



LONDON FIRE BRIGADE

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MINUTES

## AUDIT COMMITTEE

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|-------|---------------------------|------|---------|
| DATE  | Monday, 2 December 2024   | TIME | 2.00 pm |
| VENUE | Microsoft Teams - Virtual |      |         |

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Minutes of the proceedings of the meeting of Audit Committee held Microsoft Teams - Virtual on Monday, 2 December 2024

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### **Present:**

Marta Phillips OBE, Independent Member (Chair)  
Kay Boycott, Independent Member  
Martin Spencer, Independent Member

### **In Attendance:**

Andy Roe, Commissioner  
Bijel Thakrar, Chief of Staff to the Commissioner  
Mostaque Ahmed, Director for Corporate Services  
Catharine Gregory, Assistant Director Finance, Transformation  
Jess McMonagle, Professional Head of Business Resilience  
David Esling, Head of Audit and Assurance  
Karen Mason, Group Internal Audit Lead  
Ben Lazarus, Partner, Ernst and Young  
James Buttery, Principal Budget Planning Accountant  
Sean Cosgrove, Principal Financial Accountant  
Gareth Liptrot, Head of Professional Standards Unit  
David O'Sullivan, Head of Strategic Finance  
Andrew Beesley, Head of Governance  
Anna Flatley, Governance Manager

### **1. Apologies**

Apologies were received from Seyi Obakin.  
Apologies were also received from Fiona Dolman, Director of Transformation.

### **2. Declarations of Interest**

There were no declarations of interest.

### **3. Minutes of the Previous Meeting**

The minutes of the meeting held on 16 September 2024 were agreed as a correct record and the updates to the actions noted.

### **4. LFC Executive Summary of Current Events**

The London Fire Commissioner thanked the Audit Committee for its advice, support, scrutiny and constructive challenge and provided a verbal update on key current events which the Committee then discussed.

Specific issues which the Commissioner provided an update on and which were discussed included the following.

- i) The HMICFRS Round 3 inspection report.

This was published on Friday 29 November 2024 and it was noted that a letter to the Chair of the Committee had recently been circulated to all Members summarising the key findings from the report.

The Committee noted that the report provided a clear assessment of the positive change that had been achieved across LFB since the last inspection in 2022 – which saw an improvement to the service provided to London, as well as the work to transform the culture across the organisation.

The Commissioner stated that this inspection report was an important milestone and the Brigade had improved in 10 out of the 11 areas, which would not have been achieved without the Committee's input. The Commissioner stated that there was more to do and emphasised that LFB was not complacent. The Chair of the Committee congratulated LFB on the improvements made and recognised the amount of effort that had been undertaken.

Further to discussion, the Committee queried whether this report had an impact on the areas of focus from a transformation perspective which the Commissioner acknowledged might be the case and he assured the Committee that focus was continually being assessed. It was recognised that the pace of change might not be sustainable, particularly in the current difficult macro-economic times, and therefore it was important to ensure the right project management systems were in place to sustain and scrutinise change. The Committee discussed how this tied in closely with corporate risk and the Committee welcomed the growing maturity in this area. The Committee noted that LFB was at a pivotal point in terms of ownership and delivery of change and the move to more continuous improvement which was not yet fully embedded.

The Committee cautioned against the risk of stretch to people in the organisation as it was recognised there was more to do. Officers acknowledged this risk and welcomed greater staff engagement and more joined up thinking in the organisation which would assist in mitigating against this risk. Officers assured the Committee that engagement with staff would continue.

- ii) LFB response to Grenfell Tower Inquiry Phase 2 report

The Committee noted that the Commissioner had provided his initial reactions following the publication of the Grenfell Tower Inquiry Phase 2 report to the last meeting of the Committee in September. Since then, the LFC response to the recommendations within the London Fire Brigade section in the report had been published and this had been sent to Members of this Committee in October.

The Commissioner reported that the LFB section of the report contained 13 recommendations; one of which was specifically for LFB, five for all Fire and Rescue Services, and the remaining seven for HM Government, HMICFRS, the National Fire Chiefs Council and the British Standards Institution. It was noted that LFB accepted all the recommendations

for the Brigade and Fire and Rescue Services and supported the remaining recommendations.

LFB's response was developed in collaboration with key stakeholders and relevant community groups, and outlined the work which was already underway to address the recommendations and the further actions that were to be taken.

The recommendation directly aimed at LFB, implementing change, was focused on creating robust systems to gather, review and implement lessons from previous incidents, inquests and investigations. LFB's response was clear that the Brigade fully accepted this recommendation, and was committed to being a listening and learning organisation to ensure lessons from incidents were learned and good practice was shared across the organisation and with key agencies.

