Statement of Accounts 2025/2026

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WRITTEN STATEMENTS AND NARRATIVE REPORT

Director for Corporate Services' Narrative Report

LONDON FIRE BRIGADE

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

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

A number of internal and external factors influence how the Brigade will meet the challenges of making London a safer place to live, work and visit.

HOW THAT WORKS IN PRACTICE

The Brigade's Community Risk Management Plan (CRMP) – called '*Your London Fire Brigade'* - launched in January 2023. It sets out how we will deliver and transform our service over the period 2023-2029, so that we achieve our vision to be trusted to serve and protect London.

The Brigade's approach to delivering the change set out in the CRMP has recently been reviewed and is now embedded within a new Service Improvement Framework (SIF), replacing the previously adopted programme-based approach. CRMP priorities have been translated into objectives, each with named Director ownership. The SIF also brings together other key corporate drivers for change, including legislative developments, the annual Assessment of Risk, HMICFRS inspections, Grenfell Inquiry Phase 2, the Corporate Risk Register, and the London Fire Commissioner's priorities.

One of these commitments is that LFB will work together to supply the best possible services to meet your needs. This includes having a culture that learns from its people and the people it serves.

THE MAYOR OF LONDON

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

HOW THE LONDON FIRE BRIGADE IS GOVERNED

All formal decisions about LFB are approved by the LFC. Some decisions must also be approved by the Mayor or Deputy Mayor of London. This includes approval of the Brigade's annual budget, and the CRMP.

The Deputy Mayor covering fire responsibilities also holds the LFC to account for the delivery of fire and rescue services in London, and is consulted on a variety of topics as part of the Brigade's formal decision-making processes.

HOW THE LONDON FIRE COMMISSIONER IS SCRUTINISED

The London Assembly

The London Assembly provides scrutiny of the services provided to London by the Brigade. It does this through the Fire Committee. The Fire Committee reviews the priorities of the London Fire Commissioner and scrutinises and questions decisions made by the Commissioner and the Deputy Mayor for Planning, Regeneration and the Fire Service.

His Majesty's Inspectorate of Constabulary and Fire & Rescue

Scrutiny is also provided by His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS). The HMICFRS regularly inspects the Brigade, makes judgments on the services provided to Londoners, and identifies areas of improvement for the LFC to act upon.

THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2025/26

CRMP Performance outcomes in 2025/2026

The Brigade has developed a set of key performance indicators (KPIs) to monitor progress against the pillars and commitments contained in the Community Risk Management Plan. The KPIs, effective from April 2023, are scrutinised internally on a monthly basis at the Service Delivery Board (previously at the Portfolio, Risk & Assurance Board), and quarterly at the Commissioner's Board, the Deputy Mayor for London's Fire Board (previously the Deputy Mayor's Fire and Resilience Board), LFC Audit Committee and the London Assembly's Fire Committee.

The Brigade has published its end-of-year summary against the key performance indicators (KPIs) set out within the Community Risk Management Plan (CRMP). The CRMP outlines the risks facing London and how we measure our performance in reducing risk, protecting communities and supporting our workforce. Overall, performance remains strong across many of the Brigade's core operational and community safety measures during 2025/26.

Highlights from this year's performance include:

- Average first appliance attendance time remained well within the 6-minute target at 5 minutes 31 seconds
- Prevention and protection activity increased over the year, including more time spent by station-based staff supporting community safety work
- High-risk home fire safety visits and high-risk fire safety audits both remained within target
- Public confidence in the Brigade remains high, with 93% of respondents agreeing that LFB is trusted to serve and protect London
- Workforce diversity measures continued to improve, including increases in the proportion of women and ethnic minority staff

While overall performance is positive, there remain areas where improvement is needed, including reducing fire deaths and injuries, staff sickness levels and progress towards net zero targets. These remain priorities for the Brigade.

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

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

Performance at a Glance

The performance figures shown below are a snapshot as at 31 March 2026, taken from the year end performance report for consistency in preparation. As such, they are shown quarter on quarter.

Highlights of the LFC's performance as at the 31 March 2026 include:

Performance at a glance – Quarter 4 2025/26

Engaging with you

STAFF COMPOSITION – WOMEN % (C1-02)
19.34%
Up by 0.44 pp.* compared to last quarter
Up by 0.19 pp. compared to last year

STAFF COMPOSITION – ETHNIC MINORITIES % (C1-03)
18.85%
Up by 0.08 pp. compared to last quarter
Up by 0.20 pp. compared to last year

STAFF COMPOSITION – DISABILITY % (C1-04)
9.46%
Up by 0.16 pp. compared to last quarter
Up by 0.01 pp. compared to last year

ONLINE HOME FIRE SAFETY CHECKS (C2-01)
1,533
Up by 112 compared to last quarter
Down by 298 compared to last year

Protecting you

1st APPLIANCE ARRIVAL TIMES (C3-01)
05:29 (min:sec)
Down by 2 seconds compared to last quarter
Up by 9 seconds compared to last year

2nd APPLIANCE ARRIVAL TIMES (C3-02)
06:47 (min:sec)
Down by 12 seconds compared to last quarter
Up by 12 seconds compared to last year

TIME SPENT ON PREVENTION % (C4-01)
15.78%
Up by 0.37 pp. compared to last quarter
Up by 1.20 pp. compared to last year

TIME SPENT ON PROTECTION % (C4-02)
5.70%
Up by 0.44 pp. compared to last quarter
Up by 1.20 pp. compared to last year

HIGH RISK HOME FIRE SAFETY VISITS % (C4-03)
64.13%
Down by 0.51 pp. compared to last quarter
Up by 2.40 pp. compared to last year

AUTOMATIC FIRE ALARMS NON-DOMESTIC (C4-04)
4,055
Down by 345 compared to last quarter
Up by 337 compared to last year

Performance at a glance – Quarter 4 2025/26

Learning from others

RIDDOR INCIDENTS
(C5-01)
19
Up by 5 compared to last quarter
Up by 1 compared to last year

STAFF SICKNESS %
(C5-03)
6.18%
Down by 1.33 pp. compared to last quarter
Down by 0.72 pp. compared to last year

Adding value

FIRES IN HOUSES AND BUNGALOWS
(C7-03)
406
Up by 6 compared to last quarter
Up by 39 compared to last year

FIRES IN FLATS
(C7-05)
515
Down by 67 compared to last quarter
Down by 85 compared to last year

Recommendations completed

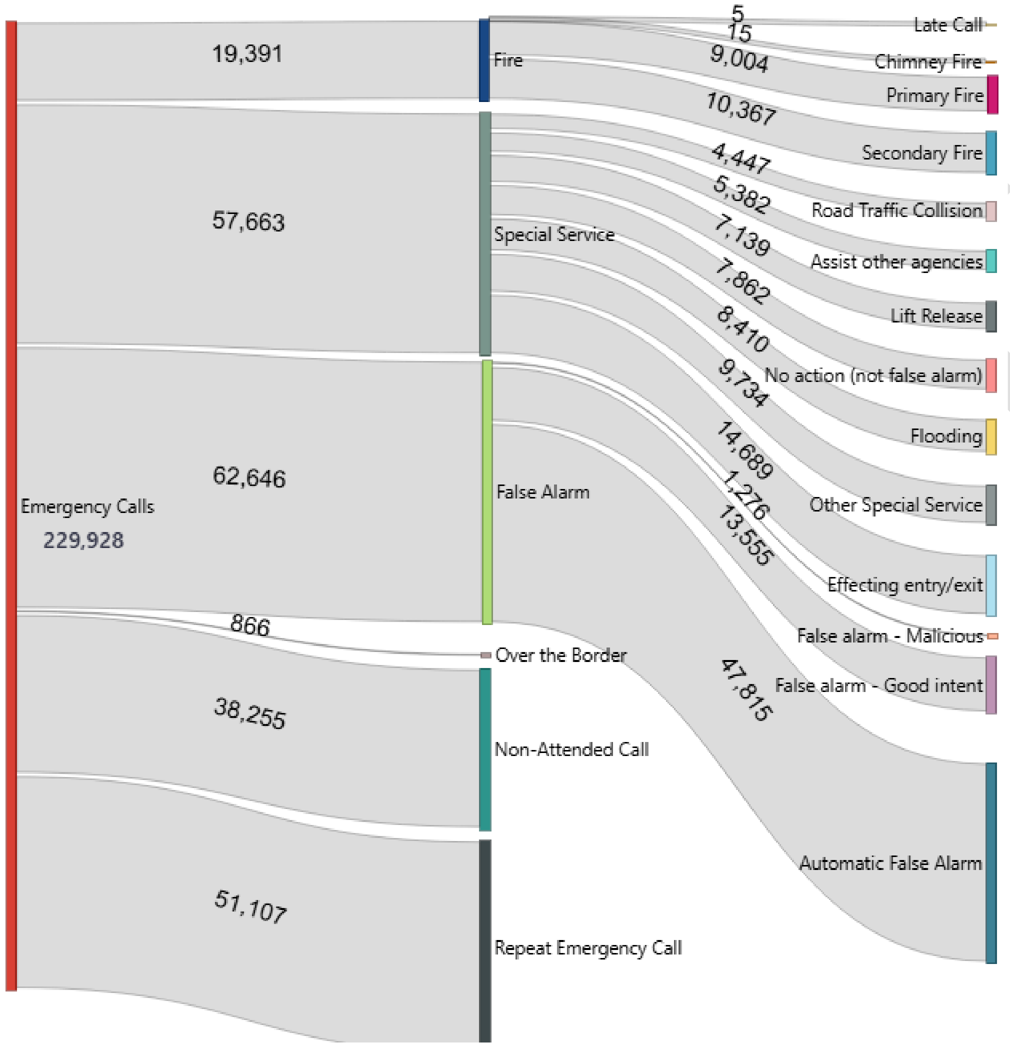
GRENFELL ROUND 2 RECOMMENDATIONS COMPLETED
0/6 (1 directed at LFB, 5 for all FRS's)
No change in Q4

HMI ROUND 3 AREAS FOR IMPROVEMENT COMPLETED
1/11
4 proposed to close in Q4

HMI MISCONDUCT RECOMMENDATIONS COMPLETED
15/15
No change in Q4

HMI VALUES & CULTURE RECOMMENDATIONS COMPLETED
16/20
4 proposed to close in Q4

Incidents in Numbers for the 2025/26 Financial Year



PEOPLE AND CULTURE

Following the Independent culture review of London Fire Brigade (2022) a Culture transformation programme was instigated. This programme focussed on the recommendations of the review, and resulted in the creation of LFB's values, and the setting up of the Professional Standards Unit (2024). During 2025 the Transformation Directorate, only ever having been put in place as an interim measure, was dissolved, with key functions transferred to other directorates in LFB. Following this dissolvement the Director for People set up a Culture Improvement Board (CIB), which meets monthly, with representation from across the Brigade and with a key focus on the seven Areas for Improvement (AFIs) relating to culture and people, from HMI Inspection (2024).

In 2025, the new permanent Director for People led an organisational change programme across LFB, in order to help departments achieve efficiencies. This included the dissolution of the Transformation Directorate, which had originally been put in place as an interim measure, and reorganisation of work across a number of other directorates, while protecting the front line and statutory responsibilities. This led to a number of redundancies across the Brigade. HR business partners supported Consultation Managers in affected departments and coordinating independent review managers to ensure that robust challenge and consideration of efficiency, fairness and organisational priorities were forefront in the decision making.

In the autumn of 2025, the People Services Business Partner team was moved to the leadership of the Head of Professional Standards, to strengthen information sharing between these two teams. This enables a stronger focus on prevention – identifying where early intervention, better staff training and clearer policies can improve the understanding and outcomes for all colleagues across the organisation.

The Director for People continues to actively pursue an ambitious vision for People Services that includes:

- Setting and providing assurance on high standards for itself and LFB's people, built around the Values.
- Setting and delivering objectives that will enable all members of People Services to know which part they play in creating a service that is trusted and respected.
- Equipping LFB with the workforce it needs to meet the ambitious objectives set out in the CRMP by 2029.
- Addressing the HMICFRS Round 3 Areas for Improvement relating to people and setting our own aspirational agenda for LFB across the next five years.
- Delivering on the work and priorities of the Culture Improvement Board, and independent Advisory Panels for Culture and Professional Standards.

This is supported through the appointment of a permanent Head of PSU in April 2025 and a Head of Resourcing in October 2025, bringing significant experience around employee relations, workforce assessment, recruitment, induction and management, strengthening the department's Senior Leadership Team.

MAJOR EVENTS AND CAMPAIGNS

London Fire Commissioner retired

In June 2025 Andy Roe KFSM retired from his role as London Fire Commissioner after 23 years' service as a firefighter. Andy took on the role of London Fire Commissioner in 2020.

During his time as Commissioner, he implemented major reforms following the inquiries into Grenfell and the Brigade's Culture Review, including completing all 29 of the recommendations from the Grenfell Tower inquiry Phase 1 Report. Alongside this, Andy worked to rebuild the Brigade's relationship with members of the Grenfell community.

As Commissioner he led the Brigade through the pandemic, where firefighters took on additional roles to support the wider pandemic response. This included firefighters being seconded to London Ambulance Service to act as drivers, and crews helping make protective personal equipment for key workers.

Following the tragic death of trainee firefighter Jaden Matthew Francois Esprit, Andy commissioned an independent review of the Brigade's culture. He accepted all the findings and recommendations from the review and led a programme of change across the Brigade. This included creating the first Professional Standards Unit for a fire and rescue service in the UK.

Andy also oversaw the implementation of the Brigade's response capability for Marauding Terrorist Attacks. Every firefighter in London is now specially trained and equipped with how to respond to an act of terror, ensuring the Brigade can fully deploy its rescue capabilities alongside the police and paramedics.

New London Fire Commissioner

Jonathan Smith took up the role of London Fire Commissioner on 1 July 2025. He began his career as a firefighter in 2000, serving at Norwich City Fire Station before moving to Hertfordshire Fire and Rescue Service in 2008. He joined London Fire Brigade as an Assistant Commissioner in 2019. His first role at the Brigade involved working to overhaul procedures and practices in the Control Room, following the Grenfell Tower Fire and subsequent Grenfell Tower Inquiry recommendations.

He went on to serve served as the Brigade's Deputy Commissioner and Director for Operational Preparedness and Response. This role included managing the Brigade's operational response, specialist capabilities, and training. He's also been the senior operational commander for many significant and major incidents and was responsible for the Brigade's operational work surrounding the funeral of Queen Elizabeth II and the Coronation of King Charles III.

Electric Fleet

London Fire Brigade has taken another step in its commitment to reducing its carbon footprint with the rollout of its first fully electric large goods vehicles (LGVs) at its Operational Support Centre (OSC), used to deliver essential equipment across the capital, and a new fleet of Volvo XC40 electric cars used for driver training.

Following successful trials over the past two years at the OSC, the Brigade's Fleet Liaison Equipment and Engineering Team (FLEET) have delivered two 16-tonne electric Renault Trucks lorries to replace the older diesel vehicles that have served London for more than two decades. These new lorries continue to deliver essential equipment across London and respond to incidents when required, supporting the Brigade's operational readiness in a more efficient and environmentally friendly way.

The new LGVs are equipped with advanced technology that provides real-time data on performance and efficiency. This information will help the Brigade assess how electric vehicles perform in operational environments and inform future expansion of its zero-emission fleet.

Alongside this, eight Volvo XC40 electric cars have been introduced across the Brigade's training centres in Ruislip, Beckton and Croydon, replacing the hybrid and petrol cars previously used. This makes London Fire Brigade the first fire service in the UK to operate a fully electric training fleet. The vehicles will be used by instructors to teach and refresh the blue-light driving skills of senior officers.

The transition to electric vehicles forms a key part of the Brigade's Carbon Net Zero strategy and supports the Mayor of London's target of achieving a zero-carbon city by 2030. Beyond reducing emissions and improving air quality, the shift to electric power demonstrates the Brigade's leadership in decarbonising the emergency services sector.

The Brigade's further sustainability achievements also include the development of a Zero Emission Pumping Appliance (ZEPA1), which is currently being trialled at Hammersmith Fire Station. In addition, it operates a fully electric car fleet, has cut CO_2 emissions by 62 per cent since 1990, and generates approximately ten per cent of its energy on-site from renewable sources.

Whilst significant progress has been made to decarbonise, to fully become Carbon Net Zero would require substantial additional capital investment which is currently not in the Brigade's plans. LFB continues to make the case for additional public investment (through grant funding) in this area.

Fire Brigade Headquarters

London Fire Brigade has submitted a planning application for the refurbishment of its site at 8 Albert Embankment, for use as headquarters. The application also includes plans to modernise Lambeth Fire Station, which forms part of the building.

The building at 8 Albert Embankment was constructed by the Brigade in the 1930s as a combined fire station and office block. The fire station occupies the ground and first floors of the building, with six floors of office space above.

The office space was used as the Brigade's headquarters until 2008 when it was relocated to Southwark. It is currently vacant, and the plans will make use of the Brigade's own estate, rather than continuing to lease commercial property.

The proposed plans will see the building's vacant office space refurbished and brought back into service. These offices will become home to the essential support services that make up the Brigade's headquarters function.

Alongside the renovated office space, work will be carried out to upgrade and refit Lambeth Fire Station. This will include new equipment stores and workspaces, as well as remodelled accommodation for firefighters. As a Grade II listed structure, extra care will be taken to preserve key historic elements found in the building's original design. The training space in the yard and drill tower will also receive investment, and the appliance bays will be adapted to accommodate specialist vehicles if required.

As a part of the proposals, a new space will be created, centred around the Brigade's existing Memorial Hall, where the sacrifice of fallen London firefighters is remembered. This space will allow the Brigade's historic collection to be displayed, which will be used for educational purposes and community outreach. There will also be a community room for local residents and groups to use.

To ensure the views and needs of nearby residents and the local community were considered, the Brigade conducted a series of consultations with the local community prior to submitting this planning application, which follows a thorough options appraisal.

Wildfires

In the summer of 2025 London had its highest number of wildfires since the extreme heat of 2022.

Firefighters attended around 83 wildfires across the capital in June, July, and August, with a total of 117 wildfires recorded in 2025. This is more than double the total number of wildfires recorded in 2023 and a 32% increase on 2024, although it is much lower than the 207 wildfires recorded in 2022, when temperatures reached a record-breaking 40 degrees Celsius.

It comes as the Brigade backs calls from the Mayor of London, Sir Sadiq Khan, for collective action to tackle the increased risk of wildfires.

In the summer of 2025, the Brigade continued its trial of state-of-the-art wildfire response vehicles. These off-road vehicles, which are light and agile and can reach places that standard fire engines struggle to get to, responded to around 50 incidents in London. The types of incidents attended range from wildfires spanning several hectares to fires in woodland with trees alight. The vehicles have also been deployed to support other fire and rescue services, such as cross-border to Surrey and to the major incident at Langdale Moor in North Yorkshire.

RESPONDING TO MAJOR REVIEWS

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) - Round 3 Inspection progress

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) continuously monitors the performance of all fire and rescue services in England.

London Fire Brigade's third full inspection by HMICFRS took place in summer 2024 and HMICFRS published its report in November 2024. The report demonstrates a clear assessment of positive change across nearly all areas of the Brigade and improvements in 10 out of 11 areas in inspection. In addition, they highlighted eight examples of promising practice and three examples of innovative practice.

HMICFRS highlighted 11 specific Areas for Improvement (AFI) within the last inspection report. This includes prioritising the risk-based inspection programme, recruiting a more diverse workforce, continuing to build confidence in processes for dealing with poor behaviour, and creating a process for identifying talent and future leaders within the Brigade.

Since the last inspection a significant amount of work has been done to address the 11 AFIs, with progress monitored on a quarterly basis through internal and external governance arrangements. HMICFRS will return to LFB to conduct the fourth full inspection from September to November 2026, preparation is well underway in the lead up to this next inspection. The report from the fourth round inspection will be published in 2027.

Separately, in its 'Values and culture in fire and rescue services' (V&C) report published in March 2023, HMICFRS produced 20 recommendations for all fire and rescue services to complete. At the end of 2025/26, 16 had been completed.

In August 2024, HMICFRS also produced its 'Standards of behaviour: The handling of misconduct in fire and rescue services' report which produced 15 recommendations for all fire and rescue services. At the end of 2025/26, LFB completed all 15 recommendations

Progress reports will continue to be reported quarterly through the Risk and Assurance and Commissioner Boards.

Grenfell Tower Inquiry

The Phase One report of the Grenfell Tower Inquiry made a total of 29 recommendations, which the LFC accepted and set out at pace to deliver. By March 2024 all 29 of the recommendations had been delivered.

In September 2024, the Grenfell Tower Inquiry's Phase 2 report was published. The LFB section of the report contained 13 recommendations; one of which is specifically for the LFB, five are for all Fire and Rescue Services, and the remaining seven are for HM Government, HMICFRS, the National Fire Chiefs Council (NFCC) and the British Standards Institution. The LFC accepted the recommendations aimed at the LFB and Fire and Rescue Services and supports the remaining recommendations.

The LFB was already working on those areas identified by the Inquiry to deliver improvements through existing programmes of work or business as usual continuous improvement activities. Therefore, the LFB concluded it was more effective to continue to deliver the relevant improvements through existing mechanisms rather than through the creation of an additional action plan, which sat outside of its established portfolio approach.

The necessary actions to address the recommendations applicable to LFB were all completed during 2025/26 (with the exception of one action which will be completed during Q1 2026/27). The LFB has since commenced assurance activity to ensure the actions taken deliver the anticipated improvements and fully address the Inquiry Phase 2 recommendations.

This activity included participation in the NFCC GTI Phase 2 assurance workshop programme. This NFCC led workshop provided an insight into how other fire and rescue services approached the GTI Phase 2 recommendations, including the organisational learning recommendation directed specifically to LFB (but applicable to all FRS). The workshop outcome report from the NFCC is due later in 2026.

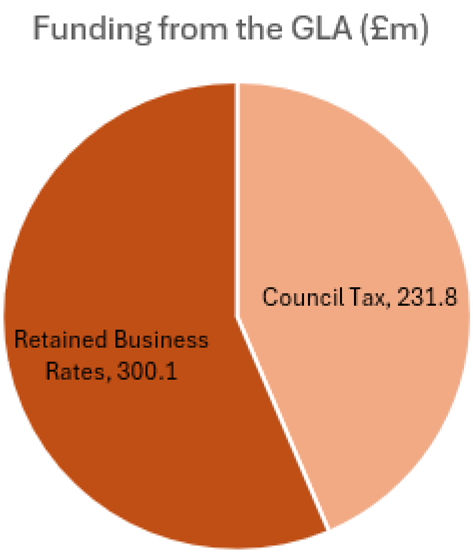
A peer review audit by Kent FRS will also provide assurance specifically against one of the Phase 2 recommendations and LFB's improved approach to organisational learning. The outcome will be known during Q1 2026/27.

FINANCIAL PERFORMANCE

CORE FUNDING

As one of the Greater London Authority's functional bodies the LFC's core funding is set and provided by the Mayor of London. This funding is provided through a mix of council tax and retained business rates which provided funding of £531.9m in 2025/26 (£495.1m in 2024/25).

