



LONDON FIRE BRIGADE

# **Finance Report**

## **Quarter 3, 2025/26**

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**Financial Position as at 31 December 2025**

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## **Introduction and background**

This report presents the financial position and forecast outturn for the 2025/26 financial year, as at the end of December 2025 (Q3).

All departments review their actual income and expenditure on a monthly / quarterly basis and provide an updated forecast outturn position. These latest forecast returns are then monitored against budget and previously reported forecasts with explanations of variances provided. These periodic returns form the basis of reporting to the Investment and Finance Board (IFB), Commissioner's Board (CB), the Deputy Mayor's Fire Board (FB) and Audit Committee. The draft report is also shared with the Greater London Authority to meet requirements set out in the Mayor's Budget Guidance.

### **Statement of Accounts 2024/25**

The Draft Statement of Accounts for 2024/25 was approved by the Chief Finance Officer (Director of Corporate Services) to meet the end of June 2025 deadline and published. External audit review commenced in August, with audit opinion planned for sign off in February 2026.

### **Mayor's Budget for 2025/26**

The Mayor of London published his Budget Guidance for 2025/26 in July 2024, which set out provisional funding levels for the LFC over a three-year period from 2025/26 to 2027/28. The LFC's Budget Submission to the Mayor addressing the requirements set out in the Guidance was approved by the required deadline, and subsequently the final budget approved by the LFC in March 2025. This report provides updated forecast and monitoring information against that approved budget.

### **Mayor's Budget for 2026/27**

The Mayor's Budget Guidance for 2026/27 was published in July 2025. The LFC's draft budget was submitted to the Mayor on 21 November 2025. The Mayor published his Draft Consolidated Budget on 15 January 2026/27 which included extra funding for the LFC. The LFC's Final Budget for 2026/27 will be published in March 2026.

### **Implementation of New Finance & Purchasing System**

The LFC successfully implemented a new Finance and Purchasing system from 1<sup>st</sup> April 2025, replacing existing systems that were decades old. This provides for significant future improvements in analysis and reporting as processes continue to develop. As would be expected with change of this scale, some initial transitional issues have been experienced, and data underpinning the first nine months reporting from the new system remains under close review.

## Section A

### LFC 2025/26 Revenue Summary Main Table

The table below sets out the Q3 Finance Position for LFC, broken down by subjective.

The forecast outturn at 31 December 2025 reports a projected overspend of £2.2m for the 2025/26 financial year (0.4% of the budget). This is being driven by pay inflation above that assumed at the time of budget setting, alongside pressures in Control and FRS staff groups. In addition, there are higher than budgeted payments on the vehicle and equipment contract and the settlement of a long-running contract dispute negotiation.

The pressures have been offset by a corporate optimism bias of £2.0m in the same approach as prior years. Reflecting that spend does not historically meet planned targets, particularly in the last quarter of the year.

In addition, the 2025/26 budget included a contribution of £1.7m towards the general reserve to help maintain it at the minimum agreed level. However, in light of the cost of the contract dispute which principally relates to prior years, it is considered that this should instead be applied against that historical liability, offsetting this additional pressure.

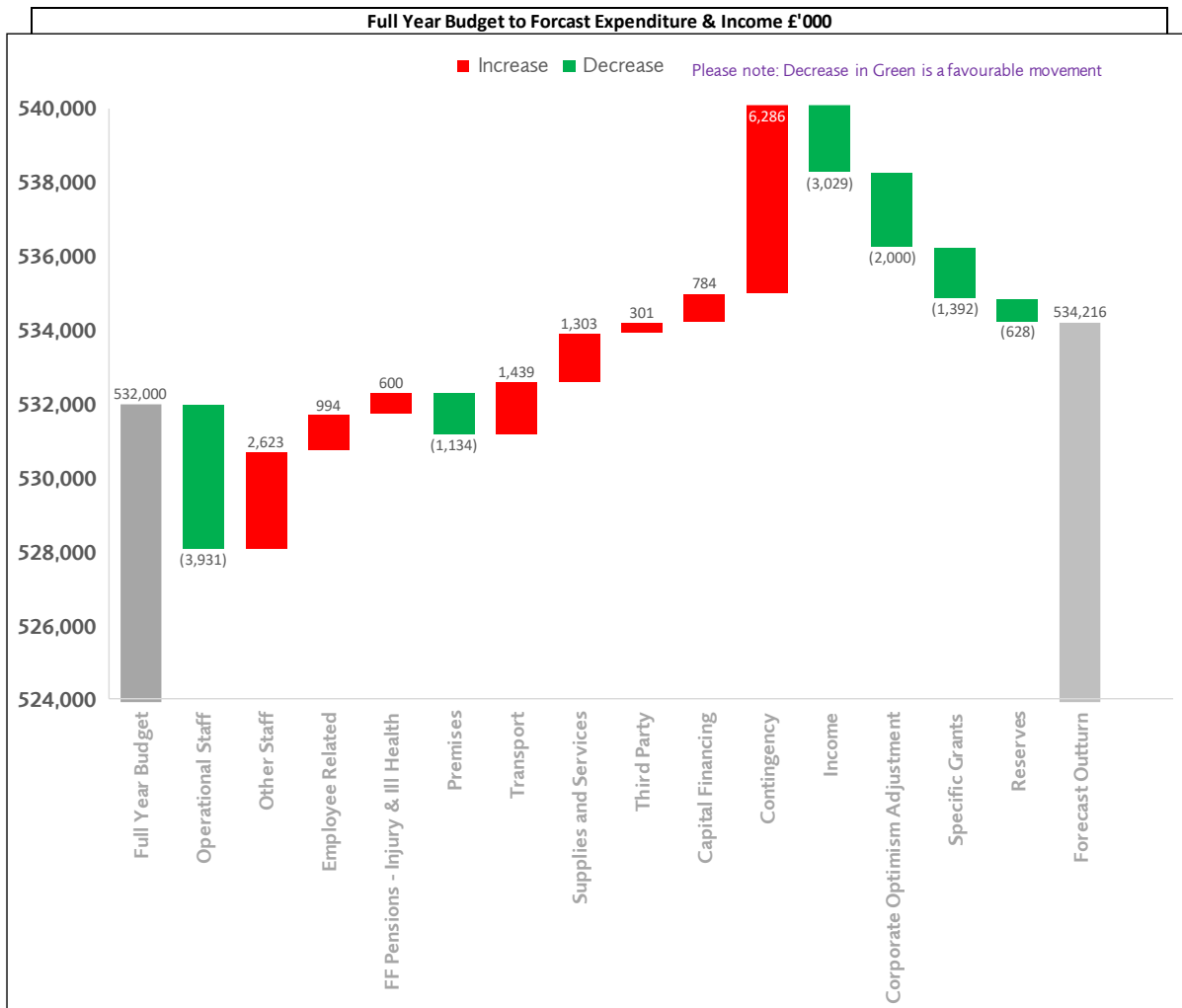
The £2.2m overspend represents a £0.2m increase on the position reported at Q2.