The Commissioner added that wider recommendations, although not aimed at LFB, were relevant to London's communities and included building and fire safety issues. It was noted that LFB still operated in an environment with 1,300 buildings remaining unremediated in London and with fire safety defects so serious that they required a changed evacuation strategy. It was therefore recognised that further investment was essential to continue managing the extensive operational risks in London's built environment. The Chair of the Committee asked the Commissioner specifically about the LFB's ability to deliver on the Government's recent announcement to set tough new targets to fix unsafe buildings as part of the Remediation Acceleration Plan. The Commissioner noted that 70% of the earmarked buildings were in London and without further funding and qualified staff this would not be possible. This position had been communicated to Government.

iii) Staff survey

The Commissioner noted that the staff survey had recently closed and officers were analysing the results. It was noted that there was a participation rate of 74%, a 4% increase on last year (which itself was a marked increase compared to past surveys) and that there had been a positive shift at a brigade-level in every question compared to 2023, with scores improving between +1% to +15%.

It was confirmed that once the analysis had been completed the detailed results and proposed actions would be shared with this Committee.

The Audit Committee then noted the verbal update on the summary of current events and thanked the Commissioner.

## **5. Budget 2025/26**

The London Fire Commissioner presented a verbal update on the budget submission for 2025/26, as included in the agenda pack, by noting it was published on 22 November 2024 in line with GLA guidance. The Committee then discussed the budget submission. It was noted that the Commissioner and Director for Corporate Services were meeting with the Mayor to discuss the budget on the following day.

The Commissioner noted that the context for this year's budget planning round was within a tough macro-economic environment both at national level and locally within the GLA group. The Brigade was facing a range of financial pressures that were difficult to control including: inflation on contracts, rates and rents; implementation of previous nationally agreed pay awards above the levels that were budgeted for; operational overtime, higher payouts for ill-

health and injury pensions; and increased costs of borrowing to fund capital as historical capital receipts had been exhausted.

The Commissioner also noted that LFB needed to invest in priority areas to ensure continuous improvement in operational performance, assets and culture, against a backdrop of a complex risk environment in London. The Committee acknowledged that in previous years LFB had had the benefit of the Budget Flexibility Reserve to support the financial position, but this was due to be exhausted by the end of the current financial year.

The Commissioner then summarised the LFB's approach to savings and efficiencies, noting that the initial budget gap for 2025/26 was reduced from £46m by completing the first two phases of an in-depth financial review. This identified cross-cutting, directorate, and programme savings of £18m, and the removal of year-on-year growth of £10m. This left a remaining budget gap of £18m for 2025/26 to be closed by the time the Mayor publishes his draft consolidated budget on 15 January 2025.

The Committee commented that this was a challenging situation and suggested that more scenario planning and deep dives into risks should be undertaken, including on staff costs. It expressed concern that this budget had little contingency. The Chair commented that the Committee had expressed concern on the reduction of reserves for years and stated that a lack of resources now could potentially result in higher costs in the future.

The Commissioner acknowledged this observation and understood the Committee's concerns. He reported that he was making the case to the GLA that LFB had proactively undertaken a tough, albeit necessary process to identify significant savings and severely restricted growth. However, it would be difficult to close the budget gap further without risking Londoner's safety by cutting operational response or prevention and protection work, which could not reasonably be done given the extraordinary risk environment in London. He added he would also make the case that this would risk undoing the valuable transformational improvements that have been made since the Grenfell Tower Fire, as exemplified by the HMICFRS round 3 inspection report as discussed under the previous item.

The Committee noted that the published budget submission recorded that despite the funding support from the current Mayor, given past cuts, the LFB was receiving £150m less funding this year in real terms compared to 2010.

The Committee noted that the case for sustainable funding was being made to local and national government not just for 2025/26 but also beyond and within the Comprehensive Spending Review.

Following a short break when the Commissioner left the meeting, the Committee reflected further on the budgetary situation. The Committee discussed the wider financial issues nationally and the challenge this posed to LFB.

The Committee expressed some concern that these challenges were not sufficiently clearly expressed within the budget report and that the presentation of the report might be a bit too optimistic. The Committee suggested that the final published budget should spell these out further, including the major risks to future budgets such as net zero. The Director for Corporate Services welcomed this suggestion and whilst noting that it was difficult to strike a balance, acknowledged that the published budget report needed to make clear the significant risks and hard choices faced.

