

# Draft Audit Results Report (external audit) 2024/25

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**Report to:**

**Date:**

Investment & Finance Board.....	28 January 2026
Commissioner's Board .....	12 February 2026
Audit Committee .....	25 March 2026

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**Report by:**

Catharine Gregory, Assistant Director of Finance

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**Report classification:**

For decision

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**For publication**

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**Values met**

Service  
Integrity  
Teamwork  
Courage  
Learning

I agree the recommended decision below.



**Jonathan Smith**  
London Fire Commissioner

**This decision was remotely  
Date signed on 24 February 2026**

# **PART ONE**

## **Non-confidential facts and advice to the decision-maker**

### **Executive Summary**

This report presents Ernst & Young LLP's draft Audit Results Report for London Fire Commissioner's (LFC's) Statement of Accounts 2024/25, including the Annual Governance Statement, for review; and recommends to LFC to approve the report, and the Statement of Accounts, for publication.

The draft Statement of Accounts was presented to the Commissioner's Board on 9 July 2025 and published and passed for external audit.

The audit of the Statement of Accounts is now essentially complete; verbal updates will be provided on the process as this report moves through the governance process.

## Recommended decision

For the London Fire Commissioner

That the Commissioner notes the draft Audit Results Report and approves the audited Statement of Accounts 2024/25, certified by the Director of Corporate Services and audited by the LFC's external auditor Ernst & Young LLP ("EY").

For Commissioner's Board to note that: the Statement of Accounts will be certified by the Director for Corporate Services when the opinion expressed in the draft Audit Results Report, and any necessary corrections and editorial changes, have been incorporated.

### 1 Introduction and background

- 1.1 The LFC is required under Regulation 7 of the Accounts and Audit Regulations 2015 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.
- 1.2 The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907), which came into force on 30 September 2024, requires the accounting statements for this financial year 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.
- 1.3 The draft Statement of Accounts 2024/25 was approved by the Director for Corporate Services on 23 June 2025, and the audited Statement of Accounts 2024/25 is expected to be approved by the LFC and certified by the Director for Corporate Services on or before 13 February 2026.
- 1.4 Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the LFC to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement (AGS). The AGS for 2024/25 was, following review by Commissioner's Board, incorporated into draft unaudited Statement of Accounts ahead of publication and passing to the external auditors on 23 June 2025.
- 1.5 The external audit of the draft Statement of Accounts 2024/25 by the LFC's external auditors, EY, is now essentially complete. The outcome of the audit will be formally notified to the Director of Corporate Services and the LFC. The draft Audit Results Report (ARR) is not yet available; it will be added to this report when our auditors EY have finalised their findings. In the meantime, attached is the more general and discursive draft Auditor's Annual Report (AAR) at Appendix 3A. The auditors have also provided an update to attach to the AAR; this is attached at Appendix 3B.
- 1.6 Alongside the Statement of Accounts, our external auditors also assess LFB's performance in terms of value for money. In this respect, The LFC has received a consistently clean opinion and has made improvements against the HMI targets set for us.
- 1.7 The audited Statement of Accounts 2024/25 will be made available on the LFB website to comply with Regulation 10, paragraph (2b), which requires these to be published as soon as reasonably

practical and no later than the backstop date of 26 February 2026. The final audited accounts are presented in this report for formal CB approval, to comply with governance requirements. It is to be noted that the attachment is currently the final draft Statement of Accounts, as presented to EY. The accounts will be updated following conclusion of the audit.

- 1.8** The Statement of Accounts includes a copy of the LFC's Annual Governance Statement, which does not form part of the accounts; however, it is published with the final accounts and has been approved by the LFC.

## **2 The auditor's opinion**

- 2.1** The auditors were to issue their final ARR on 30 January 2026; but now expect to deliver this on Friday 4 February 2026, subject to internal review in EY. This report will set out their audit opinion on the 2024/25 accounts and provide information as to how that opinion was reached.
- 2.2** EY is currently in discussion with its technical team as to the audit opinion, which will either be a qualified opinion or a disclaimer of opinion for the 2024/25 accounts. This is related to the lack of audit of the 2022/23 accounts, which means that they cannot gain adequate assurance on all prior year and opening balances, so an unqualified opinion is not possible. Full details of what this means, and a potential timeline of the implications for future years, are set out in section 9 below. This section will be updated with the actual opinion for Commissioner's Board.

## **3 Value for Money**

- 3.1** Alongside the Statement of Accounts, our external auditors EY also assess LFB's performance in terms of value for money (VfM). In this respect, The LFC has made improvements against the targets His Majesty's Inspector (HMI) set for us.
- 3.2** As per paragraph 2.2 above, in 2022/23 our accounts were not audited and we did not receive an audit opinion. This was not the case, however, in the assessment of our performance in delivering VfM, for which the LFC has consistently received a clean opinion for the last three years.
- 3.3** 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".

## **4 The 2024/25 audit process – lessons learnt**

- 4.1** Although the 2022/23 draft accounts were published by the 31 May 2023 deadline, the statement of accounts was never audited or published due to the audit backlog in the public sector. As such, the LFC entered the 2023/24 audit process with no audited prior year statements to start from; the previous year (2021/22) had a full audit and an unqualified audit opinion, but our auditors made various recommendations which they then, naturally, wished to follow up on. As a result of these issues, and of similar or even more pronounced problems sector-wide, the opinion we received for the 2023/24 accounts, in common with most of our peers, was a disclaimer of opinion.
- 4.2** Nonetheless, the amount of work and effort required to obtain that opinion was considerable, and

exposed certain areas of inefficiency within our processes. This learning has been applied to the 2024/25 audit process, and to some extent this has been successful. In other areas, however, it was less successful – and these remain lessons for the future.

- 4.3** The Finance team recognises that more needs to be done to ensure an effective and efficient audit process in future years. Initially LFB provided working papers to the auditors' timetable but the team struggled to keep on top of requests and provide good quality evidence in a timely manner. This was compounded by a number of factors this year: the introduction of a new accounting standard for leases (IFRS 16), the transition to a new finance and purchasing system (replacing a 30-year-old system) and some staff restructuring in the Finance department (these issues are explained further below). The team plans to hold a joint 'lessons learned' exercise with the auditors to reflect on what went well and what could be improved and the outputs of this will be incorporated into our audit planning for
- 4.4** It was found that the LFB did not always get work right first time and so a formal checking process was instigated where the Principal Financial Accountant personally reviewed each item prior to their upload onto the audit portal. This worked well and, if planned in advance rather than being reactive, would be a useful feature of our ongoing audit process.
- 4.5** Also key, in a positive way, was a much greater degree of face-to-face contact with the auditors than in previous post-lockdown audits. Auditors came to the office on a regular basis and LFB staff attended on the same days. A lot of queries that would otherwise have resulted in a lot of "back and forth" were thus resolved relatively quickly.
- 4.6** One issue which we faced was the introduction of new regulations, notably the introduction of IFRS 16 for the treatment of leases. This is much more complex, from an accounting point of view, than the arrangements it replaces, and a lot of our work on this therefore took longer than the equivalent task previously – not only did we need to prepare the calculations, it also uncovered questions of who maintained the information, how we would set out the work, and how it could best be tested by the auditors. It is to be hoped that the detailed working papers and methodologies we have prepared will make this more straightforward in the next audit.
- 4.7** Perhaps predictably, such changes also meant close and detailed attention from the auditors, which added to the time taken and had a knock-on effect on other work. This will need to be factored in going forwards.
- 4.8** Obviously, the recent introduction of SAP, our new finance and purchasing system, had an impact too – in many cases, the officers who were most involved with getting the new system right were the same staff responsible for responding to audit queries and finding information in the old system. 2025/26 will be our first year auditing in SAP; while this will simplify many things which have previously slowed us down, notably finding and producing documentary evidence (which, in SAP, is stored within the system as part of the transaction it supports, rather than offline) we should not underestimate the impact that changing processes, and familiarising ourselves and the auditors with them, will have on timelines.
- 4.9** Compounding this problem, and continuing a trend from the prior year, a high volume of staff turnover within Finance, including in the core audit team, meant that a lot of knowledge and expertise had been lost from the team. On a positive note, a restructure in the Finance team also took place, aimed at building a more durable structure and recruiting skilled and qualified permanent staff. This will reduce reliance on expensive temporary staff and ensure longer-term skills and knowledge retention in the team.

**4.10** Lastly, it is only fair to acknowledge the lessons that we did not learn – shortcomings around some of the more complex areas of capital accounting, and areas where the responsibility for the task is shared between several teams (notably our method for valuing fire stations by counting appliance bays) were handled more rigorously and responsively than in previous years, but still not as well as we would have hoped.

**4.11** At the time of writing, the audit has been substantially completed. Due to delays in audit submission, the following is to be completed/reviewed:

- Creditors cut off
- Unrecorded liabilities
- Expenditure
- Journals
- PPE Valuations (Appliance Bays) – outstanding query
- Going concern
- Some general execution steps
- Conclusions steps including Audit Results Report, letter of representation, audit opinion, etc: this list will be edited and reduced as these issues are resolved

**4.12** In spite of all these obstacles, the audit looks set to be completed to the satisfaction of the auditors before the final cut-off deadline and an appropriate opinion is anticipated (see paragraph 9.4 below.) Nevertheless, the team is keen to make further lasting improvements for the 2025/26 audit, especially as this will be the first year audited under our new finance system (SAP) and as key changes to accounting regulations implemented in 2024/25 (notably IFRS16 – see paragraph 3.6 above) become "business as usual" and will require testing accordingly.

**4.13** The lessons learnt, which will drive the necessary improvements, can be summarised as follows:

- building on current year models and processes
- making sure that, where possible, predictable requirements are prepared in advance
- clear and current documentation of processes
- clear expectations of what constitutes good-quality audit evidence and working papers
- face-to-face engagement with auditors, supported by regular office attendance
- improved corporate communications about deadlines and, more broadly, the message that audit concerns and involves the whole organisation, not just Finance

**4.14** This will become more concrete as the preparations for the 2025/26 audit gather pace.

## **5 Statutory accounting framework**

**5.1** The Statement of Accounts for 2024/25 has been prepared in accordance with the Accounts and Audit Regulations 2015 and the Code of Practice on Local Authority Accounting in the UK (the Code) as published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These specify the principles and practices of accounting required to prepare a Statement of Accounts that "present a true and fair view".

**5.2** This report provides the draft outturn position for the LFC and explanations of the figures and key issues in the accounts as submitted. The final Statement of Accounts will have all changes included once the auditors have finalised the audit.

## 6 Statement of accounting policies

6.1 The accounting policies form part of the work carried out in reaching the audit opinion. The policies are the principles, bases, conventions, rules and practices applied by the LFC that specify how the effects of transactions and other events are to be reflected in its financial statements. The use of such policies effectively ensures consistency in the financial figures being reported year on year.

## 7 Capital expenditure

7.1 In 2024/25, total spending on the capital programme for tangible and intangible assets was £27.6m (£28.4m in 23/24), plus a further £59.3m for recognition of right of use assets under IFRS 16.

7.2 Spend included the rebuilding and modernising of fire stations and other buildings (£25.0m), upgrading ICT equipment (£2.5m), and the purchase of fleet vehicles and equipment (£0.1m). Capital expenditure has been financed in accordance with the Prudential Code.

7.3 Aside from the recognition of right of use assets under IFRS 16, the financing for which is technically classed as borrowing, capital expenditure on assets (£27.6m) has been funded by capital receipts (£28k), grants (£2.0m) and use of existing reserves/borrowing (£25.6m).

7.4 The LFC took no new long-term external borrowing during the year. Settlement of maturing principal debt during 2024/25 totalled £3.500m. As a result, as at 31 March 2025, the level of outstanding long term principal debt totalled £43.225m. The average interest payable on outstanding loans as at 31 March 2025 was 4.65% (4.71% at 31 March 2024).

## 8 Service income and expenditure

8.1 The Statement of Accounts includes accounting adjustments required by the Code of Practice on Local Authority Accounting in the UK. These provide for the inclusion of accounting adjustments for pensions liabilities under International Accounting Standard 19 (IAS19) Retirement Benefits, depreciation, impairment and revaluation charges.

8.2 The figure for net service expenditure for 2024/25 shown in the table below excludes these accounting adjustments.

8.3 The LFC's earmarked reserves decreased by £13.7m from £67.4m as at 1 April 2024 to £39.1m as at 31 March 2025. Earmarked reserves have been on a planned downward trajectory as those funds have been utilised to support essential transformation activity in recent years. Following movements between the LFC's General Fund and reserves, the General Fund balance decreased by £1.3m from £17.3m as at 1 April 2024 to £16.0m as at 31 March 2025, which is below the 3.5 per cent of the Net Revenue Expenditure budget planned to be held under the reserves policy of £17.3m.

LFC revenue	Budget FY2425	Outturn FY2425	Variance FY2425
	£'000	£'000	£'000
Operational staff	348,437	352,258	3,821
Other staff	79,598	80,821	1,223

Employee related	36,990	31,246	(5,564)
Pensions	20,773	24,212	3,439
Premises	48,757	47,474	(1,283)
Transport	19,808	21,109	1,301
Supplies and services	40,928	36,159	(4,769)
Third party payments	1,333	2,258	925
Capital financing costs	16,000	15,538	(462)
Central contingency against inflation	(6,314)	-	6,314
<b>Total revenue expenditure</b>	<b>606,310</b>	<b>611,255</b>	<b>4,945</b>
Other income	(51,260)	(58,889)	(7,629)
<b>Net revenue expenditure</b>	<b>555,050</b>	<b>552,365</b>	<b>2,684</b>
Use of reserves	(29,107)	(25,457)	3,650
<b>Financing requirement</b>	<b>525,943</b>	<b>526,908</b>	<b>966</b>
<b>Financed by:</b>			
Specific grants	(31,790)	(28,673)	3,117
GLA funding	(494,153)	(494,153)	-
<b>Net financial position</b>	<b>-</b>	<b>4,082</b>	<b>4,082</b>

## 9 Pensions deficit

9.1 The net pensions deficit, recorded in the Balance Sheet, for both the Local Government Pension Scheme (LGPS) and the Firefighters' Pension Schemes, is £5.027bn as at 31 March 2025 (31 March 2024 £5.531bn). This is the sum of the LFC's liabilities in both schemes arising from pension benefits earned 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.

## 10 Draft Audit Results Report

10.1 The LFC's external auditor will shortly be issuing a draft Audit Results Report (ARR) which shows their audit findings; this is now provisionally expected on 6 February 2026. It is the intention of the external auditors, and the purpose of this report, to present that draft ARR to Commissioner's Board on 12 February 2026. In the meantime, the more general draft Auditor's Annual Report (AAR) is attached for information and context.

10.2 During the course of the audit, the Director for Corporate Services considered the accounting and material nature of each issue raised under the audit and provided a management response to the matters arising. The responses have been formally discussed with the external auditor based on professional judgement, materiality and significance. It should be noted that for an item to be of material accounting significance it should be at LFC level in excess of £5m.

10.3 The Director for Corporate Services has agreed amendments and/or future actions with the external auditor on all matters arising from the audit.

10.4 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. Our auditors, EY, have confirmed that the best possible opinion in 2024/25 for bodies like the LFC is an opinion of "qualified but for," followed by named exceptions; bodies not

meeting that standard will, as last year, receive a "disclaimer of opinion".

**10.5** Simply put, this means that, because neither a qualified nor an unqualified opinion was given in the prior year, and because the audit work presented has not been of a sufficient standard, EY cannot place appropriate reliance on either the prior year figures or the opening balances for 2024/25. Instead, such reliance will need to be rebuilt gradually, over several audit periods.

**10.6** While the result remains uncertain and EY has yet to give a formal opinion, LFC is among the group best placed to come out of this situation, as only one year's accounts were unaudited, the work done in 2024/25 was of a good standard, and the work done in the course of this audit has been so thorough on both sides. Therefore, an ambitious, but realistic, trajectory is as follows, and is now our goal:

- 2024/25 qualification (on a specific basis e.g. uncertainty around reserves)
- 2025/26 unqualified opinion (i.e. return to normal)

**10.7** If, on the other hand, EY decided that the appropriate opinion for 2024/25 was a renewed disclaimer of opinion, then the target trajectory would become:

- 2024/25 disclaimer of opinion (as for 2023/24)
- 2025/26 qualification (on a specific basis e.g. uncertainty around reserves)
- 2026/27 unqualified opinion (i.e. return to normal)

**10.8** The LFC has yet to receive the opinion, or the relevant wording, from our auditors: this is currently being reviewed by EY and may not be available by the date of Commissioner's Board, but will be reviewed by the Director for Corporate Services before signing the accounts.

## **11 Schedule of uncorrected misstatements**

**11.1** Where an authority declines to make changes to the accounts recommended by the external auditor, this is required to be reported in a schedule of uncorrected misstatements. There are no unadjusted audit differences. It is to be noted that this is the expected position and will be finalised on conclusion of the audit. A verbal update on the schedule of uncorrected misstatements, if relevant, will be presented at the Commissioner's Board meeting on 12 February 2026. The schedule will also, if relevant, be attached to the Commissioner's Board report at Appendix 4.

## **12 Audit and public inspection**

**12.1** EY commenced their audit on 11 August 2025 and the LFC's draft accounts were open to public inspection from 24 June 2025 to 4 August 2025 inclusive. This means that any person interested may inspect and make copies of the accounts, and any related books, deeds, contracts, bills, vouchers and receipts. The draft Statement of Accounts is published on the website; thereafter, members of the public and local government electors have the right to inspect the Statement of Accounts, request sight of certain types of related documents, or to object to the accounts as presented. An opportunity for members of the public and local government electors to raise any such objections to the accounts was available during this inspection period; contact details were provided for this purpose.

**12.2** No person or elector raised any objection to the LFC's accounts during the inspection period.

## 13 Letter of representation

13.1 As part of the standard closing of accounts process, a general letter of representation is formally acknowledged by the LFC. This represents a formal response to the auditor and provides a management response to any uncorrected items raised as part of the audit. This letter was prepared as part of the submission of the draft accounts as at 23 June 2025 and we do not anticipate any further changes.

## 14 Audit fee 2024/25

14.1 The auditors have yet to provide final confirmation of the proposed external audit fee for 2025/26. A verbal update will be provided, if available, at Commissioner's Board.

## 15 Annual Governance Statement (AGS)

15.1 The Annual Governance Statement provides an overview of the governance arrangements that were in place for the LFC during the year 2024/25 and is included with the Statement of Accounts. Resource capacity issues faced by the Accountancy section of the Corporate Finance team is a new addition to the AGS, by request of the external auditors.

## 16 Values comments

16.1 The LFC notes the Fire Standards Board requirements around adopting and embedding the Core Code of Ethics at an individual and corporate level. Following extensive engagement, the LFC has introduced Brigade values which build on and do not detract from the Code of Ethics. This report demonstrates the Brigade values as follows:

- **Service: we put the public first** – published accounts with an appropriate audit opinion build public and corporate confidence in LFB and allow us to see through our corporate aspirations without adverse scrutiny or challenge
- **Integrity: we act with honesty** – good-quality, audited accounts demonstrate our commitment to be transparent on our financial performance
- **Teamwork: we work together and include everyone** – external audit involves teams from across the organisation, inside and outside Finance, working towards a common goal
- **Equity: we treat everyone fairly according to their needs** – not directly addressed in this report
- **Courage: we step up to the challenge** – we set out our performance honestly
- **Learning: we listen so that we can improve** – we embrace lessons learnt and use prior-year information to improve performance going forwards

## 17 Equality comments

17.1 The LFC and the Deputy Mayor for Planning, Regeneration and the Fire Service are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when

taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.

**17.2** It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.

**17.3** The protected characteristics are: age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), race (ethnic or national origins, colour or nationality), religion or belief (including lack of belief), sex, and sexual orientation.

**17.4** The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:

- eliminate discrimination, harassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
- encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

**17.5** The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.

**17.6** Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- tackle prejudice
- promote understanding.

**17.7** An Equality Impact Assessment has not been completed as this report requires no decisions and only sets out the financial position of the LFC as part of the annual budgetary and audit processes of the LFC.

## **18 Other considerations**

### **Workforce comments**

**18.1** No workforce implications have been identified therefore no formal consultation has been undertaken.

### **Sustainability comments**

**18.2** There are no direct sustainability implications arising from this report.

### **Procurement comments**

**18.3** There are no direct procurement implications arising directly from this report.

## **Communications comments**

**18.4** The unaudited draft statements are already published on the LFB's website. Following the signing of the audited Statement of Accounts, this will also be published.

## **19 Financial comments**

**19.1** This report is prepared by the Assistant Director – Finance and, as such, financial comments have been incorporated into the report.

## **20 Legal comments**

**20.1** Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.

**20.2** By direction dated 1 April 2018, the Mayor set out those matters, for which the Commissioner would require the prior approval of either the Mayor or the Deputy Mayor for Fire and Resilience (the "Deputy Mayor").

**20.3** This report seeks the London Fire Commissioner's (LFC's) to note the stated position of the financial accounting records prior to publication, as required by legislation and guidance, referred to in more detail in the body of this report.

**20.4** Under section 127 of the Greater London Authority Act 1999 the LFC is required to make arrangements for the proper administration of its financial affairs. The Director of Corporate Services, as the statutory Chief Finance Officer, under the same legislative section is the officer who has responsibility for the administration of those affairs.

**20.5** The LFC has discretion when making arrangements for the administration of its financial affairs. It must however act reasonably and with regard to all relevant considerations. This includes the professional advice of its Chief Financial Officer and the advice and stated expectations of government and appropriate professional and regulatory bodies as set out in the report.

**20.6** Regulation 7 of the Accounts and Audit Regulations 2015 (the "2015 Regulations") provides that a functional body, such as the LFC, is a body required to prepare an annual statement of accounts each year.

**20.7** Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 2003/3146) require the LFC to make a minimum revenue provision for that financial year.

**20.8** 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 review the effectiveness of the systems of internal control and prepare an Annual Governance Statement (AGS). Regulation 9A of the 2015 Regulations sets out the timetable for publishing the AGS.

**20.9** The Accounts and Audit (Amendment) Regulations 2021, 2022 and 2024 have amended the dates for compliance with the 2015 Regulations as set out in this report.

- 20.10** Paragraph 10 of Part 6 (Financial Regulations) of the LFC's Scheme of Governance sets out how the Director of Corporate Services, as the s127 Chief Financial Officer, will discharge responsibilities in relation to all accounting records.
- 20.11** This report together with the enclosed appendices presented for approval will ensure all the statutory obligations referred to above and in the body of the report can be discharged in a timely manner.

## List of appendices

Appendix	Title	Open or confidential*
1	Statement of Accounts 2024/25 (updated draft for CB)	No protective marking
2	Ernst & Young LLP draft Audit Results Report	No protective marking
3A	Ernst & Young LLP draft Auditor's Annual Report	No protective marking
3B	Ernst & Young LLP update to the draft Auditor's Annual Report	No protective marking
4	Schedule of Unadjusted Misstatements (to follow if relevant)	No protective marking

### Part two confidentiality

Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part Two form, together with the legal rationale for non-publication.

**Is there a Part Two form:** NO



# Statement of Accounts 2024/2025

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# WRITTEN STATEMENTS AND NARRATIVE REPORT

## Director for Corporate Services' Narrative Report

### THE LONDON FIRE BRIGADE

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

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

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

A number of 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. *Your London Fire Brigade* includes **four pillars and eight commitments**, which address the public directly and explain to them how and why we are changing. The eight commitments form the basis of our eight transformation programmes.

The CRMP is based on extensive engagement with and feedback from the communities we serve and informed by the views of our staff. One of the most important things the CRMP does is operationalise our Assessment of Risk in London and what we plan to do to help reduce and respond to those risks.



One of these commitments is that the LFB will work together to supply the best possible services to meet your needs. This includes wanting to have a culture that learns from its people and the people it serves. Page 5 of this statement sets out additional detail on the actions the LFB is taking to improve its workplace culture.

### 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 the 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, which sets out the Brigade's plan for protecting London.

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.

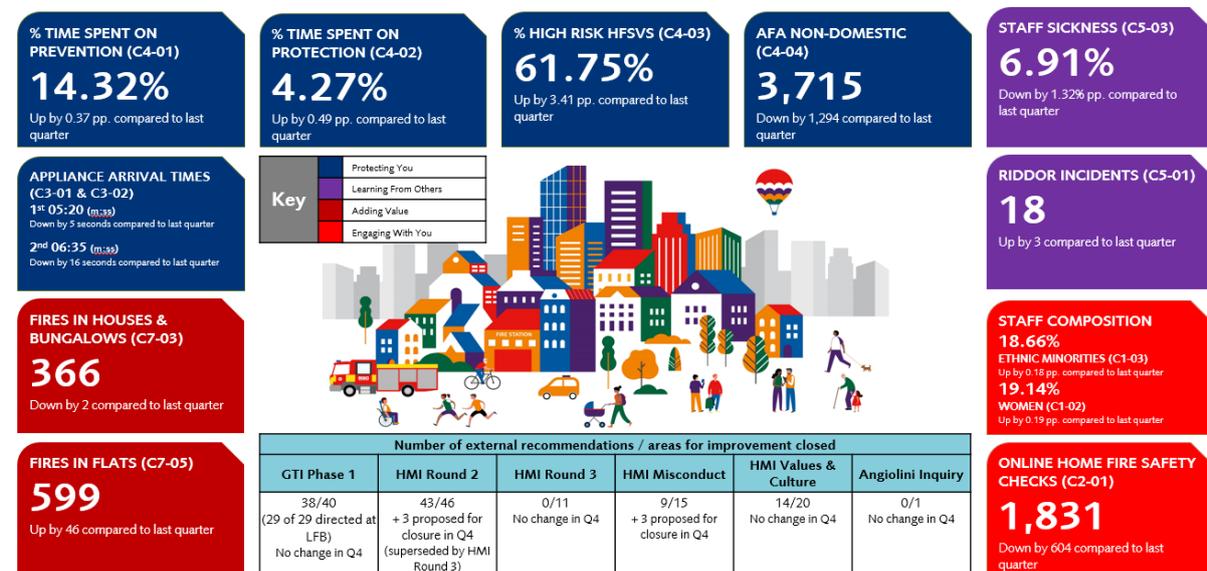
### THE BRIGADE'S PERFORMANCE ACHIEVEMENTS 2024/25

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-2024-25>

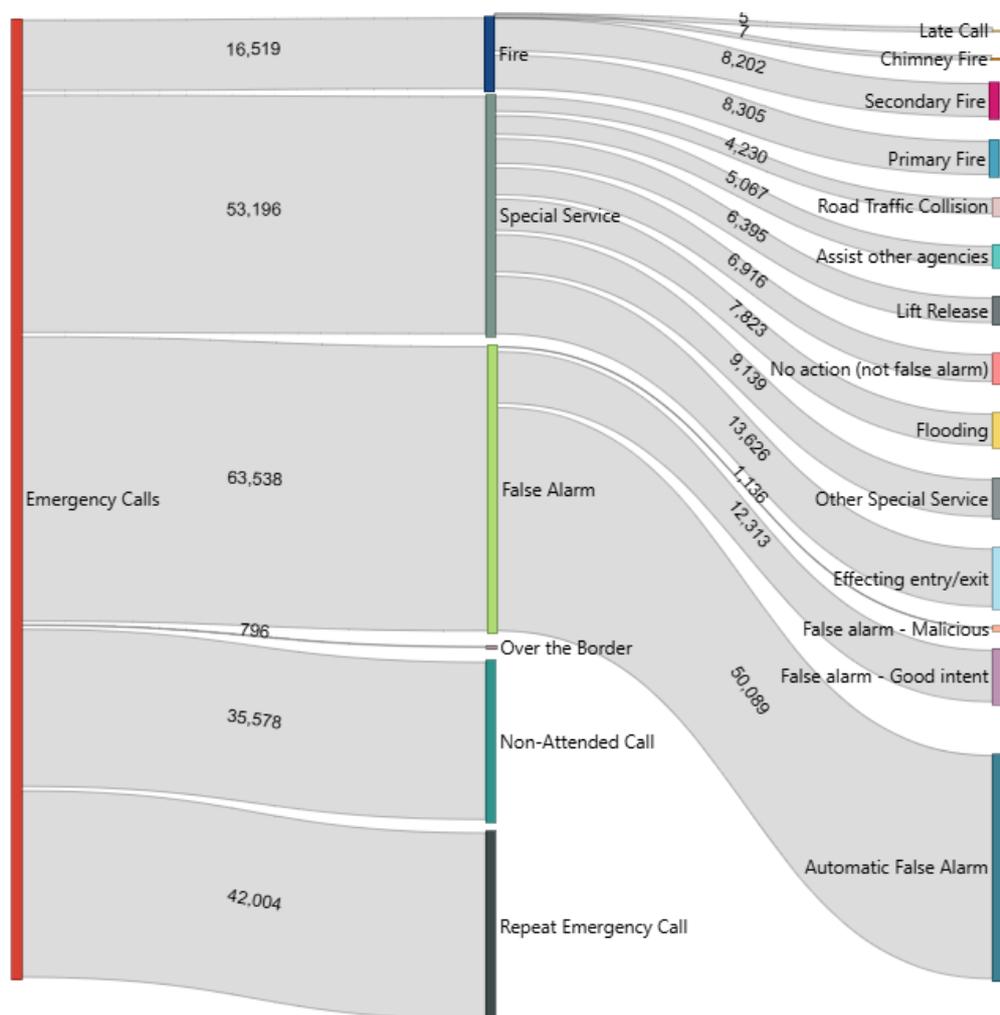
## Performance at a Glance

Highlights of the LFC's performance as at the 31 March 2025 include:



\*PP. Percentage Points

## Incidents in Numbers for the 2024/25 Financial Year



The figures shown are a snap shot as at 31 March 2025, taken from the year end KPI performance report for consistency in preparation. As such, they are shown quarter on quarter.

