

LFC Budget 2025-26

Report to:

Investment & Finance Board
Commissioner's Board
Fire Board
London Fire Commissioner

Date:

27 February 2025
12 March 2025
01 April 2025

Report by:

Assistant Director - Finance

Report classification:

For decision

For publication

Values met

Service
Integrity
Teamwork
Equity
Courage
Learning

I agree the recommended decision below.



Andy Roe

London Fire Commissioner

Date

**This decision was remotely
signed on 31 March 2025**

PART ONE

Non-confidential facts and advice to the decision-maker

Executive Summary

This report presents the London Fire Commissioner's (LFC) final revenue and capital budget for 2025-26 for approval. In the context of a challenging financial climate, a balanced budget proposal for 2025-26 has been achieved through a combination of significant savings and additional funding from the Mayor of London. This has enabled the LFC to protect frontline delivery and regulatory capabilities in 2025-26 to ensure that the London Fire Brigade (LFB) remains trusted to serve and protect London.

In common with many public sector organisations, major financial challenges and uncertainties remain beyond 2025-26. The Brigade will continue to work closely with partners to make a strong case for appropriate levels of sustained funding for the fire sector and the LFC in particular (recognising the unique challenges and risks in London) as part of the government's Spending Review.

Recommended decisions

For the London Fire Commissioner

That the London Fire Commissioner approves:

1. The Budget Submission for 2025-26 to the Mayor that includes:
 - a. A draft Medium-Term Financial Strategy (MTFS) covering the period to 2027-28 at Appendix 1.
 - b. Savings of £28.2 million in 2025-26, as set out in appendix 2.
 - c. A total use of reserves of £16.5 million in 2025-26.
 - d. Departmental Investment proposals of £2.5 million in 2025-26 as set out in Appendix 3.
 - e. A draft 20-year Capital Strategy together with a detailed four-year capital plan at Appendix 6.

1 Introduction and background

- 1.1 This report updates the budget proposals included in the Budget Submission to the Mayor in November 2024 (LFC-24-108), which was based on a funding level of £511.5 million in 2025-26. It was noted that, despite identifying £28.2 million of savings, in order to balance the budget for 2025-26, either additional income or further savings of £18.0 million would be required. In the Mayor's Final Draft Consolidated Budget, which was considered at the meeting of the London Assembly on 25 February 2025, the Mayor allocated additional funding to the LFC to close this £18 million gap (as well as providing an additional £2.5 million to help deal with increased Employer National Insurance costs) – these are detailed further in section 3 of this report below. The LFC is grateful for this support from the Mayor, which enables the Brigade to protect frontline services and regulatory capabilities, whilst also continuing to improve.
- 1.2 LFB have a good track record of delivering improvements through investment. Since the tragic fire at Grenfell Tower in 2017, LFB have made significant changes, including:
- completing all 29 recommendations from the Grenfell Tower Inquiry (GTI) Phase 1 report
 - introducing new training, kit and equipment
 - improving in 10 out of the 11 areas in His Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Round 3 inspection
 - implementing improvements in support of culture change to modernise the service for the 21st century.
- 1.3 The report updates the Medium-Term Forecast and savings and growth proposals as the estimates included in these have been refined as part of concluding the budget process. As with the wider public sector, funding from 2026-27 remains challenging and uncertain and is subject to the outcomes of the government's Spending Review which is currently underway (expected to conclude in June 2025). There are several financial challenges facing the LFB, many of which are reflected across fire services nationally. This is set against the context of a real term reduction in the annual funding to the LFB in excess of £150 million when compared against funding in 2010 uplifted for inflation. This is despite the current Mayor providing support over and above central government funding. Against our global comparators the LFB is a significantly smaller organisation compared to equivalent services in major cities such as New York, Paris, Tokyo and Hong Kong.¹
- 1.4 The Capital Programme and Capital Strategy for the LFC have also been reviewed and updated proposals set out in this report.

2 The Mayor's Final Draft Consolidated Budget

- 2.1 The Mayor's Final Draft budget was published on 17 February 2025 and subsequently approved without amendment by the London Assembly on 25 February 2025.
- 2.2 The Mayor is proposing to increase the fire element of their Council Tax precept by £4.98 in 2025-26 to £71.72 (Band D) – equivalent to the monetary impact of a 2.99 per cent increase on the 2024-25 non police-precept – which is below the maximum 3 per cent allowed before a referendum is required under the draft council tax referendum principles for 2025-26 for equivalent fire and rescue authorities in England.
- 2.3 The Mayor has also reviewed assumptions regarding business rates income and increased forecast levels in 2025-26. This also includes the funding provided to the LFC.

¹ London has less than 5,000 operational firefighters compared to 11,000 in New York and 8,600 in Paris. Tokyo and Hong Kong have over 18,000 and 10,000 operational staff respectively; this includes Emergency Medical Staff but the bulk of the workforce are firefighters.

3 Budget Development Process

- 3.1 The Mayor's Budget Guidance for 2025-26 for the Greater London Authority (GLA) and the functional bodies was issued on 31 July 2024. 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.
- 3.2 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.
- 3.3 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 assumed a 2 per cent increase in business rates in line with inflation, a 2 per cent increase in council tax precept and an increase in the council tax base of 1 per cent in 2025-26.
- 3.4 This year's budget process has seen a continued emphasis on ensuring the budget supports the key strategic priorities for the LFC, based on the CRMP. This includes the eight commitments (which are underpinned by Business-As-Usual activities, continuous improvement and programmes) as follows:
- work with you to provide localised services that meet your needs
 - make it easy for you to access our services
 - adapt our services as your needs change
 - design services around your needs and concerns
 - enable our people to be the best they can be, to serve you better (incorporating work relating to the Independent Culture Review)
 - work together to provide the best possible services to meet your needs
 - driven by evidence to give you the value you expect
 - work with other organisations to secure a safer future for everyone.
- 3.5 The Mayor published his Consultation Budget and Draft Capital Spending Plan for 2025-26 for consultation on 4 December 2024. This consultation closed on Wednesday 3 January 2025. The Mayor proposed to provide funding of £511.5 million for the London Fire Commissioner in that year, in line with the amount included in the LFC's Budget Submission to the Mayor.
- 3.6 Following the Mayor's consultation on his draft budget he published his Draft Consolidated Budget on the 15 January 2025. That report uplifted the funding available to the LFC by £5.3 million, to reflect the increased council tax flexibility available to the GLA following the Local Government Finance Settlement.
- 3.7 The Mayor then published his Final Draft Consolidated Budget 2025-26 on 17 February 2025 which included further increases to LFC funding allocations of £19.6 million from 2025-26 onwards, for a total increase in funding of £24.9 million from the proposed funding level as set out in the Mayor's Budget Guidance. This increase meets the £18.0 million funding requirement as set out in the LFC's Budget Submission as well as a £6.9 million pressure to employer's NI contributions (of which £4.4 million was provided by the government through the Local Government Settlement). This position is summarised in the below table.

Table 1: Funding Proposed by the Mayor

| | 2025-26 £m | 2026-27 £m | 2027-28 £m |
|--|---------------|---------------|---------------|
| LFC's Budget Submission to the Mayor / Mayor's Consultation Letter to the LFC | 511.5 | 530.6 | 549.3 |
| Mayor's Final Consolidated Budget | | | |
| Additional Business Rates | 9.5 | 9.6 | 9.6 |
| Additional Council Tax precept | 11.0 | 11.1 | 11.2 |
| Local Authority Settlement | 4.4 | 4.4 | 4.4 |
| Total Revised GLA Funding | 536.4 | 555.7 | 574.5 |
| Increase in GLA Funding Level | 24.9 | 24.8 | 24.9 |

4 Budget Process 2025-26 Core Themes

- 4.1 The 2025-26 budget process was developed under three core themes that have continued from the prior year process, these being; Business as Usual (including continuous improvement), CRMP Delivery and Efficiencies and Savings. These were considered alongside central assumptions around inflationary pressures and financial risks.
- 4.2 Each Transformation programme submitted budget bids based on known and anticipated funding requirements for the next phase of transformation. These bids, as far as possible, included any additional funding requirements of departments supporting delivery of that change.
- 4.3 Departments were also asked to submit investment bids for improving core / business as usual services and focusing on opportunities for efficiencies and productivity improvements.
- 4.4 Throughout the early stages of this process, it was evident that in order to maintain and build upon the performance over the last few years and in the context of significant financial challenges including pay, overtime and inflation (as outlined in the Budget Submission to the Mayor in November 2024), it would be challenging to deliver a balanced budget for 2025-6 and future years. The cost of transformation had been met through a combination of core budgets and use of reserves (including the Budget Flexibility Reserve) to the cost of around £50 million. The Budget Flexibility Reserve is forecast to be exhausted by the end of 2024-25 and the Brigade faced difficult choices in prioritising resources.
- 4.5 As at the end of August 2024, with all proposals consolidated the overall budget gap was £46 million (after factoring in savings of £10 million that were set out in the 2024-25 budget process and within the 2025-26 process).
- 4.6 Alongside the budget and financial planning work, we established an in-depth Financial Review, jointly led by a newly appointed LFB Assistant Director and an external expert. They looked with fresh eyes and an outside-in perspective across the Brigade at how we operate and worked with Directors and Heads of Service to identify additional efficiencies so that LFB can continue to maximise investment in its frontline. As it continues to be implemented, the review will not result in any reduction in operational frontline delivery or regulatory capabilities to ensure we remain trusted to serve and protect London.
- 4.7 Through tough choices on priorities, and de-scoping, delaying or stopping certain areas of activity, this resulted in significantly reduced growth bids, thereby reducing the budget gap by £10.2 million.
- 4.8 The next stage focused on efficiencies and savings. Whilst there were already significant departmental savings targets of £10.0 million, further savings were identified to reduce the budget gap. These additional savings amount to £18.0 million and therefore the overall savings target for 2025-26 totals £28.2 million as set out below. The LFB worked hard to reduce the impact on individuals and teams and

balance LFB's budget as far as possible by improving efficiency and reducing unnecessary spend. Nevertheless, it became clear that it would not be possible to balance the budget without considering changes to the way Fire and Rescue Staffing (non-operational) teams are organised and, in some cases, reducing the number of posts and people.

Table 2: Total 2025-26 Savings

| Savings | 2025-26 £'000 | Comments |
|--|--------------------------|--|
| Existing Departmental Savings (from prior year's budget process) | 5,483 | These are savings put forward by departments in the previous year's budget planning round that come into effect from 2025-26. |
| New Departmental Savings (initial 2025-26 budget process) | 4,476 | These are new savings put forward by departments as part of this year's budget planning round. |
| Total Departmental Savings | 9,959 | This is the initial total level of savings put forward by departments as part of the usual planning round. The rows below are the additional savings following an in-depth financial review, consideration of programmes by the Performance, Risk and Assurance Board (PRAB) and prioritisation by Directors and Commissioner. |
| Additional Departmental Savings 2025-26 | 5,645 | These are additional savings put forward by directors, mostly staff-related but also include some non-staff savings. Savings in FRS staff costs, which are subject to consultation, are included here, although there may be some further staff impacts depending on outcomes of the 'Process efficiencies' and 'Data management' workstreams noted below. Taking the latter into account, we currently estimate the full year impact of all proposed FRS staff reductions to be around £6 million of savings, with the impact in 2025-26 to be around £4 million due to timings of when savings will be realised. |
| Financial Review / Cross Cutting | 9,630 | This is made up of savings through: - Vacancy Control Panel (£3 million); - Reduction in operational overtime through measures including lower sickness levels (£3 million); - Contracts Review (£2 million); - Process efficiencies (£1 million); and - Data management review (£0.6 million). |
| Reduction in Training Inflation | 1,100 | This relates to target reduction in costs. |
| Net Reduction against previous assumptions in CRMP Programmes | 1,856 | This follows assessment and prioritisation through the Performance, Risk and Assurance Board of programme budgets in 2025-26. |
| Total Budget Review Proposals | 18,231 | |
| Total (Departmental + Budget Review Proposals) | 28,191 | |

- 4.9 This however still left a residual budget gap of £18.0 million, which formed the basis of the consultation budget submitted on the 22 November 2024 with further savings still to be identified or additional income to be sought. Recognising that the Brigade had gone as far as it could, and that further savings would have to come from the frontline, this residual gap was subsequently closed by the Mayor in his Final Consolidated Budget.

5 Budget Update

- 5.1 The financial pressures and reductions within the LFC's Medium Term Financial Planning (MTFP), investment and savings have been kept under review and the table below sets out the additional changes that have been identified following the publication of the LFC's budget submission to the Mayor on 22 November 2024.
- 5.2 Table 3 below sets up a summary of these movements, with additional information on pressures after the table. This sets out an overall balanced budget for 2025-26.
- 5.3 The increased income largely reflects additional funding from the Mayor to meet the budget requirement (£18.0 million) as well as funding for the increase in Employer National Insurance (£6.9 million, of which £2.5 million is from the Mayor). The other income/savings include the impact of higher than anticipated investment income, rental income and reduced capital financing costs.
- 5.4 The largest unfunded impact on the financial position relates to the shortfall in Pensions Grant Funding. This issue has arisen following the 2020 Firefighter Pension Actuarial Valuation, the results of which was published in December 2023. That report set out a significant increase in employer pension contributions for all Fire & Rescue Authorities (FRAs) from 2024-25, related to factors that were outside of the control of FRAs.
- 5.5 Although initial allocations for the Pensions Grant to the LFC were lower than estimated costs by around £3 million in 2024-25, it had been expected that this would be corrected both in 2024-25 and future years. This assumption was based on communication from central government that sufficient funding was available nationally to meet the additional costs across the fire sector, which subsequently turned out not to be the case.
- 5.6 The calculation has been since been reviewed by central government to incorporate updated data for 2025-26, and although that has reduced the Pensions Grant shortfall, there still remains a gap of £2 million between additional costs identified and grant received from 2025-26. The LFC will continue to make the case that this funding should be provided in full both for 2025-26 but also as part of work in preparing for the Spending Review so that there is no ongoing deficit.
- 5.7 Table 3 below also sets out the expected budget deficit from 2026-27 of £18.0 million, before reducing to £16.7 million in 2027-28. The future year deficits largely relate to investment in operational training that have been funded through the Fire Safety Improvement Reserve in 2024-25 and 2025-26. As this is not a sustainable source of funding, additional funding will be required from 2026-27 to ensure we maintain and improve our operational training capability. The LFC is working with GLA and partners in the fire sector to make the case for this funding with government as part of the Spending Review.

Table 3: Updates to MTFP since 22 November 2024 submission

| | 2025-26 (£m) | 2026-27 (£m) | 2027-28 (£m) |
|--|---------------|---------------|---------------|
| National Insurance | 6.9 | 6.9 | 6.9 |
| Pensions Grant Shortfall | 2.0 | 2.0 | 2.0 |
| NILO Training Courses | 0.8 | 0.8 | 0.8 |
| Research Capability | 0.5 | 0.5 | 0.5 |
| Contaminants | 0.1 | 0.1 | 0.1 |
| Reduction in Grant Funding | 0.4 | 0.4 | 0.4 |
| Mobilising System | 0.0 | 0.8 | 1.2 |
| Rental Income and Water Rates | 0.2 | 0.2 | 0.2 |
| Transfer to General Reserve | 2.9 | 2.0 | 0.7 |
| Total Pressures | 13.8 | 13.7 | 12.8 |
| | | | |
| Funding (Government): National Insurance | (4.4) | (4.4) | (4.4) |
| Funding (Mayor): National Insurance | (2.5) | (2.5) | (2.5) |
| Funding (Mayor): To meet Budget Gap | (18.0) | (18.0) | (18.0) |
| Investment Income Assumptions | (0.5) | (0.5) | (0.5) |
| Rental Income | (0.4) | (0.4) | (0.4) |
| Capital Financing | (3.6) | 0.8 | 2.6 |
| MFB Act Income / Additional MTFS Pressures | (2.0) | (2.0) | (2.0) |
| Airwave (Annual Contract fee) | (0.4) | (0.4) | (0.4) |
| Total Reductions | (31.8) | (27.4) | (25.6) |
| | | | |
| 22 November 2024 Budget Requirement | 18.0 | 31.7 | 29.5 |
| Revised Overall Budget Position | 0.0 | 18.0 | 16.7 |

Information provided in the following paragraphs give more detailed information on the additional pressures and reductions.