Further information on key variances is provided in the following pages.

London Fire Commissioner Revenue Summary (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
<b>LFC Revenue (£'000s)</b>								
Operational Staff	279,598	275,925	(3,674)	372,278	368,347	(3,931)	370,174	(1,827)
Other Staff	60,012	62,811	2,799	80,008	82,631	2,623	81,338	1,292
Employee Related	25,102	26,758	1,657	33,469	34,463	994	33,919	544
Firefighter Pensions - Injury & Ill Health	17,698	16,545	(1,153)	23,598	24,198	600	24,198	0
Premises	38,507	40,599	2,092	51,342	50,208	(1,134)	51,378	(1,169)
Transport	15,084	16,488	1,404	20,112	21,551	1,439	20,146	1,404
Supplies and Services	33,280	42,902	9,623	46,308	47,612	1,303	44,847	2,765
Third Party	1,912	682	(1,229)	2,549	2,850	301	2,842	7
Capital Financing	13,108	534	(12,573)	17,477	18,261	784	18,261	0
Contingency	(4,077)	0	4,077	(4,905)	1,381	6,286	1,408	(27)
Income	(46,033)	(84,146)	(38,113)	(61,377)	(64,406)	(3,029)	(64,305)	(102)
Corporate Optimism Adjustment	0	0	0	0	(2,000)	(2,000)	0	(2,000)
<b>Net Revenue Expenditure</b>	<b>434,189</b>	<b>399,098</b>	<b>(35,091)</b>	<b>580,859</b>	<b>585,094</b>	<b>4,235</b>	<b>584,206</b>	<b>888</b>
Use of Reserves	(11,250)	0	11,250	(19,276)	(19,204)	72	(20,526)	1,321
Transfer to Reserves	0	0	0	1,700	1,000	(700)	1,700	(700)
<b>Financing Requirement</b>	<b>422,939</b>	<b>399,098</b>	<b>(23,841)</b>	<b>563,282</b>	<b>566,890</b>	<b>3,608</b>	<b>565,381</b>	<b>1,509</b>
Financed by:								
Specific Grants	(23,462)	1,387	24,849	(26,882)	(28,274)	(1,392)	(27,007)	(1,267)
Other Government Grants	0	0	0	(4,400)	(4,400)	0	(4,400)	0
GLA Funding	(399,000)	(371,246)	27,754	(532,000)	(532,000)	0	(532,000)	0
<b>Net Financial Position (Forecast Outturn)</b>	<b>478</b>	<b>29,239</b>	<b>28,761</b>	<b>0</b>	<b>2,216</b>	<b>2,216</b>	<b>1,974</b>	<b>242</b>

\* *YTD Variances* – implementation of the new finance and purchasing system from the 1 April 2025, and resultant mapping and reconciliation from legacy systems, has led to some challenges in YTD reporting which remains under review.

## LFC Revenue Summary - Budget to Latest Forecast at Q3



## LFC Revenue Summary – Key Variances

### Comments Full Year Latest Forecast vs Budget

The full year forecast outturn at 31 December 2025 shows a projected net overspend (after reserves and grants) of £2.2m.

#### **Operational Staff - underspend of £3.9m**

The 1.0 per cent underspend largely relates to Prevention, Protection & Policy with a forecast underspend of £2.5m reflecting vacancies within Fire Safety Delivery. In addition, there are also vacancies within Preparedness and Response, of a further £1.3m.

The forecast within Fire Stations for operational staff remains largely on budget overall, reflecting a much-improved position on the overspend experienced in previous years. Pre-arranged overtime is currently forecast to be £3.1m below that experienced during 2024/25. While total overtime in Fire Stations is tracking above the 2025/26 budget plans, this is being offset by underspend associated with current and projected vacancy levels.

#### **Other Staff (including FRS and Control Staff groups) – overspend of £2.6m**

An overspend of £1.5m is forecast within Preparedness & Response, largely relating to Control staff salaries and overtime. See Preparedness & Response section for further information.

In addition, forecast overspend of £1.1m associated with FRS staff is reported within Corporate Services reflecting the challenge of delivering vacancy margin savings while posts are required to provide stability through high levels of organisational change and agency staff cover for essential but hard to recruit to established posts, such as in Finance and ICT.

#### **Employee Related – overspend of £1.0m**

The overspend relates to pressures associated with the training contract within Learning & Professional Development, partly driven by £1m targeted reduction on indexation. There is also additional expenditure under the Culture Transformation Programme, funded through an approved draw on earmarked reserves. See Reserves below.

#### **Firefighter Pensions: Injury & Ill-health - overspend of £0.6m**

The overspend reflects additional costs associated with injury and ill-health retirements, which are forecast to increase beyond that projected at time of budget setting.

#### **Premises – underspend of £1.1m**

The underspend primarily relates to lower-than-expected spend on planned building redecorations and workplace improvements. This is added to by a reduction in expected utilities costs based on current run rates.

#### **Transport – overspend of £1.4m**

This overspend is largely due to higher-than-expected indexation on fleet unitary payments contract pricing, as well as a higher-than-anticipated level of vehicle repairs and spend on extreme weather-related costs.

## Comments

### Full Year Latest Forecast vs Budget

#### **Supplies and Services - overspend of £1.3m**

The overspend is primarily driven by the settlement of a contract dispute of £2.2m anticipated to materialise in this financial year. Additional information on this will be provided in subsequent Financial Position reports, once the proposed settlement has been agreed in line with Governance requirements. This is offset by a £1.0m underspend within Prevention, Protection & Policy reflecting updated spend and funding plans.

#### **Capital Financing - overspend of £0.78m**

The overspend relates to higher than budgeted interest costs on short-term borrowing within Central Finance. This remains under review in conjunction with updated capital plans for the rest of the financial year and is largely offset by higher than budgeted investment income, see below.

#### **Contingency – overspend of £6.3m**

This overspend is partially driven by forecast pressure from pay awards of £1.5m, and other budget updates, such as to reflect actual staff costs, of £1.2m held centrally within Corporate Services. In addition, slippage is forecast on some cross cutting savings held centrally including data management review of £0.53m, process efficiencies of £1.0m, and contract reviews of £1.3m. Work continues to ensure that savings are maximised, and alternative options identified where required.

#### **Income – over recovery £3.0m**

This over recovery is largely driven by higher than budgeted telecoms income (£1.21m over recovery) due to timing of new lease changes, income received relating to a dispute settlement with an insurer (£1m over recovery), income from a case settlement (£0.61m over recovery) and expected increases in investment income on cash balances (£0.91m over recovery).

