Draft Statement of Accounts 2022/2023

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WRITTEN STATEMENTS AND NARRATIVE REPORT

Director of Corporate Services' Narrative Report

THE LONDON FIRE BRIGADE

The London Fire Brigade (LFB) is the busiest fire and rescue service in the country. It is also one of the largest firefighting and rescue organisations in the world, protecting people and property from fire within the 1,587 square kilometres of Greater London.

LFB is run by the London Fire Commissioner (LFC), a corporation sole and the fire and rescue authority for London.

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

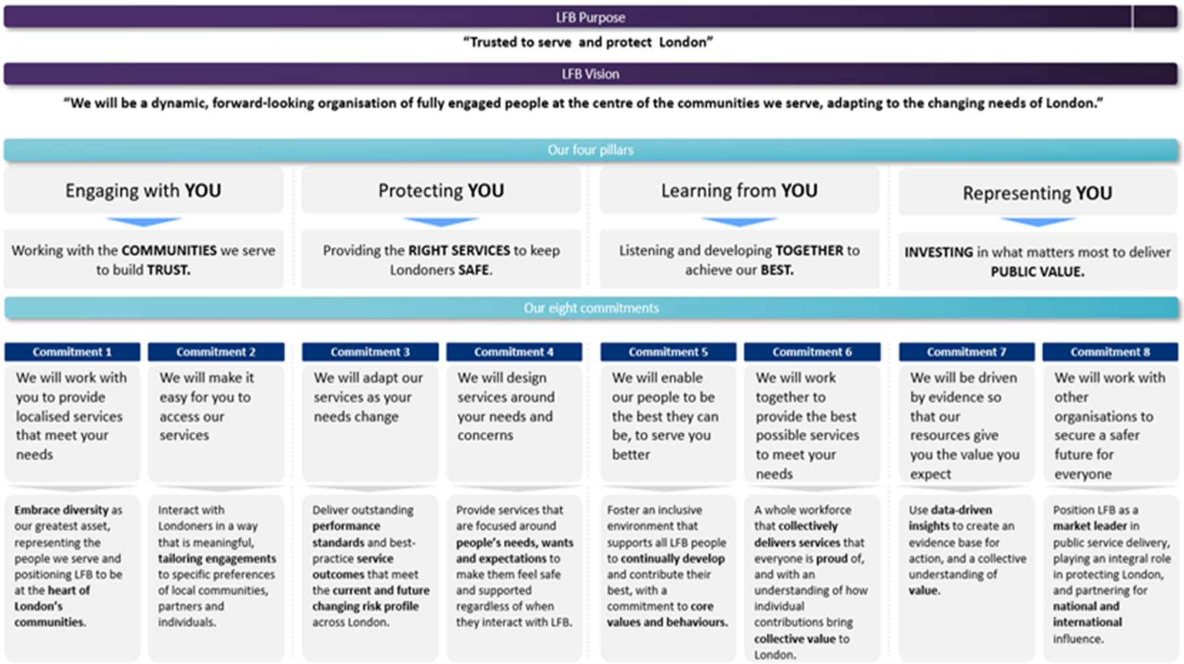
A number of factors are important to us and they influence how the Brigade will meet the challenges of making London a safer place to live, work and visit.

HOW THAT WORKS IN PRACTICE

The Brigade's Community Risk Management Plan (CRMP) – called *Your London Fire Brigade* - is the Brigade's strategy for how it intends to achieve its purpose and vision over the period 2023-2029. The final Plan was published in January 2023 followiing feedback from the public and our staff, His Majesty's Inspectorate of Constabulary and Fire & Rescue Services and from Phase One of the Grenfell Tower Inquiry. One of the most important things this plan does is reflect our Assessment of Risk in London and what we will do to help reduce and respond to that risk.

Our Delivery Plan for the CRMP is underpinned by our four pillars; Engaging with you, Protecting you, Learning from you and Representing You. These are supported by eight commitments, each of which has a programme of improvement activities attached to ensure we deliver on our plan.

Our Direction



THE MAYOR OF LONDON

The London Fire Commissioner is a corporation sole and the fire and rescue authority for London. It is a functional body of the Greater London Authority. The Mayor of London sets its budget, approves the Community Risk Management Plan and has the power to direct the London Fire Commissioner but must act reasonably and must not cut across responsibilities of the Fire Commissioner.

HOW THE LONDON FIRE BRIGADE IS GOVERNED

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, though some decisions may need to be consulted on with the Deputy Mayor for Fire and Resilience or the Mayor of London.

Details of how decisions are made are covered in the Annual Governance Statement.

HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

The Fire, Resilience and Emergency Planning (FREP) Committee scrutinises how the London Fire Commissioner is exercising its functions.

FREP is a committee of the London Assembly. Six London Assembly Members, agreed by the London Assembly, make up the committee.

London Fire Brigade staff will prepare performance reports, monitoring data and help develop thematic reviews to facilitate the scrutiny work of FREP.

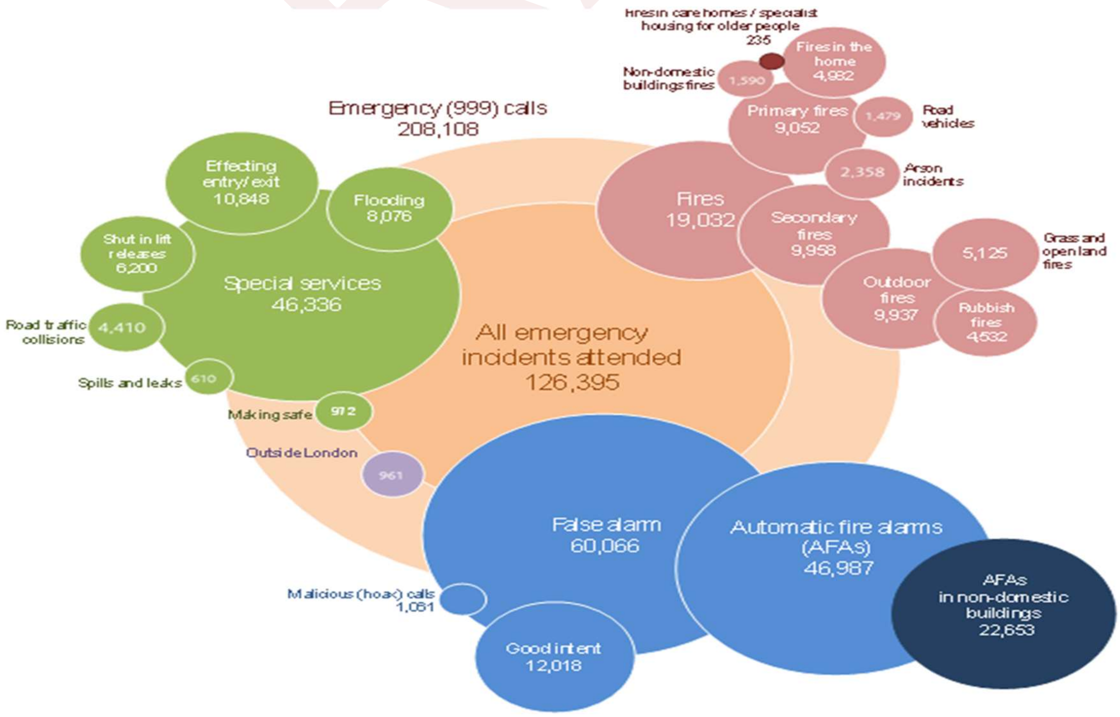
THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2022/23

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

https://data.london.gov.uk/dataset/lfb-financial-and-performance-reporting-2022-23

Highlights of the LFC's performance as at the 31 March 2023 include:

Incidents in Numbers for the 2022/23 Financial Year



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

MAJOR INCIDENTS AND CAMPAIGNS

Queen's Funeral

Across London Fire Brigade, staff mourned the death of Her Majesty, Queen Elizabeth II.

We were proud to honour her memory by playing a critical role in preparing for her funeral, keeping Londoners and their guests safe and protected as they paid their final respects.

London Fire Brigade is proud to have been the lead agency for search, rescue and hazard management response for the events.

Many hundreds of our people were involved, from Firefighters and Officers to Fire Safety Inspectors and Engineers, Control staff at the London Operations Centre, IT, Property & Fleet,and our Communications team.

We worked together as one team across the Brigade, proud to play our part in the broad partnership of organisations that worked so hard to provide a fitting tribute to the late Queen's lifetime of service.

Summer heatwave

Summer 2022 saw a prolonged period of hot and dry weather and the Brigade publicised public safety advice throughout. In July, following the declaration of a heat health weather warning from the Met Office, we issued safety advice to Londoners about how to prevent fires by taking extra care. This included advice to not have barbecues in public spaces or on balconies, not to dive into open water and to keep an eye out for vulnerable neighbours.

On 19 July the Brigade declared a major incident as firefighters were tackling several major fires across the capital during the heatwave, as temperatures rose above 40 degrees Celsius. We advised the public to continue to call us in the case of an emergency, particularly if there are fires smouldering, but that resources will be managed according to priority. Due to the actions of firefighters, there were no fatalities. The Mayor of London was welcomed to Plaistow Fire Station by the Commissioner and Deputy Mayor later that week to hear about the actions of firefighters.

As the hot and dry weather continued, the Brigade dealt with an increasing number of grass fires. We published statistics in mid-August which showed how there had been eight times as many grass fires in the first week of August 2022 compared to 2021.

Community Engagement

The Brigade continues to build its community engagement capacity and work with to ensure the Brigade is listening to and hearing from all Londoners. This helps with how the Brigade shapes and delivers its services to serve and protect all Londoners. In addition to the work on Your London Fire Brigade, the Community Engagement team launched the new Community Forum.

The Community Forum purpose is to operate as a sounding board for the LFB. Representing the views and opinions of Londoners including underrepresented and seldom heard communities, and those with lived experience of using LFB services.

The Community Forum will act as a critical friend and support a culture of co-production, meaningful community engagement and represent the community's views key areas of influence within the LFB.

Campaigns

The cost of living continued to dominate media headlines and the Brigade issued fire safety messaging to ensure Londoners keep safe while trying to save money. As part of our Cost of Living campaign, our safer heating press release was issued in October. It included a tragic case study where one woman died after keeping her heater too close to the chair she slept in. Her daughter supported this campaign activity, sharing her story and the impact it has had on their family and reminding people to keep heaters at a safe distance. We facilitated an interview between Assistant Commissioner Charlie Pugsley and Bauer Media about the cost of living crisis, and he gave advice about heating homes safely and it was featured across the network and on breakfast bulletins. He was also interviewed by BBC Radio London.

Following the significant hot weather in July, the London Fire Commissioner publicly called for a ban of disposable barbecues, a key fire risk in hot weather. The Brigade urged retailers to stop the sale of the barbecues during hot weather and a significant number of retailers announced that they would do so within the month after our campaign launched. We promoted the call for action in the media and on our digital channels. We also promoted a petition set up by the father of a son who was severely burned by a disposable barbecue, which subsequently got more than ten thousand signatures.

In October, the Brigade supported partners in calling for an end to abuse towards emergency service staff as part of Emergency Services Day. We highlighted data showing a rise in incidents against staff, with abuse against our Control staff reaching a five year high. We issued a press release with examples of incidents where firefighters had been assaulted.

RESPONDING TO MAJOR REVIEWS

Grenfell Tower Inquiry

Our Annual Governance Statement sets out our progress against implementation of the recommendations from Phase 1 of the Grenfell Tower Inquiry. Phase 2 of the Grenfell Tower Inquiry concluded its evidential hearings in July 2022 and closing overarching statements were made by some Core Participants, including the LFC, in November 2022. The Inquiry provided an update on its work in April 2023. It hopes to have completed drafting of the report by the end of 2023. The report will then be provided to the Prime Minister, in accordance with the Inquiry's terms of reference, for a decision on when the report will be published.

Publication of the Independent Review of Culture at the London Fire Brigade

The Community Risk Management Plan highlights the importance of improving the culture in the London Fire Brigade. London is home to an increasingly diverse group of people and it is important that, as an organisation, the Brigade is representative of the communities it serves and thatits services are accessible to all Londoners. In 2021, the Commissiioner launched an organisation-wide independent review into culture, appointing Nazir Afzal OBE as the Chair of the review. Over a period of twelve months, Nazir and his team heard from more than 2,000 current and former members of staff and community groups who shared their experiences of the Brigade.

The report from the independent review paints a picture of poor behaviour and painful experiences over many years. We want to reassure everyone that having commissioned this independent culture review we now fully understand the issues and have plans in place to address them. Following the publication of the Independent Culture Review report in November 2002, we took immediate steps to change our workplace culture. These changes are just the beginning. We understand that signifcant change takes time and that we have a lot of work to do. As we develop and implement our plans, we'll communicate these internally and to the public.

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

The Annual Governance Statement sets out updates on our actions in response to recommendations from HMICFRS. On Wednesday 14 December, HMICFRS moved the Brigade into 'enhanced monitoring' following the publication of the Independent Culture Review. We communicated this to staff and held a virtual all staff briefing. There was extensive media coverage, including online, television and radio. The Commissioner took part in several media interviews where he welcomed the move and reiterated our commitment to change.

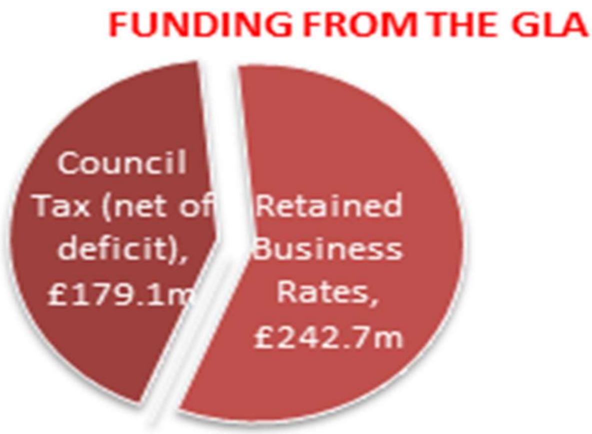
FINANCIAL PERFORMANCE

CORE FUNDING

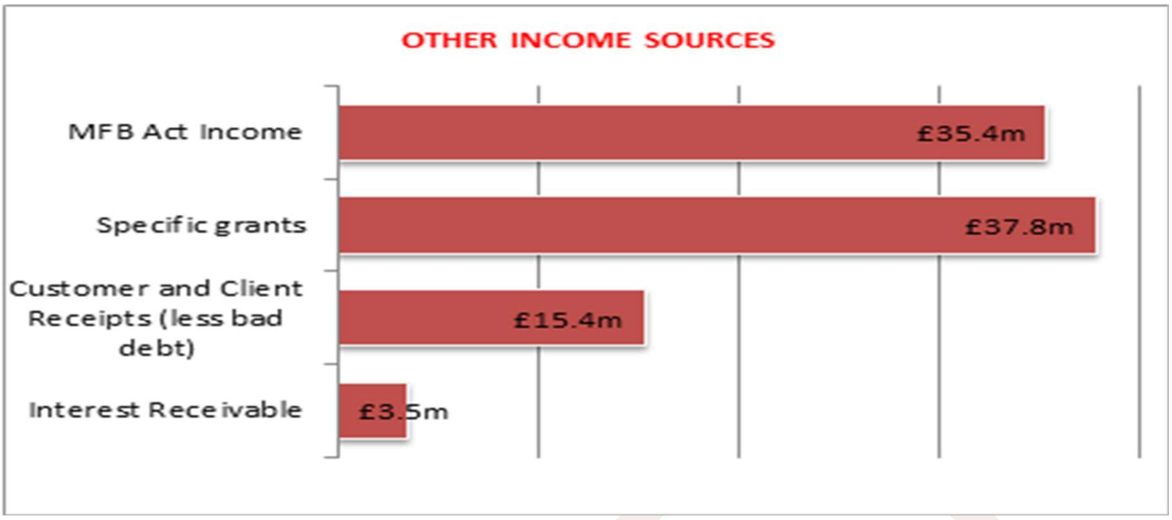
As one of the Greater London Authority's functional bodies the LFC's core funding is set and provided by the Mayor of London. This funding is provided through a mix of council tax, retained business rates and government grants which provided funding of £421.8m in 2022/23 (£405.4m in 2021/22). The GLA also required the LFC to use £1.6m of reserves as part of its core funding in 2022/23 from savings identified in 2020/21, to meet the council tax collection fund deficit.

For a Band D council taxpayer, the LFB's element of their council tax bill was £58.80 in 2022/23, or £1.13 a week (£56.87 in 2021/22, or £1.09 a week).

Income



The LFC also received additional income through a range of items, including income under the Metropolitan Fire Brigade (MFB) Act and grants from central government. This additional income totals £92.4m after a £0.3m reduction for bad debt. (£119.4m in 2021/22).



REVENUE EXPENDITURE

This combination of core funding from the GLA and other income provided total funds of £514.2m in 2022/23 (£524.9m in 2021/22). After including a net draw from reserves of £7.6m this provided for expenditure of £521.8m.

Total expenditure net of reserve funding in 2022/23 was £522.5m, £0.7m more than budgeted. The breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£302.7m) and Other Staff (£70.7m).

Expenditure increased from 2021/22 levels because of inflation, pay awards and additional overtime requirements which included the impact of the summer heatwave and Queen's funeral.