National Insurance

- 5.8 The increase in employer's national insurance contributions has resulted in a £6.9 million pressure. This has been fully met through a combination of the local government settlement (£4.4 million) and additional funding from the Mayor (£2.5 million).

Pensions Grant Shortfall

- 5.9 The increase in employer's firefighter pension contributions has resulted in a £18.0 million pressure. This has been partially met through additional grant funding of £16.0 million in 2025-26, resulting in a £2.0 million pressure.

National Inter-Agency Liaison Officer Training Courses

- 5.10 This pressure includes £314k which was inadvertently removed as part of the budget process and still required, in addition to a further £437k that has been identified following additional

review. The overall costs of NILO courses are cost-neutral as LFB recovers costs through charges (the income had already been included in the Budget submission in November 2024).

Provision of Research Capability

- 5.11 This pressure reflects the movement of CRMP programme funding to Business-As-Usual activities in order to enable the translation of LFB's Annual Assessment of Risk and Organisational Learning into operational policy, capability and safe systems of work. The CRMP programme reduction was previously factored in but not the transfer to BAU.

Contaminants

- 5.12 The pressure reflects that a one-off growth bid agreed for 2024-25 is now required on an ongoing basis.

Reduction in Grant Funding

- 5.13 This largely reflects the removal of the Fire Link Grant from 2025-26 as well as the removal of a new risks grant.

New mobilising system

- 5.14 This reflects the increased costs of the new mobilising system compared to the previous version, following the recent completion of the tender award.

Water Rates / Union Street Rental Income

- 5.15 There has been an increase in water rates of almost a third. In addition, there has also been a recent notice for a tenant to vacate Union Street which impacts to the overall tenant income received. There is an offsetting increase in rental income of £0.4m.

Transfer to General Reserves

- 5.16 These reflect top-ups to the General Reserve to help ensure that this Reserve is maintained at 3.5 per cent of mayoral funding over the medium term in line with the reserves policy (albeit in the short-term this falls below the 3.5 per cent limit).

Investment income assumptions

- 5.17 This increase follows a review of the latest forecasts for investment balances and returns.

Capital financing

- 5.18 Capital financing costs have been reviewed in light of actual costs incurred to date in 2024-25 and latest forecasts for 2025-26.

Review of Metropolitan Fire Brigade (MFB) Act Income Additional MTFS pressures

- 5.19 Due to the current year uplift in income, this has resulted in an improved base starting position that can also be factored into future years. This also includes the impact of a review of medium-term forecasts to reflect an updated staff pay position.

Airwave annual contract fee

- 5.20 This reflects a notification from the Home Office in March 2025 of a reduction in the Airwave contract fee charged to Fire & Rescue Authorities, following the Competition and Markets Authority's decision to impose a charge control mechanism on the supplier.

Results Based on Prior Investment

- 5.21 Over recent years the Brigade has been subject to important external reports, which called for change across the whole organisation.
- 5.22 The Phase One report of the Grenfell Tower Inquiry made a total of 29 recommendations, which the LFC accepted and set out at pace to deliver. By March 2024 all 29 of the recommendations had been delivered.

- 5.23 In December 2022, HMICFRS placed the Brigade in "Engage" due to the scale of improvements that were required to be made regarding culture, as evidenced by their own assessments and the findings of the Independent Culture Review that was initiated by the Commissioner. All fire and rescue services are in routine monitoring under a "scan" process by default, but this may be escalated to the "engage" level, which entails enhanced monitoring if the concerns of the inspectorate are not being adequately addressed. HMICFRS continued to "engage" with LFB and in March 2024 we were moved out of the enhanced monitoring with the inspectorate noting the following:
- clear involvement of staff in developing values, with significant work to communicate values to staff
 - most staff that HMICFRS spoke to felt senior leaders displayed brigade values
 - clear commitment to improve leadership skills among managers through an ongoing programme of leadership training
 - clear progress in the Brigade's ongoing plan to improve its human resources function
 - improved processes to deal with behaviours such as bullying and discrimination, including establishing a Professional Standards Unit
 - a comprehensive plan in place to improve vetting of Brigade staff; and
 - assurance in the sustainability of the Brigade's plans to change its culture.
- 5.24 All the improvements that could be seen by HMICFRS and with the addition of addressing all 23 of the recommendations of the Independent Culture Review, would not have been made possible without strong senior leadership and financial investment to remedy historic issues.
- 5.25 In summer 2024 the HMICFRS undertook its latest (Round 3) full inspection of LFB. The inspection was wide-ranging and included strategic interviews, focus groups and visits to fire stations and control to consider:
- the service LFB provide to the people of London and the way we use our resources
 - how effectively and efficiently LFB protect the public
 - how LFB respond to fire and other emergencies.
- 5.26 The inspectors also looked at how we spend our time at work, our experiences while at work, and how well we look after our people. The Inspectorate's report, which was published in November 2024, stated that they found significant improvements in our performance since our last inspection in 2022. The report highlights that London Fire Brigade has improved across ten of the eleven measures used in the inspection, including moving to 'Good' for Making best use of resources and 'Outstanding' for Responding to major and multi-agency incidents.
- 5.27 The Grenfell Tower Inquiry Phase 2 report made further recommendations. The LFB section of the report contains thirteen recommendations; one of which is specifically for the Brigade, five are for all Fire and Rescue Services, and the remaining seven are for HM Government, HMICFRS, the National Fire Chiefs Council and the British Standards Institution. We accepted all the recommendations aimed at the Brigade and Fire and Rescue Services and support the remaining recommendations. Our response set out LFB's position in detail. The response also made clear that we will develop a position on the wider recommendations which, although not aimed at LFB, are relevant to our communities and include wider building and fire safety issues.
- 5.28 The recommendation directly aimed at LFB, implementing change, is focused on creating robust systems to gather, review and implement lessons from previous incidents, inquests and investigations. Our response is clear that the Brigade has fully accepted this recommendation, committing to being a listening and learning organisation to ensure lessons from incidents are learned and good practice is shared across the organisation and with key agencies.

Staff Pay

- 5.29 National and local negotiations around pay, including through the National Joint Council (NJC) for operational staff, will be key determinants of the pay award. LFB has a standard planning assumption of 2 per cent for pay at the start of the budget process. This assumption has been applied across all three years of the MTFS and therefore any increase or decrease on this position would see a corresponding risk or opportunity in the overall context of the budget position. Each one per cent change in pay is equivalent to around £4 million in cost for all staff groups.
- 5.30 LFB commenced skills payments in 2024-25 for operational staff who possess specific skills that enable them to undertake specialist roles within the Brigade. This will address a long-standing failure to incentivise and appropriately reward those undertaking specialist roles with additional skills and training requirements, which are crucial to London's operational response. Under the current budget proposals, skills payments are assumed to continue.
- 5.31 A diagnostic review of FRS, Control and TMG pay and reward has been undertaken. The review identified that in overall terms pay and benefits in the LFB are market comparable, although there are some exceptions with pay for specialist roles due to external market demands. However, there are issues with overlapping grades for some roles and the LFB has the opportunity to align and promote benefits more effectively. The recommendations and actions from this review will be considered in due course, once the LFB has taken the actions needed to deliver the 2025-26 savings.

Funding against the Assessment of Risk 2024

- 5.32 The LFC has recently published its updated Assessment of Risk in London 2024. It reflects significant shifts in the risk profile across London, particularly in relation to geopolitical tensions and terrorism, poor health and health inequalities, adoption of new fuels and climate change.
- 5.33 In addition to providing a world class emergency response capability, our investment needs to fund an integrated, holistic approach to risk reduction. Our work to engage the public is vital if we are to secure and maintain their trust; without it, we are unable to educate and effect behavioural change. Our campaigning to improve regulation of the built environment and to highlight the risks associated with lithium-ion batteries is vital to informing public policy and has helped shape legislation during the current Parliament. Following the King's Speech in July 2024, the government announced the introduction of the Product Safety and Metrology Bill. The Bill will strengthen product regulation (including for e-bikes), address modern day safety issues and increase product safety from online marketplaces. The government publication that supported the King's Speech included statistics provided by LFB as key facts supporting the need for the Bill.
- 5.34 National research to quantify the impact of our work is maturing. Whilst it is challenging to evidence a direct relationship between our prevention activity and reductions in incidents, we are working on approaches to demonstrate the value and impact of our work, not just on the communities we serve, but also on the workload of our partner agencies.
- 5.35 Work to adjust plans in the light of the latest Assessment of Risk 2024 is underway and, in future years, we aim to demonstrate a clearer link between our investment proposals and their impact on risk.

Modern Firefighting & Training

- 5.36 As part of last year's budget report, the LFC made a commitment to improve standards of Firefighter training to ensure it was at a level at which all Firefighters are well prepared for any potential incidents.
- 5.37 Specifically in response to the Grenfell Tower Fire, Manchester Arena Attack, numerous terrorist attacks in London, wildfire/climate change challenges and new and emerging technologies creating additional complexity, the need for this significant investment was critical for LFB over the short-, medium-, and longer-term risks.

- 5.38 To invest at pace, the LFC agreed to fund the investment in Modern Firefighting & Training from the Fire Safety Improvement Reserve for the first two years of its inception. Together with investment in associated investment in the Learning And Professional Development department (for example in relation to Firefighter Development), this amounted to £20 million in total across the financial years 2024-25 and 2025-26 respectively. However, this source of funding is not sustainable in the long term and therefore a resolution on longer-term funding still needs to be found.

Spending Review

- 5.39 As the UK's largest fire and rescue service, LFB is working 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 which is underway (and which is expected to conclude in June). 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 are also highlighting the fire sector and LFB's contribution to the government's priorities around housing and economic growth.
- 5.40 LFB protects and serves a diverse population of nine million London residents, including more than a million people with disabilities, and more than twenty million visitors every year. A properly funded fire service is a critical enabler of London's growth agenda. LFB already operates in a challenging global city landscape not comparable to anywhere else in the UK, which continues to evolve. This includes an extremely dense and complex built environment. LFB has a central role in delivering the Mayor and the UK Government's commitment to drive growth in the capital. Previous UK Government estimates assert that fire has an annual cost to the UK of over £10 billion per year². In London, an economic and business hub and major global tourist city, this risk is at its most acute.
- 5.41 The UK Government has an ambitious target to deliver 1.5 million new homes over the current Parliament, which will be crucial to the growth agenda. London will have a significant role to play in this and LFB has a core role in ensuring the safer delivery of new homes. This includes supporting the Building Safety Regulator, set up in response to the learning of the Grenfell Tower tragedy, to ensure higher risk buildings meet the highest safety standards.
- 5.42 London holds approximately 70 per cent of the UK's high-rise buildings and four times the UK national average for high-rise homes. There are more than 1,200 high and mid-rise buildings with interim measures in place owing to extreme safety concerns (for example, those around cladding). The experience of recent years has also demonstrated the substantial cost of rectifying failures of oversight in the built environment. As the fire and rescue service for the highest risk and highest wealth generating city in the UK, LFB has a critical role to play in avoiding future costs that hamper growth, including the substantial social impact on London's communities from living in unsafe buildings.
- 5.43 LFB has invested heavily in modernising its training offer to firefighters in recent years in response to the recommendations of the Grenfell Tower Inquiry (GTI) and His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS), but also the changing risk environment in London. This has resulted in significant changes to operational response, apparent in both LFB's response to high rise fires such as New Providence Wharf and the Spectrum Building in Dagenham, but also in its capability to respond to Marauding Terrorist Attack. Operational staff at LFB now take part in regular small- and large-scale exercising, and training interventions in real fire environments that have introduced new skills, equipment, and tactics.
- 5.44 In order to sustain this change, it is critical that this level of training investment is maintained: to ensure improvements are maintained, but also to prepare crews for the evolving risk profile in

² [Economic and social cost of fire - GOV.UK](#)

London. This includes building on core skills to allow staff to train in live fire environments that replicate the scale and complexity of London incidents; introducing flexibility to training programmes to enable them to confront emerging risk such as wildfires and the growing threat of climate change, or the challenges posed by battery technology. Against an increasingly unstable international backdrop there is also a need to continue to develop a robust, resilient workforce that is trained to manage large scale pan-London incidents where support from partners such as the armed forces may not be possible due to engagements elsewhere.

5.45 In summary, a strategic, long-term investment strategy for LFB that reflects the London context is essential to ensure LFB is resourced to support economic growth and keep Londoners safe. The London Fire Commissioner's specific asks of UK Government over the CSR period are:

- baselining funding for specific areas (including Protection, New Dimensions, and Pensions Grants), moving away from uncertain annual grant determinations. Uprating with inflation will ensure LFB is able to plan better for the medium- to long-term
- direct capital funding in recognition of the LFB's need to sustainably replace fire engines and other equipment, and keep fire stations in good condition, including the costs of achieving net zero. This will replace the need for borrowing (which there is insufficient revenue funding to afford), enabling sustainable investment in equipment and infrastructure to support vital operations and UK Government's ambitions for decarbonisation
- ring-fenced revenue funding for post-GTI improvements, particularly around operational training. LFB is currently using £20 million of its own reserves to kick start this, however it will be fully utilised by the end of 25-26 and need a sustainable funding source from 26-27
- recognition from UK Government that funding decisions must take account of realistic pay settlements
- ensuring that the increased employer costs of firefighter pensions arising from revaluations by the Government Actuaries Department are covered in full.

CRMP Programmes

5.46 Within CRMP there are 9 distinct programmes of work, associated with the commitments set out in section 3.4. The changes in investments to programmes are set out in Appendix 4. The de-scoping, pausing and removal of budget requirements under the CRMP programmes for 2025-26 is not a decision made lightly and is only made in the context of the current financial constraints. Investment will be required in this area in future years to successfully embed long term operational improvements and cultural change whilst recognising longer term benefits to not only the organisation, but ultimately the community LFB serves.

Departmental Investment

5.47 As part of the current year's budget process there were a significant number of investments put forward. As part of the director scrutiny process and ongoing work, elements of this have been re-phased, amended or paused completely on the grounds of financial constraints and to focus our resources and address the challenge of delivering a balanced budget. See Appendix 3 for investments that are supported for 2025-26.

Establishment

5.48 The 2024-25 budget process proposed a forecast Average Vacancy Margin (AVM) of 100 operational posts below full establishment, with this level of AVM remaining constant in 2025-26.

5.49 Since the approval of the 2024-25 budget, work has continued on the feasibility and impact of the AVM on operational delivery. A working group reporting into the Establishment Board has been considering key aspects of the AVM. The conclusion from this work is a continuation of an AVM of 100 is a realistic assumption (rather than a goal) into the medium-term due to actual recruitment rates, staff turnover and the fact that firefighters only need to give one weeks' notice. Set at this level, the AVM balances the need to minimise unnecessary staff turnover against a realistic budget assumption that makes optimum use of LFB's limited resources.

