

MINUTES

AUDIT COMMITTEE

DATE	Wednesday, 9 July 2025	TIME	2.00 pm
VENUE	Microsoft Teams - Virtual		

Minutes of the proceedings of the meeting of Audit Committee held Microsoft Teams - Virtual on Wednesday, 9 July 2025

Present:

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

In Attendance:

Mostaque Ahmed, Director for Corporate Services
Charlie Pugsley, Deputy Commissioner and Operational Director for Prevention, Protection and Operational Policy
Thomas Goodall, Assistant Commissioner Risk, Assurance, Strategy and Portfolio
Catharine Gregory, Assistant Director Finance
Ben Lazarus, Partner, Ernst and Young
David Esling, Head of Audit and Assurance
Karen Mason, Group Internal Audit Lead
David O'Sullivan, Head of Strategic Finance
Paul Cook, Head of Carbon Reduction
Laura Birnbaum, Assistant Director, Property and Technical Service Support
Jennifer Porter, Head of Sustainable Development
Andrew Beesley, Head of Governance
Anna Flatley, Governance Manager

1. Apologies

There were no apologies.

The Chair reported that she had attended the outgoing Commissioner's leaving event and was involved in the recruitment process for the new Deputy Commissioner, with interviews scheduled for 17 July 2025. She also noted that she had met with Tom Goodall, Assistant Commissioner Risk Assurance, Strategy and Portfolio who was now a standing advisor to this Committee.

The Chair further thanked officers for the briefing on cyber security and asked that it be discussed briefly at the end of item 4, Executive Summary of Current Events.

2. Declarations of Interest

Kay Boycott noted that her husband had been contracted to work with Ernst and Young.

There were no further declarations of interest received.

3. Minutes of the Previous Meeting

The minutes of the meeting held on 28 May 2025 were agreed as a correct record and the updates to the actions noted.

4. LFC Executive Summary of Current Events

The Director for Corporate Services provided a verbal update on key current events which the Committee then discussed.

The following issues were raised and discussed.

1. The new Commissioner Jonathan Smith started in this role on 1 July, and at the GLA Fire Committee set out his priorities which included risks in London, training, the built environment, finances and culture change. The Commissioner, alongside Directors also held an all-staff virtual meeting where he stated his ambition was that LFB be the best fire and rescue service in the UK and Europe.
2. Recruitment was underway for the appointment of a new Deputy Commissioner which the Chair of Audit was assisting with, for which officers were grateful.
3. The former Commissioner Andy Roe had been appointed by the government as interim non-Executive chair of a new board of the MHCLG to take on the functions of the Building Safety Regulator (BSR). Deputy Commissioner Charlie Pugsley had been appointed to the role of interim Chief Executive of the BSR which would take effect later this year. BSR is an independent body established by the Building Safety Act, 2022. The government had asked the Health and Safety Executive to establish the BSR in the wake of the Grenfell Tower fire and had been beset by issues as discussed at the last meeting of the Committee. The MHCLG had announced that the new board chaired by Andy Roe would be part of the initial steps towards creating a single construction regulator. Whilst it was a loss for LFB these two experienced and qualified officers at the helm of the BSR would be key partners in achieving shared objectives for building safety.
4. Spending Review and implications for LFB. The core revenue budget for local government was set to grow at 1.1% per annum in real terms for the next three years, which would be challenging in the context of growing demands and inflation/pay pressures. This did not take account of any potential distribution changes which could affect LFB's Mayoral funding, for example changes in business rates or council tax.

Consultation on local government funding reforms had been published and the likely outcomes were as yet uncertain. The Mayor's budget guidance to functional bodies was expected this week and would set out LFB's indicative budget numbers for the next three years. The Committee noted that there was concern that the local government funding consultation may have a detrimental impact on the fire funding formula but the implications were complex and would need to be analysed.

It was noted that there was currently an approximate £20m forecast gap in 2026/27 and similar in future years due to:

- Operational training (having exhausted use of two-year reserves);
- Pay increases above budget;

- Pensions grant shortfall from government; and,
- Assumed uplift in CRMP programmes (where there are choices to be made).

Officers noted that it was necessary to demonstrate to the GLA that the LFB had gone further in identifying efficiencies and savings in order to credibly request more funding to protect the frontline. It was noted that a second cluster of organisational changes would be launched the following week.

In response to questions the Director for Corporate Services assured the Committee that work was already underway to identify additional savings and reviews into various areas, for example the Babcock contract and Information and Communications Technology, had commenced.