	2021/22				2022/23	
Budget £'000	**Outturn £'000**	**Variance £'000**	**LFC Revenue**	**Budget £'000**	**Outturn £'000**	**Variance £'000**
270,883	283,096	12,213	Operational staff	282,257	302,698	20,441
66,613	63,690	(2,923)	Other staff	73,012	70,736	(2,277)
23,976	29,761	5,784	Employee related	27,323	26,693	(630)
21,644	21,121	-522	Pensions	21,772	21,532	(240)
44,903	42,029	(2,874)	Premises	47,343	39,905	(7,437)
17,550	17,253	(297)	Transport	17,342	18,457	1,115
31,409	32,065	656	Supplies and services	31,968	31,460	(508)
1,364	2,068	705	Third party payments	1,694	1,299	(395)
8,953	9,810	`857	Capital financing costs	9,624	9,733	109
1,880	713	(1,167)	Central contingency against inflation	3,883	0	(3,883)
489,175	**501,606**	**12,431**	**Total revenue expenditure**	**516,218**	**522,513**	**6,296**
(43,041)	(81,733)	(38,692)	Other income	(48,019)	(54,582)	(6,563)
446,133	**419,873**	**(26,260)**	**Net revenue expenditure**	**468,198**	**467,931**	**(267)**
(4,245)	(4,245)	-	Use of reserves	(7,601)	(7,601)	-
441,888	**415,628**	**(26,260)**	**Financing Requirement**	**460,597**	**460,330**	**(267)**
			Financed by:			
(36,485)	(37,732)	(1,247)	Specific grants	(38,797)	(37,847)	950
(405,400)	(405,400)	-	GLA funding	(421,800)	(421,800)	0
3	**(27,504)**	**27,507**	**Net Financial Position**	**0**	**683**	**683**

CAPITAL EXPENDITURE

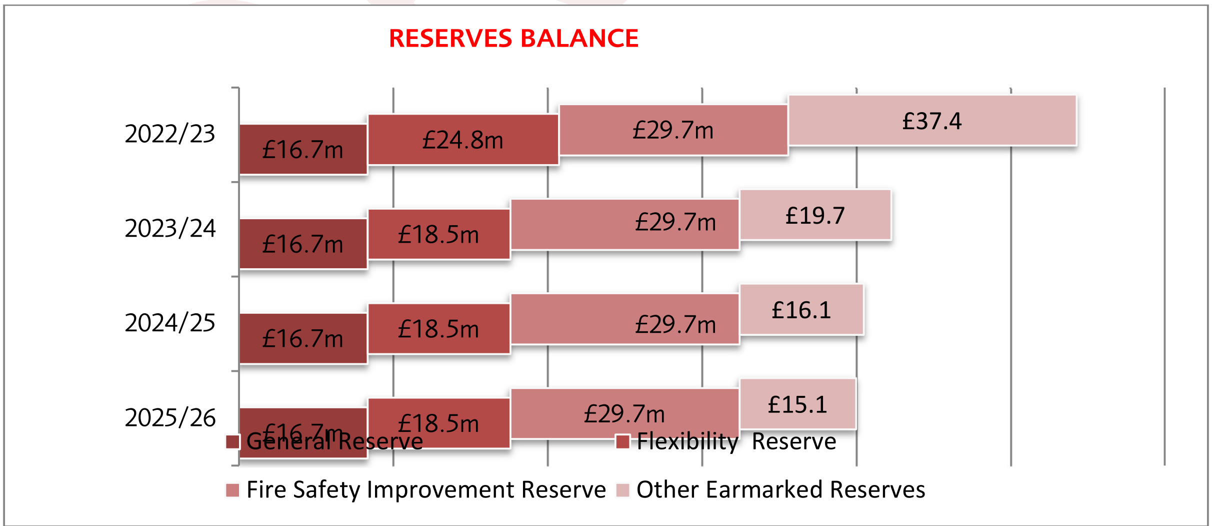
Total capital expenditure in the year was £19.2m, of which £64k was funded from capital receipts, with the remainder being funded by borrowing (£14.4m) and the use of the capital expenditure reserve (£4.7m).

The were two main areas of spend, i.e. Property (64%) and Fleet & Equipment Projects (35%).

Outturn 2021/22 £'000	LFC Capital	Outturn 2022/23 £'000
1,308	ICT Projects	194
8,036	Property Projects	12,219
7,722	Fleet and Equipment Projects	6,739
17,066	**Total capital expenditure**	**19,152**
	Financed by:	
16,409	Capital Receipts	64
0	Grants /Contributions	0
657	Use of existing reserves / Borrowing	19,088
17,066	**Total**	**19,152**

RESERVES

The LFC had total reserves of £108.7m as at 31 March 2023, comprising £16.7m in general reserves and £91.9m in earmarked reserves. The chart shows how earmarked reserves are expected to be consumed over the next three years.



The general reserve is maintained at a minimum of 3.5% of the net revenue expenditure (£468.2m in 2022/23) of £16.4m, with the surplus above this being transferred to earmarked reserves to support the budget in future years as to be agreed as part of the financial outturn reporting. These estimated use of reserves in future years are as per the approved published Budget Report for 2023/24.

PLANNED EXPENDITURE FOR FUTURE YEARS

The LFC has set out revenue and capital plans for its expenditure over the next three financial years, as shown in the below table.

	2023/24 £m	2024/25 £m	2025/26 £m
Operational Staff	307.6	313.7	317.8
Other Staff	67.6	68.9	70.7
Staff Related	28.9	30.6	31.4
Firefighter Pension Scheme	22.0	20.2	19.3
Premises	50.3	51.4	52.2
Transport	17.9	18.0	18.4
Supplies and Services	32.7	32.1	30.4
Third Party	1.4	1.5	1.5
Financing	7.7	17.2	18.6
Income	-48.1	-49.3	-49.5
Surplus (+) / Savings (-) still to be achieved	0.0	-7.3	-1.4
Net Revenue Expenditure Total	**488.0**	**497.0**	**509.4**
Funding			
Reserves (excl. BFR)	-2.0	0.0	5.0
Budget Flexibility Reserve (BFR)	-6.3	0.0	0.0
Total – Reserves	**-8.3**	**0.0**	**5.0**
Specific Grants	-33.9	-33.9	-33.9
Budget – Mayoral Funding	**445.8**	**463.1**	**480.5**

Project	**2023/24**	**2024/25**	**2025/26**
	£m	**£m**	**£m**
Capital Schemes			
Properties	16.4	16.9	34.3
Fleet Replacement Plan	3.4	3.3	5.3
ICT Projects	10.0	15.5	4.4
Communications Project	0.0	0.1	0.3
Operational Policy Equipment	5.6	0.0	0.0
Total Expenditure	**35.4**	**35.8**	**44.3**
Funded by:			
Capital Receipts	0.0	12.3	0.0
External Borrowing	35.4	23.5	44.3
Total Funded Financing	**35.4**	**35.8**	**44.3**

The plans show a balanced revenue budget in 2023/24, a budget gap of £7.3m in 2024/25 and a budget gap of £1.4m in 2025/26. These figures are as per the approved published Budget Report for 2023/24 (LFC–23-029).

FINANCIAL CHALLENGE

The provisional Local Government Finance Settlement for 2023/24 was announced on 19 December 2022. There remains considerable uncertainty in the medium term regarding future funding levels, including any revision of the fire formula as part of the fair funding review.

The budget estimates for 2023/24 to 2025/26 include assumptions for inflation. Actual inflation rates now being observed continue to be well above previous estimates and are resulting in increased financial pressures over the planning period.

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

RISK MANAGEMENT

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

The Brigade has a 5x5 matrix approach to risk scoring in line with good practice. The matrix allows for greater granularity in risk assessment and enables the Brigade to compare its risks to other organisations (including our GLA partners) to spot common threats as well as providing clarity on unique risks to the Brigade. The approach is supported by risk registers across the organisation at the departmental, directorate and corporate level. Risk identification and creation occurs largely at the departmental level. However, the rating of the risk informs where the risk is managed in the organisation as follows:

Principal risk themes	Assessments of assurance against key risk themes
Corporate risks (Risk score of 20 and above)	Owned by Director Scrutinised by LFC and Audit Committee
Directorate risks (Risk score of 10 to 16)	Owned by Head of Service Scrutinised by Director
Departmental risks (high) (Risk score of 4 to 9)	Owned by Lead Officer Scrutinised by Head of Service
Departmental risks (low) (Risk score of 1 to 3)	Owned by Lead Officer Scrutinised by Head of Service

CORPORATE RISKS

Ref	Risk description	L	I	Score
CS1	Cuts in Government funding in part as a result of inability to demonstrate effective utilisation of resources and additional externally driven costs (e.g. COVID, Post-Brexit impacts, legal challenges) result in a financial shortfall reducing the overall size and capacity of the Brigade to effectively deliver BAU and LFB's 'change/transformation' agenda	4	5	**20**
TF4	The Brigade's intended transformation is not embedded because we do not create the space for colleagues to engage with it	5	4	**20**
OD1	The increasing complexity of the built environment increases the risk to our communities and firefighters. This is exacerbated by legacy issues from existing building stock which reduces the fire safety of buildings (e.g., compartmentation and external wall construction)	5	4	**20**
OP7	The Brigade is unable to respond effectively to fires caused by alternative fuels (e.g., lithium-ion batteries, hydrogen) exposing the safety of our staff and the public as well as damage to our reputation	4	5	**20**
P2	Lack of training assurance means we do not know / have evidence to support whether or not our people are competent or safe to effectively undertake their day-to-day activities	4	5	**20**
P3	The culture of LFB does not provide a supportive and safe environment for our people to effectively deliver on the LFC's strategic priorities	5	5	**25**
PS13	Lack of effective workforce co-ordination and planning (including lead in times for specialist skills), exacerbated by upcoming changes to FF pensions, results in an establishment and skills gap across all operational groups that negatively impacts our service delivery	4	5	**20**
PS16	Lack of capacity in workforce planning (spanning multiple teams) and inability to match current market pay rates, reduces LFBs ability to retain existing staff and recruit new talent, causing significant delays in filling FRS vacancies leading to an insufficient number of appropriately skilled FRS staff across multiple departments	4	5	**20**
CM8	Staff do not understand and cannot track our corporate change initiatives and so staff have no assurance that planned changes will improve what they do	5	4	**20**

UPCOMING CHALLENGES

As noted earlier in this report, taking further steps to address the poor workplace culture and behaviours identified in the Independent Review of Culture is a key priority that will continue into 2023/24 and beyond and is embedded as part of the programmes of work within the Community Risk Management Plan. It is essential to do so in order to rebuild public trust in the Brigade and to provide a safe place of work for all members of staff.

ACCOUNTING STATEMENTS

The following LFC's accounting statements have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2021/22. The Code is based on International Financial Reporting Standards (IFRS), except where interpretations or adaptations have been made to fit the Public Sector as detailed in the Code. Accounting policy changes arising out of the adoption of the IFRS-based Code are accounted for retrospectively unless the Code requires an alternative treatment. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

The following accounting statements comprise:

• THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

This sets out the respective responsibilities of the LFC and the Director of Corporate Services for the accounts.

The Core Accounting statements:

• THE MOVEMENT IN RESERVES STATEMENT

This shows the movement in year on the different reserves held by the LFC, analysed into `usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus/ (Deficit) on the Provision of Services line shows the true economic cost of providing services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The net increase/decrease before transfers to the earmarked reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves.

• THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

• THE BALANCE SHEET

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the LFC. The net assets (assets less liabilities) are matched by the reserves held by the LFC. Reserves are reported in two categories.

The first category is usable reserves, i.e. those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt).

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

- **THE CASH FLOW STATEMENT**

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

The Statement of Accounts also includes the following Accounting Statements;

- **THE FIREFIGHTERS' PENSION SCHEMES FUND ACCOUNT**

This shows transactions on the Fund account determined by regulation for the Firefighters' Pension Scheme for England. The Fund is unfunded but the LFC pays an employer's pension contribution based on a percentage of pay into the Pension Fund. The LFC is required by legislation to operate a Pension Fund and the amounts that must be paid in and out of the Fund are specified by regulation. The transaction with the Fund is balanced to nil at the year end by either a payment of the excess to or receiving a top up grant to meet a deficit from the Home Office (HO).

- **THE EXPENDITURE AND FUNDING ANALYSIS**

This shows how annual expenditure is used and funded from resources by the LFC in comparison with those resources in accordance with generally accepted accounting practices.

- **THE ANNUAL GOVERNANCE STATEMENT (AGS)**

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

- **CAPITAL EXPENDITURE**

The Local Government Act 2003 provides a prudential framework for capital finance. As part of these arrangements a Prudential Code for Capital Finance in Local Authorities, developed by CIPFA, provides a professional code of practice to support local authorities in taking decisions on capital management.

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

In 2022/23, total spending on the capital programme for tangible and intangible assets was £19.2m. Spend included the rebuilding and modernising of fire stations and other buildings (£12.2m), upgrading ICT equipment (£0.2m) and the purchase of fleet vehicles and equipment (£6.8m). Capital expenditure on assets (£19.2m) is to be financed in accordance with the Prudential Code, funded by capital receipts (£63k), borrowing (£14.4m) and reserves (£4.7m).

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2022/23 totalled £4m. As a result, as at 31 March 2023, the level of outstanding principal debt totalled £48.73m. The average interest payable on outstanding loans as at 31 March 2023 was 4.71% (4.73% at 1 April 2022).

INCOME AND EXPENDITURE FOR THE YEAR

The income and expenditure relate to monies collected and spent on the day to day running of the LFC's services, such as employees, premises, supplies and services costs, and income from levies and services we supply. The balance of expenditure that exceeds our income is funded by grant from the Greater London Authority (£421.8m) made up of the following elements: Retained Business Rates (£242.7m), Council Tax (£180.7m), offset by a £1.4m draw from reserves to meet the Collection Fund Deficit.

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits (see core statement note 28), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2022/23 was £522.5m against a budgeted net expenditure sum of £521.8m including £7.6m in agreed use of reserves. The outturn position after application of reserves and grants was £0.7m more than the approved LFC budget.

Following movements between the LFC's general fund and reserves, the general fund balance increased by £1.9m from £14.8m as at 1 April 2022 to £16.7m as at 31 March 2023 and the LFC's earmarked reserves decreased by £9.9m from £101.8m as at 1 April 2022 to £91.9m as at 31 March 2023.

The £0.7m overspend in year was a combination of under and overspends as set out in the table on page 12 which provides a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the LFC's funding requirements through GLA grant.

ASSET VALUATIONS

Since 31 March 2020 specialist assets have been valued using the Modern Equivalent Asset (MEA) depreciated replacement cost methodology in accordance with the CIPFA code.

Land valuations were also reviewed as at 31 March 2020.

PENSION FUND

The LFC participates in four pension schemes that meet the needs of groups of employees. There are three firefighter pension schemes known as the 1992 Firefighters' Pension Scheme, the 2006 Firefighters' Pension scheme, and the 2015 Firefighters' Pension Scheme, for which only operational firefighters are eligible. The other scheme is the Local Government Pension Scheme, which all other employees may join. The schemes provide members with defined benefits related to pay and service.

The Net Pensions Obligation, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, as at 31 March 2023, is £4.951bn (31 March 2022 £7.067bn). This is the sum of the LFC's liabilities in both schemes arising from pension benefits accrued by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the LFC.

The movement in the pension liability between years, a decrease of £2.116bn relates mainly to the long-term liability for the firefighter schemes, as assessed by the LFC's actuary. The decrease relates to a re-measurement of the schemes net defined liability considering the changes in demographic and financial assumptions (including interest rates).

Statement of Responsibilities for the Statement of Accounts

THE LONDON FIRE COMMISSIONER RESPONSIBILITIES

The London Fire Commissioner (LFC) is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Services;
- to manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- to approve the Statement of Accounts

DIRECTOR OF CORPORATE SERVICES RESPONSIBILITIES

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

In preparing this Statement of Accounts, the Director of Corporate Services has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- prepared the going concern;
- complied with the Local Authority Code;
- kept proper accounting records which were up to date; and
- 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 26 to 94 gives a 'true and fair view' of the financial position of the LFC at the reporting date and of its expenditure and income for the year ended 31 March 2023.

M. Ahmed

Mostaque Ahmed FCA
Director of Corporate Services
Dated 31 May 2023

Audit Opinion and Certificate

Statement of Accounting Policies

ACCOUNTING POLICIES

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

GENERAL PRINCIPLES

The Statement of Accounts summarises the LFC's transactions for the financial year and its position at the year-end of 31 March 2023. The Financial Statements provide information about the LFC's financial performance, financial position and cash flow which is useful to a wide range of users for assessing the stewardship of the LFC's management and for making economic decisions. The LFC has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and the Service reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other statutory guidance.

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

ACCRUALS OF INCOME AND EXPENDITURE

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

- Revenue from the sale of goods is recognised when the LFC transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the LFC.
- Revenue from the provision of services is recognised when the LFC can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the LFC.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure based on the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals are recognised where the value exceeds £5,000 per transaction.
- MFB Income Recognition

Metropolitan Fire Brigade (MFB) Act 1865 is legislation whereby insurance companies pay a yearly levy to the London Fire Commissioner. An Annual Return request is issued to insurance companies who insure building against fire within the city of London. Insurance companies submit their return which details the gross valuation of buildings insured against fire. The levy charge due is calculated at the rate of £35 per £1 million of the Gross Sum Insured.

The return requests are issued to those insurance companies on the address database at the end of March each year with the returns statutorily due by 1 June of the same year.

MFB income is recognised when a signed attestation is received from insurer. There is a 25%:75% split which relates to MFB being a calendar year process (January to December). This means that 25% of an invoice is charged to current year and 75% is recognised as a receipt in advance and the income is therefore recognised in the following year.

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

PRIOR PERIOD ADJUSTMENT

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

CASH ACCOUNTING POLICY

Under the treasury management shared service arrangement with the Greater London Authority (GLA), GLA group treasury officers carry out the London Fire Commissioner's (LFC) day to day treasury management function, managing the LFC's investment and borrowing activities. LFC officers provide the GLA with details of the LFC's daily cash flow requirements and monies are only transferred between the Authorities as and when required to match LFC need. This way, surplus funds over and above daily need are continuously held with the Group Investment Syndicate (GIS), the GLA managed vehicle used by the Authority to maximise liquidity and investment return.