5.50 Currently, operational workforce planning is carried out every month and discussed at Establishment Board. This approach will be further developed as a new organisational workforce planning strategy is put into place.

Savings, efficiencies and productivity

- 5.51 As noted in sections 1 and 3 a total of £28.2 million (existing and new proposals) in Budget reductions are proposed for 2025-26.
- 5.52 To achieve these savings, LFB have worked hard to reduce the impact on individuals and teams, and tackle this as far as possible by improving efficiency and reducing unnecessary spend. However, LFB cannot balance the budget without considering changes to the way FRS teams are organised and, in some cases, reducing the number of posts and people. LFB have entered into a period of consultation with staff on these proposals.
- 5.53 Appendix 2 sets out how the savings will be delivered by directorate. The savings comprise: savings within directorates (including staffing savings), savings within the portfolio and cross-cutting savings.
- 5.54 The portfolio funding envelope has been set at £12.5 million for the year, focused on the CRMP priorities. Some programmes have been paused, though some of the work will now be delivered by business-as-usual teams.
- 5.55 The cross-cutting savings include a target for contracts due to be renewed in the coming year, slowing down recruitment of FRS staff, reductions in pre-arranged overtime through better absence management, a target for process efficiencies and a review of data analysis teams to reorganise that work.
- 5.56 Additional light-touch governance has been introduced by the finance team to ensure that progress against these savings targets is monitored. This includes fortnightly discussions with all directors, which are chaired by the Chief Finance Officer, as well as a monthly stock take with the Commissioner. Progress on efficiencies will be reported to the Investment and Finance Board.

Wider efficiencies and productivity

- 5.57 We continue to strengthen our processes around, for example, business cases and portfolio management which is improving our resource allocations and delivery of value for money. LFB's Investment and Finance Board is playing an important role in scrutinising new expenditure proposals and reviewing existing expenditure through a rolling programme of 'deep dive' reviews.
- 5.58 LFB must submit an annual return to the National Fire Chiefs Council (NFCC) on its efficiency and productivity plan, with key targets of 2 per cent of non-pay efficiencies and increase productivity by 3 per cent by 2024-25. Across 2022-23 to 2024-25 the LFB submission included an average of 6.9 per cent of non-pay efficiencies which is well above the target set. The latest version of the Productivity and Efficiency Plan was included as part of the Budget 2024-25. The next iteration of the Productivity and Efficiency Plan is required by the Home Office to be updated by the end of April 2025.
- 5.59 Staff productivity is challenging to measure accurately or consistently across services. Nevertheless, LFB are continually looking to improve productivity. For example, firefighters now carry out targeted and specific visits to triage lower risk premises to enable Inspecting Officers to focus on higher risk premises and increases our reach into the business community. Changes to the way LFB respond to Automatic Fire Alarms (AFAs) also allow LFB to spend more time on protection work, such as fire safety checks in homes and businesses, as well as operational training. It also reduces the risk to the public through fewer 'blue light' emergency responses. More broadly, the new set of KPIs linked to the CRMP that LFB have published will enable LFB to better understand and improve productivity across a range of disciplines.

People and Culture

- 5.60 LFB 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.

- 5.61 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.
- 5.62 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.
- 5.63 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.
- 5.64 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 is currently consulting 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.

Grants

- 5.65 The Budget for 2025-26 includes anticipated grant income of £25.5 million, including a range of grants. Additional detail on the grants is set out in Table 4 below.

Table 4: Key Grant Receipts Projected

| Grant Name | Amount in 2025-26 £m | Expected length of Grant |
|---|----------------------|---------------------------|
| Pension Grant (2015 Firefighter Pension Actuarial Review) | 16.1 | Ongoing (Agreed annually) |
| Property PFI | 3.7 | Until 2039/40 |
| New Dimensions | 3.4 | Ongoing (Agreed annually) |
| Merton Regional Control Centre | 1.9 | Until 2034/35 |
| Other Grants | 0.5 | |
| Total | 25.5 | |

- 5.66 As highlighted in the table, some grants will be agreed annually as part of the central government settlement process, and one is under review. The current MTFS assumption is that the total of £25.5 million will continue over the MTFS period but there is a risk this may not be the case.

Sustainability and Net-Zero Carbon

- 5.67 The budget submission has been reviewed for sustainability and environmental implications. The LFC will continue to monitor performance through the ISO 14001-certified Environmental Management System that covers the functions of the LFB and published Sustainable Development Annual Reports. The LFC's budget includes allocations that will support most of the LFC's commitments under the London Environment Strategy. This includes implementing responsible procurement, reducing waste, improving air quality, increasing London's green cover, adapting to climate change, and reducing CO2 emissions in line with the Mayor's ambition to accelerate carbon reductions to achieve net zero by 2030 as part of COVID-19 recovery plans. More detailed information can be found within appendix 11 of the November Consultation Budget which can be found [here](#).
- 5.68 In order to fully deliver Net-Zero by 2030 however, this would require additional investment in excess of £200 million.

Risks

- 5.69 The Medium-Term Financial Strategy (Appendix 1) sets out the financial risks to the budget figures in this report, including those relating to inflation, pay and pensions.

Equality Assessment

- 5.70 The Mayor has required in his Guidance that the proposals in the LFC's Budget Submission should be assessed to further address equality, poverty, economic inequality and social integration in London. An equality analysis is set out at Appendix 5 to comply with this requirement.

Medium-Term Financial Strategy and Reserve Strategy

- 5.71 The Fire and Rescue National Framework sets out the documents each Fire and Rescue Service (FRS) is required to produce, which include an integrated risk management plan, an annual statement of assurance (to be published later this year) and its financial plans including an efficiency plan, a Medium-Term Financial Strategy and a Reserves Strategy.
- 5.72 To meet this requirement a Medium-Term Financial Strategy are attached to this report at Appendix 1. The Medium-Term Financial Strategy has been updated to also meet the requirements of an Efficiency Plan covering 2025-26.

The Financial Position as at the end of December 2024

- 5.73 As at the end of quarter three of 2024-25 the Brigade was forecasting an overall overspend position of £8.0 million, which is to be covered by reserves. The structural factors that led to the overspend (such as operational overtime) have been accounted for in the budget and savings proposals for 2025-26.

Reserves

- 5.74 To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA the GLA and the functional bodies must provide:
- a statement of policy on reserves and contingencies
 - details of all reserves and general balances
 - an analysis and explanation of the expected movements on reserves between the start and end of each year from 1 April 2025 to 31 March 2027
 - in the case of earmarked reserves held for purposes beyond 31 March 2024, an indication should be given as to when they are likely to be applied
 - explanation of why reserves need to not only be adequate but why they are necessary.

5.75 The Reserves Policy is set out in the Medium-Term Financial Strategy. The corporate financial risk assessment has been refreshed in support of this. That assessment sets out the potential unbudgeted payments the LFC may be required to make if risks are realised and is used to inform the minimum general reserve requirement.

5.76 The table below sets out the forecasted reserves position at the end of 2025-26 and the following two financial years.

Table 5: Reserves position 2025-26 to 2027-28

| Reserve | Forecasted Balance at 31/03/2025 (£m) | 2025-26 Forecasted Use of Reserves (£m) | Forecasted Balance at 31/03/2026 (£m) | 2026-27 Forecasted Use of Reserves (£m) | Forecasted Balance at 31/03/2027 (£m) | 2027-28 Forecasted Use of Reserves (£m) | Forecasted Balance at 31/03/2028 (£m) |
|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|---------------------------------------|
| Fire Safety Improvement | 15.9 | (10.4) | 5.5 | 0.0 | 5.5 | 0.0 | 5.5 |
| Fire Safety and Youth Engagement | 4.4 | (1.5) | 2.9 | 0.0 | 2.9 | 0.0 | 2.9 |
| Community Risk Management Plan | 1.9 | (1.9) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Building Safety Regulator | 1.7 | 0.0 | 1.7 | 0.0 | 1.7 | 0.0 | 1.7 |
| Vehicle & Equipment Reserve | 1.4 | (1.4) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Pensions | 1.1 | 0.0 | 1.1 | 0.0 | 1.1 | 0.0 | 1.1 |
| Emergency Services Mobile Communication Programme | 0.9 | (0.9) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| London Resilience | 0.8 | (0.6) | 0.2 | 0.0 | 0.2 | 0.0 | 0.2 |
| Recruitment | 0.6 | (0.6) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| ICT Development | 0.3 | (0.3) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grenfell Infrastructure | 0.2 | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| MTA | 0.2 | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sustainability | 0.2 | (0.2) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Communications | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| LFB Museum Project | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Finance Reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Leadership Reserve | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Budget Flexibility | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General Fund | 15.7 | 1.7 | 17.4 | 2.0 | 19.4 | 0.7 | 20.1 |
| Total Reserves | 45.3 | (16.5) | 28.8 | 2.0 | 30.8 | 0.7 | 31.5 |

*Note earmarked reserves with 0.0 have forecasted balances, but less than £50k.

5.77 It is expected that the level of general reserves will fall below 3.5 per cent of mayoral funding in the short term in 2025-26 to cover upfront staff restructuring costs in order to deliver sustainable savings. However, these will be replenished in 2026-27 to a level equal to 3.5 per cent.

Chief Finance Officer's comments on the adequacy of reserves

5.78 The LFC's earmarked reserves (including Budget Flexibility Reserve) have reduced over time as those funds have been utilised to support essential transformation activity in recent years. The current level of reserves is judged prudent by the Chief Finance Officer of LFB in the context of known future liabilities, risks and funding uncertainties facing the organisation and will be kept under review. In particular, the LFB aims to ensure there is a General Reserve equating to 3.5 per cent of Mayoral funding over the medium term (the temporary reduction in 2025-26 is due to one-off staff restructuring costs to deliver

sustainable savings). The budget includes stretching savings and efficiency targets, which senior leadership are committed to delivering (actions are already underway) and implementation of these will require ongoing monitoring. In the context of a challenging macro-economic environment, future financial challenges will to a significant extent depend on the outcomes of the government's Spending Review.

Financial Risks and Opportunities

- 5.79 There are a range of risks and opportunities to the long-term financial position which are as yet unquantified in the estimates in this report, and these are outlined in the Medium-Term Financial Strategy at Appendix 1.

Fees, Charges, Cost Recovery and Sponsorship

- 5.80 The LFB receives income from a range of charges, which are calculated on a cost recovery basis. These charges will be reviewed as part of finalising the budget for 2025-26 and will be reported in the final budget report in March 2025.

Capital Programme 2024-25 to 2028-29

- 5.81 The Financial Position as at the end of September for Q2 was used as a base starting point in the November budget submission, however this has then been updated to reflect any known changes since then. This revised position based on latest forecast has been used for 2024-25. The proposed capital expenditure is £50.6 million in 2025-26 (compared to £53.7 million in the November budget submission) and the total over the five-year period to 2028-29 is now £241.2 million (compared to £248.7 million in the November budget submission). The overall capital programme is summarised in the table below:

Table 6: Capital Programme Summary

| Project | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | TOTAL |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| Capital Schemes | | | | | | |
| 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) |
| Total Expenditure | 25.2 | 50.6 | 57.1 | 65.9 | 42.4 | 241.2 |
| Capital Financing | | | | | | |
| 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 |
| TOTAL Funded Financing | 25.2 | 50.6 | 57.1 | 65.9 | 42.4 | 241.2 |

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

- 5.82 The proposed increase in property-related capital expenditure over the coming years is partly due to further investment in the 'Privacy for All' project but in large part due to the planned investment in a new LFB Headquarters on Brigade-owned estate, subject to business case assessment of the value for money case for this against alternatives including rental options.

- 5.83 Appendix 6 includes the financing of the capital programme for the next four years together with the approved prudential borrowing limits. Details of the next five years, to 2028-29, are included in the Mayor's Capital Spending Plan, and are funded by the capital financing costs reflected in the LFC revenue budget submission. The costs of borrowing are within both affordability and borrowing limits.

Capital Strategy

- 5.84 The CIPFA Prudential Code 2017 sets out a requirement for local authorities to produce a Capital Strategy, to form part of an authority's integrated revenue, capital and balance sheet planning. The Mayor's Budget Guidance requires that the Capital Strategy covers a 20-year period, and forms part of the LFC's Budget Submission. Details of the current capital programme are included in Appendix 6.

The table below sets out the summary capital ambition from 2029-30 to 2043-44 in five-year intervals.

Table 7: Capital ambition 2029-30 to 2043-44

| Project | Years 2029- 2034 | Years 2034- 2039 | Years 2039- 2044 | Total |
|-------------------------------------|------------------------|------------------------|------------------------|--------------|
| | £m | £m | £m | |
| Capital Schemes | | | | |
| Properties | 76.0 | 85.0 | 97.0 | 258.0 |
| Fleet Replacement Plan | 53.0 | 24.0 | 40.0 | 117.0 |
| ICT Projects | 41.0 | 20.0 | 25.0 | 86.0 |
| Total Capital Expenditure | 171.0 | 129.0 | 162.0 | 461.0 |
| Capital Financing | | | | |
| Capital Receipts | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital Grants | 0.0 | 0.0 | 0.0 | 0.0 |
| External Borrowing | 171.0 | 129.0 | 162.0 | 461.0 |
| TOTAL Funded Financing | 171.0 | 129.0 | 162.0 | 461.0 |
| Unfunded Capital Expenditure | 0.0 | 0.0 | 0.0 | 0.0 |

Strategic Drivers

- 5.85 The requirements for the LFC to produce a balanced budget are set out in the body of this report.

6 Values comments

- 6.1 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.
- 6.2 The Brigade values are:
- Service: we put the public first
 - Integrity: we act with honesty
 - Teamwork: we work together and include everyone
 - Equity: we treat everyone fairly according to their needs
 - Courage: we step up to the challenge
 - Learning: we listen so that we can improve
- 6.3 LFB values were launched on 4 December 2023 at an all staff briefing. The six new values are underpinned by a framework that describes the behaviours that best demonstrate each value. The values and behavioural framework relate to how staff treat the public and colleagues.

- 6.4 An Advisory Panel provides challenge and advice on the activities and proposals to address the findings from the Culture Review and other related reports. The Culture Transformation programme has the values at the core of improvements and outcomes it is seeking to achieve.

7 Equality comments

- 7.1 The LFC and the Deputy Mayor for Fire 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.
- 7.2 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.
- 7.3 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.
- 7.4 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
 - foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 7.5 Having due regard to the need to advance equality of opportunity 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;
- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
 - take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of 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.
- 7.6 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.
- 7.7 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.
- 7.8 Appendix 5 sets out an Equality Impact Analysis (EIA) of Budget 2025-26 and the associated budget processes.

8 Workforce comments

- 8.1 LFB's recognised trade unions are being consulted on organisational change proposals for 2025-26, and any comments will receive a response and be reported to Commissioner's Board as appropriate. The deletion of operational posts would not require any staffing reductions as operational staff who are currently occupying such roles would be posted to alternative positions at same or similar rank. A number of occupied FRS posts are impacted, and a collective and individual set of consultations are currently underway.
- 8.2 A separate Equalities Impact Assessment (EIA) has been prepared and published for the collective consultation on organisational change that is necessary to deliver a balanced budget.

9 Procurement comments

- 9.1 The resource requirements to ensure that Procurement and Commercial can facilitate and meet the required commercial needs of the LFB at both CRMP Programme and Business as usual level are set-out and included in the investment sections of the report.