In addition, £0.24m of cost recovery through the Bellwin Scheme for support provided to North Yorkshire Fire & Rescue Service's emergency response to summer wildfires, is forecast within Preparedness & Response.

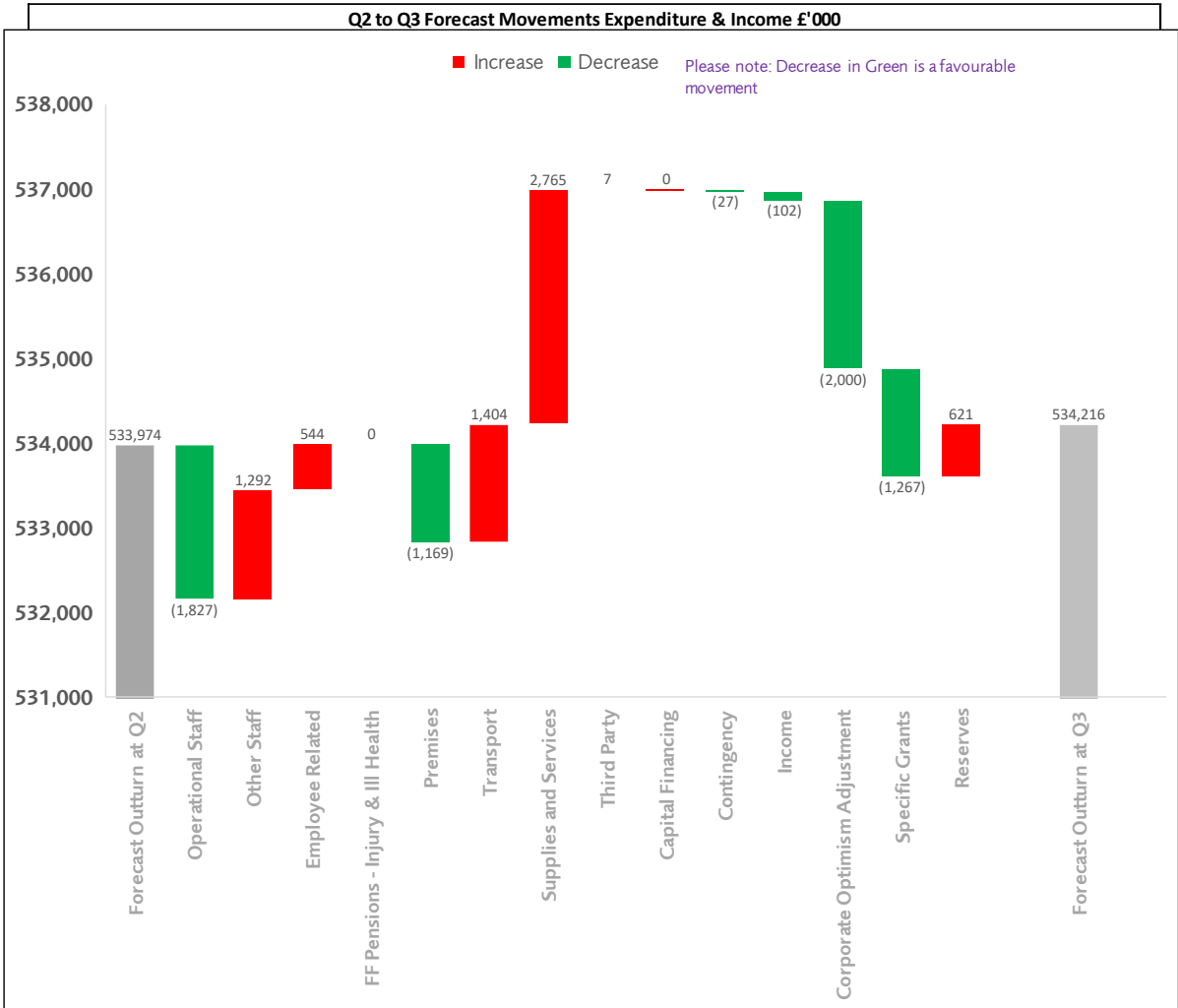
#### **Use of Earmarked Reserves – increased draw of £0.63m**

This reflects the removal of the contribution of £1.7m towards the general reserve to help maintain it at the minimum agreed level. However, in light of the cost of the historic contract settlement which principally relates to prior years, it is considered that this should instead be applied against that historical liability, offsetting this additional pressure. This is offset by the transfer of £1m ringfenced dispute settlement income into earmarked reserves.

#### **Forecast Optimism Bias – overarching reduction to forecast £2.0m**

This reflects previous years experience of prudence in forecasts by budget managers, alongside expected traction on savings being targeted as part of 2026/27 budget challenge and focussed management actions such as the Vacancy Control Panel.

LFC Revenue Summary - Forecast at Q3 to that reported at Q2



## LFC Revenue Summary – Key Movements from Q2

### Comments Full Year Q3 Forecast vs Q2

The forecast outturn at 31 December 2025 shows an adverse movement of £0.2m on that reported at Q2.

#### **Operational Staff – decreased forecast of £1.8m**

The decrease in forecast is largely as a result a reduction in the trainee firefighters intake.

#### **Other Staff (including FRS and Control Staff groups) – increased forecast of £1.3m**

The underlying movement on forecast, reflects the transfer of the FRS staff group pay award from contingency into departments.

#### **Employee Related – increase on forecast of £0.5m**

The overspend relates to pressures associated with the training contract within Learning & Professional Development, partly driven by £1m targeted reduction on indexation.

#### **Premises – decrease on forecast of £1.17m**

The underspend primarily relates to lower-than-expected spend on planned building redecorations and workplace improvements. This is added to by a reduction in expected utilities costs based on current run rates.

#### **Transport – increase on forecast of £1.4m**

The increase in overspend is due to higher-than-expected indexation on fleet unitary payments contract pricing, as well as a higher-than-anticipated level of vehicle repairs and spend on extreme weather-related costs. A further £0.1m has also been provided for expected repair costs following damage to two fleet vehicles.

#### **Supplies and Services – increase on forecast of £2.8m**

The underlying movement on forecast is driven by the settlement of a contract dispute of £2.2m anticipated to materialise in this financial year. Additional information on this will be provided in subsequent Financial Position reports, once the proposed settlement has been agreed in line with Governance requirements.

#### **Contingency – reduction on forecast of £0.53m**

The reduction in forecast is largely as a result of £8.7m for operational staff pay award now reflected in departmental budgets. £8.2m for this was previously held in central forecasts at Q1, so has led to a resultant net £0.5m increase in forecasts across the organisation.

This is partially offset by increase in forecasts within Preparedness & Response of £1.5m, and Prevention, Protection & Policy of £2.6m due to savings targets held within contingency being delivered on other subjective headings, with budget alignment under review for Q3.