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.

### PEOPLE AND CULTURE

LFC continues to drive an ambitious agenda around people and culture, which is vital to achieve the further improvements LFB has committed to following the Grenfell Tower Inquiry Phase 2 and HMICFRS Round 3 inspection. The HR function is integral to delivery of the CRMP, which includes a focus on services being delivered by the right people with the right skills and capability.

Following recommendations from both the independent Culture Review, and the independent Review of People Services, the structure of the People Directorate was revised to better reflect the requirements of a more modern HR function.

The Professional Standards Unit (PSU) was established in January 2024, providing a centre of expertise under the Director for People, dedicated to ensuring fair and robust standards including managing bullying and harassment claims, discipline and grievance issues.

The department supported the culture change programme and the HR improvement agenda, including through:

- delivery of leadership development programmes for all staff
- delivery of LFB Values workshops
- delivery of coach and mentor training
- development of HR data dashboards
- review of flexible working, with a focus on removing barriers to progression for operational staff with parental/caring responsibilities
- completion of the historic case review.

The new permanent Director for People took up post in January 2025. As a priority, the Director reviewed People Services in the light of current and future challenges and, during 2025/26, consulted on organisational change to improve further the directorate's efficiency and effectiveness within the tight parameters of the 2025/26 Budget. In particular, the Director for People has articulated an ambitious vision for a service that includes:

- setting and providing assurance on high standards for itself and LFB's people, built around the Values
- delivering consistently on its objectives
- 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
- achieving LFB's DEI objectives in relation to people, including our staff composition commitments.

### MAJOR EVENTS AND CAMPAIGNS

#### **London Fire Commissioner retired**

On 16 January 2025 the London Fire Commissioner, Andy Roe KFSM, advised the Mayor of London, Sir Sadiq Khan, of his intention to retire after five years in the role.

Commissioner Andy Roe said that it had been an honour and a privilege to lead London Fire Brigade. He stated that when he became Commissioner, he had inherited a service suffering from decades of under investment. Over the previous five years, supported by the Mayor of London, he had led significant change and improvement within the organisation, including improvements in the way emergencies were responded to and in organisational culture. He added that staff were now better trained and equipped to fulfil their mission to serve and protect London.

#### **Appointment of New London Fire Commissioner**

On 9 May 2025 the Mayor of London, Sadiq Khan, proposed the appointment of Jonathan Smith as London's new Fire Commissioner, subject to a confirmation hearing by the London Assembly's Fire Committee.

Jonathan Smith took up the post as the head of London Fire Brigade (LFB) on 1 July 2025. He took over from Andy Roe who retired as Commissioner at the end of June 2025.

London's new Fire Commissioner is responsible for leading LFB to ensure it is trusted to serve and protect London. He works closely with the Deputy Mayor for the Fire Service, Jules Pipe, to continue delivering significant change and improvements in its performance and to implement the recommendations of the Grenfell Tower Inquiry Phase Two report. He also ensures the Brigade continues to modernise and implements the cultural reform needed.

#### **London Fire Brigade (LFB) has completed a programme of maintenance for London's only River Fire Station.**

In October, Lambeth River Fire Station made its return to its historic home at Albert Embankment on the Thames after six months of refurbishments in Lowestoft. Firefighters returned to the station after a period of operational duty at HMS President.

Fire boats have been utilised in London since as early as the 1700s and a river station has been positioned at Lambeth since 1936. Lambeth River Fire Station's firefighters crew two fire boats responding to incidents from the river, bridges and the shore. Working closely with the RNLI, Metropolitan Police Service, HMS Coastguard and Port of London Authority, the Brigade's boat crews attend over 170 incidents a year – more than three a week on average.

Alongside general improvements, painting and redecoration, the station's hull has been fully refurbished, extending the life of the station by around 25 years.

#### **Keeping Communities Safe: London Fire Brigade introduces new policy which aims to reduce attendance at false alarms**

London Fire Brigade has changed its approach to how it responds to automatic fire alarms. Starting from 29 October 2024, the Brigade has stopped attending automatic fire alarms in most non-residential

buildings, such as office blocks or industrial estates, during daytime hours – unless a call is also received from a person reporting a fire.

The change allows firefighters to spend more time and resources on other priorities, such as working on fire prevention with local communities and increased operational training. The Brigade will continue to always respond to all automatic fire alarms in residential buildings and in schools, nurseries, hospitals, care homes, listed heritage sites and other exempt premises.

The new policy only applies between the hours of 7am and 8.30pm. Outside of these hours, the Brigade will attend all automatic fire alarms in any building.

The changes have been introduced in London following a public consultation with members of the public, businesses, partners, firefighters and other Brigade staff.

### **London Fire Brigade celebrates fourth annual People Awards**

LFB proudly hosted its fourth annual People Awards on 18 July 2024, a night dedicated to recognising and celebrating the outstanding achievements of staff.

This year saw the highest number of nominations, with over 300 individuals and teams being recognised. Over 250 guests attended the event at The Guildhall, including members of the LFB Community Forum, which helps the Brigade to put London's communities at the heart of everything we do.

For the first time, the People Award categories were aligned to the Brigade's newly defined values, which have been shaped by the experiences of staff and the communities we serve. Built upon on the National Fire Chief's Council Code of Ethics, the values are Service, Integrity, Teamwork, Equity, Courage, and Learning and will sit at the heart of how the Brigade works.

The awards ceremony recognised outstanding achievements of individuals and teams across various categories that reflect the vital work undertaken by LFB every day.

The newly introduced values were consistently reflected in this year's award winners.

### **Community Forum Steering Group**

The Brigade's Community Forum, which was launched in 2022, has been instrumental in helping the Brigade to transform over recent years by bringing together individuals to share their perspectives and influence services. The Community Forum has 15 members who represent different communities from across London.

Moving forwards, the Brigade wants to develop local forums to hear from communities on a more personal level. To accomplish this, the new Steering Group will play a crucial role in designing how the local community forums will operate, allowing for more localised and focused engagement. These forums will aid the Brigade in ensuring that even more communities have a voice in shaping the services they receive.

Deputy Commissioner for Preparedness and Response during 2024/25, Jonathan Smith, said: "The formation of the Steering Group represents the Brigade's ongoing commitment to listening to local communities, including underrepresented groups, and improving our services for all."

"By involving community members in our decision-making processes, we can create more effective and inclusive strategies that better serve all Londoners."

### RESPONDING TO MAJOR REVIEWS

#### Grenfell Tower Inquiry Phase 2 report

The Grenfell Tower fire took place on 14 June 2017 and tragically 72 people lost their lives. On the night of the fire, the Brigade was faced with the biggest challenge that any fire service in the UK has had to face in living memory.

The size, scale and significance of the Grenfell Tower Fire have had a profound and wide-ranging impact on our people and our communities. Our thoughts remain with the 72 people who lost their lives, their families, bereaved, survivors and the wider Grenfell community.

The events that night revealed deficiencies in LFB's policies, procedures, equipment and training. In the years since, everyone in the Brigade has been committed to delivering a comprehensive programme of change as we continue to learn from the tragedy. As a result, the LFB is better prepared, trained and equipped to respond to fires in London.

The publication of the Grenfell Tower Inquiry Phase 2 Report marks another important moment in the process of learning the lessons from the tragedy of the Grenfell Tower fire. The Grenfell Inquiry has been a catalyst for deep institutional transformation within London Fire Brigade (LFB). You can read the report here: <https://www.grenfelltowerinquiry.org.uk/>

London Fire Brigade (LFB) has accepted all the recommendations directed to the Brigade and fire and rescue services and supports the other seven recommendations in the 'London Fire Brigade' section of the Grenfell Tower Inquiry (GTI) Phase 2 Report, setting out its response to each recommendation in detail.

The response, developed in collaboration with key stakeholders and relevant community groups, outlines the work which is already underway to address these recommendations and the further actions that will be taken.

In 2024, LFB announced the completion of every recommendation directed specifically to it in the GTI Phase 1 Report, introducing important policies, improved training and new equipment as a result. The Inquiry made 58 recommendations in the Phase 2 Report, of which thirteen were in the section specifically about the London Fire Brigade. The inquiry formally closed on 10 February 2025.

#### Commissioner Statement on His Majesty's Inspectorate of Constabulary and Fire & Rescue Services Report

On 29 November 2024 His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) published its report following the Round 3 inspection of LFB in summer 2024.

HMICFRS stated in the report that they found significant improvements in the LFB's performance since its last inspection in 2022. The report highlights that London Fire Brigade has improved across ten of the 11 measures used in the inspection, including 'outstanding' at responding to major and multi-agency incidents. The Brigade's previous inspection demonstrated improvement was required across all 11 areas.

The Inspectorate has reached their conclusions based on the thousands of interactions they have had.

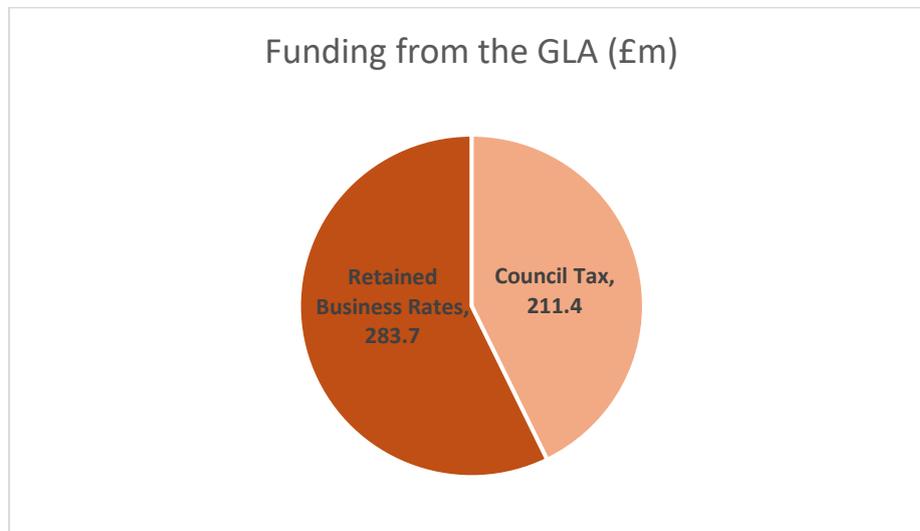
Since the previous inspection, a great deal of change has taken place and has been underpinned by millions of pounds of investment provided by the Mayor of London. This has resulted in LFB's firefighters and Control officers being better trained and equipped to deal with fires across London. Whilst there is still more to do, the recognition of change by HMICFRS is a further step forward.

### 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 £495.1m in 2024/25 (£445.8m in 2023/24).

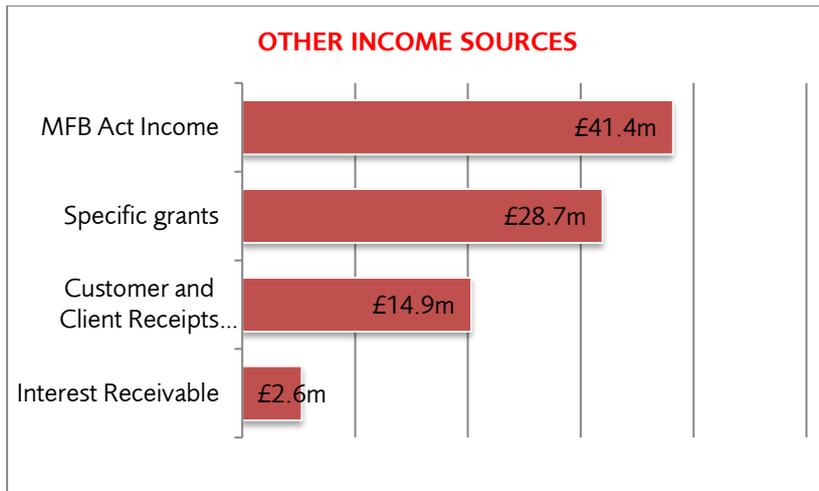
For a Band D council taxpayer, the LFB's element of their council tax bill was £66.74 in 2024/25, or £1.28 a week (£62.48 in 2023/24, or £1.20 a week).



Note: Funding from the GLA was reduced from £495.1m to £494.2m during the 2024/25 financial year, reflecting the agreed transfer of responsibilities for the London Resilience Group from LFB to the GLA from the 1 June 2024.

#### 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 £87.6m, including a £0.2m reduction on bad debt. (£96.6m in 2023/24).



**REVENUE EXPENDITURE**

This combination of core funding from the GLA and other income provided total funds of £581.7m in 2024/25 (£542.4m in 2023/24). After including a net draw from reserves of £25.4m this provided for expenditure of £607.2m.

Total expenditure net of reserve funding in 2024/25 was £610.730m, £3.6m more than budgeted. This overspend will be covered by Reserve balances. The breakdown of that expenditure, shown below, was largely on staff costs – Operational staff (£352.2m) and Other Staff (£80.8m). Expenditure increased from 2023/24 levels because of inflation and pay awards.

The largest variance in 2024/25 relates to Operational staff with this largely being driven by the impact of operational overtime in Fire Stations. Significant reductions on operational overtime costs have been delivered since 2022/23 when an overspend of around £12.5m (excluding National Insurance) was experienced, the largest component of which was due to Pre-Arranged Overtime (PAO); following a range of actions, the outturn overspend for 2024/25 is around £7m. The 2025/26 budget has set out plans to eliminate overspending on overtime through a combination of increased overtime budget and further actions to reduce the need for overtime.

## Statement of Accounts 2024/25

Budget £'000	2023/24		LFC Revenue	Budget £'000	2024/25	
	Outturn £'000	Variance £'000			Outturn £'000	Variance £'000
307,937	315,612	7,675	Operational staff	348,437	352,258	3,821
73,093	73,342	249	Other staff	79,598	80,821	1,223
34,539	36,048	1,509	Employee related	36,990	33,028	(3,962)
20,773	23,005	2,232	Pensions	20,773	24,212	3,439
48,266	48,013	(253)	Premises	48,757	47,474	(1,283)
18,820	19,904	1,084	Transport	19,808	21,109	1,301
36,811	37,864	1,053	Supplies and services	40,928	34,033	(6,895)
1,333	1,854	521	Third party payments	1,333	2,258	925
11,524	10,585	(939)	Capital financing costs	16,000	15,538	(462)
(49)	-	49	Central contingency against inflation	(6,314)	-	6,314
<b>553,047</b>	<b>566,227</b>	<b>13,180</b>	<b>Total revenue expenditure</b>	<b>606,310</b>	<b>610,730</b>	<b>4,421</b>
(57,947)	(64,685)	(6,738)	Other income	(51,260)	(58,889)	(7,629)
<b>495,100</b>	<b>501,542</b>	<b>6,442</b>	<b>Net revenue expenditure</b>	<b>555,050</b>	<b>551,841</b>	<b>(3,209)</b>
(16,672)	(18,724)	(2,052)	Use of reserves	(29,107)	(25,457)	3,650
<b>478,428</b>	<b>482,818</b>	<b>4,390</b>	<b>Financing Requirement</b>	<b>525,943</b>	<b>526,384</b>	<b>441</b>
			<b>Financed by:</b>			
(32,628)	(31,945)	683	Specific grants	(31,790)	(28,673)	3,117
(445,800)	(445,800)	-	GLA funding	(494,153)	(494,153)	-
-	<b>5,073</b>	<b>5,073</b>	<b>Net financial position</b>	-	<b>3,557</b>	<b>3,557</b>

## Director for Corporate Services' Narrative Report (continued)

### CAPITAL EXPENDITURE

Total capital expenditure in the year was £27.6m, of which £2.0m was from grants, with the remainder (£25.6m) being funded by borrowing. This figure excludes that capital expenditure relating to the recognition of right-of-use assets under IFRS 16, which amounted to a further £59.3m. This is explained in more detail in the notes to the accounts.

There were two main areas of spend, i.e. Property (83%) and ICT (13%).

<b>Outturn 2023/24 £'000</b>	<b>LFC Capital</b>	<b>Outturn 2024/25 £'000</b>
2,047	ICT Projects	2,531
18,677	Property Projects	25,012
1,997	Fleet and Equipment Projects	93
5,668	Operational Policy Equipment	0
<b>28,389</b>	<b>Total capital expenditure</b>	<b>27,636</b>
	<b>Financed by:</b>	
250	Reserves	0
332	Capital receipts	28
1,046	Grants/Contributions	2,051
26,761	Use of existing reserves/Borrowing	25,557
<b>28,389</b>	<b>Total capital financing</b>	<b>27,636</b>

### RESERVES

The LFC had total usable reserves of £55.9m as at 31 March 2025, comprising £17.8m in general reserves, £37.9m 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 (£495.1m in 2024/25) of £17.3m. The final outturn balance on the General Reserve at March 2025 is £17.8m, which exceeds this.

Financial planning to return the General Reserve balance to planned levels is being taken forward through the Medium-Term Financial Strategy with assumptions in line with the outturn position included in the 2025/26 final budget. The use of reserves in future years is as per the approved published Budget Report for 2024/25 and is included in Note 31 – Going Concern.

The 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.

## Director for Corporate Services' Narrative Report (continued)

### Revenue

	2025-26	2026-27	2027-28
	£'m	£'m	£'m
Corporate Services	87.1	83.2	87.1
Preparedness and Response	391.3	401.0	408.4
People	8.9	8.6	8.8
Transformation	3.5	4.5	4.1
Prevention, Protection and Policy	42.9	46.6	47.3
Communications	3.2	4.0	4.2
Saving yet to be identified	0.0	(18.0)	(16.7)
<b>Net Service Expenditure</b>	<b>536.9</b>	<b>529.9</b>	<b>543.2</b>
Capital Financing	17.5	25.3	32.1
Interest Receivable	(1.5)	(1.5)	(1.5)
<b>Net Expenditure</b>	<b>552.9</b>	<b>553.7</b>	<b>573.8</b>
Transfer to / (from) Reserves	(16.5)	2.0	0.7
<b>Financing Requirement</b>	<b>536.4</b>	<b>555.7</b>	<b>574.5</b>
Un-ringfenced Government Grants	4.4	4.4	4.4
Retained Business Rates	300.2	305.9	311.1
Council Tax Collection Fund Surplus / (Deficit)	0	0	0
<b>Council Tax Requirement</b>	<b>231.8</b>	<b>245.4</b>	<b>259.0</b>

### Capital

Project	2024-25	2025-26	2026-27	2027-28	2028-29	TOTAL
	£m	£m	£m	£m	£m	£m
<b>Capital Schemes</b>						
Properties	22.2	41.7	46.0	64.5	34.1	208.5
Fleet Replacement Plan	1.4	1.7	6.6	5.2	10.5	25.4
ICT Projects	4.2	11.8	10.6	3.5	2.5	32.6
Communications Project	0.1	0.3	0.3	0.0	0.0	0.7
Operational Policy Equipment	0.1	0.7	0.0	0.0	0.0	0.8
Optimism Bias (10 per cent)	(2.8)	(5.6)	(6.4)	(7.3)	(4.7)	(26.8)
<b>Total Expenditure</b>	<b>25.2</b>	<b>50.6</b>	<b>57.1</b>	<b>65.9</b>	<b>42.4</b>	<b>241.2</b>
<b>Capital Financing</b>						
Revenue Contributions	0.3	0.0	0.0	0.0	0.0	0.3
Capital Receipts	0.0	0.0	0.0	0.0	0.0	0.0
Capital Grants	1.7	0.6	0.2	0.0	0.0	2.5
External Borrowing*	23.2	50.0	56.9	65.9	42.4	238.4
<b>TOTAL Funded Financing</b>	<b>25.2</b>	<b>50.6</b>	<b>57.1</b>	<b>65.9</b>	<b>42.4</b>	<b>241.2</b>

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

## Director for Corporate Services' Narrative Report (continued)

The plans show a balanced revenue budget in 2025/26, after significant efficiencies/savings and extra funding from the Mayor of London. However, there is a budget gap of £18.0m in 2026/27 and a budget gap of £16.7m in 2027/28. This gap in future 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 2025/26 (LFC-25-026).

### FINANCIAL CHALLENGE

The budget estimates for 2024/25 to 2026/27 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.

The final Local Government Finance Settlement for 2025/26 was published on 3 February 2025. There remains considerable uncertainty in the medium term regarding future funding levels. The Government's Spending Review set overall budgets for government departments over the three years from 2026/27, but the implications for the LFC only became clearer following the publication of the London Mayor's Budget Guidance for 2026/27 and the new Local Government Finance Settlement.

As the UK's largest fire and rescue service, LFB worked closely with the GLA and National Fire Chiefs' Council (NFCC) to make the case for sustained funding as part of the government's Spending Review. LFB is an essential frontline service in saving lives and protecting property, receiving yearly on average, more than 200,000 calls (around a quarter of all calls to all fire services nationally) and tackling 16,000 fires. As well as making the case for core funding requirements to ensure we can continue to serve and protect London, we also highlighted the fire sector and LFB's contribution to the government's priorities around housing and economic growth.

### RISK MANAGEMENT

The latest iteration of the Brigade's internal risk management framework has been in operation since May 2021, with subsequent improvements, and enables the organisation to identify and manage significant corporate risks. The framework is applied LFB-wide, across departments, where risks are evaluated for their likelihood and impact. This provides a risk score and places them in the framework at an appropriate level (see below) whereby they can be monitored, managed, and scrutinised effectively. Risks, and risk management action, are reviewed at on a quarterly basis (with more frequent check-ins on red risks) at risk review meetings and/or local management meetings. A quarterly risk overview report is presented to Risk and Assurance Board to scrutinise the risk management framework as a whole, and where changes to red risks are considered. The Business Resilience departmental plan sets out the steps we are taking to continuously improve our approach to risk management.

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

## Director for Corporate Services' Narrative Report (continued)

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 current scores (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.

## Director for Corporate Services' Narrative Report (continued)

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
OP7	In an emergent and potentially unregulated alternative fuels market, the Brigade is unable to keep pace with new alternative fuel technology applications, complex fire dynamics and commercial uptake which potentially exposes the safety of our staff and the public at incidents.	4	5	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
P2	Lack of training assurance means we do not know/have evidence to support whether or not our people are competent or safe to effectively undertake their day-to-day activities	4	5	20
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
CS3	The transformation portfolio becomes unaffordable meaning LFB is not able to deliver on all of its planned transformation improvements.	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 2024/25. 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

## **Director for Corporate Services' Narrative Report (continued)**

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.

## Director for Corporate Services' Narrative Report (continued)

### 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 2024/25, total spending on the capital programme for tangible and intangible assets was £27.6m (£28.4m in 23/24), plus a further £59.3m for recognition of right of use assets under IFRS 16. Spend included the rebuilding and modernising of fire stations and other buildings (£25.0m), upgrading ICT equipment (£2.5m), and the purchase of fleet vehicles and equipment (£0.1m). Capital expenditure has been financed in accordance with the Prudential Code. Aside from the recognition of right of use assets under IFRS 16, the financing for which is technically classed as borrowing, capital expenditure on assets (£27.6m) has been funded by capital receipts (£28k), grants (£2.0m) and use of existing reserves/borrowing (£25.6m).

The LFC took no new external borrowing during the year. Settlement of maturing principal debt during 2024/25 totalled £3.500m. As a result, as at 31 March 2025, the level of outstanding principal debt totalled £43.225m. The average interest payable on outstanding loans as at 31 March 2025 was 4.65% (4.71% at 1 April 2024).

### 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 (£495.1m) made up of Retained Business Rates (£283.7m) and Council Tax (£211.4m).

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 2024/25 was £610.7m against a budgeted net expenditure sum of £607.2m, including £25.5m in agreed use of reserves. The outturn position after application of reserves and grants was £3.6m more than the approved LFC budget.

Following movements between the LFC's General Fund and reserves, the General Fund balance increased by £0.5m from £17.3m as at 1 April 2024 to £17.8m as at 31 March 2025 and the LFC's earmarked reserves decreased by £29.5m from £67.4m as at 1 April 2024 to £37.9m as at 31 March 2025.

## Director for Corporate Services' Narrative Report (continued)

The £3.6m overspend in year was a combination of under and overspends as set out in the table on page 13 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 2025.

### 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 2025, is £5.004bn (31 March 2024 £5.531bn). 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 £527m, 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*  
*23 February 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 27 to 123 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 2025.



*Mostaque Ahmed FCA  
Director for Corporate Services  
Dated 23 February 2026*

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE LONDON FIRE BRIGADE

### Qualified Opinion

We have audited the financial statements of The London Fire Brigade for the year ended 31 March 2025. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes 1 to 34 including material accounting policy information and including the Expenditure and Funding Analysis,
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the financial position of the London Fire Brigade as at 31 March 2025 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended).

### Basis for qualified opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

As a result of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024, we do not have sufficient appropriate audit evidence over:

- the classification of reserves between useable and unusable including:
  - General Fund
  - Earmarked Reserves
  - Capital grants unapplied
  - Capital adjustment account

Our inability to audit the classification is a consequence of the disclaimer of opinion on the reserve balances as at 31 March 2023. We have obtained assurance over the in year movements in reserves for the year ended 31 March 2025 and the comparative year.

Our opinion on the current period's financial statements is also modified because of the possible effect of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024 on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The audit of the financial statements for the year ended 31 March 2023 and 31 March 2024 for The London Fire Brigade were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 21 November 2024 and 26 February 2025 respectively.

### **Conclusions relating to going concern**

In auditing the financial statements, we have concluded that the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period to 31 March 2027.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

### **Other information**

The other information comprises the information included in the Statement of Accounts 2024/25 other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the Basis for qualified opinion section of our report, our audit opinion is qualified due to a lack of sufficient appropriate audit evidence over property, plant and equipment, the classification of certain reserves balances, and comparative values. Information on these elements of the financial statements are included in the Narrative Report and accordingly we have concluded that the other information may be materially misstated for the same reason.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority.
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended).
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended).
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended).
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended).
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended).
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

### **Responsibility of the Director of Corporate Services**

As explained more fully in the Statement of the Director of Corporate Services Responsibilities set out on pages 22, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Director of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Government Finance Act 2012
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how The London Fire Brigade is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management; head of internal audit; those charged with governance and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through improper recognition of revenue, specifically Metropolitan Fire Brigade (MFB) Act income and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we reviewed and tested MFB revenue recognition policy and ensured that it was consistent with the Act and with accounting standards; sample tested MFB revenue transactions to ensure that they had been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split; sample tested other non-grant income at a lower testing threshold and ensured that underlying evidence supports the recognition of income within the financial year and tested journal entries that meet unusual criteria where the credit entry side is posted to revenue.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

***Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources***

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether The London Fire Brigade had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether The London Fire Brigade put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether The London Fire Brigade had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Delay in certificate**

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of the London Fire Brigade. Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

**Use of our report**

This report is made solely to the members of the London Fire Brigade, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ben Lazarus*  
*Ernst & Young LLP*

*Ben Lazarus (Key Audit Partner)*  
*Ernst & Young LLP (Local Auditor)*  
*London*  
*23 February 2026*

# 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 2025. 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 2024/25 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.

## Statement of Accounting Policies (continued)

- Accruals are recognised where the value exceeds £5,000 per transaction.
- MFB Income Recognition –

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

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

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

### CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

## Statement of Accounting Policies (continued)

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, there were no new standards that have been published but not yet adopted by the Code of Practice of Local Authority Accounting in the United Kingdom.

Minor amendments to existing standards were made; of these, the only ones the LFC is aware of that would potentially affect the LFC's accounts are :

**IAS 16:** updates to measurement of right of use assets; a simplification of the process for valuation; and amendments to prohibit entities from deducting from the cost of an item of PP&E

any sales proceeds earned before the asset is ready for its intended use

**IAS 38:** in principle, changes to IAS 38 to the treatment of intangible assets could affect LFC. In practice, however, the intangible assets we possess are neither sufficiently complex, nor of a sufficiently high value, for this to have a material impact on our account.