10 Communication comments

- 10.1 This report shall be published on the LFB website under the decisions made by the London Fire Commissioner.

11 Financial comments

- 11.1 This is a financial report and therefore all the financial implications are set out in detail within the report.

12 Legal comments

- 12.1 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 Greater London Authority 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.
- 12.2 Section 1 of the Fire and Rescue Services Act 2004 states that the Commissioner is the fire and rescue authority for Greater London. The Commissioner is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness.
- 12.3 The statutory provisions relating to the setting of the Commissioner's budget are contained in the Greater London Authority Act 1999. Schedule 6 of the Act sets out the process for the development and approval of the GLA's consolidated budget and the various component budgets of the functional bodies such as the Commissioner. Paragraph 2 of Schedule 6 requires the Mayor to prepare a draft component budget for the Commissioner and for each of the other constituent bodies which make up the GLA's consolidated budget. The Mayor must consult the Commissioner before preparing the component budget and the London Assembly before producing a consolidated budget. In preparing the draft he must have regard to representations which he has received as a result of the consultation process.
- 12.4 The Mayor annually updates his budget guidance in order to take account of his mayoral priorities and legislative changes. The Commissioner must have regard to this guidance in preparing the LFC's representations during the budget consultation process.

- 12.5 Additionally, the Fire and Rescue National Framework for England ("Framework") issued by the Secretary of State under section 21 of the Fire and Rescue Services Act 2004 requires the Commissioner to produce a medium-term financial plan, efficiency plan, and a reserves strategy. The Framework permits these to be combined and included within the parent authorities' documentation as has been done in this report.
- 12.6 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"). Paragraph (d) of Part 2 of this direction requires the prior approval of the Deputy Mayor before, "The London Fire Commissioner makes an annual budget submission to the Mayor prior to the Mayor's Consultation Budget being issued."
- 12.7 This report sets out the Commissioner's proposed Budget Submission to the Mayor (incorporating the requirements of the Framework) thereby meeting the Commissioner's responsibilities under the above legislation and Framework.
- 12.8 The Medium-Term Financial Strategy (MTFS), Efficiency Plan and Reserve Strategy are documents referenced as required in the Fire and Rescue Services National Framework. These documents form part of the Budget Submission. Under S327G of the Greater London Authority Act 1999 (GLA Act 1999) a document that is prepared and published by the LFC in accordance with Framework and which (a) sets out the Commissioner's priorities and objectives, for the period covered by the document, in connection with the discharge of the Commissioner's functions, or (b) contains a statement of the way in which the Commissioner has had regard, in the period covered by the document, to the Framework and to any document within paragraph (a) prepared by the Commissioner for that period must, before publication, be sent in draft to the Mayor and the Assembly (in these circumstances the Fire Committee). The document cannot be published by the LFC without Fire Committee having an opportunity to review the draft document(s) and report to the Mayor, and the Mayor needs to approve the document(s) before it may be published by the LFC.
- 12.9 It is commonly accepted that the MTFS, Efficiency Strategy, Reserve Strategy, and the Statement of Assurance (the subject of a separate report) are documents that fall within S327G and accordingly the above provisions apply.
- 12.10 The Mayoral Directions provide for additional processes namely that The prior approval of the Mayor is required before any of the following decisions is taken: b. Approval of the final proposed text of the draft London Safety Plan (or any revision of it) for the purposes of sending it to the Assembly under section 327G(2) of the GLA Act 1999. "London Safety Plan" refers to any document which is prepared and published by the Commissioner in accordance with the Fire and Rescue National Framework and which contains the matters described in section 327G (l)(a) and or (b) of the GLA Act 1999.
- 12.11 In addition, the Mayoral Directions provide that prior consultation with the Deputy Mayor is required on anything that requires the consent of the Mayor.

List of Appendices

| Appendix | Title | Protective Marking |
|----------|---|--------------------|
| 1 | Medium-Term Financial Strategy (MTFS) | None |
| 2 | Revised Savings | None |
| 3 | Revised Investments | None |
| 4 | Community Risk Management Plan (CRMP) Investments | None |
| 5 | Equality Analysis | None |
| 6 | Capital Strategy | None |

Appendix 1

Medium-Term Financial Strategy (MTFS)

1 Introduction

This report sets out the Medium-Term Financial Strategy (MTFS) for the London Fire Commissioner (LFC) covering the period 2025-26 to 2027-28.

The MTFS is a key part of the LFC's financial management framework and helps to ensure that resources are managed into the medium-term and supports better alignment of those resources to strategic priorities. It improves financial planning and strategic financial management and provides the financial context within which budgets are set.

The MTFS must set out the financial plans for multiple years, have regard to affordability and consider the interdependencies of both revenue and capital income and expenditure.

Under the CIPFA Prudential Code for Capital Finance, the LFC is also required to produce an annual Capital Strategy which sets out the investment plans, considering the affordability of those plans.

2 Economic contexts

This budget is being set at a time of recognised macroeconomic uncertainty both in the UK and globally. Economic growth is slower than previously forecast at the time of the Chancellor's Budget statement in October 2024. Inflation is currently greater than the target rate of 2 per cent and could be adversely impacted further through tariffs and disruption to world trade.

Interest rates have remained high and this impacts on the LFC through the borrowing to support the capital programme. The LFC has been able to make use of capital receipts to fund the capital programme for several years, however these are now exhausted and so borrowing will be required. Interest rates that the LFC is able to secure borrowing will impact on the total costs of this borrowing, and feed into the capital financing costs in the revenue budget. The LFC is able to secure some slightly preferential interest rates for some investments as part of achieving the target of being carbon neutral by 2030, through GLA Green Funding but this is limited.

Public sector finances remain challenging, exacerbated by the need to increase defence spending due to geopolitical concerns. The Government has initiated a Spending Review, which is expected to set budgets over the three years from 2026-27. The Spending Review is expected to conclude in June 2025.

3 Background

On 31 July 2024 the Mayor issued his latest Budget Guidance setting out the GLA's estimates of the Group budgets for each functional body, covering the period to 31 March 2028 and has been issued to underpin the process of setting the 2025-26 annual budgets.

This Mayoral Budget Guidance includes estimates of business rates and council tax revenue and certain assumptions have been made in those estimates. The LFC is predominantly reliant on funding from the Mayor, and his decisions on distribution of business rates and council tax.

The Mayor takes decisions on the distribution of the GLA business rates and council tax income and it is therefore important that the LFC can demonstrate a strategic approach to its finances enabling the achievement of strategic objectives whilst at the same time delivering efficiencies.

4 London Fire Commissioner strategic priorities

Following development in 2022, on 1 January 2023, the London Fire Commissioner published a new strategy which sets out the strategic ambition for the Brigade for the next seven years. It is called *Your London Fire Brigade* and replaces the London Safety Plan 2017; it meets the requirements of Government's Fire and Rescue National Framework for England to produce a Community Risk Management Plan (CRMP).

The CRMP pulls together the Brigade's existing work as well as ideas for the future, so that there is one plan which sets out all the organisational priorities. The CRMP incorporated outstanding actions to address findings from Phase One of the Grenfell Inquiry and the previous inspections by His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS).

It was developed prior to the publication of the Independent Culture Review, and results from the second full inspection by HMICFRS. This has meant that the CRMP had to be adapted in the light of those subsequent reports.

The overarching framework of the CRMP has not required amendment. It describes six services that the Brigade will provide to London, Londoners and visitor to London in response to the London Fire Commissioner's Assessment of Risk. Three of those services are long-established and encompass our work to help:

- Help prevent fires and other incidents from occurring.
- Ensure the built environment can protect people to enable them to escape should a fire or other incident occur.
- Respond to emergencies.

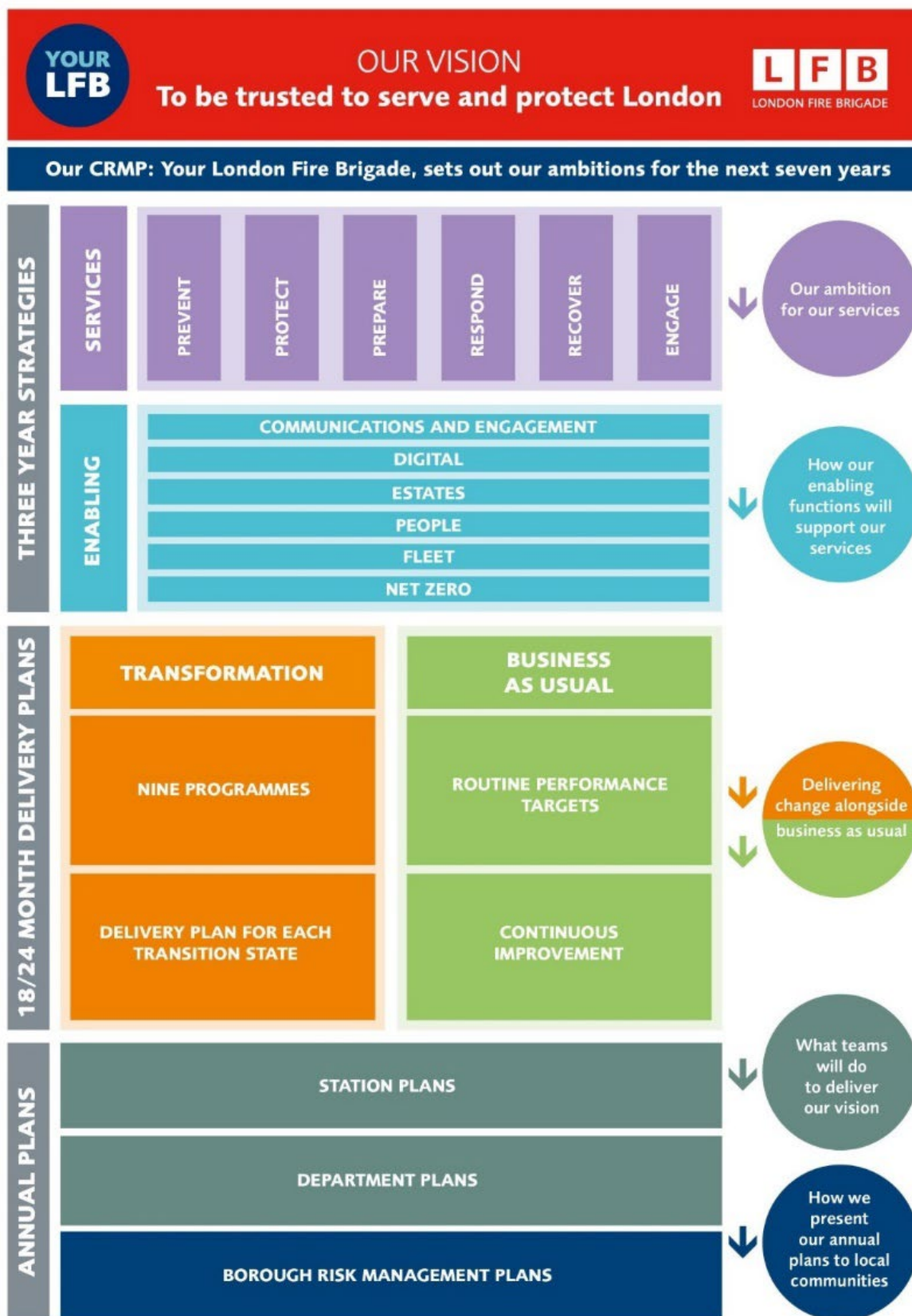
The Plan describes three newly defined services so that the Brigade can work more effectively with people so that they not only are safer, but they also feel safer. Those three new services are:

- Prepare – the Brigade will work with local communities so that they can be better prepared should an incident occur and take action to make themselves safer, prior to our arrival on scene.
- Recover – the Brigade will work with local communities providing advice and signposting people to ongoing support so that they can recover more quickly after an incident has occurred.
- Engage – the Brigade will work more closely with local communities and reach out to communities whose voices are seldom heard to understand their perceptions of safety and work in partnership with them to improve their safety.

The Plan also sets out the LFC's ambition for transformation under eight commitments, which have been translated into programmes within the Brigade's transformation portfolio of change. These are:

- Providing localised, risk-based services.
- Improving access to services.
- Adapting services in response to changing risk.
- Designing services that are responsive to community needs.
- Enabling people to be the best they can be.
- Aligning support services to meet the needs of front-line staff.
- Being more evidence-led.
- Building a safer future for all.

The Plan is supported by service strategies and actions are being translated into local plans at the department, borough and station level, as set out in the graphic on the next page.



This has facilitated a developing approach to delivering change and has informed the identification of programme-based budget requirements. Some of these are in addition to existing plans.

As with previous plans, the CRMP is not fully funded in advance; funding settlements for future years are uncertain and costs cannot be identified until detailed business cases have been developed. Resource requirements have been identified as part of these commitments and have been considered as part of prioritisation of resources as part of this budget process.

Funding figures as set out by the Mayor represent increases in funding in each year, with an additional £41.3 million provided in 2025-26, a further £19.3 million in 2026-27 and a further £18.8 million in 2027-28. To achieve the requirement for a balanced budget in 2025-26 the LFC has carried out a budget setting exercise to identify the savings required as set out in its Budget Submission to the Mayor.

5 The Strategy

Given the wider economic context and the significant transformation journey which the LFC is on, the Medium-Term Financial Strategy is based on the following key principles:

- The number of fire stations, appliances and firefighters are not reduced.
- There are no reductions in regulatory capabilities.
- Delivery of the Community Risk Management Plan (CRMP).
- Appropriate investment continues to be made in transformation activity, including culture change.
- Resources are available to meet the recommendations arising from both the Grenfell Tower and Manchester Arena Inquiries and also the improvement plan from the HMICRFS inspections.
- Adequate investment in core infrastructure is maintained.
- Appropriate resources are set aside to deliver key strategies and priorities.
- Earmarked reserves will be maintained for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- The General Fund balance will be maintained at a sustainable level.
- Opportunities for innovative and modern ways working will be adopted as far as possible.

6 Assumptions

The Mayor has proposed that the GLA and its functional bodies should assume for planning purposes that their allocation of discretionary income from the GLA for 2025-26 and future years is based on a 'central scenario'. As part of that central scenario:

- Business rates funding is assumed to increase by CPI inflation (estimated at 2 per cent).
- Council tax Band D precept is assumed to increase by 2 per cent.
- The Council tax base is assumed to increase by 1 per cent a year.

The main assumptions in the MTFS are:

- Assumptions regarding staff pay and inflation in each year.
- Each post has pay progression until the top of the grade/operational competence is reached.
- Inflation is applied to other areas based on contractual requirements, linked to CPI, RPI and Average Weekly Earnings (AWE) as appropriate.

7 Medium-Term Financial Strategy 2025-2028

The Medium-Term Financial Strategy sets out the proposed revenue budget for the next financial year (2025-26) and financial forecasts for a further two financial years. The table below sets out a summary of the financial position in each of those years.

| | 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) |
| Net Service Expenditure | 536.9 | 529.9 | 543.2 |
| Capital Financing | 17.5 | 25.3 | 32.1 |
| Interest Receivable | (1.5) | (1.5) | (1.5) |
| Net Expenditure | 552.9 | 553.7 | 573.8 |
| Transfer to / (from) Reserves | (16.5) | 2.0 | 0.7 |
| Financing Requirement | 536.4 | 555.7 | 574.5 |
| 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 |
| Council Tax Requirement | 231.8 | 245.4 | 259.0 |

8 Efficiency Plan

The Fire and Rescue Service National Framework for England provides for certain documents to be produced and this includes an Efficiency Plan.