A further £0.7m forecast increase relates to updated projection on contract savings delivery against cross cutting target held of £2.6m, with some savings slipping into next financial year.

#### **Use of Reserves – decreased forecast of £0.62m**

This reflects updated in-year draw assumptions on use of earmarked reserves, including investment carry forwards approved at 2024/25 year end, and Protection Uplift Programme. This is offset by the removal a

## Comments

### Full Year Q3 Forecast vs Q2

contribution of £1.7m towards the general reserve to help maintain it at the minimum agreed level. See reserves section of report for more information.

#### **Specific Grants – increased forecast of £1.27m**

The change in forecast from Q1 largely reflects £4.4m of government grant for national insurance contributions, previously forecast under GLA funding, and is a presentational change only. See GLA Funding below.

The balance of the change reflects an updated profile associated with externally funded Protection Uplift Programme within Prevention, Protection & Policy.

#### **Forecast Optimism Bias – overarching reduction to forecast £2.0m**

This reflects previous years experience of prudence in forecasts by budget managers, alongside expected traction on savings being targeted as part of 2026/27 budget challenge and focussed management actions such as the Vacancy Control Panel.

## Section A LFC Revenue Summary (Net Financial Position by Directorate)

The table below sets out the reported overall LFC position at Q3 broken down by Directorate.

The £4.0m forecast overspend largely reflects additional pay inflation costs, along with pressures associated with Control and FRS staff groups, a contract dispute and vehicle contract expenditure, held within Central Finance in Corporate Services.

Please refer to each Directorate detailed summary for further information.

Revenue Summary of Net Financial Position - by Directorate (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
Directorate (£'000s)	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
Preparedness and Response	296,616	296,624	8	396,414	397,565	1,151	398,786	(1,222)
Prevention, Protection and Policy	35,223	30,726	(4,497)	46,421	43,919	(2,501)	43,486	434
Corporate Services	58,324	49,181	(9,142)	76,739	82,326	5,587	80,164	2,162
People	6,595	5,252	(1,342)	8,795	8,605	(191)	8,002	603
Communications	2,720	2,969	249	3,631	3,801	170	3,536	265
Corporate Optimism Adjustment	0	0	0	0	(2,000)	(2,000)	0	(2,000)
<b>Total</b>	<b>399,478</b>	<b>384,753</b>	<b>(14,724)</b>	<b>532,000</b>	<b>534,216</b>	<b>2,216</b>	<b>533,974</b>	<b>242</b>

## Section A LFC Directorate of Preparedness and Response I/E (1/2)

The **Directorate of Preparedness and Response** is responsible for how the Brigade relates to the people it serves (business-to-customer relationships), driving and delivering transformational change, improving culture, and delivering against the Brigade's corporate objectives in its functions. The Directorate incorporates all Fire Stations, Control & Mobilising, Operational Resilience, Central Operations, and Learning & Professional Development.

Preparedness & Response (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
<b>LFC Revenue (£'000s)</b>								
Operational Staff	264,692	263,173	(1,519)	353,849	352,579	(1,269)	354,618	(2,039)
Other Staff	11,244	12,461	1,217	14,983	16,473	1,490	16,533	(60)
Employee Related	17,938	18,388	450	23,918	24,770	852	24,701	69
Firefighter Pensions - Injury & Ill Health	0	0	0	0	0	0	0	0
Premises	114	420	306	152	83	(69)	152	(69)
Transport	1,970	1,761	(209)	2,626	2,371	(255)	2,581	(210)
Supplies and Services	2,760	1,682	(1,078)	3,679	3,634	(45)	3,686	(52)
Third Party	0	0	0	0	0	0	0	0
Capital Financing	0	0	0	0	0	0	0	0
Contingency	(73)	0	73	(87)	40	128	(138)	178
Income	(2,029)	(1,260)	769	(2,705)	(2,046)	659	(3,007)	961
<b>Net Revenue Expenditure</b>	<b>296,616</b>	<b>296,624</b>	<b>8</b>	<b>396,414</b>	<b>397,905</b>	<b>1,491</b>	<b>399,126</b>	<b>(1,222)</b>
Use of Reserves	0	0	0	0	(340)	(340)	(340)	0
Transfer to Reserves	0	0	0	0	0	0	0	0
<b>Financing Requirement</b>	<b>296,616</b>	<b>296,624</b>	<b>8</b>	<b>396,414</b>	<b>397,565</b>	<b>1,151</b>	<b>398,786</b>	<b>(1,222)</b>
Financed by:								
Specific Grants	0	0	0	0	0	0	0	0
Other Government Grants	0	0	0	0	0	0	0	0
<b>Net Financial Position (Forecast Outturn)</b>	<b>296,616</b>	<b>296,624</b>	<b>8</b>	<b>396,414</b>	<b>397,565</b>	<b>1,151</b>	<b>398,786</b>	<b>(1,222)</b>

## Section A LFC Directorate of Preparedness and Response I/E (2/2)

### Comments Full Year Latest Forecast vs Budget

#### Operational Staff – underspend of £1.3m

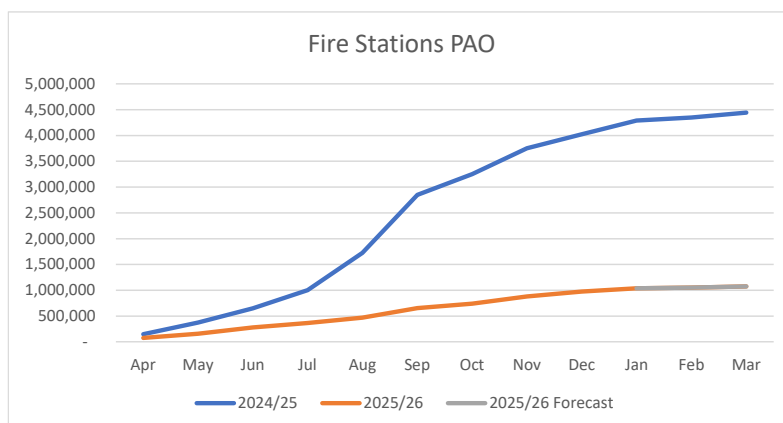
The underspend is largely driven by vacancies in Fire Stations and Learning and Professional Development. Fire Stations is currently forecast to spend £0.6m below budget. This is due to an increased number of vacancies in the forecast at the end of the year.

There are further vacancies within L&PD driving the underspend. The major change from the Q2 position is a reduction to the trainee firefighters forecast due to reduced intake.

There is a budget pressure within Operational Resilience against both base salaries and overtime, along with associated on-costs, reflecting the staffing complement currently in place. This includes a number of detachments delivering on national resilience requirements. Further analysis is underway to review drivers and consider any potential in-year mitigations.

