

MINUTES

AUDIT COMMITTEE

DATE	Wednesday, 28 May 2025	TIME	1.30 pm
VENUE	Microsoft Teams - Virtual		

Minutes of the proceedings of the meeting of Audit Committee held Microsoft Teams - Virtual on Wednesday, 28 May 2025

Present:

Marta Phillips OBE, Independent Member (Chair)

Kay Boycott, Independent Member

Seyi Obakin OBE, Independent Member

In Attendance:

Mostaque Ahmed, Director for Corporate Services

Fiona Dolman, Director for Transformation

Ben Lazarus, Partner, Ernst and Young

Nastasha Naidoo, Senior Audit Manager, Ernst and Young

Karen Mason, Group Internal Audit Lead

Jess McMonagle, Professional Head of Business Resilience

Sean Cosgrove, Principal Financial Accountant

Susan Ellison-Bunce, Assistant Director, Strategic Planning

Barbora Malikova, Head of Reporting and Support

David O'Sullivan, Head of Strategic Finance

Charlie Pugsley, Deputy Commissioner and Operational Director for Prevention, Protection and Operational Policy

Andrew Beesley, Head of Governance

Anna Flatley, Governance Manager

1. Apologies

Apologies were received from Martin Spencer.

The Chair then noted and thanked the following staff who have had considerable involvement with the Committee and who were leaving following budget savings:-

Fiona Dolman, Director for Transformation

Adrian Bloomfield, Assistant Director Finance

Susan Ellison-Bunce, Assistant Director, Strategic Planning

Jess McMonagle, Professional Head of Business Resilience

2. Declarations of Interest

There were no declarations of interest.

3. Minutes of the Previous Meeting

The minutes of the meeting held on 3 March 2025 were agreed as a correct record.

With reference to the action AC55- *An update report, to include a gap analysis on future requirements for the Cyber Assessment Framework, be programmed for a future meeting of the Board* – the Chair raised concerns about the reference to resourcing issues at NEC, the service provider which manages the Control Room. The Director for Corporate Services undertook to investigate and report back.

4. LFC Executive Summary of Current Events

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

The following issues were raised and discussed:

1. Jonathan Smith who is currently the Deputy Commissioner for Preparedness and Response had been appointed at a recent GLA Confirmation Hearing as the new London Fire Commissioner with effect from 1 July 2025. This followed a rigorous selection process, which included an interview panel on which the Chair of Audit Committee sat. The Deputy Commissioner had set out his priority as addressing risks in London including within training, the built environment, finance and culture change. The last day of office for the current Commissioner, Andy Roe would be 30 June. The Chair of the Committee noted that she had been honoured to be part of the panel for the appointment of the Commissioner and noted that she would also be involved in the appointment for the subsequent vacancy of Deputy Commissioner.
2. The death in Oxfordshire on 15 May of two firefighters in the line of duty, alongside a member of the public. It was noted that one of the firefighters was Leading FF Martyn Sadler of Ealing Blue Watch, who was on retained duty in Bicester Fire Station with Oxfordshire Fire and Rescue Service. The Committee noted that an investigation was underway, that this highlighted the high-risk nature of the service, and that the LFB was providing support to family and colleagues.
3. Organisational changes linked to LFC budget and finances. The Committee noted that the Mayor had provided additional funding to close the remaining budget gap for 2025/26 with the final budget published in March 2025. The Committee noted that savings committed to in November had to be realised and this was a key priority for all Directors. These savings included a number of organisational changes and staff reductions and over 50 people had received voluntary redundancy offers and subject to final confirmations would be leaving from the beginning of June onwards.
4. The Committee noted that the changes included closing the Transformation Directorate, recognising that the Brigade had moved on since the Grenfell Tower Fire and was a more professional organisation. Functions from the Transformation Directorate – including risk, assurance, strategic planning, portfolio, culture transformation, performance reporting and business intelligence - would be moved to other directorates.
5. The Committee expressed its thanks in particular to Fiona Dolman, Director for Transformation, for the work she had undertaken. In response to questions the Director for Transformation noted that it was important not to lose sight of the focus on who the LFB served. She added that Charlie Pugsley, Deputy Commissioner and Director of Prevention, Protection and Operational Policy and Tom Goodall, Assistant

Commissioner, Service Delivery Assurance would be responsible for this work following the reorganisation and the Chair noted that they would be invited to future meetings of the Audit Committee.

