



LONDON FIRE BRIGADE



2006/2007 STATEMENT OF ACCOUNTS

Making London a safer city





2006/2007
Statement of Accounts

Contents

Explanatory foreword	2
Statement of responsibilities for the Statement of Accounts	6
Auditor's report	7
Statement of accounting policies	10
Core accounting statements	
Income and Expenditure Account	14
Statement of movement on the General Fund	15
Statement of Total Recognised Gains and Losses	15
Balance Sheet	16
Cash Flow Statement	17
Notes to the core statements	18
Supplementary Accounting Statements	
Firefighter Pension Fund Account	40
Statement on Internal Control	42
Glossary of terms	47
User feedback	49

Explanatory foreword

Introduction

- 1 The London Fire and Emergency Planning Authority (LFEPA) runs the London Fire Brigade, enforces fire safety laws, advises on fire safety, and carries out various emergency planning activities, including helping the London boroughs to plan for emergencies. The Authority is one of four functional bodies, which come under the 'umbrella' of the Greater London Authority (GLA). The GLA consists of a directly elected Mayor and separately-elected Assembly. The Mayor and Assembly are responsible for setting the Authority's budget requirement.
- 2 As part of a programme of convergence with UK GAAP (Generally Accepted Accounting Practice in the United Kingdom), used by the private sector, CIPFA (Chartered Institute of Public Finance and Accountancy) have introduced a number of changes to the presentation and format of Local Authority accounting statements. The changes are explained in the Accounting policies section that follows.
- 3 The accounting statements that follow now comprise:
The Statement of Responsibilities for the Statement of Accounts, which sets out the respective responsibilities of the Authority and its Head of Finance for the accounts.

The following Core Accounting statements:

- **The Income and Expenditure Account**, which is a summary of the resources generated and consumed in providing services and managing the Authority during 2006/07. It includes all day to day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the year. The account is presented in a Best Value Accounting format as recommended by the CIPFA Best Value Accounting Code of Practice, which establishes proper practice with regard to consistent financial reporting. Consequently, the statement shows income and expenditure, for the year 2006/07, in an objective format (cost of firefighting, community fire safety, fire service emergency planning and central services).
- **The Statement of Movement on the General Fund Balance**, which shows amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance and raising Council Tax.
- **Statement of Total Recognised Gains and Losses**, which recognises all gains and losses in the accounting period. This statement brings together all the gains and losses of the Authority for the year and shows the aggregate increase/decrease in its net worth. In addition to the surplus/deficit generated on the income and expenditure account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.
- **The Balance Sheet**, which shows the Authority's balances, reserves, long-term indebtedness, and the fixed and net current assets employed in its operations, together with summarised information on the fixed assets held. Formerly a Consolidated Balance Sheet the name has now changed to Balance Sheet. This is not because of any substantive change in its contents but because Consolidated is less appropriate with the change of name of the statement of operational performance from Consolidated Revenue Account to the Income and Expenditure Account.
- **The Cash Flow Statement**, which summarises the inflows and outflows of cash, arising from both revenue and capital transactions with third parties.

The Statement of Accounts also includes the following Supplementary Accounting Statement;

- **The Firefighter Pension Fund Account**, which shows transactions on the fund account determined by regulation for the firefighters' scheme for England. The funding arrangements for the firefighters' pension scheme changed on 1 April 2006. Under new arrangements the fund remains unfunded as before but will no longer be on a pay as you go basis as far as fire authorities are concerned. The Authority no longer meets the pension outgoings directly; instead it will pay an employer's pension contribution based on a percentage of pay into the pension fund. The Authority is required by legislation to operate a pension fund and the amounts that must be paid in and out of the fund are specified by regulation. The fund is balanced to nil at year end by either payment of the excess to, or receiving a top up grant to meet a deficit from, the Department for Communities and Local Government (CLG).
- 4 The accounts are supported by the **Statement of Accounting Policies** and by various notes to the accounts.
- 5 **The Statement on Internal Control** is also published in conjunction with the Statement of Accounts. It sets out the framework within which the Authority's internal control is managed and reviewed. It describes the main components of the system, including the arrangements for risk and performance management, reports on any significant identified weaknesses and the action taken to rectify them.

Income and expenditure

- 6 Based on figures, prior to accounting adjustments for pensions liabilities under Financial Reporting Standard 17 Retirement benefits (see core statement note 5) and depreciation charges, the net cost of services in 2006/07 was £386.6m (£438.5m including pensions and depreciation charges). This was £13.4m (3.4%) less than the approved budget of £400.0m, due to additional income (£5.9m), an under spend on fire service pensions (£6.7m), premises, supplies and services (£0.8m).
- 7 Set out below is a comparison of the actual and budgeted figures for the year:

Net expenditure excluding FRS17 and depreciation charges	Budget £m	Actual £m	Variance £m
Net cost of services	400.0	386.6	(13.4)
Capital financing items	10.4	9.7	(0.7)
Interest receipts	(3.7)	(6.2)	(2.5)
Net expenditure	406.7	390.1	(16.6)
Drawings on the general fund	(10.0)	0	10.0
Net contribution to/(from) earmarked reserves	(12.9)	(14.9)	(2.0)
Amount to be met by Government grant and local taxpayers	383.8	375.2	(8.6)
Income from GLA grant	(379.5)	(379.5)	0
Income from PFI special grant	(4.3)	(4.3)	0
(Surplus)/Deficit for the year on the general fund	0	(8.6)	(8.6)

- 8 The under spend on fire service pensions (£6.7m) is primarily due to fewer ill health retirements than projected for 2006/07. Increased income was mainly due to additional government grants and sponsorship received in conjunction with borough community project initiatives (£4.2m) and receipt of a prior year adjusted fire formula grant (£0.5m).

- 9** As a result, the Authority did not use general fund resources as budgeted (£10m).
- 10** As a consequence of the above, as at 31 March 2007, the surplus on the general fund account of £8.6m increased general fund balances to £35.1m.
- 11** During the year, the Authority made unitary payments of £13.4m on a Private Finance Initiative (PFI) 20-year contract for the provision, acquisition and maintenance of all operational vehicles.

Capital expenditure

- 12** The Local Government Act 2003 provides a prudential framework for capital finance. As part of these arrangements a Prudential Code for Capital Finance in Local Authorities, developed by CIPFA, provides a professional code of practice to support local authorities in taking decisions on capital management. The key objectives of the code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.
- 13** During 2006/07, spending on the capital programme that resulted in tangible and intangible assets totalled £16.2m. The spending included the rebuilding/modernising of fire stations and other buildings (£13.3m), and IT equipment and software (£2.9m). Further details of these are contained in the notes to the balance sheet. Additional capital expenditure of £0.9m was incurred on the Home Fire Safety Check initiative, which was fully funded by grant from CLG. This expenditure relates to the provision and installation of smoke alarms in private property and as such does not enhance or create any Authority assets.
- 14** Capital expenditure on Authority assets is to be financed in accordance with the Prudential Code from borrowing of £14.5m, government capital grant applied of £1.4m, a revenue contribution of £1.2m. No new finance leases were entered into during the year.
- 15** The Authority's external borrowing amounted to £11.5m during the year, and was new long-term borrowing from the Public Works Loans Board. Settlement of maturing debt during 2006/07 totalled £4m. As a result, as at 31 March 2007, the level of outstanding debt totalled £87.8m. No Capital receipts were generated from asset sales during the year.

Direct Service Organisations

- 16** The Authority does not operate any Direct Service Organisations.

The euro

- 17** The Authority has not incurred any significant euro expenditure.


Further information

- 18** The Authority's core aims and objectives are set out in the Corporate Plan, which is then cascaded to departmental service plans. The Authority's risk policy statement is included within the Corporate Plan, together with the key corporate risks. The Corporate Plan is approved by the Authority alongside the budget and also sets out the arrangements for continuous improvement. The approved budget for 2006/07 provided for net expenditure of £406.7m to support the Authority in achieving its aims and objectives.
- 19** During the year the Brigade engaged with many local community projects. 36,607 home fire safety visits were carried out to homes across London. Partnership working also targeted increasing awareness of the consequences of road traffic accidents. Community engagement continued as the Authority approved and implemented a youth engagement strategy to reduce arson and hoax calls, and the Brigade worked and continues to work with London boroughs to improve fire safety of houses in multiple occupation in the light of new fire safety regulations.
- 20** The Authority has implemented a Sustainable Energy Programme specifically to support projects to improve its energy efficiency and carried out a fundamental performance review of community fire safety activities.
- 21** The actions around implementation of the fire service modernisation proposals, together with the implementation of enhanced protection to Londoners in respect of terrorist attacks, will continue to have major financial implications for the Authority.
- 22** Further information concerning the accounts is available from the Head of Finance, London Fire Brigade Headquarters, 8 Albert Embankment, London SE1 7SD.