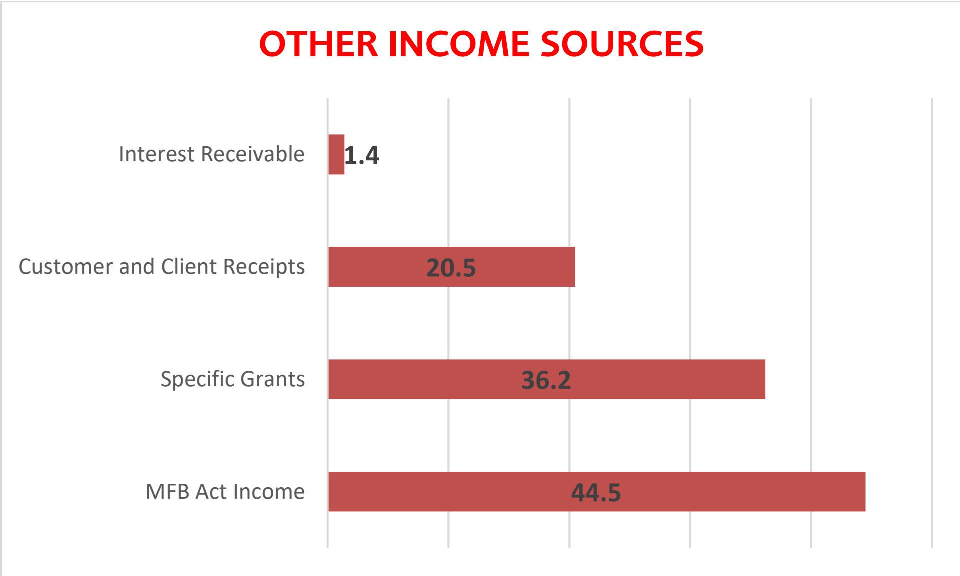
For a Band D council taxpayer, LFB's element of their council tax bill was £71.72 in 2025/26, or £1.38 a week (£66.74 in 2024/25, or £1.28 a week).



Note: The Mayor also provided an additional £3m in funding during the 2024/25 financial year, reflecting additional inflationary pressures impacting LFB.

Income

The LFC also received additional income through a range of items, including income under the Metropolitan Fire Brigade (MFB) Act and grants from central government. This additional income totals £102.6m (£87.6m in 2024/25), including a £0.2m reduction on bad debt.



REVENUE EXPENDITURE

In common with many public sector organisations, the LFC faced financial challenges in a difficult economic environment for 2025/26. Although the Mayor of London allocated additional funding beyond the indicative national funding framework laid out for Fire, the LFC still needed to implement £28m in savings to close its budget gap for 2025/26. This enables LFB to maintain fully its frontline operational and regulatory functions, as it continues to serve and protect London.

The LFC monitored its progress against delivery of these savings throughout the year. Where this process identified shortfalls in any of these saving areas, additional cost reductions were agreed to ensure the financial sustainability of the LFC. This enabled the LFC to deliver a small underspend for 2025/26.

This combination of core funding from the GLA and other income provided total funds of £635.3m in 2025/26 (£581.7m in 2024/25). After including a net draw from reserves of £12.1m this provided for expenditure of £647.4m.

Total expenditure net of reserve funding in 2024/26 was £641.7m, £5.6m less than budgeted. This included slippage in project spend of £2.2m which will be transferred into earmarked reserves and reduced the effective underspend to £3.4m. The breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£368.0m) and Other Staff (£81.5m). Expenditure increased from 2024/25 levels because of inflation and pay awards.

The largest variance in 2025/26 relates to Operational staff with this largely being driven by the impact of vacancies in Prevention and Protection. The outturn position also includes an overspend on the contingency due to above budget pay awards and central savings targets that have been achieved across other areas. The outturn also includes offsetting over and underspends within Employee related and Supplies and Services areas, due to savings being achieved in other areas than budgeted.

Budget £'000	2024/25 Outturn £'000	Variance £'000	LFC Revenue	Budget £'000	2025/26 Outturn £'000	Variance £'000
348,437	352,258	3,821	Operational staff	372,562	368,037	(4,525)
79,598	80,821	1,223	Other staff	80,012	81,467	1,455
36,990	33,028	(3,962)	Employee related	33,469	39,352	5,883
20,773	24,212	3,439	Pensions	23,598	23,855	257
48,757	47,474	(1,283)	Premises	51,342	50,451	(891)
19,808	21,109	1,301	Transport	20,130	20,175	45
40,928	34,033	(6,895)	Supplies and services	46,290	38,692	(7,599)
1,333	2,258	925	Third party payments	2,549	1,695	(854)
16,000	15,538	(462)	Capital financing costs	17,477	18,018	541
(6,314)	-	6,314	Central contingency against inflation	(5,193)	0	5,193
606,310	**610,730**	**4,421**	**Total revenue expenditure**	**642,236**	**641,742**	**(494)**
(51,260)	(58,889)	(7,629)	Other income	(61,377)	(66,360)	(4,983)
555,050	**551,841**	**(3,209)**	**Net revenue expenditure**	**580,859**	**575,382**	**(5,477)**
(29,107)	(25,457)	3,650	Use of reserves	(17,576)	(12,096)	5,480
525,943	**526,384**	**441**	**Financing requirement**	**563,283**	**563,286**	**3**
			Financed by:			
(31,790)	(28,673)	3,117	Specific grants	(31,282)	(36,214)	(4,932)
(494,153)	(494,153)	-	GLA funding	(532,000)	(532,707)	(707)
-	**3,557**	**3,557**	**Net financial position**	**0**	**(5,635)**	**(5,635)**

CAPITAL EXPENDITURE

Total capital expenditure in the year was £26.1m, of which £0.6m was funded from grants, with the remainder (£25.6m) being funded by borrowing.

There were two main areas of spend, i.e. Property (76%) and ICT (17%).

Outturn 2024/25 £'000	LFC Capital	Outturn 2025/26 £'000
2,531	ICT Projects	4,326
25,012	Property Projects	19,918
93	Fleet and Equipment Projects	1,901
0	Operational Policy Equipment	0
27,636	**Total capital expenditure**	**26,145**
	Financed by:	
0	Reserves	0
28	Capital receipts	0
2,051	Grants/Contributions	577
25,557	Use of existing reserves/Borrowing	25,568
27,636	**Total capital financing**	**26,145**

RESERVES

The LFC had total usable reserves of £49.2m as at 31 March 2026, comprising £25.0m in general reserves, £24.0m in earmarked reserves, and £0.2m in unapplied capital grants. A detailed breakdown of forecast composition and movements in the reserve balances is included elsewhere within the Statement of Accounts.

The General Reserve is maintained at a minimum of 3.5% of the core GLA funding of £18.8m. The final outturn balance on the General Reserve at March 2025 is £25.0m, which exceeds this.

LFB's reserve policy for 2026/27 can be found in its Budget Submission at the below link:

LFC Budget Submission 2026-27

PLANNED EXPENDITURE FOR FUTURE YEARS

The LFC has set out revenue and capital plans for its expenditure over the next three financial years, as shown in the tables on the following page.

Revenue

	2025-26 (Budget) £'m	2026-27 £'m	2027-28 £'m	2028-29 £'m
Corporate Services	83.0	86.9	95.5	94.3
Preparedness and Response	396.6	412.9	422.8	429.0
People	8.2	6.8	7.0	7.1
Prevention, Protection and Policy	45.6	38.9	39.6	40.3
Communications	3.5	3.6	3.7	3.7
Net Service Expenditure	**536.9**	**549.1**	**568.6**	**574.1**
Capital Financing	17.5	23.4	30.6	38.8
Interest Receivable	(1.5)	(1.5)	(1.5)	(1.5)
Net Expenditure	**552.9**	**571.0**	**597.7**	**611.4**
Savings to be Identified	0.0	0.0	(10.1)	0.0
Transfer to / (from) Reserves	(16.5)	2.5	3.0	6.4
Financing Requirement	**536.4**	**573.5**	**590.6**	**617.8**
Un-ringfenced Government Grants	4.4	0.0	0.0	0.0
Retained Business Rates	300.1	322.1	319.4	325.8
Council Tax Collection Fund Surplus / (Deficit)	0.0	0.0	0.0	0.0
Council Tax Requirement	**231.8**	**251.5**	**271.2**	**292.0**

Capital

Project	**2025-26**	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Capital Schemes						
Properties	19.9	48.5	57.2	52.8	31.0	215.9
Fleet Replacement Plan	1.9	4.9	3.5	8.8	6.0	25.0
ICT Projects	4.3	14.6	3.9	2.5	3.8	33.8
Operational Policy Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Optimism Bias – excluding HQ (10% for full year, reduced in 25-26)	0.0	(5.5)	(3.0)	(2.5)	(2.6)	(17.8)
Total Expenditure	**26.1**	**62.5**	**61.6**	**61.6**	**38.2**	**256.9**
Capital Financing						
Capital Receipts	0.0	0.4	0.0	0.0	0.0	0.4
Capital Grants	0.6	0.2	0.0	0.0	0.0	0.8
External Borrowing*	25.6	61.9	61.6	61.6	0.0	255.7
TOTAL Funded Financing	**26.1**	**62.5**	**61.6**	**61.6**	**38.2**	**256.9**

Borrowing is currently shown as external, but it is expected that some of the borrowing will be using internal funds.

The plans show a balanced revenue budget in 2026/27, after efficiencies/savings and extra funding from the Mayor of London. However, there is a budget gap of £10.1m in 2027/28 before a balanced budget again in 2028/29. This gap in 2027/28 funding is largely due to substantial investment in modern firefighting/training, for which discussions are ongoing with local and national government regarding sustainable funding sources. These figures are as per the approved published Budget Report for 2026/27 (LFC–26-021). The budget process for 2027/28 will seek to close the gap for that year.

FINANCIAL CHALLENGE

The budget estimates for 2026/27 to 2028/29 included assumptions for pay and inflation. Actual inflation rates now being observed continue to be above previous estimates and are resulting in increased financial pressures over the planning period, albeit they have been falling recently.

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

LFB has agreed a total of £6.2 million (existing and new proposals) in Budget reductions for 2026-27. To achieve these savings, LFB have worked hard to reduce the impact on individuals and teams, and tackle this as far as possible by improving efficiency and reducing unnecessary spend. In the previous budget, £28.2 million of savings formed that plan. This has therefore made the scope for further savings more challenging, however there are still savings that can be achieved, showing that the organisation will always look to be as efficient as possible.

The cross-cutting savings include a target for contracts due to be renewed in the coming year, savings through the Vacancy control Panel for FRS staff, reductions in pre-arranged overtime through better absence management, and a target for process efficiencies.

Given that 86 per cent of LFB's costs relate to the front line including on-costs and fixed costs and statutory activities, the scope for further savings in support costs, following the £28.2 million of savings identified for 2025-26, is limited. The new savings have been identified based on experience of delivery of the savings for 2025-26 and as a result of further reviews.

RISK MANAGEMENT

The latest iteration of the Brigade's internal risk management framework has been in operation since May 2021 and has been refined over time. It enables the organisation to identify, assess, and manage significant corporate risks. The framework is applied across the entire organisation, with all departments evaluating risks based on their likelihood and impact. This assessment generates a risk score, which determines the appropriate level within the framework at which each risk is managed (see below). This structured approach ensures risks are effectively monitored, managed, and scrutinised.

Risks and associated management actions are formally reviewed on a quarterly basis, with more frequent monitoring for high (red) risks. Reviews take place through risk review processes and local management meetings. In addition, a quarterly risk overview report is submitted to the Risk and Assurance Board, providing oversight of the framework as a whole and enabling scrutiny of changes to high-level risks.

The Risk Strategy and the Risk, Assurance, Strategy and Portfolio departmental plan outline the high-level steps being taken to further strengthen and continuously improve the organisation's approach to risk management.

The Brigade uses a 5x5 risk matrix in line with best practice. This approach provides greater granularity in risk assessment and supports benchmarking against other organisations, including Greater London Authority (GLA) partners. It helps identify shared threats as well as risks unique to the Brigade. Risk management is supported by risk registers maintained across the organisation. Risks are typically identified and recorded at Head of Service or departmental level. However, the risk score determines where within the organisation the risk is managed, as set out below:

Risk Level	**Ownership and oversight**
Red – Severe risks (Risk score of 20 and above)	Owned by Director Scrutinised by LFC and Audit Committee
Amber – Major risks (Risk score of 10 to 16)	Owned by Head of Service Scrutinised by Director
Yellow – Medium risks (Risk score of 4 to 9)	Owned by Lead Officer Scrutinised by Head of Service
Green – Minor risks (Risk score of 1 to 3)	Owned by Lead Officer Scrutinised by Head of Service

RED RISKS

The highest rated risks currently in the system are shown below with their scores as at 31 March 2026 (with controls applied). These are red risks for which there are actions underway alongside further improvement actions to ultimately reduce the likelihood of the risks transpiring and/or their impacts to acceptable levels. For red (severe) risks, delivery of effective control actions is critical but can also be challenging due to the scope and depth of these types of risks.

Ref	Risk description	L	I	Score
ICT19	Supply chain attack against an LFB supplier that compromises the confidentiality, integrity, and availability of LFB data held within the third-party system; has potential to cause severe impact to services if critical systems and data are affected (e.g. control and mobilising system).	5	4	**20**
ORC18	Increasing geo-political tensions lead to protracted and/or violent demonstrations in London (including terrorist activity) placing significant increased demand on services and the safety of our staff, impacting the Brigade's resilience and potentially resulting in a degradation of service	5	4	**20**
PS13	Ineffective workforce planning processes (including lead in times for specialist skills) results in a resource and skills gap across all staff groups that negatively impacts our service delivery	4	5	**20**
PS17	Identified concerns in Talentlink's security controls could lead to the compromise of sensitive LFB data, including personal, financial, special category, and criminal offence data. These weaknesses include delays in fixing serious vulnerabilities, optional multi-factor authentication, and poor incident detection and reporting. This could result in ICO regulatory action, identity fraud, harm to individuals, reputational damage, and disruption to recruitment operations.	5	4	**20**

ACCOUNTING STATEMENTS

The following LFC's accounting statements have been prepared using the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting in the United Kingdom 2025/26. The Code is based on International Financial Reporting Standards (IFRS), except where interpretations or adaptations have been made to fit the Public Sector as detailed in the Code. Accounting policy changes arising out of the adoption of the IFRS-based Code are accounted for retrospectively unless the Code requires an alternative treatment. The accounts are supported by the Statement of Accounting Policies and by various notes to the accounts.

The following accounting statements comprise:

THE STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

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

The core accounting statements:

THE MOVEMENT IN RESERVES STATEMENT

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

THE COMPREHENSIVE INCOME AND EXPENDITURE ACCOUNT

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

THE BALANCE SHEET

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

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

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

THE CASH FLOW STATEMENT

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

The Statement of Accounts also includes the following accounting statements.

THE FIREFIGHTERS' PENSION SCHEMES FUND ACCOUNT

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

THE EXPENDITURE AND FUNDING ANALYSIS

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

THE ANNUAL GOVERNANCE STATEMENT (AGS)

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

CAPITAL EXPENDITURE

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

In 2025/26, total spending on the capital programme for tangible and intangible assets was £26.1m (£27.6m in 24/25). Spend included the rebuilding and modernising of fire stations and other buildings (£19.9m), upgrading ICT equipment (£4.3m), and the purchase of fleet vehicles and equipment (£1.9m). Capital expenditure has been financed in accordance with the Prudential Code. Capital expenditure on assets (£26.1m) has been funded by grants (£0.6m) and use of existing reserves/borrowing (£25.6m).

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2025/26 totalled £5.0m. As a result, as at 31 March 2026, the level of outstanding principal debt totalled £38.23m. The average interest payable on outstanding loans as at 31 March 2026 was 4.65% (4.65% at 1 April 2025).

INCOME AND EXPENDITURE FOR THE YEAR

The income and expenditure relate to monies collected and spent on the day to day running of the LFC's services, such as employees, premises, supplies and services costs, and income from levies and services we supply. The balance of expenditure that exceeds our income is funded by grant from the Greater London Authority (£531.9m) made up of Retained Business Rates (£300.1m) and Council Tax (£231.8m).

Before accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK (that provides for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS 19) Retirement Benefits (see core statement note 28), depreciation, impairment and revaluation charges), the figure for net service expenditure for 2025/26 was £641.7m against a budgeted net expenditure sum of £647.4m, including £12.1m in agreed use of reserves. The outturn position after application of reserves and grants was £5.6m less than the approved LFC budget.

This included slippage in project spend of £2.2m which will be transferred into earmarked reserves and reduced the effective underspend to £3.4m.

Following movements between the LFC's General Fund and reserves, the General Fund balance increased by £7.2m from £17.8m as at 1 April 2025 to £25.0m as at 31 March 2026 and the LFC's earmarked reserves decreased by £13.9m from £37.9m as at 1 April 2025 to £24.0m as at 31 March 2026.

The £5.6m underspend in year was a combination of under and overspends as set out in the table on page 11, which provides a summary comparison of the actual and budgeted figures for the year. The figures exclude charges made in the main accounts for depreciation and pension liabilities as these costs are purely technical accounting adjustments and do not impact on the LFC's funding requirements through GLA grant.

ASSET VALUATIONS

Since 31 March 2020 specialist assets have been valued using the Modern Equivalent Asset (MEA) depreciated replacement cost methodology in accordance with the CIPFA code. A full revaluation review was completed as at 31 March 2026.

PENSION FUND

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

The net pensions obligation, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, as at 31 March 2026, is £4.564bn (31 March 2025 £4.593bn). This is the sum of the LFC's liabilities in both schemes arising from pension benefits accrued by employees, less the assets of the LGPS. Although this is a significant amount, it represents the future cost of pension benefits earned by employees rather than the in-year cost to the LFC.

The movement in the pension liability between years, a decrease of £29m, relates mainly to the long-term liability for the firefighter schemes, as assessed by the LFC's actuary. The decrease relates to a re-measurement of the schemes' net defined liability considering the changes in demographic and financial assumptions (including interest rates).

FURTHER INFORMATION

Further information concerning the accounts is available from:

Director for Corporate Services, London Fire Brigade Headquarters, 169 Union Street, London SE1 0LL.

Mostaque Ahmed FCA
Director for Corporate Services and Chief Financial Officer
30 June 2026

Statement of Responsibilities for the Statement of Accounts

THE LONDON FIRE COMMISSIONER – RESPONSIBILITIES

The London Fire Commissioner (LFC) is required:

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

DIRECTOR FOR CORPORATE SERVICES – RESPONSIBILITIES

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

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

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- prepared the going concern
- complied with the Local Authority Code.

The Director for Corporate Services has also:

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

CERTIFICATION OF THE DIRECTOR FOR CORPORATE SERVICES

I hereby certify that the Statement of Accounts on pages 29 to 125 gives a 'true and fair view' of the financial position of the LFC at the reporting date and of its expenditure and income for the year ended 31 March 2026.

Mostaque Ahmed FCA
Director for Corporate Services
Dated 30 June 2026

Audit Opinion and Certificate

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON FIRE COMMISSIONER

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Statement of Accounting Policies

ACCOUNTING POLICIES

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

GENERAL PRINCIPLES

The Statement of Accounts summarises the LFC's transactions for the financial year and its position at the year-end of 31 March 2026. The financial statements provide information about the LFC's financial performance, financial position and cash flow, which is useful to a wide range of users for assessing the stewardship of the LFC's management and for making economic decisions. The LFC has been required to prepare an annual Statement of Accounts by the Accounts and Audit (England) Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 and the Service reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards (IFRS) and other statutory guidance.

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

ACCRUALS OF INCOME AND EXPENDITURE

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

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

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

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

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

CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

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

EVENTS AFTER THE BALANCE SHEET DATE

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

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

PRIOR PERIOD ADJUSTMENT

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

FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

CASH ACCOUNTING POLICY

Under the treasury management shared service arrangement with the Greater London Authority (GLA), GLA group treasury officers carry out the LFC's day to day treasury management function, managing the LFC's investment and borrowing activities. LFC officers provide the GLA with details of the LFC's daily cash flow requirements and monies are only transferred between the Authorities as and when required to match LFC need.

This way, surplus funds over and above daily need are continuously held with the London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF), used by the Authority to maximise liquidity and investment return.

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

The LFC has delegated responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Commissioner's Board and for the execution and administration of treasury management decisions to the Section 127 Officer *cum* Director for Corporate Services, who will act in accordance with the LFC's Treasury Policy Statement and Treasury Management Practices (TMP).

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

FOREIGN CURRENCY TRANSLATION

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

VALUE ADDED TAX

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

Accounting Standards Issued But Not Yet Adopted

At the balance sheet date, the following changes to the Code of Practice of Local Authority Accounting in the United Kingdom will apply from 1 April 2025. The LFC has considered the potential impact of these changes and does not expect them to have a material impact on the financial statements:

IAS 16 (Property, Plant and Equipment): Amendments introduce an adapted approach to the revaluation of operational property, plant and equipment. Assets will be subject to a full revaluation at least every five years, either on a cyclical basis or through a rolling programme, with carrying values updated in intervening years using appropriate indexation.

In limited circumstances where appropriate indices are not available, a five-yearly revaluation will be supported by a desktop revaluation in year three.

IAS 38 (Intangible Assets): Amendments remove the option to measure intangible assets using the revaluation model. Intangible assets will instead be held at historical cost. On transition, the carrying value of intangible assets will be treated as deemed historical cost in accordance with IAS 38 (paragraph 72).

CORE ACCOUNTING STATEMENTS

Comprehensive Income and Expenditure Statement

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

2024/25				2025/26			
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Comprehensive Income and Expenditure Statement**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**	**Note**
417,251	(81,252)	335,999	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	394,403	(77,077)	317,237	
		335,999	**Cost of services**			**317,237**	
51,280	(2,079)	49,201	Other operating income & expenditure	7,314	(577)	6,738	3
7,611	-		Interest payable and similar charges	4,596	-		10
-	(2,579)		Interest and investment income	-	(1,600)		10
236,380	-		Firefighter pensions net Interest on the net defined benefit liability	252,350	-		28
(2,170)			Support staff pension net interest on the net defined benefit liability	22,891	-		28
241,821	**(2,579)**	**239,242**	Financing and investment Income and expenditure	**279,837**	**(1,600)**	**278,237**	
	(494,153)		GLA grant		(540,917)		22
	(3,732)		PFI grant		(3,731)		22
-	**(497,885)**	**(497,885)**	Taxation and non-specific grant income		**(544,648)**	**(544,648)**	
		126,557	**(Surplus)/Deficit on provision of services**			**57,654**	18
		(24,073)	(Gain)/Loss on revaluation of non-current assets			(5,184)	4
		(487,805)	Re-measurement of the net defined benefit liability			(66,331)	4
		(511,878)	**Other comprehensive income and expenditure**			**(81,111)**	
		(385,321)	**Total comprehensive income and expenditure**			**(23,458)**	

Movement in Reserves Statement (MiRS)

This statement shows the movement in the year on the different reserves held by the LFC, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The '(surplus)/deficit on the provision of services' line shows the true economic cost of providing the LFC's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance for grant funding purposes. The 'net (increase)/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfer to or from earmarked reserves undertaken by the LFC.