Total operational overtime within Fire Stations is currently forecast at £6.17m for the year, against a budget of £5.8m. The forecast reflects a reduction of £3.1m on that experienced in 2024/25.

Pre-arranged overtime (PAO) is currently forecast at £1.07m for the year, a reduction of £3.4m on that experienced during 2024/25. PAO spend of £973k during the first six months of the year is a 76% reduction on the same period last year reflecting the impact of a range of management actions including a focus on long term sickness as well as regular reporting to Establishment Board to review effectiveness.



#### Other Staff – overspend of £1.5m

The overspend relates to Control staff salaries and overtime. This has reduced from £1.8m at Q2. Drivers of costs include sickness and higher than usual levels of maternity leave, project related costs under review for capitalisation, along with advance recruitment in anticipation of retirements and turnover within the service during a critical period leading up to the implementation of the new Mobilising system. Further analysis is being undertaken to review the detail of this and consider potential in-year mitigations.

**Comments**  
**Full Year Latest Forecast vs Budget**

**Employee Related – overspend of £0.85m**

The overspend relates to pressures associated with the training contract within Learning & Professional Development driven by £1m targeted reduction on indexation. There is also additional expenditure under the Culture Transformation Programme, funded through approved draw on earmarked reserves. See Reserves below.

**Transport – underspend of £0.25m**

The underspend is driven by accommodation bookings within Operational Resilience which have reduced due to fewer courses being delivered to the Met. The fuel forecast within Fire Stations has also reduced however this is offset by increases to public transport and essential car user payments.

**Income – under-recovery of £0.7m**

The under-recovery on income is largely due to a reduction in the secondments to Babcock income forecast. We currently only have one active secondment to Babcock. Operational Resilience income from training has also reduced due to fewer courses being delivered to the Met police.

**Use of Reserves – change on forecast of £0.34m**

No material variance is forecast at Q3, this forecast reflects the drawdown of earmarked reserves held in relation to the Culture Transformation Programme. This additional draw on reserves is offset by additional expenditure forecast under Employee Related above.

## Section A LFC Directorate of Prevention, Protection and Policy I/E (1/2)

The **Directorate of Prevention, Protection and Policy** is responsible for how the Brigade relates to other businesses and agencies (business-to-business) and is responsible for driving and delivering transformational change, improving culture, and delivering against the Brigade's corporate objectives in its functions. The Directorate incorporates Operational Policy & Assurance, Prevention & Protection (Regulatory and Community) and Health & Safety, including wellbeing.

Prevention, Protection & Policy (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
<b>LFC Revenue (£'000s)</b>								
Operational Staff	12,173	9,760	(2,413)	16,272	13,760	(2,512)	13,537	224
Other Staff	20,645	20,812	167	27,526	27,543	17	27,024	519
Employee Related	2,250	2,648	397	3,001	3,060	59	3,064	(4)
Firefighter Pensions - Injury & Ill Health	0	0	0	0	0	0	0	0
Premises	92	133	42	122	133	11	124	10
Transport	205	610	405	273	274	1	292	(18)
Supplies and Services	6,456	(944)	(7,400)	10,104	9,060	(1,044)	9,080	(20)
Third Party	40	(26)	(66)	53	53	(0)	53	0
Capital Financing	0	0	0	0	0	0	0	0
Contingency	(1,653)	0	1,653	(2,204)	(1,098)	1,106	(1,067)	(31)
Income	(4,034)	(2,267)	1,767	(5,379)	(5,412)	(33)	(5,307)	(105)
<b>Net Revenue Expenditure</b>	<b>36,173</b>	<b>30,726</b>	<b>(5,447)</b>	<b>49,769</b>	<b>47,375</b>	<b>(2,395)</b>	<b>46,800</b>	<b>574</b>
Use of Reserves	0	0	0	(2,081)	(921)	1,160	(2,048)	1,126
Transfer to Reserves	0	0	0	0	0	0	0	0
<b>Financing Requirement</b>	<b>36,173</b>	<b>30,726</b>	<b>(5,447)</b>	<b>47,688</b>	<b>46,454</b>	<b>(1,234)</b>	<b>44,753</b>	<b>1,701</b>
<u>Financed by:</u>								
Specific Grants	(950)	0	950	(1,267)	(2,534)	(1,267)	(1,267)	(1,267)
Other Government Grants	0	0	0	0	0	0	0	0
<b>Net Financial Position (Forecast Outturn)</b>	<b>35,223</b>	<b>30,726</b>	<b>(4,497)</b>	<b>46,421</b>	<b>43,919</b>	<b>(2,501)</b>	<b>43,486</b>	<b>434</b>

## Section A LFC Directorate of Prevention, Protection and Policy I/E (2/2)

### Comments (Full Year Latest Forecast vs Budget)

#### **Operational Staff – underspend of £2,512k**

This underspend is primarily driven by ongoing vacancies in Prevention & Protection (Fire Safety Delivery). A sector-wide skills shortage continues to impact recruitment, and several measures are underway to address this gap.

#### **Other Staff – overspend of £17k**

This overspend relates to unbudgeted agency costs within Prevention & Protection (Operational Policy & Assurance and Health and Safety, partly offset by vacancies within Fire Safety.

The increase in forecast from Q2 reflects the transfer of the FRS staff group pay award from contingency into departmental budgets.

#### **Employee Related – overspend of £59k**

This overspend largely reflects training costs associated with the Protection Uplift Programme. These costs are offset by income from the same Programme.

#### **Premises – overspend of £11k**

This overspend primarily reflects unbudgeted spending on hire of facilities within Prevention.

#### **Supplies and Services – underspend of £1,044k**

This underspend reflects slower mobilisation of new investments and project activity across multiple areas.

#### **Contingency – overspend of £1,106k**

The overspend is primarily driven by budgeted savings to be delivered from staffing budgets through organisational change. Budget reconciliation and realignment associated with recent organisational change will be completed by the end of the financial year.

#### **Income – over recovery of £33k**

While there is no material variance at Q3, the change in forecast from Q2 reflects updated funding profile associated with externally funded Protection Uplift Programme and Building Safety Regulator. This change is offset by updated expenditure forecasts above.

#### **Use of Reserves – reduction of £1,160k**

The reduction in reserves is due to the drawdown of the 2nd instalment of the externally funded Protection Uplift Programme. This change is offset by updated expenditure forecasts above.

#### **Specific Grants – increase of £1,267k**

The change in forecast from Q2 reflects the 2nd instalment of the externally funded Protection Uplift Programme. This change is offset by an additional transfer into reserves.

## Section A LFC Directorate of Corporate Services I/E (1/2)

The **Corporate Services Directorate** supports the LFC's Mission by providing coordinated enabling services and advice in the areas of Finance, Information and Communications Technology, General Counsel, Procurement & Commercial, Data & Improvement, Property Services and Technical & Service Support.