The LFC published its first efficiency plan under the London Fire and Emergency Planning Authority (LFEPA) in 2016 covering four years to 2020. The LFC published a Productivity and Efficiency Plan as part of the Budget 2024-25.

To meet the ongoing requirement, the proposals set out in the LFC Budget Submission to the Mayor should be considered as the Efficiency Plan for the LFC covering the financial year 2025-26.

The LFC has a Value for Money (VFM) Principles Framework in place that is used to underpin the strategic priorities and inform future efficiency plans and budget setting.

These VFM principles have been adopted by the LFC's Investment & Finance Board. The framework includes:

- An outcomes-based approach to service delivery models to be adopted in line with the CRMP (Community Risk Management Plan) and the Target Operating Model.
- A Priority budgeting approach will be adopted in budget setting processes to ensure resources are aligned with key priorities and strategic objectives.

- Organisational structures will be reviewed to ensure they are fit-for-purpose in meeting statutory obligations but lean and efficient.
- Business processes and related systems will be reviewed to ensure that they are aligned with modern, best practice and seek to maximise the use of digital solutions.
- Maximisation of procurement benefits to drive out value-for-money in commercial contracts.
- Opportunities for collaboration with the GLA, the fire and rescue sector and other public sector bodies will be proactively sought.
- Early and proactive engagement with the unions will be undertaken on any potential pay awards.

This is not an exhaustive list but gives an indication of the LFC's approach to delivering value for-money and efficiency savings. These VFM principles will be updated to reflect the further proposals to strengthen financial controls and efficiencies set out in this Budget Submission.

On productivity of staff, this is not an easy issue to measure accurately or consistently across services. Nevertheless, we are continually looking to improve productivity. For example, firefighters now carry out targeted and specific visits to triage lower risk premises to enable Inspecting Officers to focus on higher risk premises and increases our reach into the business community. Our change to the way we respond to Automatic Fire Alarms (AFAs) allow us to spend more time on protection work, such as fire safety checks in homes and businesses, as well as operational training. It will also reduce the risk to the public through fewer 'blue light' emergency responses. More broadly, the new set of KPIs linked to the CRMP that we have published will enable us to better understand and improve our productivity across a range of disciplines.

Section 5.46 of the main budget submission sets out the outcomes of previous and ongoing efficiency reviews, strengthened processes for business cases, aligning investments to strategic priorities. LFB have to submit an annual return to the National Fire Chiefs Council (NFCC) on its efficiency and productivity plan, with key targets of 2 per cent of non-pay efficiencies and increase productivity by 3 per cent on an annual basis. Across 2022-23 – 2024-25 the LFB submission included an average of 6.9 per cent of non-pay efficiencies which is well above the target set.

For 2025-26 a Financial Review has been undertaken to identify savings over the short to medium term to support the budget and including to support addressing the budget gap in 2025-26. This review was led by the Assistant Director for Finance Transformation and the Strategic Advisor (external to LFB). This work has identified further savings of £9.6 million in 2025-26, bringing the total savings for £2025-26 to £28.2 million.

9 Reserves

As part of our statutory obligations, the LFC Chief Finance Officer (currently the Director of Corporate Services) must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

As part of the budget setting process, the CFO must provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion. The LFC's policy on reserves is contained within the MTFS principles highlighted above and are as follows:

- Due to the large number of risks regarding cost inflation the requirement to maintain its general reserve at a minimum of 3.5 per cent of core GLA funding has been reviewed by the CFO (Director of Corporate Services). It has been deemed appropriate to keep it at this rate over the medium term, however falling below this level on a temporary basis in 2025-26 to fund one-off staff restructuring costs to deliver sustainable savings, which will then be returned to a minimum of 3.5 per cent from 2026-27.
- The LFC will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The LFC will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities.
- The use and level of earmarked reserves will be reviewed at least annually by the CFO who will give an opinion on their adequacy.

Reserve levels will also be monitored regularly as part of the LFB's existing financial reporting.

Chief Finance Officer's comments on the adequacy of reserves:

The LFC's earmarked reserves (including Budget Flexibility Reserve) have reduced over time as those funds have been utilised to support essential transformation activity in recent years. The current level of reserves is judged prudent by the Chief Finance Officer of LFC in the context of known future liabilities, risks and funding uncertainties facing the organisation and will be kept under review. In particular, the LFC aims to ensure there is a General Reserve equating to 3.5 per cent of Mayoral funding over the medium term (the temporary reduction in 2025-26 is due to one-off staff restructuring costs to deliver sustainable savings). The budget includes stretching savings and efficiency targets, which senior leadership are committed to delivering (actions are already underway) and implementation of these will require ongoing monitoring. In the context of a challenging macro-economic environment, future financial challenges will to a significant extent depend on the outcomes of the government's Spending Review.

10 Financial Risks

Pay and Inflation

The MTFS includes an assumption of a 2 per cent pay award for 2025-26 for all staff and in future years. This assumption will be reviewed as part of the 2025 national and local pay negotiation processes and considering inflation, affordability, and other factors. Each 1 per cent change in pay is equivalent to around £4m in cost for all staff groups. In addition to this, role-based allowances for operational staff are assumed to continue at an annual cost of approximately £2.5m per annum in pay-related costs.

Government Funding and macro-economic factors

Central Government is currently carrying out a spending review of its expenditure including Fire, which will inform its budget allocations for 2026-27 and the subsequent two financial years. The LFC has made submissions to this process both as part of the National Fire Chiefs Council as well as through the GLA, but the results of this process and the impact on the LFC will not be known until later in 2025.

This risk is exacerbated in the current economic climate, with inflation remaining higher than expected and economic growth remaining low. Macro-economic factors at the global level (including tariffs and pressures to increase defence spending) are adding to this uncertainty.

Funding from the Mayor

This report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next three financial years. However, there is significant uncertainty about the level of funding for future years due to a number of risks on the funding available to the Mayor, through retained business rates and the council tax, as well Government decisions on funding, including the Spending Review. The MTFS has been formulated using the central scenario totals set out in the Mayor's Budget Guidance 2025-26 but there is a risk that actual funding could be lower from 2026-27.

Firefighter and Local Government Pension Schemes

The pensions schemes provided by the LFC present significant financial challenges. The pensions remedy that impacts all public sector pensions has a particularly significant impact of the Firefighter Pension Scheme, with the remedy to address the unlawful transitional protection impacting significant numbers of LFC staff. Managing the remedy and its implementation has already had significant financial impact for the LFC, in particular on employer pension contribution rates following the scheme valuation.

Property and equipment costs

There is also a risk with the costs of property rents, particularly in central London, that could impact on future lease agreements/reviews. This includes the LFC Headquarters where a project is underway to confirm new arrangements with the approaching expiry of the lease on the current HQ at Union St. In addition to the cost associated with the new premises there will also be cost in vacating the current site, including possible dilapidations.

Capital Expenditure and Financing

The capital budget can be subject to change during the year and any re-phasing or deferral due can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

The capital programme is currently proposed to be funded by a mixture of capital grants and borrowing and the associated debt costs have been calculated using the current forecast Public Works Loans Board (PWLB) rates. Actual borrowing rates and resulting costs may be different.

A risk exists in relation to meeting the emission reduction targets for 2030 (Ultra Low Emission Fleet (ULEF) programme) for the replacement vehicles and associated equipment in that the technology and infrastructure, if available at all, may be more costly than existing vehicle technology, leading to additional capital financing costs. Existing vehicles may need to be replaced earlier than their expected replacement date, bringing forward capital expenditure.

More widely, the programme to achieve Carbon Net Zero by 2030 carries significant investment which is currently not fully funded. Additional external borrowing may be possible but the debt charges would currently be unaffordable, and therefore significantly impact on the ability of LFC to achieve a balanced budget without making substantial and unacceptable savings.

Key operational systems

The Home Office will replace the existing Airwave contracts as part of the delivery of the Emergency Services Network (ESN). Existing contracts are subsidised, and the Home Office has provided assurance this subsidy will remain for the term of the Airwave Contract.

There could be significant financial pressures to LFC under any new contract provision for ESN as the Home Office may be unwilling to continue to subsidise a future system. The Emergency Services Mobile Communications Programme (ESMCP) have not yet issued a revised project timeline to deliver ESN. Once a credible date is available from the Home Office for the LFCs transition, the budget plans will be updated accordingly. The LFC currently holds an earmarked reserve against any anticipated costs of this work.

Other risks

Significant demand continues to be placed on the Information and Communications Technology Department to meet new requirements and aid in the development of smarter systems for the LFC. This is at a time where resources are limited and as a result there is a risk that development of information technology solutions may be constrained.

Price increases are being considered by Thames Water which could affect the Water Team budget in Procurement. It is still subject to further discussions with the supplier and the cost impact is currently being refined.

Telecommunications income in respect of radio masts is forecast to be reduced in the future due to a reduction in the number of operators in the industry, as well changes to legislation impacting on the ability to raise income.

The saving proposals include material savings for income generated through the (Metropolitan Fire Brigade) MFB Act. This budget has recovered increased budgets approved in recent years; however, uncertainty remains on the extent to which increase in this income may continue.

Legal costs

Whilst the LFC has insurance to cover legal costs in relation to legal claims, there is always the risk that there are legal costs which are not covered by the existing policies and/or insured amounts.

11 Conclusion

The review of the MTFs has been undertaken against a backdrop of significant funding uncertainty and during a period of national and global economic instability.

The LFC has been through a period of significant external scrutiny which has resulted in a significant transformation journey. It is important, therefore, that the Medium-Term Financial Strategy can support not only business-as-usual activity but also continuous improvement, including investment in activity such as operational training.

The MTFS sets out a balanced budget for 2025-26 but notes that further funding and/or savings are required from 2026-27 in order to ensure a sustainable position over the medium term. The outcomes of the government's Spending Review later in 2025 will therefore be an important determinant of the financial challenges for the LFB over the medium term,

Appendix 2

Savings

Existing Savings

Set out in the 2024-25 budget process and expected to be delivered from 2025-26 and inclusive of CRMP Programme delivery aligned to the relevant Senior Responsible Officer (SRO) or Director.

| Directorate | 2025-26 Saving £'000 | 2026-27 Saving £'000 | 2027-28 Saving £'000 | Description |
|-----------------------------------|---------------------------------|---------------------------------|---------------------------------|---|
| Corporate Services | (1,919) | (2,149) | (2,149) | Savings across the directorate including additional 'savings' identified through additional MFB Act income. |
| Preparedness and Response | (1,667) | (3,325) | (3,325) | This includes agreed savings and re-profiling of investment across the directorate. |
| People | (585) | (985) | (985) | This includes savings against a one-off pressure for occupational health and future reviews into delivery by the directorate. |
| Transformation | (110) | (115) | (115) | This includes a saving in resource to deliver change activities within programmes. |
| Prevention, Protection and Policy | (697) | (958) | (958) | This includes savings and efficiencies from across the directorate. |
| Communications | (505) | (505) | (505) | Reversal of one-off growth in prior year. |
| Existing Savings - Total | (5,483) | (8,037) | (8,037) | |

New Savings

All new savings set out within the 2025-26 budget process. These are in addition to the existing savings set out in the table above as part of the prior year budget processes. In total there are savings to be achieved in 2025-26 of £28.2 million.

| Directorate | 2025-26 Saving £'000 | 2026-27 Saving £'000 | 2027-28 Saving £'000 | Description |
|-----------------------------------|-------------------------|-------------------------|-------------------------|---|
| Corporate Services | (3,013) | (3,218) | (3,318) | A wide range of savings across the directorate, including systems, sanitisation and utilities. |
| Preparedness and Response | (3,015) | (3,632) | (3,632) | A wide range of savings across the directorate, including more efficient training course provision and savings on fuel. |
| People | (512) | (512) | (512) | Includes savings against the external complaints service contract. |
| Transformation | (1,207) | (1,207) | (1,207) | Savings across the directorate. |
| Prevention, Protection and Policy | (3,407) | (3,407) | (3,407) | Includes a saving from the Building Safety Programme team which is no longer required to cover secondments and savings from across the directorate. These savings do not impact on our regulatory capabilities which are being protected. |
| Communications | (68) | (68) | (68) | Includes savings generated from secondment of staff. |
| Savings Review / Cross Cutting | (9,630) | (9,630) | (9,630) | Cross cutting savings from recruitment controls, review of sickness absence to reduce overtime, contracts review, data and process efficiencies. |
| CRMP Programmes | (1,856) | 0 | 0 | Net reduction against previous assumptions. |
| New Savings - Total | (22,707) | (21,674) | (21,774) | |

Appendix 3
Investments 2025-26

| Directorate | 2025-26 Investment £'000 | 2026-27 Investment £'000 | 2027-28 Investment £'000 | Description |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------|---|
| Corporate Services | 1,190 | 1,190 | 1,190 | Includes a reduction in telecoms income, and expenditure on essential software licenses, facilities management and legal. |
| Preparedness and Response | 604 | 604 | 604 | This includes additional staff resource to support the directorate in key service delivery. |
| People | 660 | 660 | 660 | Additional investment within the Professional Standards Unit and investment requirements as part of service re-design. |
| Transformation | 0 | 0 | 0 | N/A |
| Prevention, Protection and Policy | 55 | 55 | 55 | A reduction in income in 'fire kills' grant and reduction in potential income due to change in policy of AFAs (noting that this income has never been realised previously so it is a budgetary correction). |
| Communications | 0 | 0 | 0 | N/A |
| Existing Investment - Total | 2,509 | 2,509 | 2,509 | |

Appendix 4

Community Risk Management Plan (CRMP) Investments

The table below shows the total investment required for CRMP programmes after consideration of the overall resources to allocate to programmes. Some programmes have been paused, though some of the work will now be delivered by business-as-usual teams and some projects will continue outside of the programme approach.

| Programme | Budget 2024-25 £'000 | Budget 2025-26 £'000 | Description of Investment in 2025-26 |
|-------------------------|-------------------------------------|-------------------------------------|--|
| Localised Services | 0 | 748 | Delivery of One Risk in revised format. Note that this funding may be supplemented or some of it replaced by appropriate use of Protection Grant. |
| Accessible Services | 515 | 0 | Paused until 2026-27. |
| Modern Services | 6,298 | 8,128 | Delivery of Modern Firefighting Strategy. |
| Community Partnership | 0 | 0 | Paused until 2026-27. |
| Culture Transformation | 4,758 | 3,030 | Range of initiatives which stemmed from Independent Culture Review including EDI strategy, undress uniforms project, Professional Standards Unit, leadership redesign. |
| Streamlined Services | 533 | 512 | Delivery of new corporate ERP systems (to replace obsolete systems). |
| Data-driven Performance | 175 | 0 | Paused until 2026-27. |
| Sustainable Services | 588 | 120 | Electrical Vehicle Charging maintenance. The Carbon Net Zero project will continue outside of the programme approach. |
| Change Capability | 252 | 0 | Paused until 2026-27. |
| Total | 13,119 | 12,538 | |

Appendix 5

Equality Analysis

Equality Analysis / Equality Impact Assessment (EIA)

| A. Name and the nature of the programme/ activity |
|---|
| London Fire Brigade Budget Submission 2025-26 |
| B. Reason for Equality Impact Assessment |
| <ul style="list-style-type: none">• Proposed change to an existing programme/ activity• Undertaking a review of an existing programme/ activity <p>This Equality Impact Assessment has also been prepared to meet the requirements of the Mayor's Budget Guidance which sets out that all members of the GLA Group must demonstrate how their plans will:</p> <ul style="list-style-type: none">• support the actions in the Building A Fairer City plan• impact on different groups of Londoners; this includes those sharing characteristics protected by the Equality Act 2010 and low-income Londoners• strengthen activities to further address structural inequalities in London – particularly poverty and economic inequality• fulfil the Equality Objectives for the functional body <p>This Equality Impact Assessment needs to be considered in the context of the challenging financial position that has been set out in the body of the LFB's Budget Submission. That submission currently includes a total saving requirement of £28m, which if not delivered would have the potential to impact London's diverse communities.</p> <p>These requirements are addressed in the following sections, which reflect funding that has been provided within this budget submission for 2025-26 for these activities.</p> <p><u>Building a Fairer City</u></p> <p>The Building a Fairer City plan includes four key areas on labour market inequality, financial hardship and living standards, equity in public services and civil society strength.</p> <p><u>Labour market inequality</u></p> <p>Through continued investment in culture transformation and People Services, the LFB continues to focus on increasing the diversity of its workforce. A diverse workforce allows the LFB to integrate and become closer to its communities. If local communities trust us, the LFB is better able to gain their cooperation when it offers vital fire safety advice.</p> <p>Some of the most vulnerable people in society come from diverse backgrounds and the LFB needs to understand their lifestyles in order to safeguard them against the risk of fire. This applies to all roles, from inspecting officers to control staff, community safety teams and firefighters.</p> <p>A diverse team gives us a broad variety of skills, experience, problem solving and an opportunity to learn from each other's differences. In turn this helps us to do the best job we can to keep London and all its communities safe.</p> |

Equity in public services

Community Forum

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.