Movement in Reserves	General Fund	Earmarked reserves	Capital grants unapplied	Total usable reserves	Unusable reserves	Total reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 01/04/25	**(17,775)**	**(37,875)**	**(205)**	**(55,855)**	**4,251,594**	**4,195,739**	
(Surplus)/Deficit on provision of services (accounting basis)	57,653	-	-	**57,653**		**57,653**	
Other comprehensive income and expenditure	-	-	-	-	(81,111)	**(81,111)**	4
Total comprehensive income and expenditure	**57,653**	**-**	**-**	**57,653**	**(81,111)**	**(23,458)**	
Adjustments between accounting basis and funding basis under regulations	**(50,990)**	**-**	**-**	**(50,990)**	**50,990**		*6*
Net (increase)/decrease before transfers to earmarked reserves	**6,663**	**-**	**-**	**6,663**	**(30,121)**	**(23,458)**	
Transfers to/(from) earmarked reserves	(13,914)	13,914	-				7
(Increase)/Decrease in year	**(7,251)**	**13,914**	**-**	**6,663**	**(30,121)**	**(23,458)**	
Balance as at 31/03/26	**(25,026)**	**(23,961)**	**(205)**	**(49,192)**	**4,221,473**	**4,172,281**	

Movement in Reserves Statement (MiRS) (continued)

The following table provides comparative figures for 2024/25:

Movement in Reserves	General Fund	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	
Balance as at 01/04/24	**(17,300)**	**(67,364)**	**(205)**	**(84,869)**	**4,665,927**	**4,581,058**	
(Surplus)/Deficit on provision of services (accounting basis)	126,557	-	-	**126,557**		**126,557**	
Other comprehensive income and expenditure		-	-		(511,878)	**(511,878)**	4
Total comprehensive income and expenditure	**126,557**	**-**	**-**	**126,557**	**(511,878)**	**(385,321)**	
Adjustments between accounting basis and funding basis under regulations	**(97,543)**	**-**	**-**	**(97,543)**	**97,543**	-	*6*
Net (increase)/decrease before transfers to earmarked reserves	**29,014**	**-**	**-**	**29,014**	**(414,335)**	**(385,321)**	
Transfers to/(from) earmarked reserves	(29,489)	29,489	-	-	-	-	7
(Increase)/Decrease in year	**(475)**	**29,489**	**-**	**29,014**	**(414,335)**	**(385,321)**	
Balance as at 31/03/25	**(17,775)**	**(37,875)**	**(205)**	**(55,855)**	**4,251,594**	**4,195,739**	

Balance Sheet

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

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

The second category of reserves are those that the LFC is not able to use to provide services. These reserves include reserves that hold unrealised gains and losses (e.g. the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'adjustments between accounting basis and funding basis under regulations.

I certify that the Balance Sheet gives a true and fair view of the financial position of the authority at 31 March 2026.

Mostaque Ahmed *FCA*
Director for Corporate Services
Date: 30 June 2026

31 March 2025 £'000	£'000	Balance Sheet	31 March 2026 £'000	£'000	Note
		Property, plant and equipment			
233,395		Land	236,296		
195,671		Buildings	198,394		
60,624		Vehicles, plant and equipment	55,969		
19,830		Non-operational assets	17,374		
8,295		Non-operational assets – other	17,460		
1,450		Heritage assets	1,477		
47,667		Right of use lease assets	36,023		
	566,932			**562,995**	9
284	**284**	Intangible assets	469	**469**	9
377	**377**	Long term debtors	254	**254**	
	567,593	**Long term assets**		**563,718**	
1,267		Inventories	1,460		
37,477		Short-term debtors	53,729		12
18,641		Cash and cash equivalents	16,548		13
1,459		Short term investments	1,899		
	58,844	**Current assets**		**73,637**	
(25,063)		Short-term borrowing	(50,000)		10
(62,514)		Short-term creditors	(71,582)		14
(5,574)		Short term provisions	(3,956)		15
(9,310)		Short-term liabilities	(12,187)		
	(102,461)	**Current liabilities**		**(137,725)**	
(9,348)		Long-term provisions	(9,005)		15
(38,527)		Long-term borrowing	(35,795)		11
(4,671,840)		Other long-term liabilities	(4,627,111)		25
	(4,719,715)	**Long term liabilities**		**(4,671,910)**	
	(4,195,739)	**Net assets**		**(4,172,281)**	
	(55,855)	Usable reserves		(49,192)	16
	4,251,594	Unusable reserves		4,221,473	17
	4,195,739	**Total reserves**		**4,172,281**	

Cash Flow Statement

The cash flow statement shows the changes in cash and cash equivalents of the LFC during the reporting period. The statement shows how the LFC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the LFC are funded by way of grant income or from recipients of services provided by the LFC.

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

2024/25 £'000	Cash Flow Statement	2025/26 £'000	Notes
102,484	**Net (surplus) or deficit on the provision of services**	**51,267**	
(117,747)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(55,145)	32
2,080	Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	578	34
(13,183)	**Net cash flows from operating activities**	**(3,299)**	
25,193	Investing activities	26,008	34
(4,136)	Financing activities	(20,613)	34
7,873	**Net (increase) or decrease in cash and cash equivalents**	**2,095**	
26,515	Cash and cash equivalents at the beginning of the period	18,641	13
18,642	**Cash and cash equivalents at the end of period**	**16,458**	

NOTES TO CORE ACCOUNTING STATEMENTS

Note 1 Critical Judgements in Applying Accounting Policies

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

PROVISION – GRENFELL TOWER CLAIMS

Public liability claims provision – the LFC, together with other relevant authorities, has received a number of claims in relation to public liability at the Grenfell incident. Although it is likely that all these claims have now been resolved; there remains some uncertainty surrounding 33 claims and, for this reason, a provision remains which is intended to cover damages and costs.

This provision is measured at the LFC's best estimate of the liability as at the date of authorisation of these accounts. These estimates include the estimated value of the settlements and the share for which the LFC may be liable. The level of the LFC's provision is set out in note 15.

IFRS 16 – Leases

On 1 April 2024, the LFC applied IFRS 16 to its relevant leases as adopted by the CIPFA Code of Practice on Local Authority Accounting, replacing IAS 17. Further details of the new accounting policy are in note 9. The recognition value was calculated using the LFC's best estimate of the liability as at the balance sheet date, based on the most current information available for future cashflows. The discount rate applied to calculate net present value of these cashflows is the average interest receivable rate, indicating the value of these cashflows had they instead been invested as per the LFC's policy, set out at note 10. This is used as a proxy discount rate in the absence of a formal finance lease arrangement.

The leases considered are for properties and office accommodation; protective equipment; and leased vehicles. Leases involving peppercorn rents (assessed as lower than £5,000 per annum) have been disregarded, as are arrangements lasting less than a year; these continue to be treated under IAS 17. Depreciation is applied on a straight-line basis across the term of the implied lease. Revaluations are not applied as the lease recognises the present value of future cash flows, not the value of the asset itself. The LFC also considers that its allowing telecom companies to erect masts on the towers of certain fire stations in exchange for a financial consideration does not constitute a lessor lease in the sense provided for by the accounting standard. As such, these have been excluded from the calculation and continue to be treated under IAS 17.

Note 2 Assumptions made about the future and other major sources of estimation uncertainty

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

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current carrying value of non-current assets (excluding assets under construction) as at 31 March 2026 is £557.3m (£558.6m at 31 March 2025). A full valuation of all fire stations was carried out as at 31 March 2026. The following issues result in heightened estimation uncertainty: • Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology. • Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £11.8m and £9.9m respectively.
Pension liability	Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme and another for the Firefighters' scheme) to provide the LFC with expert advice about the assumptions to be applied. The current carrying value of the pension liability as at 31 March 2026 is £4,554m (4,593m at 31 March 2025).Estimation of the net liability to pay pensions depend on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Two firms of consulting actuaries are engaged (one for the Local Government Pension Scheme, another for the firefighters' scheme) to provide the LFC with expert advice about the assumptions to be applied.	The effects of the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption for the combined fire fighter pension scheme would result in an approximate 6.5% increase in the pension liability, in the region of £294m. However, the assumptions interact in complex ways. An increase or decrease in liability due to estimates being corrected because of experience can be offset by a decrease or increase attributable to updating of the assumptions. A sensitivity analysis is included in Note 28.

<table>
<tr>
<td>Public liability provision</td>
<td>
The LFC has made a provision for its contribution to Restorative Justice (RJ) and associated costs together with public liability (PL) civil claims costs in relation to the Grenfell incident. The current carrying value of the provision based on the above assumptions is £1,415k.
The LFC together with other Defendants has participated directly in two successful confidential Alternative Dispute Resolution (ADR) processes and contributed to a third. Associated litigation costs have also been paid. These have resolved the PL damages claims from the bereaved survivors and residents and the employer's liability claims from firefighters. The estimated provision for PL claims therefore assumes that there are only a few remaining claims which will be settled through ADR in the same percentage contributions and the likelihood of LFC being involved in contribution proceedings from other Defendants is remote.
The LFC is currently consulting on the proposals for the Grenfell memory Project, which will be funded by its RJ contribution. However, under the Settlement Agreement with the ADR Claimants the associated consultation and delivery costs must be paid by LFC in addition to this. Two separate provisions have been made. The consultation costs are more predictable and ,as the consultation period will have been completed by the end of August, are likely to end in 2026. A more generous provision has been allowed for delivery costs to reflect the fact that the final proposals are yet to be chosen, and it is not therefore clear who the provider/s will be.
It has also been assumed that some or all of LFC's RJ contribution will have been paid to the ADR Claimants in the financial year 2027/2028.
</td>
<td>
Significant changes in any of the estimated inputs would result in a significantly lower or higher settlement value for the claims.
The effects of changes in individual assumptions can be measured.
A 10% increase in the settlement value due to claims outside of the ADR process would result in an approximate £35k increase in the public liability provision. No provision was previously made for these claims; the provision does now include an allowance for BLJ claimants.
A 10% increase or decrease in the legal costs of the public liability will increase or decrease the total provision by £141k.
<table>
<tr><th></th><th>Best case scenario

£'000</th><th>Current scenario

£'000</th><th>Worst case scenario

£'000</th></tr>
<tr><td>10% changes in settlement value for claims outside of ADR</td><td>1,380</td><td>1,415</td><td>1,450</td></tr>
<tr><td>10% changes in legal cost</td><td>1,274</td><td>1,415</td><td>1,556</td></tr>
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Note 3 Other operating expenditure

(a) Material items of income and expenditure

The LFC collected £44.4m (£41.4m in 2024/25) in the form of a levy placed on the insurance industry under the Metropolitan Fire Brigade (MFB) Act 1865. This is included as income in the net cost of services against 'community fire safety and firefighting and rescue operations'.

This is an ongoing item and is LFB's most significant source of income outside the Mayoral grant.

(b) Other operating income and expenditure

2024/25 *£'000*	Other operating expenditure/(income)	2025/26 *£'000*
(28)	Proceeds from disposal of non-current assets in year	
(2,051)	Capital grants received	(577)
51,280	Impairment of fixed assets	7,314
49,201	**CIES - Other operating expenditure/(income)**	**6,737**

Note 4 Other comprehensive income and expenditure

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

2024/25 £'000	2024/25 £'000	(Surplus) or deficit on revaluation of non-current assets and actuarial (gains)/losses on pension assets/(liabilities)	2025/26 £'000	2025/26 £'000
(24,073)		Gain on the revaluation of property assets	(14,780)	
		Loss on the revaluation of property assets		
	(24,073)	**Surplus on revaluation of non-current assets**		**(14,780)**
(522,380)		Actuarial (gains)/losses on firefighter pension liabilities	(65,610)	
34,575		Actuarial (gains)/losses on LGPS pension assets/liabilities	(721)	
	(487,805)	**Actuarial (gains)/losses on pension assets/liabilities**		**(66,331)**
	(511,878)	**Total other comprehensive income and expenditure**		**(81,111)**

Note 5 Events after the Balance Sheet date

The draft Statement of Accounts is due to be authorised for issue by Mostaque Ahmed, Director for Corporate Services, on 30 June 2026. Events taking place after this date are not currently reflected in the financial statements or notes. Where it subsequently becomes clear that events taking place before this date provide information about conditions existing as at 31 March 2026, the figures in the financial statements and notes will be adjusted in all material respects to reflect the impact of this information.

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations

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

2025/26 - Adjustments between accounting basis and funding basis under regulations	**General Fund** **£'000**	**Total usable reserves** **£'000**	**Total unusable reserves** **£'000**
Depreciation, amortisation and impairment of fixed assets	32,347	32,347	(32,347)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and use of the Capital Receipts Reserve to finance new capital	-	-	-
MRP for capital financing. Not debited to the CIES	(28,755)	(28,755)	28,755
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to CIES	7,314	7,314	(7,314)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	40,577	40,577	(40,577)
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	(577)	(577)	577
Adjustment due to Accumulated Absences, reversal of prior year charge	(7,066)	(7,066)	7,066
Adjustment due to Accumulated Absences, current year charge	7,150	7,150	(7,150)
Total adjustments	**50,990**	**50,990**	**(50,990)**

Note 6 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

The following table provides comparative figures for 2024/25:

2024/25 - Adjustments between accounting basis and funding basis under regulations	**General Fund** £'000	**Total usable reserves** £'000	**Total unusable reserves** £'000
Depreciation, amortisation and impairment of fixed assets	31,715	31,715	(31,715)
Transfer of cash sale proceeds credits as part of the gain/loss on disposal to the CIES and use of the Capital Receipts Reserve to finance new capital	(28)	(28)	28
MRP for capital financing. Not debited to the CIES	(25,667)	(25,667)	25,667
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to CIES	51,280	51,280	(51,280)
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	41,518	41,518	(41,518)
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	(2,051)	(2,051)	2,051
Adjustment due to Accumulated Absences, reversal of prior year charge	(6,290)	(6,290)	6,290
Adjustment due to Accumulated Absences, current year charge	7,066	7,066	(7,066)
Total adjustments	**97,543**	**97,543**	**(97,543)**

Note 7 Transfers to/from Earmarked Reserves

Earmarked reserves	Balance as at 31/03/2024 £'000	Transfers out £'000	Transfers in £'000	Balance as at 31/03/2025 £'000	Transfers out £'000	Transfers in £'000	Balance as at 31/03/2026 £'000
Vehicle Fleet Reserve	2,358	(1,003)	-	1,355	(1,355)	-	-
London Resilience	1,341	(522)	-	819	(819)	-	-
Sustainability Reserve	171	-	-	171	(171)	-	-
Compensation	749	(749)	-	-	-	-	-
Pension Early Release	1,559	(484)	-	1,075	(755)	-	320
CRMP	4,688	(2,767)	-	1,921	(1,868)	-	53
Emergency Services Mobile Communication Programme	888	-	-	888	(888)	-	-
ICT Development Reserve	2,631	(1,760)	204	1,075	(572)	-	503
Recruitment/Outreach	1,342	(300)	-	1,042	(300)	-	742
Fire Safety & Youth Engagement	6,577	(11)	-	6,566	(1,588)	-	4,978
Budget Flexibility	17,270	(16,475)	-	795	-	-	795
Central Programme Office	328	(328)	-	-	-	-	-
Grenfell Infrastructure Reserve	215	-	-	215	(215)	-	-
Fire Safety Improvement Reserve	24,711	(7,280)	354	17,785	(7,718)	-	10,067
Building Safety Regulator	1,711	-	245	1,956	-	7	1,963
Leadership Reserve	127	(100)	-	27	(27)	-	-
Marauding Terrorist Attack	286	(100)	-	186	(186)	-	-
Communication Reserve	110	-	-	110	(30)	-	80
HR Reserve	107	-	-	107	(107)	-	-
Finance Reserve	15	-	-	15	(15)	-	-
LFB Museum Project	180	(100)	-	80	(80)	-	-
London Remediation Acceleration Plan	-	-	-	-	-	976	976
2025/26 investment/project carry forward	-	-	1,687	1,687	(465)	2,262	3,484
Total	**67,364**	**(31,979)**	**2,490**	**37,875**	**(17,159)**	**3,245**	**23,961**

Note 8 Minimum Revenue Provision

The LFC is required by statute to set aside a minimum revenue provision, that it considers prudent, for the repayment of external debt and notional interest on credit arrangements, principally leases. The total amount set aside to the Capital Adjustment Account in 2025/26 was £28.755m (in 2024/25 it was £25.667m), being assessed by the LFC as being prudent.

Note 9 Property Plant and Equipment

ACCOUNTING POLICIES

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

RECOGNITION

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

MEASUREMENT

Assets are initially measured at cost, comprising:

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

The LFC does not capitalise borrowing costs incurred whilst assets are under construction. A *de minimis* limit of £20,000 is in place for the capitalisation of expenditure.

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

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

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

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

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

Note 9 Property, Plant and Equipment (continued)

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

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

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

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

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

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

IMPAIRMENT

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

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

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

DEPRECIATION

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

Note 9 Property, Plant and Equipment (continued)

Depreciation is calculated on the following bases:

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

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

COMPONENT ACCOUNTING

For assets, where the value is classed as material to the LFC (£1m and above), component accounting is applied. Componentisation is applicable to any significant enhancement and/or acquisition expenditure incurred and revaluations carried out as from 1 April 2010. During 2025/26, the non-current tangible assets of the LFC were revalued and this included a re-consideration of the components. Component accounting requirements affects the depreciation charge levied in subsequent financial years. Componentisation does not apply to land assets, and it only applies where an item of property, plant and equipment has major components where the cost of these is significant (20% or above) in relation to the total cost of the asset. Where this occurs, the components are recognised and depreciated separately according to their useful lives.

Category	**Depreciation rate**
Heritage assets	Not depreciated
Surplus assets	Not depreciated
Assets held for sale	Not depreciated
Buildings – structure, roof, plant and services	Estimated life between 10 to 60 years
Vehicles	5 to 25 years
Plant and equipment	5 to 10 years
Right of use lease assets	Over the life of the lease

Note 9 Property, Plant and Equipment (continued)

SURPLUS ASSETS

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

DISPOSALS AND NON-CURRENT ASSETS HELD FOR SALE

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount or fair value less costs to sell which is deemed to be the estimated disposal proceeds for the site. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the 'other operating expenditure' line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment, or assets held for sale) is written off to the 'other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Only amounts received for a disposal in excess of £10,000 are categorised as capital receipts. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the LFC's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund balance in the Movement in Reserves Statement.

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

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

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

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

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

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

- Fair value of the services received during the year – debited to the relevant service in the Comprehensive Income and Expenditure Statement
- Finance cost – an interest charge on the outstanding Balance Sheet liability, debited to the 'financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement
- Contingent rent – increases in the amount to be paid for vehicles arising during the contract, debited to the 'financing and investment income and expenditure' line in the Comprehensive Income and Expenditure Statement
- Payment towards liability – applied to write down the Balance Sheet liability towards the PFI operator (the profile of write-downs is calculated using the same principles as for a finance lease)
- Life cycle replacement costs – recognised as additions to property, plant and equipment when vehicles are purchased.

IFRS 16 Leases

Under the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the 'CIPFA Code of Practice') International Financial Reporting Standard 16 Leases (IFRS 16) was implemented prospectively by the LFC in 2024/25.

Under IFRS 16, the accounting treatment for all leases the LFC has entered into as the lessee/tenant (except those with a term of less than 12 months and those involving low value items) will be to recognise:

- a right-of-use asset on the balance sheet, measuring the value of our right to use the asset over the remaining term of the lease
- a liability for the rents payable before the lease expires

This differs from the previous practice of only recognising the assets and liabilities associated with finance leases on the balance sheet.

Hence, the main impact of adopting IFRS 16 is that property and other assets of which the LFC has secured the use of under the terms of operating leases (except those with a term of less than 12 months and those involving low value items) must be recognised on the balance sheet, together with the associated liability to pay for those assets. In these accounts, they are recognised as part of PPE. The associated lease liability is reflected in short- and long-term liabilities.
In previous periods, these assets and liabilities were not recognised, and the lease rental payments were charged as revenue expenditure as they became payable.

IFRS 16 requires that, when lease rentals are paid, they will be applied partly to write down the liability and partly charged as interest on the outstanding liability. The cost of the right-of-use asset is reflected in depreciation charges in the Comprehensive Income and Expenditure Statement. However, statutory arrangements allow the impact on the General Fund balance to be unchanged, such that the overall charge for each year will be the rents payable in that year.

IFRS 16 requires the remeasurement of lease liabilities in the event of a significant event or change that was not pre-determined in the lease contract; for example, where payments are increased in line with an inflation index such as RPI or CPI. In this situation, the liability must be recalculated based on the revised level of payments. This requirement applies to leases and to Private Finance Initiative (PFI) arrangements (except those with a term of less than 12 months and those involving low value items) from 1 April 2024.

Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's non-current assets during 2025/26.

Movement in balances 2025/26	Land and buildings £000	Vehicles, plant and equipment £000	Surplus assets £000	Assets under construction £000	Heritage assets £000	Right of use lease assets £000	Total £000
Cost or valuation							
As at 1 April 2025	**429,066**	**144,526**	**19,830**	**8,295**	**1,450**	**59,339**	**662,506**
Additions	10,230	2,574		13,096	-	-	25,900
Revaluation increases/(decreases) recognised in Revaluation Reserve	(4,793)	-	(2,370)	-	28	-	(7,135)
Revaluation increases/(decreases) recognised in CIES	(1,679)	-	-	-	-	-	(1,679)
Derecognition – disposals	-	(14,274)	-	-	-	-	(14,274)
Derecognition – other	-	-	-	(502)	-	(72)	(574)
Other movements in cost or valuation	1,867	1,648	-	(3,515)	-	(389)	(389)
As at 31 March 2026	**434,691**	**134,475**	**17,460**	**17,374**	**1,478**	**58,878**	**664,355**
Accumulated depreciation and impairment							
As at 1 April 2025	**-**	**(83,902)**	**-**	**-**	**-**	**(11,672)**	**(95,574)**
Depreciation charge for 2025/26	(12,320)	(8,610)				(11,372)	(32,302)
Derecognition – disposals		14,008				-	14,008
Write out of accumulated depreciation	12,320					189	12,509
As at 31 March 2026	**0**	**(78,504)**				**(22,855)**	**(101,359)**
Net book value:							
As at 31 March 2025	429,066	60,624	19,830	8,295	1,450	47,667	**566,932**
As at 31 March 2026	434,691	55,970	17,460	17,374	1,478	36,023	562,996

Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's non-current assets during 2024/25:

Movement in Balances 2024/25	**Land and buildings £000**	**Vehicles, plant and equipment £000**	**Surplus assets £000**	**Assets under construction £000**	**Heritage assets £000**	**Right of use lease assets £000**	**Total £000**
Cost or valuation							
As at 1 April 2024	**444,409**	**144,181**	**20,070**	**12,646**	**1,432**	**-**	**622,738**
Additions	20,056	1,418	-	6,162	-	59,339	86,975
Revaluation increases/(decreases) recognised in Revaluation Reserve	6,575	-	(240)	-	18	-	6,353
Revaluation increases/(decreases) recognised in CIES	(51,280)	-	-	-	-	-	(51,280)
Derecognition – disposals	-	(2,279)	-	-	-	-	(2,279)
Derecognition – other	-	-	-	(1)	-	-	(1)
Other movements in cost or valuation	9,306	1,206	-	(10,512)	-	-	-
As at 31 March 2025	**429,066**	**144,526**	**19,830**	**8,295**	**1,450**	**59,339**	**662,506**
Accumulated depreciation and impairment							
As at 1 April 2024	**(6,404)**	**(77,612)**	**-**	**(1)**	**-**	**-**	**(84,017)**
Depreciation charge for 2024/25	(11,315)	(8,565)	-	-	-	(11,672)	(31,552)
Derecognition – disposals	-	2,275	-	1	-	-	2,276
Write out of accumulated depreciation	17,719	-	-	-	-	-	17,719
As at 31 March 2025	**-**	**(83,902)**	**-**	**-**	**-**	**(11,672)**	**(95,574)**
Net book value:							
As at 31 March 2024	438,005	66,569	20,070	12,645	1,432	-	**538,721**
As at 31 March 2025	429,066	60,624	19,830	8,295	1,450	47,667	**566,932**

Note 9 Property, Plant and Equipment (continued)

RIGHT OF USE LEASE ASSETS

THE LFC AS A LESSEE - FINANCE LEASES

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

Lease payments are apportioned between:

· A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and

· A finance charge (debited to the Financing and Investment Income and Expenditure in the Comprehensive Income and Expenditure Statement).