Corporate Services (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
<b>LFC Revenue (£'000s)</b>								
Operational Staff	847	2,342	1,495	1,139	1,054	(85)	1,000	54
Other Staff	20,835	22,624	1,789	27,780	28,883	1,103	28,538	345
Employee Related	4,284	5,163	879	5,712	5,864	152	5,565	299
Firefighter Pensions - Injury & Ill Health	17,698	16,545	(1,153)	23,598	24,198	600	24,198	0
Premises	38,293	40,023	1,731	51,057	49,983	(1,074)	51,092	(1,110)
Transport	12,807	13,269	462	17,076	18,637	1,561	17,076	1,561
Supplies and Services	23,538	26,757	3,219	31,330	33,927	2,597	31,092	2,835
Third Party	1,864	708	(1,155)	2,485	2,786	302	2,778	8
Capital Financing	13,108	534	(12,573)	17,477	18,261	784	18,261	0
Contingency	(1,210)	0	1,210	(2,594)	2,475	5,068	2,649	(174)
Income	(39,979)	(80,173)	(40,194)	(53,305)	(56,958)	(3,653)	(56,002)	(956)
<b>Net Revenue Expenditure</b>	<b>92,085</b>	<b>47,794</b>	<b>(44,291)</b>	<b>121,754</b>	<b>129,109</b>	<b>7,355</b>	<b>126,247</b>	<b>2,862</b>
Use of Reserves	(11,250)	0	11,250	(15,000)	(17,643)	(2,643)	(17,643)	0
Transfer to Reserves	0	0	0	0	1,000	1,000	1,700	(700)
<b>Financing Requirement</b>	<b>80,835</b>	<b>47,794</b>	<b>(33,041)</b>	<b>106,754</b>	<b>112,466</b>	<b>5,712</b>	<b>110,304</b>	<b>2,162</b>
<u>Financed by:</u>								
Specific Grants	(22,511)	1,387	23,898	(30,015)	(30,140)	(125)	(30,140)	0
Other Government Grants	0	0	0	0	0	0	0	0
<b>Net Financial Position (Forecast Outturn)</b>	<b>58,324</b>	<b>49,181</b>	<b>(9,142)</b>	<b>76,739</b>	<b>82,326</b>	<b>5,587</b>	<b>80,164</b>	<b>2,162</b>

## Section A LFC Directorate of Corporate Services I/E (2/2)

### Comments (Full Year Latest Forecast vs Budget)

#### **Other Staff – overspend of £1.1m**

The overspend is driven by FRS staff across teams within Corporate Services, including posts required to provide stability through high level of organisational change and agency staff covering essential but hard-to-recruit to established posts such as in Finance.

The change in forecast from Q2 reflects the impact of the FRS Pay Award.

#### **Employee-related costs – £0.15m overspend**

The overspend is driven by higher-than-expected compensation due to a high caseload as well as additional recruitment fees incurred recruiting to vacant posts.

#### **Firefighter Pensions: Injury & Ill-health – overspend of £0.6m**

The overspend reflects additional costs associated with injury and ill-health retirements, which are forecast to increase beyond that projected at time of Budget Setting.

#### **Premises – underspend of £1.07m**

The movement from Q2 primarily relates to lower-than-expected spend on planned building redecorations and workplace improvements. This is added to by a reduction in expected utilities costs based on current run rates.

#### **Transport – overspend of £1.6m**

Overspend is due to higher-than-expected indexation on fleet unitary payments contract pricing, as well as a higher-than-anticipated level of vehicle repairs and spend on extreme weather-related costs. A further £0.36m has also been provided for expected repair costs following damage to two fleet vehicles.

The change in forecast from Q2 reflects the higher-than-expected indexation on the contract costs, additional extreme weather-related costs and the provision for vehicle repairs mentioned above.

#### **Supplies & Services – overspend of £2.6m**

Overspend is primarily driven by the settlement of a long-running contract dispute of £2.2m. These costs are driving the change in forecast from Q2. Additional information on this will be provided in subsequent Financial Position reports, once the proposed settlement has been agreed in line with Governance requirements.

#### **Capital Financing – overspend of £0.78m**

The overspend relates to higher than budgeted interest costs on short-term borrowing within Central Finance. This remains under review in conjunction with updated capital plans for the rest of the financial year and is largely offset by higher-than-budgeted investment income.

#### **Third Party – overspend of £0.29m**

This overspend is driven by additional prior year external audit charges.

#### **Contingency – overspend of £5.1m**

This overspend is largely being driven by forecast pressure from pay awards of £1.5m. In addition, slippage is forecast on cross-cutting savings held centrally including data management review, process efficiencies and contract reviews. Work continues to ensure that savings are maximised, and alternative options identified where required.

**Comments**  
**(Full Year Latest Forecast vs Budget)**

The change in forecast from Q2 driven by the FRS Staff Pay Award and a downward revision of the contract review savings and process efficiencies savings expected to be delivered.

**Income – over recovery of £3.7m**

This over recovery is largely driven by higher than budgeted telecoms income (£1.21m over recovery) due to timing of new lease changes, income received relating to a dispute settlement with an insurer (£1m over recovery), income from a case settlement (£0.61m over recovery) and expected increases in investment income on cash balances (£0.91m over recovery).

The change in forecast since Q2 reflects the £1m income received from the dispute settlement mentioned above. This income has been ringfenced and transferred to reserves (see section below).

**Use of Reserves – increased draw above budget of £1.64m**

Following a review of earmarked reserves and projected expenditure plans against them, an additional £1.6m was released to support the in-year position. The remaining change on forecast from Q2 reflects draw of approved reserves held for projects and offsets supplies and services above. See reserves section of report for more information.

**Transfers to reserves – increase to reserves of £1.0m**

This consists of a £1m ringfenced dispute settlement income (see 'Income' section above).

The change in forecast from Q2 reflects the removal of the contribution of £1.7m towards the general reserve to help maintain it at the minimum agreed level. However, in light of the cost of the historic contract settlement which principally relates to prior years, it is considered that this should instead be applied against that historical liability, offsetting this additional pressure. This is offset by the transfer of £1m ringfenced dispute settlement income into earmarked reserves.

## Section A LFC Directorate for People I/E (1/2)

The **Directorate for People** oversees every aspect of the employee lifecycle, with the exception of operational training, counselling and wellbeing services which are in other Directorates.