Formal approval and adoption of the Accounts by the Authority

- 23** I confirm that these accounts were approved by the Authority at the meeting held on 21 June 2007.

Signed on behalf of the London Fire and Emergency Planning Authority



Valerie Shawcross
Chair of the Authority
Date 21 June 2007

Statement of responsibilities for the Statement of Accounts

The Authority's responsibilities

The Authority is required:

- to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Head of Finance.
- to manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- to approve and adopt the Statement of Accounts as soon as practical and in any event before the end of June after the period to which it relates.

Head of Finance's responsibilities

The Head of Finance is responsible for the preparation of the Authority's statement of accounts which, in terms of the Code of Practice on Local Authority Accounting in the United Kingdom ('the Code'), is required to present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year (ended 31 March 2007).

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

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

The Head of Finance has also:

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

Certification of the Head of Finance

I hereby certify that the Statement of Accounts on pages 14 to 41 present fairly the financial position of the Authority at the accounting date and its income and expenditure for the year ended 31 March 2007.



.....
Sue Budden CPFA
Head of Finance
Date 1 June 2007

Auditor's report

Independent Auditor's report to the Members of the London Fire and Emergency Planning Authority Audit Opinion and Certificate 2006/2007

Opinion on the financial statements

We have audited the financial statements of the London Fire and Emergency Planning Authority for the year ended 31 March 2007 under the Audit Commission Act 1998, which comprise the Income and Expenditure account, the Statement of Movement on the General Fund, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out within them.

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

Respective responsibilities of the Head of Finance and Auditors

The Head of Finance's responsibilities for preparing the financial statements in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006 are set out in the Statement of Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements present fairly the financial position of the Authority in accordance with applicable laws and regulations and the Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006.

We review whether the statement on internal control reflects compliance with CIPFA's guidance 'The Statement on Internal Control in Local Government: Meeting the Requirements of the Accounts and Audit Regulations 2003' published on 2 April 2004. We report if it does not comply with proper practices specified by CIPFA or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered whether the statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Authority's corporate governance procedures or its risk and control procedures. Our review was not performed for any purpose connected with any specific transaction and should not be relied upon for any such purpose.

We read the other information published with the financial statements and consider whether it is consistent with the audited financial statements. This other information comprises only the Explanatory Foreword. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

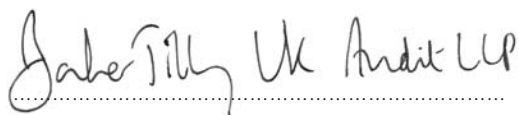
Basis of Audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

Opinion

In our opinion the financial statements present fairly, in accordance with applicable laws and regulations and Statement of Recommended Practice on Local Authority Accounting in the United Kingdom 2006, the financial position of the London Fire and Emergency Planning Authority as at 31 March 2007 and its income and expenditure for the year then ended.



Baker Tilly UK Audit LLP
Lancaster House
7 Elmfield Road
Bromley, Kent BR1 1LT
Dated 10 September 2007

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

Authority's responsibilities

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

Under the Local Government Act 1999, the authority is required to prepare and publish a best value performance plan summarising the authority's assessment of its performance and position in relation to its statutory duty to make arrangements to ensure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

Auditor's responsibilities

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

We are required by section 7 of the Local Government Act 1999 to carry out an audit of the authority's best value performance plan and issue a report:

- certifying that we have done so;
- stating whether we believe that the plan has been prepared and published in accordance with statutory requirements set out in section 6 of the Local Government Act 1999 and statutory guidance; and
- where relevant, making any recommendations under section 7 of the Local Government Act 1999.

Conclusion

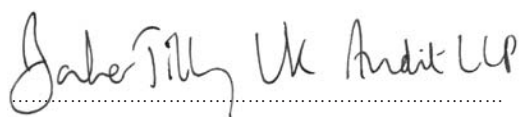
We have undertaken our audit in accordance with the Code of Audit Practice and we are satisfied that, having regard to the criteria for Fire Authorities specified by the Audit Commission and published in August 2006, in all significant respects, the London Fire and Emergency Planning Authority made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2007.

Best value performance plan

We issued our statutory report on the audit of the authority's best value performance plan for the financial year 2006/07 on 4 December 2006. We did not identify any matters to be reported to the authority and did not make any recommendations on procedures in relation to the plan.

Certificate

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



Baker Tilly UK Audit LLP
Lancaster House
7 Elmfield Road
Bromley, Kent BR1 1LT
Dated 10 September 2007

Statement of accounting policies

General

1 The accounts have been prepared in accordance with the revised 2006 Code of Practice on Local Authority Accounting in the United Kingdom, Statement of Recommended Practice (SORP) issued by CIPFA, which is recognised by statute as representing proper accounting practices. The 2006 SORP introduces a number of significant changes to the way the Authority's accounts have been prepared and presented. The substantive changes introduced by the 2006 SORP are:

- the removal of the requirement to make a Capital Financing Charge and the replacement of the Consolidated Revenue Account with an Income and Expenditure Account and Statement of Movement on the General Fund Balance.
- the replacement of the Statement of Total Movement on Reserves with a Statement of Total Recognised Gains and Losses and Note to the Accounts Disclosing the Movement on Reserves.
- the order of the Statement of Accounts Statements. The SORP introduces a requirement to group the 'core' financial statements together followed by the notes to the core statements, followed by the supplementary statements with notes to the supplementary statements following each statement.

As a consequence of the above changes the figures for 2005/06 have been restated to reflect the new formats and allow comparison.

Intangible fixed assets

2 Intangible Fixed Assets represent expenditure which may be properly capitalised, but which does not represent tangible fixed assets. For the Authority these relate solely to the acquisition of computer software.

Tangible fixed assets

- 3** All expenditure on the acquisition, creation or enhancement of fixed assets has been capitalised on an accruals basis. This includes assets acquired under finance leases which have been capitalised and included in the balance sheet on the basis of the outstanding obligation to make future rental payments.
- 4** Fixed assets are valued on the basis recommended by CIPFA and in accordance with the Appraisal and Valuation Standards issued by The Royal Institution of Chartered Surveyors (RICS). Fixed assets are classified into the groupings required by the Code of Practice on Local Authority Accounting and operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value in existing use. Non-operational assets are included in the balance sheet at the lower of net current replacement cost or net realisable value.
- 5** CIPFA recommends that an asset included in the balance sheet at current value should be revalued at intervals of not more than five years. The current asset values included in the balance sheet are based upon a valuation report and certificate issued by an external independent valuer as at 1 April 2003. Where a loss in value occurs as a result of physical damage or other impairment this is reflected in an increased depreciation charge to the service revenue account. Additions since 1 April 2003 are therefore included in the balance sheet at their cost of acquisition.

Community assets

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

Depreciation

- 7** Depreciation is provided on both intangible and tangible fixed assets in the year after they are brought into use until the day they are subject to disposal. Assets other than freehold land and investment property are depreciated using a straight-line method i.e. based on equal instalments over their estimated useful economic lives as shown below. The remaining useful life of each property has been assessed, for accounting purposes, as part of the revaluation exercise mentioned above. Depreciation is not applicable to community assets as they are not in operational use.

Useful economic lives

Buildings	10 to 60 years
Equipment and other	5 to 10 years

Minimum revenue provision

- 8** Amounts set aside from revenue for the repayment of external loans and finance lease obligations, to finance capital expenditure, or as transfers to other earmarked reserves, are disclosed separately as appropriations, on the face of the Income and Expenditure Account, below net operating expenditure.

Capital receipts

- 9** All receipts are included in the balance sheet as usable capital receipts.

Leases

- 10** Rental payments under finance leases are apportioned between the finance charge and the principal element, i.e. the reduction of the liability to pay future rentals.
- 11** The finance element of rentals is charged to the Income and Expenditure Account. Rentals payable under operating leases are charged to the Income and Expenditure Account on an accruals basis.

Debtors and creditors

- 12** The accounts reflect the accruals concept whereby debtors and creditors are sums included in the balance sheet to cover both capital and revenue expenditure and income, attributable to 2006/07, for goods and services supplied or received for which payment has not been made or received as at 31 March 2007.

Works in progress and stocks

13 There are no trading works in progress and stocks are included in the accounts at cost less provision for damage and obsolescence.

Overheads

14 CIPFA's Best Value Accounting Code of Practice defines the scope of overheads. As such all Authority overheads, support service and service management costs are fully charged to the service expenditure. The costs of Corporate Democratic Costs (CDC), defined as Corporate Management and Democratic Representation and Management, and Non Distributed Costs (NDC) are costs in their own right.

Provisions

15 Provisions have been established and maintained in the accounts for the following purposes:

- to reflect the level of legal liabilities outstanding as at 31 March 2007.
- to reflect the level of motor insurance liabilities outstanding as at 31 March 2007.
- to reflect the level of unsettled backed dated awards as at 31 March 2007.
- to reflect the level of possible additional costs of the headquarters move.