The Community Forum is made up of Londoners who have experienced LFB's services or who are experts through lived experience. Members include survivors of the Grenfell Tower and New Cross fires, disability campaigners and representatives from faith communities and social housing. Members bring a unique and valuable insight to discussions around fire safety and the work of the Brigade.

Equity as an LFB Value

Our values are a set of guiding principles that help us to create a safe and professional workplace culture. In turn, they also help us achieve our vision - to be trusted to serve and protect London.

Our people across the Brigade have helped to define these values by sharing their experiences of London Fire Brigade at its best. We've added input from the communities we serve and made sure they align with the [NFCC Code of Ethics](#).

Our values are a key part of the way we work, and a foundation for delivering the goals of our Community Risk Management Plan: [Your London Fire Brigade](#). Our values are not new ideas; they have always been part of the Brigade and our people can live these values every day.

The six values are:

- Service
- Integrity
- Teamwork
- Equity
- Courage
- Learning

The value of equity can be demonstrated as an individual by:

- I seek to understand and learn from people with different perspectives
- I celebrate the achievement of others
- I give others the space to be themselves
- I am compassionate and kind to others and support their individual needs
- I do the right thing when nobody's looking

Before making decisions all reports provide the LFC with the assurance that the Brigade values are reflected in its decision-making, policies, procedures and processes and outline how the recommended decisions align with and further the Brigade values.

Culture Review

Nazir Afzal's Independent Review of London Fire Brigade's culture was published in November 2022 and reported that LFB was institutionally racist and misogynistic, and that disabled and neurodiverse people received poor treatment. The LFB accepted the findings and committed to change.

The Culture Programme established an action plan covering five themes: Workplace where everyone is afforded dignity, better engagement with London's communities, leadership model of trust, improve wellbeing and transform People Services.

Impact on different groups of Londoners

We actively encourage and welcome all applicants to LFB, regardless of age, disability, transgender status or gender identity, marriage and civil partnership status, pregnancy and maternity, race, ethnicity or nationality, religion or belief, sex and sexual orientation.

We have a zero tolerance of discrimination and a strategy in place to ensure that no candidates are treated unfairly. Applicants can tell us if they require reasonable adjustments to provide them with equal opportunity in our recruitment processes, and our recruitment team are on hand to answer any questions.

We are members of:

- The Employers Network for Equality and Inclusion (ENEI)
- The Business Disability Forum
- Stonewall (LGBT inclusion), and
- The Disability Confident Scheme

These organisations provide us with support and help us to become an employer of choice for the diverse communities across London:

Strengthen activities to further address structural inequalities in London

Improving our workplace culture

We want everyone in the Brigade to feel valued, safe and accepted in their workplace and to put public service at the heart of what we do. We're working hard to achieve that.

We are listening and talking as we improve

- Our senior leaders visited every Watch and team to discuss [our new values](#) and what they mean. Our leaders also visited our people to discuss our culture after the publication of the review.
- We run online all staff briefings every month, focusing on important topics including culture.
- Our Commissioner speaks at four in-person briefings at Headquarters every year, and attends department meetings, joint training sessions and fire stations.
- We introduced a briefing for staff – Your LFB Update – which is sent every eight days and gives regular information about culture-related and other changes in the Brigade.

Community Risk Management Plan.

In its delivery plan the LFB sets out what it will achieve over the life of the Community Risk Management Plan, which it is calling Your London Fire Brigade. It is based on the four new pillars and eight new commitments set out in Your London Fire Brigade. These pillars are:

- Engaging with YOU
- Protecting YOU
- Learning from YOU
- Representing YOU

Each of these pillars will impact on the services we provide, helping us to improve them so that we can work with the public to make them safer.

Detailed Performance information against the LFB's targets is set out in its published quarterly performance reports. This includes the performance data highlights below.

- In October 2024, LFB launched its second full annual staff survey to all employees and the percentage of staff that 'would recommend LFB as a place to work (C6-01)' rose from 54 per cent in 2023 to 64 per cent in 2024, and thus within the target of 60 per cent.
- Station staff time spent on prevention (C4-01) and Station staff time spent on protection (C4-02) have both seen positive shifts in the data over the last quarter, and both are reporting as on target. The second version of the Fire Station Performance report combined with a performance management framework have contributed to this improvement.
- The new target of 40 per cent for Ratio of high-risk audits (C3-06) has been met. The positive improvement reflects work to ensure that officers are trained as fully competent and qualified, together with reviewing the Relative Risk Level (RRL) for premises where remediation is required.
- In October 2024 LFB stopped attending automatic fire alarms in non-domestic buildings (C4 04), between the hours of 07:00 – 20:30 unless a call is also received from a person reporting a fire, and as a result

Whilst the LFB is not yet meeting all its targets it is making significant progress as summarised below.

- The staff composition for staff with disabilities (C1-04) remains below the target. Several positive actions are being put in place to improve recruiting of underrepresented groups as well as disability disclosure rates.
- The number of triages via the Online Home Fire Safety Checker (C2-01) has decreased from last quarter and is off target. LFB has invested in a new four-month paid-for online campaign, which began on some channels in December and will be increased in January.
- Staff sickness (C5-03) and the number of RIDDORs (C5-01) remained off target in Q3.
- Fire injuries (C7-02) is off target against the new and more challenging target that aims for LFB to be the best performing FRS in England. We are aiming to achieve this by the end of the CRMP. While cookers remain the top ignition source for fire injuries, vehicle related fire injuries (including e-bikes and e-scooters) have increased as well as fire injuries caused by batteries and generators (such as lithium-ion batteries).
- The number Accidental fire deaths in the home (5 year rolling average) (C7-04) was slightly above the new and more challenging target set for 2024-25.

Fulfil the Equality Objectives for the functional body

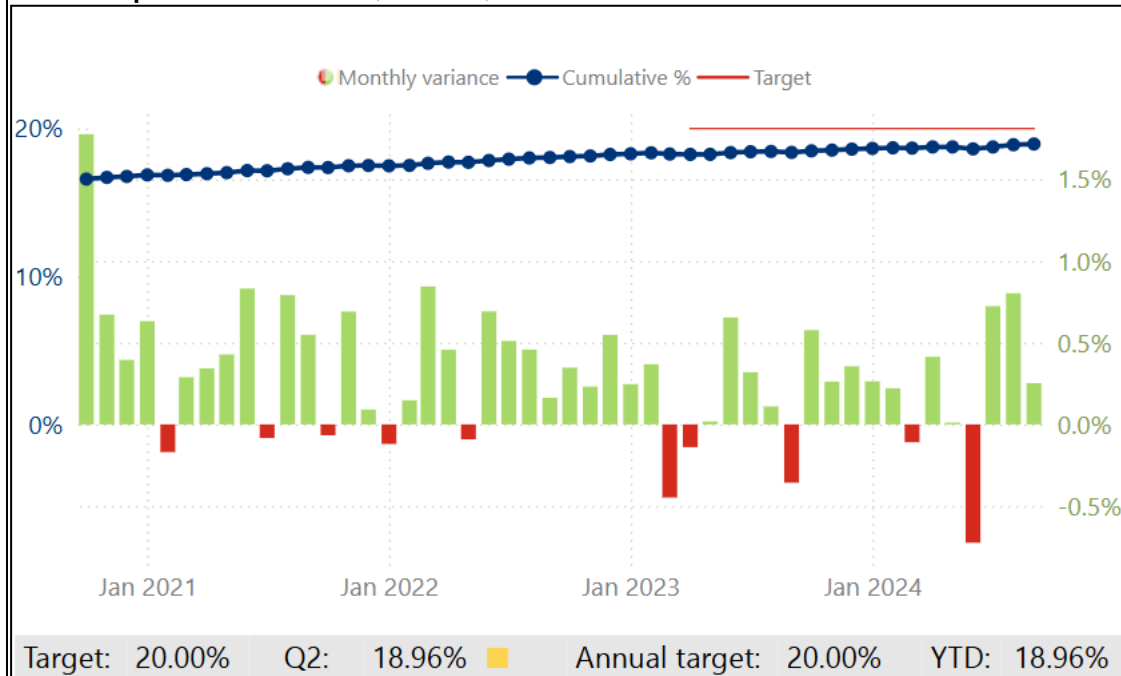
The LFB's Togetherness Strategy is split into four pillars, these are:

- Building a culture of belonging
- Being inspired by difference
- Being at the centre of London and our Communities

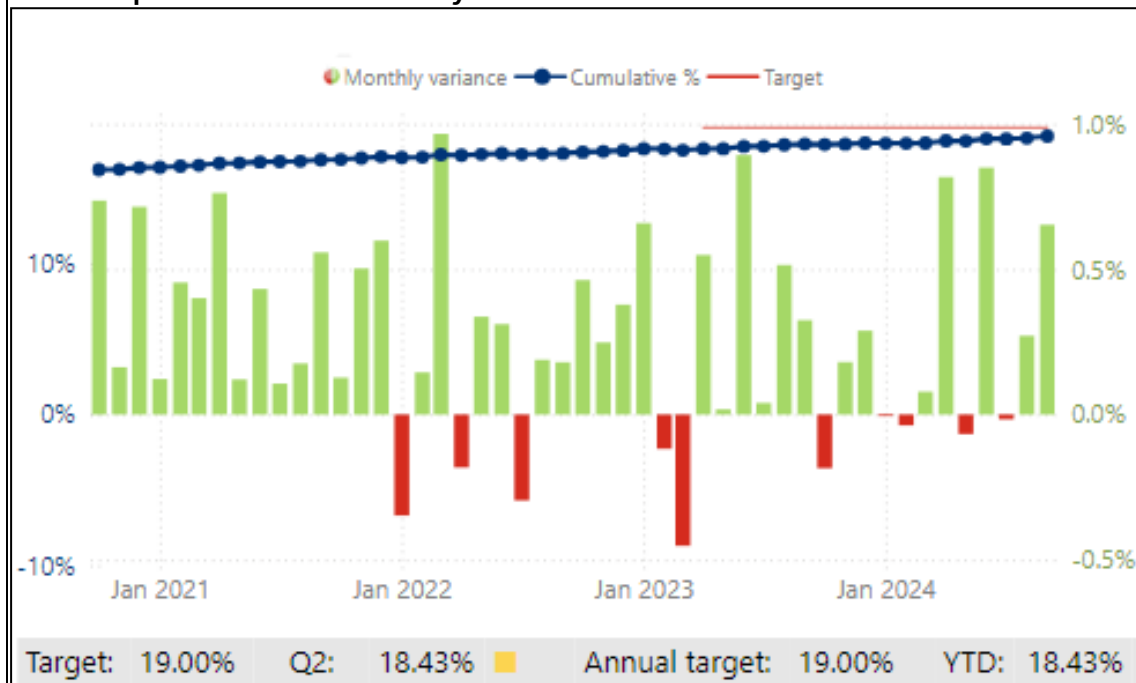
- Delivering excellence through inclusion

Charts setting out how the LFB has been performing against its Equality workforce objectives are set out below.

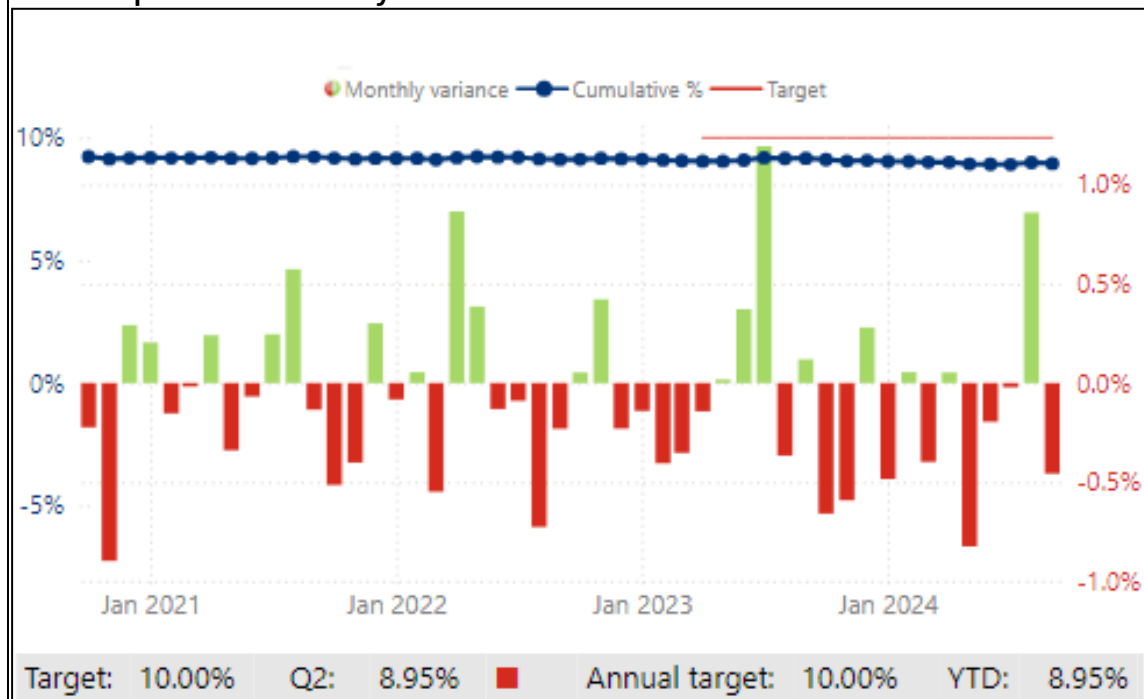
Staff composition – Gender (Women)