The GLA has delegated GIS investment decisions to London Treasury Limited (LTL), a wholly GLA owned entity which is Financial Conduct Authority ('FCA') authorised and regulated. In practice, the GLA's Chief Investment Officer (CIO) is still the individual approving the current discretions, in his capacity as LTL's Managing Director.

The LFC has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Commissioner's Board and for the execution and administration of treasury management decisions to the Section 151 Officer cum Director of Corporate Services, who will act in accordance with the LFC's Treasury Policy Statement and Treasury Management Practices (TMP).

LFC has instant access to our funds subject to GIS drawdown procedure, therefore, the GIS is treated like a bank account, but the funds themselves are invested on the LFC's behalf by the Syndicate on a pooled basis and in that sense are invested funds attracting a return

FOREIGN CURRENCY TRANSLATION

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

VALUE ADDED TAX

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

Accounting Standards Issued but Not Yet Adopted

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024 following the impact of the COVID-19. Local authorities can adopt IFRS16 earlier than this if an authority considers that it is able to do so.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16).
- There are 4 standards which have been reviewed as part of the annual IFRS improvement programme. These are:
    - IFRS 1 (First-time adoption) – the amendment relates to foreign operations of acquired subsidiaries transitioning to IFRS
    - IAS 37 (Onerous contracts) – clarifies the intention of the standard
    - IFRS 16 (Leases) – amendment removes a misleading example that is not referenced in the Code material
    - IAS 41 (Agriculture) – one of a small number of IFRSs that are only expected to apply to local authorities in limited circumstances.

During the consultation process on the 2022/23 Code CIPFA/LASAAC did not envisage these changes having a significant effect on local authority financial statements.

CORE ACCOUNTING STATEMENTS

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost.

2021/22				2022/23			
Gross Expenditure	**Gross Income**	**Net Expenditure**	**Comprehensive Income and Expenditure Statement**	**Gross Expenditure**	**Gross Income**	**Net Expenditure**	**Note**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	
461,256	(115,129)	346,127	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	441,320	(85,430)	355,891	
		346,127	**Cost of services**			**355,891**	
7,036	(16,399)	**(9,363)**	Other operating income & expenditure	15,975	(64)	15,910	3
8,805	-		Interest payable and similar charges	5,248	-		10
-	(604)		Interest and investment income	-	(3,491)		10
136,890	-		Firefighter pensions net Interest on the net defined benefit liability	180,820	-		28
6,057			Support staff pension net interest on the net defined benefit liability	4,974			28
151,752	**(604)**	**151,148**	Financing and Investment Income and expenditure	**191,042**	**(3,491)**	**187,551**	
-	(405,400)		GLA Grant		(421,800)		22
-	(3,732)		PFI Grant		(3,739)		22
-	-		Capital Contributions		-		22
-	**(409,132)**	**(409,132)**	Taxation and Non-Specific Grant Income	**-**	**(425,539)**	**(425,539)**	
		78,780	**(Surplus) or Deficit on Provision of Services**			**133,813**	18
		(30,995)	Surplus on revaluation of non-current assets			(38,605)	4
		-	Impairment losses on non-current assets charged to revaluation reserve			-	4
		(192,061)	Re-measurement of the net defined benefit liability			(2,216,762)	4
		(223,056)	Other Comprehensive Income and Expenditure			**(2,255,367)**	
		(144,276)	**Total Comprehensive Income and Expenditure**			**(2,121,554)**	

Movement in Reserves Statement (MiRS)

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

Movement in Reserves	General Fund	Earmarked Reserves	Capital Grants Unapplied	Capital Receipts Reserve	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 01/04/22	**(14,806)**	**(101,624)**	**(205)**	**-**	**(116,634)**	**6,700,539**	**6,583,905**	
(Surplus) or deficit on provision of services (accounting basis)	133,813	-	-	-	133,813		133,813	
Other Comprehensive Income & Expenditure		-	-	-		(2,255,367)	(2,255,367)	4
Total Comprehensive Income and Expenditure	**133,813**	**-**	**-**	**-**	**133,813**	**(2,255,367)**	**(2,121,554)**	
Adjustments between accounting basis & funding basis under regulations	**(125,870)**	**-**	**-**	**-**	**(125,870)**	**125,870**	-	*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**7,943**	**-**	**-**	**-**	**7,943**	**(2,129,497)**	**(2,121,554)**	
Transfers (to)/from Earmarked Reserves	(9,879)	9,879	-	-	-	-	-	7
Increase/(Decrease) in Year	**(1,936)**	**9,879**	**-**	**-**	**7,943**	**(2,129,497)**	**(2,121,554)**	
Balance as at 31/03/23	**(16,742)**	**(91,745)**	**(205)**	**-**	**(108,692)**	**4,571,042**	**4,462,351**	

Movement in Reserves Statement (continued)

The following table provides comparative figures for 2021/22:

Movement in Reserves Statement	General Fund £'000	Earmarked Reserves £'000	Capital Grants Applied £'000	Capital Receipts Reserves £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Reserves £'000	Notes
Balance as at 01/04/21	**(12,708)**	**(79,639)**	**(205)**	**-**	**(92,552)**	**6,820,733**	**6,728,181**	
(Surplus) or deficit on provision of services (accounting basis)	78,522	-	-	-	78,522		78,522	
Other Comprehensive Income & Expenditure		-	-	-	-	**(200,368)**	**(200,368)**	4
Total Comprehensive Income and Expenditure	**78,522**	**-**	**-**	**-**	**78,522**	**(200,368)**	**(121,846)**	
Adjustments between accounting basis & funding basis under regulations	**(102,605)**	-	-	-	**(102,605)**	**102,605**	**-**	*6*
Net Increase/Decrease before Transfers to Earmarked Reserves	**(24,083)**	**-**	**-**	**-**	**(24,083)**	**(97,763)**	**(121,846)**	
Transfers (to)/from Earmarked Reserves	21,985	(21,985)	-	-	-	-	-	7
Increase/(Decrease) in Year	**(2,098)**	**(21,985)**	**-**	**-**	**(24,083)**	**(97,763)**	**(121,846)**	
Balance as at 31/03/22	**(14,806)**	**(101,624)**	**(205)**	**-**	**(116,635)**	**6,722,970**	**6,606,335**	

Balance Sheet

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

31 March 2022			31 March 2023		Note
£'000	**£'000**	**Balance Sheet**	**£'000**	**£'000**	
		Property, Plant and Equipment			
161,505		Land	242,851		
276,740		Buildings	197,096		
55,966		Vehicles, Plant and Equipment	50,653		
15,137		Non Operational Assets	15,805		
12,739		Non Operational Assets – Other	19,478		
1,432		Heritage Assets	1,432		
	523,519			**527,315**	9
802	**802**	Intangible Assets	721	**721**	9
40	**40**	Long Term Debtors	66	**66**	
	524,361	**Long Term Assets**		**528,102**	
-	**-**	Assets held for sale	-		9
439		Inventories	529		
		Short term investments			
61,474		Short Term Debtors	43,231		12
116,426		Cash and Cash Equivalents	88,586		13
	178,339	**Current Assets**		**132,346**	
(21,086)		Short Term Borrowing	(2,058)		10
(55,469)		Short Term Creditors	(59,469)		14
(15,599)		Short term provisions	(4,787)		15
(1,443)		Short Term Liabilities	(1,557)		
	(93,597)	**Current Liabilities**		**(67,871)**	
(14,818)		Long term provisions	(14,760)		15
(49,121)		Long Term Borrowing	(47,114)		11
(7,129,069)		Other Long Term Liabilities	(4,993,054)		25
	(7,193,008)	**Long Term Liabilities**		**(5,054,927)**	
	(6,583,905)	**Net Assets**		**(4,462,351)**	
	(116,635)	Usable reserves		**(108,692)**	16
	6,700,539	Unusable Reserves		**4,571,042**	17
	6,583,905	**Total Reserves**		**4,462,351**	

I certify that the Balance Sheet gives a true and fair view of the financial position of the authority at 31 March 2023.
Mostaque Ahmed *FCA*
Director of Corporate Services, Date 31 May 2023

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the LFC during the reporting period. The statement shows how the LFC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.
The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the LFC are funded by way of grant income or from recipients of services provided by the LFC.

Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the LFC's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the LFC.

2021/22 £'000	Cash Flow Statement	2022/23 £'000	Notes
78,780	**Net (Surplus) or Deficit on the Provision of Services**	**133,814**	
(155,719)	Adjustments to Net (Surplus) or Deficit on the provision of Services for Non-Cash Movements	(147,603)	32
16,399	Adjustments for items in the Net (Surplus) or Deficit on the Provision of Services that are Investing or Financing Activities	64	
(60,540)	**Net cash flows from Operating Activities**	**(13,725)**	
670	Investing Activities	19,088	34
(12,224)	Financing Activities	22,477	34
(72,094)	**Net (Increase) or Decrease in Cash and Cash Equivalents**	**27,840**	
44,333	Cash and cash equivalents at the beginning of the period	116,427	13
116,427	**Cash and Cash Equivalents at the End of Period**	**88,586**	

Notes to the Accounts

1 Critical Judgements in Applying Accounting Policies

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

FORMER BRIGADE HQ 8 ALBERT EMBANKMENT

The LFC 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 centre 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. The former HQ and fire station are an operational property given its continued use as an operational fire station and offices, whilst the centre and rear sites were reclassified as a surplus asset in the financial accounts. Since the planning consent for the redevelopment was refused by the Secretary of State and judicial decision on the opportunity to appeal the Secretary of State's decision was confirmed unsuccessful in November 2021, LFC has been in negotiations with the current developer to understand whether a revised scheme can be considered a viable way forward.

Provision – Grenfell Tower Claims

This section will be updated following completion of the prior year's audit.

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 2023 is £542.3m (£523.5m at 31 March 2022). A full valuation of all Fire Stations was carried out as at 31 March 2023. The following issues result in heightened estimation uncertainty: • Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology. • Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £12.1m and £10.6m respectively.
Pension Liability	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters scheme) to provide the LFC with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31st March 2023 is £4,951m (£7,067m at 31 March 2022).	The effects of the net pensions' liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 7.0% increase in the pension liability, in the region of £348m. However, the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected because of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included in Note 28.

3 (a) Material items of Income and Expenditure

The LFC collected £35.4m in the form of a levy placed on the Insurance industry under the Metropolitan Fire Brigade (MFB) Act 1865. This is included as income in the Net Cost of Services against Community Fire Safety and Firefighting and Rescue Operations.

(b) Other operating expenditure

2021/22	Other operating expenditure	2022/23
£'000		*£'000*
(16,399)	Proceeds from disposal of non-current assets in year	(64)
7,036	Non current assets – disposed in year	-
-	Impairment of fixed assets	15,975
(9,363)	**CIES - Other operating expenditure/(income)**	**15,910**

4 Other Comprehensive income and expenditure

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

2021/22 £'000	2021/22 £'000	Surplus or deficit on revaluation of non-current assets & Actuarial (gains)/losses on pension assets/liabilities	2022/23 £'000	2022/23 £'000
(34,188)		Gain on the revaluation of Property assets	(38,605)	
3,193		Loss on the revaluation of Property assets		
	(30,995)	**Surplus on revaluation of non current assets**		**(38,605)**
(86,224)		Actuarial (gains)/losses on Firefighter pension liabilities	(2,019,610)	
(105,837)		Actuarial (gains)/losses on LGPS pension assets/liabilities	(197,152)	
	(192,061)	**Actuarial (gains)/losses on pension assets/liabilities**		**(2,216,762)**
	(223,056)	**Total Other Comprehensive Income and Expenditure**		**(2,255,367)**

5 Events After the Balance Sheet Date

The Statement of Accounts were authorised for issue by Mostaque Ahmed, Director of Corporate Services on 31 May 2023. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2022/23 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Capital Grants Unapplied	Capital Receipts Unapplied	Total Usable Reserves	Total Unusable Reserves
	£'000	£'000	£'000	£'000	£'000
Depreciation, amortisation and impairment of fixed assets	19,643	-	-	19,643	(19,643)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and Use of the Capital Receipts Reserve to finance new capital	(64)	-	-	(64)	64
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(8,772)	-	-	(8,772)	8,772
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	15,975	-	-	15,975	(15,975)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	100,729	-	-	100,729	(100,729)
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	-	-	-	-	-
Adjustment due to Accumulated Absences, reversal of prior year charge	(7,285)	-	-	(7,285)	7,285
Adjustment due to Accumulated Absences, current year charge	5,645	-	-	5,645	(5,645)
Total Adjustments	**125,870**	**-**	**-**	**125,870**	**(125,870)**

The following table provides comparative figures for 2021/22:

2021/22 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund £'000	Capital Grants Unapplied £'000	Capital Receipts Unapplied £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000
Depreciation, amortisation, and impairment of fixed assets	19,236	-	-	19,236	(19,236)
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	(16,399)	-	-	(16,399)	16,399
MRP for capital financing. Not debited to the Comprehensive Income and expenditure account	(8,625)	-	-	(8,625)	8,625
Amounts of non current assets written off on disposal as part of the gain/loss on disposal to CIES	7,858	-	-	7,858	(7,858)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	103,886	-	-	103,886	(103,886)
Adjustment due to Accumulated Absences, reversal of prior year charge	(10,636)	-	-	(10,636)	10,636
Adjustment due to Accumulated Absences, current year charge	7,285	-	-	7,285	(7,285)
Total Adjustments	**102,605**	**-**	**-**	**102,605**	**(102,605)**

7 Transfers to/from Earmarked Reserves

Earmarked Reserves	Balance as at 31/03/2021	Transfers Out	Transfers In	Balance as at 31/03/2022	Transfers Out	Transfers In	Balance as at 31/03/2023
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Vehicle Fleet Reserve	2,585	(233)	-	2,352	(193)	-	2,159
London Resilience	771	-	-	771	-	-	771
Sustainability Reserve	235	(56)	-	179	(8)	-	171
Hydrants	462	(216)	-	246	(127)	-	119
Compensation	-	-	1,000	1,000	(75)	-	925
Pension Early Release	425	-	420	845	(281)	1,000	1,564
LSP 2017 Implementation	2,716	(72)	-	2,644	(71)	-	2,573
Emergency Services Mobile Communication Programme	844	(68)	237	1,013	(125)	-	888
Emergency Medical Response	294	-	-	294	-	-	294
ICT Development Reserve	2,283	(697)	-	1,586	177	900	2,663
Recruitment/Outreach	250	(250)	-	-	-	-	-
Fire Safety & Youth Engagement	4,929	(203)	1,886	6,612	1,577	-	8,189
Additional Resilience Requirements	524	(524)	-	-	-	-	-
Budget Flexibility	35,189	(4,658)	2	30,533	(5,764)	-	24,769
Capital Receipt - GLA	11,745	-	-	11,745	(4,700)	-	7,045
LFC Control Centre	729	-	-	729	-	-	729
Organisational Reviews	88	62	-	150	-	-	150
National Operational Guidance Project	829	(501)	-	328	-	-	328
Transformation Reserve	6,278	(2,997)	-	3,281	(266)	-	3,015
In Year Savings Reserve	5,000	(1,400)	-	3,600	-	-	3,600
Grenfell Infrastructure Reserve	1,211	(462)	-	749	(676)	430	503
Covid	1,968	-	1,122	3,090	(3,090)	-	-
Fire Safety Improvement Reserve	-	-	29,680	29,680	-	-	29,680
Leadership Reserve	-	-	-	-	-	350	350
Marauding Terrorist Attack	-	-	-	-	(222)	1,219	997
Communication Reserve	-	-	-	-	-	83	83
Legal Reserve	-	-	-	-	(302)	302	-
LFB Museum Project	284	(175)	88	197	(17)	-	180
Total	**79,639**	**(12,450)**	**34,435**	**101,624**	**(14,163)**	**4,284**	**91,745**

8 Minimum Revenue Provision

The LFC is required by statute to set aside a minimum revenue provision, that it considers prudent, for the repayment of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2022/23 was £8.772m (2021/22 £8.625m), being assessed by the LFC as being prudent.

9 Property Plant and Equipment

ACCOUNTING POLICIES

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

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost, comprising:

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

The LFC does not capitalise borrowing costs incurred whilst assets are under construction. A 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 LFC). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the LFC.

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

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

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

- Assets under construction - depreciated historical cost.
- All other assets - fair value, determined as the amount that would be paid for the asset in its existing use (existing use value - EUV). Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

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

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

Where decreases in value are identified they are accounted for in the following way:

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

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

IMPAIRMENT

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

Where impairment losses are identified, they are accounted for in the following way:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains).
- Where there is an insufficient balance in the revaluation reserve, the revaluation reserve is written down to nil and the remaining amount of the decrease in value is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.
- Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

DEPRECIATION

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

Depreciation is calculated on the following bases:

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

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

Category	Depreciation Rate
Heritage Assets	Not depreciated
Surplus Assets	Not depreciated
Assets Held for Sale	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

COMPONENT ACCOUNTING

For assets, where the building value is classed as material to the LFC (£5 million and above), component accounting is applied. Componentisation is applicable to any significant enhancement and/or acquisition expenditure incurred and revaluations carried out as from 1st April 2010. During 2022/23, the non-current tangible assets of the LFC were revalued and this included a re-consideration of the components. Component accounting requirements affects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets and it only applies where an item of property, plant and equipment has major components where the cost of these is significant (20% or above) in relation to the total cost of the asset. Where this occurs, the components are recognised and depreciated separately according to their useful lives.

SURPLUS ASSETS

Surplus assets are those assets that are not being used to deliver services but do not meet the criteria to be classified as either investment properties or non-current assets held for sale. The asset is revalued immediately before reclassification from operational non current assets to surplus assets under the existing use value. Once the asset is reclassified to surplus assets, the asset is revalued under the IFRS 13 fair value measurement methodology. Any revaluation gains or losses are accounted for under the general measurement of non-current assets. Depreciation is not charged on surplus assets.