Reserves

16 The Authority maintains several reserves. There are two types of reserve – one type that can be used to fund expenditure and one that cannot and is maintained for purely accounting purposes. To assist with financing future levels of expenditure, the following specific reserves are maintained:

- Earmarked reserves including a Private Finance Initiative (PFI) reserve, established to earmark surpluses arising in the early years of the PFI vehicle contract, a Pensions Contributions reserve to meet future costs of employer contributions to pension schemes, a London Resilience Reserve to meet related costs in future years, a renamed Invest to Save reserve, which is now a Sustainability Reserve established for energy efficient projects. A Firefighter ill-health Pensions Reserve has been established to help finance future firefighter ill-health retirements under the new Firefighters' Pension Scheme.

17 Accounting reserves, which are not available for financing expenditure, consist of:

- a further pensions reserve, established under Financial Reporting Standard 17 Retirement benefits, which reflects the extent of the Authority's future pension liabilities.

18 Former accounting reserves, renamed accounts, which are also not available for financing expenditure, consist of:

- a fixed asset restatement account, which represents principally the balance of the surpluses or deficits arising on the periodic revaluation of fixed assets.
- a capital financing account, which represents amounts set aside from revenue resources or capital receipts to finance expenditure on fixed assets or the repayment of external loans and certain other capital financing transactions.

Pensions

- 19** The Authority participates in two different pension schemes that meet the needs of particular groups of employees. The two schemes are the Firefighters' Pension Scheme, for which only operational firefighters are eligible, and the Local Government Pension Scheme, which all other employees may join. Both schemes provide members with defined benefits related to pay and service.
- 20** The pension costs included in the accounts, together with respective assets and liabilities for both schemes have been determined by the Authority's Actuary and accounted for in accordance with the CIPFA Code of Practice on Local Authority Accounting, adopting in full, the requirements of Financial Reporting Standard 17 (FRS17) Retirement Benefits. In addition to disclosure notes, accounting entries have been made in the Authority's Income and Expenditure Account and Balance Sheet in respect of the Authority's assessed pension liability as at 31 March 2007.

Investments

- 21** The Authority invests its working cash balances short term in the Sterling money market and this is shown in the Balance Sheet as "Investments". The interest earned from these investments is credited to the Income and Expenditure Account.

Grants

- 22** Government grants are accounted for on an accruals basis. Revenue grant income is credited to the Income and Expenditure Account to match with the expenditure and in the period to which it relates. Capital grant income is credited to a balance sheet grants account and applied to associated capital expenditure in the year works are carried out.

Redemption of debt

- 23** The Local Government (Capital Finance and Accounting) (England) Regulations 2003 specify amounts that must be set aside as a minimum revenue provision for credit liabilities. The Authority ensures that this provision is sufficient to meet all repayments of external borrowing and all payments made to reduce outstanding finance lease obligations. In addition, insofar as there is provision available, the provision is used to meet finance lease interest payments.

Core accounting statements

Income and Expenditure Account

2005/06	Division of Service	2006/07			Note
Net Expenditure £000		Gross Expenditure £000	Income £000	Net Expenditure £000	
37,710	Community fire safety	57,690	(4,917)	52,773	
366,307	Firefighting and rescue operations	401,135	(20,149)	380,986	
296	Fire service emergency planning and civil defence	1,231	(733)	498	
(10,450)	Exceptional items	0	0	0	
	Central Services				
1,883	Corporate and Democratic Core	1,990	(19)	1,971	1
3,092	Non Distributed Costs	2,354	0	2,354	2
398,838	Net Cost of Services	464,400	(25,818)	438,582	3
0	Gain or loss on disposal of fixed assets		0		4
4,981	Interest payable and similar charges		5,050		
(5,045)	Interest income		(6,244)		
				(1,194)	
156,800	Firefighter Pensions Interest cost and expected return on pensions assets		165,400		5
3,391	Support staff Pensions Interest cost and expected return on pensions assets		2,670		5
				168,070	
558,965	Net Operating Expenditure			605,458	
(403,400)	GLA Grant		(379,500)		
(4,500)	PFI Grant		(4,320)		
(407,900)				(383,820)	6
151,065	(Surplus)/Deficit for the Year			221,638	

Statement of Movement on the General Fund Balance

2005/06 £000		2006/07 £000	Note
151,065	Deficit for the year on the Income and Expenditure Accounts	221,638	
(159,194)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year	(230,236)	7
(8,129)	Increase in General Fund Balance for the Year	(8,598)	
(18,405)	General Fund Balance brought forward	(26,534)	
(26,534)	General Fund Balance carried forward	(35,132)	
(26,534)	Amount of General Fund Balance available for new expenditure	(35,132)	

Statement of Total Recognised Gains and Losses

2005/06 £000		2006/07 £000		Note
151,065	(Surplus)/Deficit on the Income and Expenditure Account		221,638	
(10,079)	(Surplus)/Deficit arising on revaluation of Fixed Assets		(10)	15
317,137	Actuarial (gains) and losses on pension fund assets and liabilities	(250,579)		5
233	Difference between actuarial estimate and actual contributions	(24,571)		
	Total Pension adjustment		(275,150)	
(1,999)	Other gains and Losses		671	8
456,357	Total Recognised (gains) and losses for the year		(52,851)	
0	Cumulative effect on Reserves of any prior period adjustments made during the period		0	

Balance Sheet

As at 31.3.06 £000		As at 31.3.07 £000	As at 31.3.07 £000	Note
	Fixed Assets			
7,914	Intangible Fixed Assets		7,941	
	Tangible Fixed Assets			
	Operational Assets			
59,010	– Land	59,050		
204,166	– Buildings	208,450		
13,374	– Vehicles and equipment	8,812		
284,464			276,312	
0	– Community Assets		10	
	Non-Operational Assets			
860	– Investment properties	860		
1,714	– Assets under construction	8,332		
287,038			9,192	
			293,455	16
206	Long-Term Debtors		169	17
287,244	Total Long-Term Assets		293,624	
	Current Assets			
631	– Stocks	821		18
8,335	– Debtors	13,219		19
106,985	– Investments	104,175		
138	– Cash in hand	161		
116,089			118,376	
	Current Liabilities			
(4,000)	– Short-term borrowing	(4,400)		20
(23,097)	– Creditors	(32,170)		21
(5,933)	– Cash overdrawn	(6,634)		
(33,030)			(43,204)	
370,303	Total Assets less Current Liabilities		368,796	
(76,324)	Long-Term Borrowing	(83,424)		22
(4,102)	Government Grants Deferred	(4,023)		23
(5,702)	Deferred Credit	(5,245)		24
(1,453)	Provisions	(5,595)		25
(87,581)			(98,287)	
282,722	Net Assets before pensions asset or liability		270,509	
158,757	Asset related to defined Pension schemes		175,505	5
(3,641,134)	Liability related to defined Pension schemes		(3,592,818)	5
(3,199,655)	Net Assets		(3,146,804)	
190,569	Fixed Asset Restatement Account	190,579		
11,004	Capital Financing Account	5,101		
9,750	Usable Capital Receipts Reserve	9,750		
44,865	Earmarked Reserves	29,947		
(3,482,377)	Pensions Reserve	(3,417,313)		
(3,226,189)	Balances		(3,181,936)	26
26,534	– General Fund		35,132	26
(3,199,655)	Total Equity		(3,146,804)	

Cash Flow Statement

2005/06 £000		2006/07		Note
		£000	£000	
	Revenue Activities			
	<i>Cash Outflows</i>			
381,489	Cash paid to and on behalf of employees	340,523		30
61,694	Other operating cash payments	64,957		
443,183			405,480	
	<i>Cash Inflows</i>			
(1,342)	Rents	(1,493)		
(403,400)	Greater London Authority grant	(379,500)		
(4,500)	PFI Special Grant	(3,602)		
(4,107)	Other government grants	(3,644)		31
(5,702)	Deferred Credit	(118)		
(9,862)	Cash received for goods and services	(4,460)		
(31,302)	Other operating cash receipts	(15,299)		
(460,215)			(408,116)	
(17,032)	Revenue Activities Net Cash Inflow		(2,636)	32
	<i>Servicing of Finance</i>			
	<i>Cash Outflows</i>			
5,011	Interest paid	4,966		
6	Interest element of finance lease rental payments	0		
5,017			4,966	
	<i>Cash Inflows</i>			
(4,975)	Interest received		(6,197)	
	Capital Activities			
	<i>Cash Outflows</i>			
5,665	Purchase of fixed assets	16,579		
	<i>Cash Inflows</i>			
(1,504)	Capital Grants received	(1,724)		
(2,180)	Sale of fixed assets	0		
0	Other Capital Cash receipts	0		
(3,684)			14,855	
(15,009)	Net Cash (Inflow)/Outflow Before Financing		10,988	33
	<i>Management of Liquid Resources</i>			
15,000	Net increase/(decrease) in short term deposits		(10,000)	34
	Financing			
	<i>Cash Outflows</i>			
3,750	Repayments of amounts borrowed	4,000		
56	Capital element of finance lease rental payments	0		
3,806		4,000		
	<i>Cash Inflows</i>			
(3,500)	New loans raised	(11,500)		
			(7,500)	34
297	Net (Increase)/Decrease in Cash		(6,512)	35

Notes to the core accounting statements

1 Cost of Central Services

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

Corporate and Democratic Core

Corporate and democratic core covers the costs that the Authority incurs over and above the provision of services due to its local authority nature. It includes all aspects of members' activities in that capacity, including corporate, programme and service policy making and general activities relating to governance and the representation of local interests. It also concerns those corporate management activities and costs which provide the infrastructure, which allows services to be provided, whether by the Authority or not, and the information which is required for public accountability. In 2006/07 these totalled £1.971m.