People Services (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
<b>LFC Revenue (£'000s)</b>								
Operational Staff	762	596	(166)	1,019	953	(65)	1,019	(65)
Other Staff	4,997	4,355	(642)	6,663	6,503	(161)	6,266	237
Employee Related	595	440	(154)	793	793	0	543	250
Firefighter Pensions - Injury & Ill Health	0	0	0	0	0	0	0	0
Premises	1	1	0	1	0	(1)	0	0
Transport	29	39	9	39	61	22	101	(40)
Supplies and Services	196	106	(90)	756	577	(179)	549	28
Third Party	0	0	0	0	0	0	0	0
Capital Financing	0	0	0	0	0	0	0	0
Contingency	14	0	(14)	19	19	(0)	19	0
Income	0	(286)	(286)	0	(2)	(2)	0	(2)
<b>Net Revenue Expenditure</b>	<b>6,595</b>	<b>5,252</b>	<b>(1,342)</b>	<b>9,290</b>	<b>8,905</b>	<b>(386)</b>	<b>8,497</b>	<b>408</b>
Use of Reserves	0	0	0	(495)	(300)	195	(495)	195
Transfer to Reserves	0	0	0	0	0	0	0	0
<b>Financing Requirement</b>	<b>6,595</b>	<b>5,252</b>	<b>(1,342)</b>	<b>8,795</b>	<b>8,605</b>	<b>(191)</b>	<b>8,002</b>	<b>603</b>
<u>Financed by:</u>								
Specific Grants	0	0	0	0	0	0	0	0
Other Government Grants	0	0	0	0	0	0	0	0
<b>Net Financial Position (Forecast Outturn)</b>	<b>6,595</b>	<b>5,252</b>	<b>(1,342)</b>	<b>8,795</b>	<b>8,605</b>	<b>(191)</b>	<b>8,002</b>	<b>603</b>

## Section A LFC Directorate for People I/E (2/2)

### Comments (Full Year Latest Forecast vs Budget)

#### **Other Staff – underspend of £0.2m**

The underspend reflects current staffing profile and recruitment plans over the remainder of the year, being tightly managed against organisational change deliverables.

The Q3 v Q2 increase in Other Staff Full Year forecast is due to FRS Pay Award, with costs from the start of 25/26 retrospectively applied to the Q3 forecast.

#### **Employee Related – no variance reported**

Although no Full Year forecast to budget variance is reported, there is a Q3 v Q2 increase in Full Year forecast. This is to reflect the cost of various CRMP projects and initiatives the People Services team will be managing, that were previously budgeted and forecast in Programmes. The budget and forecast for these activities have now been transferred into People Services.

#### **Supplies & Services – underspend of £0.2m**

An underspend in the current financial year is expected due to the rephasing of outsourced case support to the Professional Standards Unit, which is funded from earmarked reserves (please also refer to Use of Reserves below).

The Q3 v Q2 forecast change is driven by reduced in year outsourced case support spend, offset by a transfer of forecast and budget from Programmes into People Services to reflect the cost of various CRMP projects the People Services team will be managing.

#### **Use of Reserves – reduced Reserves draw of £0.2m**

Both the Full Year forecast to budget variance and the Q3 v Q2 forecast change reflect the reduction in the approved draw from earmarked reserves to fund the outsourced case support to the Professional Standards Unit, described in Supplies & Services above.

## Section A LFC Directorate of Communications I/E (1/1)

The **Directorate of Communications and Engagement** oversees the way the organisation communicates and engages with the public, media, politicians, stakeholders and partners, as well as its own staff. It also oversees events, staff recognition, fundraising and the London Fire Brigade museum. The directorate is made up of four teams: external relations; internal communications; stakeholder engagement; and community engagement.

Communications (£'000s)								
	A	B	C = [B - A]	D	E	F = [E - D]	G	H = [E - G]
	YTD Budget	YTD Spend	YTD Variance	Full Year Revised Budget	Forecast Outturn at Q3	Variance: Forecast Outturn vs Revised Budget at Q3	Forecast Outturn at Q2	Variance: Change in Forecast since Q2
<b>LFC Revenue (£'000s)</b>								
Operational Staff	0	53	53	0	0	0	0	0
Other Staff	2,291	2,556	266	3,056	3,228	172	2,978	251
Employee Related	34	116	83	45	35	(10)	45	(10)
Firefighter Pensions - Injury & Ill Health	0	0	0	0	0	0	0	0
Premises	7	18	11	10	10	(0)	10	0
Transport	72	95	23	97	147	51	97	51
Supplies and Services	330	130	(200)	440	414	(26)	440	(26)
Third Party	8	0	(8)	11	10	(1)	11	(1)
Capital Financing	0	0	0	0	0	0	0	0
Contingency	(31)	0	31	(39)	(55)	(16)	(55)	0
Income	9	0	(9)	12	12	(0)	12	0
<b>Net Revenue Expenditure</b>	<b>2,720</b>	<b>2,969</b>	<b>249</b>	<b>3,631</b>	<b>3,801</b>	<b>170</b>	<b>3,536</b>	<b>265</b>
Use of Reserves	0	0	0	0	0	0	0	0
Transfer to Reserves	0	0	0	0	0	0	0	0
<b>Financing Requirement</b>	<b>2,720</b>	<b>2,969</b>	<b>249</b>	<b>3,631</b>	<b>3,801</b>	<b>170</b>	<b>3,536</b>	<b>265</b>
Financed by:								
Specific Grants	0	0	0	0	0	0	0	0
Other Government Grants	0	0	0	0	0	0	0	0
<b>Net Financial Position (Forecast Outturn)</b>	<b>2,720</b>	<b>2,969</b>	<b>249</b>	<b>3,631</b>	<b>3,801</b>	<b>170</b>	<b>3,536</b>	<b>265</b>

## Section A LFC Directorate of Communications I/E (2/2)

### Comments (Full Year Latest Forecast vs Budget)

#### **Other Staff – overspend of £0.2m**

The overspend is driven by FRS staff across teams within the Directorate, including posts required to support critical projects and initiatives during a time of high organisational change. However, the Directorate has been managing its headcount and kept it to a minimum, which has enabled it to achieve a partial (£0.1m) delivery of the £0.3m average vacancy margin challenge held in its 2025/26 FRS budgets, leading to a net total £0.2m overspend.

The Q3 v Q2 increase in Other Staff Full Year forecast is due to FRS Pay Award, with costs from the start of 25/26 retrospectively applied to the Q3 forecast.