# 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.

2023/24			2024/25				
Gross Expenditure	Gross Income	Net Expenditure	Comprehensive Income and Expenditure Statement	Gross Expenditure	Gross Income	Net Expenditure	Note
£'000	£'000	£'000		£'000	£'000	£'000	
396,986	(87,621)	309,365	Firefighting and rescue operations, community fire safety, emergency planning and civil defence	417,251	(81,252)	335,999	
		<b>309,365</b>	<b>Cost of services</b>			<b>335,999</b>	
(2,283)	(1,378)	(3,661)	Other operating income & expenditure	51,280	(2,079)	49,201	3
4,846	-		Interest payable and similar charges	7,611	-		10
-	(5,278)		Interest and investment income	-	(2,579)		10
229,990	-		Firefighter pensions net interest on the net defined benefit liability	236,380	-		28
458			Support staff pension net interest on the net defined benefit liability	(2,170)			28
<b>235,294</b>	<b>(5,278)</b>	<b>230,016</b>	Financing and investment Income and expenditure	<b>241,821</b>	<b>(2,579)</b>	<b>239,242</b>	
	(445,800)		GLA grant		(494,153)		22
	(3,732)		PFI grant		(3,732)		22
-	<b>(449,532)</b>	<b>(449,532)</b>	Taxation and non-specific grant income	-	<b>(497,885)</b>	<b>(497,885)</b>	
		<b>86,188</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>126,557</b>	18
		53	(Gain)/Loss on revaluation of non-current assets			(24,073)	4
		(63,925)	Re-measurement of the net defined benefit liability			(487,805)	4
		<b>(63,872)</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>(511,878)</b>	
		<b>22,316</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(385,321)</b>	

## 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	
<b>Balance as at 01/04/24</b>	<b>(17,300)</b>	<b>(67,364)</b>	<b>(205)</b>	<b>(84,869)</b>	<b>4,665,927</b>	<b>4,581,058</b>	
(Surplus) or deficit on provision of services (accounting basis)	126,557	-	-	126,557		126,557	
Other Comprehensive Income & Expenditure		-	-		(511,878)	(511,878)	4
<b>Total Comprehensive Income and Expenditure</b>	<b>126,557</b>	<b>-</b>	<b>-</b>	<b>126,557</b>	<b>(511,878)</b>	<b>(385,321)</b>	
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(97,543)</b>	<b>-</b>	<b>-</b>	<b>(97,543)</b>	<b>97,543</b>	<b>-</b>	<b>6</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>29,014</b>	<b>-</b>	<b>-</b>	<b>29,014</b>	<b>(414,335)</b>	<b>(385,321)</b>	
Transfers to/(from) Earmarked Reserves	(29,489)	29,489	-	-	-	-	7
<b>(Increase)/Decrease in Year</b>	<b>(475)</b>	<b>29,489</b>	<b>-</b>	<b>29,014</b>	<b>(414,335)</b>	<b>(385,321)</b>	
<b>Balance as at 31/03/25</b>	<b>(17,775)</b>	<b>(37,875)</b>	<b>(205)</b>	<b>(55,855)</b>	<b>4,251,594</b>	<b>4,195,739</b>	

## Movement in Reserves Statement (MiRS) (continued)

The following table provides comparative figures for 2023/24:

Movement in Reserves	General Fund	Earmarked Reserves	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves	Notes
	£'000	£'000	£'000	£'000	£'000	£'000	
<b>Balance as at 01/04/23</b>	<b>(13,871)</b>	<b>(91,745)</b>	<b>(205)</b>	<b>(105,821)</b>	<b>4,664,563</b>	<b>4,558,742</b>	
(Surplus) or deficit on provision of services (accounting basis)	86,188	-	-	<b>86,188</b>		86,188	
Other Comprehensive Income & Expenditure		-	-		(63,872)	(63,872)	4
<b>Total Comprehensive Income and Expenditure</b>	<b>86,188</b>	<b>-</b>	<b>-</b>	<b>86,188</b>	<b>(63,872)</b>	<b>22,316</b>	
<b>Adjustments between accounting basis &amp; funding basis under regulations</b>	<b>(65,236)</b>	<b>-</b>	<b>-</b>	<b>(65,236)</b>	<b>65,236</b>	<b>-</b>	<b>6</b>
<b>Net Increase/Decrease before Transfers to Earmarked Reserves</b>	<b>20,952</b>	<b>-</b>	<b>-</b>	<b>20,952</b>	<b>1,364</b>	<b>22,316</b>	
Transfers to/(from) Earmarked Reserves	(24,381)	24,381	-	-	-	-	7
<b>(Increase)/Decrease in Year</b>	<b>(3,429)</b>	<b>24,381</b>	<b>-</b>	<b>20,952</b>	<b>1,364</b>	<b>22,316</b>	
<b>Balance as at 31/03/24</b>	<b>(17,300)</b>	<b>(67,364)</b>	<b>(205)</b>	<b>(84,869)</b>	<b>4,665,927</b>	<b>4,581,058</b>	

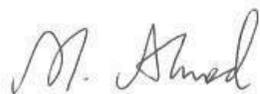
## Balance Sheet

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 2025.



Mostaque Ahmed FCA  
Director for Corporate Services

Date: 23 February 2026

31 March 2024		31 March 2025		Note
£'000	£'000	£'000	£'000	
		<b>Balance Sheet</b>		
		<b>Property, Plant and Equipment</b>		
236,559		Land	233,395	
201,446		Buildings	195,671	
66,569		Vehicles, Plant and Equipment	60,624	
20,070		Non-Operational Assets	19,830	
12,645		Non-Operational Assets – Other	8,295	
1,432		Heritage Assets	1,450	
-		Right of Use Lease Assets	47,667	
	<b>538,721</b>		<b>566,932</b>	9
446	<b>446</b>	Intangible Assets	284	9
247	<b>247</b>	<b>Long Term Debtors</b>	377	
	<b>539,414</b>	<b>Long Term Assets</b>	<b>567,593</b>	
1,264		Inventories	1,267	
52,739		Short-term debtors	37,477	12
26,515		Cash and cash equivalents	18,641	13
1,823		Short term investments	1,459	
	<b>82,341</b>	<b>Current Assets</b>	<b>58,844</b>	
(3,520)		Short-term borrowing	(25,063)	10
(53,863)		Short-term creditors	(62,514)	14
(10,521)		Short term provisions	(5,574)	15
(1,583)		Short-term liabilities	(9,310)	
	<b>(69,487)</b>	<b>Current Liabilities</b>	<b>(102,461)</b>	
(9,838)		Long-term provisions	(9,348)	15
(43,594)		Long-term borrowing	(38,527)	11
(5,079,894)		Other long-term liabilities	(4,671,840)	25
	<b>(5,133,326)</b>	<b>Long Term Liabilities</b>	<b>(4,719,715)</b>	
	<b>(4,581,058)</b>	<b>Net Assets</b>	<b>(4,195,739)</b>	
	<b>(84,869)</b>	Usable reserves	<b>(55,855)</b>	16
	<b>4,665,927</b>	<b>Unusable reserves</b>	<b>4,251,594</b>	17
	<b>4,581,058</b>	<b>Total Reserves</b>	<b>4,195,739</b>	

## 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.

2023/24	Cash Flow Statement	2024/25	Notes
£'000		£'000	
<b>86,241</b>	<b>Net (surplus) or deficit on the provision of services</b>	<b>102,484</b>	
(57,997)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(117,747)	32
1,378	Adjustments for items in the net (surplus) or deficit on the provision of services that are investing or financing activities	2,080	34
<b>29,622</b>	<b>Net cash flows from operating activities</b>	<b>(13,183)</b>	
28,834	Investing activities	25,193	34
3,615	Financing activities	(4,136)	34
<b>62,071</b>	<b>Net (increase) or decrease in cash and cash equivalents</b>	<b>7,873</b>	
88,586	Cash and cash equivalents at the beginning of the period	26,515	13
<b>26,515</b>	<b>Cash and cash equivalents at the end of period</b>	<b>18,642</b>	

**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

From 1 April 2024, the LFC has applied IFRS 16 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 is 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 have arrangements with less than a year to run at balance sheet date. 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	<p>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 2025 is £558.6m (£526.1m at 31 March 2024). A full valuation of all Fire Stations was carried out as at 31 March 2025.</p> <p>The following issues result in heightened estimation uncertainty:</p> <ul style="list-style-type: none"> <li>• Use of existing assets rather than Modern Equivalent Asset (MEA) to determine existing use value using a depreciated replacement cost methodology.</li> <li>• Use of estimated disposal proceeds as a proxy for fair value as defined by IFRS 13.</li> </ul>	<p>If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls.</p> <p>It is estimated that if land and building costs increased by an additional 5%, the land and building valuations would increase by £11.7m and £9.8m respectively.</p>
Pension Liability	<p>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 2025 is £4,593m (£5,040m at 31 March 2024). 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.</p> <p>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.</p>	<p>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 £302m. 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.</p>

Public Liability Provision

The LFC has made a provision for its contribution to Restorative Justice (RJ) and public liability costs in relation to the Grenfell incident. This provision is estimated based on a number of complex assumptions relating to the possibility of contribution proceedings from other Defendants, relevant legal costs, alternative dispute resolution ("ADR") and the share of costs for which the LFC is liable. The current carrying value of the provision based on the above assumptions is £1,475k.

The LFC, together with other Defendants, has participated in two successful confidential ADR processes, which have resolved the employers' liability claims and most of the damages claims from members of the public (PL), in particular all claims from the bereaved survivors and residents. There are 33 PL claims which are still to be resolved. LFC is no longer a Defendant in these, but it remains a possibility that it will be asked to contribute to any settlements by other Defendants or that other Defendants may issue contribution proceedings. Therefore, some uncertainty remains as to whether further payments will be required to settle these claims (including costs) and the extent of LFC's potential liability.

LFC anticipate that the remaining claims will be settled, and damages paid this financial year (25/26) with costs paid by the end of the next financial year unless they have to be resolved by a costs judge. It has also been assumed that the RJ Consultation process will have been completed and some or all of LFC's RJ contribution will have been paid to the ADR Claimants.

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 £37k 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 £147k.

	Best case scenario	Current scenario	Worst case scenario
	£'000	£'000	£'000
10% changes in settlement value for claims outside of ADR	1,438	1,475	1,512
10% changes in legal cost	1,328	1,475	1,623

## Note 3 Other operating expenditure

### (a) Material items of income and expenditure

The LFC collected £41.4m (£38.2m in 2023/24) 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

2023/24 £'000	Other operating expenditure/(income)	2024/25 £'000
(332)	Proceeds from disposal of non-current assets in year	(28)
(1,046)	Capital grants received	(2,051)
(2,283)	Impairment of fixed assets	51,280
<b>(3,661)</b>	<b>CIES - Other operating expenditure/(income)</b>	<b>49,201</b>

## 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:

2023/24		(Surplus) or deficit on revaluation of non-current assets and actuarial (gains)/losses on pension assets/(liabilities)	2024/25	
£'000	£'000		£'000	£'000
53		Gain on the revaluation of Property assets	(24,073)	
		Loss on the revaluation of Property assets		
	<b>53</b>	<b>Surplus on revaluation of non-current assets</b>		<b>(24,073)</b>
(28,290)		Actuarial (gains)/losses on Firefighter pension liabilities	(522,380)	
(35,635)		Actuarial (gains)/losses on LGPS pension assets/liabilities	34,575	
	<b>(63,925)</b>	<b>Actuarial (gains)/losses on pension assets/liabilities</b>		<b>(487,805)</b>
	<b>(63,872)</b>	<b>Total Other Comprehensive Income and Expenditure</b>		<b>(511,878)</b>

## Note 5 Events after the Balance Sheet date

The Statement of Accounts are due to be authorised for issue by Mostaque Ahmed, Director for Corporate Services, on 23 February 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 2025, 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.

2024/25 - Adjustments between accounting basis and funding basis under regulations	General Fund	Total usable reserves	Total unusable reserves
	£'000	£'000	£'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 Comprehensive Income and expenditure account	(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)
<b>Total Adjustments</b>	<b>97,543</b>	<b>97,543</b>	<b>(97,543)</b>

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

The following table provides comparative figures for 2023/24:

2023/24 - Adjustments between Accounting Basis and Funding Basis under Regulations	General Fund	Total usable reserves	Total unusable reserves
	£'000	£'000	£'000
Depreciation, amortisation, and impairment of fixed assets	19,465	19,465	(19,465)
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	(332)	(332)	332
MRP for capital financing not debited to the Comprehensive Income and Expenditure account	(10,043)	(10,043)	10,043
Amounts of non-current assets written off on disposal as part of the gain/loss on disposal to CIES	(2,283)	(2,283)	2,283
Amount by which pension costs calculated in accordance with Code are different from contributions due under the pension scheme regulations	58,829	58,829	(58,829)
Application of capital grants and contributions to capital financing transferred to the Capital Adjustment Account	(1,046)	(1,046)	1,046
Adjustment due to accumulated absences, reversal of prior year charge	(5,645)	(5,645)	5,645
Adjustment due to accumulated absences, current year charge	6,291	6,291	(6,291)
<b>Total Adjustments</b>	<b>65,236</b>	<b>65,236</b>	<b>(65,236)</b>

## Note 7 Transfers to/from Earmarked Reserves

Earmarked reserves	Balance as at	Transfers out	Transfers in	Balance as at	Transfers out	Transfers in	Balance as at
	31/03/2023			31/03/2024			31/03/2025
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Vehicle Fleet Reserve	2,159	(371)	570	2,358	(1,003)	-	1,355
London Resilience	771	-	570	1,341	(522)	-	819
Sustainability Reserve	171	-	-	171	-	-	171
Hydrants	119	(119)	-	-	-	-	-
Compensation	925	(176)	-	749	(749)	-	-
Pension Early Release	1,564	(5)	-	1,559	(484)	-	1,075
CRMP	2,573	(900)	3,015	4,688	(2,767)	-	1,921
Emergency Services Mobile Communication Programme	888	-	-	888	-	-	888
Emergency Medical Response	294	(294)	-	-	-	-	-
ICT Development Reserve	2,663	(32)	-	2,631	(1,760)	204	1,075
Recruitment/Outreach	-	-	1,342	1,342	(300)	-	1,042
Fire Safety & Youth Engagement	8,189	(1,612)	-	6,577	(11)	-	6,566
Budget Flexibility	24,769	(21,372)	13,873	17,270	(16,475)	-	795
Capital Receipt - GLA	7,045	(7,045)	-	-	-	-	-
LFC Control Centre	729	(729)	-	-	-	-	-
Organisational Reviews	150	(150)	-	-	-	-	-
National Operational Guidance Project	328	-	-	328	(328)	-	-
Transformation Reserve	3,015	(3,015)	-	-	-	-	-
In Year Savings Reserve	3,600	(3,600)	-	-	-	-	-
Grenfell Infrastructure Reserve	503	(288)	-	215	-	-	215
Fire Safety Improvement Reserve	29,680	(4,969)	-	24,711	(7,280)	354	17,785
Building Safety Regulator	-	-	1,711	1,711	-	245	1,956
Leadership Reserve	350	(223)	-	127	(100)	-	27
Marauding Terrorist Attack	997	(711)	-	286	(100)	-	186
Communication Reserve	83	(87)	114	110	-	-	110
HR Reserve	-	-	107	107	-	-	107
Finance Reserve	-	-	15	15	-	-	15
LFB Museum Project	180	-	-	180	(100)	-	80
2024/25 Investment/Project Carry Forward	-	-	-	-	-	1,687	1,687
<b>Total</b>	<b>91,745</b>	<b>(45,698)</b>	<b>21,317</b>	<b>67,364</b>	<b>(31,979)</b>	<b>2,490</b>	<b>37,875</b>

## 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 2024/25 was £25.667m (in 2023/24 it was £10.043m), 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.

## Note 9 Property, Plant and Equipment (continued)

assets under construction), surplus assets and assets held for sale.

Depreciation is calculated on the following bases:

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

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account. Depreciation is charged the year after a new asset becomes operational and a full year's depreciation 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 2024/25, 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.

## Note 9 Property, Plant and Equipment (continued)

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) must be 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 current 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 become 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 2024/25. For right of use assets, there is no prior year comparative, as this is the first year of recognising the asset:

Movement in Balances 2024/25	Land and buildings	Vehicles, plant and equipment	Surplus assets	Assets under construction	Heritage assets	Right of use lease assets	Total
	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>							
<b>As at 1 April 2024</b>	<b>444,409</b>	<b>144,181</b>	<b>20,070</b>	<b>12,646</b>	<b>1,432</b>	<b>-</b>	<b>622,738</b>
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 the 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)	-	-	-
<b>As at 31 March 2025</b>	<b>429,066</b>	<b>144,526</b>	<b>19,830</b>	<b>8,295</b>	<b>1,450</b>	<b>59,339</b>	<b>662,506</b>
<b>Accumulated Depreciation and Impairment</b>							
<b>As at 1 April 2024</b>	<b>(6,404)</b>	<b>(77,612)</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(84,017)</b>
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
<b>As at 31 March 2025</b>	<b>-</b>	<b>(83,902)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,672)</b>	<b>(95,574)</b>
<b>Net Book Value:</b>							
As at 31 March 2024	438,005	66,569	20,070	12,645	1,432	-	<b>538,721</b>
As at 31 March 2025	429,066	60,624	19,830	8,295	1,450	47,667	<b>566,932</b>

## Note 9 Property, Plant and Equipment (continued)

The table below shows the movements in the LFC's non-current assets during 2023/24:

Movement in Balances 2023/24	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
<b>Cost or valuation</b>							
<b>As at 1 April 2023</b>	<b>444,514</b>	<b>122,354</b>	<b>15,805</b>	<b>19,479</b>	<b>1,432</b>	-	<b>603,584</b>
Additions	6,535	9,712	-	12,142	-	-	28,389
Revaluation increases/(decreases) recognised in Revaluation Reserve	(14,108)	-	4,265	-	-	-	(9,843)
Revaluation increases/(decreases) recognised in CIES	2,283	-	-	-	-	-	2,283
Derecognition – disposals	-	(1,675)	-	-	-	-	(1,675)
Derecognition – other	828	-	-	(828)	-	-	-
Other movements in cost or valuation	<b>4,357</b>	<b>13,790</b>	-	<b>(18,147)</b>	-	-	-
<b>As at 31 March 2024</b>	<b>444,409</b>	<b>144,181</b>	<b>20,070</b>	<b>12,646</b>	<b>1,432</b>	-	<b>622,738</b>
<b>Accumulated depreciation and impairment</b>							
<b>As at 1 April 2023</b>	<b>(4,566)</b>	<b>(71,702)</b>	-	<b>(1)</b>	-	-	<b>(76,269)</b>
Depreciation charge for 2023/24	(11,628)	(7,562)	-	-	-	-	(19,190)
Derecognition – disposals	-	1,652	-	-	-	-	1,652
Write out of accumulated depreciation	9,790	-	-	-	-	-	9,790
<b>As at 31 March 2024</b>	<b>(6,404)</b>	<b>(77,612)</b>	-	<b>(1)</b>	-	-	<b>(84,017)</b>
<b>Net book value:</b>							
<b>As at 31 March 2023</b>	439,948	50,652	15,805	19,478	1,432	-	<b>527,315</b>
<b>As at 31 March 2024</b>	438,005	66,569	20,070	12,645	1,432	-	<b>538,721</b>

### 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.

## Note 9 Property, Plant and Equipment (continued)

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.

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

No comparatives for 2023/24 have been calculated as they were under operating leases, IAS 17, prior to IFRS 16 adoption in April 2024.

## Note 9 Property, Plant and Equipment (continued)

### RECONCILIATION OF THE CARRYING VALUE OF LEASE LIABILITIES

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)
<b>Carrying value at 31 March 2025</b>	<b>42,529</b>	<b>1,376</b>	<b>587</b>	<b>4,091</b>	<b>48,583</b>

### 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
<b>Total</b>	<b>42,528</b>	<b>1,376</b>	<b>587</b>	<b>4,092</b>	<b>48,583</b>

### MATURITY ANALYSIS OF FUTURE LEASE PAYMENTS AT 31 MARCH 2024

Future lease payments	Property leases	Vehicle leases	ICT leases	Equipment leases	Total
	£000	£000	£000	£000	£000
Not later than one year	6,985	879	243	2,649	10,756
Later than one year and no later than five years	20,943	1,376	535	4,091	26,944
Later than five years	21,586	-	53	-	21,639
<b>Total</b>	<b>49,514</b>	<b>2,255</b>	<b>830</b>	<b>6,740</b>	<b>59,339</b>

## 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.

#### THE FORMER LFEP HEADQUARTERS

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

Previously the site has been valued as one asset but due to the above the site has been split 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.

#### 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 2024/25. 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.

## Note 9 Property, Plant and Equipment (continued)

### 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 as 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 2025, 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 £430.0m net book value of land and buildings subject to valuation, £415.6m 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

## Note 9 Property, Plant and Equipment (continued)

to the asset and is restricted to that incurred during the development phase (research expenditure cannot be capitalised).

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

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

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

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

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

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 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
<b>Balances at 1 April 2024</b>						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,345)	(12,756)	(27,101)	-	-	-
<b>Net carrying amount at 1 April 2024</b>	10	436	446	-	-	-
Reclassification	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Amortisation for the period	(10)	(152)	(162)	-	-	-
<b>Net carrying amount at 31 March 2025</b>	-	<b>284</b>	<b>284</b>	-	-	-
Comprising:						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,355)	(12,908)	(27,263)	-	-	-
<b>Net carrying amount at 31 March 2025</b>	-	<b>284</b>	<b>284</b>	-	-	-

The table below shows the movements in the LFC's intangible assets during 2023/24:

Movement in Balances 2023/24	Operational			Under development (non-operational)		
	Software licences £'000	In-house software £'000	Total £'000	Software licences £'000	In-house software £'000	Total £'000
<b>Balances at 1 April 2023</b>						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,335)	(12,491)	(26,826)	-	-	-
<b>Net carrying amount at 1 April 2023</b>	<b>20</b>	<b>701</b>	<b>721</b>	<b>-</b>	<b>-</b>	<b>-</b>
Reclassification	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Amortisation for the period	(10)	(265)	(275)	-	-	-
<b>Net carrying amount at 31 March 2024</b>	<b>10</b>	<b>436</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>-</b>
Comprising:						
Gross carrying amounts	14,355	13,192	27,547	-	-	-
Accumulated amortisation	(14,345)	(12,756)	(27,101)	-	-	-
<b>Net carrying amount at 31 March 2024</b>	<b>10</b>	<b>436</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 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 Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

The LFC has not restructured its borrowing during the year, therefore there have been no gains or losses on the repurchase or early

settlement of borrowing resulting from any premiums or discounts.

#### FINANCIAL ASSETS

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

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

through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.

- **Fair value through profit and loss (FVTPL):** These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

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

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

## 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 2024		Financial liabilities and assets at amortised cost	31 March 2025	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
		<b>Borrowings</b>		
43,225	3,500	Public Work Loan Board (PWLB) debt	38,225	5,000
369	20	PWLB accrued interest	302	63
-	-	Short-term borrowing	-	20,000
<b>43,594</b>	<b>3,520</b>	<b>Total borrowings</b>	<b>38,527</b>	<b>25,063</b>
		PFI liabilities	36,734	1,592
38,327	1,583	Finance lease liabilities	40,865	7,718
<b>38,327</b>	<b>1,583</b>	<b>Total other long-term liabilities</b>	<b>77,599</b>	<b>9,310</b>
-	15,331	Creditors	-	14,582
<b>81,921</b>	<b>20,434</b>	<b>TOTAL</b>	<b>116,126</b>	<b>48,995</b>

31 March 2024		Financial liabilities and assets at amortised cost	31 March 2025	
Long-term £'000	Current £'000		Long-term £'000	Current £'000
		<b>Loans and receivables</b>		
-	-	Investments	-	-
-	-	Short term investments	-	-
-	-	Accrued interest	-	-
-	-	<b>Total investments</b>	-	-
247	7,392	Debtors	377	5,967
-	26,515	Cash equivalents	-	18,641
<b>247</b>	<b>33,907</b>	<b>TOTAL</b>	<b>377</b>	<b>24,608</b>

## 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:

2023/24 £'000	Financial instruments income and expenditure	2024/25 £'000
4,846	Interest expense	7,611
(5,278)	Interest income	(2,579)
<b>(432)</b>	<b>Net loss/(gain) for the year</b>	<b>5,032</b>

2023/24 £'000	Financial instruments income and expenditure	2024/25 £'000
2,100	PWLB borrowing	2,210
2,746	PFI lease interest and contingent rentals	5,401
<b>4,846</b>	<b>Total interest expense</b>	<b>7,611</b>

## Note 10 Financial Instruments (continued)

### 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.

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 2025, 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

management service provider to UK public service organisations. MUFG Corporate Markets valuation uses the new borrowing rates in their valuation assessment.

31 March 2024			31 March 2025		
Carrying amount	Fair value	Liabilities and assets	Carrying amount	Fair value	
£'000	£'000		£'000	£'000	
46,725	49,012	Public Work Loan Board Debt (PWLB)	43,225	43,299	
-	-	Short term borrowing	-	-	
38,326	38,326	PFI & other finance leases	77,599	77,599	
15,331	15,331	Trade and other creditors	14,582	14,582	
<b>100,382</b>	<b>102,669</b>	<b>Total Liabilities</b>	<b>135,406</b>	<b>135,480</b>	
7,392	7,392	Trade and other debtors	5,967	5,967	
247	247	Long term debtors	377	377	
26,515	26,515	Cash & cash equivalents	18,641	18,641	
<b>34,154</b>	<b>34,154</b>	<b>Total Assets</b>	<b>24,985</b>	<b>24,985</b>	

The valuations use the Net Present Value (NPV) approach, which provides an estimate of the value

level 2 valuation which has been provided by Link Asset Services, who are an independent treasury

\*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 £43,299k rather than the new loan rate of £40,558k, as we do not currently intend to take out any additional external loans.

## Note 10 Financial Instruments (continued)

### 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 Corporate Services Directorate 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 2024/25, which incorporates the prudential indicators and investment strategy, approved by LFC on 12 March 2025 and is available on the LFC website (LFC-25-031).

## Note 10 Financial Instruments (continued)

The key issues within the strategy were:

- (i) The Authorised Borrowing Limit for 2024/25 was set at £245m with an Operational Borrowing Limit of £240m. As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits will be reviewed and increased as necessary. Updated borrowing limits will be approved separately, once a detailed data gathering exercise has been completed and the impact of IFRS 16 compliance quantified, during the 2024/25 financial year.
- (ii) The maximum and minimum exposures to the maturity structure of debt are as per the table.
- (iii) No principal sums to be invested for periods longer than one year, subject to review.

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

### CREDIT RISK

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

This risk is minimised through the Annual Investment Strategy (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 Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after these initial criteria are applied. The additional criteria for the LFC's loan portfolio (quantified at the day of lending) are set out in the LFC's investment strategy which is included

as part of the TMS that was approved on 28 March 2023.

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

The LFC's 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 of the LFC's

## Note 10 Financial Instruments (continued)

deposits, but there was no evidence as at 31 March 2025 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 2025, was £8.8m (£19.2m as at 31 March 2024) with a weighted average maturity of 91 days. Including a sum held on a NatWest call account (£2.8m), the total investment position as at 31 March 2025 was £10.7m (£19.6m as at 31 March 2024). 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,

31 March 2024	Maturity analysis	31 March 2025
£'000		£'000
3,500	Within 1 year	5,000
5,000	Between 1 and 2 years	2,725
8,725	Between 2 and 5 years	9,000
6,000	Between 5 and 10 years	3,000
23,500	More than 10 years	23,500
<b>46,725</b>	<b>Total</b>	<b>43,225</b>

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

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:

## Note 10 Financial Instruments (continued)

### 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:

<b>Maturity analysis of fixed rate borrowing</b>	<b>Approved upper limits</b>	<b>Approved lower limits</b>	<b>Actual 31/03/2024</b>	<b>Actual 31/03/2025</b>
Less than 1 year	20%	0%	7%	12%
Between 1 and 2 years	20%	0%	11%	6%
Between 2 and 5 years	50%	0%	19%	21%
Between 5 and 10 years	75%	0%	13%	7%
More than 10 years	90%	25%	50%	54%

## Note 10 Financial Instruments (continued)

### 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
			£'000
Interest payable (PWLb) – %	3.65%	4.65%	5.65%
Interest payable (PWLb) – £'000	1,735	2,210	2,685
Interest receivable – %	4.01%	5.01%	6.01%
Interest receivable – £'000	(2,064)	(2,579)	(3,094)
<b>Total – £'000</b>	<b>(329)</b>	<b>(369)</b>	<b>(409)</b>

## Note 11 Long Term Borrowing

31 March 2024	Long-term borrowing	31 March 2025
<b>£'000</b>	<b>The sources are:</b>	<b>£'000</b>
43,225	Public Works Loan Board	38,225
<b>43,225</b>	<b>Total</b>	<b>38,225</b>
	These loans mature as follows:	
5,000	Between 1 and 2 years	2,725
8,725	Between 2 and 5 years	9,000
6,000	Between 5 and 10 years	3,000
5,000	Between 10 and 15 years	7,000
18,500	More than 15 years	16,500
<b>43,225</b>		<b>38,225</b>
369	Add accrued interest	302
<b>43,594</b>	<b>Total</b>	<b>38,527</b>

## Note 12 Debtors

### SHORT TERM DEBTORS

These are as illustrated in the table:

31 March 2024 £'000	Debtors	31 March 2025 £'000
36,394	Central government bodies - Home Office	22,331
5,632	Central government bodies - HMRC	5,178
20	Central government bodies – other	-
8,501	Other entities and individuals	6,858
(1,109)	Impairment allowance for doubtful debts	(891)
3,301	Payments in advance	4,001
<b>52,739</b>	<b>Total debtors</b>	<b>37,477</b>

### IMPAIRMENT ALLOWANCE

Following a review of the particular circumstances and profile of the LFC's debtors, the general provision of £1,109k brought forward from 2023/24 to safeguard against future losses or non-recoveries has decreased by £218k during the year to £891k. The aged debt analysis shows that £1.135m (£11.122m 2023/24) of the total outstanding debt is past its due date for payment. 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. The third-party debts are being repaid in instalments.