Members' Allowances

Corporate and Democratic Core costs include payments of £126,654 (2005/06 £128,071) made during the year under the Authority's Scheme for Members' Allowance payments. The payments were in respect of basic and special responsibility allowances to borough members together with payments in respect of travel and subsistence allowances and conference fees for all members made under the Local Authorities (Members Allowances) (England) Regulations 2003.

2 Non Distributed Costs

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

Non Distributed Costs	2006/07 £000	2005/06 £000
Pension past service costs	59	0
Pension settlements and curtailments Local Government Pension Scheme	1,995	592
Pension settlements and curtailments Firefighter Pension scheme	300	2,500
Unused shares of IT facilities and other assets	0	0
Total	2,354	3,092

3 Net Cost of Services

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

Provision for Doubtful Debts

Following a review of the particular circumstances and profile of the Authority's debtors, the general provision of £0.622m brought forward from 2005/06 to safeguard against future losses or non-recoveries has been reduced by £0.051m to £0.571m. This reduction in the provision has been credited direct to appropriate service revenue accounts and is reflected in the net cost of services.

4 Gain or loss on disposal of fixed assets

No Fixed Assets have been disposed of during the year.

5 Pension Arrangements

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

- **Firefighters' Pension Scheme** – This scheme is an unfunded, defined benefit, contributory scheme. To assist with financing the Authority's future expenditure liability under the scheme, the Authority will maintain an Earmarked Firefighter ill-health Pensions Reserve, details of which are disclosed below. The last actuarial review for FRS17 purposes is dated May 2007.
- **Local Government Pension Scheme (LGPS)** – This scheme is funded by employer and employee contributions to the London Pension Fund Authority's Pension Fund, which provides members with defined benefits related to pay and service. The contribution rate is determined by the Fund's Actuary based on triennial actuarial valuations, the last review, impacting on 2006/07, being at 31 March 2004. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for FRS17 purposes is dated May 2007.

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

Pension Revenue Costs

Under accounting standard FRS17 the Income and Expenditure Account is charged with employees' pension benefits accrued during the year, the cost of added years' benefits, and related past service costs. The value of benefits is assessed by the Authority's actuary as separate service cost and past service cost. This differs from actual expenditure incurred meeting the cost of firefighter pensions and employer's contributions to the LGPS. Actual pension costs become cash flow items, and are no longer charged to the Income and Expenditure Account. Instead the assessed service cost is charged to the service account, with past costs charged to Non-distributed Costs, as they do not relate to serving officers. The Actuary has assumed a 25% uptake in commutation for 2006/07 compared to 0% in 2005/06.

The table below shows the service cost charged to the Income and Expenditure Account and the pension expenditure it replaces. The pension costs now represent a contribution to the Pension Reserve established for FRS17 purposes and a reduction in the Authority's Pension Liability.

Revenue Service Costs	2006-2007		2005-2006	
	Actuarial Service Cost £000	Pension Expenditure £000	Actuarial Service Cost £000	Pension Expenditure £000
Firefighter	99,700	57,665	82,200	84,911
LGPS	7,951	9,252	6,009	7,272
Total	107,651	66,917	88,209	92,183
Non-Distributed Costs	Past Service Cost £000	Pension Expenditure £000	Past Service Cost £000	Pension Expenditure £000
Firefighter	300	0	2,500	0
LGPS	2,054	1,073	592	908
Total	2,354	1,073	3,092	908

The service cost for firefighters and support staff has been allocated to the Income and Expenditure Account based on individual levels of staff pensionable pay for the year. Details of the Authority's accrued liability in respect of both the firefighters' and the Local Government Pension Schemes are given below.

Further information in respect of the Local Government Pension Scheme can be found in the Pension Fund's Annual Report, which is available upon request from:

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

Pensions – Retirement benefits

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

The Authority's assets and liabilities are:

	31.3.07 £000	31.3.06 £000
Estimated liabilities in the Firefighters' Pension Scheme	3,316,800	3,366,300
Share of liabilities in LPFA	255,662	255,227
Unfunded liabilities	20,356	19,607
Estimated liabilities for discretionary added years	0	0
Total liabilities	3,592,818	3,641,134
Less share of assets in LPFA	175,505	158,757
Net pensions deficit	3,417,313	3,482,377

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

	31.3.07	31.3.06
Rate of inflation	3.2%	3.1%
Rate of increase in salaries	4.7%	4.6%
Rate of increase in pensions	3.2%	3.1%
Rate for discounting scheme liabilities	5.4%	4.9%

LPFA assets (whole fund) in respect of the Local Government Pension Scheme are valued at fair value, principally market value for investments, and consist of:

Assets Whole Fund	Fund Value	
	31.3.07 £000	31.3.06 £000
Equity investments	1,422,400	1,296,100
Bonds	510,700	391,600
Property	289,600	242,400
Cash	61,300	126,300
Total	2,284,000	2,056,400
LFEPFA Component	31.3.07 £000	31.3.06 £000
Estimated Employer Assets (A)	175,505	158,757
Present value of Scheme Liabilities	255,662	255,227
Present value of Unfunded Liabilities	20,356	19,607
Total Value of Liabilities (B)	276,018	274,834
Net Pension Asset (A) – (B)	(100,513)	(116,077)

Analysis of Movements in Net Pension Deficit during the year to 31 March 2007:

Movements in Net Pension Deficit	Firefighters' Pension Scheme £000	Local Government Pension Scheme £000
Beginning of Year Deficit	(3,366,300)	(116,077)
Service Cost	(99,700)	(7,951)
Employer contributions	82,700	9,401
Contributions in respect of unfunded benefits	–	1,159
Transfers in from other authorities	(1,300)	–
Transfers out to other authorities	600	–
Past Service Cost (Injury Benefits)	(300)	(59)
Past Service Cost (Others)	–	–
Impact of Curtailments / Settlements	–	(1,995)
Net return on assets	–	(2,670)
Interest Cost on Liabilities	(165,400)	–
Actuarial Gains / (Losses)	232,900	17,679
End of Year Deficit	(3,316,800)	(100,513)

It will be seen from the table below, Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses (STRGL), that the difference between the expected and actual return on assets in respect of the Local Government Pension Scheme amounts to £1.543m which is equivalent to 0.9% of scheme assets at 31 March 2007.

Analysis of Amount Recognised in Statement of Total Recognised Gains and Losses

Year to 31 March 2007	FPS £000	LGPS £000
Actual return less expected return on pension scheme assets	–	1,543
Experience gains and losses arising on scheme liabilities	25,000	(460)
Other experience gains/(losses) on liabilities	0	–
Changes in financial assumptions underlying the present value of scheme liabilities	207,900	16,596
Actuarial gain/(loss) in pension plan	232,900	17,679
Increase/(decrease in irrecoverable surplus from membership fall and other factors	–	–
Actuarial gain/(loss) recognised in STRGL	232,900	17,679
History of Experience Gains and Losses		
Year to 31 March 2007	FPS £000	LGPS £000
Difference between the expected and actual return on assets	–	1,543
Value of assets	–	175,757
Percentage of assets	–	0.9%
Experience gains/(losses) on liabilities arising from pension and salary increases	25,000	(460)
Present value of liabilities	3,366,300	276,018
Percentage of the present value of liabilities	0.8%	(0.2%)
Actuarial gains/(losses) recognised in STRGL	232,900	17,679
Present value of liabilities	3,366,300	276,018
Percentage of the present value of liabilities	7.0%	6.4%

Pension Liability (FRS Disclosure)