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

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

Note 9 Property, Plant and Equipment (continued)

Movement in Balances 2025/26	Property leases £000	Vehicles leases £000	ICT leases £000	Equipment leases £000	Total £000
Cost or valuation					
As at 1 April 2025	**49,514**	**2,255**	**830**	**6,740**	**59,339**
Net impact of changes to lease value	(13)	(676)	102	197	(389)
Leases terminated			(72)		(72)
As at 31 March 2026	**49,501**	**1,579**	**860**	**6,937**	**58,878**
Accumulated depreciation and impairment					
As at 1 April 2025	**(7,869)**	**(907)**	**(240)**	**(2,656)**	**(11,672)**
Depreciation charge for 2025/26	(8,041)	(378)	(165)	(2,787)	(11,372)
Write back depreciation on leases		75	114		189
As at 31 March 2026	**(15,910)**	**(1,210)**	**(291)**	**(5,443)**	**(22,855)**
Net book value:					
As at 31 March 2025	**41,645**	**1,348**	**590**	**4,084**	**47,667**
As at 31 March 2026	**33,591**	**369**	**569**	**1,494**	**36,023**

Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's non-current assets during 2024/25:

Movement in balances 2024/25	**Property leases £000**	**Vehicles leases £000**	**ICT leases £000**	**Equipment leases £000**	**Total £000**
Cost or valuation					
As at 1 April 2024	-	-	-	-	-
IFRS 16 Implementation - adjustments on adoption	49,514	2,255	830	6,740	59,339
As at 31 March 2025	**49,514**	**2,255**	**830**	**6,740**	**59,339**
Accumulated depreciation and impairment					
As at 1 April 2024	-	-	-	-	-
Depreciation charge for 2024/25	(7,869)	(907)	(240)	(2,656)	(11,672)
As at 31 March 2025	**(7,869)**	**(907)**	**(240)**	**(2,656)**	**(11,672)**
Net Book Value:					
As at 31 March 2024	-	-	-	-	-
As at 31 March 2025	**41,644**	**1,348**	**590**	**4,084**	**47,667**

RECONCILIATION OF THE CARRYING VALUE OF LEASE LIABILITIES

Reconciliation	**Property leases £000**	**Vehicle leases £000**	**ICT leases £000**	**Equipment leases £000**	**Total £000**
Carrying value at 31 March 2025	**42,529**	**1,376**	**587**	**4,091**	**48,583**
Net impact of changes to lease value	(13)	(676)	102	197	(389)
Interest charge arising in year	1,978	60	29	200	2,266
Lease payments (cash outflows)	(9,288)	(574)	(158)	(2,950)	12,970
Carrying value at 31 March 2026	**35,206**	**186**	**560**	**1,537**	**37,490**

Note 9 Property, Plant and Equipment (continued)

The following table shows the equivalent reconciliation for 2024/25:

Reconciliation	Property leases	Vehicle leases	ICT leases	Equipment leases	Total
	£000	£000	£000	£000	£000
Carrying value at 31 March 2024	49,514	2,255	830	6,740	59,339
Interest charge arising in year	2,303	105	39	314	2,761
Lease payments (cash outflows)	(9,289)	(984)	(282)	(2,962)	(13,516)
Carrying value at 31 March 2025	**42,529**	**1,376**	**587**	**4,091**	**48,583**

MATURITY ANALYSIS OF FUTURE LEASE PAYMENTS AT 31 MARCH 2026

Future lease payments	Property leases	Vehicle leases	ICT leases	Equipment leases	Total
	£000	£000	£000	£000	£000
Not later than one year	7,466	208	135	1,538	9,347
Later than one year and no later than five years	12,845	49	353	-	13,247
Later than five years	14,895	-	-	-	14,895
Total	**35,206**	**257**	**489**	**1,538**	**37,490**

MATURITY ANALYSIS OF FUTURE LEASE PAYMENTS AT 31 MARCH 2025

Future lease payments	Property leases	Vehicle leases	ICT leases	Equipment leases	Total
	£000	£000	£000	£000	£000
Not later than one year	4,132	756	180	2,651	7,718
Later than one year and no later than five years	20,074	620	408	1,440	22,542
Later than five years	18,323	-	-	-	18,323
Total	**42,528**	**1,376**	**587**	**4,092**	**48,583**

Note 9 Property, Plant and Equipment (continued)

BASIS OF VALUATIONS

OPERATIONAL PORTFOLIO

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

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

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

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

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

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

8 ALBERT EMBANKMENT (THE FORMER LFEPA HEADQUARTERS)

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

The "middle site" of the previous overall development (now known as the Lambeth High Street Site) is planned to be let to a tenant and the "rear site" is planned to revert to operational car parking use.

SURPLUS ASSETS

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

LFC is satisfied that the MV figures provided meet the requirements of 'fair value' as deemed by the CIPFA Code of Practice for Local Authority Accounting 2025/26. On the basis of this, we are of the view that the figures referred to in our accounts are a reasonable reflection of the present values of our property interests.

ASSETS HELD FOR SALE

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

FREEHOLD AND LONG LEASEHOLD INTERESTS

The freehold and long leasehold interests in the various properties which are owned by the London Fire Commissioner (LFC) were valued by External Valuers, Sanderson Weatherall LLP, Chartered Surveyors and Property Consultants, at 31st March 2026, in accordance with the current edition of the RICS Valuation – Global Standards effective from 31 January 2022, including the UK National Supplement effective from 14 January 2019 ('the Red Book').

VALUER'S REPORT

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

Of the £434.7m net book value of land and buildings subject to valuation, £420.6m relates to specialised assets valued on a depreciated replacement cost basis. Here the valuer bases their assessment on the cost to the London Fire Brigade of replacing the service potential of the assets.

VEHICLES

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

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

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

INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are controlled by the LFC due to past events (e.g. software licences), is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the LFC.

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

Expenditure on the development of websites is not capitalised if the website is primarily

Note 9 Property, Plant and Equipment (continued)

intended to promote or advertise the LFC's goods or services.

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

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

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

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

Category	Software licences	In-house software
7 years	Firelink radio software Wide-Area Network Command Support System	Mobile Work Systems
5 years	All other intangible assets	Not depreciated

The table below shows the movements in the LFC's intangible assets during 2025/26:

Movement in balances 2025/26	Operational			Under development (non-operational)		
	Software licences £'000	In-house software £'000	Total £'000	Software licences £'000	In-house software £'000	Total £'000
Balances at 1 April 2025						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,355)	(12,908)	(27,263)	-	-	-
	-	**284**	**284**	-	-	-
Reclassification	-	-	-	-	-	-
Additions	245	-	245	-	-	-
Disposals		(14)	(14)			
Amortisation for the period	-	(45)	(45)	-	-	-
Net carrying amount at 31 March 2026	**245**	**224**	**470**	**-**	**-**	**-**
Comprising:						
Gross carrying amounts	14,600	13,178	27,778	-	-	-
Accumulated amortisation	(14,355)	(12,953)	(27,308)	-	-	-
Net carrying amount at 31 March 2026	**245**	**224**	**470**	**-**	**-**	**-**

The table below shows the movements in the LFC's intangible assets during 2024/25:

Movement in balances 2024/25	**Operational**			**Under development (non-operational)**		
	Software licences £'000	**In-house software £'000**	**Total £'000**	**Software licences £'000**	**In-house software £'000**	**Total £'000**
Balances at 1 April 2024						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,345)	(12,756)	(27,101)	-	-	-
Net carrying amount at 1 April 2025	10	436	446	-	-	-
Reclassification	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Amortisation for the period	(10)	(152)	(162)	-	-	-
Net carrying amount at 31 March 2025	**-**	**284**	**284**	**-**	**-**	**-**
Comprising:						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,355)	(12,908)	(27,263)	-	-	-
Net carrying amount at 31 March 2025	**-**	**284**	**284**	**-**	**-**	**-**

HERITAGE ASSETS

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

Note 10 Financial Instruments

ACCOUNTING POLICY

FINANCIAL LIABILITIES

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

For most of the borrowings that the LFC has, this means that the amount presented in the balance sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

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

FINANCIAL ASSETS

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

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

For most of the loans that the LFC has, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

Note 10 Financial Instruments (continued)

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

31 March 2025 Long-term £'000	31 March 2025 Current £'000	Financial liabilities and assets at amortised cost **Borrowings**	31 March 2026 Long-term £'000	31 March 2026 Current £'000
38,225	5,000	Public Work Loan Board (PWLB) debt	35,500	2,725
302	63	PWLB accrued interest	295	7
-	20,000	Short-term borrowing	-	50,000
38,527	**25,063**	**Total borrowings**	**35,795**	**52,732**
36,734	1,592	PFI liabilities	35,148	1,587
40.865	7,718	Other liabilities	37,490	10,602
77,599	**9,310**	**Total other long-term liabilities**	**72,638**	**12,189**
-	14,582	Creditors	-	23,057
116,126	**48,995**	**TOTAL**	**108,433**	**87,978**

31 March 2025 Long-term £'000	31 March 2025 Current £'000	Financial liabilities and assets at amortised cost **Loans and receivables**	31 March 2026 Long-term £'000	31 March 2026 Current £'000
-	-	Investments	-	-
-	-	Short term investments	-	-
-	-	Accrued interest	-	-
-	**-**	**Total investments**	**-**	**-**
377	5,967	Debtors	254	14,080
-	18,641	Cash equivalents	-	16,548
377	**24,608**	**TOTAL**	**254**	**30,628**

Note 10 Financial Instruments (continued)

FINANCIAL INSTRUMENTS GAINS/(LOSSES)

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2024/25 £'000	Financial instruments income and expenditure	2025/26 £'000
7,611	Interest expense	6,770
(2,579)	Interest income	(1,600)
5,032	**Net loss/(gain) for the year**	**5,170**

2024/25 £'000	Financial instruments income and expenditure	2025/26 £'000
2,210	PWLB borrowing	1,842
5,401	PFI lease interest and contingent rentals	4,928
7,611	**Total interest expense**	**6,770**

FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value of payments in the future in today's terms. The discount rate used in the NPV calculation should be equal to the same instrument from a comparable lender. The discount rates were obtained by the LFC's treasury advisor MUFG Corporate Markets and PWLB from the market on 31 March 2026, using bid prices where applicable.

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

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

31 March 2025			31 March 2026	
Carrying amount	**Fair value**	**Liabilities and assets**	**Carrying amount**	**Fair value**
£'000	**£'000**		**£'000**	**£'000**
43,225	43,299	Public Work Loan Board (PWLB) debt	38,225	37,381
-	-	Short term borrowing	-	-
77,599	77,599	PFI and other finance leases	72,638	72,638
14,582	14,582	Trade and other creditors	23,057	23,057
135,406	**135,480**	**Total liabilities**	**133,920**	**133,076**
5,967	5,967	Trade and other debtors	14,080	14,080
377	377	Long term debtors	254	254
18,641	18,641	Cash and cash equivalents	16,548	16,548
24,985	**24,985**	**Total assets**	**30,881**	**30,881**

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

**LFB financial instruments, including loans and other borrowings, are measured at fair value by utilising a premature rate, rather than the new loan rate for specific financial instruments. LFB has adopted the premature loan rate at £37,381k rather than the new loan rate of £34,800k, as we do not currently intend to take out any additional external loans.

NATURE AND EXTENT OF RISK ARISING FROM FINANCIAL INSTRUMENTS

KEY RISKS

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

(i) **credit risk**: the possibility that other parties might fail to pay amounts due to the LFC

(ii) **liquidity risk**: the possibility that the LFC might not have funds available to meet its commitments to make payments

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

(iv) **market risk**: the possibility that financial loss might arise for the LFC as a result of changes in such measures as interest rate movements

OVERALL PROCEDURES FOR MANAGING RISK

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

- by formally adopting the requirements of the CIPFA Treasury Management Code of Practice
- by the adoption of a Treasury Policy Statement and treasury management clauses within its financial regulations/standing orders/constitution
- by approving annually in advance prudential and treasury indicators for the following three years, limiting:
  - the LFC's overall borrowing
  - its maximum and minimum exposures to fixed and variable rates
  - its maximum and minimum exposures to the maturity structure of its debt
  - its maximum annual exposures to investments maturing beyond a year
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with Government guidance

These are required to be reported and approved before the start of the year to which they relate. These items are reported with the annual Treasury Management Strategy (TMS), which outlines the detailed approach to managing risk in relation to the LFC's financial instrument exposure. Bi-annual reports on treasury management performance are submitted to the Investment & Finance Board for scrutiny, and then to the LFC.

The LFC's daily treasury management function is managed under a shared service arrangement with the GLA, who carry out borrowing, investment and reporting requirements. Investments were previously managed through a Group Investment Syndicate (GIS) but, since 30 June 2023, have been managed by the London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF).

The annual TMS for 2025/26, which incorporates the prudential indicators and investment strategy, was approved by LFC on 12 March 2025 and is available on the LFC website (LFC-25-031).

The key issues within the strategy were:

(i) The Authorised Borrowing Limit for 2025/26 was set at £245m with an Operational Borrowing Limit of £240m. As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits have been reviewed and increased as necessary. Updated borrowing limits reflect the impact of IFRS 16 compliance

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

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

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

CREDIT RISK

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

This risk is minimised through the Annual Investment Strategy (AIS), which requires that deposits are only made with financial institutions on the approved counterparty lending list. Acceptability as an authorised counterparty will be based upon credit ratings issued by credit ratings agencies, advice from the LFC's treasury advisors, Link Asset Services and other financial information sources deemed appropriate by the Director for Corporate Services in order to ensure that investments are made giving sufficient priority to security over yield in accordance with Section 15 (1) of the Local Government Act 2003. The AIS also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the LFC's loan portfolio (quantified at the day of lending) are set out in the LFC's investment strategy which is included as part of the TMS that was approved on 12 March 2025.

Exposure to the maturity of debt	Upper limit	Lower limit
Under 12 months	65%	0%
12-24 months	20%	0%
2-5 years	50%	0%
5-10 years	75%	0%
10 years and over	90%	25%

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

The LFC's maximum exposure to credit risk in relation to its investments in banks and building societies cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of recoverability applies to all the LFC's deposits, but there was no evidence as at 31 March 2026 that this was likely to crystallise.

The major element of the LFC's investments were held and managed in the GLA LTLF, which was jointly controlled by the GLA, and syndicate members, including LFC, through their respective chief financial officers. LTLF funds were instantly accessible, as are funds held within the LTLF.

The closing investment position on the LTLF, as at 31 March 2026, was £12.8m (£8.8m as at 31 March 2025) with a weighted average maturity of no greater than 60 days. Including a sum held on a NatWest call account (£2.5m), the total investment position as at 31 March 2026 was £15.3m (£10.7m as at 31 March 2025). Cumulative performance for the year was 6.9% and attracted interest of £2.6m. The performance figure is net of fees.

LIQUIDITY RISK

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

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

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

31 March 2025 £'000	Maturity analysis	31 March 2026 £'000
5,000	Within 1 year	2,725
2,725	Between 1 and 2 years	3,000
9,000	Between 2 and 5 years	9,000
3,000	Between 5 and 10 years	15,500
23,500	More than 10 years	8,000
43,225	**Total**	**38,225**

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

REFINANCING AND MATURITY RISK

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

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

This includes:

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

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

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

Maturity analysis of fixed rate borrowing	Approved upper limits	Approved lower limits	Actual 31/03/2025	Actual 31/03/2026
Less than 1 year	20%	0%	12%	7%
Between 1 and 2 years	20%	0%	6%	8%
Between 2 and 5 years	50%	0%	21%	24%
Between 5 and 10 years	75%	0%	7%	41%
More than 10 years	90%	25%	54%	21%

MARKET RISK

INTEREST RATE RISK

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

(i) **borrowings at variable rates**: the interest expense charged to the Comprehensive Income and Expenditure Statement would rise

(ii) **borrowings at fixed rates**: the fair value of the borrowing would fall (no impact on revenue balances)

(iii) **investments at variable rates**: the interest income credited to the Comprehensive Income and Expenditure Statement would rise

(iv) **investments at fixed rates**: the fair value of the assets would fall (no impact on revenue balances)

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the 'surplus or deficit on the provision of services' or 'other comprehensive income and expenditure' lines.

Sensitivity analysis	Best case scenario	Current scenario	Worst case scenario
Interest payable (PWLB) – %	**3.65%**	**4.65%**	**5.65%**
Interest payable (PWLB) – £'000	1,446	1,842	2,238
Interest receivable – %	**2.80%**	**3.80%**	**4.80%**
Interest receivable – £'000	(1,179)	(1,600)	(2,021)
Total – £'000	**267**	**242**	**217**

Note 11 Long Term Borrowing

31 March 2025 £'000	Long-term borrowing The sources are:	31 March 2026 £'000
38,225	Public Works Loan Board	35,500
38,225	**Total**	**35,500**
	These loans mature as follows:	
2,725	Between 1 and 2 years	3,000
9,000	Between 2 and 5 years	9,000
3,000	Between 5 and 10 years	15,500
7,000	Between 10 and 15 years	8,000
16,500	More than 15 years	-
38,225		**35,500**
302	Add accrued interest	295
38,527	**Total**	**35,795**

Note 12 Debtors

SHORT TERM DEBTORS

These are as illustrated in the table:

31 March 2025 £'000	Debtors	31 March 2026 £'000
22,331	Central government bodies - Home Office/MHCLG	20,827
5,178	Central government bodies - HMRC	15,068
-	Central government bodies – other	-
6,858	Other entities and individuals	15,962
(891)	Impairment allowance for doubtful debts	(1,882)
4,001	Payments in advance	3,754
37,477	**Total debtors**	**53,729**

IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £891k brought forward from 2024/25 to safeguard against future losses or non-recoveries has increased by £991k during the year to £1.882m. The aged debt analysis shows that £8.262m (£1.135m 2024/25) of the total outstanding debt is past its due date for payment, though the bulk of this (£6.138m) is MFB Act income, which is statutorily due to us and therefore is assumed to be 100% recoverable. In calculating the LFC's assessment of bad debt provision, all outstanding sundry debt shown below has been taken into account, and weighted according to an assessment, by age and debt type, of the likelihood that the LFC will receive the money.

Aged debt analysis	Greater than 2 years £'000	1-2 years £'000	120-365 days £'000	90-120 days £'000	60-90 days £'000	30-60 days £'000	0-30 days £'000	Total £'000
Metropolitan Fire Brigade (MFB) Act	-	-	6,138	-	-	-	-	6,138
Fire reports	-	-	6	-	-	1	-	7
Other sundry debt	177	726	787	105	120	201	(1,109)	1,008
Total	177	726	6,931	105	120	202	(1,109)	7,153

Note 13 Cash and cash equivalents

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

The majority of the LFC's investments are held and managed in the London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF), to which the Director for Corporate Services is a syndic and the LFC's representative. Funds held within LTLF are instantly available to LFC.

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

31 March 2025 £'000	Cash and cash equivalents	31 March 2026 £'000
10	Cash held by the authority	
7,916	Bank current accounts	1,204
10,715	Short term deposits held on demand	15,343
18,641	**Total cash and cash equivalents**	**16,548**

Note 14 Creditors

31 March 2025 £'000	Creditors	31 March 2026 £'000
12,188	Central government bodies – HMRC	15,382
(295)	Central government bodies – Home Office/MHCLG	(392)
986	Other local authorities	1,284
14,582	Other entities and individuals	23,057
7,066	Accumulated absences	7,150
27,987	Receipts in advance	25,100
62,514	**Total creditors**	**71,582**

Note 15 Provisions

PROVISIONS

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

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

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

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

Public Liability claims provision

The LFC, together with other relevant entities/authorities, has received a number of claims in relation to public liability following the Grenfell Tower incident. These claims relate to the impact of, and the circumstances and environment presented at, the incident, and therefore entities/authorities other than LFC may share the liability. The LFC has raised a provision for its share of the total liability which is based on the estimated value of the settlements and other relevant costs. Using this information, a provision was made for £10,778k. Much of this was used to settle claims in the financial years 2022/23 and 2023/24, and at the beginning of the present year the value of the provision stood at £1,475k, of which £0 was utilised in the current financial year; and, on the basis of improved information about the nature of the claims and the potential costs involved, the value of this provision has been revised downwards by £60k to provide a new closing balance of £1,415k.

In addition, a long-term provision was also made for Restorative Justice costs, at a total of £8,250k.

Short term provisions 2025/26	Public liability	Legal	Motor insurance	MFB refund	MMI insurance levy	Car leases	EU grant repayments	Aerial turntable repair	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	1,475	3,509	-	75	-	164	351	-	5,574
Increase/(decrease) in provision during the year	(60)	(1,123)	-	-	-	-	-	396	(787)
Utilised during the year		(315)	-	-	-	(164)	(351)	-	(830)
Closing balance	**1,415**	**2,071**	**-**	**75**	**-**	**-**	**-**	**396**	**3,957**

Long term provisions 2025/26	Public liability	Legal	Motor insurance	MFB refund	MMI insurance levy	Car leases	EU grant repayments	Aerial turntable repair	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Opening balance	8,250	-	343	510	245	-	-	-	9,348
Increase/(decrease) in provision during the year	-	-	(343)	-	-	-	-	-	(343)
Utilised during the year	-	-	-	-	-	-	-	-	-
Closing balance	**8,250**	**-**	**-**	**510**	**245**	**-**	**-**	**-**	**9,005**

Note 16 Usable Reserves

ACCOUNTING POLICY

The LFC sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund balance in the Movement in Reserves statement on the 'provision of services' line in the CIES. As shown in the Movement in Reserves statement, the usable reserves total £49.2m and consist of the LFC's General Fund (£25.0m) and a range of earmarked reserves for specific purposes, including the Budget Flexibility Reserve, of £23.961m; £0.205m is also held as a capital grant unapplied. Movements in the LFC's usable reserves are detailed in the Movement in Reserves Statement.