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

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

When an asset is disposed of or decommissioned the carrying amount of the asset in the Balance Sheet (whether Property, Plant 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 LFC'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 LFC revenue funding, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement.
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to 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 LFC's Non Current Assets during 2022/23:

Movement in Balances 2022/23	**Other Land & Buildings**	**Vehicles, Plant & Equipment**	**Surplus Assets**	**Assets Under Construction**	**Heritage Assets**	**Assets held for sale**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or Valuation							
As at 1 April 2022	**442,220**	**125,939**	**15,137**	**12,739**	**1,432**	**-**	**597,468**
Additions	10,583	1,636	-	6,739	-	-	18,958
Revaluation increases / (decreases) recognised in Revaluation Reserve	**25,770**	-	668	-	-	-	26,438
Revaluation increases / (decreases) recognised in the CIES	(19,039)	-	-	-	-	-	(19,039)
Derecognition – Disposals		-	-			-	-
Derecognition - Other	(16,643)	-	-	-	-	-	(16,643)
Other movements in cost or valuation	**-**	-		-			-
As at 31 March 2023	**442,891**	**127,575**	**15,805**	**19,478**	**1,432**	**-**	**607,182**
Accumulated Depreciation and Impairment							**-**
As at 1 April 2022	**(3,975)**	**(69,974)**	**-**	**-**	**-**	**-**	**(73,949)**
Depreciation charge for 2022/23	(12,419)	(6,949)	-				(19,369)
Derecognition – disposals	**1,282**	-	-	-	-	-	1,282
Write out of accumulated depreciation	12,167		-	-	-	-	12,167
As at 31 March 2023	**(2,945)**	**(76,923)**	**-**	**-**	**-**	**-**	**(79,868)**
							-
Net Book Value:							**-**
As at 31 March 2022	438,245	55,966	15,137	12,739	1,432	-	523,519
As at 31 March 2023	439,946	50,653	15,805	19,478	1,432	-	527,315

The table below shows the comparative movements in the Authority's Non Current Assets during 2021/22:

Movement in Balances 2021/22	Other Land & Buildings	Vehicles, Plant & Equipment	Surplus Assets	Assets Under Construction	Heritage Assets	Assets held for sale	Total
	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation							
As at 1 April 2021	**414,668**	**124,158**	**22,475**	**11,608**	**1,432**	**450**	**574,791**
Additions	7,949	2,521		6,531			17,001
Revaluation increases / (decreases) recognised in Revaluation Reserve	**19,496**	-	7	-	-	-	19,503
Revaluation increases / (decreases) recognised in the CIES	930	-	5	-	-	-	935
Derecognition – Disposals		(6,140)	(7,350)			(450)	(13,940)
Derecognition - Other	(823)	-	-	-	-	-	(823)
Other movements in cost or valuation		5,400		(5,400)			
As at 31 March 2022	**442,220**	**125,939**	**15,137**	**12,739**	**1,432**	**-**	**597,467**
Accumulated Depreciation and Impairment							
As at 1 April 2021	**(3,928)**	**(68,520)**	**-**	**-**	**-**	**-**	**(72,448)**
Depreciation charge for 2021/22	(11,538)	(7,419)	-	-	-	-	(18,957)
Derecognition – disposals		5,969	-	-	-	-	5,969
Write out of accumulated depreciation	11,491	(3)	-	-	-	-	11,488
As at 31 March 2022	**(3,975)**	**(69,973)**					**(73,948)**
Net Book Value:							
As at 31 March 2021	410,740	55,638	22,475	11,608	1,432	450	502,342
As at 31 March 2022	438,245	55,966	15,137	12,739	1,432	-	523,519

BASIS OF VALUATIONS

OPERATIONAL PORTFOLIO

For the whole of the LFC operational portfolio, Existing Use Value (EUV) has been adopted. For specialised operational properties, a Depreciated Replacement Cost (DRC) methodology has been used to determine EUV, as there are no market transactions for this type of asset.

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

The DRC has been assessed on the basis of the existing properties. Deductions are based on a blended approach of the age and obsolescence of the property. Where a property has physically deteriorated the property would be revalued as and when it is known.

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

The DRC assets are required to be assessed taking into account the 'Modern Equivalent Assets' (MEAs) valuation. We have assessed them by using the basis of existing properties and then adjusted them to include any under utilisation in the operational portfolio. An exercise was undertaken to account for any identified excess space and the DRC valuations have been reduced accordingly.

LFC believes that it has satisfied the CIPFA Code and Red Book requirements by ascertaining the 'service requirement' of the operational portfolio and addressed any over capacity within the operational estate.

THE FORMER LFEPA HEADQUARTERS

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

Previously the site has been valued as one asset but due to the above the site has been spilt into three separate assets, the former HQ and fire station and the separate centre and rear sites. The former HQ and fire station are an operational asset and as such has been valued as a specialised asset. Whilst the centre and rear sites are a non operational assets and have been classified as surplus assets which have been revalued at fair value (market value) in line with IFRS 13.

SURPLUS ASSETS

Once an asset is classified to surplus assets the asset is revalued under the IFRS 13 fair value methodology. The fair value is based on level 2 valuation techniques by reference to sales comparisons and market variables and based on advice which has been provided to the LFC by Sanderson Weatherall LLP, in connection with the estimated Market Values (MVs).

LFC is satisfied that the MV figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Authority Accounting 2022/23. On the basis of this, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

ASSETS HELD FOR SALE

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

FREEHOLD AND LONG LEASEHOLD INTERESTS

The freehold and long leasehold interests in the various properties which are owned by the London Fire Commissioner (LFC) were valued by External Valuers, Sanderson Weatherall LLP, Chartered Surveyors and Property Consultants, at 31st March 2023, in accordance with the current edition of the RICS Valuation – Global Standards effective from 31st January 2022, including the UK National Supplement effective from 14th January 2019 ('the Red Book').

VALUER'S REPORT

In their report, Sanderson Weatherall LLP confirmed that, for the whole of the LFC operational portfolio, 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 LFC and third parties, in the case of the PFI properties (with Blue3) and Ruislip Workshops (with Babcock). Properties which are held for sale have been valued adopting Market Value, based on sales comparisons and market variables. The EUVs may be different to the prices which would have been obtainable in the open market for LFC's interests in the properties, if they had been declared surplus to LFC's operational requirements, at the valuation date.

Of the £438.4m net book value of PPE land and buildings subject to valuation, £411m relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the London Fire Brigade of replacing the service potential of the assets.

VEHICLES

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

The LFC have ownership of New Dimension vehicles and equipment, 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 LFC due to past events (e.g. software licences), is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the LFC.

Internally generated assets are capitalised where it is demonstrable that the project is technically feasible and is intended to be completed (with adequate resources being available) and the LFC will be able to generate future economic benefits or service potential by being able to sell or use the asset. Expenditure is capitalised where it can be measured reliably as attributable to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the LFC can be determined by reference to an active market. If intangible assets held by the LFC fail to meet this criterion they are carried at amortised cost.

The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service lines in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

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

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

	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	

HERITAGE ASSETS

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

The table below shows the movements in the LFC's Intangible Assets during 2022/23:

Movement in Balances 2022/23		**Operational**			**Under Development (non-operational)**	
	Software licences £'000	**In-house Software £'000**	**Total £'000**	**Software licences £'000**	**In-house Software £'000**	**Total £'000**
Balances at 1st April						
Gross carrying amounts	14,355	12,998	27,353	-	-	
Accumulated amortisation	(14,324)	(12,227)	(26,551)	-	-	
Net carrying amount at 1st **April**	31	771	802	-	-	-
Reclassification	-	-	-	-	-	-
Additions	-	194	194	-	-	-
Amortisation for the period	(10)	(265)	(275)	-	-	-
Net carrying amount at 31 March	**21**	**700**	**721**	**-**	**-**	**-**
Comprising:			-			
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,334)	(12,492)	(26,826)	-	-	-
	21	**700**	**721**	**-**	**-**	**-**

The table below shows the movements in the LFC's Intangible Assets during 2021/22:

Movement in Balances 2021/22		Operational			Under Development (non-operational)	
	Software licences £'000	In-house Software £'000	Total £'000	Software licences £'000	In-house Software £'000	Total £'000
Balances at 1st April						
Gross carrying amounts	14,441	12,843	27,284	72	-	72
Accumulated amortisation	(14,314)	(11,957)	(26,271)		-	0
Net carrying amount at 1st April	**127**	**886**	**1,013**	**72**	**-**	**72**
Reclassification	-	-	-	-	-	0
Additions	-	68	68	-	-	0
Amortisation for the period	(10)	(269)	(279)	-	-	0
Net carrying amount at 31 March	**117**	**685**	**802**	**72**	**-**	**72**
Comprising:						
Gross carrying amounts	14,441	12,911	27,352	72	-	-
Accumulated amortisation	(14,324)	(12,226)	(26,550)	-	-	-
	117	**685**	**802**	**72**	**-**	**72**

10 Financial Instrument

ACCOUNTING POLICY

FINANCIAL LIABILITIES

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

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

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

FINANCIAL ASSETS

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

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

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

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

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

31-Mar-22 Long Term £'000	31-Mar-22 Current £'000	Financial liabilities and Assets at amortised cost Borrowings	31-Mar-23 Long Term £'000	31-Mar-23 Current £'000
48,725	4,000	Public Work Loan Board Debt (PWLB)	46,725	2,000
396	43	PWLB Accrued Interest	389	58
-	**17,043**	Short term borrowing	**-**	**-**
49,121	**21,086**	**Total borrowings**	**47,114**	**2,058**
59,893	1,443	PFI and finance lease liabilities	39,910	1,557
59,893	**1,443**	**Total Other Long term liabilities**	**39,910**	**1,557**
-	7,590	Creditors	-	33,562
109,014	**30,119**	**TOTAL**	**87,024**	**37,178**

31-Mar-22 Long Term £'000	31-Mar-22 Current £'000	Financial liabilities and Assets at amortised cost Loans & Receivables	31-Mar-23 Long Term £'000	31-Mar-23 Current £'000
-	-	Investments	-	-
-	-	Short term investments	-	-
-	-	Accrued Interest	-	-
-	**-**	**Total investments**	**-**	**-**
40	6,897	Debtors	66	39,794
-	116,426	Cash Equivalents	-	88,586
40	**123,323**	**TOTAL**	**66**	**128,380**

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:

2021/22 £'000	Financial Instruments Income & Expenditure	2022/23 £'000
8,805	Interest expense	5,248
(604)	Interest income	(3,491)
8,536	**Net gain/(loss) for the year**	**1,757**

2021/22 £'000	Financial Instruments Income & Expenditure	2022/23 £'000
2,560	PWLB borrowing	2,403
2,937	PFI lease interest & contingent rentals	2,845
3,308	Merton Lease Payment	-
8,805	**Total Interest expense**	**5,248**

FAIR VALUE OF ASSETS AND LIABILITIES

Financial liabilities and financial assets classed as loans and receivables and financial liabilities at amortised cost are carried in the balance sheet at amortised cost.

Their fair values can be estimated by calculating the present value of cash flows that will take place over the remaining term of the instruments. The fair values calculated are as follows:

The Code of Practice incorporates the adoption of IFRS 13 Fair Value measurement, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation should be equal to the same instrument from a comparable lender. The discount rates were obtained by the LFC's treasury advisor Link Asset Services and PWLB from the market on 31 March 2022, using bid prices where applicable.

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

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

31-Mar-22 Carrying amount £'000	31-Mar-22 Fair value £'000	Liabilities & Assets	31-Mar-23 Carrying amount £'000	31-Mar-23 Fair value £'000
52,725	63,187	Public Work Loan Board Debt (PWLB)	48,725	53,107
17,043	17,043	Short term Borrowing	-	-
59,893	59,893	PFI & Other Finance Leases	39,910	39,910
7,590	7,590	Trade and other creditors	33,562	33,562
137,251	**147,713**	**Total Liabilities**	**122,198**	**126,580**
6,897	6,897	Trade and other debtors	39,794	39,794
40	40	Long term debtors	66	66
116,427	116,427	Cash & Cash Equivalents	88,586	88,586
123,364	**123,364**	**Total Assets**	**128,446**	**128,446**

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

NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

(i) Credit risk - the possibility that other parties might fail to pay amounts due to the LFC

(ii) Liquidity risk - the possibility that the LFC might not have funds available to meet its commitments to make payments

(iii) Re-financing risk - the possibility that the LFC might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms

(iv) Market risk - the possibility that financial loss might arise for the LFC as a result of changes in such measures as interest rates movements

OVERALL PROCEDURES FOR MANAGING RISK

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

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

    - Its maximum and minimum exposures to the maturity structure of its debt
    - Its maximum annual exposures to investments maturing beyond a year

- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance
- These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the LFC's financial instrument exposure. Bi-annual reports on the treasury management performance are submitted to the Investment and Finance Board for scrutiny, and then to the LFC.

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

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2022/23 was set at £245m with an Operational Borrowing Limit of £240m. As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits will be reviewed and increased as necessary. Updated borrowing limits will be approved separately, once a detailed data gathering exercise has been completed and the impact of IFRS 16 compliance quantified, during the 2023/24 financial year.

(ii) The maximum and minimum exposures to the maturity structure of debt are as per the table.

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

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

CREDIT RISK

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

This risk is minimised through the Annual Investment Strategy, which requires that deposits are only made with financial institutions on the Approved Counterparty Lending List. Acceptability as an authorised counterparty will be based upon credit ratings issued by credit ratings agencies, advice from the LFC's treasury advisors, Link Asset Services and other financial information sources deemed appropriate by the Director of Corporate Services in order to ensure that investments are made giving sufficient priority to security over yield in accordance with Section 15 (1) of the Local Government Act 2003.The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the LFC's loan portfolio (quantified at the day of lending) are set out in the LFC's investment strategy which is included as part of the TMS that was approved on 28 March 2023.

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

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

The LFC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all of the LFC's deposits, but there was no evidence as at the 31 March 2023 that this was likely to crystallise.

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

The closing investment position on the GIS, as at 31 March 2023 was £76.2m (£112.7m as at 31 March 2022) with a Weighted Average Maturity of 91 days. Including a sum held on a NatWest Call account (£5.3m), the total investment position as at 31 March 2023 was £81.5m (£120.3m as at 31 March 2022). Cumulative performance for the year was 2.51%, and attracted interest of £3.5m. The performance figure is net of fees.

LIQUIDITY RISK

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

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

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

31-Mar-22 £'000	Maturity analysis	31-Mar-23 £'000
21,043	Within 1 year	2,000
2,000	Between 1 and 2 years	3,500
11,225	Between 2 and 5 years	10,725
12,000	Between 5 and 10 years	9,000
23,500	More than 10 years	23,500
69,768	**Total**	**48,725**

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

REFINANCING AND MATURITY RISK

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

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

This includes:

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

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31/03/2022	Actual 31/03/2023
Less than 1 year	20%	0%	8%	4%
Between 1 and 2 years	20%	0%	4%	7%
Between 2 and 5 years	50%	0%	21%	16%
Between 5 and 10 years	75%	0%	23%	25%
More than 10 years	90%	25%	45%	48%

MARKET RISK

INTEREST RATE RISK

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

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

Sensitivity analysis	**Best case scenario**	**Current Scenario**	**Worst case scenario**
Interest payable	**3.71%**	**4.71%**	**5.71%**
Interest payable (PWLB)	1,893	2,403	2,913
Interest receivable	**1.51%**	**2.51%**	**3.51%**
Interest receivable	(2,100)	(3,490)	(4,880)
Total	**(207)**	**(1,087)**	**(1,967)**

11 Long Term Borrowing

31-Mar-22	Long-term Borrowing	31-Mar-23
£'000	The sources are:	**£'000**
48,725	Public Works Loan Board	46,725
48,725	**Total**	**46,725**
	These loans mature as follows:	
2,000	Between 1 and 2 years	3,500
11,225	Between 2 and 5 years	10,725
12,000	Between 5 and 10 years	9,000
	Between 10 and 15 years	3,000
23,500	More than 15 years	20,500
48,725		**46,725**
396	Add accrued interest	389
49,121	**Total**	**47,114**

12 Debtors

SHORT TERM DEBTORS

These are as illustrated in the table:

31-Mar-22	Debtors	31-Mar-23
£'000		**£'000**
37,683	Central government bodies - Home Office	29,243
2,593	Central government bodies - HMRC	2,889
231	Central government bodies - Other	-
13,525	Other local authorities	-
5,452	Other entities and individuals	8,269
(704)	BDP	(606)
2,694	Payments in advance	3,437
61,474	**Total Creditors**	**43,231**

IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £704k brought forward from 2021/22 to safeguard against future losses or non-recoveries has decreased by £98k during the year to £606k. The aged debt analysis shows that £6.117m (£6.824m 2021/22) of the total outstanding debt is past its due date for payment. All outstanding debt shown below has been allowed for in the LFC's assessment of bad debt provision. The third-party debts are being repaid in instalments.

Aged debt analysis	Greater than 2 Years £'000	1-2 years £'000	120-365 days £'000	90-120 days £'000	60-90 days £'000	30-60 days £'000	Total £'000
Sundry debt (ex MFB)	34	21	125	62	192	1226	1660
Third party claims	19	0	34	-	-	2	55
Metropolitan Fire Brigade (MFB) Act	137	5	3,457	-	-	803	4,402
Total	190	26	3,616	62	192	2031	6,117

13 Cash and Cash equivalents

Cash is represented as cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24hours. Cash equivalents are investments that mature in 90 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

The major element of the LFC's investments are held and managed in the GLA Group Investment Syndicate (GIS), which is jointly controlled by the GLA, syndicate members including LFC through their respective chief financial officers. The LFC's Treasury Management activities are carried out by the Greater London Authority (GLA) under a shared service agreement and are delivered by GLA Group Treasury. The funds managed under this shared service are invested in the Group Investment Syndicate (GIS), to which the Director of Corporate Services is a syndic and the LFC's representative. Funds held within GIS are instantly available to LFC.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the LFC's cash management.