History of actuarial gains/losses identified as movements on the Pension Reserve

Year to 31 March 2007	Fire Pension Scheme £000	Local Government Pension Scheme £000
Actual return less expected return on pension scheme assets	–	1,543
Experience gains and losses arising on scheme liabilities	25,000	(460)
Changes in financial assumptions underlying the present value of scheme liabilities	207,900	16,596
Actuarial gain/(loss)	232,900	17,679
Year to 31 March 2006	Fire Pension Scheme £000	Local Government Pension Scheme £000
Actual return less expected return on pension scheme assets	–	20,622
Experience gains and losses arising on scheme liabilities	16,600	(365)
Changes in financial assumptions underlying the present value of scheme liabilities	(322,800)	(31,194)
Actuarial gain/(loss)	(306,200)	(10,937)
Year to 31 March 2005	£000	£000
Actual return less expected return on pension scheme assets		3,529
Experience gains and losses arising on scheme liabilities	(52,500)	(11,432)
Changes in financial assumptions underlying the present value of scheme liabilities	(560,894)	(38,523)
Actuarial gain/(loss)	(613,394)	(46,426)
Year to 31 March 2004	£000	£000
Actual return less expected return on pension scheme assets		15,258
Experience gains and losses arising on scheme liabilities	(31,776)	13,881
Changes in financial assumptions underlying the present value of scheme liabilities		
Actuarial gain/(loss)	(31,776)	29,139
Year to 31 March 2003	£000	£000
Actual return less expected return on pension scheme assets		(40,743)
Experience gains and losses arising on scheme liabilities	121,083	
Changes in financial assumptions underlying the present value of scheme liabilities		
Actuarial gain/(loss)	121,083	(40,743)

6 Subjective analysis of financing grants

The Authority received a GLA grant and a PFI grant towards financing its net expenditure for the year. GLA grant is made up of two elements, as follows, central government funding (£247.8m) and council tax (131.7m).

PFI (Private Finance Initiative) grant is fully funded by central government. The table below shows how the grants were allocated, on a subjective basis, in the year.

Grant allocation 2006/07	£m
Employees	345.9
Premises	27.1
Transport	20.8
Supplies & Services	19.4
Third Party payments	0.6
Gross cost of services	413.8
Income	(27.2)
Net Service Costs	386.6
Interest payments	5.1
Interest Receipts	(6.2)
Net Operating Expenditure	385.5
Overall Movements in Reserves	(10.3)
Amount to be met by Government Grants and Local Taxpayers	375.2
Grants received	
GLA Grant	(379.5)
PFI Grant	(4.3)
(Surplus)/Deficit for the Year	(8.6)
General Fund Balance at 1 Apr 2006	(26.5)
General Fund Balance at 31 Mar 2007	(35.1)

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

2005/06 £000	Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund balance for the year	2006/07 £000
(9,360)	Depreciation and impairment of fixed assets	(9,811)
0	Government Grants Deferred amortisation matching depreciation and impairments	0
0	Amounts treated as revenue expenditure in accordance with the SORP but which are classified as capital expenditure by statute	0
(1,328)	Net gain or loss on sale of fixed assets	0
(158,401)	Amount by which pension costs calculated in accordance with SORP are different from the contributions due under the pension scheme regulations	(210,085)
	Amounts not included in the income and Expenditure Account but required to be included by statute when determining the Movement on the general Fund Balance for the year	
3,425	Statutory provision for repayment of debt	3,400
0	Capital expenditure charged to General Fund balance	1,178
	Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the general Fund Balance for the year	
0	Any voluntary provision for repayment of debt	0
5,142	Net transfer to or from earmarked reserves	(14,918)
1,328	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year ending 31 March	0
(159,194)	Net additional amount required to be credited to the General Fund balance for the year	(230,236)

8 Capital Financing Account

This contribution covers:

Capital Financing Account	2006/2007 £000	2005/2006 £000
Capital Expenditure financed from Revenue	1,178	0
Amortised Capital grant prior year adjustment	(671)	0
Difference between charge to revenue for repayment of external loans/finance leases and amount provided for depreciation	(4,795)	(4,337)
Amortisation of deferred charges	(1,615)	(1,598)
Total	(5,903)	(5,935)

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

	£000	£000
Amount brought forward at 1 April 2006		11,004
Appropriation to/(from) general fund:		
– adjustment for Fixed Assets transferred under PFI	(32)	
– provision for repayment of external loans and finance leases	(5,200)	
– financing of fixed assets		(5,232)
Capital Grants written down – prior year adjustment	(671)	
Capital receipts applied	0	
		(671)
Balance as at 31 March 2007		5,101

Minimum Revenue Provision

The Authority is required by statute to set aside a minimum revenue provision for the redemption of external debt and notional interest on credit arrangements, principally leases. The method of calculating the provision is defined by statute. For 2006/07 the minimum amount is £3.4m (2005/06 £3.425m). Therefore the total amount set aside to the Capital Financing Account in 2006/07 was £3.4m (2005/06 £3.425m). The liabilities in 2006/07 charged against the Capital Financing Account amounted to £4m.

9 Earmarked Reserves

Net contributions to/(from) earmarked reserves consist of:

Earmarked Reserves	2006/2007 £000	2005/2006 £000
Pensions reserve	0	(12,156)
Firefighter Ill Health Pensions Reserve	100	1,921
Pay & Grading Reserve	(1,000)	0
LGPS Contributions	(1,515)	0
Budget Support Reserve	(12,200)	12,200
HQ Rental	(3,400)	1,400
Contingency reserve	(192)	(90)
London Resilience	(1,758)	(2,935)
PFI Vehicle Reserve	2,355	1,802
Sustainability Reserve formerly Invest to Save – Energy Reserve	692	3,000
Maintenance and Minor works reserve	2,000	0
Total Contribution to/(from) reserve	(14,918)	5,142

10 Finance and Operating Leases

The Authority does not currently hold any finance Leases. The Authority entered into an operating lease for a new headquarters based in Southwark with effect from 1 March 2006. The Authority, in addition to a Private Finance Initiative arrangement, which provides the Brigade fleet, also uses some cars, equipment and hygiene services under the terms of operating leases. The amounts paid under these arrangements in 2006/07 and charged to the Income and Expenditure Account are shown below; with their future cash commitment for 2007/08 and 2008/09:

Operating Leases	2006/2007 £000	2007/2008 £000	2008/2009 £000
Fire vehicle Fleet (PFI arrangement)	13,460	14,300	14,664
New Headquarters Union Street	3,022	3,022	3,022
Personal Protection System for Firefighters	2,016	2,016	2,016
Car Lease scheme	920	673	302
AS400 Computer	5	0	0
Property Cleaning Contract	49	13	0
Photocopiers	86	85	85
Pagers	55	14	0

11 Publicity

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

Publicity	2006/2007 £000	2005/2006 £000
Recruitment advertising	373	370
Fire safety advertising	129	123
Public notices	5	4
Other activities	112	97
Total	619	594

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

The Authority is empowered by the Local Authorities (Goods and Services) Act 1970 to provide goods and services to other public bodies. In 2006/07 the Authority did not provide any services to any other public body under this arrangement.

13 Related Party Transactions

Two senior officers have declared related party transactions, one in respect of their capacity as Chair of the London region of the Fire Services National Benevolent Fund and another in their capacity as acting interim chief executive of FiReBuy. A number of Authority officers are also members of the London Fire Brigade Welfare Fund Executive Council.

Apart from those officers disclosed above, no Authority member and no member of senior management has declared that during the year they, or their close relations or members of the same household have undertaken any declarable transactions neither with related parties nor with the Authority.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2007, in respect of related party transactions. The Authority has prepared this disclosure in accordance with its current interpretation and understanding of FRS8 and its applicability to the public sector utilising current advice and guidance.

14 Employees' Remuneration

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

Salary range	2006/2007	2005/2006
£50,000 – £59,999	261	123
£60,000 – £69,999	52	25
£70,000 – £79,999	8	3
£80,000 – £89,999	6	1
£90,000 – £99,999	2	6
£100,000 – £109,999	2	4
£110,000 – £119,999	5	2
£120,000 – £129,999	3	0
£130,000 – £139,999	1	0
£150,000 – £169,999	0	0
£170,000 – £179,999	0	1
£180,000 – £189,999	1	0

15 Audit Fees

	2006/2007 £000	2005/2006 £000
Fees payable to appointed Auditor for External Audit services	151	145
Fees payable to External Auditor for certification of Grant claims and returns	0	0
Fees payable to the Audit Commission in respect of other services	22	19
CLG Grant	(19)	0
Total	154	164

16 Fixed Assets

Movements in fixed assets during the year were:

	Intangible Fixed Assets £000	Tangible Fixed Assets			Non Operational Assets £000	Community Assets £000	Total £000
		Land £000	Buildings £000	Equipment £000			
Net Book value as at 1.4.06	7,914	59,010	205,880	13,374	860	0	287,038
Add back Depreciation	2,094	0	16,130	5,868	0	0	24,092
Gross Value as at 1.4.06	10,008	59,010	222,010	19,242	860	0	311,130
Revaluation/Restatement	0	0	(1,369)	(2,837)	4,206	0	0
Assets written out	0	0	0	0	0	0	0
Additions	1,642	40	10,410	0	4,126	10	16,228
Gross value as at 31.3.07	11,650	59,050	231,051	16,405	9,192	10	327,358
Accumulated depreciation	(2,094)	0	(16,130)	(5,868)	0	0	(24,092)
Revaluation/Restatement	0	0	0	0	0	0	0
Assets written out	0	0	0	0	0	0	0
Depreciation for year	(1,615)	0	(6,471)	(1,725)	0	0	(9,811)
Total Depreciation as at 31.3.07	(3,709)	0	(22,601)	(7,593)	0	0	(33,903)
Net book value as at 31.3.07	7,941	59,050	208,450	8,812	9,192	10	293,455

Intangible Fixed Assets

Intangible Fixed Assets represent expenditure on computer software which has been capitalised but which does not result in the acquisition or increased value of a tangible fixed asset. Capital expenditure in year amounted to £1.642m.