When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the surplus or deficit. The reserve is then appropriated back into the General Fund balance in the Movement in Reserves statement so that there is no net charge against Council Tax for the expenditure statement.

Note 17 Unusable Reserves

31 March 2025 *£'000*	**Unusable reserves**	**31 March 2026 *£'000***
(259,970)	Revaluation Reserve	(258,859)
4,593,384	Pension Reserve	4,564,423
(88,888)	Capital Adjustment Account	(91,241)
7,066	Accumulated Absences Account	7,150
4,251,593	**Total unusable reserves**	**4,221,473**

REVALUATION RESERVE

The Revaluation Reserve contains the gains made by the LFC arising from increases in the value of its property, plant and equipment and intangible assets.

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

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation.
- disposed of and the gains are realised.

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

2024/25 £'000	2024/25 £'000	Revaluation Reserve	2025/26 £'000	2025/26 £'000
	(235,897)	Balance as at 1 April		(259,970)
-		Upward revaluation of assets	(5,184)	
(24,073)		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on 'provision of services'		
-	**(24,073)**	Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on 'provision of services'		(5,184)
-	-	Adjustment to historical cost depreciation		6,295
-	-	Difference between fair value depreciation and historical cost depreciation		
-	-	Accumulated gains on assets sold or scrapped		
		Amount written off to the Capital Adjustment Account		
	(259,970)	**Balance at 31 March**		**(258,859)**

CAPITAL ADJUSTMENT ACCOUNT

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

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

2024/25		Capital Adjustment Account	2025/26	
£'000	**£'000**		**£'000**	**£'000**
	(144,137)	Balance at 1 April		(88,888)
82,995		Charges for depreciation and impairment of non-current and intangible assets	32,302	
-	-	Revaluation losses on property, plant and equipment		
-	-	Other derecognition (8 A E)	-	-
-	-	Amounts of non-current assets de-recognised or written off on the disposal or sale as part of the gain/loss on disposal to CIES	783	
-	**82,995**			**33,085**
(28)	-	Use of capital receipts to finance new capital expenditure		
-	-	Adjustment to historical depreciation	(6,106)	
-	-	Adjusting amounts written out to the Revaluation Reserve		
-	-	Capital grant and contributions credited to CIES that have been applied to capital financing		
(2,051)	-	Application of grants to capital financing from capital grants unapplied	(577)	
(25,667)	-	Statutory provision for the financing of capital investments charged against the General Fund	(28,755)	
	(27,746)			**(35,438)**
	(88,888)	**Balance at 31 March**		**(91,241)**

PENSIONS RESERVE

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

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

2024/25 £'000	Pensions Reserve	2025/26 £'000
5,039,671	Balance at 1 April	4,593,385
(487,805)	Actuarial (gains)/losses on pensions assets and liabilities	(66,331)
266,160	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the 'provision of services' line in the CIES	270,194
(224,641)	Employer's pensions contributions and direct payments to pensioners payable in the year	(232,825)
4,593,385	**Balance at 31 March**	**4,564,423**

ACCUMULATED ABSENCES ACCOUNT

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

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

The Government has issued regulations that mean local authorities are only required to fund holiday pay and similar benefits when they are used, rather than when employees earn the benefits. Amounts are transferred to the Accumulated Absences account, which is included in unusable reserves on the balance sheet, until the benefits are used.

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

2024/25		Accumulated Absences account	2025/26	
£'000	£'000		£'000	£'000
	6,290	Balance as at 1 April		7,066
(6,290)		Settlement or cancellation of accrual made at the end of the preceding year	(7,066)	
7,066		Amounts accrued at the end of the current year	7,150	
	776	Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements		84
	7,066	**Balance as at 31 March**		**7,150**

Note 18 Expenditure and Income Analysed by Nature

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

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

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

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

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

2024/25 £'000	**Expenditure and Income Analysed by Nature**	**2025/26 £'000**
532,613	Employee benefits expenditure	549,657
33,961	Premises	36,833
20,124	Transport	16,797
30,789	Supplies and services	37,472
2,259	Third party payments	1,677
7,611	Interest payments	6,770
82,995	Depreciation and impairment	32,347
710,352	**Total expenditure**	**681,553**
(56,311)	Fees, charges and other service income	(47,622)
(2,579)	Interest and investment income	(1,600)
(28)	Gain on disposal of non-current assets	
(28,673)	Government grants and contributions	(33,762)
(494,153)	GLA funding	(540,917)
(2,051)	Insurance receipts	
(583,795)	**Total income**	**(623,900)**
126,557	**(Surplus) or deficit on provision of services**	**57,653**

The table shows the deficit on the provision of services in a subjective format as presented in end-of-year outturn management reports. Management reports are available to view on the LFC's website.

EXPENDITURE AND FUNDING ANALYSIS

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

	2025/26		
Expenditure and funding analysis	**Expenditure chargeable to General Fund £'000**	**Adjustments between funding and accounting basis £'000**	**Net expenditure in CIES £'000**
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	496,235	(178,908)	317,327
Cost of services	**496,235**	**(178,908)**	**317,327**
Other income and expenditure	(489,571)	229,898	(259,673)
(Surplus)/Deficit on provision of services	**6,664**	**50,990**	**57,654**
Opening General Fund balance			(17,775)
(Surplus)/Deficit on provision of services			6,664
Transfers to/(from) earmarked reserves			**(13,914)**
Closing General Fund balance			**(25,025)**

	2025/26			
Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	**Adjustment for capital purposes £'000**	**Net change for the pensions adjustment £'000**	**Net change for other adjustments £'000**	**Adjustments between funding and accounting basis £'000**
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	32,347	(211,339)	84	(178,908)
Cost of services	**32,347**	**(211,339)**	**84**	**(178,908)**
Other income and expenditure from the expenditure and funding analysis	(21,441)	251,916	(577)	229,898
Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement: surplus/deficit on the provision of services	**10,906**	**40,577**	**(493)**	**50,990**

The following tables provide comparative figures for 2024/25:

Expenditure and Funding Analysis	2024/25 Expenditure chargeable to General Fund £'000	Adjustments between funding and accounting basis £'000	Net expenditure in CIES £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	496,199	(160,200)	335,999
Cost of services	**496,199**	**(160,200)**	**335,999**
Other income and expenditure	(467,186)	257,744	(209,442)
(Surplus)/Deficit on provision of services	**29,013**	**97,544**	**126,557**
Opening General Fund balance			(17,300)
(Surplus)/Deficit on provision of services			29,013
Transfers to/(from) earmarked reserves			(29,489)
Closing General Fund balance			**(17,775)**

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2024/25 Adjustment for capital purposes £'000	Net change for the pensions adjustment £'000	Net change for other adjustments £'000	Adjustments between funding and accounting basis £'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	31,715	(192,691)	776	(160,200)
Cost of services	**31,715**	**(192,691)**	**776**	**(160,200)**
Other income and expenditure from the expenditure and funding analysis	25,585	234.210	(2,051)	257,744
Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement: surplus/deficit on the provision of services	**57,300**	**41,519**	**(1,275)**	**97,544**

Note 19 Members' allowances

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

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

Note 20 Officer remuneration

SENIOR OFFICERS

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

London Fire Commissioner and Corporation Sole – Office Holder – 2025/26

2025/26 Post title and name	Period	Salary (including fees and allowances) £	Benefit in kind £	Expense allowances £	Compensation for loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
London Fire Commissioner Office Holder and Corporation Sole – Andy Roe	01/04/25 – 30/06/25	78,707	185			78,892	22,053	100,945
London Fire Commissioner Office Holder and Corporation Sole – Jonathan Smith	01/07/25 – 31/03/26	159,769	728			160,497	60,074	220,572

N.B. Jonathan Smith was promoted to London Fire Commissioner on 01/07/25. The salary shown is for his time in this role. A separate entry appears in the table on the next page, showing senior officers and officers over £150k, for the period when he was in his previous role as Deputy Commissioner, Operational Director for Preparedness and Response.
Andy roe was the outgoing London Fire Commissioner who left during the financial year and whose annual salary is more than £150k.

London Fire Commissioner and Corporation Sole – Office Holder – 2024/25

2024/25 Post title and name	Period	Salary (including fees and allowances) £	Benefit in kind £	Expense allowances £	Compensation for loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
London Fire Commissioner Office Holder and Corporation Sole – Andy Roe	01/04/24 – 31/03/25	227,332	752	-	-	228,084	85,477	313,561

Senior Officers and Officers over £150k – 2025/26

2025/26 Post title and name	Period	Salary (including fees and allowances) £	Benefit in kind £	Expense allowances £	Compensation for loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
Director for Corporate Services - Mostaque Ahmed	01/04/25 – 31/03/26	182,184		483	-	182,667	26,037	208,704
Director for Transformation - Fiona Dolman	01/04/25 – 31/07/25	99,399	-	-	94,341	193,740	7,834	201,573
Communications & Engagement Director – Janine Farrance (Janine Mantle)	01/04/25 – 31/03/26	162,335	-	-	-	162,335	23,052	185,535
Director for People – Sally-Ann Hopper	01/04/25 – 31/03/26	164,438	-	-	-	164,438	24,887	189,325
Deputy Commissioner, Operational Director for Prevention, Protection and Policy - Charlie Pugsley	01/04/25 – 30/09/25	97,740	-		-	97,740	34,251	131,991
Deputy Commissioner, Operational Director for Preparedness and Response - Jonathan Smith	01/04/25 – 30/06/25	44,134	-	-	-	44,134	16,694	60,828
Deputy Commissioner, Operational Director for Preparedness and Response – Mathew Walker	01/10/25 – 31/03/26	89,374	-		-	89,374	33,604	122,979
Deputy Commissioner – Director of Prevention, Protection and Operational Policy – Spencer Sutcliff	01/04/25 – 31/03/26	171,887	1,277	-	-	173,164	64,866	238,031
General Counsel to Commissioner - Kathryn Robinson	01/04/25 – 31/03/26	163,876		-	-	163,876	23,270	187,146
Assistant Commissioner – Training and Professional Development – Craig Carter	01/04/25 – 31/03/26	152,290	-	244	-	152,534	-	152,534
Assistant Commissioner, Directorate for Preparedness and Response - Keeley Foster	01/04/25 – 31/03/26	167,451	201	-	-	167,652	57,080	224,732

N.B. Jonathan Smith was promoted to London Fire Commissioner on 01/07/25. The salary shown here is for the period when he was in his previous role as Deputy Commissioner, Operational Director for Preparedness and Response.
Spencer Sutcliff was promoted to Deputy Commissioner – Director of Prevention, Protection and Operational Policy on 05/08/25. Prior to that, he was Assistant Commissioner – Fire Stations. The salary shown here is for the full year and combines both roles. Mathew Walker is a director who started during the financial year and whose annual salary is more than £150k.

Senior Officers and Officers over £150k – 2025/26 (continued from previous page)

2025/26 Post title and name	Period	Salary (including fees and allowances) £	Benefit in kind £	Expense allowances £	Compensation for loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
Assistant Commissioner – Operational Resilience and Control – Patrick Goulbourne	01/04/25 – 31/03/26	153,347	1,713	247	-	155,307	57,659	212,966
Assistant Commissioner – Operational Policy and Assurance – Paul McCourt	01/04/25 – 31/03/26	156,807	441	130	-	157,378	57,659	215,036

Senior Officers and Officers over £150k – 2024/25

2024/25 Post title and name	Period	Salary (including fees and allowances) £	Benefit in kind £	Expense allowances £	Compensation for loss of office £	Total remuneration (excluding pensions) £	Pension contributions £	Total remuneration (including pensions) £
Director for Corporate Services - Mostaque Ahmed	01/04/24 – 31/03/25	176,534		480	-	177,014	25,068	202,082
Director for Transformation - Fiona Dolman	01/04/24 – 31/03/25	174,956		60	-	175,016	23,501	198,517
Communications & Engagement Director – Janine Farrance (Janine Mantle)	04/11/24 - 31/03/25	64,199		-	-	64,199	9,116	73,315
Director for People – Sally-Ann Hopper	02/01/25 - 31/03/25	38,883		-	-	38,883	5,521	44,404
Deputy Commissioner, Operational Director for Prevention, Protection and Policy - Charlie Pugsley	01/04/24 – 31/03/25	179,993	1,090	24	-	181,107	66,377	247,484
Deputy Commissioner, Operational Director for Preparedness and Response - Jonathan Smith	01/04/24 – 31/03/25	176,534	2,363	-	-	178,897	66,377	245,274
Assistant Commissioner, Fire Stations - Spencer Sutcliff	01/04/24 – 31/03/25	158,155	2,238	-	-	160,393	55,318	215,711
General Counsel to Commissioner - Kathryn Robinson	01/04/24 – 31/03/25	160,366		-	-	160,366	22,772	183,138
Assistant Commissioner, Directorate for Preparedness and Response - Keeley Foster	01/04/24 – 31/03/25	150,886	2,416	-	-	153,302	55,866	209,168

N.B Janine Farrance (Janine Mantle) and Sally-Ann Hopper were directors who started during the financial year and whose annual salaries were more than £150k.

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

The numbers of employees shown in each band in this table do not include those senior employees whose remuneration is shown individually in the table above:

2024/25 number	Salary range	2025/26 number
1,354	£50,000 - £54,999	2,007
703	£55,000 - £59,999	831
263	£60,000 - £64,999	308
104	£65,000 - £69,999	116
93	£70,000 - £74,999	72
56	£75,000 - £79,999	75
64	£80,000 - £84,999	63
55	£85,000 - £89,999	53
39	£90,000 - £94,999	47
23	£95,000 - £99,999	34
19	£100,000 - £104,999	15
4	£105,000 - £109,999	11
10	£110,000 - £114,999	9
6	£115,000 - £119,999	7
8	£120,000 - £124,999	5
2	£125,000 - £129,999	5
2	£130,000 - £134,999	2
3	£135,000 - £139,999	0
2	£140,000 - £144,999	4
3	£145,000 - £149,999	1

Note 21 Audit fees

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

The £380k figure shown in the table represents a planned fee of £185k for the 2024/25 audit, and additional fees of £195k proposed by EY for increased regulatory focus and change of scope, while for 2025/26 the planned fees are £200k.

2024/25	**Audit fees**	**2025/26**
£'000		***£'000***
185	Fees payable to appointed auditor for external audit services	200
195	Additional fees	TBC
380	**Total**	**200**

The 2025/26 audit fees represent a scale fee of £200,109.

The audit fee reflects the planned approach to the audit, informed by findings from the prior year audit.

Given the information above, the final external audit fees for 2026/27 are likely to remain at a similar level.

Note 22 Grant income

GOVERNMENT GRANTS AND CONTRIBUTIONS ACCOUNTING POLICY

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

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

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

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the balance sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line ('attributable revenue grants and contributions') or 'taxation and non-specific grant income' (non-ring-fenced revenue grants and all capital grants) in the CIES.

Where capital grants are credited to the CIES, they are reversed out of the General Fund balance in the Movement in Reserves statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the capital grants unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the capital grants unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

The grants received by the LFC are non-ringfenced and therefore unconditional. The 2025/26 £535.0m GLA grant income (£494.2m in 2024/25) shown in the table is comprised of three elements:

- **Grant funding in the form of retained business rates**: £300.1m (£282.8m in 2024/25)
- **GLA precepts**: £231.8m (£211.4m in 2024/25)
- **One-off additional funding from the Mayor's Office**: £3.0m (£0.0m is 2024/25)

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2025/26 as shown in the table.

2024/25 £'000	Credited to taxation and non-specific grant income	Source of funding	2025/26 £'000
(494,153)	GLA grant	Greater London Authority	(535,000)
(3,732)	PFI grant	Home Office/MHCLG	(3,732)
(497,885)	**Total**		**(538,732)**
	Credited to services	**Source of funding**	
16,090	Fire Pensions grant	Home Office/MHCLG	16,047
3,636	New Dimensions & USAR grant	Home Office/MHCLG	3,636
2,182	Merton Regional Control	Home Office/MHCLG	2,371
-	Mass Fatalities Regional Capacity	Home Office/MHCLG	-
2,534	Protection Uplift	Home Office/MHCLG	2,534
403	Fire Revenue Fire Link Grant	Home Office/MHCLG	-
39	Maritime MTA Emergency Response	Home Office/MHCLG	127
34	New Risks grant	Home Office/MHCLG	34
23	Redmond Review - audit fees funding	MHCLG	103
-	NI grant	MHCLG	4,424
-	Audit build back funding	MHCLG	48
	London Remediation Acceleration Plan	GLA	976
	Violence Reduction grant	Enfield	25
-	NFCC Youth Uniformed grant	MHCLG	68
24,941	**Total**		**30,393**

Note 23 Related party transactions

MAYOR OF LONDON AND THE GREATER LONDON AUTHORITY (GLA)

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

Under The Policing and Crime Act 2017, the Mayor of London has responsibility for fire and rescue services in London. The functions sit within existing GLA structures, with a Deputy Mayor covering fire, a statutory 'London Fire Commissioner' and a Committee of the London Assembly which provides scrutiny. All assets, liabilities and resources of the former LFEPA transferred to the London Fire Commissioner (LFC) under statute on 1 April 2018.

The Mayor sets and provides the budget for LFC and provides grant funding to support it; approves the London Safety Plan; and has the power to direct the London Fire Commissioner, but must act reasonably and must not cut across responsibilities of the Fire Commissioner.

CENTRAL GOVERNMENT

The LFC has relations with, and obtains grant funding from, central government departments. In particular, the Ministry of Housing, Communities and Local Government (MHCLG) has significant influence over the general operations of the LFC – it is responsible for providing the statutory framework within which the LFC operates and provides the majority of its funding, via the GLA, in the form of various grants. The Ministerial responsibility for all fire functions was transferred from the Home Office to MHCLG on 1 April 2025. As at 31 March 2026, sums due to and from central government departments are shown in notes 12 and 14. Grants received from government departments are set out in note 22.

MEMBERS/OFFICERS

The LFC has direct control over the LFC's financial and operating policies, assisted by a range of independent roles such as the members of Audit Committee, the Chair of Local Pension Board and operational advisors. Since 2018/19, no member allowances have been paid, as there have not been any paid elected members, as detailed in note 19.

A number of LFC officers were members of the London Fire Brigade Welfare Fund Executive Council. One senior officer is a Director of LFB Enterprises Ltd, a wholly owned trading company, but received no payment during the year. Aside from the cases detailed in the previous paragraph, all LFC officers, including senior management, have declared that, during the year, neither they nor any member of their close family or household have had any related party transactions with the London Fire Commissioner during the period 1 April 2025 to 31 March 2026.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2026 in respect of related party transactions. The LFC has prepared this disclosure in accordance with its current interpretation and understanding of CIPFA's Code of Practice on Local Authority Accounting in the UK. The Code's provisions are based on International Accounting Standard 24 (IAS24).

Note 24 Capital expenditure and capital financing

In 2025/26, total spending on the capital programme for tangible and intangible assets was £26.1m (£27.6m in 24/25), plus a further £58.9m for recognition of right of use assets under IFRS 16. Spend included the rebuilding and modernising of fire stations and other buildings (£19.9m), upgrading ICT equipment (£4.3m), and the purchase of fleet vehicles and equipment (£1.9m). Capital expenditure has been financed in accordance with the Prudential Code. Aside from right of use assets under IFRS 16, the financing for which is technically classed as borrowing, capital expenditure on assets (£26.1m) has been funded by capital grants (£0.6m) and use of existing reserves/borrowing (£25.5m).

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

The capital programme, approved by the LFC (LFC-26-021) included a total forecast capital spend of £62.5m in 2026/27, £61.6m in 2027/28 and £61.6m in 2028/29.

2024/25 £'000	**Capital expenditure and financing**	**2025/26 £'000**
159,543	Opening Capital Financing Requirement	220,823
21,474	Tangible operational assets	12,804
6,162	Tangible non-operational assets	12,989
59,339	Tangible right of use lease assets	-
-	Intangible assets	245
	Sources of finance	
(28)	Government grants and other contributions	
-	Sums set aside from revenue to fund capital expenditure	
(25,667)	Minimum Revenue Provision	(28,755)
220,823	Closing Capital Financing Requirement	218,106
	Explanation of movements in year	
61,280	Increase/(decrease) in underlying need to borrow	(2,717)
	Other movements	
61,280	**Increase/(decrease) in Capital Financing Requirement**	**(2,717)**

Note 25 Other long-term liabilities

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

31 March 2025 £'000	Other long-term liabilities	31 March 2026 £'000	Note
36,734	Long-term PFI properties	35,148	
855	Deferred credit	(603)	
40,865	Long-term liabilities – IFRS 16	28,143	
4,593,386	Pensions liability	4,564,423	28
4,671,840	**Total**	**4,627,111**	

Note 26 Service concession arrangements, finance and operating leases

LEASES

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

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

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

The rules on local government lease accounting changed in 2024/25 as the accounting standard IFRS 16 became applicable to the sector. This is detailed in Note 9.

PRIVATE FINANCE INITIATIVE (PFI) AND SIMILAR CONTRACTS

PROPERTY PFI SCHEME

In 2013/14, the LFC entered into a PFI agreement with Blue3 (London) Ltd to design, build, finance and maintain nine new fire stations. The first rebuilt fire station became operational in 2014/15. Eight fire stations were completely rebuilt on their existing sites at Dagenham, Dockhead, Leytonstone, Old Kent Road, Orpington, Plaistow, Purley and Shadwell, while the Mitcham fire station was built on a new site.
The PFI project will see the Brigade receive an additional £57.5m from central government (index linked to cover inflation over the contact period). PFI provides a way of funding major capital investments without the public purse having to find all the cost up front.

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

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

THE LFC AS A LESSEE

Under IFRS 16, which came into effect for local government in 2024/25, operating leases previously charged to the Comprehensive Income and Expenditure Statement as an expense to the services benefiting from the use of the leased property, plant or equipment are now treated in the same way as finance leases and appear as fixed assets on the balance sheet.

Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

THE LFC AS A LESSOR

Were the LFC to grant an operating lease over a property or an item of plant or equipment, the asset would be retained in the balance sheet. Rental income would be credited to the 'other operating expenditure' line in the CIES. Credits would be made on a straight-line basis over the life of the lease, even if this did not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease would be added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator, where amounts paid under the PFI finance lease in 2025/26 and 2024/25 are shown below:

Finance Lease Property PFI	Unitary Charge £'000	Deferred liability £'000	Income and expenditure account £'000
Opening balance as at 1 Apr 2025	-	38,327	-
New finance lease liability in year			
Principal sum paid in year	1,592	(1,592)	
Interest	2,535		2,535
Contingent rentals	73		73
Operational expenses	2,019		2,019
Balance as at 31 March 2026	**6,220**	**36,735**	**4,627**
Opening balance as at 1 Apr 2024		39,910	
New finance lease liability in year			
Principal sum paid in year	1,583	(1,583)	-
Interest	2,640	-	2,640
Contingent rentals	114	-	114
Operational expenses	1,828	-	1,828
Balance as at 31 March 2025	**6,165**	**38,327**	**4,582**

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

PFI property future liabilities 2025/26	Within 1 year £'000	Within 2 to 5 years £'000	Within 6 to 10 years £'000	Within 11 to 15 years £'000	Within 16 to 20 years £'000
Lease rental liabilities	1,587	6,776	11,802	13,163	3,406
Operating costs	2,245	10,653	14,136	11,844	2,336
Interest costs	2,428	8,629	7,841	2,948	164
Contingent rentals	15	(369)	(236)	156	223
Total	**6,275**	**25,689**	**33,543**	**28,111**	**6,129**

Comparative figures for 2024/25:

PFI property future liabilities 2024/25	Within 1 year	Within 2 to 5 years	Within 6 to 10 years	Within 11 to 15 years	Within 16 to 20 years
	£'000	£'000	£'000	£'000	£'000
Lease rental liabilities	1,592	6,549	10,869	15,911	3,406
Operating costs	2,019	10,054	14,136	14,688	2,336
Interest costs	2,535	9,068	8,582	4,195	164
Contingent rentals	73	(220)	(376)	163	223
Total	**6,219**	**25,451**	**33,211**	**34,957**	**6,129**

PFI PROPERTY FINANCE LEASES

The LFC holds one finance lease at 31 March 2026 for the nine fire stations provided under the PFI contract. The table below shows the future payments under the lease agreement.

Total value of minimum lease payments as at 31/03/2025	Present value of minimum lease payments as at 31/03/2025	PFI property finance lease	Total value of minimum lease payments as at 31/03/2026	Present value of minimum lease payments as at 31/03/2026
£'000	*£'000*		*£'000*	*£'000*
4,128	3,988	Not later than one year	4,015	3,748
15,617	12,654	Later than one year and no later than five years	15,405	11,455
43,127	21,169	Later than five years	39,325	18,620
62,872	**37,811**	**Total**	**58,745**	**33,823**

Note 27 Termination benefits

ACCOUNTING POLICY

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

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

The LFC terminated the contracts of seventy (70) employees in 2025/26, with exit packages incurring liabilities of £4.766m.

Exit package cost band	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£'000	No.	No.	No.	No.	No.	No.	No.	No.
0 - 20	-	-	1	12	1	12	18	128
20 - 40	-	-	-	23	-	23	-	725
40 - 60	-	-	1	10	1	10	52	495
60 - 80	-	-	-	5	-	5	-	337
80 - 100	-	-	1	4	1	4	90	343
100 - 150	-	-	-	8	-	8	-	942
Over 150	-	-	3	8	3	8	520	1,796
Total	-	-	6	70	6	70	680	4,766

Note 28 Pensions

Defined benefit pension schemes

POST EMPLOYMENT BENEFITS – ACCOUNTING POLICY

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

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

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

These are unfunded schemes, which are administered by the LFC in accordance with regulations initially laid down by the Department for Communities and Local Government (CLG), now the responsibility of the MHCLG. These schemes are administered under a shared service arrangement with the London Pension Fund Authority (LPFA), now subcontracted to the Local Pensions Partnership (LLP) on behalf of the LFC. For such schemes as there are no investment assets, IAS 19 requires recognition of the liability and pension reserve in the Balance Sheet and transactions in the Comprehensive Income and Expenditure Statement for movements in the liability and reserve. The last actuarial review for IAS 19 purposes was dated April 2024.

LOCAL PENSION GOVERNMENT PENSION SCHEME (LGPS):

This scheme is funded by employer and employee contributions to the LPFA, with administration and investment management services provided through LLP. The scheme provides members with defined benefits related to pay and service. The contribution rate is determined by the LPFA with advice from the fund's Actuary, based on triennial actuarial valuations, the last review, having an impact on 2025/26, being at 31 March 2025. Under Pension Fund Regulations, contribution rates are set to meet all of the overall liabilities of the Fund. The last actuarial review for IAS 19 purposes was dated April 2020.

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

Consequently, the following tables and disclosures have been presented in the revised formats as required by the CIPFA Code of Practice on Local Authority Accounting 2025/26.

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

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

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

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

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

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

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

MCCLOUD/SARGEANT JUDGEMENT

Allowance has been made for the impact of the McCloud/Sergeant judgement since claims started to come through during 2024/25.

The Public Service Pensions Act 2013 laid out a new government framework regarding reforms to public service pension schemes. The Local Government Pension Scheme (LGPS) was the first to undergo its reform in 2014, with other schemes following. The changes brought in the new career average revalued earnings schemes (CARE) with some transitional protection for members who met certain criteria.

Employment tribunal claims were subsequently brought by members of the judges' (McCloud) and firefighters' (Sargeant) pension schemes, who argued that the transitional protection arrangements were discriminatory on the grounds of age.

On 20 December 2018 the Court of Appeal found that these protections were unlawful on the grounds of age discrimination and could not be justified provided to older members of public service pension schemes unlawfully discriminated against younger members on grounds of age.

The Employment tribunal issued interim orders meaning claimants are entitled to be treated as if they had remained in the final salary scheme when the schemes were reformed in April 2015.

Powers to address the discrimination were obtained through the Public Service Pensions and Judicial Offices Act 2022 and further necessary changes have been introduced by scheme specific regulations including: -

- The Police & Firefighters Pension Schemes (Amendment) Regulations 2022.
- The Firefighters Pension Scheme (Remediable Service) Regulations 2023.
- The Local Government Pension Scheme (Amendment) (No 3) Regulations 2023.

TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

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

* This indicates a one-off adjustment for interest and actuarial balances omitted from the 2024/25 accounts with a total net value of £620k. Their addition here ensures that the accounts align with actuarial reports going forwards.

Local Government Pension Scheme 2024/25 £'000	Firefighters' Pension Schemes 2024/25 £'000	Comprehensive Income and Expenditure Statement Cost of services	Local Government Pension Scheme 2025/26 £'000	Firefighters' Pension Schemes 2025/26 £'000
8,123	23,320	Current service cost	6,104	9,440
360		Past service costs/(gain)	2,272	
		Financing and Investment Income and Expenditure		
(2,170)	236,380	Net Interest expense	(434)	252,350*
147		Administrating expenses	462	0
6,460	**259,700**	**Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services**	**8,404**	**261,790**
		Re-measurement of the net defined benefit liability comprising:		
10,064		• Return on plan assets (excluding the amount included in the net interest expense)	7,706	0
(1,110)	(9,470)	• Actuarial (gains) and losses arising on changes in demographic assumptions	5,695	0
26,690	(504,860)	• Actuarial (gains) and losses arising on changes in financial assumptions	(46,384)	(140,210)*
(1,069)	(8,050)	Experience (gains) and losses on defined benefit obligation	23,670	74,600*
		Other	8,592	
41,035	**(262,680)**	**Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement**	**7,683**	**196,180**
		Movement in Reserves Statement		
(6,460)	(259,700)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(8,404)	(261,790)*
8,872	215,769	Employers' contributions payable to scheme	9,405	223,420
		Benefits paid directly to beneficiaries		
2,412	**(43,931)**	**Actual amount charged against the General Fund balance for pensions in the year.**	**1,001**	**(38,370)**

Note 28 Pensions (continued)

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

LGPS number 2024/25	FPS number 2024/25	Membership of schemes	LGPS number 2025/26	FPS number 2025/26
983	4,297	Actives	1,063	4,274
734	1,318	Deferred pensioners	873	1,783
1,527	8,890	Pensioners*	1,641	9,250
265	-	Unfunded pensioners	247	-

** Includes injury pensioners*

LGPS avg age 2024/25	FPS avg age 2024/25	Membership of schemes	LGPS avg age 2025/26	FPS avg age 2025/26
47	41	Actives	46	41
52	44	Deferred pensioners	51	44
71	66	Pensioners	72	66
76	-	Unfunded pensioners	78	-
-	71	Injury pensioners	-	71

Retirement Benefits

In accordance with the requirements of IAS19, the LFC has to disclose its share of assets and liabilities related to pension schemes for its employees. As explained above the LFC participates in three firefighter schemes, which are unfunded, and the Local Government Pension Scheme for other employees, which is administered by the Local Pensions Partnership (LPP) on behalf of the LPFA. In addition, the LFC has made arrangements for the payment of added years to certain retired employees not funded by the schemes.

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

Local Government Pension Scheme As at 31 March 2025 £'000	Firefighters' Pension Schemes As at 31 March 2025 £'000	LFC pensions obligations	Local Government Pension Scheme As at 31 March 2026 £'000	Firefighters' Pension Schemes As at 31 March 2026 £'000
411,115	-	Present value of the defined benefit obligation	437,936	
(496,858)	-	Fair Value of plan assets	(498,026)	
(85,743)	**-**	**Net**	**(60,090)**	
85,743	-	Impact of asset ceiling	60,090	
11,434	4,581,950	Present value of the unfunded obligation	9,712	4,554,710
11,434	**4,581,950**	**Net liability arising from defined benefit obligation**	**9,712**	**4,554,710**

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

Local Government Pension Scheme 2024/25 £'000	London Fire Commissioner Asset Scheme	Local Government Pension Scheme 2025/26 £'000
491,642	Opening fair value of scheme assets	496,858
25,223	Interest income	28,251
(10,064)	The return on plan assets excluding the amount included in the net interest expense	(7,706)
-	Other actuarial gains/(losses)	(8,592)
8,872	Contributions from employer	9,405
4,182	Contributions from employees into the scheme	4,288
(22,850)	Benefits paid	(24,016)
-	Settlement prices received/(paid)	
(147)	Other	(462)
496,858	**Closing fair value of scheme assets**	**498,026**

Note 28 Pensions (continued)

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

Funded Liabilities Local Government Pension Scheme 2024/25 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2024/25 £'000		Funded Liabilities Local Government Pension Scheme 2025/26 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2025/26 £'000
470,913	**5,060,400**	**Opening Balance at 1 April**	**422,549**	**4,581,950**
8,123	23,320	Current service cost	6,104	9,440
23,053	236,380	Interest costs	22,891	252,350*
4,182	26,850	Contributions from scheme participants	4,288	23,320
		Re-measurement (gains) and losses:		
(1,110)	(9,470)	• Actuarial gains/losses arising from changes in demographic assumptions	5,695	
(59,053)	(504,860)	• Actuarial gains/losses arising from changes in financial assumptions	(15,805)	(140,210)*
(1,069)	(8,050)	• Experience loss/(gain) on defined benefit obligation	23,670	74,600*
(910)		Unfunded pension payments	(980)	-
360		Past service cost	2,272	-
(21,940)	(242,620)	Benefits paid	(23,036)	(246,740)
		Liabilities extinguished on settlements		
422,549	**4,581,950**	**Closing balance at 31 March**	**447,648**	**4,554,710**

* The asterisk indicates a one-off adjustment for interest and actuarial balances omitted from the 2024/25 accounts with a total net value of £620k. Their addition here ensures that the accounts align with actuarial reports going forwards.

LOCAL GOVERNMENT PENSION SCHEME ASSETS COMPRISED:

RATE OF RETURN ON FUND ASSETS

Based on the assets the LFC's share of Fund assets is approximately 6.08 %.

Based on a bid value to bid value basis the actuary has estimated that the return on the LGPS fund assets for the year to 31 March 2025 to be 4.2%. The actual return on the Fund assets over the year may be different. (Note that this figure includes an allowance for the difference in the asset return used in the previous period's report and the Fund's actual asset return.)

BASIS FOR ESTIMATING ASSETS AND LIABILITIES

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

VALUATION METHOD

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

As at 31 March 2025 £'000	Fair value of Fund assets	As at 31 March 2026 £'000
293,051	Equities	266,425
90,234	Target Return Portfolio	104,944
56,671	Infrastructure	58,512
45,284	Property	51,348
11,618	Cash	16,797
496,858	**Total**	**498,026**

Note 28 Pensions (continued)

FINANCIAL ASSUMPTIONS

The financial assumptions used for the purposes of the IAS19 calculations are as follows. LFC has changed the way of accounting to consider McCloud/Sargent since the claims started to come through in 2024/25.

These assumptions are set with reference to market conditions as at 31 March 2026.

Local Government Pension Scheme 31/03/2025	Firefighter Pension Scheme 31/03/2025	Assumptions as at	Local Government Pension Scheme 31/03/2026	Firefighter Pension Scheme 31/03/2026
2.90%	2.70%	CPI increases	2.90%	2.95%
3.90%	3.45%	Salary increases	3.90%	3.70%
2.90%	2.70%	Pensions increase	2.90%	2.95%
5.80%	5.65%	Discount rate	6.10%	6.10%

Note 28 Pensions (continued)

ACTUAL AND FUTURE EMPLOYERS' CONTRIBUTION RATES

In previous years, the LFC made additional employer contribution payments to the LGPS fund to reduce the LGPS pension deficit. Together these payments resulted in ongoing savings from against the LFC's past service deficit payments. With the 2022 valuation of the Fund, the requirement to make past service deficit payments stopped for 24/25, with only the ongoing employer's contribution rates of 14.2% required.

The projected future contribution rates include an allowance for the impact of the McCloud/Sargeant judgement following two employment tribunal cases which were brought against the Government in relation to possible discrimination in the implementation of transitional protection following the introduction of the reformed 2015 public service pension schemes from 1 April 2015.

Employer contribution	2024/25	2025/26
	£'000	£'000
LGPS	8,872	9,405
Firefighters' schemes	76,487	80,027
Total	**85,359**	**89,432**

LOCAL GOVERNMENT PENSION SCHEME

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

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

Contributions are set every three years as a result of the actuarial valuation of the Fund required by the Regulations. The last actuarial valuation of the Fund was carried out as at 31 March 2025 and set contributions for the period from 1 April 2025 to 31 March 2028. There are no minimum funding requirements in the LGPS, but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

- Investment risk: The Fund holds investment in asset classes, such as equities, which have volatile market values and while these assets are expected to provide real returns over the long-term, the short-term volatility can cause additional funding to be required if a deficit emerges.
- Interest rate risk: The Fund's liabilities are assessed using market yields on high quality corporate bonds to discount the liabilities. As the Fund holds assets such as equities the value of the assets and liabilities may not move in the same way.
- Inflation risk: All of the benefits under the Fund are linked to inflation and so deficits may emerge to the extent that the assets are not linked to inflation.
- Longevity risk: In the event that the members live longer than assumed a deficit will emerge in the Fund. There are also other demographic risks.

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

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

LGPS – ACTUARIAL ASSUMPTIONS

The actuary's estimate of the employer's active (final salary) modified liability duration is 19 years.

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

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

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.4% p.a. below RPI i.e. 2.90% p.a. This is a reasonable estimate for the future differences in the indices, based on the different calculation methods, recent independent forecasts and the duration of the employer's liabilities. The difference between the RPI and CPI is the same as that assumed at the previous accounting date.

Salaries are assumed to increase at 0.6% p.a. above CPI. This is the same as the salary increase assumption at the previous accounting date and has been updated in line with the most recent funding valuation.

FIREFIGHTER PENSION SCHEMES ASSUMPTIONS

The present value of liabilities has been determined using the Projected Unit Credit Method (PUCM). Under the PUCM, the actuarial liability represents the present value of future benefit payments arising in respect of service prior to the valuation date. In respect of active members, the actuarial liability includes allowance for expected future pay increases up to the assumed date of retirement or exit, and for subsequent pension increases. In respect of pensions in payment and deferred members, the actuarial liability includes allowance for future pension increases (and revaluation in deferment). The liability is calculated using the principal financial assumptions applying to the 2025/26 pension disclosures.

The cost of benefits accruing in the period from 1 April 2025 to 31 March 2026 was determined using the Projected Unit Credit Method with a one-year control period and based on the principal financial assumptions applying to the 2024/25 pension disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

DISCOUNT RATE

IAS 19 requires the nominal discount rate to be set by the reference to market yields on high quality corporate bonds, or where there is no deep market in such bonds then by reference to Government bonds. The currency and terms of the corporate or Government bonds need to be consistent with the scheme liabilities.

The duration of the scheme is around 19 years; this estimate is materially (to the nearest year) unchanged from last year and is greater than that of any meaningful AA corporate bond data. We believe that there is insufficient corporate bond data of a sufficiently long duration to directly extrapolate the discount rate from these. A nominal discount rate has been calculated by using gilts plus an additional spread to reflect the difference between the yields on gilts and bonds. Based on this methodology, the nominal final discount rate at 31 March 2026 is assumed to be 6.1% a year.

PENSION INCREASES

The pension increase assumption as at 31 March 2026 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.95%.

EARNINGS INCREASES ASSUMPTIONS

It is assumed that there is a long-term rate of salary growth of 0.75% above CPI.

The assumed nominal rate of salary growth is therefore 3.7% a year.

Note 28 Pensions (continued)

RATE OF REVALUATION FOR CARE PENSIONS

A rate of revaluation for CARE pensions of 3.7% a year has been assumed, which is equal to our assumed long-term rate of salary growth. The rate of revaluation does not take into account any allowance for short-term pay restraint in the public sector as the revaluation is based on Average Weekly Earnings for the economy as a whole.

ALLOWANCE FOR INJURY PENSIONS

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

DEMOGRAPHICAL/STATISTICAL ASSUMPTIONS

2024/25		Mortality assumptions	2025/26	
LGPS	**Fire Service Pension Schemes**		**LGPS**	**Fire Service Pension Schemes**
Age 65	Age 65	**Average Future Life expectancy as at**	Age 65	Age 65
Retiring today	**Current pensioners**		**Retiring today**	**Current pensioners**
21.3 years	21.3 years	**Male**	21.8 years	21.3 years
23.5 years	21.3 years	**Female**	24.1 years	21.3 years
Retiring in 20 years	**Future pensioners**		**Retiring in 20 years**	**Future pensioners**
22.3 years	22.7 years	**Male**	23.1 years	22.8 years
25.3 years	22.7 years	**Female**	26.2 years	22.8 years

MORTALITY ASSUMPTIONS

The mortality assumption for the firefighter schemes is based on the S3NMA/S3DFA tables, published by the Continuous Mortality Investigation Board (CMIB) of the actuarial profession, with future improvement in line with the population actual then ONS 2022 based principal population projection.

Note 28 Pensions (continued)

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

SENSITIVITY ANALYSIS

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

Local Government Pension Scheme	***£'000***	***£'000***	***£'000***
Adjustment to discount rate	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	441,985	447,648	453,438
Project service cost	5,921	6,159	6,404
Adjustment to long term salary increase	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	447,939	447,648	447,359
Project service cost	6,159	6,159	6,159
Adjustment to pension increase and deferred revaluation	**0.10%**	**0.00%**	**-0.10%**
Present value of total obligation	453,499	447,648	443,068
Project service cost	6,422	6,159	5,904
Adjustment to life expectancy assumptions	**+1 year**	**None**	**-1 year**
Present value of total obligation	463,387	447,648	432,495
Project service cost	6,387	6,159	5,935

Note 28 Pensions (continued)

FIREFIGHTERS' PENSION SCHEMES

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

Change in financial assumption at year ended 31/03/2026	**Approximate % increase to employer liability**	**Approximate monetary amount (£'000)**
0.5% decrease in real discount rate	(6.50%)	(294,000)
1 year increase in member life expectancy	2.50%	119,000
0.5% increase in the salary increase rate	1.00%	39,000
0.5% increase in the salary increase rate (CPI)	6.00%	283,000

Comparative figures at year ended 31/03/2025:

Change in financial assumption at year ended 31/03/2025	**Approximate % increase to Employer liability**	**Approximate monetary amount (£'000)**
0.5% decrease in real discount rate	(6.50%)	(301,000)
1 year increase in member life expectancy	2.50%	112,000
0.5% increase in the salary increase rate	1.00%	47,000
0.5% increase in the salary increase rate (CPI)	6.00%	283,000

DISCLOSURE OF THE ASSESSMENT OF THE IMPACT OF VIRGIN MEDIA CASE IN LPFA – LOCAL GOVERNMENT PENSION

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted out defined benefit scheme, and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments and some of these have been confirmed however, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, we are unable to conclude whether there is any impact to the liabilities or if it can be reliably estimated. As a result, LFC does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in its financial statements.

Note 29 Contingent Liabilities and Assets

CONTINGENT LIABILITIES

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

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts. As at 31 March 2026, the LFC has contingent liabilities for outstanding legal claims against LFC, principally from former employees for illness or injury allegedly incurred in the line of work. The contingent liabilities total £2,106k. As at 31 March 2025, the LFC had contingent liabilities on similar grounds totalling £1,601k.

2024/25 £'000	Contingent liabilities	2025/26 £'000
1,601	Contingent liabilities - legal claims	2,106
1,601	**Total**	**2,106**

Grenfell Tower Claims

The LFC, together with other Defendants and most of the bereaved survivor and resident claimants, is participating in a confidential, Alternative Dispute Resolution (ADR) process to determine a settlement. However, there are claims outside of the ADR process for which uncertainty remains on the amounts that may be required to settle any claims and how the potential liabilities may be shared across the defendants. At Note 2 we have outlined estimates of the financial impact this uncertainty could have on the provisions included within these accounts.

Note 30 Self Insurance

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

As at 31/03/2025 Amount (£)	Category insured	As at 31/03/2026 Amount (£)
850,000	Combined liabilities	850,000
850,000	Officials' indemnity	850,000
850,000	Professional indemnity	850,000
250,000	Fidelity guarantee	250,000
250,000	Motor operational fleet	250,000
0	Property – terrorism	0
25,000	Airside liability	25,000
2,500	Marine hull and machinery – vessels	2,500
10,000	Property (all risks of physical loss or damage)	10,000
0	Computer	0
0	Marine hull and machinery – Lambeth River Station	0
0	Marine protection and indemnity	0
250	Motor leased vehicles	250
250	Motor other fleet	250

Note 31 Going Concern

The assessment of going concern for the London Fire Commissioner (LFC) is set out below.

Financial position

The LFC's revenue outturn position for 2025/26 was for an underspend of £5.6m which contained under and overspends that were monitored throughout the year as part of its regular financial position reporting to the relevant boards. This underspend included slippage in project spend of £2.2m which will be transferred into earmarked reserves and reduced the effective underspend to £3.4m.

The outturn position is driven by underspends within programmes, premises, vacancies in Fire Safety Delivery and higher than budgeted income.

This is offset by pay inflation above that assumed at the time of budget setting, alongside pressures in Control and FRS staff groups. In addition, there are higher than budgeted payments on the vehicle and equipment contract and the settlement of a long-running contract dispute negotiation.

The final LFC budget report for 2026/27 set out a balanced budget after making sizeable savings targets of £6.2 million and additional funding from the Mayor in 2026/27. LFB will prepare regular quarterly Financial Position reports which it will publish on the London Data Store, with the Quarter 1 report due to be published in August 2026. Financial pressures are likely to include above forecast inflation as a result of the global economic climate.

Further in-year risks and opportunities are being closely monitored, with regular information taken to Investment & Finance Board, to be considered both as part of the in-year budget management for 2026/27 and for budget planning for 2027/28 onwards.