Aged debt analysis	Greater than 2 years	1-2 years	120-365 days	90-120 days	60-90 days	0-60 days	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Sundry debt (excl. MFB)	13	184	387	317	37	698	1,636
Third party claims	15	3	0	0	0	0	18
Metropolitan Fire Brigade (MFB) Act	12	(2)	0	0	0	0	10
<b>Total</b>	<b>40</b>	<b>185</b>	<b>387</b>	<b>317</b>	<b>37</b>	<b>698</b>	<b>1,664</b>

## 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.

<b>31 March 2024 £'000</b>	<b>Cash and cash equivalents</b>	<b>31 March 2025 £'000</b>
10	Cash held by the authority	10
6,948	Bank current accounts	7,916
19,557	Short term deposits held on demand	10,715
<b>26,515</b>	<b>Total cash and cash equivalents</b>	<b>18,641</b>

## Note 14 Creditors

<b>31 March 2024 £'000</b>	<b>Creditors</b>	<b>31 March 2025 £'000</b>
10,139	Central government bodies – HMRC	12,188
(110)	Central government bodies – Home Office	(295)
(373)	Other local authorities	986
15,331	Other entities and individuals	14,582
6,290	Accumulated absences	7,066
22,586	Receipts in advance	27,987
<b>53,863</b>	<b>Total creditors</b>	<b>62,514</b>

## 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 Comprehensive Income and Expenditure Statement in the year that the LFC becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required.

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

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

### 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 £5,825k, of which £4,117k 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 £233k to provide a new closing balance of £1,475k.

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

<b>Short Term Provisions 2024/25</b>	<b>Public liability</b>	<b>Legal</b>	<b>Motor insurance</b>	<b>MFB refund</b>	<b>MMI insurance levy</b>	<b>Car leases</b>	<b>EU grant repayments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening balance	5,825	3,415	-	75	-	855	351	10,521
Increase/(decrease) in provision during the year	(233)	94	-	-	-	164	-	25
Utilised during the year	(4,117)					(855)	-	(4,972)
<b>Closing Balance</b>	<b>1,475</b>	<b>3,509</b>	<b>-</b>	<b>75</b>	<b>-</b>	<b>164</b>	<b>351</b>	<b>5,574</b>

<b>Long Term Provisions 2024/25</b>	<b>Public liability</b>	<b>Legal</b>	<b>Motor insurance</b>	<b>MFB refund</b>	<b>MMI insurance levy</b>	<b>Car leases</b>	<b>EU grant repayments</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Opening balance	8,250	-	931	510	147	-	-	9,838
Increase/(decrease) in provision during the year	-	-	(588)	-	98	-	-	(490)
Utilised during the year	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>8,250</b>	<b>-</b>	<b>343</b>	<b>510</b>	<b>245</b>	<b>-</b>	<b>-</b>	<b>9,348</b>

## 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 Comprehensive Income and Expenditure Statement. As shown in the Movement in Reserves Statement, the usable reserves total £55.855m and consist of the LFC's General Fund (£17.775m) and a range of earmarked reserves for specific purposes, including the Budget Flexibility Reserve, of £37.875m; £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

<b>31 March 2024 £'000</b>	<b>Unusable reserves</b>	<b>31 March 2025 £'000</b>
(235,897)	Revaluation Reserve	(259,970)
5,039,671	Pension Reserve	4,593,384
(144,137)	Capital Adjustment Account	(88,888)
6,290	Accumulated Absences Account	7,066
<b>4,665,927</b>	<b>Total unusable reserves</b>	<b>4,251,592</b>

## 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.

2023/24		Revaluation Reserve	2024/25	
£'000	£'000		£'000	£'000
	(237,930)	Balance as at 1 April		(235,897)
53		Upward revaluation of assets	-	
		Downward revaluation of assets and impairment losses not charged to the surplus/deficit on 'provision of services'	(24,073)	
	53	Surplus or deficit on revaluation of non-current assets not posted to the surplus/deficit on 'provision of services'	-	(24,073)
	1,980	Adjustment to historical cost depreciation	-	-
		Difference between fair value depreciation and historical cost depreciation	-	-
		Accumulated gains on assets sold or scrapped	-	-
	-	Amount written off to the Capital Adjustment Account		
	<b>(235,897)</b>	<b>Balance at 31 March</b>		<b>(259,970)</b>

## 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.

2023/24		Capital Adjustment Account	2024/25	
£'000	£'000		£'000	£'000
	(147,918)	Balance at 1 April		(144,137)
17,182		Charges for depreciation and impairment of non-current and intangible assets	82,995	
		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 Comprehensive Income and Expenditure	-	-
	<b>17,182</b>		-	<b>82,995</b>
(332)		Use of capital receipts to finance new capital expenditure	(28)	-
(1,980)		Adjustment to historical depreciation	-	-
		Adjusting amounts written out to the Revaluation Reserve	-	-
		Capital grant and contributions credited to Comprehensive Income and Expenditure that have been applied to capital financing	-	-
(1,046)		Application of grants to capital financing from capital grants unapplied	(2,051)	-
(10,043)		Statutory provision for the financing of capital investments charged against the General Fund	(25,667)	-
	<b>(13,401)</b>			<b>(27,746)</b>
	<b>(144,137)</b>	<b>Balance at 31 March</b>		<b>(88,888)</b>

## PENSIONS RESERVE

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

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

2023/24 £'000	Pensions Reserve	2024/25 £'000
5,044,767	Balance at 1 April	5,039,671
(63,925)	Actuarial (gains)/losses on pensions assets and liabilities	(487,805)
262,493	Reversal of items relating to retirement benefits debited or credited to the surplus/deficit on the 'provision of services' line in the Comprehensive Income and Expenditure Statement	266,160
(203,664)	Employer's pensions contributions and direct payments to pensioners payable in the year	(224,641)
<b>5,039,671</b>	<b>Balance at 31 March</b>	<b>4,593,385</b>

## 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.

2023/24		Accumulated Absences account	2024/25	
£'000	£'000		£'000	£'000
	5,645	Balance as at 1 April		6,290
(5,644)		Settlement or cancellation of accrual made at the end of the preceding year	(6,290)	
6,290		Amounts accrued at the end of the current year	7,066	
	645	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		776
	<b>6,290</b>	<b>Balance as at 31 March</b>		<b>7,066</b>

## 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.

2023/24	Expenditure and Income Analysed by Nature	2024/25
£'000		£'000
507,482	Employee benefits expenditure	532,613
40,828	Premises	33,961
19,941	Transport	20,124
37,865	Supplies and services	30,789
1,853	Third party payments	2,259
4,846	Interest payments	7,611
17,182	Depreciation and impairment	82,995
<b>629,997</b>	<b>Total expenditure</b>	<b>710,352</b>
(59,408)	Fees, charges and other service income	(56,311)
(5,278)	Interest and investment income	(2,579)
(332)	Gain on disposal of non-current assets	(28)
(31,945)	Government grants and contributions	(28,673)
(445,800)	GLA Funding	(494,153)
(1,046)	Insurance receipts	(2,051)
<b>(543,809)</b>	<b>Total income</b>	<b>(583,795)</b>
<b>86,188</b>	<b>(Surplus) or deficit on provision of services</b>	<b>126,557</b>

*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.*

## Note 18 Expenditure and Income Analysed By Nature (continued)

### EXPENDITURE AND FUNDING ANALYSIS

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

Expenditure and Funding Analysis	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
<b>Cost of services</b>	<b>496,199</b>	<b>(160,200)</b>	<b>335,999</b>
Other income and expenditure	(467,186)	257,744	(209,442)
<b>(Surplus)/Deficit on provision of services</b>	<b>29,013</b>	<b>97,544</b>	<b>126,557</b>
Opening General Fund balance			(17,300)
(Surplus)/Deficit on provision of services			29,013
Transfers to/(from) earmarked reserves			(29,489)
<b>Closing General Fund balance</b>			<b>(17,775)</b>

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)
<b>Cost of services</b>	<b>31,715</b>	<b>(192,691)</b>	<b>776</b>	<b>(160,200)</b>
Other income and expenditure from the expenditure and funding analysis	25,585	234,210	(2,051)	257,744
<b>Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement: surplus/deficit on the provision of services</b>	<b>57,300</b>	<b>41,519</b>	<b>(1,275)</b>	<b>97,544</b>

**Note 18** Expenditure and Income Analysed By Nature (continued)

The following table provides comparative figures for 2023/24:

Expenditure and Funding Analysis	2023/24		
	Expenditure chargeable to General Fund	Adjustments between funding and accounting basis	Net expenditure in CIES
	£'000	£'000	£'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	460,873	(151,508)	309,365
<b>Cost of services</b>	<b>460,873</b>	<b>(151,508)</b>	<b>309,365</b>
Other income and expenditure	(439,921)	216,744	(223,177)
<b>(Surplus)/Deficit on provision of services</b>	<b>20,952</b>	<b>65,236</b>	<b>86,188</b>
Opening General Fund balance			(13,871)
(Surplus)/Deficit on provision of services			<b>20,952</b>
Transfers to/(from) earmarked reserves			(24,381)
<b>Closing General Fund balance</b>			<b>(17,300)</b>

Adjustments from the General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	2023/24			
	Adjustment for capital purposes	Net change for the pensions adjustment	Net change for other adjustments	Adjustments between funding and accounting basis
	£'000	£'000	£'000	£'000
Firefighting and rescue operations, community fire safety, emergency planning and civil defence	19,465	(171,619)	646	(151,508)
<b>Cost of services</b>	<b>19,465</b>	<b>(171,619)</b>	<b>646</b>	<b>(151,508)</b>
Other income and expenditure from the expenditure and funding analysis	(12,658)	230,448	(1,046)	216,744
<b>Difference between General Fund surplus/deficit and the Comprehensive Income and Expenditure Statement: surplus/deficit on the provision of services</b>	<b>6,807</b>	<b>58,829</b>	<b>(400)</b>	<b>65,236</b>

## Note 18 Expenditure and Income Analysed By Nature (continued)

## 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 – 2024/25

2024/25	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)
Post title and Name		£	£	£	£	£	£	£
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

2024/25	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)
Post title and Name		£	£	£	£	£	£	£
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
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 Mantle	04/11/24 – 31/03/25	64,199				64,199	9,116	73,315
Director for People - Sally Hopper	02/01/25 – 31/03/25	38,883				38,883	5,521	44,404
General Counsel to Commissioner - Kathryn Robinson	01/04/24 – 31/03/25	160,366				160,366	22,772	183,138
Assistant Commissioner, Fire Stations - Spencer Sutcliff	01/04/24 – 31/03/25	158,155	2,238			160,393	55,318	215,711
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 Mantle and Sally Hopper are new directors whose annual salaries are more than £150K.*

## London Fire Commissioner and Corporation Sole – Office Holder – 2023/24

2023/24	Period	Salary (including fees and allowances)	2022-23 Back Dated Salary	Expense Allowances	Compensation on loss of office	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Post title and Name		£	£	£	£	£	£	£
London Fire Commissioner Office Holder and Corporation Sole - Andy Roe	01/04/23 – 31/03/24	218,588	6,181	-	-	224,769	64,733	289,502

## Senior Officers and Officers over £150k

2023/24	Period	Salary (including fees and allowances)	2022-23 Back Dated Salary	Expense Allowances	Compensation on loss of office	Total Remuneration (excluding pensions)	Pension Contributions	Total Remuneration (including pensions)
Post title and Name		£	£	£	£	£	£	£
Deputy Commissioner, Operational Director for Prevention, Protection and Policy - Dom Ellis	01/04/23 – 31/03/24	172,211	2,361	1,679	-	176,252	49,566	225,818
Deputy Commissioner, Operational Director for Prevention, Protection and Policy - Charlie Pugsley	18/03/24 – 31/03/24	140,620	2,289	-	-	142,909	41,041	183,951
Deputy Commissioner, Operational Director for Preparedness and Response - Jonathan Smith	01/04/23 – 31/03/24	169,744	2,361	-	-	172,105	49,566	221,672
Director for Corporate Services - Mostaque Ahmed	01/04/23 – 31/03/24	169,944	4,000	466	-	174,410	24,672	199,082
Director for Transformation - Fiona Dolman	01/04/23 – 31/03/24	159,135	4,500	-	-	163,635	23,236	186,871
Director for People - Tim Powell	01/04/23 – 31/05/23	69,670	4,500	-	102,318	176,488	4,507	180,995
Director of Communications - Helen Coleman	01/04/23 – 31/01/24	166,557	941	-	113,381	280,879	18,023	298,902
General Counsel to Commissioner - Kathryn Robinson	01/04/23 – 31/03/24	151,174	2,824	-	-	153,998	21,868	175,866
Assistant Commissioner, Fire Stations - Spencer Sutcliff	01/04/23 – 31/01/24	148,630	2,442	-	-	151,072	40,645	191,718

N.B. Charlie Pugsley was promoted to Deputy Commissioner and Operational Director for Prevention, Protection and Policy on 18 March 2024, with a short period of overlap with Dom Ellis. The salary shown is for full year including the period when he was Assistant Commissioner.

**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:

2023/24 number	Salary range	2024/25 number
1,016	£50,000 - £54,999	1,354
394	£55,000 - £59,999	703
154	£60,000 - £64,999	263
76	£65,000 - £69,999	104
83	£70,000 - £74,999	93
69	£75,000 - £79,999	56
44	£80,000 - £84,999	64
29	£85,000 - £89,999	55
35	£90,000 - £94,999	39
15	£95,000 - £99,999	23
15	£100,000 - £104,999	19
6	£105,000 - £109,999	4
6	£110,000 - £114,999	10
5	£115,000 - £119,999	6
5	£120,000 - £124,999	8
1	£125,000 - £129,999	2
3	£130,000 - £134,999	2
1	£135,000 - £139,999	3
3	£140,000 - £144,999	2
-	£145,000 - £149,999	3

## 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 £245k figure shown in the table represents a planned fee of £185k for the 2023/24 audit, and additional fees proposed by EY for increased regulatory focus and change of scope, while for 2024/25 the planned fees are £195k.

2023/24		2024/25
Audit fees		
£'000		£'000
245	Fees payable to appointed auditor for external audit services	380
87	Prior year audit inspection fees	-
<b>332</b>	<b>Total</b>	<b>380</b>

The 2024/25 audit fees include a scale fee at £184,964, and then additional fees for the following (subject to approval by PSAA at date of authorisation of 2024/25 accounts):

- SFV (£195,000)

This reflects the concerns raised at the last full audit. A lower materiality limit means more items fall into scope for a more forensic level of review

than in the last audit, and this additional work leads to additional fees.

Given the information above, the final external audit fees for 2025/26 are likely to remain at a similar or lower level than the current year.

## 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 Comprehensive Income and Expenditure Statement.

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

The grants received by the LFC are non-ringfenced and therefore unconditional. The 2024/25 £494.2m GLA grant income (£445.8m in 2023/24) shown in the table is comprised of two elements:

- **Grant funding in the form of retained business rates:** £282.8m (£252.3m in 2023/24)
- **GLA precepts:** £211.4m (£193.5m in 2023/24).

The LFC credited grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2024/25 as shown in the table.

2023/24	Credited to taxation and non-specific grant income	Source of funding	2024/25
£'000			£'000
(445,800)	GLA grant	Greater London Authority	(494,153)
(3,732)	PFI grant	Home Office	(3,732)
<b>(449,532)</b>	<b>Total</b>		<b>(497,885)</b>
£'000	Credited to services	Source of Funding	
21,732	Fire Pensions Grant	Home Office	16,090
3,636	New Dimensions & USAR Grant	Home Office	3,636
2,182	Merton Regional Control	Home Office	2,182
32	Mass Fatalities Regional Capacity	Home Office	-
-	Protection Uplift	Home Office	2,534
27	Audit Grant	GLA	23
604	Fire Revenue Fire Link Grant	Home Office	403
-	Maritime MTA Emergency Response	Home Office	39
-	New Risks grant	Home Office	34
-	NI health and social care levy	DLUHC	-
<b>28,213</b>	<b>Total</b>		<b>24,941</b>

## 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 Home Office has significant influence over the general operations of the LFC – it is responsible for providing the statutory framework within which the LFC operates and provides the majority of its funding, via the GLA, in the form of various grants. As at 31 March 2025, 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 2024 to 31 March 2025.

This disclosure note has been prepared on the basis of specific declarations obtained in April 2025 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 2024/25, total spending on the capital programme for tangible and intangible assets was £27.6m (£28.4m in 23/24), plus a further £59.3m for recognition of right of use assets under IFRS 16. Spend included the rebuilding and modernising of fire stations and other buildings (£25.0m), upgrading ICT equipment (£2.5m), and the purchase of fleet vehicles and equipment (£0.1m). Capital expenditure has been financed in accordance with the Prudential Code. Aside from the recognition of right of use assets under IFRS 16, the financing for which is technically classed as borrowing, capital expenditure on assets (£27.6m) has been funded by capital receipts (£28k), grants (£2.0m) and use of existing reserves/borrowing (£25.6m).

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

The capital programme, approved by the LFC (LFC-0679) included a total forecast capital spend of £50.7m in 2025/26, £57.1m in 2026/27 and £66.0m in 2027/28.

2023/24 £'000	Capital Expenditure and Financing	2024/25 £'000
141,779	Opening Capital Financing Requirement	159,543
16,247	Tangible operational assets	21,474
12,142	Tangible non-operational assets	6,162
-	Tangible right of use lease assets	59,339
-	Intangible assets	-
	<b>Sources of finance</b>	
(332)	Government grants and other contributions	(28)
(250)	Sums set aside from revenue to fund capital expenditure	-
(10,043)	Minimum Revenue Provision	(25,667)
159,543	Closing Capital Financing Requirement	220,823
	<b>Explanation of movements in year</b>	
17,764	Increase/(decrease) in underlying need to borrow	61,280
	Other movements	
<b>17,764</b>	<b>Increase/(decrease) in Capital Financing Requirement</b>	<b>61,280</b>

## 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 2024 £'000	Other Long-Term Liabilities	31 March 2025 £'000	Note
38,326	Long Term PFI Properties	36,734	
1,897	Deferred Credit	855	
	LT Liabilities – IFRS 16	40,865	
5,039,671	Pensions Liability	4,593,386	28
<b>5,079,894</b>	<b>Total</b>	<b>4,671,840</b>	

## **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 have changed from this year as the accounting standard IFRS 16 has become 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 contract 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**

Please see Note 9 for Finance Leases as under IFRS 16 operating leases previously being charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefiting from use of the leased property, plant or equipment are now treated 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**

Where the LFC grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the 'other operating expenditure' line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and are charged as an expense over the lease term on the same basis as rental income.

### 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 2024/25 and 2023/24 are shown below:

Finance Lease Property PFI	Unitary Charge	Deferred liability	Income & Expenditure Account
	£'000	£'000	£'000
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
<b>Balance as at 31 March 2025</b>	<b>6,165</b>	<b>38,327</b>	<b>4,582</b>
Opening balance as at 1 Apr 2023		41,467	
New finance lease liability in year			
Principal sum paid in year	1,557	(1,557)	-
Interest	2,746	-	2,746
Contingent rentals	137	-	137
Operational expenses	1,651	-	1,651
<b>Balance as at 31 March 2024</b>	<b>6,091</b>	<b>39,910</b>	<b>4,534</b>

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

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
<b>Total</b>	<b>6,219</b>	<b>25,451</b>	<b>33,211</b>	<b>34,957</b>	<b>6,129</b>

Comparative figures for 2023/24:

PFI Property Future Liabilities 2023/24	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	1,583	6,440	10,035	14,912	6,940
Operating Costs	1,828	9,301	14,056	14,286	5,590
Interest Costs	2,640	9,501	9,267	5,206	571
Contingent Rentals	114	(23)	(470)	186	169
<b>Total</b>	<b>6,165</b>	<b>25,219</b>	<b>32,888</b>	<b>34,590</b>	<b>13,270</b>

### PFI PROPERTY FINANCE LEASES

The LFC holds one finance lease at 31 March 2025 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 31/03/2024	Present value of minimum lease payments as at 31/03/2024	PFI property finance lease	Total value of minimum lease payments as at 31/03/2025	Present value of minimum lease payments as at 31/03/2025
4,223	3,951	Not later than one year	4,128	3,861
15,941	12,681	Later than one year and no later than five years	15,617	12,420
46,931	22,354	Later than five years	43,127	21,169
<b>67,095</b>	<b>38,986</b>	<b>Total</b>	<b>62,872</b>	<b>37,450</b>

## 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, 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 6 employees in 2024/25, with exit packages incurring liabilities of £0.680m. One exit package should have been accrued for in 2023/24; the employee left the organisation on 31/03/2024 and was paid within 2024/25. As a result, it was recorded in the current year in the disclosure; but was erroneously not included on either the previous or current year listing. The amount involved – £50k – is immaterial in the context of these accounts.

Exit package cost band £'000	Number of compulsory redundancies		Number of other agreed departures		Total number of exit packages		Total cost of exit packages in each band	
	2023/24 No.	2024/25 No.	2023/24 No.	2024/25 No.	2023/24 No.	2024/25 No.	2023/24 £'000	2024/25 £'000
0 - 20	-	-	-	1	-	1	-	18
20 - 40	-	-	1	-	1	-	38	-
40 - 60	-	-	-	1	-	1	-	52
60 - 80	-	-	-	-	-	-	-	-
80 - 100	-	-	-	1	-	1	-	90
100 - 150	-	-	2	-	2	-	216	-
Over 150	-	-	-	3	-	3	-	520
Total	-	-	3	6	3	6	254	680

## 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 Home Office. These schemes are administered under a shared

service arrangement with the London Pension Fund Authority (LPFA), now subcontracted to the Local Pensions Partnership (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, impacting on 2024/25, 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 2024/25.

#### **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.

## Note 28 Pensions (continued)

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.

### MCCLLOUD/SARGEANT JUDGEMENT

Allowance has been made for the impact of the McCloud/Sergeant judgement as claims have 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

## Note 28 Pensions (continued)

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.

## Note 28 Pensions (continued)

### TRANSACTIONS RELATING TO POST-EMPLOYMENT BENEFITS

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

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

Local Government Pension Scheme 2023/24 £'000	Firefighter's Pension Schemes 2023/24 £'000	Comprehensive Income and Expenditure Statement	Local Government Pension Scheme 2024/25 £'000	Firefighter's Pension Schemes 2024/25 £'000
		<b>Cost of services</b>		
8,727	23,180	Current service cost	8,123	23,320
		Past service costs/(gain)	360	
		<b>Financing and Investment Income and Expenditure</b>		
458	229,990	Net Interest expense	(2,170)	236,380
138		Administrating expenses	147	
<b>9,323</b>	<b>253,170</b>	<b>Total post-employment benefit charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,460</b>	<b>259,700</b>
		Re-measurement of the net defined benefit liability comprising:		
(20,620)		• Return on plan assets (excluding the amount included in the net interest expense)	10,064	
(5,703)		• Actuarial (gains) and losses arising on changes in demographic assumptions	(1,110)	(9,470)
(10,519)	(96,620)	• Actuarial (gains) and losses arising on changes in financial assumptions	26,690	(504,860)
1,207	68,330	Experience (gains) and losses on defined benefit obligation	(1,069)	(8,050)
<b>(26,312)</b>	<b>224,880</b>	<b>Total post-employment benefit charged to the Comprehensive Income and Expenditure Statement</b>	<b>41,035</b>	<b>(262,680)</b>
		<b>Movement in Reserves Statement</b>		
(9,323)	(253,170)	• Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the Code	(6,460)	(259,700)
7,914	195,750	Employers' contributions payable to scheme	8,872	215,769
		Benefits paid directly to beneficiaries		
<b>(1,409)</b>	<b>(57,420)</b>	<b>Actual amount charged against the General Fund balance for pensions in the year.</b>	<b>2,412</b>	<b>(43,931)</b>

## 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	FPS number	Membership of schemes	LGPS number	FPS number
2023/24	2023/24		2024/25	2024/25
983	4,297	Actives	983	4,297
734	1,318	Deferred pensioners	734	1,318
1,527	8,890	Pensioners*	1,527	8,890
265	-	Unfunded pensioners	265	-

\* Includes injury pensioners

LGPS avg age	FPS avg age	Membership of schemes	LGPS avg age	FPS avg age
2023/24	2023/24		2024/25	2024/25
47	41	Actives	47	41
52	44	Deferred pensioners	52	44
71	66	Pensioners	71	66
76	-	Unfunded pensioners	76	-
-	71	Injury pensioners	-	71

## Note 28 Pensions (continued)

### 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 2024 £'000	Firefighter's Pension Schemes As at 31 March 2024 £'000	LFC pensions obligations	Local Government Pension Scheme As at 31 March 2025 £'000	Firefighter's Pension Schemes As at 31 March 2025 £'000
458,598	-	Present value of the defined benefit obligation	411,115	-
(491,642)	-	Fair Value of plan assets	(496,858)	-
<b>(33,044)</b>	-	<b>Net</b>	<b>(85,743)</b>	-
-	-	Impact of asset ceiling	85,743	-
12,315	5,060,400	Present value of the unfunded obligation	11,434	4,581,950
<b>(20,729)</b>	<b>5,060,400</b>	<b>Net liability arising from defined benefit obligation</b>	<b>11,434</b>	<b>4,581,950</b>

**Note 28 Pensions (continued)****RECONCILIATION OF THE MOVEMENTS IN THE FAIR VALUE OF ASSETS SCHEME (PLAN)**

<b>Local Government Pension Scheme 2023/24 £'000</b>	<b>London Fire Commissioner Asset Scheme</b>	<b>Local Government Pension Scheme 2024/25 £'000</b>
459,156	Opening fair value of scheme assets	491,642
21,807	Interest Income	25,223
20,620	• The return on plan assets excluding the amount included in the net interest expense	(10,064)
7,914	Contributions from employer	8,872
3,917	Contributions from employees into the scheme	4,182
(21,634)	Benefits paid	(22,850)
	Settlement prices received/(paid)	-
(138)	Other	(147)
<b>491,642</b>	<b>Closing fair value of scheme assets</b>	<b>496,858</b>

**Note 28 Pensions (continued)**

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

Funded Liabilities Local Government Pension Scheme 2023/24 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2023/24 £'000		Funded Liabilities Local Government Pension Scheme 2024/25 £'000	Unfunded Liabilities Firefighter's Pension Schemes 2024/25 £'000
472,653	5,031,270	<b>Opening Balance at 1 April</b>	470,913	5,060,400
8,727	23,180	Current service cost	8,123	23,320
22,265	229,990	Interest costs	23,053	236,380
3,917	25,410	Contributions from scheme participants	4,182	26,850
		<b>Re-measurement (gains) and losses:</b>		
(5,703)	-	• Actuarial gains/losses arising from changes in demographic assumptions	(1,110)	(9,470)
(10,519)	(96,620)	• Actuarial gains/losses arising from changes in financial assumptions	(59,053)	(504,860)
1,207	68,330	• Experience loss/(gain) on defined benefit obligation	(1,069)	(8,050)
(910)		Unfunded pension payments	(910)	
		Past service cost	360	
(20,724)	(221,160)	Benefits paid	(21,940)	(242,620)
		Liabilities extinguished on settlements		
<b>470,913</b>	<b>5,060,400</b>	<b>Closing balance at 31 March</b>	<b>422,549</b>	<b>4,581,950</b>

## Note 28 Pensions (continued)

### 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 6.17%.

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 3.11%. 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.

<b>As at 31 March 2024 £'000</b>	<b>Fair value of Fund assets</b>	<b>As at 31 March 2025 £'000</b>
297,672	Equities	293,051
84,814	Target Return Portfolio	90,234
56,480	Infrastructure	56,671
44,975	Property	45,284
7,701	Cash	11,618
<b>491,642</b>	<b>Total</b>	<b>496,858</b>

## 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 have started to come through in 2024/25.

These assumptions are set with reference to market conditions as at 31 March 2025.

Local Government Pension Scheme	Firefighter Pension Scheme	Assumptions as at	Local Government Pension Scheme	Firefighter Pension Scheme
31/03/2024	31/03/2024		31/03/2025	31/03/2025
2.90%	2.60%	CPI increases	2.90%	2.70%
3.90%	3.85%	Salary increases	3.90%	3.45%
2.90%	2.60%	Pensions increase	2.90%	2.70%
4.90%	4.75%	Discount rate	5.80%	5.65%

### 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	2023/24	2024/25
	£'000	£'000
LGPS	7,914	8,872
Firefighters' schemes	55,742	76,487
<b>Total</b>	<b>63,656</b>	<b>85,359</b>

## Note 28 Pensions (continued)

### 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 will 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.

## Note 28 Pensions (continued)

### 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 0.35% 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 1.0% 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 2024/25 pension disclosures.