6. As part of the reorganisation there would be a move from two Assistant Directors of Finance, which was a temporary arrangement during implementation of the new SAP Finance and Purchasing system, to one. Following questions from Members of the Committee officers confirmed that the new finance system had been implemented without any major issues although there had been challenges. It was noted that issues which had arisen were being dealt with efficiently and some productivity benefits had already been realised following implementation of the new system.
7. Comprehensive spending review. The expected multi-year settlement from 2026/27 was expected in mid-June. This would aid budget planning but the high risks given the state of the macro-economic environment were noted. The Committee noted that LFB had been working with GLA and NFCC to make the case for additional funding. The CSR would be followed by the Mayor's budget guidance to GLA functional bodies in July.

5. LFC 2025/26 Budget

The Head of Strategic Finance introduced the report, noting that the LFC Budget 2025-26 was approved on 31 March 2025, and summarised the process which had been undertaken to find savings in light of the challenging financial situation. He noted that the Mayor's Final Draft Consolidated Budget on 17 February 2025 had included further increases to LFC funding which allowed the LFC to set a balanced budget, the details of which were set out in the report. He added that the pressure in relation to the pension shortfall was expected to be refunded by Government but this was not guaranteed. He further noted that the increase in the Capital Programme was mainly a result of the Privacy for All and the new Headquarters projects.

The Committee then discussed the report and the following points were raised and discussed.

- The difficult situation that there was a significant funding deficit for Carbon Net Zero requirements with no Government grant. It was noted that this was raised as part of the representations for the government's Spending Review.
- The role of the assessment of risk versus funding and the need to work closely with Directorates and Departments to ensure all risks are adequately reflected and prioritised.
- The need to have processes to manage, monitor and track the agreed efficiency savings and to ensure Senior Staff are held accountable. Officers confirmed that nearly all the identified savings were assigned to budget holders and Directors were engaged and focused on this task. The Investment and Finance Board was also being used to challenge and monitor the delivery of savings. It was added that the new finance system helped with this process.
- The need to be robust in the assessment of large projects, including on investment decisions, as the difficult financial situation was likely to continue for a number of years.

- The need to continue to engage with the Mayor, noting that with reduced reserves and additional financial pressures there was a risk to the front line if further resources were not made available. The Committee asked whether officers were confident that the current savings had no impact on operational delivery. The Director for Corporate Services responded that the range of savings were taken in the context of the Commissioner's commitment to make savings which did not risk the front line service to London, however it was acknowledged that further reductions in support staff had risks and adaption and flexibility was required. Service strategies had been put in place to mitigate and monitor these.
- The target for the level of minimum reserves was set at 3.5% and the Committee asked, noting that the current level was closer to 3%, what was being done to rectify this. Officers responded that this level of general reserve resulted from the one-off upfront costs of staff reorganisation in 2025/26 and addressing this would be prioritised in the next financial year as part of the budget planning process. Further to discussion the Committee suggested that officers consider undertaking a review of the reserve policy after the outcome of the CSR and in light of the developed risk based approach.
- The Chair also suggested that at some point the Committee may wish to look at the LFB's estate plan in connection with the Capital Programme and future requirements.
- An external expert was being employed to review LFB's IT and to lay out a road map to increase efficiencies and effectiveness, which potentially would include a reorganisation of the IT Department. The Committee welcomed this.
- The new Headquarters project was the single biggest investment for the long term and the Committee noted that there was a detailed business case.