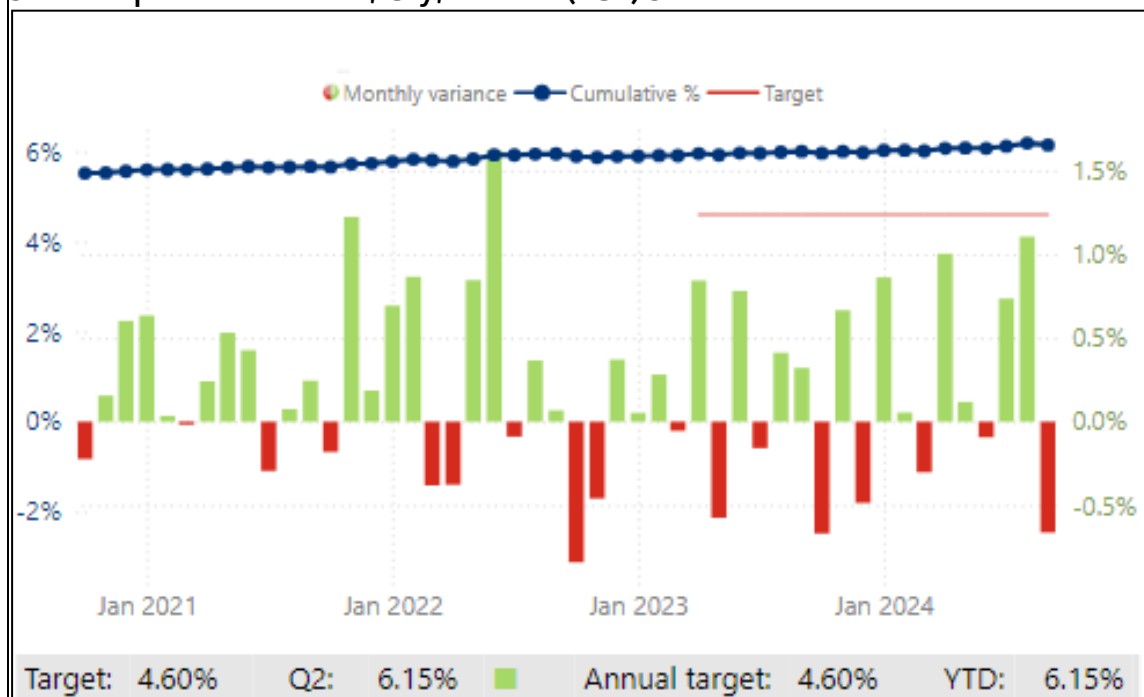
Staff composition – Ethnic Minority Staff



Staff composition – Disability



Staff composition – Lesbian, Gay, Bisexual (LGB) Staff



C. Person responsible for the programme/ activity

Name:

Job title: Principal Budget Planning Accountant

Department: Finance

D. Equality and diversity considerations

Describe the ways in which the groups below may be impacted by your activity. There are some example questions below to aid your thinking (delete any that are not relevant):

This budget submission sets out the financial implications of a range of saving and investment proposals, as well as a Financial Review implementation process to deliver additional savings in 2025-26 and future years. Work will continue to implement these proposals and updated EIA will be provided for any change proposals as required or for any new savings and efficiencies identified. An EIA has been published for a set of reorganisations that will be in consultation until May 2025. This EIA will continue to be reviewed and updated through consultation and during the subsequent period of implementation.

Proposals were reviewed to ensure there will be no impact on our communities. We will also protect our frontline delivery and regulatory capabilities to ensure we remain trusted to serve and protect London.

The purpose of an EIA is to give as much information as possible about potential equality impacts, risks or opportunities that your policy, activity or project may have on different groups of people.

This Equality Impact Assessment should demonstrate due regard for the provisions of the [Public Sector Equality Duty](#) by considering the following:

1. identify possible negative impacts of decisions on individuals and groups with protected characteristics and plan mitigating action accordingly; and,
 2. identify additional opportunities to advance equality within policies, strategies, and services.
- Age (e.g. are there ways older or younger people may find it difficult to engage in your project or process, are there young/old people who need support)
 - Disability/Barriers (do you need to consider large print or easy read of any surveys/questionnaires?)
 - Race (including ethnicity and nationality) (does your project consider the needs of people from different groups, if not do you need to make any adjustments?)
 - Religion or belief (do people from faith groups experience any specific disadvantage in relation to your research project)
 - Gender
 - Sexual orientation (is your language inclusive of LGBT+ groups?)
 - Trans and non-binary – is your language inclusive of trans and non-binary people?
 - People experiencing multiple needs such as homelessness, mental health problems, being involved in the criminal justice system or substance misuse.
 - Pregnancy and maternity
 - Social deprivation- e.g. people who may be prohibited from attending events due to the cost of travel, people who live in deprived areas and homes which may be at risk, responsibility of the council (if the activity is in the community)

Consultation will be ongoing with RBs, ESGs and Belonging, Inclusion and Wellbeing team. Individual meetings with impacted staff members are being held and these will consider individual circumstances. Overall, we will continue to assess the possible negative impacts on individuals or groups with protected characteristics set out above.

Relevant information has been sourced from People Services and has been used to assess potential impacts on specific groups of people and what mitigations will be put in place.

E. Evidencing Impact

Please answer each of the following questions

What information have you used to understand all people who will be involved in or affected by your programme/ activity? (e.g. if your activity refers to all employees, how did you learn about what they need and think, especially those with protected characteristics – did you ask directly? Did you generalise based on wider research, did you consult, if so, how many and when and what did they tell you, or what did you learn?)

Consultation will occur throughout the budget savings realisation process for any of those people directly who are impacted. The EIA for the reorganisation proposals will be reviewed as the consultation progresses and the impact on groups and individuals becomes clearer.

Further to this, a mitigation action plan was developed to help address any issues prior to the commencement of consultation..

Explain any gaps in evidence/ insufficient information to properly assess the impact of your programme/ activity, and how will this be addressed? e.g. further research or working with a voluntary sector organisation?

The EIA is part of an iterative process and will be used at different stages of the consultation, including before any of the proposals are finally implemented.

Explain whether your programme/ activity disproportionately affects any group named above?

Impact assessments are living documents and will continually be updated to reflect the dynamic nature of staff impacts. Where potential adverse impacts on particular groups are identified, engagement and consultation will continue with trade unions, equality support groups and the Inclusion & Wellbeing Team to determine mitigating actions.

Any savings put forward have been considered in terms of the impact on the communities to which we serve, and specifically to avoid any adverse impacts.

Describe whether this programme/ activity may potentially lead to discrimination (direct or indirect), harassment, victimisation, or less favourable treatment of people with protected characteristics?

All managers are reminded of their duty of care and responsibilities under the Public Sector Equality Duty, including through compulsory training.

Describe whether your programme/ activity contribute to advancing equality of opportunity?¹

Investment opportunities and growth within certain departments will be undertaken using fair recruitment practices, ensuring the needs of groups with protected characteristics are considered and, for example, any flexible arrangements sought where required.

Describes where there an opportunity for your programme/ activity to foster good relations between groups?

Various stakeholders, such as trade unions and the ESGs, are being consulted on the range of proposals contained within the budget report including in relation to pay and skills payments) and the

potential positive impacts and opportunities available alongside putting in mitigating factors as far as possible to minimise the impact on any individuals or group. Such actions may include; assimilation or re-deployment.

Identify any reasonable adjustments to your programme/ activity to avoid discrimination or advance equality of opportunity?

Those impacted heavily through any of the proposals in the budget report will be contacted and consulted with, through best endeavours on LFB's part, as part of the process if on, for example, long terms sickness or maternity/paternity leave. We will take care to balance the need for a consultation which is both meaningful and conducted in a timely fashion against people's individual circumstance.

How is the programme/ activity's communication made accessible to all groups?

The budget report is available online, circulated to key stakeholder groups such as the Industrial Relations Team and Trade Union Groups.

How are you engaging people with a wide range of protected characteristics in the design, implementation and monitoring of the programme/ activity?

The proposals within this report were included as part of the LFC's Budget Submission to the Mayor and consulted on as part of the GLA's consolidated consultation budget for 2025-26. A separate EIA has been prepared and published on the collective consultation of organisational change that is necessary to deliver a balanced budget.

Appendix 6
Capital Strategy
The capital programme and the capital strategy

LFC Capital Strategy 2025-26 and beyond

Description

Capital is defined as all expenditure not directly included in the annual revenue budget (General Fund) and generally results in a new or enhanced asset or investment held on the London Fire Commissioner's (LFC) balance sheet.

All capital expenditure must comply with the Capital Strategy. The Capital Strategy brings together detailed policies, procedures and plans relating to existing land and building related assets and treasury management transactions and applies to the General Fund.

The Capital Strategy forms an essential part of the LFC's integrated revenue, capital, and balance sheet planning. It aligns to the Medium-Term Financial Plan (MTFP), and the Annual Revenue Budget.

The Capital Strategy also provides a framework by which capital expenditure decisions are made as required by the CIPFA Prudential Code for Capital Finance in Local Authorities and LFC to provide good governance.

The Capital Strategy is prepared in the new year, in advance of the financial year to which it pertains. It is separate from the capital programme, which sets out what we plan to do, whereas the capital strategy sets out how and why we will do it. This Appendix sets out to summarise the capital programme as it currently stands and indicates the likely direction the capital strategy will take.

It should also be noted that whilst this is a report on capital, it also applies to all expenditure of a revenue nature relating to land and buildings, such as asset maintenance and planned asset development programmes, where significant revenue expenditure is incurred in the revenue budgets.

Intention

1. The Capital Strategy will be developed in accordance with the CIPFA Prudential Code (2021 edition) to ensure that all amounts borrowed by London Fire Commissioner's (LFC) are affordable. The Capital Strategy will outline the LFC's approach to capital investment decisions and priorities, ensuring that it is in line with corporate priorities. These priorities are set out in the Community Risk Management Plan (CRMP) which came into effect on 1 January 2023.
2. The Capital Strategy supports the Brigade and it is intended to give a high level overview of how the capital expenditure and capital financing contribute to delivery of services and its purpose as an organisation trusted to serve and protect London, and delivery of the Mayor's priorities.
3. The LFC Capital Strategy and capital programme together cover a more detailed outlook set over a five-year timeframe. The Strategy does however include a longer-term vision, a forward look at those projects that are likely to run beyond the five-year strategy and programme period or be initiated subsequently. This covers a timeframe for the 15 years from 2029/30 to 2043/44. The Capital Strategy is written to comply with the Prudential and Treasury Management Codes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
4. The Capital Strategy will set out a framework for the management of capital finance and, along with the LFC Treasury Management Strategy (published in the same reporting cycle), will cover the following areas:
 - a. Capital Expenditure and Investment Plans;
 - b. Prudential Indicators;
 - c. External Debt; and
 - d. Treasury Management.

5. The Capital Strategy will address the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which sets out a requirement for local authorities to produce a Capital Strategy to form part of its integrated revenue, capital and balance sheet planning. It is updated annually to react to the changing LFC priorities, social and demographic changes and the financial climate.
6. This report constitutes an indication of the expected tone and content of the Capital Strategy, based on the current capital strategy and the known content of the capital programme, together with approved growth bids. The Capital Strategy was published in draft as part of the budget submission to the Mayor in November 2024, and as a final Capital Strategy following approval by the LFC in March 2025.

Benefits

This outline Capital Strategy demonstrates that the LFC takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability, risk and affordability.

The key benefits of the outline Capital Strategy are to deliver a capital programme that;

- a. ensures the LFC's capital assets are used to support the delivery of services according to the priorities within the London Safety Plan and the Community Risk Management Plan;
- b. links to the LFC's asset management plans (e.g. for estates and fleet) and other LFC Strategies/Plans, such as the sustainable development strategy;
- c. is affordable, financially prudent and sustainable;
- d. ensures the most cost-effective use is made of the existing assets and new capital expenditure; and
- e. supports delivery of the Mayoral policies and objectives.

Approach

The outline Capital Strategy has been derived largely from plans for estates, fleet, ICT and Sustainable Development, in the context of the CRMP and the Treasury Management Strategy. It has been developed to reflect the LFC's priorities and will be reviewed for future years to deliver against the CRMP. It will also support addressing the recommendations from the Grenfell Tower Inquiry and the HM Inspectorate of Constabulary and Fire & Rescue Services.

The Estates Strategy seeks to align the asset portfolio to best support service delivery by the Brigade. It reflects the requirements of the CRMP, the review undertaken by Anthony Mayer into the Brigade's resources, the terror preparedness review undertaken by Lord Harris, the LFC's inclusion strategy, and the Mayor's Homes for Londoners agenda. A condition survey has been undertaken for all LFC properties, and the current condition and functional suitability of the property has been assessed against the LFC's requirements for a modern fire service.

The ICT Strategy seeks to ensure that the technologies available to the Brigade, via a range of ICT solutions, are fit for purpose, affordable and sustainable, that they are responsive to business need and valued by staff and stakeholders and are delivered in a cost effective and efficient way, including collaboratively where appropriate.

The Fleet Replacement Plan will meet the Brigade's fleet requirements over the coming years and address the fleet commitments made under the Mayor's London Environment Strategy (LES). This requires LFC to achieve the following targets:

- a. all cars in support fleets to be zero emission capable by 2025;
- b. all new cars and vans (less than 3.5 tonnes), including response vehicles, being zero emission capable from 2025;
- c. all heavy vehicles (greater than 3.5 tonnes) to be fossil fuel-free from 2030.

The Sustainable Development Strategy sets out ten objectives to achieve the Brigade's vision of being the leaders on sustainable development within the UK Fire and Rescue Service. The three main focus areas of this strategy are environment and climate change; economic value; and equality and inclusion.

The Treasury Management Strategy sets out the treasury management arrangements in place to manage the LFC's borrowing and cash balances and deliver best practice. It covers the management of LFC's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. This is delivered as part of the London Treasury Liquidity Fund LP.

Influences

The main influences on the Capital Strategy are set out below.

- The age of the estate - about a third of fire stations are over 60 years old and nearly a third are listed, locally listed and/or are in a conservation area.
- The layout and design of the majority of fire stations creates challenges in meeting the needs of a modern service.
- Changing operational requirements – developing response to changes in the type of incidents, including terrorism related, and fire safety particularly in the post Grenfell period.
- Population growth and locating resources to address developing needs
- New fleet requirements due to the changing needs of the service and the new ultra-low emission zone.
- Current shortage of availability for zero emission capable HGVs and new technology regarding electric/hybrid vehicles.
- The shortage of affordable new sites for new or re-located fire stations, together with the aim to ensure that future developments take account of both the Mayor's Homes for Londoners agenda and local planning policies.
- Fire stations operating 24/7 making major refurbishments/extensions difficult to undertake as operational cover has to be maintained. This is coupled with a lack of suitable/affordable sites for fire stations to operate from on a temporary basis whilst the works are undertaken.
- Ensuring that opportunities to benefit from developments in technology are maximised, including the ability to provide positive changes in the delivery of services such as cloud computing.
- The reduction in the level of funding from capital receipts and grants and the ongoing affordability of funding capital expenditure through borrowing.

Mayoral Policies

The outline Capital Strategy strives to address Mayoral policies as follows.

Ensuring London is:

- a. A city that meets the challenges of economic and population growth in ways that ensure a sustainable, good and improving quality of life and sufficient high-quality homes and neighbourhoods for all Londoners and help tackle the huge issue of deprivation and inequality among Londoners, including inequality in health outcomes.

The outline Capital Strategy will support this policy as follows.

- To ensure that our fire stations are well placed to meet the needs of Londoners, attending incidents effectively and to the attendance standards set.
- Looking to open up fire stations so that they become community assets/hubs. Ensure that the design of new fire stations will enable them to be community hubs.
- Identifying potential opportunities that the estates can offer to provide accommodation to further our prevention priorities with local authorities e.g. the health agenda and crime prevention (cadet training).