31-Mar-22 £'000	Cash and Cash Equivalents	31-Mar-23 £'000
10	Cash held by the Authority	10
(3,929)	Bank current accounts	7,050
120,345	Short term deposits held on demand	81,526
-	Short term deposits with maturity of 3 months or less	-
116,426	**Total Cash and Cash Equivalents**	**88,586**

14 Creditors

31-Mar-22 £'000	Creditors	31-Mar-23 £'000
10,163	Central government bodies - HMRC	14,587
42	Central government bodies - Other	-
484	Other local authorities	1,310
14,842	Other entities and individuals	12,021
7,285	Accumulated Absences	5,645
22,653	Receipts in advance	25,906
55,468	**Total Creditors**	**59,469**

15 Provisions

PROVISIONS

Provisions are made where an event has taken place that gives the LFC a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and where a reliable estimate can be made of the amount of the obligation. For instance, the LFC may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the LFC becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required.

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

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

Transitional Arrangements Pensions Case Remedy - Injury to Feelings Claims Provision

Following the McCloud/Sargeant judgment on the unlawful pensions transitional protection, the claimants who brought claims via the Fire Brigades Union (FBU) in 2015 will be entitled to an injury to feelings award. Following legal negotiations, the Government Legal Department (GLD) has now made an offer to settle those claims brought in England and Wales. The LFC has raised a provision based on its number of claimants and the estimated value of the settlement, to provide a provision of £3,630k. There remains uncertainty on the amounts required to settle the claims as a number of cases will require individual determination. With the uncertainties outlined it is expected to be beyond the next financial year before the claims is settled, and this is therefore considered a long term liability. It is expected that funding to meet the costs of settling these claims will be provided by the Home Office, however confirmation of the specific funding will not be provided until claims are nearer to being settled.

Short Term Provisions 2022/23	Legal	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	13,504	2,020	-	75	-	15,599
Increase/(decrease) in provision during the year	683	-	-	-	-	683
Utilised during the year	(9,475)	(2,020)	-	-	-	(11,495)
Closing Balance	**4,712**	**-**	-	**75**	**-**	**4,787**

Long Term Provisions 2021/22	Legal	Property	Motor Insurance	MFB Refund	MMI Insurance Levy	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Opening Balance	13,172	-	990	510	146	14,818
Increase/(decrease) in provision during the year	-		(58)	-	-	(58)
Closing Balance	**13,172**	**-**	**932**	**510**	**146**	**14,760**

16 Usable Reserves

ACCOUNTING POLICY

The LFC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement on Provision of Services in the Comprehensive Income and Expenditure Statement. The Usable reserves consist of the LFC's general fund £16.74m and a range of earmarked reserves for specific purposes including the Budget Flexibility Reserves of £91.75m. Movements in the LFC's usable reserves are detailed in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure Statement.

17 Unusable Reserves

2021/22 £'000	Unusable Reserves	2022/23 £'000
(209,250)	Revaluation Reserve	(237,930)
7,067,280	Pension Reserve	4,951,245
(164,775)	Capital Adjustment Account	(147,918)
7,285	Accumulated Absences Account	5,645
6,700,539	**Total Unusable Reserves**	**4,571,042**

REVALUATION RESERVE

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

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

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

2021/22 £'000	2021/22 £'000	Revaluation Reserve	2022/23 £'000	2022/23 £'000
	(183,692)	Balance as at 1 April		(209,250)
(34,188)		Upward revaluation of assets	**(38,605)**	
3,193		Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services		
	(30,995)	Surplus or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services		**(38,605)**
(3,503)		Adjustment to historical cost depreciation		
3,175		Difference between fair value depreciation and historical cost depreciation	**4,080**	
5,765		Accumulated gains on assets sold or scrapped	5,846	
	5,437	Amount written off to the Capital Adjustment Account		9,925
	(209,250)	**Balance at 31 March**		**(237,930)**

PENSIONS RESERVE

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

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

2021/22 £'000	Pensions Reserve	2022/23 £'000
7,155,196	Balance at 1 April	7,067,280
(192,061)	Actuarial (gains) or losses on pensions assets and liabilities	(2,216,764)
297,075	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	294,919
(192,930)	Employer's pensions contributions and direct payments to pensioners payable in the Year	(194,190)
7,067,280	**Balance at 31 March**	**4,951,245**

CAPITAL ADJUSTMENT ACCOUNT

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

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

2021/22		Capital Adjustment Account	2022/23	
£'000	**£'000**		**£'000**	**£'000**
	(161,407)	Balance at 1 April		(164,775)
19,235		Charges for depreciation and impairment of non current and intangible assets	35,619	
(935)		Revaluation losses on Property Plant and Equipment	(5,846)	
823		Other derecongnition (8AE)		
2,205		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		
	21,328			**29,773**
(16,399)		Use of Capital Receipts to finance new capital expenditure	(64)	
3,503		Adjustment to historical cost depreciation		
(3,175)		Adjusting amounts written out to the Revaluation Reserve	(4,080)	
		Capital grant and contributions credited to the Comprehensive Income and Expenditure Account that have been applied to the capital financing		
		Application of grants to capital financing from the Capital Grants unapplied Account		
(8,625)		Statutory provision for the financing of capital investments charged against the General Fund	(8,772)	
	(24,695)			**(12,916)**
	(164,775)	**Balance at 31 March**		**(147,918)**

ACCUMULATED ABSENCES ACCOUNT

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

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

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

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

2021/22		Accumulated Absences Account	2022/23	
£'000	£'000		£'000	£'000
	10,636	Balance as at 1 April		7,285
(10,636)		Settlement or cancellation of accrual made at the end of the preceding year	(7,285)	
7,285		Amounts accrued at the end of the current year	5,645	
	(3,351)	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		(1,640)
	7,285	**Balance as at 31 March**		**5,645**

18 Expenditure and Income Analysed By Nature

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

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

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

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

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

2021/22 £'000	Expenditure and Income Analysed by Nature	2022/23 £'000
498,588	Employee Benefits Expenditure	520,734
42,029	Premises	35,606
17,253	Transport	18,526
32,065	Supplies and Services	31,305
2,068	Third Party Payments	1,299
8,805	Interest Payments	5,248
19,235	Depreciation and Impairment	35,618
620,043	**Total expenditure**	**648,336**
(38,166)	Fees, charges and other service income	(51,155)
(604)	Interest and investment income	(3,491)
(9,363)	Gain on disposal of non-current assets	(64)
(37,730)	Government grants and contributions	(38,014)
(405,400)	GLA Funding	(421,800)
(50,000)	Insurance Receipts	
(541,263)	**Total income**	**(514,523)**
78,780	**Surplus/Deficit on Provision of Services**	**133,813**

The table shows 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 LFC's website.

EXPENDITURE AND FUNDING ANALYSIS

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

Expenditure and Funding Analysis 2022/23	**Expenditure chargeable to general fund**	**Adjustments between funding and accounting basis**	**Net Expenditure in CIES Statement**
	£'000	**£'000**	**£'000**
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	422,953	(67,062)	355,891
Cost of services	**422,953**	**(67,062)**	**355,891**
Other income and expenditure	(415,010)	192,932	(222,078)
(Surplus) or Deficit on Provision of Services	**7,943**	**125,870**	**133,814**
Opening General Fund Balance			(14,806)
(Surplus) or Deficit on Provision of Services			7,943
Transfers (to)/from Earmarked Reserves			(4,115)
Closing General Fund Balance			**(10,978)**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2022/23	**Adjustment for capital purposes**	**Net change for the pension's adjustment**	**Net change for the Other adjustment**	**Adjustments between funding and accounting basis**
		£'000	**£'000**	**£'000**
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	19,643	(85,065)	(1,640)	(67,062)
Cost of services	**19,643**	**(85,065)**	**(1,640)**	**(67,062)**
Other income and expenditure from the Expenditure and Funding Analysis	7,138	185,794		192,932
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**26,781**	**100,729**	**(1,640)**	**125,870**

The following table provides comparative figures for 2021/22:

Expenditure and Funding Analysis 2021/22	Expenditure chargeable to general fund £'000	Adjustments between funding and accounting basis £'000	Net Expenditure in CIES Statement £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	377,147	(31,020)	346,127
Cost of services	**377,147**	**(31,020)**	**346,127**
Other income and expenditure	(401,230)	133,883	(267,347)
(Surplus) or Deficit on Provision of Services	**(24,083)**	**102,863**	**78,780**
Opening General Fund Balance			(12,708)
Transfers (to)/from Earmarked Reserves			**21,985**
(Surplus) or Deficit on Provision of Services			(24,083)
Closing General Fund Balance			**(14,806)**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts 2021/22	Adjustment for capital purposes £'000	Net change for the pensions adjustment £'000	Other Differences	Adjustments between funding and accounting basis £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	10,611	(38,280)	(3,351)	(31,020)
Cost of services	**10,611**	**(38,280)**	**(3,351)**	**(31,020)**
Other income and expenditure from the Expenditure and Funding Analysis	(8,541)	142,424		133,883
Difference between General Fund surplus or deficit and the Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**2,070**	**104,144**	**(3,351)**	**102,863**

19 Members Allowances

The Policing and Crime Act 2017 received Royal Assent 31 January 2017.The Act changed the governance arrangements for the fire and rescue service in London by abolishing the London Fire and Emergency Planning Authority (LFEPA) and creating the London Fire Commissioner (LFC) as a corporation sole and the fire authority for Greater London, discharging the functions described by the Fire and Rescue Services Act 2004. A London Fire Commissioner (LFC) has been appointed by the Mayor of London. Accordingly, London's fire authority does not have any directly paid elected members.

Under the arrangements, the Mayor has the power to give directions and guidance to the London Fire Commissioner relating to the exercise of their functions. The London Fire Commissioner's appointed statutory deputy is the Deputy Commissioner and Director of Operations. The Mayor has also appointed a Deputy Mayor for Fire and Resilience to exercise some function of the Mayor relating to fire and rescue. These governance arrangements came into effect on 1 April 2018.

20 Officer Remuneration

SENIOR OFFICERS

Senior officers are defined by the CIPFA Code as those officers whose salary/remuneration is £150k or more, and those whose salary is £50k or more and who meet the criteria of statutory chief officers as defined by Section 2(6) of the Local Government and Housing Act 1989, as amended, and their direct reports. The remuneration paid to the LFC's senior officers (those at Director Grade or above) is as follows:

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

2022/23	Period	Remuneration (including fees and allowances)	Expense Allow-ances	Compensation on loss of office	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Post title and Name		**£**	**£**	**£**	**£**	**£**	**£**
London Fire Commissioner Office Holder and Corporation Sole - Andy Roe	01/04/22 – 31/03/23	206040	162	-	206202	59340	265542

Senior Officers

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

N.B. Deputy Commissioner, Director of Operations for Prevention, Protection and Policy & Deputy Commissioner, Director of Operations for Preparedness and Response - New Posts replacing Deputy Commissioner and Director for Operational Delivery.
Mark McLaughlin was the Interim Director of Corporate Services and S127 Officer and until 31 May 2022. Mark McLaughlin was retained by the LFC on an interim basis and paid via an agency arrangement and as such he was not salaried.

London Fire Commissioner and Corporation Sole – Office Holder – 2021/22

2021/22 Post title and Name	Period	Remuneration (including fees and allowances) £	Expense Allow-ances £	Compensation on loss of office £	Other Compensation payments £	Total Remuneration (excluding pensions) £	Pension Contributions £	Total Remuneration (including pensions) £
London Fire Commissioner Office Holder and Corporation Sole - Andy Roe	01/04/21 – 31/03/22	206,040	-	-	-	206,040	59,340	265,380

Senior Officers

2021/22 Post title and Name	Period	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 Corporate Services and S127 Officer - Sue Budden	01/04/21 – 03/10/21	91,193			91,193	13,902	105,095
Deputy Commissioner, Director of Operations - Richard Mills	01/04/21 – 31/03/22	167,314	0	0	167,314	49,026	216,340
Director for People - Tim Powell	01/04/21 – 31/03/22	153,477	0	0	153,477	23,482	176,959
Director for Transformation - Fiona Dolman	01/04/21 – 31/03/22	150,000	0	0	150,000	22,950	172,950

N.B. Director of Corporate Services – Jo Moore took up the position of Interim Director of Corporate Services and S127 Officer on 25 September 2021 and left on 29 November 2021. Adrian Bloomfield, the existing Assistant Director of Finance then acted up into the role from 30 November 2021 until 8 February 2022, but did not receive any additional remuneration for this.. On 9 February 2022 Mark McLaughlin started as the Interim Director of Corporate Services and S127 Officer and remained with the LFB until 31 March 2022.As both Jo Moore and Mark McLaughlin were retained by the LFC on an interim basis and paid via an agency arrangement and as such were not salaried

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

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 table:

2021/22 No.	Salary Range	2022/23 No.
388	£50,000 - £54,999	880
125	£55,000 - £59,999	360
78	£60,000 - £64,999	103
68	£65,000 - £69,999	70
46	£70,000 - £74,999	65
29	£75,000 - £79,999	58
33	£80,000 - £84,999	33
12	£85,000 - £89,999	25
7	£90,000 - £94,999	16
3	£95,000 - £99,999	13
0	£100,000 - £104,999	7
2	£105,000 - £109,999	1
1	£110,000 - £114,999	2
2	£115,000 - £119,999	2
1	£120,000 - £124,999	4
2	£125,000 - £129,999	2
2	£130,000 - £134,999	1
1	£135,000 - £139,999	1
0	£140,000 - £144,999	1

21 Audit Fees

The LFC has incurred the following costs in relation to the audit of the Statement of Accounts and statutory inspections provided by the LFC's external auditors, Ernst and Young (EY).

The £110,411 figure shown in the table represent the planned fees for 2022/23 which includes an additional fee proposed by our auditors, EY, for increased regulatory focus and change of scope. Additional fees above the set scale fee are subject to approval per PSAA, at the date of authorisation of these accounts, the 2021/22 additional fee has not been agreed and approved.

2021/22 £'000	Audit Fees	2022/23 £'000
99	Fees payable to appointed Auditor for External Audit services	110
	Refund audit fees from PSAA	-
99	**Total**	**110**

22 Grant Income

GOVERNMENT GRANTS AND CONTRIBUTIONS ACCOUNTING POLICY

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

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

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

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

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

The grants received by the LFC are non-ring fenced and therefore these are unconditional. The 2022/23 £421.8m GLA grant income (£405.4m in 2021/22) shown in the table is comprised of two elements, grant funding in the form of Retained Business rates £242.7m (£228.1m in 2021/22) and GLA Precepts £179.1m (£171.8m in 2021/22).

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2022/23 as shown in the following table.

2021/22 £'000	**Credited to Taxation and Non-Specific Grant Income**	**Source of Funding**	**2022/23 £'000**
(405,400)	GLA Grant	Greater London Authority	(421,800)
(3,732)	PFI Grant	Home Office	(3,739)
(409,132)	**Total**		**(425,539)**

£'000	**Credited to services**	**Source of Funding**	**£'000**
21,732	Fire Pensions Grant	Home Office	21,732
420	Pensions Remedy Funding	Home Office	-
3,457	New Dimensions & USAR Grant	Home Office	3,458
1,142	Fire Covid 19 Grant	Home Office	-
223	New Risks grant	Home Office	178
16	Innovate UK	Innovate UK (formerly Technology Strategy Board)	76
8	Spacecombat	Home Office	9
-	Fire Safety Grant	Home Office	-
-	Fire Contingency Grant	Home Office	-
2,182	Merton Regional Control	Home Office	2,182
-	Local Resilience Fund	Home Office	-
32	Mass Fatalities Regional Capacity	Home Office	32
-	Building Risk Review	Home Office	-
3,868	Protection Uplift	Home Office	3,201
918	Fire Revenue Fire Link Grant	Home Office	805
-	NI health and social care levy	DLUHC	2,600
33,998	**Total**		**34,274**

23 Related Party Transaction

MAYOR OF LONDON AND THE GREATER LONDON AUTHORITY (GLA)

The London Fire Brigade is run by the London Fire Commissioner, a corporation sole and the fire and rescue authority for London and is one of the five GLA functional bodies.

The Policing and Crime Act was enacted on 31 January 2017. The Act abolished the 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 and Resilience, a statutory "London Fire Commissioner" and a new Committee of the London Assembly, which provides scrutiny. All Assets, Liabilities and Resources of the LFEPA transferred to the London Fire Commissioner under statute on 1 April 2018.

The Mayor sets and provides the budget for LFC and provides grant funding to support it.

The Mayor of London sets its budget, approves the London Safety Plan has and has the power to direct the London Fire Commissioner but must act reasonably and must not cut across responsibilities of the Fire Commissioner.

CENTRAL GOVERNMENT

The LFC has relations with and obtains grant funding from Central Government departments. In particular the Home Office has significant influence over the general operations of the LFC – it is responsible for providing the statutory framework within which the LFC operates and provides the majority of its funding via the GLA in the form of various grants. As at 31st March 2023, sums due to and from central government departments are shown in Notes 12 and 14. Grants received from government departments are set out in Note 22.

MEMBERS/OFFICERS

The LFC has direct control over the LFC's financial and operating policies. Since 2018/19 there haven't been any member allowances paid as there haven't been any paid elected members as detailed in Note 19.

A number of LFC officers were members of the London Fire Brigade Welfare Fund Executive Council. One senior officer is a Director of the LFB Enterprises Ltd, the wholly owned trading company, he received no payment during the year.

All LFC officers including senior management except have declared that during the year they nor any member of their close family or household have had any related party transactions with London Fire Commissioner during the period 1 April 2022 to 31 March 2023.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2023, in respect of related party transactions. The LFC has prepared this disclosure in accordance with its current interpretation and understanding of CIPFA's Code of Practice on Local Authority Accounting in the UK. The Code's provisions are based on International Accounting Standard 24 (IAS24).