The External Auditor welcomed the discussion and questions being raised and noted that there had been good engagement with External Auditors from senior officers. He added that the Value For Money (VFM) finding would be an important stage in the progress of the savings plan and would include a deep dive into financial stability. He acknowledged that audits were backward looking generally but VFM was more forward looking.

The Audit Committee then noted the report.

6. **Treasury Management Strategy Statement 2025-26**

The Principal Financial Accountant introduced the report which was an annual requirement and noted that the Treasury Management Strategy (TMS) 2025/26 was agreed on 31 March 2025. He added that the key message within the report was that the level of Capital borrowing would increase significantly over the following four years, in part due to the fact that the Capital Programme was ambitious. This also had an impact on the overall cost as interest on the borrowing would increase also.

The Director for Corporate Services provided context to the report, noting that LFB over recent years had been able to fund the Capital Programme in part from Capital receipts but these had been exhausted. There were also some significant one-off Capital projects, such as the new Headquarters. He noted that Capital Grant funding was not provided which was a matter raised with Government.

The Committee then discussed the report and whilst it recognised that the TMS was part of a shared service with the GLA, suggested that the language be considered further in the future, as it could give the wrong impression. The Committee recognised that some terms such as "under borrowed" were technical terms within a formal report, but considered they gave the wrong impression. This implied that the LFB could increase borrowing further which sent the wrong message within the current financial situation. The Principal Financial Accountant undertook to consider including further information to contextualise the terms and to reference the financial situation.

The Director for Corporate Services added that he accepted the point that it was important to consider how technical language could be interpreted. Wider communications on the financial situation had been undertaken, as well as making sure the implications were clearly articulated to the Mayor as well as Government Ministers.

The Audit Committee noted the report.

7. Assessment of Risk 2025

The Assistant Director, Strategic Planning introduced the report by noting that this was an annual review of the Assessment of Risk which had been reported to Audit Committee previously, and which was guided by national documents. She highlighted the key points and noted that Appendix 8 (Emerging Risk 2025) was being moderated and as it was not required for a decision to be made would be removed for the next stage of the governance process. It was noted that Appendix 8 would be useful as a tool to assist in prioritisation.

The Committee then welcomed and discussed the report, noting that it was thorough and the layer approach was well articulated and clearly demonstrated that communities were the key focus.

The Committee also welcomed the new tracking system as detailed in the report, but queried whether the resource constraints, as referenced in paragraph 4.4, posed a risk to the success of this. The Committee emphasised that risk management was only successful if it was properly managed. The Assistant Director, Strategic Planning responded that this was a new process with new service strategies which would be monitored, including how it was resourced, noting that this had to be proportionate. Owners would be responsible for updating strategies but these would be monitored, Members stressed the need to have systems where conscious decisions were made when to not take specific actions and for the reasons to be articulated.

The Committee also queried how this would link in with the Corporate risk register and whether there was oversight on this. The Director for Transformation responded that the Deputy Commissioner would be accountable for service strategies, and he would Chair the Risk and Assurance Board which would continue. The Assistant Director, Strategic Planning added that it had been suggested that a feedback report on service strategies be presented to Risk and Assurance Board on a quarterly basis which would provide accountability.

The Chair welcomed this and asked that a meeting be arranged between herself, the Director for Corporate Services and the Head of Governance and the Clerk to the Committee to consider how the Audit Committee should interact with the Risk and Assurance Board in the future.

The Audit Committee then noted the report.

8. LFB KPI Report

The Head of Reporting and Support introduced the report by summarising the key points as set out in the report, noting that 21 Key Performance Targets had been met compared to 17 the previous year. She drew particular attention to both the challenges faced and the areas where there had been improvement and good performance.

The Committee then discussed the report and welcomed the richness of the data provided; and specifically discussed sickness absence and performance following the culture review.

It was noted that the level of sickness absence continued to report above target, although some improvements had been seen in regard to long term sickness amongst operational and control staff. The Committee welcomed all the work undertaken in this area, including the dedicated Working Group and greater data collection and analysis. It further welcomed the planned improvement programme on staff wellbeing which was expected to have a positive impact on reducing staff sickness.