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

The freehold and leasehold properties which comprise the Authority's property portfolio were valued, by External Valuers, Messrs Dron & Wright (Chartered Surveyors and Property Consultants), as at 1 April 2003, on the under mentioned bases, in accordance with the Fourth Edition of the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors.

- Plant, machinery and fixtures and fittings were included in the valuation of the buildings.
- Properties regarded by the Authority as operational were valued on the basis of Existing Use Value (EUV) or where this could not be ascertained because there was no market for specialised assets, on a Depreciated Replacement Cost (DRC) basis, subject to the prospect and viability of the occupation and use.
- Properties regarded by the Authority as non-operational (held for investment purposes or prior to disposal) were valued on the basis of Open Market Value (OMV).
- Where Depreciated Replacement Costs figures were provided, an opinion was given as to whether Open Market Value would produce a significantly different figure.

- The sources of information and assumptions made in producing the various valuations are set out in a valuation report dated 17 July 2003.

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

Community Assets

Community assets have been included in the Balance Sheet at a nominal figure of £10k. This treatment has been adopted as a proxy of the SORP requirement to value community assets at historic cost, as their historic cost is unknown. The assets consist of antique furniture pictures, other museum pieces, and a photographic collection, acquired as and when equipment has been retired and gifted over many years. The collection has been valued by an external valuer, for insurance purposes, at £1.292m (Museum items £0.867m, photographic collection £0.425m).

Capital Expenditure

In 2006/07 the Authority incurred Tangible Fixed Asset capital expenditure of £14.576m on land (0.040m) buildings (£13.314m) and equipment (£1.222m). This expenditure is shown as "Additions" in the above analysis. Excluded from the analysis is any expenditure on items of a capital nature of £20,000 or less. In accordance with a de minimis limit set by the Authority these are not treated as capital expenditure but charged direct to the Income and Expenditure Account.

Capital Expenditure of £0.882m, funded by government grant, was also incurred in delivering the CLG's Home Fire Safety Check initiative. This expenditure, however, relates to the provision and installation of smoke alarms in private property and as such does not form part of the Authority's assets.

Capital expenditure and financing:	2006/07 £000
Opening Capital Financing Requirement	83,711
Operational assets	14,576
Non Operational assets	882
Intangible Assets	1,642
<i>Sources of finance</i>	
Capital receipts	0
Government grants and other contributions	(1,410)
Sums set aside from Revenue	
Minimum Revenue Provision	(3,400)
Direct Revenue financing	(1,211)
Closing Capital Financing Requirement	94,790
<i>Explanation of movements in year</i>	
Increase in underlying need to borrow (supported by government financial assistance)	10,560
Increase in underlying need to borrow (unsupported by government financial assistance)	519
Increase/(decrease) in Capital Financing Requirement	11,079

Significant contractual commitments for capital expenditure outstanding as at 31 March 2007:

	2007/08 £m	2008/09 £m	2009/10 £m
New Headquarters Building	19.470	0	0
<i>Fire Station building works</i>			
Bexley Fire Station Building works	1.049	0	0
Hornchurch Fire Station	1.355	0	0
Kensington Fire Station	0.702	0	0
Sidcup Fire Station	1.200	0	0
Wallington Fire Station	0.629	0	0
Wembley Fire Station	2.650	0	0
West Norwood Fire Station	0.500	0	0
<i>Systems works</i>			
Command Support System	0.720	0	0
Network software development	0.925	0	0
Total	29.200	0	0

In total, at 31 March 2007 the Authority had estimated contractual commitments of £29.2m, which, at that date, was expected to fall in 2007/08. The Authority's approved capital programme provides for a further £19.3m to be spent on new capital schemes in 2007/08.

The Authority's premises principally include:

Holdings at 31 March 2007	Leasehold	Freehold
Fire stations and associated buildings	7	105
Offices	7	0
Vehicle workshops	0	2
Sites awaiting development	0	0
Sites under development	0	1
Surplus land and property	1	2
Other properties	3	3
Total	18	113

Notes:

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

As at 31 March 2007 the Authority had no assets held under finance leases.

17 Long-Term Debtors

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

	Outstanding at 1.4.06 £000	Advanced during year £000	Repaid during year £000	Outstanding at 31.3.07 £000
Car loans	206	70	107	169

18 Stock

These include:

Category of Stock	31.3.2007 £000	31.3.2006 £000
Uniforms	249	192
Protective equipment	78	68
Other	494	371
Total	821	631

19 Debtors

These include:

Debtors	31.3.2007 £000	31.3.2006 £000
Government departments	5,922	2,196
Other local authorities	6	6
Rents	290	508
Sundry debtors	4,242	2,851
Employee season ticket loans	194	179
Payments in advance	2,130	2,140
Payments in advance – deferred consideration under PFI contract	1,006	1,077
Sub Total	13,790	8,957
<i>Less: Provision for doubtful debts</i>	<i>(571)</i>	<i>(622)</i>
Total	13,219	8,335

20 Borrowing repayable within 12 months

Loans totalling £4.4m from the Public Loans Board will fall to be repaid on 30 September 2007 (£1.9m) and 9 February 2008 (£2.5m).

21 Creditors

These include:

Creditors	31.3.2007 £000	31.3.2006 £000
Government departments	7,387	7,040
Sundry creditors	18,452	12,055
Receipts in advance	6,331	4,002
Total	32,170	23,097

22 Long-Term Borrowing

The sources are:	31.3.2007 £000	31.3.2006 £000
Public Works Loan Board	83,424	76,324
<i>These loans mature as follows:</i>		
Between 1 and 2 years	4,000	4,400
Between 2 and 5 years	11,699	11,799
Between 5 and 10 years	15,000	15,900
Between 10 and 15 years	15,000	15,000
More than 15 years	37,725	29,225
Total	83,424	76,324

23 Deferred Government Grant

In 2006/07 the Authority deferred use of income, from government revenue grants of £0.936m, and £3.087m in capital grants, for use in 2007/08 as summarised in the table below.

Grant source	Purpose	Nature	£000
CLG	Arson Task Force	Revenue	75
CLG	Community projects	Revenue	255
Home Office	Community projects	Revenue	38
CLG	Community Fire Safety	Revenue	503
European Union	Community projects	Revenue	15
Government Office for London	Emergency Planning	Revenue	50
Sub Total – Revenue			936
CLG	New Dimensions	Capital	1,200
CLG	Home Fire Safety	Capital	1,887
Total Deferred Grants			4,023

24 Deferred Credit

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

Deferred Credit	Opening Balance as at 1.4.06 £000	Additions in year £000	Write back £000	Closing Balance as at 31.3.07 £000
Union Street New Headquarters	5,702	0	575	5,127
Union Street Skyline House	0	125	7	118
Total	5,702	125	582	5,245

25 Provisions

Summary of Provisions	As at 31.03.07 £000	As at 31.03.06 £000
Legal	1,148	846
Pay	901	0
Motor Insurance	2,296	607
HQ move	1,250	0
Total	5,595	1,453

Legal

This provision is in respect of potential legal liabilities, identified by the Head of Legal Services as at 31 March 2007.

Provision for legal liabilities	Balance as at 1.4.06 £000	Payments during year £000	Contribution to/(from) during year £000	Balance as at 31.3.07 £000
	846	(329)	631	1,148

Pay

The provision reflects transitional back dated payments to staff under service modernisation arrangements.

Provision for back dated pay	Balance as at 1.4.06 £000	Payments during year £000	Contribution to/(from) during year £000	Balance as at 31.3.07 £000
	0	0	901	901

Motor Insurance

The provision reflects the level of outstanding Authority motor insurance claims. As at 31 March 2007 the limit of the Authority's potential liability was assessed at £0.607m, with an additional sum of £1.689m held in escrow by the Authority's insurers to meet current outstanding claims.

