrangements

34. This section highlights other noteworthy governance arrangements that the Brigade was either required to put in place or has voluntarily maintained during the 2017/18 financial year.

Collaboration

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

36. The Brigade has been working with emergency partners for a long time, and already operates a number of shared service arrangements including internal audit, treasury management, payroll, shared data centre and administration of the firefighter pension scheme. As part of the Brigade's commitment to collaboration, the Brigade has published a joint statement of strategic intent (as part of the London Safety Plan) which sets out the combined vision of the emergency services in London to make London the safest global

city. This included collaborating in areas such as: control rooms; prevention activities; response activities; support services; inclusion; and infrastructure.

Openness and transparency

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

Significant internal control issues

37. The action plan below comprised 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 wished to declare. The plan typically focussed on issues of non-compliance or any other significant action planned or being undertaken to improve governance. It did not seek to replicate any of the Authority's other reporting arrangements. The criteria used to determine items for inclusion were:

    - 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 for the London Fire Commissioner, the actions are considered to arise from the criterion: "any other significant actions being undertaken to improve the governance arrangements which the London Fire Commissioner wishes to declare in the statement".

39. The Annual Governance Statement has been refocussed for 2017/18 so that it focusses on key governance matters for the Authority, and this approach has also been applied to actions arising for the coming year. A final progress update on the actions from last year's statement (for the Authority) is provided in the covering report which accompanies this statement.

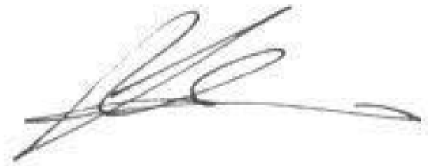
40. There is one action in respect of governance for this year's action plan as follows and it focusses on the transition from the previous Authority to the new corporation sole, the London Fire Commissioner:

(i) **Successful transition to new governance arrangements** – To successfully manage the transition and development of appropriate governance arrangements, as per the Policing and Crime Act 2017.

How progress *will be reported – Progress will be reported to the Commissioner's Board through the quarterly performance report (via the action plan section).*

Conclusion

41. I am satisfied that the appropriate internal systems of control were are in place with regards to the Authority's governance arrangements, and that adequate processes were in place to ensure that body's compliance with its Corporate Code of Governance.



Dany Cotton QFSM
London Fire Commissioner

Dated: 19 July 2018

Glossary of terms

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

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

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

CAPITAL EXPENDITURE - Spending on the acquisition or construction of assets. This would normally be assets of land, buildings or equipment that have a long term value to the Authority.
CAPITAL RECEIPTS - Proceeds from the disposal of land or other capital assets. Capital receipts can be used to finance new capital expenditure, but cannot be used to finance revenue expenditure.

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

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

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

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

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

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

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

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

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.

Glossary of terms

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

2017/2018 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:
London Fire Commissioner, Finance Accountancy, 2nd Floor, 169, Union Street, London, SE1 0LL

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