## **Note 28 Pensions (continued)**

The cost of benefits accruing in the period from 1 April 2024 to 31 March 2025 was determined using the Projected Unit Credit Method with a one-year control period and based on the principal financial assumptions applying to the 2023/24 pension disclosures. This rate represents the present value of benefits accruing to active members over the year, with allowance for pay increases to the assumed date of retirement or exit, expressed as a level percentage of the expected pensionable payroll over the control period.

### **DISCOUNT RATE**

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

The duration of the scheme is around 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 2025 is assumed to be 5.65% a year.

### **PENSION INCREASES**

The pension increase assumption as at 31 March 2025 is based on the Consumer Price Index (CPI) expectation of inflation which is assumed to be 2.70%.

### **EARNINGS INCREASES ASSUMPTIONS**

It is assumed that there is a long-term rate of salary growth of 0.50% above CPI.

The assumed nominal rate of salary growth is therefore 3.45% a year.

### **RATE OF REVALUATION FOR CARE PENSIONS**

A rate of revaluation for CARE pensions of 3.45% 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.

## Note 28 Pensions (continued)

### 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

2023/24		Mortality assumptions	2024/25	
LGPS	Fire Service Pension Schemes		LGPS	Fire Service Pension Schemes
Age 65	Age 65	<b>Average Future Life expectancy as at</b>	Age 65	Age 65
<b>Retiring today</b>	<b>Current pensioners</b>		<b>Retiring today</b>	<b>Current pensioners</b>
21.3 years	21.3 years	<b>Male</b>	21.3 years	21.3 years
23.5 years	21.3 years	<b>Female</b>	23.5 years	21.3 years
<b>Retiring in 20 years</b>	<b>Future Pensioners</b>		<b>Retiring in 20 years</b>	<b>Future pensioners</b>
22.3 years	22.9 years	<b>Male</b>	22.3 years	22.7 years
25.3 years	22.9 years	<b>Female</b>	25.3 years	22.7 years

### MORTALITY ASSUMPTIONS

The post-retirement mortality for the LGPS scheme is based on Club Vita analysis. These base tables are then projected using the CMI 2022 Model, allowing for a long-term rate of improvement of 1.25% p.a., smoothing parameter of 7.0 an initial addition parameter of 0.0% p.a. and a 2022 weighting of 15%.

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

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the tables above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases

## Note 28 Pensions (continued)

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
<b>Adjustment to discount rate</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of total obligation	416,891	422,549	428,336
Project service cost	6,087	6,325	6,570
<b>Adjustment to long term salary increase</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of total obligation	423,049	422,549	422,052
Project service cost	6,325	6,325	6,325
<b>Adjustment to pension increase and deferred revaluation</b>	<b>0.10%</b>	<b>0.00%</b>	<b>-0.10%</b>
Present value of total obligation	427,995	422,549	417,225
Project service cost	6,580	6,325	6,078
<b>Adjustment to life expectancy assumptions</b>	<b>+1 year</b>	<b>None</b>	<b>-1 year</b>
Present value of total obligation	437,270	422,549	408,373
Project service cost	6,569	6,325	6,086

## 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.

<b>Change in financial assumption at year ended 31/03/2025</b>	<b>Approximate % increase to Employer liability</b>	<b>Approximate monetary amount (£'000)</b>
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

Comparative figures at year ended 31/03/2024:

<b>Change in financial assumption at year ended 31/03/2024</b>	<b>Approximate % increase to Employer liability</b>	<b>Approximate monetary amount (£'000)</b>
0.5% decrease in real discount rate	(7.00)%	(354,000)
1 year increase in member life expectancy	2.50%	127,000
0.5% increase in the salary increase rate	1.00%	51,000
0.5% increase in the salary increase rate (CPI)	6.50%	329,000

### 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 2025 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 £1,601k. As at 31 March 2024, the LFC had no contingent liabilities.

2023/24	Contingent liabilities	2024/25
£'000		£'000
0	Contingent liabilities - legal claims	1,601
<b>0</b>	<b>Total</b>	<b>1,601</b>

### 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.

## CONTINGENT ASSETS

A contingent asset arises where an event has taken place that gives the LFC a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the LFC. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

As at 31 March 2025 the LFC has no contingent assets. As at 31 March 2024, the LFC disclosed a contingent asset of £458,603 for potential reimbursement from fire authorities for Motorola Airwave charges, subject to the outcome of an appeal to the Court of Appeal. Following Motorola's unsuccessful appeal against the Competition Appeal Tribunal's decision, we received a credit of £1.36m, as the figure due had grown while the process was proceeding.

2023/24		2024/25	
Contingent assets			
£'000		£'000	
459	Contingent asset – Motorola claim		0
<b>459</b>	<b>Total</b>		<b>0</b>

## 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 31/03/2024 Amount (£)	Category insured	As at 31/03/2025 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
25,000	Property – Terrorism	0
25,000	Airside Liability	25,000
20,000	Marine Hull and Machinery – Vessels	2,500
10,000	Property (All Risks of Physical Loss or Damage)	10,000
10,000	Computer	0
6,500	Marine Hull and Machinery – Lambeth River Station	0
500	Marine Protection and Indemnity	0
100	Motor Leased Vehicles	250
0	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 2024/25 was for an overspend of £3.6m which contained under and overspends that were monitored throughout the year as part of its regular financial position reporting to the relevant boards.

The outturn position was driven by an overspend for operational staff of £3.8m largely due to the impact of operational overtime in Fire Stations. This represented a significantly improved position when compared to the previous year (2023/24) as a result of organisational focus and the introduction of the Priority Crewing Guide (an agile model of resourcing). A further overspend, for firefighter pensions (injury and ill-health), amounted to £3.4m.

These overspends were partially offset by an underspend on capital financing (£0.5m) as a result of a revised profile of borrowing to support the capital programme. Additional information on these variances can be found in the LFC's outturn report for 2024/25.

The Final LFC Budget report for 2025/26 set out a balanced budget after making sizeable savings targets of £28.2 million and additional funding from the Mayor in 2025/26. The Quarter 2 Financial Position report for 2025/26 sets out a £2.0m forecast overspend for the year against that budget. The forecast set out pressures including the cost of a higher than budgeted pay award (£1.5m), slippage in the delivery of some savings (£1.0m) and an overspend on FRS and Control staff costs (£3.1m). This is offset by an underspend on Operational staff costs (£3.3m) as well as additional income (£2.9m).

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 2025/26 and for budget planning for 2026/27 onwards.

### Mayoral Funding 2026/27 and beyond

The Mayor's Budget Guidance for 2026/27 for the Greater London Authority (GLA) and the functional bodies was issued on 9 July 2025. The Guidance sets 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 has 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.

The Mayor then set out funding totals for each functional body, which are all based on a prudent, but not worst-case, assessment of council tax and business rates income. This assessment assumes a 2% increase in business rates in line with inflation, a 3% increase in council tax precept and an increase in the council tax base of 1.1% in 2026/27.

However, whilst these assumptions have been made, Central Government have announced the Fair Funding Review 2.0 which alongside a review of business rates means that it is likely that at least some of these assumptions may change.

LFC has made progress in developing a balanced budget for 2026/27 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. As set out in both the 2024/25 and 2025/26 budget reports, this could only be supported through the use of such reserves for those respective financial years and from 2026/27 this would have to be supported through another mechanism.

The LFB's Budget Submission to the Mayor was published on 21 November 2025, setting out a funding gap of £12.2m in 2026/27, reducing to £9.6m in 2027/28 and a small surplus of £5.4m in 2028/29 to be paid into the General Reserve. The 2026/27 gap has now been closed through a combination of additional mayoral funding of £8.9m, in addition to rephasing of £3.3m in Modernising Firefighting Phase 2 costs to future years.

The development of LFB's revenue budget and capital programme will continue during the Mayor's budget cycle, which concludes in February 2026. LFB will agree a final balanced revenue budget and capital programme for 2026/27 in March 2026.

#### Use of reserves

The LFC holds a General Reserve (GR) to help manage unexpected costs. The expected balance on the GR at 31 March 2026 in the November Budget Submission 2026/27 was £14.9m.

As a rule, LFC's goal is to maintain the GR at 3.5% of the Mayoral award. In 2024/25 we narrowly exceeded this (£17.8m). Based on planned use of reserves in 2025/26 the GR is expected to drop below the 3.5% figure in that year. A planned contribution of an extra £1.7m in 2025/26 was agreed as part of the 2025/26 Budget, although the current forecast overspend puts this at risk.

The revised strategy therefore is an intention over the medium term to bring the position back to the 3.5% mark, while acknowledging that over the short term (one to two years) there is likely to be a temporary "dip". This is reflected in the 2026/27 Budget Submission which includes a £2.5m top up in 2026/27, a further £3.0m in 2027/28 and then £6.4m in 2028/29.

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

31 March 2026 - £28.8m

31 March 2027 - £31.3m

31 March 2028 - £34.3m

The balance on reserves was updated as part of finalising the outturn position for 2024/25, with the closing balance on earmarked reserves at 31 March 2025 then being £37.9m. The balances on reserves were, of course, reviewed as part of the budget process 2026/27. The forecast on reserves balances above shows the balance available reducing over the planning period.

### 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 2025 was £18.6m. Forecast balances for the next three period ends are as follows:

31 March 2026 - £20.4m

31 March 2027 - £53.1m

31 March 2028 - £92.6m

Clearly, the cash position as at 31 March 2025 (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 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 government policy; the cost of living remains high, the USA government appears to remain undecided on several key issues, affecting world markets, and the Russia Ukraine war has resulted in high energy costs and a food crisis, all leading to significant financial uncertainty. The significant financial challenges expected at the start of 2024/25 were mitigated through the year with increased income and reduced expenditure in some areas, additional grant funding, and use of reserves. Uncertainty remains, however, in funding over the short to medium term.

The LFC will continue to monitor the cash position and budgetary position closely and further update them as they progress; and agree the Final 2026/27 LFC Budget Report in March 2026.

#### 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 2027.

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

2023/24	Adjustments to Net Surplus or Deficit on the provision of services for Non-Cash Movements	2024/25
£'000		£'000
(9,400)	Depreciation of non-current assets	(13,833)
(7,560)	Impairment, impairment reversal and revaluation of non-current assets	(44,927)
(23)	Assets de-recognised during year	(4)
(275)	Amortisation of Intangible assets	(162)
(503)	(Increase)/Decrease in impairment for provision of bad debts	218
624	Increase/(Decrease) in inventories	3
10,188	Increase/(Decrease) in debtors	(15,350)
5,710	(Increase)/Decrease in creditors	(7,609)
(812)	(Increase)/Decrease in provisions	5,437
(58,829)	Pension Fund costs adjustment	(41,519)
2,883	Other non-cash items	(1)
<b>(57,997)</b>	<b>Net cash (inflow)/outflow from operating activities</b>	<b>(117,747)</b>

## Note 33 Cash Flow Statement – Operating Activities

2023/24	Operating Activities	2024/25
£'000		£'000
(5,278)	Interest received	(2,579)
2,100	Interest paid	2,210
2,746	Interest element of finance leases	5,401
<b>(432)</b>	<b>Total</b>	<b>5,032</b>

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

2023/24		2024/25
£'000	Investing Activities	£'000
28,389	Purchase of property, plant and equipment, investment property and intangible assets	27,636
(332)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(28)
1,823	Movement in short-term investments	(364)
(1,046)	Capital grants received	(2,051)
<b>28,834</b>	<b>Net cash flows from investing activities</b>	<b>25,193</b>

2023/24		2024/25
£'000	Financing Activities	£'000
58	Cash receipts of short- and long-term borrowing	(19,976)
-	IFRS 16 Impact on CIES	10,757
1,557	Cash payments for the reduction of the outstanding liabilities relating to finance leases On-Balance sheet PFI contacts (Principal)	1,583
2,000	Repayments of short- and long-term borrowing	3,500
<b>3,615</b>	<b>Net cash flows from financing activities</b>	<b>(4,136)</b>

# **FIREFIGHTERS' PENSION FUND ACCOUNT AND NOTES**

# Firefighters' Pension Fund Account Notes

2023/24		Firefighters' Pension Schemes Fund Account	2024/25	
£000	£000		£000	£000
		<b>Contributions receivable</b>		
		- from employer		
(55,743)		- normal	(76,487)	
(1,662)		- early retirements	(1,830)	
<b>(57,405)</b>			<b>(78,317)</b>	
(25,194)		- from members	(27,329)	
	(82,599)			(105,646)
		<b>Transfers in</b>		
	(294)	- individual transfers in from other schemes		(367)
		<b>Benefits payable</b>		
179,748		- pensions	192,536	
21,704		- commutations and lump sum retirement benefits	27,746	
(262)		- Overpayments recovered	(270)	
139		- lump sum death benefits	762	
	<b>201,329</b>			<b>220,774</b>
		<b>Payments to and on account of leavers</b>		
		- refunds of contributions		
		- individual transfers out to the other schemes		
		- other - interest due on back dated lump sums	1,906	
305		- interest due on back date commutations lump sums	770	
	<b>305</b>			<b>2,676</b>
	118,741	Deficit/Surplus for the year before top-up grant receivable/amount payable to central government		117,437
	(118,741)	Top up grant receivable from/amount payable from central government		(116,371)
		Grant received from central government for McCloud/Sargent		(1,066)
-	-	<b>Net amount payable/receivable for the year</b>	-	-

31/03/2024		Net Assets Statement	31/03/2025	
£000			£000	
262		- Recoverable overpayments of pensions	270	
36,394		- Top up receivable from/(payable to) Government	22,331	
(36,656)		- other current liabilities	(22,601)	
-	-		-	-

# 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 HO (Home Office) the amount by which the amounts receivable by the fund for the year exceeded the amounts payable, or by receiving cash in the form of pension top-up grant from HO equal to the amount by which the amounts payable from the fund exceeded the amounts receivable.

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

# Firefighters' Pension Fund Account Notes

## 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 rates as a percentage was 24.0% for the 2015 scheme, which from 2024/25 was assessed to be 18.1%. 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.

2023/24			2024/25	
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

2023/24 2015 Scheme %	Firefighters' Pension Scheme employee contributions	2024/25 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

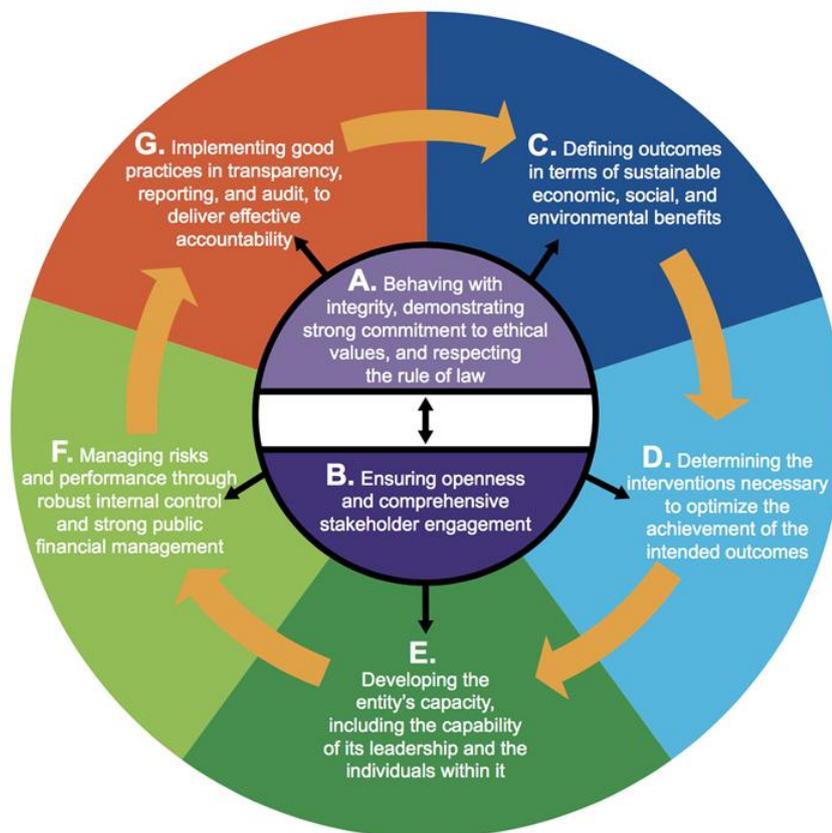
# ANNUAL GOVERNANCE STATEMENT

## London Fire Commissioner - Annual Governance Statement 2024/25

### Introduction

1. Regulations 3 and 6 (1) of the Accounts and Audit Regulations 2015 require the London Fire Commissioner (LFC) to have sound systems of internal control and to demonstrate this by publishing an Annual Governance Statement.
2. The LFC is a corporation sole that came into being on 1 April 2018, replacing the London Fire and Emergency Planning Authority (LFEPA). The Mayor of London issued a [London Fire Commissioner Governance Direction 2018](#) in March 2018 to set out those matters requiring Mayoral consent, those requiring the Deputy Mayor for 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 2024/25 reflects the governance arrangements in place under the LFC.
4. The LFC's governance framework is based on the CIPFA/SoLACE *Delivering Good Governance in Local Government Framework 2016* which requires the LFC to be responsible for ensuring that:
  - business is conducted in accordance with all relevant laws and regulations
  - public money is safeguarded and properly accounted for
  - resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people.
5. The 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.
6. 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.
7. 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.
8. 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.

9. 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*

## London Fire Commissioner - Annual Governance Statement 2024/25

CIPFA Principle	How the LFC meets the principle
<p><b>Principle A - Behaving with integrity, with commitment to ethical values, and respect for the rule of law</b></p>	<ul style="list-style-type: none"> <li>• Behaving with integrity through leadership is provided by the LFC, the Top Management Group and senior officers.</li> <li>• Adoption of the National Fire Chiefs Council (NFCC) 'Code of Ethics'.</li> <li>• 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.</li> <li>• A Professional Standards Unit that monitors and upholds professional standards across all parts of the London Fire Brigade</li> <li>• Director for Corporate Services is the Head of Paid Service and is responsible for all LFC staff.</li> <li>• 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.</li> <li>• 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.</li> <li>• Decision-making framework and scrutiny and review arrangements (see para 18 below).</li> <li>• Register of Interests, Declarations of Gifts and Hospitality, politically restricted roles.</li> <li>• All reports presented for decision receive professional advice and input from finance and legal to ensure they comply with budget and legal requirements.</li> </ul>

## London Fire Commissioner - Annual Governance Statement 2024/25

CIPFA Principle	How the LFC meets the principle
<p><b>Principle B – Ensuring openness and comprehensive stakeholder engagement</b></p>	<ul style="list-style-type: none"> <li>• Public consultation on 'Your London Fire Brigade', the Brigade's community risk management plan detailing how the Brigade will address risk in the community</li> <li>• Multi-agency working arrangements on the incident ground and through day-to-day business with partners to improve community safety</li> <li>• 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.</li> <li>• A monthly Community Forum where Londoners act as a critical friend, providing insight, analysis and advice to how the LFB is run.</li> <li>• 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.</li> <li>• Borough Commander liaison and local engagement with stakeholders</li> <li>• Resilience partnership working with the National Fire Chiefs Council (NFCC), London Resilience Group and the Government</li> <li>• Utilising online digital communication channels such as X, Facebook, Instagram and YouTube to promote engagement with the service</li> </ul>
<p><b>Principle C – Defining outcomes in terms of sustainable economic, social, and environmental benefits</b></p>	<ul style="list-style-type: none"> <li>• '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</li> <li>• LFC's Sustainable Development Strategy that focusses on sustainability and the environment.</li> <li>• Delivery of Brigade services supporting London's diverse communities and distinctive neighbourhoods in improving community safety</li> <li>• Equality impact analyses and sustainable development impact assessment procedures</li> </ul>

CIPFA Principle	How the LFC meets the principle
<p><b>Principle D – Determining the intervention necessary to achieve intended outcomes</b></p>	<ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• Monitoring of performance against the HMICFRS and Grenfell Tower Fire action plans which combined, set a clear vision, strategy, and action plan for the Brigade's priorities.</li> <li>• 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.</li> <li>• '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. The projects and initiatives to achieve that have been arranged under programmes of work, sequenced over the life of the CRMP into four phases (known as transition states)</li> <li>• 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.</li> <li>• Borough Risk Management Plans designed to address local risks and how local communities will be made safer.</li> <li>• Monitoring performance of projects and initiatives via programme boards.</li> <li>• Assurance activities undertaken by the Independent Operational Assurance Advisor linked to Operational Learning and Improvement.</li> </ul>

CIPFA Principle	How the LFC meets the principle
<p><b>Principle E – Developing capacity, including the capability of leadership and individuals within the Brigade</b></p>	<ul style="list-style-type: none"> <li>• 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 the 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.</li> <li>• Investment in training, Learning Management System and Big Learning (an online learning portal)</li> <li>• Training partnership with Babcock Training Limited</li> <li>• Reflective learning from operational incidents or exercises (operational staff)</li> <li>• A suite of leadership, coaching and mentoring programmes designed to maximise staff potential and performance to become competent in their roles.</li> <li>• 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.</li> <li>• Maintenance of skills through development and maintenance of operational professional (DaMOP).</li> <li>• Annual fitness testing for all operational staff.</li> <li>• 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.</li> <li>• 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).</li> </ul>

CIPFA Principle	How the LFC meets the principle
<p><b>Principle F – Managing risks and performance through strong internal control and financial management</b></p>	<ul style="list-style-type: none"> <li>• Corporate risk register identifies strategic risks.</li> <li>• Service Delivery Board monitors performance against corporate priorities, ensuring corrective actions are taken when necessary.</li> <li>• Scrutiny and challenge of strategic risks as part of the quarterly reporting cycle to Risk and Assurance Board.</li> <li>• Budgetary control systems and monthly budget reporting scrutinised at Investment &amp; Finance Board.</li> <li>• Scheme of delegation.</li> <li>• Monitoring financial spend and outcomes/profiling of departments.</li> <li>• Continued scrutiny by Audit Committee comprised of independent members supported by LFB staff.</li> </ul>
<p><b>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</b></p>	<ul style="list-style-type: none"> <li>• Meeting the mandatory data publication as set out in the DCLG Transparency Code (February 2015).</li> <li>• Senior Information Governance Officer and Data Protection Officer roles.</li> <li>• Dedicated transparency page on the Brigade <a href="#">here</a> and all LFC decisions are published on the website.</li> <li>• Mayor's Office for Policing and Crime (MOPAC) internal audit of key governance processes, risk management and internal controls.</li> <li>• Held to account by Deputy Mayor for Planning, Regeneration and the Fire Service.</li> <li>• Fire Committee review and scrutiny of LFC decisions and can challenge policy.</li> <li>• External audit of Brigade's systems of internal control.</li> <li>• An Advisory Panel which provides support, challenge and assurance to ongoing work to create a safe and professional working environment for all LFB staff.</li> <li>• Assurance via appointment of an independent Operational Assurance Advisor.</li> </ul>

**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

## London Fire Commissioner - Annual Governance Statement 2024/25

why the LFB is changing. The eight commitments form the basis of our eight transformation programmes.



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 2025 is available on the following link [LFB financial and performance reporting 2024/25 - London Datastore](#)

## London Fire Commissioner - Annual Governance Statement 2024/25

16. A summary of key performance highlights is set out in the table below:

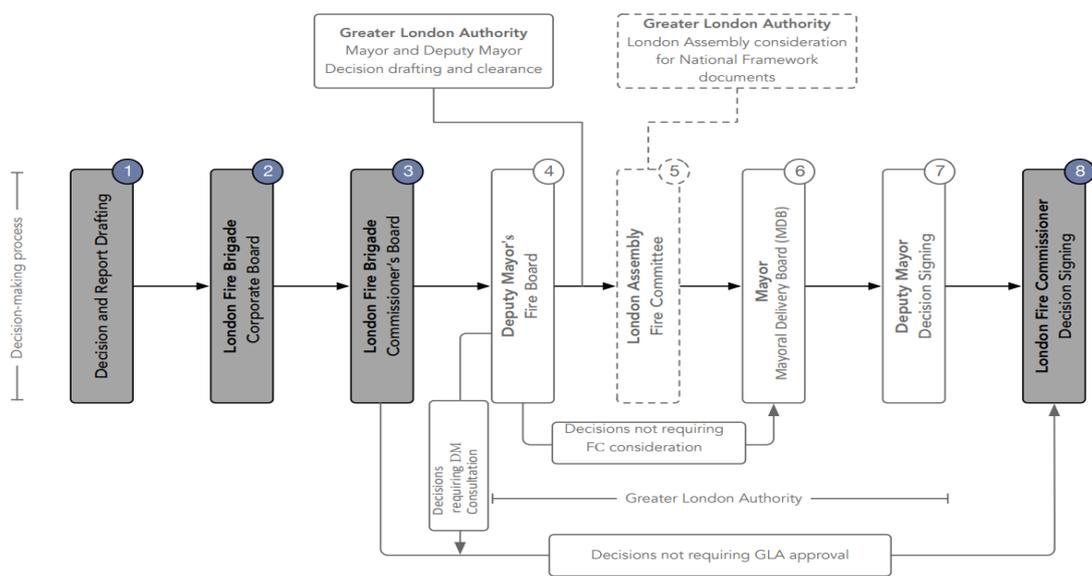
Pillar	Commitment	KPI	Target or End Score	Actual Score
Engaging with You	We will work with you to provide localised services that meet your need	Customer Satisfaction Rating	85%	89%
Engaging with You	We will make it easier for you to access our services	Triages via our Online Fire Safety Checker	18,000	11,088
Protecting You	We will adapt our services as your needs change	First appliance arrival within 10 minutes	90.00%	96.45%
Protecting You	We will design services around your needs and concerns	% of high-risk home fire safety visits	60.00%	58.04%
Protecting You	We will adapt our services as your needs change	Alleged fire risks addressed within 3 hours	90.00%	98.18%
Adding Value	We will be driven by evidence to give you the value you expect	Number of fire deaths	39	38
Adding Value	We will be driven by evidence to give you the value you expect	Number of fires – houses & bungalows	1,700	1,438
Adding Value	We will be driven by evidence to give you the value you expect	Number of fires – flats	2,400	2,246
Adding Value	We will be driven by evidence to give you the value you expect	Number of fires – care homes	330	258

### Equality in recruitment

17. 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. The 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 2025, statistics reveal women comprised 19.13% of the workforce (against a target of 20%), with 18.68% 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

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



19. 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.
20. 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

21. 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.
22. 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.
23. 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

24. 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 (further details provided in paras 73-77).
25. Another significant element is the internal audit function conducted on behalf of the LFC by the Mayor's Office for Policing and Crime (MOPAC). MOPAC is fully compliant with Public Sector Internal Audit Standards (PSIAS). Internal audit covers key governance processes, risk management and internal controls. The internal auditors' opinion for 2024/25 was that, based on the areas audited, the LFC's 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 however, this is not currently being implemented to business-as-usual activity. Increase in second line assurance capability and ongoing development of the Enterprise Assurance Framework will help to ensure that appropriate controls are in place. The level of controls required will need to be commensurate with the risk appetite that has been adopted during the year.
26. Corporate governance processes have been operating as intended throughout the year. A summary of the governance outcomes is shown below:

Issues identified	Performance in 2024/25
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 have a small number of fraud cases investigated by PSU in 2024/25 which relate to plagiarism in examinations and have been dealt with under the LFB's disciplinary procedures. In addition, a small number (five or under) of potential fraud cases have been identified in and are currently under investigation in accordance with the LFB's disciplinary procedures. 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.
Use of Regulation of Investigatory Powers Act	There were no applications for any RIPA authorisations in 2024/25, nor were there any previous authorisations that continued into 2024/25.

## London Fire Commissioner - Annual Governance Statement 2024/25

Complaints/compliments received from members of the public	A total of 155 complaints were received. These have been actioned accordingly. In addition, a total of 258 compliments were received during 2024/25.
Number of whistleblowing cases	There was 1 case which qualified as a whistleblowing item during 2024/25 regarding the health and safety of employees which remains ongoing.

### SIGNIFICANT GOVERNANCE ISSUES IN 2024/25

#### His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) - Round 2 Inspection progress against recommendations and Round 3 Inspection outcome

27. HMICFRS continuously monitors the performance of all fire and rescue services in England. The monitoring process consists of two stages: Scan and Engage. All fire and rescue services are in routine monitoring under the Scan stage by default but may be escalated to enhanced monitoring under the Engage stage if they are not effectively addressing the inspectorate's concerns.
28. Progress continues to address recommendations arising from the HMICFRS Round 2 inspection from 2021/22. A total of 46 recommendations with 91 associated actions were included in the report for LFB to complete. At the end of 2024/25, a total of 40 recommendations and 76 actions have been completed.
29. The LFB received its Round 3 full inspection report in November 2024 following the inspection which took place over the summer months. The HMICFRS state in the report that they found significant improvements in performance since the last full inspection in 2022. The report highlights improvements across ten of the 11 judgement areas used in the inspection (see table below). The LFB's previous inspection demonstrated improvement was required across all 11 areas. There were 11 Areas for Improvement (AFIs) highlighted, this is in comparison to the 46 AFIs and 2 causes for concern in the round 2 inspection report.