24 Capital Expenditure and Capital Financing

In 2022/23, total spending on the capital programme for tangible and intangible assets was £18.7m (£17.1m in 21/22). The spend included the rebuilding and modernising of fire stations and other buildings (£10.6m), upgrading ICT equipment (£0.2m) and the purchase of fleet vehicles and equipment (£7.9m). Capital expenditure on LFC assets (£18.7m) is to be financed in accordance with the Prudential Code, using Capital receipts (£0.06m) and borrowing (£18.1m)

The table shows the movement in the LFC's Capital Financing Requirement (CFR) showing expenditure in year and sources of funding applied. The capital programme, approved by the LFC (LFC-0679) included a total forecast capital spend of £46.5m in 2023/24, £28.7m in 2024/25 and £42.5m in 2025/26.

2021/22 £'000	Capital Expenditure and Financing	2022/23 £'000
158,255	Opening Capital Financing Requirement	150,300
10,470	Tangible Operational Assets	12,219
6,531	Tangible Non Operational Assets	6,739
68	Intangible Assets	194
	Sources of finance	
(16,399)	Government grants and other contributions	(64)
	Sums set aside from Revenue to Fund Capital Expenditure	
(8,625)	Minimum Revenue Provision	(8,772)
	Other Movements	
150,300	Closing Capital Financing Requirement	160,616
	Explanation of movements in year	
(7,955)	Increase/(decrease) in underlying need to borrow	10,315
	Other movements	
(7,955)	**Increase/(decrease) in Capital Financing Requirement**	**10,315**

25 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.

31-Mar-22 £'000	Other Long Term Liabilities	31-Mar-23 £'000	Note
41,468	Long Term PFI Properties	39,910	
18,425	Long Term Finance Leases	-	
1,897	Deferred Credit	1,897	
7,067,280	Pensions Liability	4,951,246	28
7,129,069	**Total**	**4,993,054**	

26 Service Concession Arrangements, Finance and Operating Leases

LEASES

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

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

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

THE LFC AS A LESSEE - FINANCE LEASES

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

Lease payments are apportioned between:

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

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

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PROPERTY PFI SCHEME

In 2013/14 the LFC entered into a PFI agreement with Blue3 (London) Ltd to design, build, finance and maintain nine new fire stations. The first rebuilt fire station became operational in 2014/15. Eight fire stations were completely re-built on their existing sites at Dagenham, Dockhead, Leytonstone, Old Kent Road, Orpington, Plaistow, Purley and Shadwel. The Mitcham fire station was built on a new site.

The PFI project will see the Brigade receive an additional £57.5m from Central Government (index linked to cover inflation over the contact period). PFI provides a way of funding major capital investments, without the public purse having to find all the cost up front.

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

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

The amounts paid under the PFI finance lease in 2022/23 and 2021/22 is shown below:

Finance Lease Property PFI	Unitary Charge £'000	Deferred liability £'000	Income & Expenditure Account £'000
Opening balance as at 1 Apr 2022		42,910	
New finance lease liability in year			
Principal sum paid in year	1,443	(1,443)	
Interest	2,845		2,845
Contingent rentals	64		64
Operational expenses	1,415		1,415
Balance as at 31 March 2023	**5,766**	**41,467**	**4,324**
Opening balance as at 1 Apr 2021		44,285	
New finance lease liability in year	-		
Principal sum paid in year	1,375	(1,375)	
Interest	2,937		2,937
Contingent rentals	59		59
Operational expenses	1,352		1,352
Balance as at 31 March 2022	**5,723**	**42,910**	**4,348**

The tables show the forecast future payments due under the property arrangement

PFI Property Future Liabilities 2022/23	Within 1 Year £'000	Within 2 to 5 Years £'000	Within 6 to 10 Years £'000	Within 11 to 15 Years £'000	Within 16 to 20 Years £'000
Lease rental liabilities	1,557	6,359	9,312	13,948	10,292
Operating Costs	1,430	7,333	11,914	11,973	7,446
Interest Costs	2,746	9,927	9,900	6,157	1,202
Contingent Rentals	77	91	(346)	127	121
Total	**5,811**	**23,710**	**30,779**	**32,204**	**19,061**

PFI Property Future Liabilities 2021/22	Within 1 Year £'000	Within 2 to 5 Years £'000	Within 6 to 10 Years £'000	Within 11 to 15 Years £'000	Within 16 to 20 Years £'000
Lease rental liabilities	1,443	6,320	8,746	12,861	13,541
Operating Costs	1,489	7,007	12,202	12,649	9,821
Interest Costs	2,845	10,350	10,493	7,035	2,054
Contingent Rentals	83	240	(372)	(14)	230
Total	**5,860**	**23,917**	**31,069**	**32,531**	**25,646**

FINANCE LEASES

The LFC holds one finance lease at 31st March 2023, for the 9 fire stations provided under the PFI contract. The table below shows the future payments under the lease agreement.

Total value of minimum lease payments as at 31/03/2022 *£'000*	Present value of minimum lease payments as at 31/03/2022 *£'000*	PFI Property Finance Lease	Total value of minimum lease payments as at 31/03/2023 *£'000*	Present value of minimum lease payments as at 31/03/2023 *£'000*
4,287	4,011	Not later than one year	4,304	4,026
16,670	13,262	Later than one year and no later than five years	16,286	12,960
54,730	24,624	Later than five years	46,446	23,512
75,687	**41,897**	**Total**	**67,035**	**40,498**

OPERATING LEASES

THE LFC 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 (i.e. there is a rent free period at the commencement of the lease).

OPERATING LEASES AND LIABILITIES

The following table shows a breakdown of the LFC's current operating leases as at 31 March 2023 with future sums committed. The future minimum lease payments payable under non-cancellable leases in future years are:

Land & Buildings 31-Mar-22 £'000	Vehicles, Plant & Equipment 31-Mar-22 £'000	Operating lease payments	Land & Buildings 31-Mar-23 £'000	Vehicles, Plant & Equipment 31-Mar-23 £'000
5,135	2,879	Not later than one year	5,239	2,206
19,489	7,813	Later than one year and no later than five years	14,901	5,607
-	-	Later than five years	2,697	-
24,624	**10,692**	**Total**	**22,837**	**7,813**

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

THE LFC AS A LESSOR

Where the LFC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (i.e. 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.

27 Termination Benefits

ACCOUNTING POLICY

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

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

The LFC terminated the contracts of 5 employees in 2022/23, incurring liabilities of £0.168m.

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£'000	No.	No.	No.	No.	No.	No.	£'000	£'000
0 - 20	-	-	-	-	-	-	-	-
20 - 40	-	-	2	4	2	4	51	115
40 - 60	-	-	1	1	1	1	44	53
60 - 80	-	-	2	-	2	-	137	-
80 - 100	-	-	-	-	-	-	-	-
100 - 150	-	-	-	-	-	-	-	-
Over 150	-	-	-	-	-	-	-	-
Total	-	-	5	5	5	5	232	168

28 Pensions

Defined Benefit Pension Schemes

POST EMPLOYMENT BENEFITS – ACCOUNTING POLICY

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

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

THE 1992 FIREFIGHTERS' PENSION SCHEME, THE 2006 FIREFIGHTERS PENSION SCHEME, AND THE 2015 FIREFIGHTERS PENSION SCHEME:

These are unfunded schemes, which are administered by the LFC in accordance with regulations initially laid down by the Department for Communities and Local Government (CLG), now the responsibility of the Home Office. These schemes are administered under a shared service arrangement with the London Pension Fund Authority (LPFA), now subcontracted to the Local Pensions Partnership (LPP) on behalf of the LFC. For such schemes as there are no investment assets, IAS 19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure Statement for movements in the liability and reserve. The last actuarial review for IAS 19 purposes was dated April 2019.

LOCAL PENSION GOVERNMENT PENSION SCHEME (LGPS):

This scheme is funded by employer and employee contributions to the LPFA, with administration and investment management services provided through LPP. 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 2022/23, being at 31 March 2019. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS 19 purposes was dated April 2020.

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

Consequently, the following tables and disclosures have been presented in the revised formats as required by the CIPFA Code of Practice on Local Authority Accounting 2022/23.

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

Liabilities are discounted to their value at current prices, using a discount rate based on the indicative rate of return on a high quality corporate bond.
The assets of the Fund (LGPS only) attributable to the LFC are included in the Balance Sheet at their fair value:

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

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

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

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

MCCLOUD/SARGEANT JUDGEMENT

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

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

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

Local Government Pension Scheme 2021/22 £'000	Firefighter's Pension Schemes 2021/22 £'000	Comprehensive Income and Expenditure Statement Cost of Services	Local Government Pension Scheme 2022/23 £'000	Firefighter's Pension Schemes 2022/23 £'000
22,959	131,560	Current Service cost	20,107	88,880
156		Past service costs/(gain)		
		Financing and Investment Income and Expenditure		
5,535	136,890	Net Interest expense	4,974	180,820
132		Administrating expenses	138	
28,782	**268,450**	**Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services**	**25,219**	**269,700**
		Other post-employment benefits charged to the Surplus or Deficit on the Provision of Services		
		Re-measurement of the net defined benefit liability comprising:		
(53,483)		• Return on plan assets (excluding the amount included in the net interest expense)	5,862	
(15,507)		• Actuarial (gains) and losses arising on changes in demographic assumptions		(251,270)
(27,477)	(82,850)	• Actuarial (gains) and losses arising on changes in financial assumptions	(253,614)	(2,143,660)
(9,370)	(3,490)	Experience (gains) and losses on defined benefit obligation	50,600	375,320
		Other		
(77,055)	**182,110**	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**(171,933)**	**(1,749,910)**
		Movement in Reserves Statement		
(28,782)	(268,450)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(25,219)	(269,700)
11,490	181,440	Employers' contributions payable to scheme	11,790	182,400
		Benefits paid directly to beneficiaries		
(17,292)	**(87,010)**	**Actual amount charged against the General Fund Balance for pensions in the year.**	**(13,429)**	**(87,300)**

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

LGPS Number 2021/22	FPS Number 2021/22	Membership of Schemes	LGPS Number 2022/23	FPS Number 2022/23
983	4,297	Actives	983	4,297
734	1,318	Deferred Pensioners	734	1,318
1,527	8,890	Pensioners*	1,527	8,890
265		Unfunded Pensioners	265	

** Includes injury pensioners*

LGPS Average Age 2021/22	FPS Average Age 2021/22	Membership of Schemes	LGPS Average Age 2022/23	FPS Average Age 2022/23
47	41	Actives	47	41
52	44	Deferred Pensioners	52	44
71	66	Pensioners	71	66
76	-	Unfunded Pensioners	76	-
-	71	Injury Pensioners	-	71

Retirement Benefits

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

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

Local Government Pension Scheme As at 31 March 2022 *£'000*	Firefighter's Pension Schemes As at 31 March 2022 *£'000*	LFC Pensions Obligations	Local Government Pension Scheme As at 31 March 2023 *£'000*	Firefighter's Pension Schemes As at 31 March 2023 *£'000*
641,735	-	Present value of the defined benefit obligation	459,799	-
(458,562)	-	Fair Value of plan assets	(459,156)	-
183,173	**-**	**Net**	**643**	**-**
14,047	6,870,060	Present value of the unfunded obligation	12,854	4,937,750
197,220	**6,870,060**	**Net liability arising from defined benefit obligation**	**13,497**	**4,937,750**

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

Local Government Pension Scheme 2021/22 £'000	London Fire Commissioner Asset Scheme	Local Government Pension Scheme 2022/23 £'000
401,926	Opening fair value of scheme assets	458,562
7,103	Interest Income	11,855
	Re-measurement gain/(loss)	
53,483	• The return on plan assets excluding the amount included in the net interest expense	(5,862)
	• Other	
11,490	Contributions from employer	11,790
3,352	Contributions from employees into the scheme	3,639
(18,660)	Benefits paid	(20,690)
	Settlement prices received/(paid)	
(132)	Other	(138)
458,562	**Closing fair value of scheme assets**	**459,156**

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

Funded Liabilities Local Government Pension Scheme 2021/22 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2021/22 £'000		Funded Liabilities Local Government Pension Scheme 2022/23 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2022/23 £'000
687,691	**6,869,430**	**Opening Balance at 1 April**	**655,782**	**6,870,060**
22,959	131,560	Current Service cost	20,107	88,880
12,638	136,890	Interest costs	16,829	180,820
3,352	22,480	Contributions from scheme participants	3,639	27,760
		Re-measurement (gains) and losses:		
(15,507)		• Actuarial gains/losses arising from changes in demographic assumptions		(251,270)
(27,477)	(82,850)	• Actuarial gains/losses arising from changes in financial assumptions	(253,614)	(2,143,660)
(9,370)	(3,530)	• Experience loss/(gain) on defined benefit obligation	50,600	375,320
(948)		Unfunded pension payments	(910)	
156		Past service cost		
(17,712)	(203,920)	Benefits paid	(19,780)	(210,160)
		Liabilities extinguished on settlements		
655,782	**6,870,060**	**Closing balance at 31 March**	**472,653**	**4,937,750**

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

Based on the assets the LFC's share of Fund assets is approximately 6.18%.

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 2023 to be 1.31%. The actual return on the Fund assets over the year may be different.

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

VALUATION METHOD

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

The main assumptions used in the calculations are as per the financial assumptions that follow.

As at 31 March 2022 *£'000*	Fair Value of Fund Assets	As at 31 March 2023 *£'000*
258,406	Equiities	270,011
97,913	Target Return Portfolio	85,374
48,413	Infrastructure	58,097
40,539	Property	45,088
13,291	Cash	586
458,562	**Total**	**459,156**

FINANCIAL ASSUMPTIONS

The financial assumptions used for the purposes of the IAS19 calculations are as follows:
These assumptions are set with reference to market conditions as at 31 March 2023.

Local Government Pension Scheme 31/03/2022	Firefighter Pension Scheme 31/03/2022	Assumptions as at	Local Government Pension Scheme 31/03/2023	Firefighter Pension Scheme 31/03/2023
3.20%	3.00%	CPI increases	2.95%	2.60%
4.20%	4.75%	Salary increases	3.95%	3.85%
3.20%	3.00%	Pensions increase	2.95%	2.60%
2.60%	2.65%	Discount rate	4.80%	4.65%

ACTUAL AND FUTURE EMPLOYERS CONTRIBUTION RATES

In 2022/23 the LFC made an additional employer contribution payment of £3.480m to the LGPS fund to reduce the LGPS pension deficit. That payment in 2021/22 was £3.663m.

The projected future contribution rates do not include any allowance for the impact of the McCloud/Sargeant judgement following two employment tribunal cases which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.

Employers Contribution	2022/23 *£'000*	2023/24 *£'000*
LGPS	10,204	6,651
Firefighters Schemes	50,662	50,662
Total	**60,866**	**57,313**

LOCAL GOVERNMENT PENSION SCHEME

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The actuarial valuation of the Fund carried out as at 31 March 2022 and will set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

- Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.

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

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

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

LGPS – ACTUARIAL ASSUMPTIONS

The actuary's estimate of the employer's past service liability duration is 19 years.

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.40% p.a. below RPI i.e. 3.20% p.a. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities. The difference between the RPI and CPI is less than assumed at the previous accounting date.

Salaries are assumed to increase at 1.0% p.a. above CPI. This differs from the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

FIREFIGHTER PENSION SCHEMES ASSUMPTIONS

The present value of liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2022/23 Pension Disclosures.

The cost of benefits accruing in the period from 1 April 2022 to 31 March 2023 was determined using the Projected Unit Credit Method with a one-year control period and based on the principal financial assumptions applying to the 2022/23 Pension Disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

DISCOUNT RATE

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

The duration of the scheme is around 20 years; this estimate is unchanged from last year and is greater than that of any meaningful AA corporate bond data. We believe that there is insufficient corporate bond data of a sufficiently long duration to directly extrapolate the discount rate from these. A nominal discount rate has been calculated by using gilts plus an additional spread to reflect the difference between the yields on gilts and bonds. Based on this methodology, the nominal final discount rate at 31 March 2023 is assumed to be 4.65% a year.

PENSION INCREASES

The pension increase assumption as at 31 March 2023 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.60%

EARNINGS INCREASES ASSUMPTIONS

It is assumed that there is a long term rate of salary growth of 1.25% above CPI. The assumed nominal rate of salary growth is therefore 3.85% a year.

RATE OF REVALUATION FOR CARE PENSIONS

A rate of revaluation for CARE pensions of 4.75% a year has been assumed, which is equal to our assumed long term rate of salary growth. The rate of revaluation does not take into account any allowance for short-term pay restraint in the public sector as the revaluation is based on Average Weekly Earnings for the economy as a whole.

ALLOWANCE FOR INJURY PENSIONS

Under paragraph 157 of IAS 19 any obligation arising from other long-term employee benefits that depend on length of service need to be recognised when that service takes place. As injury awards under the scheme are dependent on service, we have valued the liability expected to arise due to injury awards in respect of service prior to the valuation date. Gratuity lump sum paid on injury are not dependent on service and so are recognised as a past service cost when the payments are made.

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

2021/22		Mortality Assumptions	2022/23	
LGPS	**Fire Service Pension Schemes**		**LGPS**	**Fire Service Pension Schemes**
Age 65	Age 65	**Average Future Life expectancy as at**	Age 65	Age 65
Retiring today	**Current pensioners**		**Retiring today**	**Current pensioners**
22.0 years	21,5 years	**Male**	21.6	21.2 years
23.9 years	21.5 years	**Female**	23.7	21.2 years
Retiring in 20 years	**Future Pensioners**		**Retiring in 20 years**	**Future Pensioners**
23.3 years	23.2 years	**Male**	22.5	22.9 years
26.0 years	23.2 years	**Female**	25.5	22.9 years

MORTALITY ASSUMPTIONS

The post retirement mortality for the LGPS scheme is based on Club Vita analysis. These base tables are then projected using the CMI 2020 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 an initial addition parameter of 0.5% p.a. and a 2020 weighting of 25%.