Provision for Motor Insurance claims	Balance as at 1.4.06 £000	Payments during year £000	Contribution to/(from) during year £000	Balance as at 31.3.07 £000
	607	0	1,689	2,296

Headquarters move

A provision of £1.25m has been established to cover any unforeseen liabilities relating to the move to a new Headquarters.

Provision for HQ move	Balance as at 1.4.06 £000	Payments during year £000	Contribution to/(from) during year £000	Balance as at 31.3.07 £000
	0	0	1,250	1,250

26 Detail of movements on Reserves

The movements were:

Reserve	Balance as at 1.4.06 £000	Movement in Year £000	Balance as at 31.3.07 £000	Purpose of Reserve	
Fixed Asset Restatement Account	190,569	10	190,579	Store of gains on revaluation of fixed Assets	
Capital Financing Account	11,004	(5,903)	5,101	Store of capital resources set aside to meet past expenditure	
Usable Capital Receipts	9,750	0	9,750	Proceeds of fixed asset sales available to meet future capital investment	
Pensions Reserve	(3,482,377)	65,064	(3,417,313)	Balancing Account to allow inclusion of Pensions liability in the Balance Sheet.	
Earmarked Reserves	44,865	(14,918)	29,947	See note below	
General Fund	26,534	8,598	35,132	Resources available to meet future running costs.	
Total	(3,199,655)	52,851	(3,146,804)		
Ear marked Reserves	Balance as at 1.4.06 £000	Interest applied £000	Contribution during year £000	Applied during year £000	Balance as at 31.3.07 £000
Firefighter Ill Health Pensions	1,921	0	100	0	2,021
Budget Support	12,200	0	0	(12,200)	0
Pension Contributions	3,000	0	0	(1,515)	1,485
Maintenance & Minor works	0	0	2,000	0	2,000
HQ Lease Rental	3,400	0	0	(3,400)	0
Pay & Grading	1,000	0	0	(1,000)	0
Contingency reserve	192	0	0	(192)	0
Vehicle PFI reserve	15,460	692	2,083	(420)	17,815
London Resilience	4,692	0	1,257	(3,015)	2,934
Sustainability Reserve formerly	3,000	0	1,400	(708)	3,692
Invest to Save Reserve					
Total	44,865	692	6,840	(22,450)	29,947

The Budget Support reserve has been fully applied to the General Fund. A new reserve for Maintenance and Minor Works has been established to address property maintenance issues. The Ill-health Pensions Reserve will be used for any exceptional ill-health retirements, which will require a lump sum payment to the Department of Communities and Local Government under the new firefighter pension scheme.

27 Self Insurance

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

Category insured	£000
Property (material damage)	10
Employer's liability	1,000
Public, Officials and Professional Indemnity liability	1,000
Fidelity Guarantee	250
Airside Cover	50
Motor	35
Marine	8

28 Post Balance Sheet Events

None. The accounts were authorised for issue by Sue Budden, Head of Finance, on 10 September 2007 and post balance sheet events have been considered up to this date.

29 Going Concern

The Authority's Balance Sheet shows a negative Total Equity of £3.1bn, as a result of the full adoption of accounting standard FRS17. The accounting standard requires the recognition of the Authority's pension liabilities in the accounts. However this is purely an accounting entry and does not impact on the council taxpayer. It does not affect the Authority's future status or ability to fulfil its function.

30 Cash paid to Employees

Cash paid to and on behalf of employees has fallen significantly as pension payroll payments are met from a pension fund account funded by CLG, and is no longer a revenue cost to the Authority.

31 Other Government Revenue Grants

Type of Grant	Government Source	2006/2007 £000	2005/2006 £000
Formula Grant Adjustment	CLG	544	0
London Resilience	CLG	567	1,486
Community projects	CLG	501	775
Arson Control	CLG	0	250
Community Fire Safety	CLG	1,213	380
Audit fees	CLG	19	0
Community projects	EU	194	0
Civil Defence	Cabinet Office	606	15
Civil Contingencies	Cabinet Office	0	1,201
Total		3,644	4,107

32 Reconciliation of deficit to net cash inflow

	2006/2007 £000	2005/2006 £000
Deficit for the year on the Income and Expenditure Account	(8,598)	(8,129)
Expenditure met from provisions and reserves	(1,072)	11,308
	(9,670)	3,179
Non-cash transactions		
– depreciation	(9,811)	(7,730)
– contributions from/(to) provisions and reserves	20,818	(2,100)
	1,337	(6,651)
Items on an accruals basis		
– decrease in stocks	190	(11)
– increase/(decrease) in debtors	3,111	(2,385)
– (increase)/decrease in creditors	(3,223)	(2,348)
– deferred credit	(5,245)	(5,702)
	(3,830)	(17,097)
Items shown elsewhere in the cash flow statement		
– interest earnings	6,244	5,046
– interest payments	(5,050)	(4,981)
– finance leasing interest payments	0	0
Net cash (inflow)/outflow from revenue activities	(2,636)	(17,032)

33 Analysis of net debt

	As at 31.3.06 £000	Cash flow £000	As at 31.3.07 £000
Cash (see note 35)	(9,690)	(6,512)	(16,202)
Debt due within 1 year	4,000	400	4,400
Debt due after 1 year	76,324	7,100	83,424
Short term investments	(91,500)	10,000	(81,500)
Total	(20,866)	10,988	(9,878)

34 Reconciliation of items under Financing and Management of Liquid Resources

Financing items		Movement in the year £000	
Cash outflows		4,000	
Cash inflows		(11,500)	
Net Cash		(7,500)	
Balance Sheet	As at 31.3.06 £000	As at 31.3.07 £000	Movement in the year £000
Short term borrowing	4,000	4,400	(400)
Long term borrowing	76,324	83,424	(7,100)
Deferred Liabilities	0	0	
	80,324	87,824	(7,500)

Management of liquid resources		Movement in the year £000	
Short term investments		(10,000)	
Balance Sheet	As at 31.3.06 £000	As at 31.3.07 £000	Movement in the year £000
Short term investments	106,985	104,175	(2,810)
Less			
Deposits held on call accounts	15,485	22,675	7,190
	91,500	81,500	(10,000)

35 Movement in Cash

The movements were:

Movement in Cash	Balance at 31.3.06 £000	Balance at 31.3.07 £000	Movement in the year £000
Cash in hand	(138)	(161)	(23)
Cash overdrawn	5,933	6,634	701
Deposits Repayable on Demand	(15,485)	(22,675)	(7,190)
	(9,690)	(16,202)	(6,512)

Supplementary Accounting Statement

Firefighter Pensions Scheme Fund Account

	£000	£000
Contributions receivable		
– from employer		
– normal	(40,891)	
– early retirements	(2,011)	
– other	0	
	(42,902)	
– from members	(21,289)	
		(64,191)
Transfers in		
– individual transfers in from other schemes	(149)	
– other	0	
		(149)
Benefits payable		
– pensions	76,148	
– commutations and lump sum retirement benefits	12,508	
– lump sum death benefits	0	
– other	0	
		88,656
Payments to and on account of leavers		
– refunds of contributions	0	
– individual transfers out to other schemes	224	
– other	0	
		224
Sub total – Net amount payable/receivable for the year before top up grant receivable or payable to sponsoring department		24,540
Top up grant receivable/amount payable to sponsoring department		(27,906)
Net amount (payable)/receivable for the year		(3,366)

Net Assets Statement

	£000
Net current assets and liabilities	
– contributions due from employer	0
– pension top up grant receivable from sponsoring department	0
– unpaid pension benefits	0
– amount due to sponsoring department	3,366
– other current assets and liabilities (other than liabilities to pay pensions and other benefits in the future)	0
Total	3,366

Supplementary Accounting Statement Note

1 The Firefighters' Pension Scheme in England

The funding arrangements for the Firefighters' pension scheme in England changed on 1 April 2006. Prior to 1 April 2006 the firefighter scheme did not have a percentage of pensionable pay type of employer's contribution, the Authority was responsible for paying pensions of its former employees on a pay-as-you-go basis. Under the new funding arrangements the scheme remains unfunded but will not be on a pay-as-you-go basis as far as the Authority is concerned. Apart from the costs of injury awards the Authority no longer meets pension outgoings directly; instead it will pay an employer's pension contribution based on a percentage of pay into the pension fund.

The Authority is required by legislation to operate a pension fund and the amounts that must be paid into and paid out of the fund are specified by regulation. The supplementary fund statement does not take account of any liabilities to pay pensions or any other benefits after the year end. It purely details pension transactions for the year.

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

Statement on Internal Control

1 Scope of Responsibility

The London Fire and Emergency Planning Authority (the Authority) is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Authority also has a duty to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. In discharging this overall responsibility, the Authority is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk.

2 The Purpose of the System of Internal Control

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

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

The system of internal control has been in place at this Authority for the year ended 31 March 2007 and up to date of approval of the annual statement of accounts and has been the subject of review. Areas where we intend significantly to improve internal controls are detailed in section 5 below.