#### Round 3 Assessment Results

Assessment area	Round 3 Inspection (2023/25) Grade	Round 2 Inspection (2021/22) Grade
Understanding fire and other risk	Good	Requires Improvement
Preventing fires and other risks	Good	Requires Improvement
Protecting the public through fire regulation	Adequate	Requires Improvement
Responding to fires and other emergencies	Good	Requires Improvement
Responding to major and multi-agency incidents	Outstanding	Requires Improvement
Make best use of resources	Good	Requires Improvement
Future affordability	Good	Requires Improvement
Promoting the right values and culture	Adequate	Requires Improvement
Getting the right people with the right skills	Adequate	Requires Improvement
Ensuring fairness and promoting diversity	Adequate	Requires Improvement
Managing performance and developing leaders	Requires Improvement	Requires Improvement

30. An action plan has been developed to address the AFIs. This action plan supersedes the Round 2 plan, and any remaining actions are addressed through the new action plan. Progress reports will continue to be reported quarterly through the Risk and Assurance and Commissioner Boards.

### **Grenfell Tower Inquiry Phase 2 report**

31. In March 2024, the LFB completed the last of its 29 recommendations produced by the Grenfell Tower Inquiry. In September 2024, the Grenfell Tower Inquiry's Phase 2 report was published.
32. 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, His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), the National Fire Chiefs Council and the British Standards Institution. The LFC accepted the recommendations aimed at the LFB and Fire and Rescue Services and supports the remaining recommendations.
  - Implementing Change
33. The Inquiry's one recommendation for LFB focuses on creating robust systems to gather, review and implement lessons from previous incidents, inquests and investigations. The LFC fully accepts this recommendation. LFB will continue to be a learning organisation, building on the change implemented since Phase 1 of the Inquiry. It will ensure lessons from incidents are understood and good practice is shared and applied across the Brigade.
34. Significant efforts are underway to improve learning from major incidents and ensure critical information is distributed more quickly to staff. LFB will also review its operational learning processes, which will consider best practice nationally.
  - The control room/incident commanders/operational planning
35. Three recommendations are directed at HMICFRS and suggest that further inspections should be carried out of the LFB's Control room, incident commander training, and operational planning to confirm that improvements made since 2017 have been sustained.
36. The LFB has made significant improvements to its Control Room since the Grenfell Tower fire, including the introduction of new training, policies and technology.
37. The LFB has also invested in advanced fire training, as well as improved incident command and high-rise exercising, focusing on integrating the control room, with the incident ground and preparing incident commanders to take difficult, critical decisions at the earliest point of an incident.
38. The impact of this training was demonstrated at incidents such as the 2021 New Providence Wharf and the Dagenham Spectrum Building fire in August 2024, where incident commanders quickly carried out full emergency evacuations of buildings to ensure resident safety.
39. Additionally, the LFB has improved the collation and access to information about the risks associated with specific buildings, ensuring that firefighters, incident commanders, and Control staff have the necessary information to respond effectively to emergencies.
  - Radios
40. Among the five recommendations for all fire and rescue services, three addressed radio communications.
41. Following recommendations set out in Phase 1 report, the LFB introduced new fireground radios which can be connected directly into the facemask of breathing apparatus to improve

## London Fire Commissioner - Annual Governance Statement 2024/25

communications to the bridgehead. The radios also feature both analogue and digital capability and a programme of work is underway to review the transition of radio communications from analogue to digital.

- Water supply

42. Two other recommendations for fire and rescue services relate to water management at incidents.

43. Following the Phase 1 Report, the Brigade has worked closely with water utility companies to ensure improvements to water supply at incidents. The Commissioner and the Mayor of London have written to water undertakers to remind them of their responsibilities to engage with fire services and the risks to public and firefighter safety of not doing so.

44. The Brigade will also work with the British Standards Institution to improve the BS750 standard, as recommended by Phase 2 of the Inquiry, and has already begun discussions via its specialist Water Team.

- College of Fire and Rescue

44. The LFB supports the recommendation to establish a College of Fire and Rescue to set national standards and will work with government, the NFCC and the wider sector in the planning and delivery of the college.

- Deployment of firefighters

45. The LFB supports the recommendation for the NFCC to review national arrangements for how firefighters carry out instructions during a live incident. As the largest service which attends the most high-risk incidents, the LFB is keen to take a leading role in supporting the NFCC with the review and has reached out to the NFCC to offer its assistance.

### **Action to address continued attendance in response to Unwanted Fire Call Signals (Automatic Fire Alarms)**

46. Unwanted Fire Signals (UwFS) calls received by the LFB are initiated by an automatic fire alarm (AFA), to which LFB sends an emergency response however attending crews subsequently established the call to be a false alarm.

47. UwFS have been a persistent problem for LFB over many years. The numbers of UwFS attended by LFB had substantially increased over recent years, with the 4-year average from 2019 to 2022 being 21% higher than the previous 4-year average (2015 to 2018).

48. Between April 2022 and March 2023, the LFB attended 47,000 false alarm calls. Nearly a third of those were AFAs in non-residential properties, which equates to approximately 23,500 hours in staffing time.

49. Across London, 98 per cent of all recognised AFA calls are recorded as false alarms on attendance, with 0.5% of AFAs end up being recorded as fires.

50. The LFB is the only UK metropolitan fire and rescue service (FRS) that still maintains a 24/7 operational response to all automatic fire alarms. At least 42 other UK FRS's have a protocol involving non-attendance and appear to do so (some for many years) without problem.

51. The issue of UwFS had also been repeatedly highlighted by HMICFRS who reported that the LFB had not done enough to reduce the number of unwanted fire signals.

52. Following consultation in 2024, the LFC therefore implemented a non-attendance policy to commercial AFAs during the hours of 07:00 – 20:30 hours (with certain exemptions applied).

53. By limiting such attendance, it has increased time for operational staff engagement in risk reduction work such as training, prevention and protection activity, as well as community engagement.

### **Rollout of Licence to Operate (L2O)**

54. L2O is a licensing system which supports LFB operational staff in remaining competent and safe across all areas of operations. It creates minimum training and assessment requirements and frequencies for an operational member of staff to meet so that their roles can be carried out competently and safely. It also aids the LFB to record, monitor and schedule training delivery. Successful completion of a routine assessment provides operational staff with a licence to operate to perform their duties. The licence will be valid for a specific time period determined by the skill area it covers.
55. L2O gives confidence to LFB operational staff and to the LFB as an employer that all operational colleagues are maintaining their skills.
56. L2O for incident command was launched in April 2024. Emergency response driving for senior officers subsequently went live in October 2024. Other skills areas will follow in phases from April 2025 onwards, including emergency fire appliance driving, breathing apparatus and casualty care.
57. Additional skills areas, including hazardous materials, working at height, water (including water rescue and pumps) and extrication and rescue will be considered as part of the licensing system at a future date.

### **Adoption of a Risk Appetite Statement**

58. Good risk management practice recommends that organisations should have a defined risk appetite so that informed decisions can be made about the level of risk that can be accepted in pursuit of strategic objectives. It also ensures that organisations understand the boundaries for acceptable levels of risk and what target they should be aiming for when allocating resources to risk management.
59. In March 2025 the LFC adopted a risk appetite statement, setting a 'Cautious' appetite for risk. This means that risks should have a target level of yellow (score between 4-9) and the current risk exposure should be managed to this level. Red and amber risks will be outside the LFB's tolerable range, and every effort will be made to reduce the risk exposure with a target date set for when the risk will be managed down from those risk levels.
60. It is recognised that in some instances, risks will be outside of risk appetite tolerance where exceptions will need to be applied. Those risks relate to factors which are beyond the LFB's direct control and include risks where the LFB will lobby others with decision-making powers (external to LFB) to reduce the risk exposure.
61. Risks and risk management action at corporate and directorate level will continue to be reviewed at appropriate monthly board meetings, and at Commissioner's Board at least quarterly.
62. The risk appetite statement will be reviewed annually by the LFC following recommendation from the Risk and Assurance Board.

### Revisions to the Thematic Board structure

63. The LFC operates a thematic board structure comprising monthly meetings of the Investment and Finance Board (IFB), the Performance, Risk and Assurance Board (PRAB), and the Service Delivery Board (SDB) which ensures that the LFB's business and the Commissioner's decisions are appropriately, effectively, and efficiently scrutinised, assured and executed.
64. In a board effectiveness survey issued to members of each of the thematic boards, the members of the Performance, Risk and Assurance Board identified measures to improve the effectiveness of the Board and its meetings. Board members pointed to the efficiency of meetings with limited time available to debate important matters owing to heavy agenda with multiple lengthy reports and a need to better distribute the focus between performance, risk and assurance and portfolio elements.
65. Furthermore, and an issue identified similarly in other thematic board effectiveness surveys, was the increasing demand (through preparation and attendance at board meetings) being placed upon a small cadre of senior leaders within LFB. The demand extends beyond the suite of thematic boards and to the suite of sub-boards, working groups and other various governance mechanisms that exist within LFB.
66. The relevance of the results from PRAB's effectiveness survey was timely in the context of the release of the Grenfell Tower Inquiry Phase 2 report and the gathering pace of LFB's transformation through its portfolio. As LFB progresses between transition states of the CRMP delivery plan and moves to a position of continuous improvement, there is increased importance on the risk and assurance function and greater reliance on the checks and balances which PRAB currently holds responsibility for as a line of defence in the business assurance framework.
67. In January 2025 the LFC disbanded PRAB and replaced it with dedicated Portfolio and Risk and Assurance Boards which meet on a quarterly basis (PRAB currently meets monthly). PRAB's performance responsibilities (essentially the completion of actions/activities distributed to departments) transferred to SDB, a move towards reflecting a business-as-usual service delivery model.
68. New and revised terms of reference, including updated memberships, for the thematic boards were approved and available on the LFB's intranet site. Overall, the revisions to the structure result in a reduction in membership numbers across the thematic boards.

### Implications of the 2025/26 LFC budget on the transformation portfolio

69. Over the past 18 months the LFB has mobilised its transformational change activities into nine distinct and integrated programmes of work, directly aligned to CRMP commitments. As part of the budget setting process for 2025/26, each programme submitted a business case which provided an estimate of the costs required to deliver programme-level projects and initiatives planned for Transition State 3 (TS3), which runs from April 2025 to March 2027.
70. Owing to financial pressures programme budgets were subsequently reduced significantly for 2025/26. A number of programmes have been paused, with some initiatives being transferred for delivery by departments. The remaining programmes have been scaled back or refocused to support improved productivity and efficiency.
71. To mitigate risks associated with a reduction in resources for project, change, and programme management, the LFC's prioritisation framework has been applied to projects. The framework assesses project contribution to CRMP objectives, prioritising resources on high benefit/high impact projects, establishing regular health checks and integrated project assurance, assessing departmental capacity, and implementing a mandatory change management framework.

72. Furthermore, a mitigation plan has been developed which focuses on prioritising mitigations and risk management activities, ensuring that resources are allocated efficiently to maximise impact. By implementing this mitigation plan, the LFC will be able to minimise the impacts of budget constraints in the short term while continuing to make progress towards the LFC's long-term objectives.

### **External Audit of LFC Financial Statements for 2022/23, 2023/24 and roadmap for 2024/25 and beyond**

73. 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.
74. The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) which came into force on 30 September 2024 required any outstanding accountability statements for years ended 31 March 2015 to 31 March 2023 to be approved not later than 13 December 2024 and the accountability statements for the year ended 31 March 2024 to be approved not later than 28 February 2025 ('the backstop date'). 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.
75. The backstop date and the wider requirements of the local audit system reset meant that the LFC's external auditors, EY, did not have the required resources available to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the 2022/23 financial statements. A disclaimer of opinion was therefore issued.
76. As a result of the disclaimer of opinion for the 2022/23 financial statement and the scope of EY's audit work, which was impacted by the backstops date, the external auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the 2023/24 financial statements.
77. Simply put, because the prior year was not audited, EY could not place appropriate reliance on either the prior year figures or the opening balances for 2023/24. Instead, such reliance will need to be rebuilt gradually, over several audit periods. LFC is among the group least affected by this uncertainty, as only one year's accounts were unaudited, and the work done in the course of this audit has been so thorough on both sides. Therefore, an ambitious, but realistic, trajectory is as follows:
- 2023/24 disclaimer of opinion (as for 2022/23)
  - 2024/25 qualification (on a specific basis e.g. uncertainty around reserves)
  - 2025/26 unqualified opinion (i.e. return to normal)

### **Updates to the LFC Whistleblowing Policy**

78. The LFC Whistleblowing Policy (PN569) (the Whistleblowing Policy) sets out the process for employees and those outside the organisation to report serious concerns about the LFC. The Policy reflects the legal position set out in the Public Interest Disclosure Act 1998 which provides protection of employment rights for employees who report certain categories of concerns, but the LFC policy is also wider than the statutory scope, in that it enables reporting of other serious concerns wider than those covered by the Act.
79. The LFC's policy framework requires policies to be reviewed every three years however findings from the independent review of LFB workplace culture and a recommendation from HMICFRS have driven changes to the policy for which General Counsel is the custodian. Additionally,

## London Fire Commissioner - Annual Governance Statement 2024/25

updates to the policy have been aided by an Internal Audit advisory review from September 2023 which recommended areas for review and suggested actions.

80. One of the conclusions from the independent review of LFB workplace culture was that it was difficult for LFB staff to report concerns, that reporting concerns should be made easier and that staff should be supported in doing so and that there should be systems in which they have trust and confidence that the matter will be properly investigated and dealt with. These issues could equally apply to reporting wider matters which are the remit of the Whistleblowing Policy.
81. The HMICFRS recommendations in its letter to Fire and Rescue Services dated March 2023 highlighted the need for robust, trustworthy, accessible reporting mechanisms for reporting concerns and that a fear of reprisal was sometimes a barrier to reporting. The use of an independent reporting line was advocated as a means of enhancing trust and providing a level of confidentiality. While the focus of the HMICFRS letter was in relation to culture and behaviours, the principles could equally apply to the Whistleblowing process, which in the LFC is used for reporting wider organisational concerns.
82. The Internal Audit advisory report made a number of useful suggestions on changes to the policy, including that its structure and language could provide greater clarity on the process and that the policy and reporting line should be readily accessible and understood by LFB staff.
83. The LFC therefore made the following changes to the Whistleblowing Policy:
  - It has been rewritten to provide clarity and to better reassure and encourage individuals to report and to provide updates and reports on progress to those who refer matters.
  - Greater clarity on how the policy interacts with other means of referring concerns.
  - Provision of an independent reporting line; the telephone number, email address and mobile phone QR Code for referrals by individuals (employees and external people) will be to Navex (EthicsPoint).
  - The Navex system provides a case management system for storing, monitoring and reporting data.
  - The details of the reporting line are clearly located on the LFC website and on Hotwire (intranet) and otherwise promoted and advertised.
  - Reporting on Whistleblowing cases to be considered alongside reporting on other referrals/complaints/matters of concern.
  - Guidance provided on conducting an investigation

Key areas of governance focus for 2025/26	Planned action
1. Grenfell Tower Inquiry Phase 2 report recommendations	<ul style="list-style-type: none"> <li>• Ongoing action to implement the Phase 2 report recommendations</li> </ul>
2. HMICFRS Inspection results and Areas for Improvement (AFIs)	<ul style="list-style-type: none"> <li>• Ongoing work to address AFIs</li> </ul>
3. Fire Standards regime	<ul style="list-style-type: none"> <li>• Collation of evidence and action to comply with each of the Fire Standards</li> </ul>
4. Risk and Assurance Management Framework	<ul style="list-style-type: none"> <li>• The development and adoption of separate risk and assurance management policies</li> </ul>
5. New finance and procurement system	<ul style="list-style-type: none"> <li>• Rollout of the LFC's new finance and procurement system</li> </ul>

## London Fire Commissioner - Annual Governance Statement 2024/25

Key areas of governance focus for 2025/26	Planned action
6. LFC Governance Framework	<ul style="list-style-type: none"><li>• Periodic review of the framework, including alignment with the CIPFA/SOLACE principles of good governance</li></ul>

### Conclusion

84. 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: 23 February 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.

# London Fire Brigade

Audit Results Report

Year ended 31 March 2025

**23 February 2026**



The better the question. The better the answer. The better the world works.



Shape the future  
with confidence



London Fire Commissioner  
London Fire Brigade  
169 Union Street  
London  
SE1 0LL

23 February 2026

Dear Commissioner

### 2024/25 Audit Results Report

[We attach our audit results report, summarising the position of the audit.](#)

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the London Fire Brigade's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Commissioner, as the individual charged with governance, has an essential role in ensuring that it has assurance over both the quality of the financial statements prepared by management and the Authority's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Authority's external financial reporting arrangements and the effectiveness of the Commissioner in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw the Commissioner and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Commissioner and management, and is not intended to be and should not be used by anyone other than these specified parties.

Yours faithfully

Ben Lazarus

Partner, For and on behalf of Ernst & Young LLP

Enc

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated July 2021)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Commissioner and management of the London Fire Brigade in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Commissioner and management of the London Fire Brigade those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Commissioner and management of the London Fire Brigade for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



# 01 Executive Summary

# Executive Summary – Context for the audit

## Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- lack of capacity within the local authority financial accounting profession;
- increased complexity of reporting requirements within the sector;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 21/11/2024 Audit Completion Report and 26/02/2025 Audit Results Report we issued a disclaimer of opinions on the Authority's 2022/23 and 2023/24 financial statements under these arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. We do however, in a key and positive step forward, anticipate issuing a qualified audit opinion this year rather than a disclaimer. This is consistent with LARRIG 01 and the illustrative timescale for progress to full assurance, which set out that there is potential for qualified opinion in 2024/25. This reflects overall positive progress.

Appendix A sets out the current position of London Fire Brigade in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

# Executive Summary – Context for the audit

## Scope update

In our Audit Planning Report presented at the 11 June 2025 Commissioner’s Board meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** In our Audit Planning Report, we communicated that our audit procedures would be performed using a materiality of £11.3m. We updated our planning materiality assessment using the financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure on services, we have updated our overall materiality assessment to £13.3m. This results in updated performance materiality, at 50% of overall materiality, of £6.6m, and an updated threshold for reporting misstatements of £0.66m.

## Status of the audit

Our audit work in respect of the group opinion is complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report;

- Whole of Government Accounts

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix D.

Our final audit opinion is included in Section 04.

## Value for Money

In our Audit Planning Report dated 28 April 2025, we reported that we had not completed our value for money (VFM) risk assessment and we had identified 2 risk of significant weakness in respect of Improving economy, efficiency and effectiveness and financial sustainability. Having updated and completed the planned procedures in these areas we did not identify a significant weaknesses. See Section 03 of the report for further details.

## Audit differences

Our work to date identified 15 audit differences above our agreed reporting threshold throughout our audit as detailed in Section 05. This includes 7 audit differences which management have chosen not to adjust.

We also identified a number of additional disclosure misstatements which have been discussed and agreed with management and corrected in the final statement of accounts. Any uncorrected disclosure points are deemed immaterial.

Please see section 05 Audit Differences for details of adjusted and unadjusted audit misstatements

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts however the London Fire Commissioner falls below the reporting threshold for WGA purposes.

# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the Authority. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk/Area of Focus	Risk Identified	Status of our work
Misstatement due to fraud or error	Fraud risk	We have not identified any evidence that management has overridden controls in order to prepare fraudulent financial statement balances or postings within the financial statements.
Risk of fraud in revenue recognition - MFB and other non-grant income	Fraud Risk	In April 2025, LFC went live with its new SAP system, however there were a number of issues identified which impacted our cut off procedures. In order to gain assurance over the completeness of income and debtors balances, additional procedures were required.  Our procedures have not identified any issues regarding the completeness of transactions.
Risk of error in property valuations	Significant Risk	We have completed our audit procedures in response to this risk. No evidence of material misstatement was identified from our testing.
IFRS 16/PFI leases	Significant Risk	Our work identified material adjusted classification misstatements and non-adjusted misstatements in classification and valuation.  Further detail is provided in sections 05 and 06.
Risk of error in the valuation of the net pension liability - Fire Fighter Pension Scheme and Local Authority Pension Scheme	Risk of material misstatement	We have concluded on our work and have identified a material misstatement of £22 million that management have agreed to correct. This relates to information that was not originally submitted by LFC to the Actuary for the Fire Fighter Pension Scheme.
Provisions for legal obligation	Risk of material misstatement	We identified a material classification misstatement between long term and short provisions of £8.2million. Management have agreed to correct this.  We have also identified a non-adjusted £1.2m overstatement in the provision balance.

We request that you review these and other matters set out in this report to ensure:

- There are no further considerations or matters that could impact these issues.
- You concur with the resolution of the issue.
- There are no further significant issues you are aware of to be considered before the financial report is finalised.

There are no matters, other than those reported by management or disclosed in this report, which we believe should be brought to the attention of the Commissioner.

# Executive Summary (cont'd)

## Control observations

During the audit, we identified a number of control observations. Please refer to section 06 for details.

As a result of the high level of misstatements and control observations we have applied a lower materiality across our audit which has resulted in more extensive and detailed testing which gives rise to additional audit effort and fee, but also increased overall assurance.

## Independence

We have no matters to report in respect of Independence. Please refer to Section 08 for our update on Independence.

## Factors impacting the execution of the audit

Management, and the Commissioner, as the Authority's those charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over the page sets out our views on the effectiveness of the Authority's arrangements to support external financial across a range of relevant measures.

# Audit of financial statements

## Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the financial statements	Effective			The financial statements were published by the 30 <sup>th</sup> June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the financial statements	Effective			Whilst we identified a small number of non-material disclosure issues in the financial statements, the statement of accounts were of adequate quality and complete.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Effective			Working papers were provided to the agreed timetable.	N/A
Quality of working papers and supporting evidence	Requires improvement			<p>We identified inconsistencies between working papers and supporting evidence provided to us when compared to the financial statements submitted for audit. A number of differences were also identified showing that insufficient review of the financial statements/working papers had occurred.</p> <p>For several requests, the quality of evidence provided was of lower quality than required by our audit regulations and led to further requests for clarification and further evidence. There were also issues with timeliness of response to audit queries.</p>	We have kept management up to date on issues on a regular basis through the audit delivery phase. This has led to a significant increase in audit hours than included in the base fee, therefore leading to a proposed scale fee variation.

# Audit of financial statements

## Factors impacting the execution of the audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness and quality of evidence supporting key accounting estimates	Requires improvement			Significant delays were experienced in the provision of supporting evidence for the valuation of PPE from the Authority. The quality of evidence and explanations provided were of lower quality than required, leading to further requests for clarification and evidence. This resulted in delays to the audit process.	We have kept management up to date on issues on a regular basis through the audit delivery phase. This has led to a significant increase in audit hours than included in the base fee, therefore leading to a proposed scale fee variation.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			There were no issues with access to key members of the finance team and key personnel. However, there was limited oversight and quality control procedures by management over the quality and timeliness of the evidence being returned to us from the wider teams and this adversely impacted our ability to progress our planned procedures as per the detailed audit plan and timelines.	We have kept management up to date on issues on a regular basis through the audit delivery phase. This has led to a significant increase in audit hours than included in the base fee, therefore leading to a proposed scale fee variation.
Volume and value of identified misstatements	Requires improvement			A small number of material misstatements were detected as a result of our work, as well as a number misstatements above our reporting threshold.	N/A



# 02 Areas of Audit Focus

# Areas of Audit Focus

## Presumptive risk of management override of controls (Fraud risk)

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

### What are our conclusions

Our audit work has not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been misreporting of the Authority's financial position, or that management had overridden control.

We have completed our journals testing. We are satisfied that journal entries had been posted properly and for genuine business reasons.

We have reviewed material estimates. No issues were identified in the valuation of land and building. Misstatement identified in relation to pension estimate was corrected by management and did not give an indication of management override but rather lack of review by management.

There were no unusual transactions identified.

### Our response to the key areas of challenge and professional judgement

We have:

- Identified fraud risks during the planning stages.
- Inquired of management about risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertaken procedures to identify significant unusual transactions.
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

### What else did we do?

We focused on aspects of the financial statements which are open to estimation and judgment, which would facilitate management overriding controls, using our data analytics, we identified and tested:

- Journal entries subject to specific narrative descriptors, posted at certain times of the financial year or by certain individuals, and unusual transactions; and
- Material accounting estimates, such as the valuation of land and buildings and pensions liability..

# Areas of Audit Focus

## Risk of fraud in revenue recognition – MFB and other non-grant income (Fraud risk)

### What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition.

There are two material revenue streams which are not grant related which we have assessed as at risk of manipulation:

- 1) Metropolitan Fire Brigade (MFB) Act income and;
- 2) Other Income.

MFB Act income recognised in each financial year is a combination of that levied in the previous and current calendar years. Recognition is therefore complex and susceptible to manipulation.

Other Income relates to income from insurance claims, reimbursements, fees and charges.

In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. At the planning stage, we have concluded that in the case of the London Fire Brigade, this is not a material or likely risk. In view of our understanding of the expenditure streams, the risk of material misstatement arising from inappropriate revenue recognition has a low likelihood of occurrence due to the streams being supported by employment contracts, external contracts and third-party agreements/invoices that have predetermined costs.

### Our response to the key areas of challenge and professional judgement

We have:

- Sample tested other (non-grant) income using a lower testing threshold and ensuring that underlying evidence supports the recognition of income within the financial year.
- Reviewed and tested the MFB revenue recognition policy and confirmed that it is consistent with the Act and with the accounting standards.
- Tested a sample of MFB revenue transactions, using a lower testing threshold and confirmed that they have been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split.
- Tested journal entries that meet unusual criteria where the credit entry side was posted to revenue.

### What are our conclusions

- We did not identify any errors in our testing of MFB income and MFB receipts in advance recognised as at the 31 March 2025. Management's MFB policy is consistent with the act and is being adhered to.
- We did not identify any errors in our testing of other income recognised as at the 31 March 2025.
- We have completed our journals testing. We are satisfied that journal entries had been posted properly and for genuine business reasons.
- Management had incorrectly posted the debit side of the bad debt provision entry to income rather than to expenditure which results in an understatement of both income and expenditure of £890k. Management have chosen not to correct this item as it is a reclassification item only with no impact on the net position.

# Areas of Audit Focus

## Risk of error in property valuations (Significant risk)

### What is the risk?

Auditing standards (ISA 620) require us to gain particular assurances when an expert has been engaged and where this influences material figures in the financial statements.

The London Fire Commissioner engages a professional valuer to provide it with asset valuations.

Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet as they are subject to valuation on an annual basis.

Changes in assumptions to the property valuations could result in either an understatement or overstatement to the land and buildings item within the balance sheet with a corresponding impact to the revaluation reserve in the balance sheet and the surplus/deficit on revaluation item with the Comprehensive Income and Expenditure Statement.

The below errors were identified and reported on in our 2023/24 audit. High priority recommendations were raised in our Audit Results Report that management is expected to resolve in 2024/25.

- PPE valuation - Amount £7,385k - we identified that incorrect and out of date floor measurements had been provided to the valuer. We requested that management revisit the area sizes for the full portfolio to assess the total impact to the valuation of land and buildings as a result of incorrect floor plans. The total impact was assessed to be an understatement in value of £7.4m to PPE which is supportable based on the updated floor plans. There is no impact to the surplus/deficit on provision of services in the CIES as a result of this misstatement.
- PPE Componentization - Amount £6,207k - Management's accounting policy is to only apply componentization to assets with a value above £5m. We challenged management to assess the impact of this on depreciation, and we found that this policy results in an understatement to depreciation of £6.2m.

### Our response to the key areas of challenge and professional judgement

We have:

- Considered the work performed by the London Fire Brigade's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Followed up on prior year recommendations and work completed by the London Fire Brigade to resolve the errors and recommendations.
- Sample tested key asset information and assumptions used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre and land areas and values). Our testing included additional skepticism due to the prior year errors identified.
- Considered changes to useful economic lives as a result of the most recent valuation
- Confirmed that the information provided by the valuer as the management's expert has been appropriately reflected in the financial statements
- Tested accounting entries have been correctly processed in the financial statements.
- Obtained the valuation instructions sent by the London Fire Brigade to the valuer and check that lease arrangements have been communicated correctly and taken into consideration in the valuations.
- Instructed our own Property valuation team (EY Real Estates) to review a sample of DRC, EUV and surplus asset valuations performed by the Authority's valuers

### What are our conclusions

- Our procedures assessed management's specialist as appropriately independent with the appropriate skills for the portfolio. The specialist's methodology is considered to be consistent with valuation practice given the characteristics of the assets being measured.
- Our internal expert performed a detail review of the underlying assumptions for a sample of four assets. All assets were found to be supportable and their valuations sit within our expert's reasonable range.
- Our work did not identify any material misstatements.
- Our work noted a change in PPE componentisation policy from applying componentisation to assets with a value above £5m to £1m. We performed procedures over this and noted no material misstatement.
- We tested 100% of the floor areas due to initial differences identified in our sample, whilst our testing noted some differences, this does not result in a difference above our reporting threshold.