The mortality assumption for the firefighter schemes is based on the S2NMA/S2DFA tables, published by the Continuous Mortality Investigation Board (CMIB) of the actuarial profession, with future improvement in line with the population actual then ONS 2018 based principal population projection.

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

SENSITIVITY ANALYSIS

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

Local Government Pension Scheme	£'000	£'000	£'000
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	465,679	472,653	479,801
Project service cost	7,988	8,282	8,587
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	473,271	472,653	472,040
Project service cost	8,288	8,282	8,277
Adjustment to pension increase and deferred revaluation	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	479,306	472,653	466,161
Project service cost	8,591	8,282	7,984
Adjustment to life expectancy assumptions	**+1 year**	**None**	**-1 year**
Present value of total obligation	492,257	472,653	453,906
Project service cost	8,601	8,282	7,971

FIREFIGHTERS' PENSION SCHEMES

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

Change in financial assumption at year ended 31/03/2023	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	-7.00%	(348,000)
1 year increase in member life expectancy	2.50%	134,000
0.5% increase in the salary increase rate	1.00%	53,000
0.5% increase in the salary increase rate (CPI)	2.50%	329,000

Comparative figures at year ended 31/03/2022:

Change in financial assumption at year ended 31/03/2022	Approximate % increase to Employer liability	Approximate monetary amount (£'000)
0.5% decrease in real discount rate	-9.00%	(627,000)
1 year increase in member life expectancy	3.50%	247,000
0.5% increase in the salary increase rate	1.50%	109,000
0.5% increase in the salary increase rate (CPI)	7.50%	514,000

29 Contingent Liabilities and Asset

CONTINGENT LIABILITIES

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Grenfell Tower Claims

This section will be updated following completion of the prior year's audit.

CONTINGENT ASSETS

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

Contingent assets are not recognised 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 2023 the LFC had no contingent assets.

30 Self Insurance

The LFC generally insures against all material risks with policies to meet the cost of losses over and above predetermined limits, i.e. by policies subject to an excess or to a deductible. Significant excesses to be met from within the LFC's own resources for any one claim are:

As at 31/03/2022 Amount (£)	Category insured	As at 31/03/2023 Amount (£)
850,000	Combined Liabilities	850,000
850,000	Officials Indemnity	850,000
500,000	Professional Indemnity	850,000
250,000	Fidelity Guarantee	250,000
250,000	Motor Operational Fleet	250,000
25,000	Property – Terrorism	25,000
25,000	Airside Liability	25,000
10,000	Property (All Risks of Physical Loss or Damage)	10,000
10,000	Computer	10,000
6,500	Marine Hull and Machinery – Lambeth River Station	6,500
1,500	Marine Hull and Machinery – Vessels	1,500
500	Marine Protection and Indemnity	500
100	Motor Leased Vehicles	100

31 Going Concern

The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code), which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector. The accounts have been prepared on the going concern basis.

In carrying out its assessment that this basis is appropriate, made for the going concern period to the 31st March 2025. Management have undertaken forecasting of both income and expenditure, the expected impact on reserves, and cashflow forecasting.

Our most recent balances are as follows:

Date	General Fund	Earmarked reserves
31/03/23	£17.3m	£91.9m
31/03/24	£17.3m	£67.9m
31/03/25	£17.3m	£64.3m

Our expected General Fund and Earmarked Reserve position would have a predicted balance of £17.3 million and £64.3 million as at 31 March 2025. This remains above our minimum level of General Fund balances as set by the LFC's CFO of 3.5 per cent of net revenue expenditure after a planned transfer from Earmarked Reserves.

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

The agreed budget for 2023/24 includes a number of assumptions and key risks. These include significant risks regarding inflationary pressures both on contracts and the cost of pay awards for staff. The LFC has budgeted for a 5% pay award for staff in 2023/24 and 2% in 2024/25.

In addition, following the outcome of a recent legal case on pensions additional pensions payments will also be required for affected firefighters from the pension fund, which could have cashflow implications for the LFC. Operational staff spend volatility also continues to be a risk, in particular due to the financial impact of high levels of pre-arranged overtime (albeit an action plan has now been implemented to reduced unbudgeted overtime costs). The LFC's training requirement, in particular on Urban Firefighting, continues to be reviewed as well and this may result in further financial pressures in 2023/24 and beyond. On funding, whilst the Mayor has provided indicative funding levels for up to 2024/25, there is significant uncertainty about the level of funding for future years due to a number of risks on the funding available to the Mayor, through retained business rates and the council tax, as well as Government decisions on funding, including the spending/fair funding reviews.

On this basis, the London Fire Commissioner has a reasonable expectation that they will have adequate resources to continue in operational existence throughout the going concern period maintaining the provision of its services without significant amendment or reductions. For this reason, alongside the statutory guidance, we continue to adopt the going concern basis in preparing these financial statements.

32 Cash flow statement Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movement

2021/22	Adjustments to Net Surplus or Deficit on the provision of services for Non Cash Movements	2022/23
£'000		***£'000***
(18,956)	Depreciation of Non Current Assets	(19,369)
935	Impairment, Impairment Reversal and Revaluation of Non Current Assets	(15,975)
(8,794)	Assets de-recognised during year	-
(279)	Amortisation of Intangible assets	(275)
(252)	(Increase)/Decrease in impairment for provision of bad debts	-
(215)	Increase/(Decrease) in inventories	90
6,700	Increase/(Decrease) in debtors	(18,218)
(5,677)	(Increase)/Decrease in creditors	(4,000)
(24,984)	(Increase)/Decrease in provisions	10,871
(104,146)	Pension Fund costs adjustment	(100,729)
(51)	Other Non cash items	-
(155,719)	**Net cash (inflow)/outflow from operating activities**	**(147,603)**

33 Cash Flow Statement – Operating Activities

2021/22 £'000	Operating Activities	2022/23 £'000
(605)	Interest received	(3,491)
2,560	Interest paid	2,403
6,245	Interest element of finance leases	2,845
8,200	**Total**	**1,757**

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

2021/22 £'000	Investing Activities	2022/23 £'000
17,069	Purchase of property, plant and equipment, investment property and intangible assets	19,152
(16,399)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(64)
-	Capital grants received	
670	**Net cash flows from investing activities**	**19,088**

2021/22 £'000	Financing Activities	2022/23 £'000
(17,599)	Cash Receipts of Short and Long term borrowing	17,035
1,375	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	1,443
4,000	Repayments of Short and Long term borrowing	4,000
5,375	**Net cash flows from financing activities**	**22,477**

FIREFIGHTERS' PENSION FUND ACCOUNT AND NOTES

2021/22 £'000	2021/22 £'000	Firefighters' Pension Schemes Fund Account	2022/23 £'000	2022/23 £'000
		Contributions receivable		
		- from employer		
(50,119)		- normal	(51,116)	
(1,051)		- early retirements	(1,596)	
(51,170)			**(52,712)**	
(22,405)		- from members	(24,660)	
	(73,575)			(77,372)
		Transfers in		
	(68)	- individual transfers in from other schemes		(91)
		Benefits payable		
156,082		- pensions	164,491	
27,870		- commutations and lump sum retirement benefits	25,511	
		- Overpayments Recovered	(257)	
138		- lump sum death benefits	118	
	184,090			**189,863**
		Payments to and on account of leavers		
		- refunds of contributions		
		- individual transfers out to the other schemes		
		- other - interest due on back dated lump sums		
552		- interest due on back date commutations lump sums	744	
	552			**744**
	110,999	Deficit/Surplus for the year before top up grant receivable/amount payable to central government		113,143
	(110,999)	Top up grant receivable from/amount payable from central government		(113,143)
	-	Grant received from central government for back dated commutations		-
	-	**Net amount payable/receivable for the year**		**-**

THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

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

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

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

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

FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

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

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

ACCOUNTING POLICIES

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

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

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

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 firefighter's pension regulations the employer's contribution rates as a percentage of pensionable pay is increased following the 2019 valuation to 37.3% for the 1992 scheme, 27.4% for the 2006 scheme and 28.8% for the 2015 scheme from 2021/22. Employee contributions, as a percentage of pensionable pay, depend on the level of earnings for the different schemes as shown in the tables.

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

2021/22			2022/23	
2006 Scheme %	1992 Scheme %	Firefighters' Pension Scheme employee contributions	2006 Scheme %	1992 Scheme %
10.4	14.2	More than £21,852 and up to and including £31,218	10.4	14.2
10.9	14.7	More than £31,218 and up to and including £41,624	10.9	14.7
11.2	15.2	More than £41,624 and up to and including £52,030	11.2	15.2
11.3	15.5	More than £52,030 and up to and including £62,436	11.3	15.5
11.7	16	More than £62,436 and up to and including £104,060	11.7	16
12.1	16.5	More than £104,060 and up to and including £124,872	12.1	16.5
12.5	17	More than £124,872	12.5	17

2021/22 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2022/23 2015 Scheme %
11	Up to and including £27,818	11
12.9	More than £27,819 and up to and including £51,515	12.9
13.5	More than £51,516 and up to and including £142,500	13.5
14.5	More than £142,501	14.5

ANNUAL GOVERNANCE STATEMENT

London Fire Commissioner

ANNUAL GOVERNANCE STATEMENT 2022/23

Introduction

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

2. The LFC is a corporation sole that came into being on 1 April 2018, replacing the London Fire and Emergency Planning Authority (LFEPA). The Mayor of London issued a London Fire Commissioner Governance Direction 2018 in March 2018 to set out those matters requiring Mayoral consent, those requiring the Deputy Mayor for Fire and Resilience's consent and those on which the Deputy Mayor for Fire and Resilience needs to be consulted. It also requires the LFC to follow the Greater London Authority (GLA) practice on staff political restrictions, based on those in the Local Government and Housing Act 1989. In addition, the functions of the LFC shall be exercised by the office holder to fulfil the commitments given by LFEPA as a signatory to the GLA Group Corporate Governance Framework Agreement.

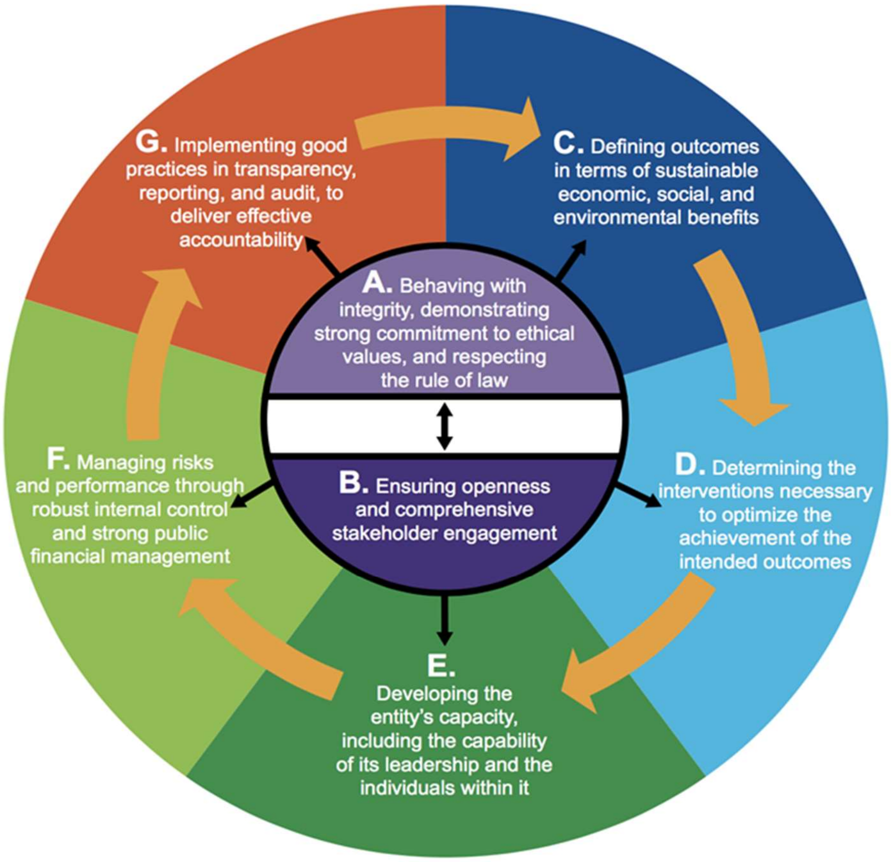
3. This Annual Governance Statement for 2022/23 reflects the governance arrangements in place under the LFC.

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

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

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

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



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

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

CIPFA Principle	How the LFC meets the principle
Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law	• Behaving with integrity through leadership is provided by the LFC, the Top Management Group and senior officers. • Behavioural framework outlining the behaviours expected of all employees in the organisation at all levels, following the leading self, leading the function and leading the service model. The Behavioural framework focusses on compassion, togetherness, accountability and the Togetherness Strategy and action plan focusses in part on leadership skills and behaviours. This is supported by a scheme of governance, anti-fraud measures, and whistleblowing procedures which are reviewed as and when required, and not less than every three years. • Director of Corporate Services is the Head of Paid Service and is responsible for all LFC staff. • Director of Corporate Services is also the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money. • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct and for reporting to the LFC on cases of maladministration. • Decision-making framework and scrutiny and review arrangements (see para 8 below). • Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles. • All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements.

CIPFA Principle	How the LFC meets the principle
Principle B – Ensuring openness and comprehensive stakeholder engagement	• Public consultation on 'Your London Fire Brigade', the Brigade's Community Risk Management Plan detailing how the Brigade will address risk in the community. • Multi-agency working arrangements on the incident ground and through day-to-day business with partners to improve community safety. • Community safety youth programmes including Education Team, Fire Cadets,) and Fire setters Intervention Scheme (FIS) and community engagement programmes working with local/emergency service partners. • Borough Commander liaison and local engagement with stakeholders. • Resilience partnership working with NFCC, London Resilience Group and the Government. • Utilising online digital communication channels such as Twitter, Facebook, Instagram and YouTube to promote engagement with the service.
Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits	• 'Your London Fire Brigade' sets out the LFC's purpose, vision and strategy. It contains key performance indicators (KPIs) which are used to assess and monitor progress against the Brigade's key deliverables. • LFC's Sustainable Development Strategy and Togetherness Strategy which are specific strategies focussing on inclusion, social impacts, sustainability and the environment. • Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety. • Equality impact analyses and sustainable development impact assessment procedures.

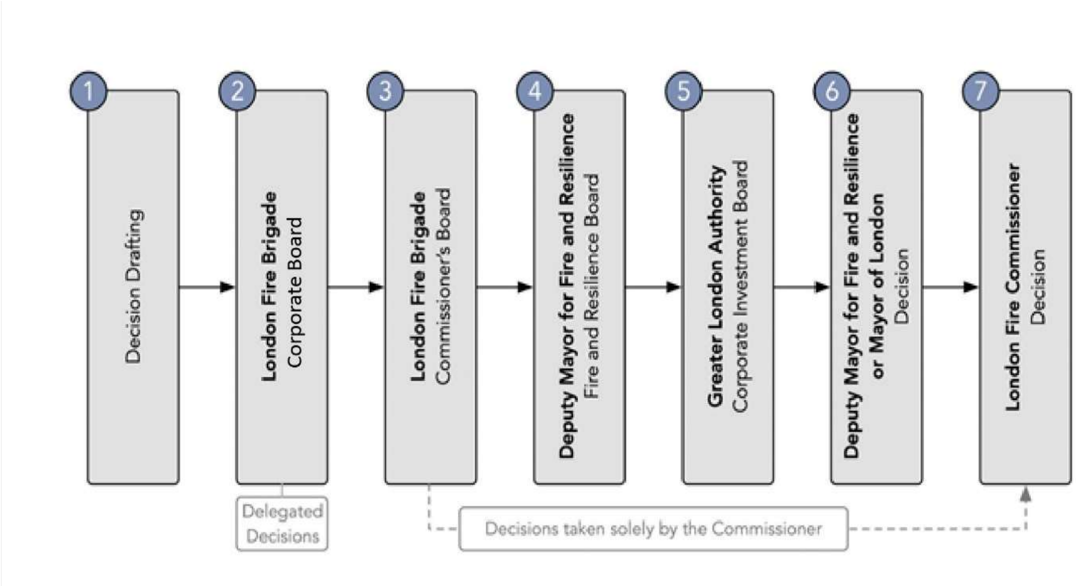
CIPFA Principle	How the LFC meets the principle
Principle D – Determining the intervention necessary to achieve intended outcomes	• Quarterly Risk and Assurance reports which provide updates on the development of organisational assurance in relation to LFB's principal risks and key controls necessary to meet strategic priorities and objectives. • Monthly corporate performance reports which track the performance of all the Brigade's activities in terms of key performance indicators and commitments against the Community Risk Management Plan. The report also highlights remedial actions being taken where slippage does occur. • Monitoring of performance against the HMICFRS and Grenfell Tower Fire action plans which combined set a clear vision, strategy, and action plan for the Brigade's priorities. • The LFC, via the Commissioner's Board, the Deputy Mayor, and the London Assembly (via the Fire Resilience and Emergency Planning Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • 'Your London Fire Brigade' sets a clear vision, strategy, and action plan for the Brigade's priorities. • Assurance activities undertaken by the Independent Operational Assurance Advisor linked to Operational Learning and Improvement.

CIPFA Principle	How the LFC meets the principle
Principle E – Developing capacity, including the capability of leadership and individuals within the Brigade	• A long-term organisational learning and professional development strategy that enables the Brigade to clearly identify its training needs and deliver effective learning interventions and an organisational learning model which provides a competence, skill and behaviour benchmark for all staff across the workforce. • Investment in training, Learning Management System and Big Learning (an online learning portal). • Training partnership with Babcock Training Limited. • Reflective learning from operational incidents or exercises (operational staff). • A suite of leadership, coaching and mentoring programmes. • Maintenance of skills through development and maintenance of operational professional (DaMOP). • Operational Improvement Process (Policy 825), overseen by the Operations Professionalism Board and agreed interventions such as Ops News, new/amended policy, Big Learning training packages, DaMOP, and evaluation of training solutions. • The Brigade also works across a broad set of partnerships and collaborative arrangements to maximise capacity by delivering services in the most effective and efficient way including national arrangements such as National Interagency Liaison Officers (NILOs).