3 The Internal Control Environment

Our main aim is to make London a safer city by minimising the risks, and social and economic costs, of fire and other hazards. To help deliver this aim, we have classified our key priorities around these themes, which have regard to the structure of the national framework for the fire and rescue service.

The Authority's core aims and objectives are set out in the Corporate Plan, which is then cascaded to departmental service plans. The Authority's risk policy statement is included within the Corporate Plan, together with the key corporate risks. The Corporate Plan is approved by the Authority alongside the budget and also sets out the arrangements for continuous improvement.



Key elements of the internal control environment include:

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

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

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

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

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

The Authority's corporate risk register was formally approved and established by the full Authority on 17 March 2005 and was subsequently reviewed and approved by the full Authority on, 23rd March 2006 and 22nd March 2007. The register is reviewed in full consultation with heads of service and identifies key risks that could prevent the Authority achieving its aims and objectives. Controls are in place to mitigate these risks and both risks and controls are subject to regular review and scrutiny, which is evidenced in the form of external inspections, reports to Authority, its panels and executive board, and by service managers' assurances through the risk process.

Ensuring compliance with established policies, procedures, laws and regulations

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

- Establish and monitor the achievement of the Authority's objectives via, for example, quarterly monitoring reports to members.
- Facilitate policy and decision making via, for example standing orders, and the service planning process.
- Ensure compliance with established policies, procedures, laws and regulations.
- Identify, assess and manage the risks to the Authority's objectives including risk management.
- Ensure the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the Authority's functions are exercised, via, for example, the Authority's Fundamental Performance Review programme and Budget review process.
- Provide appropriate financial management of the Authority and the reporting of financial management, and
- Ensure proper performance management of the Authority and the reporting of performance management.

A well developed internal audit process underpins the internal controls framework. Throughout the previous year and 2006/07 the Authority's Strategic Risk Department has been working in partnership with a consultancy and representatives from key departments across the Authority, at dedicated group sessions, to review the corporate risk register and develop systems which will integrate with planning processes. In addition, a number of projects have been moved forward that have used risk as a basis and have a practical application. These include formal approval of the Authority's first Business Continuity Plan, and continued embedding of Departmental Risk Registers. All Departments have now conducted a business impact analysis plan and most managers have received a two day introduction to the management of corporate risk.

In addition to the above, the Audit and Assurance Group meets on a regular basis to co-ordinate and join up audit activity across the Authority. The Group is developing the audit approach so that the Corporate Risk Register provides a focal point for prioritising audit activity and verifying the effectiveness of current controls and the risk framework itself.

4 Review of Effectiveness

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

Throughout 2006/07 the Authority has maintained and reviewed its systems of internal control in a number of ways. In particular:

The full Authority received regular performance reports on its objectives, policies, and procedures through its Finance Procurement and Property Committee, Best Value and Community Safety and Engagement, and Human Resources Equalities and Health and Safety panels.

Comprehensive progress reports are submitted every quarter to the Health and Safety and Environment Strategy Board and the Corporate Management Board on the implementation of the Health, Safety and Environment policy and a full annual report is submitted to the Authority and progress is also reviewed by the Liaison Member for Health and Safety. Corporate Health and Safety has an input to the Authority's competency-based training programmes.

The Authority's internal audit team works to defined professional standards and the internal audit plan is prepared on the basis of a formal risk assessment. The plan, annual performance and main outcomes and recommendations arising from audit work are reported to the Authority and the Audit panel. The external auditor relies on the work of internal audit in key areas in accordance with the principles of 'managed audit.'

The external auditor also reports his plan and Audit Memorandum on the year's audit to the Authority's Audit Panel and the Annual Audit and Inspection Letter to the full Authority.

Our review of the effectiveness of the system of internal control is informed by the work of senior management within the Authority, who continually assess Departmental and Corporate Risk Registers and provide assurance that controls are in place and confirming the status of those controls. Our review is also informed through the work of internal auditors as described above, and the external auditors in their annual audit letter and other reports.

5 Significant Internal Control Issues

Significant internal control issues that were identified as outstanding reported in the Authority's Action Plan in 2005/06 are shown below with comment on the progress made in addressing them to date. The plan also shows any new issues that have been identified.

The Authority's risk management framework has been developed further this year with the establishment of Departmental Risk Registers across all sixteen departments, detailing both the areas of concern which are local to departments as well as the current and planned control measures to mitigate those risks. Departmental Risk Registers also support and underpin the Corporate Risk Register.

Action Plan

Issues	Programmed Action	Action update	Responsible officer
Health, Safety and Environment	<p>Ensure the implementation of action plans following accident investigations, non compliance situations and monitoring activities achieve continuous improvement.</p> <p>Pro-active approach and health and safety involvement to be integrated at initiation of all projects.</p> <p>Implement Environmental policies and procedures through Environmental Management System (EMS).</p>	<p>Detailed statistical analysis continues to inform areas for improvement with focussed health and safety campaigns that commenced in March 2007. Planned preventive inspection regime developed by Corporate Health Safety and Environment Services. Inspection procedure for local managers has been piloted prior to adoption mid 2007. Integrated Health, Safety and Environment Audit system in place with effect from April 2007.</p> <p>Health & safety to be represented on project panels.</p> <p>EMS established in Procurement, phased roll out to other departments under consideration.</p>	<p>Deputy Commissioner</p> <p>Assistant Commissioner Operational Planning</p>
Corporate Risk Management	Create departmental risk registers by January 2006.	Achieved – Departmental Risk Registers are established and reviewed quarterly as part of the planning process.	Assistant Commissioner Risk
Performance Management Framework	Implement performance management framework from January 2006.	Framework in process of implementation. Target is to have in place a comprehensive, risk based performance management framework, linking and prioritising individual objectives and targets to organisational objectives and targets by March 2008.	Head of Strategy, Planning and Performance
Business Continuity	Develop and implement a testing and auditing plan for the Business Continuity Plan by March 2007.	Internal Audit review the Business Continuity Plan as part of their audit programme. Audits of Departmental Risk Registers which inform Business Impact Analyses are carried out as part of the risk management framework audit programme. Additionally an annual test programme is being established and will be in place by December 2007.	Assistant Commissioner Risk
Corporate Risk Management	Corporate Review of Corporate Risk Register and establish a review programme by March 2007.	The Corporate Risk Register was reviewed and approved by Authority in March 2007. Consultation and review is ongoing with Heads of Service and key sections of the Authority on a continual basis as the Corporate Risk Register is a "live" document. Additionally, the Corporate Risk Register is reviewed quarterly by Corporate Management Board.	Assistant Commissioner Risk
Key Partnerships	Implement a risk assessment and risk management process to cover all key partnership arrangements by March 2007.	The Partnership risk assessments process has been reviewed and the new processes are now in place.	Assistant Commissioner Risk

New Actions

Corporate Risks	Further work is planned to analyse the red risks and controls on the Corporate Risk Register this year to identify any areas where additional controls or improvements to existing controls are needed.		Assistant Commissioner Risk
-----------------	---	--	-----------------------------



.....
Sir Ken Knight
Commissioner for Fire and Emergency Planning
Dated 21 June 2007



.....
Valerie Shawcross
Chair of the Authority
Dated 21 June 2007

Glossary of terms

Accruals

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

Budget

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

Capital expenditure

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

Capital receipts

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

CLG

Communities & Local Government, the government department responsible for national policy on local government in England.

Contingency

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

Contingent liability

A possible liability to future expenditure at the balance sheet date dependant upon the outcome of uncertain events.

Corporate and Democratic Core (CDC)

The costs attributable to CDC are those costs associated with corporate policy making and member based activities.

Creditors

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

Debtors

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

Depreciation

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

Earmarked reserves

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

Minimum revenue provision

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

Provisions

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

Private Finance Initiative (PFI)

A central government initiative whereby contracts are let to private sector suppliers for both services and capital investment in return for a unitary payment, which may be reduced if performance targets are not met.

Public Works Loans Board

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

Revenue expenditure

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

Stock

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



User feedback questionnaire

2006/2007 Statement of Accounts

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

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

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

Yes No

Comments _____

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

Yes No

Comments _____

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

Yes No

Comments _____

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

Yes No

Comments _____



5 Did you find the Glossary helpful?

Yes No

Comments _____

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

Yes No

Comments _____

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

Yes No

Comments _____

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

Comments _____

9 Which of the following best describes you?

- An employee or elected member of the Authority
- A member of the public
- A member of another organisation/interested party

Thank you for taking the time to complete this questionnaire.

Please return the completed feedback questionnaire to:

LFEPA, Finance Accountancy, Room 305MB, 8 Albert Embankment, London, SE1 7SD





LONDON FIRE BRIGADE

www.london-fire.gov.uk

Produced and published by the Communications Department, (September 2007)
LFB is run by the London Fire & Emergency Planning Authority