Mayoral Funding 2027/28 and beyond

The Mayor's Budget Guidance for 2027/28 for the Greater London Authority (GLA) and the functional bodies was issued on 30 June 2026. The Guidance set out the Mayor's key policy priorities to be reflected in future years' budgets, the proposed funding levels he intends to provide for each functional body, the financial context and the planned timetable for budget preparation for the GLA Group.

In his Budget Guidance, the Mayor used indicative funding levels from retained business rates, council tax precept income and Group wide reserves to determine the total funding he plans to provide to each functional body, including the LFC, from the resources under his control.

LFC has made progress in developing a balanced budget for 2027/28 but there currently remains a budgetary gap that requires financing (additional income and/or savings) before the Mayor's final budget is agreed. This budget gap is predominantly as a result of the rollout and support of the Modern Firefighting Training Strategy as a result of recommendations received via the Grenfell Tower Inquiry which was previously supported by the use of earmarked reserves in

2024/25 and 2025/26. As set out in previous budget reports, this could only be supported through the use of such reserves for those respective financial years and from 2026/27 onwards this would have to be supported through another mechanism. The Mayor of London provided funding for Modern Firefighting in 2026/27; the requirements for funding in 2027/28 will be considered as part of the 2027/28 budget process.

The development of LFB's revenue budget and capital programme will continue during the Mayor's budget cycle, which concludes in February 2027. LFB will agree a final balanced revenue budget and capital programme for 2027/28 in March 2027.

Use of reserves

The LFC holds a General Reserve (GR) to help manage unexpected costs. The closing balance on the GR at 31 March 2026 in the 2025/26 Outturn was £25.0m.

As a rule, LFC's goal is to maintain the GR at 3.5% of the Mayoral award (£18.8m). In 2025/26 we exceeded this by £6.4m. This represents a significant improvement in LFB's GR position from that as at the end of 2024/25. The budget process for 2027/28 will ensure that reserves are maintained at appropriate levels to ensure resilience against financial risks.

The GR is part of the total reserves held by the LFC, and the forecast balances on total reserves included in the Budget 2026/27 were as follows.

31 March 2026 - £27.8m
31 March 2027 - £30.3m
31 March 2028 - £33.3m

The balance on reserves was updated as part of finalising the outturn position for 2025/26, with the closing balance on earmarked reserves at 31 March 2026 then being £24.0m, for a total reserves position of £49.2m including GR and other earmarked reserves, higher than previously assumed £27.8m. The forecast for future reserves balances will be updated as part of the 2027/28 budget process. The increased reserve position reflects a moved from a forecast overspend to an underspend position, as well as lower than expected restructuring costs, and slippage in a number of projects which were funded from earmarked reserves.

Cashflow

The LFC cashflow is monitored on a daily basis to ensure that sufficient funds are available to meet LFC commitments as they fall due, but also to ensure that balances held by the LFC are not excessive. Cash reconciliations are then completed on a monthly basis.

Excess balances on LFC bank accounts are transferred to the GLA, with the LFC making payments to, or receiving payments from, the GLA as appropriate. Under the treasury management shared service arrangement with the GLA, GLA group treasury officers carry out the LFC's day-to-day treasury management function, managing the LFC's investment and borrowing activities. LFC officers provide the GLA with details of the LFC's daily cash flow requirements and monies are only transferred between the Authorities as and when required to match LFC need.

This way, surplus funds over and above daily need are continuously held with the London Treasury Liquidity Fund (LTLF), an investment partnership between six local authorities structured as a register Alternative Investment Fund (AIF), used by the LFC to maximise liquidity and investment return.

The LFC cash balance as at 31 March 2026 was £11.2m. Forecast balances for the next three period ends are as follows:

31 March 2027 - £35.5m
31 March 2028 - £32.5m
31 March 2029 - £29.5m

Clearly, the cash position as at 31 March 2026 (which assumes that reserves and provisions are fully backed by cash) cannot continue to support internal borrowing at a level which will deliver the ambitious capital strategy set out in the budget report (see also below.) It has become more and more apparent that external borrowing is necessary to support the capital programme, and detailed modelling work has been ongoing since 2023/24 to predict the sums and timing required. This is now factored into the cash flow model provided alongside this document; and this increase of cash is also reflected in the steadily rising balances.

Borrowing

The LFC has relatively low levels of borrowing. The LFC has been able, until comparatively recently, to fund its capital programme from previous capital receipts – achieved from the sale of Clerkenwell fire station sites – and through internal borrowing.

Internal borrowing occurs when the LFC uses its own cash resources to finance capital expenditure rather than new external borrowing. This is a prudent approach when investment returns are low. This has meant that, as borrowing has matured, it has not needed to be replaced, and therefore the level of overall borrowing has reduced.

Where cash has run low during to in-year pressures – where timing differences mean the arrival of a budgeted inflow of cash does not match the expenditure it funds – LFC has used temporary borrowing to manage the delay; especially at the end of the first quarter, when the cash position is usually at its lowest, pending a significant grant (pension fund top up grant) which arrives in late July.

Longer term borrowing is planned to support the revised and larger capital programme, with borrowing to come from PWLB and from the Green Financing fund (a funding source available at sub-PWLB rates for projects helping authorities move towards being carbon neutral). The LFC has access to £22.0m under this scheme and this is incorporated in the accompanying cash flow model and the published capital programme summary which supports it.

Where the LFC has a borrowing requirement, it will discuss this with GLA Group Treasury. The GLA will seek to identify favourable options for the LFC.

Next steps

The position on funding and costs is expected to develop over the coming months. Uncertainty remains with regard to global geo-politic events (including conflicts in Middle East and Russia/Ukraine), which are affecting world markets, especially energy costs, with consequential impacts on inflation, cost of living and borrowing costs. The UK will also have a new Prime Minister, adding to market uncertainty. The significant financial challenges experienced during 2025/26 were mitigated through the year with increased income and reduced expenditure in some areas, additional grant funding, and use of reserves. The LFC will look to take appropriate steps in the coming period to manage any financial challenges.

The LFC will continue to monitor the cash position and budgetary position closely and further update them as they progress; and agree the final 2027/28 LFC Budget Report in March 2027.

Conclusion

The LFC therefore concludes from the above assessment that it is appropriate to prepare the financial statements on a going concern basis, and that it will be a going concern to at least for the period to 31 March 2028.

Note 32 Cash Flow Statement adjustments to net surplus or deficit on the provision of services for non-cash movements

2024/25 £'000	Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements	2025/26 £'000
(13,833)	Depreciation of non-current assets	(19,793)
(44,927)	Impairment, impairment reversal and revaluation of non-current assets	(8,814)
(4)	Assets de-recognised during year	(840)
(162)	Amortisation of Intangible assets	(45)
218	(Increase)/Decrease in impairment for provision of bad debts	(991)
3	Increase/(Decrease) in inventories	193
(15,350)	Increase/(Decrease) in debtors	17,120
(7,609)	(Increase)/Decrease in creditors	(6,568)
5,437	(Increase)/Decrease in provisions	1,962
(41,519)	Pension Fund costs adjustment	(37,369)
(1)	Other non-cash items	
(117,747)	**Net cash (inflow)/outflow from operating activities**	**(55,145)**

Note 33 Cash Flow Statement – operating activities

2024/25 £'000	Operating activities	2025/26 £'000
(2,579)	Interest received	(1,600)
2,210	Interest paid	6,770
5,401	Interest element of finance leases	4,928
5,032	**Total**	**10,028**

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

2024/25 £'000	Investing activities	2025/26 £'000
27,636	Purchase of property, plant and equipment, investment property and intangible assets	26,145
(28)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	-
(364)	Movement in short-term investments	440
(2,051)	Capital grants received	(577)
25,193	**Net cash flows from investing activities**	**26,008**

2024/25 £'000	Financing activities	2025/26 £'000
(19,976)	Cash receipts of short- and long-term borrowing	(24,930)
10,757	IFRS 16 impact on CIES	-
1,583	Cash payments for the reduction of the outstanding liabilities relating to finance leases on-balance sheet PFI contacts (principal)	1,592
3,500	Repayments of short- and long-term borrowing	2,725
(4,136)	**Net cash flows from financing activities**	**(20,613)**

FIREFIGHTERS' PENSION FUND ACCOUNT AND NOTES

Firefighters' Pension Fund Account Notes

2024/25 £000	£000	Firefighters' Pension Schemes Fund Account	2025/26 £000	£000
		Contributions receivable		
		- from employer		
(76,487)		- normal	(80,027)	
(1,830)		- early retirements	(1,743)	
(78,317)			**(81,750)**	
(27,329)		- from members	(23,442)	
	(105,646)			**(105,212)**
		Transfers in		
	(367)	- individual transfers in from other schemes		77
		Benefits payable		
192,536		- pensions	199,952	
27,746		- commutations and lump sum retirement benefits	24,631	
(270)		- Overpayments recovered	(224)	
762		- lump sum death benefits	149	
	220,774			**119,373**
		Payments to and on account of leavers		
		- refunds of contributions		
		- individual transfers out to the other schemes		
1,906		- other - interest due on back dated lump sums	3,831	
770		- interest due on back date commutations lump sums	4,505	
	2,676			**8,336**
	117,437	Deficit/Surplus for the year before top-up grant receivable/amount payable to central government		127,709
	(116,371)	Top up grant receivable from/amount payable from central government		(127,709)
	(1,066)	Grant received from central government for McCloud/Sargent		-
-	**-**	**Net amount payable/receivable for the year**		**-**

31/03/2025 £000		Net Assets Statement		31/03/2026 £000
270		- Recoverable overpayments of pensions	224	
22,331		- Top up receivable from/(payable to) Government	20,827	
(22,601)		- other current liabilities	(21,051)	
-	-		-	-

Firefighters' Pension Fund Account Notes

THE FIRE FIGHTERS' PENSION SCHEME IN ENGLAND

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

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

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

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

FIREFIGHTER PENSION BACK DATED REFUND OF CONTRIBUTIONS

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

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

ACCOUNTING POLICIES

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

The Pension Fund has no investment assets and is balanced to nil at the end of the financial year. This is achieved by either paying over to MHCLG (since 1 April 2025, previously Home Office) the amount by which the amounts receivable by the fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from HO equal to the amount by which the amounts payable from the fund exceeded the amounts receivable.

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

CONTRIBUTIONS

Employees' and employers' contribution levels are set nationally by HM Government and are subject to triennial revaluation by the Government Actuary's Department. Under the firefighter's pension regulations, the standard contribution rate as a percentage was 24.0% for the 2015 scheme, which from 2026/27 was assessed to be 19.4%. These rates include both the employer and employee elements. Employee contributions, as a percentage of pensionable pay, depend on the level of earnings for the different schemes as shown in the tables.

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

2024/25			2025/26	
2006 Scheme %	**1992 Scheme %**	**Firefighters' Pension Scheme employee contributions**	**2006 Scheme %**	**1992 Scheme %**
10.4	14.2	More than £21,852 and up to and including £31,218	10.4	14.2
10.9	14.7	More than £31,218 and up to and including £41,624	10.9	14.7
11.2	15.2	More than £41,624 and up to and including £52,030	11.2	15.2
11.3	15.5	More than £52,030 and up to and including £62,436	11.3	15.5
11.7	16.0	More than £62,436 and up to and including £104,060	11.7	16.0
12.1	16.5	More than £104,060 and up to and including £124,872	12.1	16.5
12.5	17.0	More than £124,872	12.5	17.0

2024/25 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2025/26 2015 Scheme %
11.0	Up to and including £27,818	11.0
12.9	More than £27,819 and up to and including £51,515	12.9
13.5	More than £51,516 and up to and including £142,500	13.5
14.5	More than £142,501	14.5

ANNUAL GOVERNANCE STATEMENT

London Fire Commissioner - Annual Governance Statement 2025/26

Introduction

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

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

3. This Annual Governance Statement for 2025/26 reflects the governance arrangements in place under the LFC.

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

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

5. In May 2025, CIPFA and Solace issued an addendum on the annual review of governance and internal controls and the preparation of an AGS. The guidance forms an addendum to *Delivering Good Governance in Local Government Framework 2016* and applies to UK local government statements from 2025/26 onwards. The LFC's AGS for 2025/26 has therefore been prepared having taken account of that addendum.

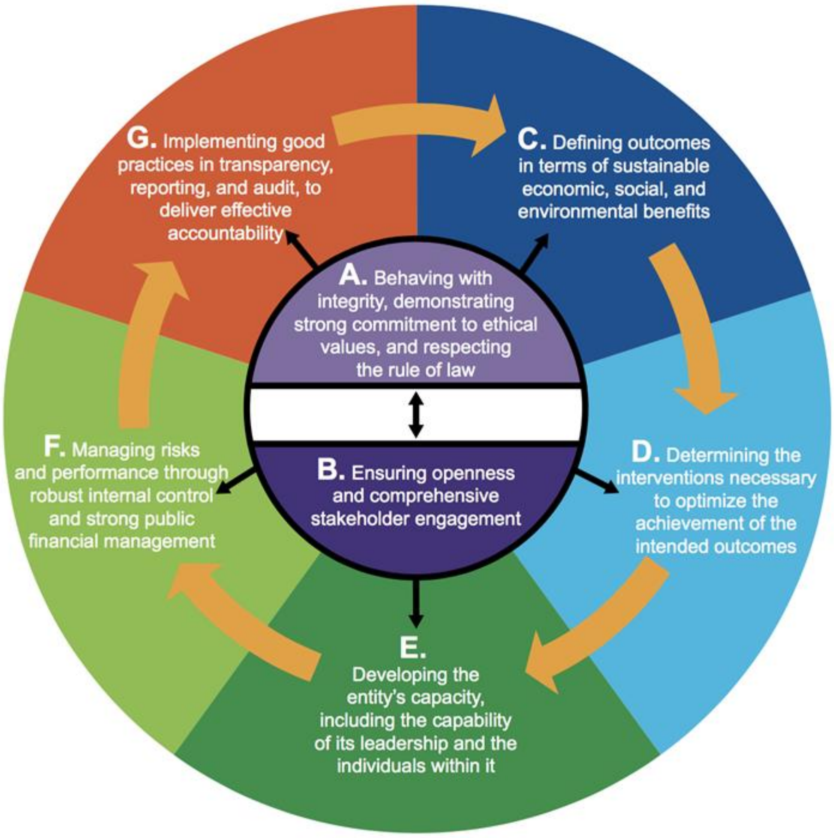
6. The LFC's governance framework is therefore comprised of the culture, values, systems and processes by which the LFC is directed and controlled. It brings together an underlying set of legislative requirements, good practice principles and management processes.

7. The system of internal control is a significant part of the framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and provides only a reasonable, and not absolute, assurance of effectiveness. It is based on an on-going process designed to identify and prioritise risks, evaluate the likelihood and impact should risks be realised, and efficiently and effectively manage such risks.

8. The framework places the highest standards of conduct and leadership at the heart of good governance, with responsibility on officers to demonstrate leadership and act and behave in accordance with the LFC's values which sets the tone and standards for the rest of the organisation.

9. The CIPFA 2016 review also promotes writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style; striking a balance between providing the right amount of information to satisfy transparency while not being too onerous

for users to understand. This statement has been produced with those considerations in mind. The "core principles" underpinning the CIPFA/SoLACE Framework are set out below:



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

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

CIPFA Principle	How the LFC meets the principle
Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law	• Behaving with integrity through leadership is provided by the LFC, the Top Management Group and senior officers. • Adoption of the National Fire Chiefs Council (NFCC) 'Code of Ethics'. • LFB's Values and Behaviour framework outlines the behaviours expected of all employees in the organisation at all levels set against a set of six values (service, courage, learning, teamwork, equity and integrity). This is supported by a scheme of governance, anti-fraud measures, and whistleblowing procedures which are reviewed as and when required, and not less than every three years. • A Professional Standards Unit that monitors and upholds professional standards across all parts of the London Fire Brigade • Director for Corporate Services is the Head of Paid Service and is responsible for all LFC staff. • Director for Corporate Services is also the LFC's Section 127 Officer and is responsible for safeguarding the LFC's financial position and ensuring value for money. • General Counsel to the Commissioner is the Monitoring Officer who is responsible for ensuring legality and promoting high standards of conduct and for reporting to the LFC on cases of maladministration. • Decision-making framework and scrutiny and review arrangements (see para 17 below). • Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles. • All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements.

CIPFA Principle	How the LFC meets the principle
Principle B – Ensuring openness and comprehensive stakeholder engagement	• Public consultation on 'Your London Fire Brigade', the Brigade's community risk management plan detailing how the Brigade will address risk in the community • Multi-agency working arrangements on the incident ground and through day-to-day business with partners to improve community safety • A Community Engagement Strategy which sets out how LFB works with communities to shape services that meet their needs, and improve the offer to communities before, during and after an incident. • A monthly Community Forum where Londoners act as a critical friend, providing insight, analysis and advice to how LFB is run. • Community safety youth programmes including Education Team, Fire Cadets, and Fire setters Intervention Scheme (FIS) and community engagement programmes working with local/emergency service partners. • Borough Commander liaison and local engagement with stakeholders • Resilience partnership working with the National Fire Chiefs Council (NFCC), London Resilience Group and the Government • Utilising online digital communication channels such as Bluesky, Tik Tok, Reddit, Facebook, Instagram and YouTube to promote engagement with the service
Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits	• 'Your London Fire Brigade' sets out the LFC's purpose, vision and strategy. It contains key performance indicators (KPIs) which are used to assess and monitor progress against the Brigade's key deliverables • LFC's Sustainable Development Strategy that focusses on sustainability and the environment. • Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety • Equality impact analyses and sustainable development impact assessment procedures

CIPFA Principle	How the LFC meets the principle
Principle D – Determining the intervention necessary to achieve intended outcomes	• Quarterly Risk and Assurance reports which provide updates on the development of organisational assurance in relation to LFB's principal risks and key controls necessary to meet strategic priorities and objectives. • Monthly corporate performance reports which track the performance of all the Brigade's activities in terms of key performance indicators and commitments against the community risk management plan. The report also highlights remedial actions being taken where slippage occurs. • Monitoring of performance against the HMICFRS Areas for Improvement and Grenfell Tower Fire action plan which combined, set a clear vision, strategy, and action plan for the Brigade's priorities. • The LFC, via the Commissioner's Board, the Deputy Mayor's Fire Board, and the London Assembly's (Fire Committee) ensures that the Brigade remains focussed on achieving its agreed objectives and priorities. • 'Your London Fire Brigade' sets a clear vision, strategy, and action plan for the Brigade's priorities. It identifies a portfolio of change that LFB needs to deliver in order for it to achieve the vision of being a dynamic, forward-looking organisation of fully engaged people at the centre of the communities it serves, adapting to the changing needs of London. • An annual Assessment of Risk (AoR) which underpins 'Your London Fire Brigade' and which enables the LFC to identify and assess foreseeable fire and rescue related risk and to adapt its operations in response to it. • Borough Risk Management Plans designed to address local risks and how local communities will be made safer. • Monitoring performance of projects and initiatives via project and programme boards. • Assurance activities undertaken by the Independent Operational Assurance Advisor linked to Operational Learning and Improvement.

CIPFA Principle	How the LFC meets the principle
Principle E – Developing capacity, including the capability of leadership and individuals within the Brigade	• An organisational learning and professional development approach that enables the Brigade to clearly identify its training needs and deliver effective learning interventions, from leadership development centred around LFB Values and behaviour framework through to the provision of high quality realistic operational training, so that all staff are safe and equipped to serve the people of London and meet its complex risk environment. • Investment in training, Learning Management System and Big Learning (an online learning portal) • Training partnership with Babcock Training Limited • Reflective learning from operational incidents or exercises (operational staff) • A suite of leadership, coaching and mentoring programmes designed to maximise staff potential and performance to become competent in their roles; • Six-monthly appraisal conversations that enable staff to experience regular, meaningful and supportive conversations with their line manager and which encourage individual ownership of professional development and progression; • Maintenance of skills through development and maintenance of operational professional (DaMOP); • Annual fitness testing for all operational staff; • Operational Improvement Process (Policy 825), overseen by the Operations Professionalism Board and agreed interventions such as Ops News, new/amended policy, Big Learning training packages, DaMOP, and evaluation of training solutions; • The Brigade also works across a broad set of partnerships and collaborative arrangements to maximise capacity by delivering services in the most effective and efficient way including national arrangements such as National Interagency Liaison Officers (NILOs).

CIPFA Principle	How the LFC meets the principle
Principle F – Managing risks and performance through strong internal control and financial management	• Corporate risk register identifies strategic risks. • Service Delivery Board monitors performance against corporate priorities, ensuring corrective actions are taken when necessary. • Scrutiny and challenge of strategic risks as part of the quarterly reporting cycle to Risk and Assurance Board. • Budgetary control systems and monthly budget reporting scrutinised at Investment & Finance Board. • Scheme of delegation. • Monitoring financial spend and outcomes/profiling of departments. • Continued scrutiny by Audit Committee comprised of independent members supported by LFB staff.
Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability	• Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015). • Senior Information Governance Officer and Data Protection Officer roles. • Dedicated transparency page on the Brigade here and all LFC decisions are published on the website. • Internal audit of key governance processes, risk management and internal controls. • Held to account by Deputy Mayor for Planning, Regeneration and the Fire Service. • Fire Committee review and scrutiny of LFC decisions and can challenge policy. • External audit of Brigade's systems of internal control. • An Advisory Panel which provides support, challenge and assurance to ongoing work to create a safe and professional working environment for all LFB staff. • Assurance via appointment of an independent Operational Assurance Advisor. • A Professional Standards Board which provides independent external scrutiny and assurance that the approach LFB takes to managing misconduct, grievances, bullying, harassment, and discipline is in accordance with the Brigade's values and standards.

Performance against LFB commitments

11. As corporation sole, the London Fire Commissioner is the fire and rescue authority for London. Its organisational purpose is to be trusted to serve and protect London with a long-term vision that it will be a dynamic, forward-looking organisation of fully engaged people at the centre of the communities it serves, adapting to the needs of London.

12. The Brigade's Community Risk Management Plan, 'Your London Fire Brigade' is the corporate strategy which delivers on that vision and purpose. A requirement of the Fire and Rescue National Framework for England, the plan reflects up to date risk analyses including an annual assessment of all foreseeable fire and rescue related risks and demonstrates how prevention,

protection and response activities will best be used to prevent fire and other incidents and mitigate the impact of identified risks on the community.

13. The plan includes four pillars (engaging with you, protecting you, learning from others and adding value) and eight commitments, which address the public directly and explains how and why LFB is changing.

14. The Brigade measures its success in achieving those commitments through key performance indicators (KPIs) which are scrutinised quarterly through the LFC's board structure and published externally to the London Datastore.