Further to discussion, the Committee acknowledged that the savings identified in the budget report would be a stretch, especially as some areas such as the frontline were protected. The Committee expressed concern as to whether the savings in terms of improvements and efficiencies were realistic and noting the need to act upon these immediately. Officers acknowledged the scale of ambition which was needed to achieve this budget.

The Committee further stressed that the case for additional resources to implement the improvements required to realise future savings needed to be clearly communicated to government.

The Committee then discussed reserves. It noted and supported the position that the general reserve level of 3.5% should not be reduced further. However, it added that there should be a strong statement within the budget as to the risk that this low level of reserves posed.

Following discussion, it was suggested that the Committee be given a further update at a future meeting on the implications of Net Zero.

The Audit Committee then noted the budget report and the updates. The Chair thanked the officers for the work that had been undertaken.

## **6. Workplan for 2025**

The Chair introduced the item by noting that, in accordance with Action AC36 as reported under item 3 in the Agenda Pack, the proposed workplan for 2025 was presented for the Committee's approval. She specifically drew the Members' attention to the proposal to hold an additional meeting of the Committee in July 2025.

The Head of Governance then summarised the background to the proposed workplan and in particular the proposals to consider quarterly reports on a bi-annual basis and to have an additional meeting to provide more Committee time for deep dives on corporate risks.

It was proposed that Performance and Internal Audit reports would be reported together and Business Resilience and Finance reports together, to alternate meetings. The quarterly reports when finalised would be circulated to Members of the Committee for information. The Chair added that she still expected Internal Audit to attend every meeting and if there was no formal Internal Audit item on the agenda, they should provide a verbal update. She added that External Audit were welcome to attend every meeting but there was no expectation that they do so unless there was a relevant item.

The Members then discussed the workplan and noted their support for an additional meeting. Further to discussion, the Committee asked that the deep dive into People scheduled for the next meeting should address transformation work and the risks to it in the current economic climate. In addition, the Chair of the Advisory Panel should be invited to attend.

Further to discussion, the Committee asked that Pension Remedy in relation to the Firefighters Pension Scheme be added to the workplan and the Independent Chair of the Local Pension Board be invited to attend the appropriate meeting,

The Committee also asked that Capital Strategy and Net Zero be added to the Workplan.

The Audit Committee then agreed, subject to the above amendments, the Workplan.

The Chair undertook to discuss this proposal with Seyi Obakin who had sent apologies.

## **7. 2024/25 Financial Position Report - Q2**

The Head of Strategic Finance introduced the report by highlighting the key points as set out in the report, specifically that the Quarter 2 revenue forecast projected an £8,347k overspend for the 2024/25 financial year which was an increase of £479k on that reported at Q1. The Committee noted that key movements were bad debt provision, operational overtime, pay awards, personal injury settlements and programme investments, as detailed in the report. It was further noted that capital expenditure for 2024/25 was forecast to be £3,850k higher than the approved budget.

The Committee then discussed the report and specific points raised included the following.

- i. The significance of the overspend on operational overtime and to what extent this varied across the organisation. It was noted that there was a need to be able to analyse to what extent this was due to poor management and to what extent macro changes.

The Committee then discussed the drivers for operational overtime, noting that there were many but they included additional training undertaken, vacancies, sickness levels, and skill requirements.

The Committee noted and welcomed the work the Establishment Board was undertaking in addressing the above points.

- ii) The difficulties in accurate forecasting for the budget and the work being undertaken with business partners to improve this. The Committee commented that in the current financial climate this posed a greater risk than previously. It was acknowledged that some areas were demand led, such as energy, and therefore difficult to predict. However, it was the case that in some cases, for example injury and ill health, changes in data could have been picked up at an earlier stage. Officers commented that with improved connections between budgeting and outcomes, including as part of the process of the 2025/26 budget submission, this will improve, but some were genuinely hard to predict.

The Committee then noted the report and that the issue would be discussed again at a future meeting of the Committee.

The Chair of the Committee then noted that the Committee Members had been sent briefing papers on the 2022/23 Closing of Accounts separately from the Agenda pack and asked officers and Ben Lazarus, Partner Ernst and Young to provide a short verbal update.

The Director of Corporate Services gave a brief overview of the situation and background to the accounts for 2022/23 which had been set out in the circulated papers and then Ben Lazarus provided a verbal update.

The Audit Committee noted that as a result of a national backlog in audits for local government bodies with outstanding audits going back a number of years Ernst and Young would not carry out an audit of LFC's accounts for 2022/23 and instead propose a disclaimer of opinion, which was permitted through legislation. It was noted however that the Value For Money aspect for 2022/23 was reported on and that was an unqualified opinion.