The Committee noted that the LFB could not rely on reserves as it had been able to previously.

The Committee discussed the need for a two-pronged approach, internally to reduce costs and produce efficiencies and externally to lobby for additional support at a political level, which officers agreed with.

The Committee then discussed the references to delivery of efficiencies and wording in the outturn report for 2024/25, later on this agenda, which was backward-looking and therefore not focused as much on the forthcoming financial challenges ahead and asked whether senior management were confident that budget holders understood their responsibilities to deliver efficiencies. The Director for Corporate Services outlined the processes which were now in place, for example the Vacancy Control Panel, the progress made on organisational changes, formal budget delegation letters and regular tracking and scrutiny covering all savings workstreams. He reported that there was a higher level of engagement than ever before at senior level. Budget holders received a higher level of detailed data and were held accountable for decisions.

The Committee then noted that the new financial system went live in April and that there had been some initial issues, specifically on the financial reporting tool and migration, for which workarounds had been implemented. Despite issues the Assistant Director Finance assured the Committee that the new system would provide a better service.

The Committee stated that it was clear that the case for funding would be key against a challenging backdrop and suggested that the narrative on this needed to be more realistic. The Committee expressed concern that the Commissioner's ambition to be the best FRS in the UK and Europe would be unachievable without additional funding. The Chair of the Committee asked that the Commissioner be invited to the next meeting to discuss this further.

The Committee then discussed the cyber security briefing which was circulated separately in response to Action AC55 as reported in the agenda pack at item 3. Concern was expressed regarding the gap analysis against the Cyber Assessment Framework (CAF) and specifically control room resourcing and the Committee asked what contingencies were in place in the event that the lobbying to NEC, the control room system supplier was unsuccessful.

The Director for Corporate Services responded that NEC was the most worrying, time critical issue and responded that this was being addressed urgently, with recent positive

engagement. He added that if this was not resolved shortly it was planned that he would escalate this with NEC and if required with the Commissioner and within government. An update would be provided to the Committee.

He added that a wider piece of work was in hand on the gap analysis on future requirements for the Cyber Assessment Framework and an update had been programmed for the 30 September Committee Meeting.

The Chair of the Committee welcomed the assurance that officers were dealing with the NEC issue and would escalate as required and added that an update to the September meeting was sufficient.

5. Internal Audit - Review of 2024/25

The Head of Internal Audit introduced the report by summarising the key points as detailed in the report. He specifically noted that the opinion was based on the effectiveness of the LFB's internal control environment. He said this had continued to develop and was heading in the right direction but there was still work to do. He welcomed the increase in second line assurance capability and added that the maturity of risk appetite was key to its success.

The Head of Internal Audit drew the Committee's attention to the seven completed risk and assurance reviews, as set out at paragraph 29 of the Internal Audit Annual Report and noted that focus had been on the areas of most concern. He added that the level of engagement in undertaking these reviews had improved

The Assistant Commissioner Risk Assurance, Strategy and Portfolio then provided an officer response to the Internal Audit Annual Report. He reported that officers were broadly in agreement with the findings and agreed that there was work still to do. He acknowledged that there was an increase in limited assurance ratings, and whilst this was an area of focus for the LFB, the Committee should note that due to the numbers of audits undertaken, a single change in outcome for one audit had a large statistical impact. Analysis of the last five years indicated no long-term downward trend in the LFB's audit performance and in the longer term increased engagement would be assisted by the Internal Audit Charter which was being considered by the Risk and Assurance Board and would be reported to the September meeting of the Committee.

The Chair expressed concern about the risk identified by the limited rating on the staff pre-employment validation checks which included vetting. Officers responded that a deep dive was planned on the controls in place to ensure this vetting took place and quarterly updates were produced.

The Committee overall welcomed the progress to streamline governance processes but noted that some still seemed unwieldy. There was also still a number of overdue actions. It was suggested that all processes be reviewed, not just financial ones. It was acknowledged that it was not a simple task to decide which controls and processes were no longer required and this needed to be assessed in accordance with risk appetite.

Officers welcomed the challenge from the Committee and assured it that processes would be reviewed and that some areas were still maturing. It was noted that board structures had been revised in the previous 6 months to reflect this.

The Audit Committee then noted the report.

6. Audit Planning Report 2024/25

The Assistant Director, Finance introduced the report by summarising the key points and noting that officers had had considerable engagement with Ernst and Young.

The Partner, Government and Public Sector Audit, Ernst and Young then introduced the Audit planning report by summarising the key points. He noted that this report provided a lot of assurance and it was planned to undertake all processes as usual. The only limitation was as a result of the lack of historical data. He added that the Value for Money plans and arrangements were a very important focus of the Audit.