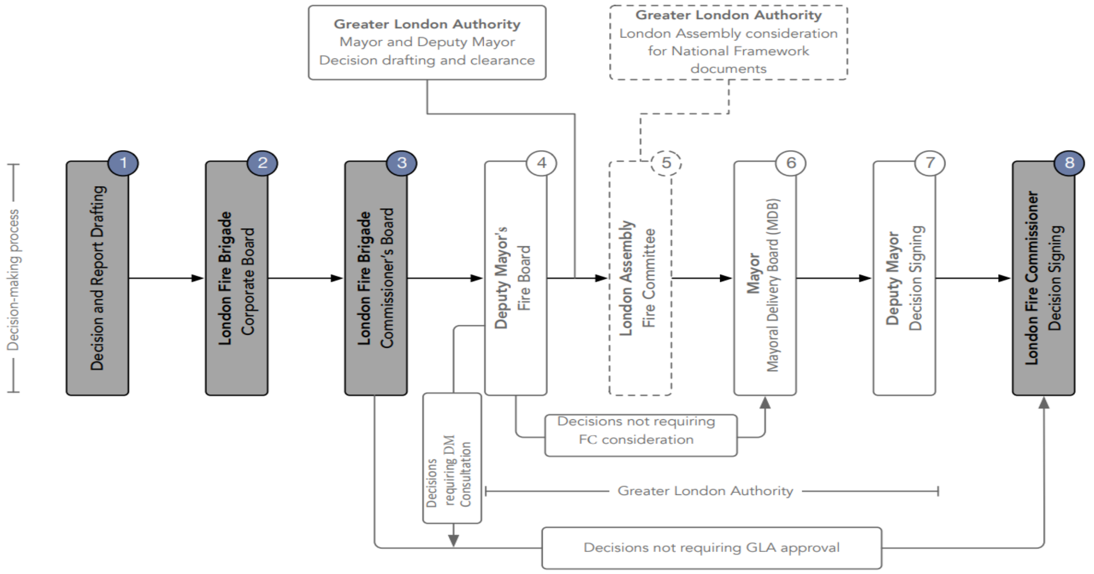
15. Details of the LFC's performance as at the 31 March 2026 is available on the following link: [LFB financial and performance reporting 2025/26 - London Datastore]

Equality in recruitment

16. One of the key priorities within the CRMP which the LFC is measured against is to increase the diversity of its workforce, making it more representative of the communities that it serves. LFB has an Outreach Team who are engaging with these target groups through community, partner-based activities, and digital media channels to increase attraction rates from under-represented groups. At end of March 2026, statistics reveal women comprised 19.34% of the workforce (against a target of 20%), with 18.82% of staff coming from ethnic minority backgrounds (against a target of 19%) and 9.04% of staff declaring a disability (against a target of 10%).

Decision-making framework and scrutiny

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



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

19. Scrutiny of the decision-making framework is exercised through the LFC's Commissioner's Board, the Deputy Mayor's Fire Board, and the London Assembly via the Fire Committee.

Equalities considerations

20. The LFC takes the Public Sector Equality Duty very seriously. The LFC's approach is embodied in the Diversity, Equity and Inclusion Strategy which has dedicated strands which focus on 'Education', 'Elevation' and 'Evaluation' with several strategic objectives and actions directly relating to how the Brigade will advance equality of opportunity, foster good relations and eliminate discrimination. These are important deliverables in terms of how LFB governs itself and aligns with the CRMP.

21. The outputs and desired outcomes of the Diversity, Equity and Inclusion Strategy are scrutinised monthly. To provide robust scrutiny and provide meaningful assurances, the delivery of the strategy is measured against two sets of maturity models: namely the Mayor's

Greater London Authority (GLA) Action Standard, and also the National Fire Chiefs Council (NFCC) EDI Maturity Model.

22. LFC reports have direct reference to 'Equalities Consideration', explaining how the proposed activity, policy or decision complies with the Equality Act 2010, and what proactive and positive/equity action are being taken to address known institutional issues. There may be a supporting Equality Impact Assessment (EIA) providing further detail, statistical analysis and commitments to further work. Other projects, decisions and policies are also required to have approved Equalities Impact Assessments.

Review of effectiveness

23. The LFC uses a number of ways to review the effectiveness of its governance arrangements. One of the key assurance statements in reviewing effectiveness, is the annual report and opinion of the external auditors.

24. Under Regulation 7 of the Accounts and Audit Regulations 2015, the LFC is required to approve and publish audited accounts, and for the LFC's statutory Chief Financial Officer, the Director for Corporate Services, to certify draft accounts for audit and public inspection.

25. The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, require the accounting statements for the financial year 2024/25 to be signed and published not later than 26 February 2026. This revised date, and similarly revised dates for previous and future financial years, was in response to a backlog in local government audits across the sector and was part of a government strategy to get the sector back on track. Therefore, whilst this Annual Governance Statement concerns the 2025/26 financial year, the backlog in local government audits means that external audits are playing catch up and the results of the 2024/25 are reported in this instance.

26. The draft Statement of Accounts 2024/25 was approved by the Director for Corporate Services on 23 June 2025. The audited Statement of Accounts 2024/25 was approved by the LFC and certified by the Director for Corporate Services on 23 February 2026. The signed Statement of Accounts 2024/25 were published to the LFC website for public inspection.

27. The LFC's external auditors issued a qualified 2024/25 audit opinion on 23 February 2026. In the opinion of EY there was sufficient evidence to have reasonable assurance over all in-year movements and closing balances. However, as a result of the disclaimer of opinion on the 2023/24 financial statements, EY did not have assurance over some brought forward balances from 2023/24 where EY did not gain assurance (the opening balances). This means that EY did not have assurance overall 2024/25 in-year movements and the comparative prior year movements. EY also did not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements which led to the issuing of a qualified opinion.

28. Even though the 2024/25 accounts have undergone a thorough audit, the audit opinion is still affected by the Local Audit Reset and Recovery Implementation Guidance, which was issued in autumn 2024. With a renewed disclaimer of opinion for 2024/25, the target trajectory is to receive an unqualified opinion by 2026/27 (i.e. return to normal).

29. Alongside the Statement of Accounts, EY also assess LFB's performance in terms of value for money (VfM). In this respect, The LFC made improvements against the targets set by HMICFRS and once again received a clean opinion.

30. As part of this assessment, EY also conducted a deep dive on the sustainability and savings programme and with a view to monitoring how we deliver and track our savings targets. Their review concluded that LFB has "implemented robust processes to deliver balanced budgets, despite a highly challenging financial environment".

31. Another significant element is the internal audit function, which is fully compliant with Global Internal Audit Standards (GIAS). Internal audit covers key governance processes, risk management and internal controls. The Head of Internal Audit's opinion for 2025/26 was that the control framework continue the control framework continues to develop but is not yet fully effective in supporting the achievement of strategic objectives. There is clear evidence of increased consideration of appropriate control environments at a strategic level, and work is continuing to fully implement this within business-as-usual activity. Changes to the structure of the organisation and the senior leadership team, will take time to embed before significant change will be seen.

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

Issues identified	Performance in 2025/26
Formal reports by Section 127 or Monitoring Officer	None issued.
Issues identified by the LFC as the Fire Authority or Monitoring Officer recommendations	There were no issues to report.
Proven frauds carried out by members of staff	There was one proven fraud during 2025/26. A new employee was suspected of having provided false employment history details. It was found that the individual had provided a forged payslip from a company the individual claimed to have worked for. The employment reference was from an employee of that company however it was established that the individual had no previous employment with that company. The individual resigned from the LFB after one month, and the Counter Fraud Team submitted a witness statement to the other organisation who subsequently dismissed the individual. The case was referred to Report Fraud, where it was decided that no further action would be taken Other potential cases raised are investigated with support from internal audit as necessary. The Professional Standards Unit (PSU) leads on discipline procedures within the LFB. The PSU sets, monitors and upholds professional standards across all parts of London Fire Brigade and is responsible for the external reporting service for when standards are not

	met. The PSU also has an important role in upskilling the organisation and enabling all staff to understand and meet the high standards of behaviour required to represent the LFB. There were also a few (under five) incidents of plagiarism in fire safety exams which resulted in disciplinary measures for individuals involved. There was an instance of a new joiner who had previously been an agency worker continuing to submit timesheets to his agency when also employed by LFB. This individual was dismissed.
Use of Regulation of Investigatory Powers Act	There were no applications for any RIPA authorisations in 2025/26, nor were there any previous authorisations that continued into 2025/26.
Complaints/compliments received from members of the public	A total of 144 complaints were received. These have been actioned accordingly. In addition, a total of 249 compliments were received during 2025/26.
Number of whistleblowing cases	There were no reports which qualified as whistleblowing items during 2025/26.

SIGNIFICANT GOVERNANCE ISSUES IN 2025/26

New Commissioner and management team

33. During 2025/26 there were a number of senior management changes within LFB, most notably the retirement of the previous Commissioner, Andy Roe, on 30 June 2025 and his succession by Jonathan Smith, the previous Deputy Commissioner and Operational Director for Preparedness and Response.

34. As Commissioner, Andy Roe led the Brigade during a period of significant transformation following the Grenfell Tower fire, steering the Brigade from a position of requiring improvement across a number of metrics identified in the Phase 1 HMICFRS inspection in 2018/19, to a position of substantial improvement across those metrics in the Phase 3 inspection in 2024/25.

35. Jonathan Smith succeeded as Commissioner on 1 July 2025. Commissioner Smith began his career as a firefighter in 2000 with Norfolk Fire and Rescue Service, before moving to Hertfordshire Fire and Rescue Service in 2008. He later joined LFB as Assistant Commissioner in 2019 before becoming Deputy Commissioner in 2022.

36. Upon his appointment, Commissioner Smith vowed to continue delivering significant change and improvements in LFB's performance and to implement the recommendations of the Grenfell Tower Inquiry Phase Two report. Commissioner Smith also committed to ensuring the

Brigade continues to modernise and implement cultural reform, within the context of a challenging financial climate and rising geo-political tensions, and the risks posed to LFB in successfully achieving those goals.

37. Commissioner Smith's appointment precipitated a number of senior operational leadership changes. In August 2025, Assistant Commissioner Spencer Sutcliff was appointed as Deputy Commissioner and Operational Director for Prevention, Protection & Policy, taking over from Deputy Commissioner Charlie Pugsley who left LFB to take up the post as Interim Chief Executive Officer of the Building Safety Regulator (BSR).

38. In October 2025, Mat Walker took over as Deputy Commissioner for Preparedness and Response and became the LFC's Statutory Deputy Commissioner, moving from North Yorkshire Fire & Rescue Service where he was Deputy Chief Fire Officer.

39. Over the past 18 months, the Executive Team at LFB has changed considerably with two new Deputy Commissioners, a new Director for People Services (Sally Hopper) and a new Director for Communications & Engagement (Janine Mantle).

40. Those positions constitute four of the five director-level positions at LFB, coupled with a new Commissioner.

Challenging financial climate and steps to balance the budget for 2025/26

41. In recent years, LFB has invested heavily in programmes of transformation to address recommendations emerging from the Grenfell Tower Inquiry, HMICFRS inspections and LFB's Independent Culture Review.

42. In the context of a challenging financial climate and in order to ensure a balanced budget for 2025/26, a range of efficiency savings were delivered covering staffing and non-staff costs. Steps were taken to scale back transformation activity, reduce costs and deliver efficiency savings by way of a directorate reorganisation which reflected the transition from a transformation agenda to one of consolidation and sustained continuous improvement.

43. Directorates found efficiencies and scaled back investment plans; a range of cross-cutting efficiencies were identified, which included reductions in overtime, and the introduction of a Vacancy Control Panel to limit recruitment, allowances and spend on agency workers. Consideration was given as to how best to achieve CRMP objectives in a more efficient way. Programmes of work were scaled back with remaining projects and activities identified as key deliverables overseen at departmental level. The Transformation directorate was dissolved and its functions transferred to other directorates.

Implementation of a new Finance and Purchasing System

44. In 2021, the LFC took the decision to replace the Brigade's ageing finance and purchasing system which had reached the end of its useful life. The system was heavily customised, inefficient, reliant on manual processes and workarounds, provided a poor user experience and had limited capability for reporting and analytics. It was therefore essential that the system was replaced with a modern alternative to support the organisation's decision-making, strategic objectives and transformation programme and to provide value for money through improved efficiency and effectiveness.

45. Following a lengthy robust, open and transparent procurement process, the new SAP finance and purchasing system subsequently went live on Monday 7 April 2025.

46. The new system provides improvements to internal reporting processes, financial and procurement controls, improved availability of management information, and enhanced automation which reduces the volume of manual effort.

47. Guidance and support on how to use the new SAP system is available to staff via the LFB's intranet site, with staff suggestions on how to improve the user experience.

Implementation of a new HR and Payroll System

48. Similarly to the ageing finance and purchasing system, the LFC took a decision in 2021 to replace the Brigade's HR and Payroll system which had been in use since 1992. A new solution was essential to replace a legacy system that had reached end of life and would therefore be prone to critical payroll errors, cyber-attack and HMRC non-compliance. These risks could result in reputational damage, legal challenges, and increased long-term costs.

49. A replacement system (I-Trent) was identified however its implementation had been delayed due to a combination of factors, including the Covid pandemic and procurement delays.

50. A go-live date of October 2025 had been scheduled, however system testing identified critical issues which would impact a successful launch. A decision was therefore taken to defer go-live which successfully took place in February 2026.

51. Similarly to the SAP launch, guidance and support on how to use the new I-Trent is available to staff via the LFB's intranet site, with staff suggestions on how to improve the user experience.

52. In 2026/27 there will be a Phase 2 delivery with a case management system for the Professional Standards Unit and a performance management system which is planned to replace the Appraisal Conversations application.

Establishment of an Independent Professional Standards Board

53. The Professional Standards Unit (PSU), the first of its kind in the UK Fire and Rescue Service sector, was formed following the Independent Culture Review and HMICFRS recommendations to strengthen workplace culture, ensure fairness, and support a safe and respectful environment for everyone in the LFB.

54. The PSU plays a key role in promoting the high standards of behaviour expected of all those who represent the Brigade and is committed to fostering continuous improvement across the organisation.

55. In strengthening the Brigade's commitment to promoting a positive workplace culture, an Independent Professional Standards Board was established, with its inaugural meeting taking place in March 2026. Its role is to provide independent external scrutiny and assurance that the approach the LFB takes to managing misconduct, grievances, bullying, harassment, and discipline is in accordance with the Brigade's values and standards.

56. The Board is chaired by Niran Mothada, an independent external consultant who has extensive experience in central and local government and expertise in strategy, policy, operations, resilience, and transformational leadership.

Internal Audit Charter

57. In January 2025, the Global Internal Audit Standards (GIAS) replaced the previous International Standards for the Professional Practice of Internal Auditing (2017). The GIAS are owned and issued by the Institute of Internal Auditors.

58. In April 2025, the Chartered Institute of Public Finance and Accountancy (CIPFA) issued documents supporting the application of the GIAS in the UK Public Sector. The Application Note replaces the former Public Sector Internal Audit Standards (PSIAS), and the Code of Practice sets out the essential conditions needed for effective governance and oversight of internal audit arrangements.

59. The GIAS and CIPFA documentation provide the framework under which internal audit functions in the UK public sector must operate. Under the GIAS, it is a requirement for the Head of Internal Audit to develop and maintain an Internal Audit Charter. These include as a minimum:

- The purpose of Internal auditing.
- Commitment to adhering to the GIAS.
- Mandate, including scope and types of services to be provided, and the board's responsibilities and expectations regarding management's support of the internal audit function.
- Organisational position and reporting relationships.

60. In response to the GIAS and CIPFA guidance and to maintain compliance with them, the LFB Internal Audit Charter was revised and approved by the LFC in August 2025.

New Headquarters Project

61. 61. The lease at LFB's Headquarters (HQ) in Union Street (US) comes to an end in March 2027. In September 2025, following a robust assessment of alternative options that took into account a range of factors including value for money, the LFC took the decision to commit expenditure for the refurbishment of 8 Albert Embankment (8AE), the former LFB headquarters, into a modernised HQ for LFB.

62. In October 2025, LFB submitted a planning application for the refurbishment 8AE and to modernise Lambeth Fire Station, which forms part of the building. The proposed plans will see the building's vacant office space refurbished and brought back into service. These offices will become home to the essential support services that make up the Brigade's headquarters function.

63. An interim HQ has been identified and will be leased from autumn 2026 until the refurbishment works are complete.

Effective management of risk and assurance frameworks

64. The Brigade's internal risk management framework has been in operation since 2021, with incremental improvements to its effectiveness since then. The approach enables the organisation to identify and manage significant risks. The framework is applied across directorates and departments where risks are evaluated for their likelihood and impact and which places them in the framework at either the corporate, directorate or departmental level, whereby they can be monitored, managed, and scrutinised effectively.

65. Incremental improvements have been made to develop the Brigade's maturity towards risk management, with particular interventions at a departmental level to enhance risk register content, including a decluttering exercise to rationalise and refine the number of risks and controls in the system to a more manageable level, to the adoption and implementation of a risk appetite statement, and the creation of a dedicated strategic-level Risk & Assurance Board.

66. In January 2026, the Brigade introduced its inaugural Risk Management Policy. Whilst corporate risk management processes and procedures have been well established and embedded across the Brigade for a number of years, having them officially documented within a policy enhances clarity, accountability and effectiveness of corporate risk management across the LFC.

67. The key features of the new Risk Management Policy are:

- Defines risk, risk management, and risk appetite in line with ISO 31000.
- Establishes the Risk Management Framework (RMF), including six core principles: identify, assess, evaluate, treat, monitor, and communicate risks.
- Sets out risk appetite levels and nine risk categories for consistent enterprise application.
- Details roles and responsibilities across all levels, from the London Fire Commissioner to Risk Champions.
- Confirms governance arrangements through the Risk and Assurance Board, Commissioner's Board, and Audit Committee.
- Provides escalation/de-escalation processes, including project/programme risk transfer protocols.

68. A Risk Management Strategy, which will align with the Risk Management Policy, is due to be introduced later in 2026.

69. The Brigade's strategic approach to Assurance Management was introduced in 2022 and established the Enterprise Assurance Framework (EAF) and defines the Brigade's 'four-lines' model for delivering assurance across the Brigade which has become well-established with regular reporting on departmental-level assurance activity and work to define and review key processes and controls.

70. In January 2026, the Brigade introduced an Enterprise Assurance Policy (EAP) which sets out the approach the LFB takes to its EAF and defines the roles and responsibilities of those engaged in enterprise assurance activity.

His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) - Round 3 Inspection progress

71. His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) continuously monitors the performance of all fire and rescue services in England.

72. London Fire Brigade's third full inspection by HMICFRS took place in summer 2024 and HMICFRS published its report in November 2024. The report demonstrates a clear assessment of positive change across nearly all areas of the Brigade and improvements in 10 out of 11 areas in inspection. In addition, they highlighted eight examples of promising practice and three examples of innovative practice.

73. HMICFRS highlighted 11 specific Areas for Improvement (AFI) within the last inspection report. This includes prioritising the risk-based inspection programme, recruiting a more diverse workforce, continuing to build confidence in processes for dealing with poor behaviour, and creating a process for identifying talent and future leaders within the Brigade.

74. Since the last inspection a significant amount of work has been done to address the 11 AFIs, with progress monitored on a quarterly basis through internal and external governance arrangements. HMICFRS will return to LFB to conduct the fourth full inspection from September to November 2026, preparation is well underway in the lead up to this next inspection. The report from the fourth round inspection will be published in 2027.

72\. Separately, in its 'Values and culture in fire and rescue services' (V&C) report published in March 2023, HMICFRS produced 20 recommendations for all fire and rescue services to complete. At the end of 2025/26, 16 had been completed.

73. In August 2024, HMICFRS also produced its 'Standards of behaviour: The handling of misconduct in fire and rescue services' report which produced 15 recommendations for all fire and rescue services. At the end of 2025/26, LFB completed all 15 recommendations

74. Progress reports will continue to be reported quarterly through the Risk and Assurance and Commissioner Boards.

Grenfell Tower Inquiry Phase 2 report

75. In September 2024, the Grenfell Tower Inquiry's Phase 2 report was published (LFB completed all 29 recommendations produced by the Grenfell Tower Inquiry in March 2024).

76. The LFB section of the report contained 13 recommendations; one of which is specifically for the LFB, five are for all Fire and Rescue Services, and the remaining seven are for HM Government, HMICFRS, the National Fire Chiefs Council (NFCC) and the British Standards Institution. The LFC accepted the recommendations aimed at the LFB and Fire and Rescue Services and supports the remaining recommendations.

77. The LFB was already working on those areas identified by the Inquiry to deliver improvements through existing programmes of work or business as usual continuous improvement activities. Therefore, the LFB concluded it was more effective to continue to deliver the relevant improvements through existing mechanisms rather than through the creation of an additional action plan, which sat outside of its established portfolio approach.

78. The necessary actions to address the recommendations applicable to LFB were all completed during 2025/26 (with the exception of one action which will be completed during Q1 2026/27). The LFB has since commenced assurance activity to ensure the actions taken deliver the anticipated improvements and fully address the Inquiry Phase 2 recommendations.

79. This activity included participation in the NFCC GTI Phase 2 assurance workshop programme. This NFCC led workshop provided an insight into how other fire and rescue services approached the GTI Phase 2 recommendations, including the organisational learning recommendation directed specifically to LFB (but applicable to all FRS). The workshop outcome report from the NFCC is due later in 2026.

80. A peer review audit by Kent FRS will also provide assurance specifically against one of the Phase 2 recommendations and LFB's improved approach to organisational learning. The outcome will be known during Q1 2026/27.

Key areas of governance focus for 2026/27	**Planned action**
1. Grenfell Tower Inquiry Phase 2 report recommendations 2. HMICFRS Phase 4 Inspection results and ongoing work to address existing Areas for Investigation 3. Fire Standards regime	• Ongoing action to implement the Phase 2 report recommendations • Ongoing work to address existing AFIs and any new matters which might arise from the Phase 4 Inspection • Collation of evidence and action to comply with each of the Fire Standards

Key areas of governance focus for 2026/27	Planned action
4. Adoption of a new Service Improvement Framework and 2026/27 Annual Plan	• The development and adoption of separate risk and assurance management policies
5. Refreshed Service Strategies	• How the LFC will deliver Prevention, Protection, Preparedness, Response, Recover and Engage Services through its strategies
6. Revisions to the LFC's Thematic Board Structure	• Replacement of the Portfolio Board with a new Service Improvement Board
7. Refresh of LFB's Policy Framework	• Update and implementation of the Policy Framework
8. Leadership Competency Framework	• Provision of a single, coherent approach to leadership, management and behavioural expectations across all staff groups and levels in LFB
9. Local Code of Governance	• Adoption of a Local Code of Governance which is part of the overall system of internal control at the LFC and supports the provision of the (AGS)

Conclusion

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

Jonathan Smith
London Fire Commissioner

Dated: xxxx 2026

Glossary of Terms

ACCRUALS

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

ACT/365

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

BUDGET

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

CAPITAL EXPENDITURE

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

CAPITAL RECEIPTS

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

CONTINGENCY

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

CONTINGENT ASSET/LIABILITY

A possible source of future income (asset) or liability to future expenditure (liability) at the balance sheet date dependent upon the outcome of uncertain events.

CORPORATE AND DEMOCRATIC CORE (CDC)

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

EARMARKED RESERVES

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

IMPAIRMENT

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

INVENTORIES

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

MINIMUM REVENUE PROVISION

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

PROVISIONS

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

PUBLIC WORKS LOANS BOARD

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

REVENUE EXPENDITURE

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