The Committee then discussed the impact of the current financial pressures which, along with overtime, sickness and skill shortages increased the challenges in this area. The Committee voiced concern regarding the impact of these pressures on day to day performance in relation to the outcome of the culture review. Officers responded that this was being closely monitored. It was noted that more detailed analysis of sickness data was being prepared and would be reported back.

The Audit Committee then noted the report.

9. LFB KPI Report - Target Proposals for 2025/26

The Head of Reporting and Support introduced the report by summarising the key points as detailed in the report, and specifically drew attention to the targets which the London Fire Commissioner had agreed to change for 2025/26, as detailed in section 4 of the report on pages 333 – 340 of the agenda pack.

The Committee welcomed the report and specifically questioned the thinking behind the new target on the development of the Community Impact Tool (C1-06, page 335 of the agenda pack). Officers responded that this KPI was not fully developed because it had been delayed and therefore there was no target yet. It was hoped that following engagement with the new Head of Engagement and the Communications Director this would be launched later this year.

The Committee noted the work that had been undertaken in regard to the Online Fire Safety Checker to address the target for triages from it which was not being met. Committee Members suggested that further investigation be undertaken to see whether resources were well spent on this and whether the right people were being reached via this channel. Officers welcomed this comment and responded that there was lot of work being undertaken to ensure focus was on the right people and that the quality of referrals was high, but over the following year it was planned to develop an evaluation tool to capture long term implications which would assist in this analysis. The Committee welcomed this and looked forward to considering its outcomes.

The Audit Committee then noted the report.

10. Deep Dive - Fire Safety Building Regulations.

The Deputy Commissioner, Prevention, Protection and Operational Policy presented a PowerPoint presentation on Fire Safety Building Regulations, the slides of which were included in the agenda pack at pages 345-360, which the Committee then discussed.

The Chair welcomed the comprehensive and informative presentation and the following specific points were raised:-

- The number of pressing issues regarding building regulations and remediation work, including the London context, legislation, LFB duties, Government priorities, resource and staffing challenges, as clearly detailed in the presentation, were undeliverable within the current financial environment. The Committee asked whether key stakeholders were aware of this and where this risk could be escalated to, if necessary. The Deputy Commissioner responded that the LFB regularly raised this risk with key stakeholders. Government Ministers, including the Deputy Prime Minister, as well as the GLA, including the Mayor, were aware of the situation and they all recognised the challenges and risks. The LFB were focussed in being part of the solution and whilst recognising that all the challenges could not be met some could and should be strived for. As part of that process LFB had moved to a risk based inspection programme which helped to raise awareness and inform prioritisation decisions and identify what steps are most effective.
- The acute difficulty of securing competent fire safety inspecting officers. The Committee recognised the work being undertaken by LFB to remedy this, including introducing market rate supplements, setting up specialist hubs, exploring the use of ex-police for enforcement support, upskilling managers and staff and condensing the length of training required in certain circumstances. The Committee acknowledged that LFB benefitted from Government grant funding but this was insufficient and this was a long term problem. It was also stressed that it was essential that skills were not watered down in order to address the shortage of competent staff.
- Further to discussion, the Deputy Commissioner confirmed that the LFB was meeting with universities across the country to explore opportunities for increased training. Committee Members suggested there may be an opportunity to work more closely with the higher education sector as well as the UK Research and Innovation who invested in research and innovation within the public sector. The Deputy Commissioner undertook to discuss this further with the Chair and Kay Boycott outside of the meeting.

The Audit Committee then noted the presentation and asked that the Committee's significant concern on this risk be recorded.

11. Workplan

The Committee noted the updated workplan.

12. Any Other Business

There was no other business.

13. Date of Next Meeting

The next meeting of the Audit Committee is scheduled to take place on 9 July 2025.

Anna Flatley, Governance Manager
Clerk to Audit Committee