# Areas of Audit Focus

## IFRS 16 implementation/PFI leases (Significant risk)

### What is the risk?

- IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the London Fire Brigade's 2024/25 accounts.
- IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the London Fire Brigade is lessee these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.
- Successful transition will depend on the London Fire Brigade having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The London Fire Brigade will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.
- From our review completed in 2023/24 on management's IFRS 16 readiness assessment for 2024/25, we noted that LFB had shown some level of preparedness for the adoption of IFRS 16 but have not gone far enough by assessing and disclosing the impact in 2024/25.

### Our response to the key areas of challenge and professional judgement

We have:

- Gained an understanding of the processes and controls developed by the London Fire Brigade relevant to the implementation of IFRS 16. We paid particular attention to the London Fire Brigade's arrangements to ensure lease and lease-type arrangements considered are complete.
- Reviewed the discount rate that was used to calculate the right of use asset and assess its reasonableness.
- Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gained assurance over the right of use asset included in the 2024/25 financial statements
- Sample tested leases using a lower testing threshold to ensure that transition arrangements have been correctly applied.
- Considered the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.
- Reviewed financial statement disclosures to assess appropriateness and sufficiency.

### What are our conclusions

- Our procedures identified a lack of review and challenge by management regarding internal IFRS 16 calculations and disclosure. It was noted that calculations were completed without proper review of contracts or application of evidence.
- This resulted in a material corrected misstatements identified of £7.7m.
- The misstatement that has not been adjusted impacts long term liabilities (£3.6m), short term liabilities (£2.9m), Long-term Receivable (£716k), Right-of-use Asset (626k), income statement (£784k), bank (£27k) and short term receivable (£9k).
- After assessing both the corrected and uncorrected adjustments, we note that no material issues remain in respect of the balance or its disclosures.
- Please refer to section 05.

# Areas of Audit Focus

## Risk of error in the valuation of the net pension liability (Area of focus)

### What is the risk?

Risk of error in the valuation of the net pension liability - Fire Fighter Pension Scheme and Local Authority Pension Scheme (Risk of material misstatement)

The Local Authority Accounting Code of Practice and IAS19 require the London Fire Brigade to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme (LGPS) and the Fire Fighter's Pension Scheme (FFPS).

The London Fire Brigade's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the London Fire Brigade's balance sheet. At 31 March 2024 this totalled £5.04 billion. This is broken down as follows: A surplus of £20,7m for LGPS and liability of £5.06 billion for FFPS.

The information disclosed is based on the IAS 19 report issued to the London Fire Brigade by the actuary to the London Fire Brigade.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### Our response to the key areas of challenge and professional judgement

We have:

- Liaised with the auditors of London Pension Fund Authority, to obtain assurances over the information supplied to the actuary in relation to the London Fire Brigade.
- Assessed the conclusions drawn on the work of the actuary, Barnett Waddingham (LGPS) and Government Actuaries Department (FFPS), including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and considering any relevant reviews by the EY actuarial team.
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model;
- Assessed the application of IFRIC14 including any calculations performed to determine the impact of the asset ceiling or asset recognisable for the LGPS scheme and
- Reviewed and tested the accounting entries and disclosures made within the London Fire Brigade's financial statements in relation to IAS19 for both LGPS and FFPS.

### What are our conclusions

In respect of the Local Government Scheme, the auditors of the London Pension Fund Authority reported to us differences identified through their audit over the Pension Fund assets position. The impact of these differences on London Fire's LGPS pension liability is an understatement of £1.9m. Management have chosen not to adjust for this item.

We engaged with our EY Pensions Team to review the Authority's recognised asset and ensure it was compliant with the requirements of IFRIC 14. No issues were identified.

In respect of the Fire Fighter's Pension Scheme, we identified an error in the data submitted to the actuary resulting in an overstatement of the pension liability amount to £22.2m. Management have adjusted for this item accordingly.

# Areas of Audit Focus

## Provision for legal obligation (Area of focus)

### What is the risk?

Provisions for legal obligation (Risk of material misstatement)

Management recognise material provisions in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, in relation to legal obligations arising in relation to both public and employer's liability. These provisions are sensitive to the users of the financial statements. Its relevance and importance necessitate careful consideration and disclosure.

The nature of these estimates means that they are based on uncertain outcomes and are subject to management judgement.

As part of our 2023/24 audit of the financial statements we identified unadjusted errors in this area including an understatement of the provisions as a result of costs not included in management's calculations.

### Our response to the key areas of challenge and professional judgement

- We have: Critically assessed management's estimates and assessment including agreement to third party evidence and consistency with legal advice;
- Stress tested management's estimate using downside assumptions to assess the risk of material misstatement;
- Assessed the completeness of the provisions through inquiry with the legal team; search for unrecorded provisions and evaluating management's rationale of estimated costs where third party evidence is not available.
- Ensured appropriate accounting for the provisions in line with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- Ensured appropriate disclosure within the financial statements.

### What are our conclusions

We reviewed and challenged each element of the calculation for material provisions and in completing these procedures, we identified:

- Public liability provision: a classification misstatement between the long term and short provisions of £8.2million. Management have agreed to correct this. We have also identified an uncorrected £1.2m overstatement in the provision balance.
- Legal provision: Contingent Liabilities of £1.6m were incorrectly recorded as provision., Management have corrected this in the statement of accounts.
- After assessing both the corrected and uncorrected adjustments, we note that no material issues remain in respect of the balance or its disclosures.

# Areas of Audit Focus (cont'd)

## Going concern

The provisions of the CIPFA Code of Practice on Local Authority Accounting in respect of going concern reporting requirements reflect the economic and statutory environment in which local authorities operate. These provisions confirm that local authorities cannot be created or dissolved without statutory prescription and that they must prepare their financial statements on a going concern basis of accounting. Local authorities carry out functions essential to the local community, are themselves revenue-raising bodies and the financial reporting framework presumes the continuation of service provision. However, the Authority is required to carry out a going concern assessment that is proportionate to the risks it faces. Under the auditing standard in relation to going concern (ISA570), the Authority is required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified.

We report and explain judgements about events or conditions identified in the course of the audit that may cast significant doubt on the entity's ability to continue as a going concern and challenge the disclosure made in the accounts in respect of going concern and risks and issues impacting the Authority's liquidity over the going concern assessment period.

From our audit work completed, we have not identified any issues to report.

# Areas of Audit Focus (cont'd)

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures
- Scope of the consolidation, including any exclusion criteria applied to non-consolidated entities if any and whether they are in accordance with the financial reporting framework
- Significant difficulties, if any, encountered during the audit
- Significant matters, if any, arising from the audit that were discussed with management
- Matters regarding management's process for identifying and responding to the risks of fraud in the entity
- Disagreements with management, if any, arising during the audit
- Other matters if any, significant to the oversight of the financial reporting process, including the strengths and weaknesses of the finance function and the quality of the financial statement preparation process
- Written representations that we are seeking
- Expected modifications to the audit report
- Related parties
- Going concern
- External confirmations
- Consideration of laws and regulations, including any significant matters involving actual or suspected non-compliance with laws and regulations or articles of association which were identified in the course of the audit, in so far as they are considered to be relevant in order to enable the audit committee to fulfil its tasks
- Use of auditor's external specialists

Throughout the audit, we engaged with management on issues relating to the quality of audit evidence and the timeliness of audit submissions, noting that continued deficiencies in these areas adversely affect audit timelines and result in additional fees.

Taking into account the requirement to conclude our work by the 2024/25 backstop date, we have not been able to fully rebuild assurance as part of the 2024/25 audit. We do however, in a key and positive step forward, anticipate issuing a qualified audit opinion this year rather than a disclaimer. This is consistent with LARRIG 01 and the illustrative timescale for progress to full assurance, which set out that there is potential for qualified opinion in 2024/25. This reflects overall positive progress in terms of the anticipated journey back to an unqualified audit opinion.

We have nothing else to report in relation to these areas.



# 03 Value for Money

# Value for Money

## The Authority's responsibility for Value for Money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

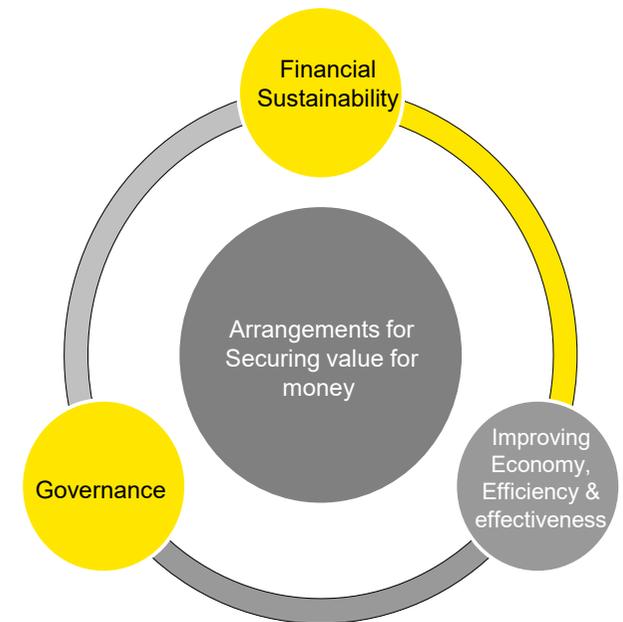
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Authority's arrangements, to enable us to a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Authority arrangements against three reporting criteria:

- Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness - How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements and therefore expect to have no matters to report by exception in our audit report.

While our review did not identify any significant weaknesses in the Authority's internal arrangements, our Auditor's Annual Report highlights the growing pressure on the organisation's overall financial position. The financial sustainability challenges facing the Authority are becoming increasingly acute and will require continued robust monitoring, strengthened governance, and sustained oversight. Ongoing engagement with the Mayor and the Greater London Authority remains essential to support effective financial planning and ensure that emerging pressures are appropriately managed.





# 04 Audit Report

# Audit Report

## Final audit report

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF The London Fire Brigade

#### Qualified Opinion

We have audited the financial statements of The London Fire Brigade for the year ended 31 March 2025. The financial statements comprise the:

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes 1 to 34 including material accounting policy information and including the Expenditure and Funding Analysis.
- and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Assets Statement, and the related notes.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

In our opinion, except for the effects of the matters described in the Basis for qualified opinion section, the financial statements:

- give a true and fair view of the financial position of the London Fire Brigade as at 31 March 2025 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended).

#### Basis for qualified opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

As a result of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024, we do not have sufficient appropriate audit evidence over:

- the classification of reserves between useable and unusable including:
  - General Fund
  - Earmarked Reserves
  - Capital grants unapplied
  - Capital adjustment account

Our inability to audit the classification is a consequence of the disclaimer of opinion on the reserve balances as at 31 March 2023. We have obtained assurance over the in year movements in reserves for the year ended 31 March 2025 and the comparative year.

Our opinion on the current period's financial statements is also modified because of the possible effect of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024 on the comparability of the current period's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

# Audit Report

## Final audit report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The audit of the financial statements for the year ended 31 March 2023 and 31 March 2024 for The London Fire Brigade were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 21 November 2024 and 26 February 2025 respectively.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director of Corporate Services' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period to 31 March 2027.

Our responsibilities and the responsibilities of the Director of Corporate Services with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the Statement of Accounts 2024/25 other than the financial statements and our auditor's report thereon. The Director of Corporate Services is responsible for the other information contained within the Statement of Accounts.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the Basis for qualified opinion section of our report, our audit opinion is qualified due to a lack of sufficient appropriate audit evidence over property, plant and equipment, the classification of certain reserves balances, and comparative values. Information on these elements of the financial statements are included in the Narrative Report and accordingly we have concluded that the other information may be materially misstated for the same reason.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

# Audit Report

## Final audit report

### Responsibility of the Director of Corporate Services

As explained more fully in the Statement of the Director of Corporate Services Responsibilities set out on pages 22, the Director of Corporate Services is responsible for the preparation of the Statement of Accounts, which includes the Authority financial statements and the firefighters pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Director of Financial Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or has no realistic alternative but to do so.

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

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992)
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018, 2020, and 2022,
- The Local Government Finance Act 2012
- The Local Audit and Accountability Act 2014 (as amended), and
- The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how The London Fire Brigade is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management; head of internal audit; those charged with governance and the monitoring officer and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance. We corroborated this through our reading of the Authority's committee minutes, through enquiry of employees to confirm Authority policies, and through the inspection of employee handbooks and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

# Audit Report

## Final audit report

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified manipulation of reported financial performance through improper recognition of revenue, specifically Metropolitan Fire Brigade (MFB) Act income and management override of controls to be our fraud risks.

To address our fraud risk around the manipulation of reported financial performance through improper recognition of revenue, we reviewed and tested MFB revenue recognition policy and ensured that it was consistent with the Act and with accounting standards; sample tested MFB revenue transactions to ensure that they had been recognised at the appropriate amount and in the correct accounting period, including the correct receipts in advance split; sample tested other non-grant income at a lower testing threshold and ensured that underlying evidence supports the recognition of income within the financial year and tested journal entries that meet unusual criteria where the credit entry side is posted to revenue.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested specific transactions back to source documentation to confirm that the journals were authorised and accounted for appropriately.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### *Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources*

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether The London Fire Brigade had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether The London Fire Brigade put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether The London Fire Brigade had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certificate**

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of the London Fire Brigade. Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

# Audit Report

## Final audit report

### Use of our report

This report is made solely to the members of the London Fire Brigade, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Ben Lazarus (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
London  
Date: 23 February 2026*



# 05 Audit Differences

# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following factual misstatements greater than £0.66m which have been corrected by management that were identified during the course of our audit:

1. Firefighters Pension Liability - Amount £22.2m - Our audit procedures identified that the London Fire Brigade erroneously omitted the benefit paid in the data submitted to actuary. This had a direct impact on the overall reported liability (overstated) within the financial statements.
2. Provisions - Amount £1.6m - Our sample testing on the legal provision balance, as per note 15, identified instances of the provision definition not being met. We requested management to revisit the population. Management assessment was audited and identified that an amount of £1.6m should have been recorded as a contingent liability rather than a provision as per the respective code definitions.
3. Leases classification - Amount £7.7m - Our audit work identified a classification misstatement between long term and short term liabilities.
4. Debtors - Amount £1.8m - During our audit procedures over the reconciliation between the debtor's ledger and the debtors ageing, we identified an item that had been recorded in both the ageing report (POMS system) and the debtors ledger (Masterpiece), resulting in a duplicate entry.
5. Creditors - Amount £3.2m - Over audit procedures over reconciliations between the general ledger, listings and the statement of accounts identified classification misstatements within the line items presented in note 14.
6. Public liability provision - Amount £8.25m - Our audit work identified a classification misstatement between long term and short term liabilities.
7. Assets under construction reclassification - Amount £2.6m - Our testing identified that a number of assets had been incorrectly classified to land and buildings at the year end but evidence showed that these assets had not been completed during the year and should have remained as assets under construction.

All of the above items have been adjusted accordingly in the final accounts.

# Audit Differences

## Summary of unadjusted differences

We highlight the following misstatements greater than £0.66m to the financial statements which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Commissioner and provided within the Letter of Representation:

### Reclassification misstatements

1. Bad debt provision - Amount £0.89m - The Bad Debt Provision journal had been posted as a debit to income and should have been recorded as a debit to expenditure. There is no impact on the net cost of services, and this is a classification difference between gross income and gross expenditure only.

### Judgemental misstatements

2. LGPS Pension liability - Amount £1.9m - the auditor of the London Pension Fund Authority reported to us adjustments related to the Pension Fund asset values. We have reviewed these adjustments and considered their impact on London Fire as an admitted body and concluded that there is a judgemental understatement of £1.9m to the LGPS pension liability because of these adjustments.
3. Legal provisions - Amount £1.2m - our assessment of the completeness of costs included within certain legal provisions is that there is a judgemental overstatement of £1.2m.

### Factual misstatements

4. Expenditure - Amount £1m - Management could not provide sufficient appropriate audit evidence to support the release of a lease incentive over a lease term.
5. Leases - Please see table on next page for amounts. We have broken down our leases misstatements into 4 categories for ease of understanding as the misstatements relate to numerous accounts.
6. Accruals - Amount £0.57m -. Our unrecorded liabilities testing identified factual and projected misstatements (point 7 below) relating to the 2023/24 and 2024/25 periods not appropriately accrued for.

### Projected misstatements

7. Accruals - Amount £1.9m - London Fire Brigade's policy is to not accrue for amounts less than £5k. Our unrecorded liabilities testing identified instances where amounts greater than £5k was not accrued for. This resulted to a projected understatement of expenditure and accruals of £1.9m.
8. Accruals - Amount £1.6m - London Fire Brigade's policy is to not accrue for amounts less than £5k. Our expenditure testing identified instances where this was not adhered to as amounts over £k were not accrued for. This resulted to a projected overstatement of expenditure and accruals of £1.6m.

# Audit Differences (cont'd)

## Summary of adjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation:

	Effect on the current period		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
<b>Uncorrected misstatements 31 March 2025 (Currency'000)</b>						
<b>Errors</b>						
<b>Reclassification misstatements</b>						
		891				
• Bad debt provision taken to income rather than Exp		(891)				
<b>Judgemental misstatements</b>						
LGPS Pension liability - variance between audited vs IAS 19	1,851					(1,851)
Overstatement of provision		(1,205)			1,205	
<b>Factual misstatements</b>						
Insufficient support over the release of lease incentive over the lease term		996			(332)	(664)
Leases		(784)	36	90	(2,895)	3,553
Accruals - Identified in unrecorded liabilities testing		566			(566)	

# Audit Differences (cont'd)

## Summary of adjusted differences continued

Uncorrected misstatements 31 March 2025 (Currency'000)						
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
<u>Projected misstatements</u>						
Accruals - Identified in unrecorded liabilities testing		1,856			(1,856)	
Accruals - Identified in expenditure testing		(1,641)			1,641	
<b>Cumulative effect of unrecorded misstatements</b>	1,851	567	72	180	(6,596)	3,925



06

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant weaknesses in internal control our audit highlighted.

During the audit, we identified a number of deficiencies in internal control covering the following areas:

- ▶ Data submitted to actuary
- ▶ Debtors and Creditors reconciliations
- ▶ IFRS 16
- ▶ Provisions classification

Detail for these deficiencies, and our supporting recommendations, are included over the next pages. In addition to these deficiencies, we also identified a number of observations and improvement recommendations in relation to management's financial processes and controls. These are also detailed on pages 31 to 37.

The control observations on the following pages represent the 'high', 'moderate', and 'low' rated findings identified during the 2024/25 audit, including those related to IT controls. The rating key used is shown below. This report acts as our final formal management letter to management. Management have provided on the next slides a preliminary response to the control findings identified during 2024/25. Management intend to further review their responses after the audit and have agreed to liaise with the audit team in ensuring that all matters raised have been fully addressed and an approach agreed to address these matters timely for the 2025/26 audit.

We have also provided status update on prior year recommendations on page 38

Grading	Definition
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
1	<p><b>Misclassification Due to Inadequate Review of Note 14 Mapping</b></p> <p>Our audit identified that certain figures presented in Note 14 required correction by management due to a mapping error. This indicates that existing controls over the preparation and review of note disclosures were not sufficiently robust to detect misclassifications prior to finalisation.</p>	Moderate	<p>Management should strengthen its controls over the preparation and review of financial statement notes by:</p> <ul style="list-style-type: none"> <li>- Implementing a formal validation process to verify that mapping structures are correct.</li> <li>- Ensuring that any system-generated mappings or spreadsheet links used in the preparation of disclosures are independently reviewed and tested before year-end.-</li> <li>- Maintaining documented evidence of the review process, including checks performed and any adjustments made.</li> </ul> <p>These steps will help ensure the accuracy and completeness of disclosures and reduce the likelihood of classification errors occurring in future reporting periods.</p>	Management accepts these recommendations and will implement them for the 25/26 accounts.
2	<p><b>Exit packages listing</b></p> <p>In accordance with CIPFA guidance, an authority is required to recognise a liability and the associated expense for termination benefits at the earlier of:</p> <p>(a) the date on which the authority is no longer able to withdraw the offer of such benefits; or</p> <p>(b) the date on which the authority recognises restructuring costs that fall within the scope of Section 8.2 of the Code and IAS 37, where the restructuring involves the payment of termination benefits.</p> <p>During the course of our audit procedures, we noted that an individual who ceased employment on 31 March 2024, but whose termination payment was made in the 2024/25 financial year, was included within the current-year exit packages disclosure. However, this individual was not included in the detailed listings for either the current or prior year.</p>	Moderate	<p>Management should strengthen its controls over the compilation and reconciliation of exit package disclosures. This should include implementing a formal review process to ensure that all individuals included within the summary disclosures are also accurately reflected in the detailed listings and supporting documentation.</p>	<p>The Finance and People Services teams recognise that there were previous deficiencies in this area and have strengthened the controls in advance of a consultation process which began in March 2025. Complete records of termination agreements and associated payments have been compiled and checked by People Services, Payroll and General Counsel. These are stored in a single location and to ensure all supporting documentation is accessible to those with authority to see it.</p>

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
3	<p><b>Leavers Listing</b></p> <p>During our audit procedures over the leavers listing, we identified that the activity descriptions recorded for certain individuals are unclear and, in some cases, inaccurate. For example, one individual who departed under a redundancy arrangement was recorded with the activity code "resign other," which does not accurately reflect the reason for leaving.</p> <p>This inconsistency indicates a weakness in the authority's controls over the recording, classification, and review of leaver information. Inaccurate activity descriptions increase the risk of misclassification and may compromise the reliability of disclosures linked to termination benefits.</p>	Moderate	<p>Management should strengthen its controls over the completion and review of the leavers listing by:</p> <ul style="list-style-type: none"> <li>- Implementing a standardised set of leaver activity categories with clear definitions.</li> <li>- Ensuring staff responsible for recording leaver information are adequately trained in selecting the correct category.</li> <li>- Introducing a formal review process—either by HR or payroll—to verify that the recorded activity category aligns with supporting documentation (e.g., redundancy letters, resignation notices, termination agreements).</li> <li>- Periodically reconciling leaver data to ensure consistency between HR records, payroll systems, and disclosure listings.</li> </ul> <p>These enhancements will help ensure the accuracy, completeness, and reliability of leaver information used in statutory reporting and internal workforce monitoring.</p>	The Finance and People Services teams recognise that there were previous deficiencies in this area and have strengthened the controls in advance of a consultation process which began in March 2025. Complete records of termination agreements and associated payments have been compiled and checked by People Services, Payroll and General Counsel. These are stored in a single location and to ensure all supporting documentation is accessible to those with authority to see it.
4	<p><b>Correspondence over overdue debt</b></p> <p>Controls over the debt-recovery process are not operating as designed. For sampled unpaid items, no evidence was available to demonstrate that reminder notices or follow-up correspondence had been issued to debtors. This is not in line with the organisation's policy, which requires the finance department to initiate recovery procedures when invoices remain unpaid after 28 days.</p>	Moderate	<p>Management should ensure that debt-recovery actions are performed and appropriately documented in accordance with policy. This includes issuing reminders within required timeframes and retaining evidence of all correspondence with debtors. Strengthening these controls will support timely debt collection and improve the audit trail for outstanding balances.</p>	The corporate debt recovery policy has been reviewed and is pending publication (subject to consultation). The roles and responsibilities are clearer, differentiating between what is done centrally and by local teams.
5	<p><b>Completeness of data submitted to actuary</b></p> <p>The was no evidence to confirm that adequate controls are in place to ensure the completeness and accuracy of data provided to the actuary. During our audit, we noted that benefits payments were erroneously omitted from the actuarial data submission. This omission resulted in an incorrect actuarial valuation and an overstatement of the related liability recognised in the financial statements.</p> <p>(Repeat observation)</p>	High	<p>We recommend that management strengthen data-preparation and review controls over information submitted to the actuary. This should include a documented reconciliation process, supervisory review, and validation checks to confirm that all relevant benefit payments are fully and accurately captured. Implementing these controls will help ensure that actuarial valuations are based on complete data and that the resulting liabilities are correctly reported in the financial statements. (Repeat recommendation)</p>	Management accepts this recommendation and is implementing these controls as proposed.

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
6	<p><b>Inadequate Management Review of IFRS 16 Calculations and Disclosures</b></p> <p>Our audit procedures identified insufficient management review and challenge over the authority's internal IFRS 16 calculations and related disclosures. Calculations were prepared without appropriate assessment of underlying contracts or verification against supporting evidence. This lack of oversight contributed to several misstatements being identified during the audit. <a href="#">(Repeat observation)</a></p>	High	<p>Management should strengthen its internal control environment surrounding IFRS 16 by:</p> <ul style="list-style-type: none"> <li>- Implementing a formal review process to ensure calculations are thoroughly assessed against lease contracts and relevant supporting documentation.</li> <li>- Ensuring that staff responsible for preparing IFRS 16 workings have adequate training and guidance on the standard's requirements.</li> <li>- Introducing a secondary review by a suitably qualified individual to challenge key assumptions, inputs, and disclosures before inclusion in the financial statements.</li> <li>- Maintaining clear documentation to evidence the review process and the basis for significant judgements.</li> </ul> <p>These measures will enhance the accuracy and reliability of IFRS 16 calculations and reduce the risk of future misstatements.</p>	<p>This was the first year that LFB was impacted by IFRS 16 and the management team recognises that there are lessons to be learned in preparing quality evidence for the auditors. In the lead-up to the next audit, management will ensure that those involved in lease calculations have a good understanding of what evidence is required, including contract information, and ensuring that the evidence is available at the start of the audit.</p>
7	<p><b>PFI model update</b></p> <p>We identified that the PFI model had not been appropriately updated for the change in RPI as per the PFI contract as part of close down processes. (Repeat)</p>	Moderate	<p>Management should ensure that the PFI financial model is formally updated for changes in RPI in accordance with the requirements of the PFI contract as part of the year end close down process. A defined control should be implemented whereby the responsible officer reviews the contractually prescribed inflation indices annually, recalculates the unitary charge and associated model inputs, and documents the update within the working papers. This process should include an independent review and sign off to confirm accuracy and compliance with contractual terms. Given this is a repeat deficiency, management should also introduce strengthened oversight—such as adding the update to a formal year end checklist –to ensure the control is consistently performed.</p>	<p>Management accepts the weaknesses in the previous PFI model and is putting steps in place to ensure that this is addressed and that additional oversight is introduced.</p>
8	<p><b>Insufficient support over the release of lease incentive over the lease term</b></p> <p>Management was unable to provide sufficient and appropriate audit evidence to support the release of lease incentive over the lease term, indicating inadequate documentation and review processes around lease accounting.</p>	Moderate	<p>A formal review process should be implemented to verify completeness and accuracy before recognition in the financial statements. This will improve auditability and ensure compliance with the relevant accounting requirements.</p>	<p>Management accepts this recommendation and is implementing these controls as proposed.</p>

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
9	<p><b>Incomplete Related Party Declaration Process</b></p> <p>During our audit procedures, we noted that an individual who went on maternity leave during the financial year was not asked to complete a related party declaration prior to commencing leave. Although our review of the prior-year declaration confirmed that no related parties had been disclosed, and our additional audit procedures did not identify any potential related parties, the absence of an updated declaration indicates a weakness in the authority's controls for ensuring that all senior officers complete annual declarations in line with governance requirements.</p>	Moderate	<p>Management should strengthen its related party declaration process by:</p> <ul style="list-style-type: none"> <li>- Implementing a formal control requiring all relevant officers—particularly those taking extended leave (e.g., maternity, long-term sickness, secondment)—to complete their annual related party declaration before their departure.</li> <li>- Introducing monitoring procedures to ensure timely submission of all declarations, including follow-up actions where returns are outstanding.</li> <li>- Maintaining a clear audit trail demonstrating that all required individuals have submitted a declaration or have been appropriately assessed for related party risks.</li> </ul> <p>Strengthening these controls will help ensure completeness of related party disclosures and compliance with governance and financial reporting requirements.</p>	Management accepts these recommendations and will implement them for the next annual declaration.
10	<p><b>Duplicate Entry in Debtors Reconciliation</b></p> <p>During our audit procedures over the reconciliation between the debtor's ledger and the debtors ageing report, we identified an item that had been recorded in both the ageing report (POMS system) and the debtors ledger (Masterpiece). This resulted in a duplicate entry and indicates that existing reconciliation controls are not sufficiently robust to detect and prevent duplication across the two systems.</p>	Moderate	<p>Management should strengthen its reconciliation controls by:</p> <ul style="list-style-type: none"> <li>- Implementing a more detailed, line-by-line reconciliation process to ensure that items are recorded once and only once across all debtor systems.</li> <li>- Introducing an independent review of debtor reconciliations to validate completeness and identify any anomalies or duplicate entries.</li> <li>- Ensuring that system outputs (e.g., ageing reports) and ledger balances are regularly cross-checked and that discrepancies are investigated and resolved promptly.</li> <li>- Maintaining clear documentation of reconciliation procedures and findings to evidence the controls performed.</li> </ul> <p>Strengthening these controls will help ensure the accuracy and reliability of debtor balances and reduce the risk of misstatements in the financial statements.</p>	The old systems, POMS and Masterpiece, have been replaced and all finance and purchasing is now done on a modern SAP system (since April 2025). Controls are built into this system which make it far less likely for these errors and there are no longer two separate systems to reconcile in this way. Management therefore accepts the previous control deficiency but and will review the recommendations to see what is already controlled by having a single system and whether any more controls are required to prevent duplicate entries..