The Audit Committee then noted the report and welcomed that lessons learnt had been addressed which would assist in avoiding some future additional fees as set out in the report.

7. 2024/25 Draft Outturn Report - Q4

The Head of Strategic Finance introduced the report which set out the LFB's 2024/25 draft financial outturn for revenue and capital and which had been published on the London Data store to meet deadlines set by the Mayor. He noted that there was an outturn revenue overspend of £6.5m, a decrease of £1.5m from quarter 3 – although this included slippage in some projects that would be transferred to earmarked reserves so that work could be completed in 2025/26. The reduction in the revenue overspend position was despite a £3m pension grant shortfall pressure last year which was offset by additional MFB act income and a credit of £1.4m against airwave, the communications network used by UK emergency services".

The Committee then discussed the report, and noted that the underlying overspend was due to overtime of £7m (offset by additional vacancies), injury and ill health pensions of £3.4m, as well as the shortfall in pension grant. It was noted that these were reflected in the 25/26 budget adjustments, so were not ongoing.

The Committee discussed the ongoing overspend on overtime and how this was being addressed. It was noted that this was monitored on a monthly basis and additional work had been focused on this area to produce more detailed monitoring, with the Investment and Finance Board providing a more in-depth overview of it. The Committee acknowledged the steps taken and asked if other more proactive steps were being taken. As a result it noted and welcomed the moves in the area of training, such as training watches as a group, to minimise overtime requirements, as well as a greater focus on absence management (including reducing sickness).

The Committee commented that the continuation of a vacancy margin could provide a false view of the budget being sustainable and officers acknowledged that the narrative around this needed to be clear and strong.

With regard to Capital it was noted that the underspend was £3.8m, which included additional grant income raised which offset additional costs. There was a slippage of £5.7m in capital and this was expected to be spent in 2025/26.

The Committee commented with concern on the underspends on repairs and maintenance and were assured that these were entirely timing slippages rather than cuts and would be completed in the following year.

It was noted that the level of reserves target was 3.5% and as the outturn balance was £14.8m, this was £2.5m less than this target, and steps were in place to address this.

The Audit Committee then noted the report.

8. Carbon New Zero Audit 2025 - Deep Dive

The Head of Carbon Reduction provided a PowerPoint presentation on Carbon Net Zero based on the slides as attached to the agenda pack at pages 145-158, after which the Committee asked some questions and discussed some key points. Overall the Committee welcomed the clear and detailed presentation.

Particular issues discussed included the following:-

The progress that had been made by the LFB in reducing emissions, as detailed in the third slide, which the Committee welcomed. It was noted that this progress was achieved in accordance with the two carbon net zero strategies which had been developed and refined since 2022. The Committee further welcomed the work undertaken in partnership with other organisations.

The Committee asked about the perception across the LFB as to the impact of this work on wider strategic objectives and was assured that there was limited impact as the work had been undertaken on the basis of not changing the operating model. In addition senior management were clear that this was a Mayoral commitment which it needed to strive to achieve, as well as the wider external public campaigns. In addition it was clear that carbon emission reduction had an impact on the risks associated with climate change such as floods and grass fires.

The development of the zero emission pumping appliance was an important innovation but it was noted that it had yet to be deployed to an incident as there were some problems in securing the parts required in such a cutting edge industry.

The cost associated with meeting the commitment as set out in the CRMP 2023-2029 to be carbon net zero by 2030 which had been predicted to rise from £300m to £420m based on inflation rate increases.

The constraints, including space, planning, power security and resources which had to be contended with. The Committee noted that the case for additional funding to achieve carbon net zero was strengthened by the progress made by the LFB.

The Committee concluded that it welcomed the role LFB was taking in forwarding this work but noted that further work needed to be undertaken in contingency arrangements if this was not all achieved. The Committee further asked whether more work could be undertaken to encourage staff to be more carbon neutral, including access to electric vehicle charging.

Further to discussion it was agreed that a visit to a Carbon Zero Fire Station be arranged for Members of the Committee.

The Audit Committee then noted with thanks the presentation.

9. Workplan

The Audit Committee noted the updated workplan and further noted that the new Commissioner was due to attend the next meeting of the Committee in September.

10. Any Other Business

There was no other business.

11. Date of Next Meeting

The next meeting of the Audit Committee was scheduled to take place on 30 September 2025 in person.

Anna Flatley, Governance Manager
Clerk to Audit Committee