The Committee noted that this had been discussed with the London Fire Commissioner on 26 November 2024 and the proposal was for the Commissioner to sign the accounts by 11 December 2024 after which he would update the Commissioner's Board on 11 December 2024, with a backstop date for completion of 13 December 2024.

The Audit Committee further noted that the accounts for 2023/24 were on track to be delivered for a full audit and opinion.

The Audit Committee thanked officers for the update and noted the steps to be taken.

## **8. Treasury Management Strategy Outturn Report 2023/24**

The Principal Financial Accountant introduced the report which presented the London Fire Commissioner's (LFC) Treasury Management Outturn report 2022/23. The Committee noted that the report provided a summary and analysis of the performance on the LFC's treasury management activities, and outlined the economic background against which treasury management activities were undertaken during the year.

The Committee then discussed the report and specifically noted that the authorised limit for borrowing had been exceeded and queried if this had any consequences. The Principal Financial Accountant responded that this was a temporary situation due to variations in cash flow and the overall authorised external debt limit had not been exhausted. He conceded that potentially this could cause a reputational cost if it continued but it was temporary and there were no regulatory implications. It was suggested that the tight fiscal situation made this an escalating risk and it was confirmed that any sustained or regular trend above the operational boundary would be investigated and action taken as appropriate.

The Chair noted that there were some changes in reporting accounting standards and consideration should be given to separating types of liabilities, which officers undertook to do.

It was noted that the LFB would need to rely more on borrowing in future years as capital receipts were not available in the way they had been in recent years.

The Audit Committee then noted the report.

## **9. Internal Audit - Update**

The Head of Internal Audit introduced himself as the new Head of Internal Audit for LFB and then the Group Internal Audit Lead gave a verbal update on the work.

The Group Internal Audit Lead reported that they had seen evidence of a move towards the risk environment being embedded in the organisation but not so much with business as usual where there were more limited ratings. She added that that actions at follow up stage were not always being implemented and these were being handed over to Business Resilience. It was confirmed that Internal Audit and Business Resilience were working much more closely together. It was noted that this included making sure targets focussed on key areas and that there was defined focus for next year.

It was further noted that the development of the risk appetite work would be key in supporting this work.

The Chair noted that at the next meeting there would be a written Internal Audit report and a closer look at outstanding recommendations would be undertaken. The Committee asked that sufficient time was allocated to the next meeting to adequately address the issues.

The Audit Committee then noted the verbal update.

#### **10. Monitoring of Health and Safety Performance 2023/24**

The Assistant Director, Health and Safety introduced the report which covered performance against a number of key health and safety indicators and measures. He added that if the Committee wished to see anything different in future reports to inform him. The Chair welcomed the report and stated that the information within it was helpful in explaining what was influencing health and safety trends and what actions had been undertaken in response.

The Committee then discussed the report and whilst recognising that the report provided key information, suggested that in addition it would be useful to consider health and safety more strategically to seek assurance that there was an appropriate health and safety culture. The Assistant Director, Health and Safety responded that since publication of this report a safety culture review had been completed; and the LFC's Health and Safety Wellbeing Board would be analysing the outcome of this review in detail. Further to discussion it was agreed that the outcome would be fed back to the Committee and further discussion be held by officers on whether external assurance was required.

The Audit Committee then noted the report.

#### **11. London Fire Brigade, Gender, Ethnicity and Disability Pay Gap Report 2024**

The Head of Professional Standards Unit introduced the report which set out, for the third year, a combined pay gap report providing analysis for gender, ethnicity and disability. He noted that a high level this was a largely positive picture although there were areas where further improvements were required, which were detailed in the report which the then Committee discussed.

The Committee welcomed the fact that the level of disclosure on disability had improved as it was previously noted that this was a challenge. The correlation between representation in terms of gender, ethnicity and disability and the pay gap was noted, The Committee therefore asked what steps, were being taken to increase the number of staff with disabilities. The Head of Professional Standards Unit responded that work had been planned, including greater transparency of the recruitment process, overseeing of the process to ensure it was fair and using accredited schemes. The Committee noted also that new monitoring questions have been created and approved, with implementation planned for the beginning of 2025 across the entire organisation, and it would be interested to see what impact these had on the rate of disclosure.

The Audit Committee then noted the report.

#### **12. Any Other Business**

There was no other business.

#### **13. Dates of Future Meetings**



The next meeting of the Audit Committee is scheduled for 3 March 2025.

Anna Flatley, Governance Manager  
Clerk to Audit Committee