- To contribute to the Mayor's Homes for Londoner's agenda so that where LFC land can be released for development, the requirements for affordable housing are considered.
- b. A city that becomes a world leader in improving the environment locally and globally, taking the lead in tackling climate change, reducing pollution, developing a low carbon economy, consuming fewer resources and using them more effectively.

The outline Capital Strategy will support this policy as follows:

- Upgrading our fleet to meet the Ultra-Low Emission Zone requirements and to assess and adopt new technologies as and when they become available.
- Aligning our estates strategy with other emergency services and using every opportunity to share buildings through co-location and integrating estate services.
- To improve the energy efficiency of our estates and to continue to take steps to reduce our carbon footprint through sustainable development.
- To continue to unlock the potential latent value in our estate, through engaging private sector developer partnerships on appropriate sites.

20-year Capital Ambition

The 20-year capital requirements are considered below, including investment and capital funding. This is based on the LFC's current capital programme plus the on-going future capital requirements and maintain operational effectiveness at current levels. A key review of the Capital Strategy and 20-year capital requirement has been to align these with the CRMP.

The LFC capital spending plans for the five years to 2028-29 are approved as part of the budget process and are funded with capital financing costs reflected in the revenue budget. The is set out in the table 1 below.

Table 1: Capital budgets and financing 2024-25 to 2028-29

| Project | 2024-25 | 2025-26 | 2026-27 | 2027-28 | 2028-29 | TOTAL |
|-------------------------------|-------------|-------------|-------------|-------------|-------------|--------------|
| | £m | £m | £m | £m | £m | £m |
| Capital Schemes | | | | | | |
| 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) |
| Total Expenditure | 25.2 | 50.6 | 57.1 | 65.9 | 42.4 | 241.2 |
| Capital Financing | | | | | | |
| 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 |
| TOTAL Funded Financing | 25.2 | 50.6 | 57.1 | 65.9 | 42.4 | 241.2 |

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

The proposed increase in property-related capital expenditure over the coming years is partly due to further investment in the 'Privacy for All' project but in large part due to the planned investment in a new LFB Headquarters on Brigade-owned estate, subject to business case assessment of the value for money case for this against alternatives including rental options.

Revenue Funding of the Capital Programme for the first 5 years

In the medium-term the total capital plan is £241.2 million of which £2.0 million of the plan is funded by the use of Revenue Contributions and Capital Grants. The remaining balance is expected to be funded by £238.4

million of borrowing. There is a requirement in accordance with the Prudential Code for LFB to set aside sufficient funds to fund the Capital programme should the need arise.

Within the interest charges, this is calculated on the basis of the current PWLB loan interest which stands at 5.08 per cent (5 year re-payment on maturity loan, also assuming the certainty discount rate applies). From 2027-28 onwards the interest rate assumptions are of a borrowing rate of 2.5 per cent.

A further 15 years, from 2028-29 to 2042-43 to complete the 20-year capital ambition has been prepared on the basis of maintaining the asset base at its current level, with updates/replacements as necessary. The further element has some funding identified, however there is a funding gap to be addressed. The element of the capital spending plans is set out in table 2 below and is inclusive of 3 per cent per annum inflationary cost pressures.

Table 2: Capital Ambition 2028-29 to 2043-44 and Ambition Gap

| Project | Years 2029- 2034 | Years 2034- 2039 | Years 2039- 2044 | Total |
|-------------------------------------|------------------------|------------------------|------------------------|--------------|
| | £m | £m | £m | |
| Capital Schemes | | | | |
| Properties | 76.0 | 85.0 | 97.0 | 258.0 |
| Fleet Replacement Plan | 53.0 | 24.0 | 40.0 | 117.0 |
| ICT Projects | 41.0 | 20.0 | 25.0 | 86.0 |
| Total Capital Expenditure | 171.0 | 129.0 | 162.0 | 461.0 |
| Capital Financing | | | | |
| Capital Receipts | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital Grants | 0.0 | 0.0 | 0.0 | 0.0 |
| External Borrowing | 171.0 | 129.0 | 162.0 | 461.0 |
| TOTAL Funded Financing | 171.0 | 129.0 | 162.0 | 461.0 |
| Unfunded Capital Expenditure | 0.0 | 0.0 | 0.0 | 0.0 |

The programme includes the capital investment requirements to ensure that the LFC's fleet meets the new ultra-low emissions zone requirements (ULEZ) and replacement of vehicles as they come to the end of their useful life. Ongoing capital expenditure on the LFC's estate is included to maintain the condition and functionality of fire stations. There are also estimates for spend on ICT replacement and upgrade. The programme does not include the full additional costs in respect of the works to the LFC estate to enable the LFC fleet to be zero emission compliance by 2030 as it is not possible to predict the impact of the level of additional infrastructure required at this time. The capital requirement for the LFC estate has been based on analysis that has been undertaken which assesses the condition and functional suitability for all existing fire stations.

The Ultra Low Emission Fleet (ULEF) Programme sets out the steps to be taken to plan, develop, test, procure and deploy new vehicle technologies within the LFC fleet to achieve the targets set out above. It focuses on the process for heavy frontline vehicles, given the current lack of low/zero emission capable HGVs and the technological challenges in developing them.

Government advocates a 'cloud first' approach when considering options for new ICT systems and infrastructure improvements. With this the funding model shifts from capital to revenue-based expenditure, which presents challenges to LFC, due to the increasing pressure on revenue funding and budgets. At present the ICT Strategy does not plan a radical change to the ICT infrastructure in the short term as this would consume significant resources and generate risk in the transitional phase. Instead, a 'cloud' based approach to new systems will be adopted as and when current systems are being replaced which would allow the Brigade to explore new ways for ICT delivery, whilst minimising risk and disruption.

Available Capital Funding

There is a variety of ways in which capital expenditure can be financed, but the main sources are often from a combination of revenue resources/reserves, capital grants, capital receipts and borrowing. A brief explanation for each of these options is described below.

- a. **Prudential Borrowing** - The LFC ensures that the level of borrowing is affordable, prudent, and cost effective. Borrowing is subject to the requirements of the Prudential Code and is managed through the Treasury Management Strategy. Borrowing has a long-term impact on the revenue budget, through the interest payable on the loan and the annual charge for the repayment of the sum borrowed (Minimum Revenue Provision (MRP)). Loans are sourced in discussion with the London Treasury Liquidity Fund LP and from the Public Works Loan Board (PWLb).
- b. **External Capital Grants** - Grants are awarded to the LFC from Central Government and other third parties. Most grants are now policy specific and in some cases are awarded through a bidding process. The LFC bids for grant funding as and when opportunities arise.
- c. **Capital Receipts** - The LFC is able to generate capital receipts through the sale of surplus assets. This is a limited resource as the majority of the LFC's assets are currently in operational use as part of front-line service delivery and response. The timing and value of the capital receipts may also be further delayed or reduced due to planning requirements and changes in market conditions.

The LFC aim, wherever possible, is that all large developments are self-funding through the release of land/buildings for sale and the opportunity of sale and leaseback arrangements.

Revenue Funding - LFC can use revenue resources to fund capital projects on a direct basis, however, current funding projections point to a revenue budget gap which means that the capacity for this is very limited. Invest to save projects that result in additional revenue savings in future years are the best option for funding by this method.

The LFC's level of borrowing is forecast to increase as the availability of capital receipts come to an end, and expenditure increases, such as on fleet with the LFC now owning its fire appliances, etc., resulting in additional revenue costs through MRP and the interest charged on outstanding loans. It is expected that the Capital Strategy will be entirely reliant on borrowing over the medium-term, depending on the timing of the remaining capital grants, with the additional capital financing costs adding to the pressure on the revenue budget. The table below summarises capital expenditure and debt charges (loan interest and annual MRP charge) compared to the estimated debt charges budget from 2026-27 onwards. The future debt charge budgets have been based on the 2026-27 budget and increased by RPI estimated at 3 per cent per annum. Maturing loans and the associated MRP charges reductions have been considered, to show the budget requirement and resulting budget pressure each year in the calculation of the required level of debt charges.

Based on current estimates, the level of debt charges is expected to steadily increase over the period, resulting in a substantial increase in debt charges peaking at £39.0 million by 2038/39 before starting to fall. Under current assumptions this would result in the need to increase the capital charges budget by an average of £20 million, which would need to be funded by matching savings or income.

The projected budget pressure, of an average of £20 million, is based on current capital spend projections which is based on inflation at 3.0 per cent per annum and the current capital plan assumptions of total expenditure and the expectation of no significant capital receipts. This figure will change with the following risk items.

- The level and timing of capital receipts.
- The potential of future interest rate rises.
- The availability of resources to deliver the capital programme.

The level of capital spend is largely driven by the need to maintain and replace the fleet, fire stations and ICT that support the current level of service delivery and front-line response. It is therefore difficult to reduce spend without changes to front line service delivery.

Options to bridge funding gap

The LFC will need to consider options on how to bridge the funding gap and ensure that future years capital expenditure is affordable. Possible options to consider are provided below.

- Provide a revenue contribution to fund the capital programme (unlikely in the short term given budgetary pressures).
- Pursue possible alternative funding/service delivery options.
- Reduce the level of the capital programme.
- Secure additional resources – GLA/Government.

External Debt

The table below sets out the prudential limits for 2024-25 to 2027-28. These will be reviewed as the new Treasury Management Strategy is developed.

Table 3: Prudential Limits

| Approved Borrowing Levels | 2024-25 £m | 2025-26 £m | 2026-27 £m | 2027-28 £m |
|---------------------------|------------|------------|------------|------------|
| Operational Boundary | 240.0 | 240.0 | 240.0 | 240.0 |
| Authorised Boundary | 245.0 | 245.0 | 245.0 | 245.0 |

Other Long-Term Liabilities

LFC has other long-term liabilities which include PFI contracts for fire stations (until 2040/41) and a finance lease for the Merton Control Centre (Until 2034/35). The current and forecast outstanding long-term liabilities are as follows.

Table 4: Other Long-Term Liabilities

| As at 31 March | 2024 | 2025 | 2026 | 2027 | 2028 | 2033 | 2038 | 2043 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| PFI | 39.9 | 38.3 | 36.7 | 35.1 | 33.6 | 26.4 | 13.6 | 0.0 |
| Finance Lease | 18.4 | 18.4 | 18.3 | 17.3 | 16.2 | 9.4 | 0.0 | 0.0 |
| Total | 58.3 | 56.8 | 55.0 | 52.5 | 49.8 | 35.8 | 13.6 | 0.0 |

There are no plans for any future finance leases/PFI arrangements at the current time. The contract register is regularly reviewed to ensure that no finance leases have been entered into without the Finance Department's knowledge. This is also further managed by the Assistant Director - Finance reviewing all reports to LFC to include financial implications.

The above table does not consider the effects of implementing the new accounting standard IFRS16, where all leases/contracts that conveys the right to use an asset will be brought onto the balance sheet and long-term liabilities will be created for the future rentals under these leases. The new accounting standard came into effect from 1st April 2024. This is likely to increase significantly the value of lease arrangements held on the balance sheet, and therefore notional levels of debt. The Capital Strategy will be updated once the impact of the new accounting requirements has been assessed.

Risk

The Capital Programme is subject to the following risks.

- A lack of affordable sites for new developments.
- Increased cost in delivering the capital programme due to inflation pressures/post-Brexit/ limited number of suppliers that can provide specialist equipment/vehicles.

- The potential requirement to fund the replacement of National New Dimensions Assets which currently has not been factored in the capital requirements.
- Additional building costs required to support the delivery of Zero Emission Pumping Appliances (ZEPA).
- Difficulty in obtaining planning consent for new developments and refurbishments.
- Third party collaboration and contractor capacity to deliver, as all capital projects will require varying collaboration with external parties over the project life.
- The risk that the planned capital disposals will not realise the projected capital receipts income or may not come to fruition thus resulting in additional borrowing costs.
- Additional revenue budget pressures resulting from increased revenue impact of borrowing.
- Interest rate increases for borrowing.
- Changes in government funding, policy and legislation.
- Availability and speed of developments in technology.
- Recruitment and retention of key skilled staff and significant staff resource to deliver the capital schemes.

The risks are being managed by as follows.

- Maximising, where possible, the redevelopment of existing sites through developers to reduce capital borrowing and to realise any potential capital receipts released through latent estate value.
- Investing in invest to save projects where the outcome of these projects will result in revenue savings to LFC.
- Ensuring the capital governance framework, including regular monitoring and review of the capital programme, is in place.
- Ensuring that all planning applications consider all relevant local/Mayoral planning and listed building requirements. Pre-discuss all planning applications prior to submission with the local planning officers to mitigate against planning refusals and completing public consultation in good time for those development projects that affect the public.
- Re-allocating key resources to development projects as required to meet the capital programme.
- Promoting collaboration with other emergency services and the GLA Group.
- Limit the risk of contract failure by effectively managing contracts and learning from past lessons in project delivery.
- The ability to flex the capital programme and re-phase capital expenditure so as not to result in additional external borrowing and the resulting increase in debt charges.

Appraisal - Governance and Monitoring

An important part of the governance arrangements is the frequent monitoring of the agreed capital programme. The capital programme is reviewed regularly with budget holders and reported on a quarterly to senior management. The capital monitoring is reported alongside revenue monitoring in the quarterly financial position report, which is reported to the Investment & Finance Board and Commissioner's Board. Quarterly monitoring reports are also presented to the Fire Board and are published. The published reports are used to support scrutiny by the London Assembly's Fire Committee and Budget and Performance Committees (BPC).

New, or changes to existing capital projects are dealt with as part of the capital monitoring process and budget holders are required to submit a request outlining the key scheme information, costs both capital and revenue and associated risks.

Where a new scheme or a budget change is required which is greater than £150k, a separate report is prepared, and additional governance arrangements are in place. The reports are considered by the Investment & Finance Board and Commissioner's Board, and the Deputy Mayor through the Fire Board, as required, before final approval by the London Fire Commissioner.

The Capital Programme is approved by the London Fire Commissioner before submission to the Mayor as part of the annual budget submission.

When proposing capital projects for inclusion into the programme, the responsible department will undertake an assessment/evaluation as to how the project:

- Ensures LFC's capital assets are used to support the delivery of services according to the priorities within the CRMP.
- Links to LFC's asset management plans (e.g. estates and fleet) and other LFC Strategies/Plans.
- Is affordable, financially prudent and sustainable.
- Ensures the most cost effective use is made of the existing assets and new capital expenditure.
- Supports the Mayor of London in meeting the approved objectives and strategic plans.

The LFC has overall responsibility for the Capital Strategy, with support from senior management with the strategic development and monitoring of the capital programme through Commissioner's Board and Investment & Finance Board. The Capital Strategy is also subject to consultation with the Deputy Mayor, and submission to the Mayor as part of the budget submission. Wherever appropriate to do so, and more specifically for the larger projects, project boards are established, which consist of a wide range of professional expertise. These boards meet regularly to assess and monitor the progress of the projects to ensure the delivery of the defined capital investment.

This outline Capital Strategy will be continually refined and assessed against deliverability, affordability and risk in addition to ensuring this delivers the CRMP.

Chief Finance Officer Sign Off

The Chief Finance Officer is to report explicitly on the deliverability, affordability and risk associated with the Capital Strategy. A report presenting the Strategy will be presented to the Commissioner's Board, and the Deputy Mayor's Fire Board, alongside reports for approval of the Budget and Treasury Management Strategy.