CIPFA Principle	How the LFC meets the principle
Principle F – Managing risks and performance through strong internal control and financial management	• Corporate risk register identifies strategic risks. • Performance, Risk and Assurance Board monitors risk and performance against corporate priorities, ensuring corrective actions are taken when necessary. • Scrutiny and challenge of strategic risks as part of the quarterly performance reporting cycle. • Budgetary control systems and monthly budget reporting scrutinised at Investment & Finance Board. • Scheme of delegation. • Monitoring financial spend and outcomes/profiling of departments. • Continued scrutiny by Audit Committee comprised of independent members supported by LFB staff.
Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior Information Risk Officer (SIRO) and Data Protection Officer roles. • Dedicated transparency page on the Brigade here and all LFC decisions are published on the website. • Mayor's Office for Policing and Crime (MOPAC) internal audit of key governance processes, risk management and internal controls. • Held to account by Deputy Mayor. • Fire, Resilience and Emergency Planning Committee review and scrutiny of LFC decisions and can challenge policy. • External audit of Brigade's systems of internal control. • Assurance via appointment of independent Operational Assurance Advisor.

Decision-making framework and scrutiny

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



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

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

Review of effectiveness

11.The LFC uses a number of ways to review the effectiveness of governance arrangements. One of the key assurance statements in reviewing effectiveness, is the annual report and opinion of the external auditors. Another significant element is the internal audit function conducted on behalf of the LFC by the Mayor's Office for Policing and Crime (MOPAC). MOPAC is fully compliant with Public Sector Internal Audit Standards (PSIAS). Internal audit covers key governance processes, risk management and internal controls. The internal auditors' opinion for 2022/23 was that, based on the areas audited, the LFC's control framework is adequately designed although some controls are not operating effectively to mitigate key system risks.

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

Issues identified	Performance in 2022/23
Formal reports by Section 127 or Monitoring Officer	None issued.
Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations	There were issues to report: [tbc]
Proven frauds carried out by members of staff	?? fraud cases have been identified in 2022/23, although any potential cases raised are investigated with support from internal audit as necessary
Use of Regulation of Investigatory Powers Act	There were ?? applications for any RIPA authorisations in 2022/23, nor were there any previous authorisations that continued into 2022/23.
Complaints/compliments received from members of the public	A total of ?? complaints were received. These have been actioned accordingly. In addition, a total of ?? compliments were received during 2022/23.
Number of whistleblowing cases	There were ?? cases which qualify as whistleblowing items during 2022/23.

SIGNIFICANT GOVERNANCE ISSUES ADDRESSED IN 2022/23

Approval of the LFC's Community Risk Management Plan (CRMP), 'Your London Fire Brigade'

13. On 1 January 2023, the Brigade's Community Risk Management Plan, 'Your London Fire Brigade' was launched. A requirement of the Fire and Rescue National Framework for England, the plan reflects up to date risk analyses including an assessment of all foreseeable fire and rescue related risks and demonstrates how prevention, protection and response activities will best be used to prevent fire and other incidents and mitigate the impact of identified risks on the community.

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

15. Additionally, the Brigade has developed a new set of key performance indicators (KPIs) to monitor progress against the pillars and commitments contained in the CRMP. The KPIs will be scrutinised internally on a monthly basis at the Performance, Risk and Assurance and Commissioner's Boards, as well as being monitored at the Deputy Mayor for London's Fire and Resilience Board, LFC Audit Committee and the London Assembly's Fire, Resilience and Emergency Planning Committee quarterly.

Strategic risk management

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

17. Strategic risk management maturity remains at a basic level across the Brigade, and this is reflected in the sophistication in the handling of risks (such as prioritising key controls and potentially tolerating risks outside the Brigade's sphere of influence), the slow changing nature of the risks already in the system and the growth in the number of control measures documented against those risks.

18. An improvement plan for risk was rolled out in 2022/23 which included:

- A 'decluttering' of risk registers to rationalise and reduce content including the rule of six (which will limit risks to having a maximum of six current controls and three future controls);
- Boards focussing on formal direction and decision making for risks;
- Creating space for risk reviews and discussion at other management meetings;
- Moving from Excel (less user friendly) to Microsoft Lists for risk registers

19. Significant engagement was undertaken with all departments across the Brigade to enhance risk register content, providing the opportunity for management action to focus on key improvement areas and drive down the number of red and amber risks, as well as the overall number of risks in the system. The impact of that intervention will be monitored into 2023/24 and reported through the Brigade's governance Boards.

Assessment of assurance

The Brigade's Enterprise Assurance Framework (EAF) was approved at Commissioner's Board in May 2022. It sets out the approach to how the Brigade would identify and map its key processes, controls and understand what level of assurance is in place across the four lines of defence. The mapping process is initially focused on assurance in the first line of defence.

A pilot of the approach was trialled with the Governance who were asked to identify their key processes and self-rate how well they assured themselves that each key process was working as expected.

The assurance manager subsequently undertook an independent desktop review to determine how Governance had correctly identified their key processes and the level of assurance.

The outcome of the pilot exercise was shared with the Performance Risk and Assurance Board (PRAB) which concluded that this approach should continue to be utilised and rolled out to other departments.

MOPAC has also been consulted as the methodology continues to develop.

Five departments, (Governance, Legal, Risk, Business Continuity and Health and Safety) have completed their assurance frameworks and have been assessed by the assurance manager.

An additional two departments (Information Technology and Fire Safety have completed their assurance frameworks and are in the process of being reviewed by the assurance manager. There are another 15 departments assurance frameworks which are in various stages of development.

The plan is to conclude the departmental mapping process by September 2023, but this will be determined by the availability of suitability trained assurance professionals and other work pressures within departments which might delay the self-assessment process.

Improving how we track audit recommendations from MOPAC.

An integral part of building the Brigade's enterprise assurance framework is understanding what other assurance takes place across the other lines of defence, reducing the time to close audit and assurance actions and learn from recommendations.

MOPAC had previously raised concerns relating to how quickly LFB progressed audit actions and the delay in action owners responding to requests for updates. As a result, a new process was introduced in January 2023 to track audits centrally and report progress to the Performance, Risk and Assurance Board.

This has resulted in a significant reduction in the first few months in the number of overdue audits at the end of 31 March 2023.

Developing the portfolio governance approach

23. As part of the Brigade's transition towards a service-based culture as part of the new CRMP, an annual delivery plan of key change activity has been introduced, superceding the now-defunct Transformation Delivery Plan.

24. Transformational change activities that are significant in terms of cost, scale, complexity and/or impact have been placed on the portfolio as part of a number of programmes of work. The transition to the portfolio approach is significant in that the activity is more visible, has clearer accountability, and can be prioritised and resourced more effectively.

25. A newly-established cross-organisational Change Group has been commissioned to scrutinise business cases and make recommendations as to their completeness, robustness and wider considerations in relation to resourcing, impact, prioritisation. Full business cases (resulting in proposed expenditure exceeding £150,000) will then proceed to the Investment and Finance Board, with commentary from Change Group. Portfolio oversight and reporting of progress is delivered monthly to the Performance Risk and Assurance Board.

26. Rollout of the portfolio has in-part been determined by the mobilisation of resources. Importantly, the new Head of Portfolio joined LFB in March 2023. There have been challenges recruiting to some posts therefore a broader recruitment campaign is being considered. The prioritisation of work across the portfolio following the culture review, will determine how these resources will be deployed.

Independent Workplace Culture Review

27. In 2021 the London Fire Commissioner commissioned an independent review into the culture of the Brigade following the tragic death by suicide of trainee firefighter Jaden Matthew Francois-Esprit in 2020. The outcome report of the Independent Review, led by Nazir Afzal CBE, was published on 25 November 2022.

28. The report highlighted multiple examples of poor behaviour and painful experiences over many years. Women, Black, Asian and minority ethnic, LGBTQ+ and neurodiverse staff experience poor treatment. Issues were also identified with leadership, and with staff fearing to speak out about abuse. Additionally, the report included examples of poor behaviour towards members of the public.

29. Following the publication of the report, LFB took immediate actions to address the report's findings:

- A zero-tolerance approach to discrimination, harassment and bullying. Anyone accused of this behaviour will be immediately suspended and dismissed if the accusation is upheld.
- The introduction of a new external complaints service so that staff can feel safe to speak up and cases will be handled objectively and confidentially
- A historic case review where all bullying, harassment and discrimination cases at London Fire Brigade, completed in the last five years, will be reviewed.
- A review of all people-related processes to eliminate discrimination, including involving independent people to make immediate improvements where practical.
- Improved staff access to help and support services.
- A permanent shift in approach to leadership. It is the responsibility of leaders to set and uphold high standards. Those leaders who do not value transparency, accountability and fairness will no longer have a place in the Brigade.

30. Taking further steps to address the poor workplace culture and behaviours identified in the report will continue into 2023/24 and beyond and is embedded as part of the programmes of work within the CRMP. It is essential to do so in order to rebuild public trust in the Brigade and to provide a safe place of work for all members of staff.

2022 Major Incident Review – Summer Wildfires

31. On 19 July 2022, LFB declared a major incident in response to the extreme heat and associated wildfires which resulted in it being one of the Brigade's busiest days in its history. The Brigade initiated a Major Incident Review to identify good practice and learning associated with its response to the extreme weather event.

32. As a consequence, the Brigade has decided:

- to review its prevention and protection strategies with the objective of reducing the frequency and impact of incidents that occur as a result of extreme heat.
- to review its tactical and strategic operational response to wildfire events to ensure that both operational and strategic leaders are equipped to effectively manage extreme demand on the Brigade's finite resources.
- to review LFB's preparedness strategies with the objective of ensuring that the good practice demonstrated in relation to other short and no notice events is applied to extreme heat warnings.

HMICFRS Round 2 Inspection – Progress against recommendations and causes of concern

33. The HMICFRS Round 2 inspection report was published on 27 July 2022 following the visit in December 2021. A total of 46 recommendations with 86 associated actions were included in the report for LFB to complete. At the end of 2022/23, a total of 4 recommendations and 9 actions have been completed.

34. As part of the inspection HMICFRS identified two causes of concern relating to workplace culture and prevention (the inspectorate stated the values and behaviours the brigade aspires to were not always demonstrated by senior leaders, and the brigade needs to do more to demonstrate progress in improving its culture). In response, the Brigade submitted an action plan setting out how it would address the areas of concern and the recommendations. On Wednesday 14 December 2023, HMICFRS moved the Brigade into 'enhanced monitoring' following the publication of the Independent Culture Review. We welcomed the move and reiterated our commitment to change.

35. In January 2023, HMICFRS carried out a revisit to review progress against the recommendations for the following cause of concern related to prevention:

- The brigade doesn't adequately prioritise home fire safety visits (HFSVs) on the basis of risk. It doesn't have a system in place that allows for the consistent assessment of risk levels among those people it has already identified as being at greatest risk from fire.

36. HMICFRS recognised that LFB had worked hard to make improvements to address the cause of concern and that good progress had been made in developing a prevention strategy. It also recognised that significant progress had been made in developing a system to assess individual risk and prioritise HFSV response. It recognised however the Brigade needs to assure itself that people identified as low risk complete its online home fire safety assessment and that staff have the skills required to complete HFSVs to a good standard.

37. HMICFRS will visit again in July/August 2023 to review further progress made towards addressing the causes of concern.

Further revisions to Board arrangements

38. The 2021/22 Annual Governance Statement referenced the changes to the Brigade's board structure through the creation of a high-level, strategic layer of board governance to address people, performance and risk, operational service delivery and financial oversight. This was achieved through the establishment of an Investment & Finance Board and a Performance, Risk and Assurance Board, complementing the already-established People Board, Operational Delivery Board, Portfolio Board and independent Audit Committee.

39. With significant activity emerging from the Culture Review, HMICFRS inspection and the delivery of the new CRMP, there was a pressing need to create capacity to facilitate delivery of that work at a senior level. It was therefore decided to streamline aspects of the Brigade’s board structure by decommissioning Portfolio, People and Operational Delivery Boards and the creation of a new Service Delivery Board which focuses on the service LFB provides to its

communities and how it prepares and supports the workforce to deliver a safer and better fire and rescue service for London.

40. As with any such changes there needs to be an assessment made of their effectiveness. Work has commenced, progressing into 2023/24, for an internal peer review of the effectiveness of the revised arrangements and whether any further changes are required.

Progress against completion of Grenfell Tower Inquiry recommendations

41. Progress has continued through 2022/23 to meet the recommendations produced by Grenfell Tower Inquiry (GTI). Of the 40 GTI recommendations requiring action by the Brigade, 29 are directed specifically at LFB and all Fire & Rescue Services or Emergency Services, and 11 recommendations directed at partner agencies/other organisations which also require some action on LFB's part.

42. At the end of 2022/23, LFB has completed 27 of the 29 recommendations directed specifically at LFB, and 3 of the 11 recommendations directed at partner agencies making a total of 30 recommendations completed out of the overall 40.

43. Of significance, LFB has launched a high-rise data portal which allows Responsible Persons of high-rise residential buildings over 18m or 7 storeys to share information. Responsible persons now have the ability to share building plans, external wall information and have the ability to report faults of fire-fighting systems within their buildings. Information held on the portal can be accessed by tablets held on fire appliances.

Key areas of focus for 2022/23	**Planned action**
Carried forward from 2021/22: 1. Continued progress against the transformation blueprint 2. Organisational culture	Expected delivery of: - A new Community Risk Management Plan - The portfolio governance approach - The culture review - Revised performance management arrangements, including the middle leadership programme
New and carried forward for 2023/24: 1. Organisational learning and culture	Expected delivery of: - The culture review - People Services review

Transition from Covid-19 legislative requirements

44. By the beginning of the 2023/23 financial year the UK had moved to minimal covid restrictions. The Brigade's focus was therefore on maintaining a resilient service in the case of alternative virus variants being identified and continued waves of the pandemic having an impact across London and the entire UK. It also provided an opportunity to learn from the experience of recent years, reflecting upon how LFB managed its service deliverables throughout the waves of covid and how the Brigade could further adapt and embed new ways of working which would aid preparedness for the potential of further waves of the pandemic or alternative virus variants. These have been captured in 'Lessons Learnt' reports compiled by Business Continuity which take a broad-spectrum look at how the Brigade has handled the years of the pandemic.

45. The transition to hybrid working is arguably one of the defining workplace legacies of the covid pandemic. The opportunity for sections of the workforce to work remotely has provided benefits in respect of productivity, work-life balance, new ways to collaborate and more inclusive ways of working through the use of technology. There are however issues emerging regarding isolation and the ability to effectively lead teams and maintain positive team dynamics when working remotely. Further analysis will be needed in respect of productivity and presenteeism, and will likely steer future policy and direction in this area, and the facilities the Brigade needs to make available to its staff.

46. In terms of the impact on governance arrangements, meetings have, for the most part, been conducted virtually and will likely continue to be so going forward into 2023/24 and beyond. There is no legal obligation on the Brigade to conduct any of its formal meetings in-person or for them to be open to the public. There have been a small number of meetings conducted in-person. The costs incurred in holding in-person meetings are greater than when held virtually and impacts productivity for those required to travel to and from the meeting venue.

Equalities considerations

47. The Brigade, under the leadership of the LFC, takes the Public Sector Equality Duty very seriously. The LFC's approach is embodied in the 'Togetherness' Strategy, which has a dedicated externally-facing pillar with a number of strategic objectives and actions directly relating to how the Brigade advance equality of opportunity, foster good relations and eliminate discrimination in the communities it serves and protects. These are important deliverables in terms of how the Brigade governs itself and aligns with the Community Risk Management Plan.

48. Decisions presented to the LFC have direct reference to 'Equalities Implications' in the report, explaining how the decision complies with the Equality Act 2010, considering due regard in relation to protected characteristics and wider inclusion implications. There may be a supporting Equality Impact Assessment (EIA) which helps support governance processes providing further detail, statistical analysis and commitments to further work. Other projects, decisions and policies are also required to have approved Equalities Impact Assessments.

Equality in recruitment

53. One of the Brigade's key priorities is to increase the number of women and ethnically diverse members of the community joining the Brigade as trainee firefighters. LFB has an Outreach Team who are engaging with these target groups through community,partner-based activities, and digital media channels to increase attraction rates. End of year (March 2023) statistics reveal the recent intake of new firefighters is below corporate indicator targets. 28.1% of women (and 20.6% of ethnically diverse candidates) were appointed. There are a number of reasons for this decline, one was the impact of pausing recruitment in 2021-2022 and Covid preventing outreach activity. There is also the negative public perception from the cultural review being published, particularly impacting our target demographics. Finally the cost of living crisis impacting those living or working in the capital considering joining on an Apprentice wage. Steps are being taken to mitigate these current outcomes.

Conclusion

54. I am satisfied that this Statement describes the internal systems of control that were and are in place with regards to the LFC's governance arrangements, and that adequate processes were and are in place to ensure compliance with its Corporate Code of Governance.

Andy Roe

London Fire Commissioner

Dated: xxxx 2023

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.

INVENTORIES

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

MINIMUM REVENUE PROVISION

The minimum amount that must be set aside from the Authority's Revenue account each year for principal repayments of loans and credit liabilities.

PROVISIONS

Sums set aside to meet future expenditure. Provisions are for liabilities or losses which are likely or certain to be incurred, but for which the sum is not known.

PUBLIC WORKS LOANS BOARD

A Government controlled agency that provides a source of borrowing for public authorities.

REVENUE EXPENDITURE

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