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
11	<p><b>Creditors and Debtors listings</b></p> <p>Management did not provide appropriate debtor and creditors listings for audit which clearly detailed, at transaction level, the outstanding position as at the balance sheet date. The EY team had to spend a considerable amount of time to reconcile listings to the year-end balance per the GL, which lead to the identification of misstatements. In additions, listings were not provided at transactional level, which required resampling in both debtors and creditors. (Repeat observation)</p>	High	Management should implement processes to ensure that complete and accurate debtor and creditor listings are prepared and made available for audit. Listings should clearly reconcile to the general ledger and provide transaction-level detail to support the year-end balances. Strengthening these controls will reduce the risk of misstatements, minimise the need for manual reconciliations, and prevent unnecessary resampling during the audit.	Management accepts this recommendation and is implementing these controls as proposed.
12	<p><b>Contingent Liabilities have been incorrectly recorded as provisions.</b></p> <p>Sample testing identified items that did not meet the criteria for recognition as a provision under the relevant accounting code. Following our request for a review of the full population, management's audited reassessment confirmed that £1.6m had been incorrectly recorded as a provision rather than as a contingent liability.</p>	Moderate	Management should strengthen controls over the evaluation and classification of legal obligations to ensure compliance with the code. This should include a documented assessment of each item against the provision and contingent liability criteria, along with an independent review. Implementing these measures will help ensure that balances are accurately classified and appropriately disclosed in the financial statements. Management should enhance the liability classification process by establishing structured and regular communication between the Finance and Legal teams.	The Finance team has already had discussions with General Counsel around the criteria for recognition of provisions and will ensure that these are regularly reviewed in order to prevent future misclassifications.
13	<p><b>Incorrect classification of short term and long-term provision</b></p> <p>Our audit identified a misstatement arising from incorrect classification between long-term and short-term liabilities, indicating that year-end balances were not appropriately assessed against the relevant criteria.</p>	High	Management should introduce a coordinated review process between Finance and Legal to ensure all legal matters and associated timelines are clearly communicated. This collaboration will support Finance in determining the correct classification of liabilities in accordance with accounting requirements	The Finance team has already had discussions with General Counsel around the timing of provisions and will ensure that these are regularly reviewed in order to prevent future misclassifications.

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
14	<p><b>Incorrect reclassification of AUC</b></p> <p>Audit testing identified several assets that were incorrectly transferred to the land and buildings category despite evidence that they were not yet complete. These items should have remained classified as assets under construction.</p>	Moderate	<p>Management should strengthen review procedures for capital asset classifications at year-end to ensure assets are only reclassified when completion criteria are met. This should include verifying project status with relevant teams (e.g., property, project management) before transferring assets out of assets under construction. Implementing a documented review and approval process will help ensure accurate classification and compliance with accounting requirements.</p>	<p>Management accepts this recommendation and is implementing these controls as proposed.</p>
15	<p><b>Inconsistent application of accrual policy</b></p> <p>Audit testing identified instances where accruals below the £5k threshold were recorded, and other instances where accruals above £5k were not recognised, contrary to the Authority's stated policy of not accruing for amounts under £5k. This demonstrates inconsistent application of the policy and a lack of robust review over the accruals process.</p>	Moderate	<p>Management should strengthen controls to ensure the accruals policy is applied consistently across all departments. This should include:</p> <ul style="list-style-type: none"> <li>- reaffirming the policy to staff responsible for preparing accruals,</li> <li>- implementing a review step to verify that accruals above £5k are recognised</li> <li>- implement a listing of accruals under £5k not recorded to ensure that it does not reach a material value</li> </ul> <p>These measures will help ensure compliance with the policy and improve the accuracy of year-end financial reporting.</p>	<p>The new SAP system will allow us to record all accruals and therefore there will no longer be a £5,000 threshold. The Finance team will be issuing new guidance to colleagues in advance of 25/26 closedown and Finance Business Partners will work with the business to ensure accruals and commitments are correctly recognised..</p>
16	<p><b>Incorrect revaluation calculation</b></p> <p>During audit testing of the initial revaluation workings, it became evident—following discussions with management—that the underlying calculations had not been performed correctly. This indicates a lack of adequate review and validation processes over key valuation adjustments.</p>	Moderate	<p>Management should strengthen controls around the preparation and review of revaluation workings by ensuring that calculations are performed accurately and independently reviewed before being finalised. This should include clear documentation of assumptions, methodologies, and supporting evidence. Introducing a secondary review by a suitably knowledgeable member of the finance team will help ensure that revaluation journals are accurate, compliant with accounting requirements, and ready for audit.</p>	<p>Management accepts this recommendation and is implementing these controls as proposed.</p>
17	<p><b>Property valuation (PPE)</b></p> <p>We saw limited review and challenge of the valuations prepared by the specialist. <a href="#">(Repeat observation)</a></p>	Moderate	<p>Management should ensure that the valuations prepared by the specialist are subject to appropriate review and challenge of the key inputs and whether they are appropriate. We noticed a clear lack of understanding across the finance team of how the valuations are calculated and the assumptions applied. We recommend training is provided to ensure individuals are well placed to challenge the valuations and their inputs.</p>	<p>Management accepts this recommendation and will discuss with both the property team and the auditors in advance of the valuation work in 25/26 to ensure we have the evidence the auditors require for their testing.</p>

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

No.	Control observation	Grading	Recommendation	Management comment
18	<p><b>Property valuation (PPE)</b></p> <p>We expanded our testing to 100% of floor areas after initial sample testing identified discrepancies. While some further differences were noted, none exceeded our reporting threshold. However, management had not performed a floor area assessment prior to submitting information to the valuer, as per our prior-year recommendation. This assessment was only completed following an audit request. (Repeat observation)</p>	Moderate	<p>Management need to incorporate robust checks and challenges to information provided to the valuer and ensure this is appropriately supported by evidence and robust rationales.</p> <p>Management need to ensure open dialogue between the finance and estates team and that mutual understanding is enhanced between teams over the impact and importance of financial statement valuations and the inputs to the valuer.</p>	<p>Management accepts this recommendation and will discuss with both the property team and the auditors in advance of the valuation work in 25/26 to ensure we have the evidence the auditors require for their testing.</p>
19	<p><b>General</b></p> <p>a.) We identified high levels of inconsistencies between working papers and supporting evidence provided to us when compared to the financial statements submitted for audit. Significant levels of disclosure differences were also identified showing that insufficient review of the financial statements had occurred.</p> <p>b.) Audit supporting documents/working papers were not valid/complete such as payments certificates were not signed. (Repeat observations)</p>	Moderate	<p>-Prior to including amounts into the SOA, the relevant supports should also be reviewed by the finance team.</p> <ul style="list-style-type: none"> <li>- Listings should be maintained for each line item in the SOA, including expenditure and contras should be removed when being provided to the audit team.</li> <li>- Proper working papers and reconciliations need to be provided for all accounts. <ul style="list-style-type: none"> <li>- Proper third-party support should be provided</li> <li>- Support should be provided in a manner that is easy to follow (Suggest laying it out in excel sheets)</li> </ul> </li> <li>- Proper review of the SOA needs to be completed prior to sharing with the audit team.</li> <li>- Statement of account mapping needs to subject to detailed review as numerous mapping issues were noted. <ul style="list-style-type: none"> <li>- Better communication between the finance team and all other departments is recommended to support in better understanding of journals and evidence.</li> </ul> </li> <li>- Appropriate contract records need to be maintained with signed contracts in place and accessible to audit.</li> </ul>	<p>Management accepts these recommendations and will review the process for the preparation of the accounts in order to include these controls and improve working papers. The finance team will hold a lessons learned workshop with the auditors in order to ensure a proper understanding of what improvements are needed. The finance team has undergone significant change in the last year and new permanent staff are in place who will take these actions forward.</p>

# Assessment of Control Environment (cont'd)

## Status of previous year's recommendations

No.	Control observation	Grading	Recommendation	Status
1	<p><b>Bank Reconciliations</b></p> <p>During testing we noted an unreconciled difference of £5.3m of items that had actually been received as at YE into the bank and should have been reflected in cash and debtors within the GL.</p>	High	We recommend that management review reconciling items when performing their bank reconciliations and, where relevant, make the appropriate adjustments to the ledger as part of their financial statements close processes. Review of reconciling items and their accounting treatment should be a key element of the bank reconciliation review process.	Closed - Management have implemented recommendations.
2	<p><b>Creditor and Debtors listing</b></p> <p>Management did not provide appropriate debtor and creditors listings for audit which clearly detailed, at transaction level, the outstanding position as at the balance sheet date. The EY team had to spend a considerable amount of time to reconcile listings to the year-end balance per the GL.</p>	High	To ensure readiness for audit, management need to be able to provide a transaction listing of outstanding debtors and creditors as at the balance sheet date, in Microsoft Excel format.	Repeat - Please refer to Summary of control observations and recommendations on previous pages.
3	<p><b>Receipts in advance</b></p> <p>In our testing we identified items classified as receipts in advance which were not actually received before the balance sheet date and should therefore not have been recognised as liabilities.</p>	High	<p>Management need to ensure that the process for accounting for MFB income is followed correctly and process notes are shared with all applicable team members. Appropriate review mechanisms need to be incorporated into the financial statements review process to ensure that this happens in future years.</p> <p><i>This recommendation was also made as part of our 2021-22 audit.</i></p>	Closed - Management have implemented recommendations.
4	<p><b>Payments in advance</b></p> <p>In our testing we identified some items that were recorded as pre-payments but the cash had actually not been paid before year-end.</p>	Moderate	On review of journals accounting for payments in advance, the reviewer needs to check the date at which cash leaves the bank when assessing the correctness of the journal.	Closed - Management have implemented recommendations.

# Assessment of Control Environment (cont'd)

## Status of previous year's recommendations

No.	Control observation	Grading	Recommendation	Management comment
5	<p><b>Leases</b></p> <p>Our testing identified that for one lease, the liability has been calculated based on the rent review date of Dec 2025 and should have been calculated based on the lease expiry date of Mar 2027. This resulted in a difference of £6.3m</p>	Moderate	Appropriate review of lease calculations needs to be incorporated into financial statement close processes to ensure compliance with the CIPFA reporting framework.	Repeat - Please refer to Summary of control observations and recommendations on previous pages.
6	<p><b>PFI</b></p> <p>We identified that the PFI model had not been appropriately updated for the change in RPI as per the PFI contract as part of close processes. Management could also not locate the operator PFI model to share with us for audit.</p>	Moderate	<p>Management need to develop detailed process notes for updating the PFI accounting model as part of close processes to ensure that appropriate information is available if there are staff changes.</p> <p>Management also needs to ensure consistency between the accounting model and operator's model as part of close processes.</p>	Repeat - Please refer to Summary of control observations and recommendations on previous pages.
7	<p><b>Property valuations (PPE)</b></p> <p>We found that incorrect and out of date information (particularly floor areas) had been provided to the valuer resulting in material misstatements to the property valuations. Resolving this issue was time consuming for the audit team and highlighted a clear lack of communication and understanding between the estates team and finance team.</p>	High	<p>Management need to incorporate robust checks and challenges to information provided to the valuer and ensure this is appropriately supported by evidence and robust rationales.</p> <p>Management need to ensure open dialogue between the finance and estates team and that mutual understanding is enhanced between teams over the impact and importance of financial statement valuations and the inputs sent to the valuer.</p>	Repeat - Please refer to Summary of control observations and recommendations on previous pages.
8	<p><b>Property valuations (PPE)</b></p> <p>We saw limited review and challenge of the valuations prepared by the specialist.</p>	Moderate	<p>Management should ensure that the valuations prepared by the specialist are subject to appropriate review and challenge of the key inputs and whether they are appropriate. We noticed a clear lack of understanding across the finance team of how the valuations are calculated and the assumptions applied. We recommend training is provided to ensure individuals are well placed to challenge the valuations and their inputs.</p> <p><i>This recommendation was also made as part of our 2021-22 audit.</i></p>	Repeat - Please refer to Summary of control observations and recommendations on previous pages.

# Assessment of Control Environment (cont'd)

## Status of previous year's recommendations

No.	Control observation	Grading	Recommendation	Management comment
9	<p><b>PPE componentization policy</b></p> <p>Our audit procedures identified that applying management's accounting policy to only componentize assets above £5m results in a material misstatement to the financial statements.</p> <p>Management had not considered the impact of applying a £5m componentisation threshold on the financial statements as recommended previously by us which resulted in further audit delays.</p>	High	<p>We recommend that management re-visit this policy and consider lowering this threshold for future years. Management also need to carry out appropriate procedures on a yearly basis to satisfy themselves that applying a threshold does not lead to a material impact on the depreciation charge.</p> <p><i>This recommendation was also made as part of our 2021-22 audit.</i></p>	Closed - Management have implemented recommendations
10	<p><b>PPE</b></p> <p>Based on our work, we found that the PPE valuation working paper is hard coded rather than linked to workings and supporting evidence</p>	Moderate	<p>Valuations working papers provided to audit need to demonstrate how the valuations have been calculated and management should ensure that appropriate due diligence has been performed on these as part of close processes.</p>	Closed - Management have implemented recommendations
11	<p><b>PPE - Assets under construction</b></p> <p>Our audit work identified a number of assets accounted for as 'assets under construction' at the balance sheet date that were not under construction and had become operational during the year. Management struggled to provide evidence to support the balances within the financial statements adding significant delays to the audit timeline.</p>	High	<p>Management need to incorporate a review of the AUC balance into their close process to ensure that any asset recognised as AUC at the year end meets the accounting definition and is supported by evidence.</p>	Closed - Management have implemented recommendations.
12	<p><b>Payroll</b></p> <p>A reconciliation between payroll and the GL had not been completed at the year-end and had to be performed late in the audit process.</p>	Moderate	<p>Payroll reconciliations should be performed monthly, and these should be subject to appropriate levels of review.</p>	Closed - Management have implemented recommendations

# Assessment of Control Environment (cont'd)

## Status of previous year's recommendations

No.	Control observation	Grading	Recommendation	Management comment
13	<p><b>Data submission to actuary</b></p> <p>There was no evidence that data submitted to the actuary had been reviewed and the lump sums amount had not been updated to reflect actuals at YE and communicated to the actuary or an assessment of this impact made by management.</p>	Moderate	<p>Management should ensure appropriate review of the accuracy of information submitted to the actuary. Where estimates are made, management need to form an assessment of this impact at the year-end on the financial statements.</p> <p><i>This recommendation was also made as part of our 2021-22 audit.</i></p>	<p>Repeat - Please refer to Summary of control observations and recommendations on previous pages.</p> <p>.</p> <p>.</p>
14	<p><b>General</b></p> <p>a.) We identified high levels of inconsistencies between working papers and supporting evidence provided to us when compared to the financial statements submitted for audit. Significant levels of disclosure differences were also identified showing that insufficient review of the financial statements had occurred.</p> <p>b.) Audit supporting documents/working papers were not valid/complete such as payment certificates not signed.</p>	Moderate	<p>i. Prior to including amounts into the SOA, the relevant support should also be reviewed by the finance team.</p> <p>ii. Listings should be maintained for each line item in the SOA, including expenditure and contras should be removed when being provided to the audit team.</p> <p>iii. Proper working papers and reconciliations need to be provided for all accounts.</p> <p>iv. Proper third-party support should be provided</p> <p>v. Support should be provided in a manner that is easy to follow (Suggest laying out clearly in excel sheets)</p> <p>vi. Proper review of the SOA needs to be completed prior to sharing with the audit team.</p> <p>vii. Statement of account mapping needs to subject to detailed review as numerous mapping issues were noted.</p> <p>viii. Better communication between the finance team and all other departments is recommended to support in better understanding of journals and evidence.</p> <p>ix. Appropriate contract records need to be maintained with signed contracts in place and accessible to audit.</p> <p><i>A number of these recommendations were also made as part of our 2021-22 audit.</i></p>	<p>Repeat - Please refer to Summary of control observations and recommendations on previous pages.</p> <p>.</p>

# Assessment of Control Environment (cont'd)

## Challenges for the coming year

The implementation of new Financial and Payroll systems represents a significant change to the control framework, increasing inherent and control risk for the next audit. Additional audit work will be required to gain assurance over system configuration, data migration, control effectiveness, and transaction accuracy during the first year of operation



# 07

# Other Reporting Issues

# Other Reporting Issues

## Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the London Fire Brigade Statement of Accounts 2024/25 with the audited financial statements

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Authority Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We anticipate that the Authority will be under the threshold prescribed by the NAO. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.



08

# Independence

# Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Confirmation

We are not aware of any inconsistencies between the Commissioner's policy for the supply of non-audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partners, senior managers, managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that the independence threats created by the level of the audit fees are at an acceptable level.

We confirm that we have communicated with the Commissioner, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services. There are no non-audit services in relation to London Fire Commissioner.

We have re-affirmed the general policy/process for pre-concurrence with those charged with governance and obtained specific pre-concurrence for services not covered by the general policy. We re-affirm this annually.

## Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK Transparency Report](#).

# Independence

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statement opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment
- ▶ The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Authority should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Authority are set out in the fee analysis on this page.

# Independence

All fees exclude VAT

1. Note 1: As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DLUHC (now MHCLG), PSAA will use its fee variation process to determine the final fee the London Fire Brigade have to pay for the 2023/24 audit. This outlines our submitted scale fee variation to PSAA for the 2023/24 audit, which is yet to be confirmed. These amounts were highlighted and communicated to management and the Commissioner in our 2023/24 Audit Results Report.
2. Note 2: We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:
  - Lower materiality - We apply a 50% performance materiality to the audit for 2023/24. This is a lower level of materiality to reflect the level of errors and control issues identified in previous years audits. A lower level of materiality results in additional work across the audit and this work is not reflected in the scale fee
  - Quality & Preparation issues - We have encountered pervasive quality and control preparation issues across the audit in 2024/25, and this is supported by the level of errors communicated in section 05 as well as the extent of control recommendations in section 06. We also identified over 40 disclosure misstatements all of which required additional work to correct. Overall, our audit has overrun significantly beyond the hours linked to these quality issues. Throughout the course of the audit, management have acknowledged this considerable additional audit effort and the fee implication of this.
  - In April 2025, the London Fire Brigade went live with its new SAP system, however there were a number of issues identified which impacted our cut off procedures. In order to gain assurance over the completeness of income and debtors balances, additional procedures were required. Additional procedures included analytical procedures, extending unrecorded liabilities and expenditure cut off testing and using lower thresholds for sample selection, extending income cut off testing and using lower threshold for sample selection and unrecorded asset testing
  - Additional procedures to assess the completeness and accuracy of the London Fire Brigade's IFRS 16 Leases adjustments and disclosures, arising as a result of the implementation of IFRS 16 in 2024/25. As evident by the level of error communicated in section 05, specific to IFRS 16, a considerable amount of time was taken to complete our audit procedures. PSAA have previously communicated that any additional work required as a result of the implementation of this new accounting standard has not been accounted for within the Scale Fee.
  - Pension Asset Ceiling - IFRIC14 - we engaged our internal pension specialists to review the Authorities' actuaries reporting on the Pension Fund. This included a review of the asset ceiling calculations produced by actuary.
  - IAS 19 Pension reporting, specific to the Fire Fighter Pension Fund, where elements of the work were completed twice as revised actuarial reports had to be obtained.
  - Property, Plant & Equipment valuation specialists were engaged.
  - VFM additional risk - As communication in our audit planning report, a financial sustainability risk was identified. This required additional VFM and going concern procedures to be performed.
  - Additional procedures required as a result of the modification to our audit report.

	Current Year	Prior Year
	£	£
Total Fee – Code Work	198,551	184,964
Other variations to scale fee	TBC - Note 2	See below
Additional Fee - IFRS 16 (Note 1)	TBC	5,000
Additional Fee - ISA 315 (Note 1)	TBC	20,000
Additional Fee - Lower materiality (Note 1)	TBC	30,000
Additional Fee - Quality & Preparation issues (Note 1)	TBC	140,000
<b>Total fees</b>	<b>TBC</b>	<b>379,964 Note 1</b>

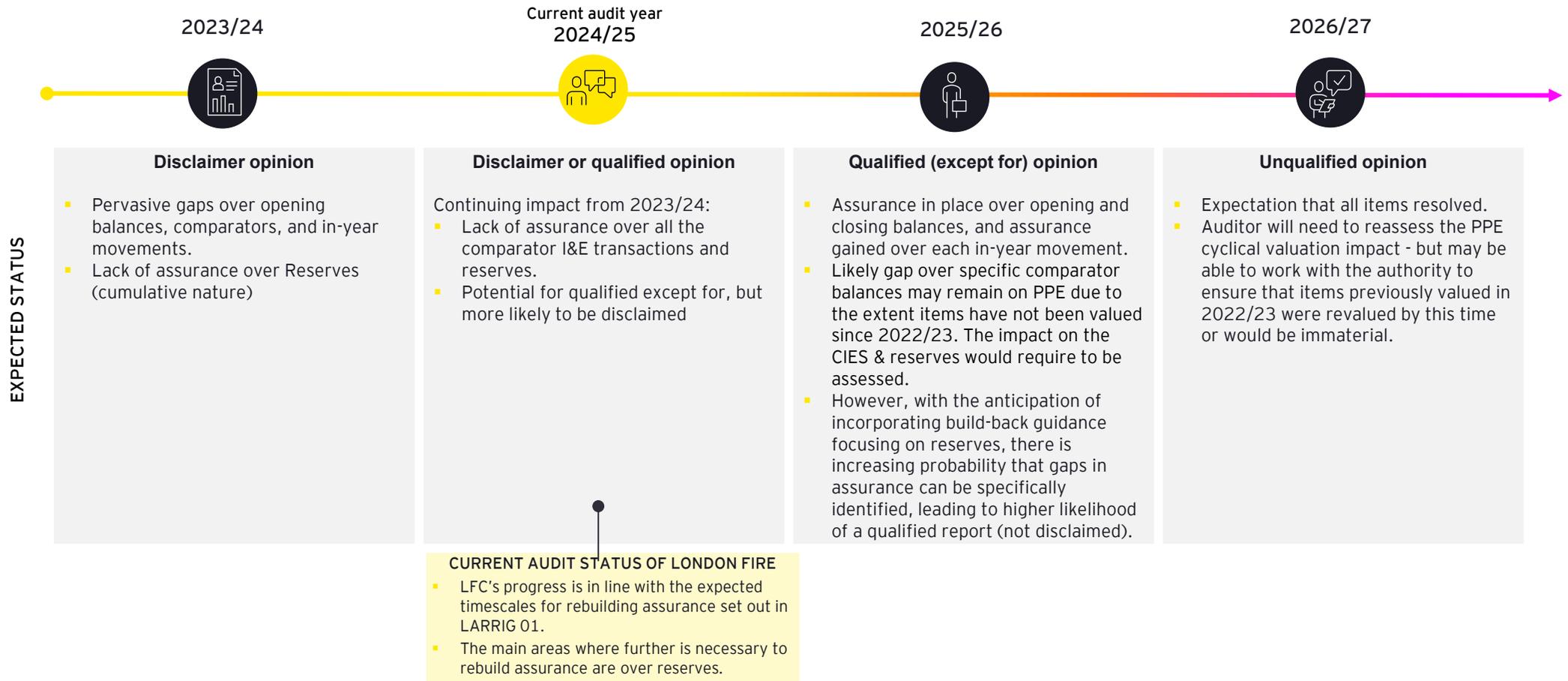


# 09 Appendices

# Appendix A - Progress to full assurance

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Authority's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Finance leases (Long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
PFI	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Pension liability (FFPF and LGPS)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors including VAT	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash equivalents	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Creditors (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Receipts in advance	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Reserves	None	Partial	We have completed our work on the movements in reserves in 2022/23 and 2023/24 but, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Authority reported in the financial statements.
Comprehensive Income and Expenditure Statement	Partial	Partial	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25. As a result of the disclaimers of opinion on the financial statements for the years ended 31 March 2023 and 31 March 2024, we do not have sufficient appropriate audit evidence over the classification of reserves between useable and unusable including: General Fund Earmarked Reserves Capital grants unapplied Capital adjustment account
Disclosures	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Firefighters Pension Fund	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

# Appendix C – Required communications with those charged with governance

## Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit planning report Commissioner's Board meeting - 11 June 2025
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▪ The planned scope and timing of the audit</li> <li>▪ Any limitations on the planned work to be undertaken</li> <li>▪ The planned use of internal audit</li> <li>▪ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit planning report Commissioner's Board meeting - 11 June 2025
Significant findings from the audit	<ul style="list-style-type: none"> <li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▪ Significant difficulties, if any, encountered during the audit</li> <li>▪ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▪ Written representations that we are seeking</li> <li>▪ Expected modifications to the audit report</li> <li>▪ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report Commissioner's Board meeting - 12 February 2026

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▪ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The appropriateness of related disclosures in the financial statements</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Fraud	<ul style="list-style-type: none"> <li>▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>▪ Management;</li> <li>▪ Employees who have significant roles in internal control; or</li> <li>▪ Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▪ <b>Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</b></li> <li>▪ Any other matters related to fraud, relevant to Commissioner's responsibility.</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▪ Non-disclosure by management</li> <li>▪ Inappropriate authorisation and approval of transactions</li> <li>▪ Disagreement over disclosures</li> <li>▪ Non-compliance with laws and regulations</li> <li>▪ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>

# Appendix C – Required communications with those charged with governance (cont'd)

Required communications	What is reported?	Our Reporting to you
		When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▪ The principal threats</li> <li>▪ Safeguards adopted and their effectiveness</li> <li>▪ An overall assessment of threats and safeguards</li> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report</p> <p>Commissioner's Board meeting - 11 June 2025</p> <p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
External confirmations	<ul style="list-style-type: none"> <li>▪ Management's refusal for us to request confirmations</li> <li>▪ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▪ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▪ Significant deficiencies in internal controls identified during the audit.</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
System of quality management	<ul style="list-style-type: none"> <li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	<p>Audit results report</p> <p>Commissioner's Board meeting - 12 February 2026</p>
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	<p>Final Audit Results Report to be circulated at the conclusion of the audit</p>

# Appendix D – Outstanding matters

## Outstanding matters

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There are no outstanding matters.

# Appendix E – Regulatory update

## The English Devolution and Community Empowerment Bill – Audit Measures

### Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

### Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

# Appendix F – Management representation letter

## Management representation letter

### Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

#### Ernst & Young

1 More London Place  
London  
SE1 2AF

#### The London Fire Brigade Letter of Representation for the Financial Year 2024/25

This letter of representations is provided in connection with your audit of the financial statements of the London Fire Brigade the Authority for the year ended 31 March 2025 . We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of The London Fire Brigade as of 31 March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with [the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25].
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [\[specify reasons for not correcting misstatement\]](#).
6. We confirm the Authority does not have securities (debt or equity) listed on a recognized exchange.

# Appendix F – Management representation letter

## Management representation letter

### B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or

in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the financial statements.
3. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
4. We have made available to you all minutes of the meetings of the Commissioner's Board held through the year to the most recent meeting on the following date: 14 January 2026 .
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.

# Appendix F – Management representation letter

## Management representation letter

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
7. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 29 to the financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note 31 to the financial statements discloses all the matters of which we are aware that are relevant to the Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. As described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises of the narrative statement and annual governance statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, aligned with the statements we have made in the other information or other public communications made by us.

# Appendix F – Management representation letter

## Management representation letter

### I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Authority has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Authority's assets. All assets to which the Authority has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts..

### J. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### J. Use of the Work of a Specialist

When the Authority has used the work of a specialist, we may include the following representation:

1. We agree with the findings of the specialists that we engaged to evaluate asset valuations and IAS 19 disclosures and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### J. Estimates

1. We confirm that the significant judgments made in making the valuation of Property, Plant and Equipment assets and valuation of IAS 19 disclosures for the Local Government Pension Scheme and Fire Fighter Pension Fund estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the valuation of Property, Plant and Equipment assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Fire Fighter Pension Fund estimates.
3. We confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Fire Fighter Pension Fund accounting estimates appropriately reflect our intent and ability to carry out on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialized skills or expertise has been applied in making the valuation of Property, Plant and Equipment assets and the valuation of IAS 19 disclosures for the Local Government Pension Scheme and the Fire Fighter Pension Fund accounting estimates..
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

# Appendix F – Management representation letter

## Management representation letter

### J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

*Yours faithfully,*

\_\_\_\_\_  
Director of Corporate Services

\_\_\_\_\_  
London Fire Commissioner

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