## Section B

### LFC Capital Summary Main Table

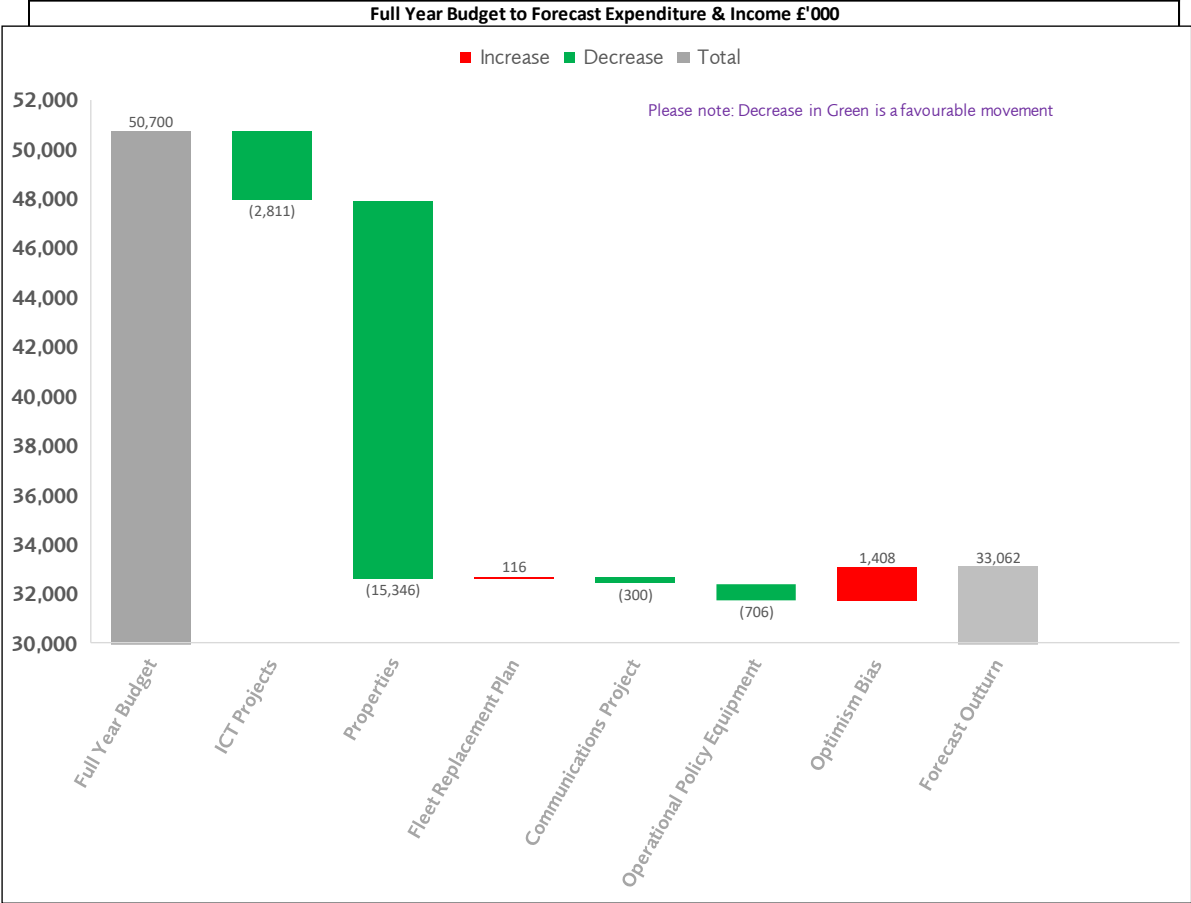
The Capital Budget for the current financial year was set at £50.7m and was approved as part of the Final Budget 2025/26 (LFC-25-026). This budget included a £5.6m optimism bias reduction, reflecting experience from previous years.

At Q3 capital programme spend of £33.06m is forecast, with the resultant £17.64m underspend largely driven by slippage in Property project spend and the reclassification of the ICT project 'Operational Risk Database' as revenue expenditure (reflected in the revenue budget and forecast).

The optimism bias adjustment of £5.6m included fully in the forecast at Q1 has been reduced by £1.41m to £4.23m as at Q3.

<b>London Fire Commissioner Capital Summary (£'000s)</b>					
<b>LFC Capital (£'000s)</b>	<b>Full Year Original Budget</b>	<b>Forecast Outturn at Q3</b>	<b>Variance Q3 Forecast vs Budget</b>	<b>Forecast Outturn at Q2</b>	<b>Changes on Forecast Q3 vs Q2</b>
ICT Projects	11,823	9,012	(2,811)	9,826	(814)
Properties	41,731	26,385	(15,346)	37,724	(11,339)
Fleet Replacement Plan	1,736	1,852	116	1,995	(143)
Communications Project	300	0	(300)	0	0
Operational Policy Equipment	743	38	(706)	38	0
Optimism Bias	(5,633)	(4,225)	1,408	(2,817)	(1,408)
<b>Total Capital Expenditure</b>	<b>50,700</b>	<b>33,062</b>	<b>(17,638)</b>	<b>46,766</b>	<b>(13,704)</b>
<b>Financed by:</b>					
Reserves	0	0	0	0	0
Capital Receipts	0	0	0	0	0
Capital Grants	618	618	0	618	0
Borrowing	50,082	32,444	(17,638)	46,148	(13,704)
<b>Total Financing</b>	<b>50,700</b>	<b>33,062</b>	<b>(17,638)</b>	<b>46,766</b>	<b>(13,704)</b>

# LFC Capital Summary - Budget to Latest Forecast (1/2)



## LFC Capital Summary - Budget to Latest Forecast (2/2)

### Comments

#### Full Year Latest Forecast vs Budget

Overall, expenditure of £33.1m is reported on the capital programme against the original approved budget of £50.7m, a reduction of £17.6m.

#### ICT Projects – forecast underspend of £2.8m

This variance is mainly driven by the reclassification of the Operational Risk Database project as revenue expenditure resulting in an in-year capital underspend of £1.3m. The revenue costs have already been factored into the revenue budget.

In addition, the following projects have been reprofiled to future years to better manage non-essential replacement spend:

- £614k Control and Mobilisation Systems (CAMS)
- £500k Appliance Workload Application
- £478k Incident Management System (IMS)
- £293k Data Centre Switches

This is partially offset by the following projects slipped from 2024/25 and delivered in this financial year:

- £610k Virtual Machine (VM) Server Environment Hosts and
- £147k Mobile Data Terminals

#### Property Project – forecast underspend of £15.3m

Various Projects such as Privacy for All (£4.4m), Salix 3C Projects (£4.7m), HQ Relocations (£2.6m) and other projects (£3.1m), have been reprofiled into future financial years

This is mainly due to Procurement, design and supplier delays in delivering the projects.

In addition the minor improvement programme has also been reprofiled into future years by £1.5m, and is partially offset by other projects such as Salix 3B (£1.0m) and Appliance Bay Heater removals (£0.3m).

#### Fleet Replacement Plan – forecast overspend of £0.1m

This variance is largely driven by costs associated with the purchase of 4 terrain support Vehicles (TSV) of £0.3m partially offset by reprofiling of £0.2m on operational equipment.

#### Communications Project – forecast underspend of £0.3m

This variance reflects planned work around the museum and events space now reprofiled to future years as part of the new HQ project.

#### Operational Policy Equipment – forecast underspend of £0.7m

The variance reflects to forecast underspends on Body Worn Videos of £0.45m and Firefighting Fitness Test equipment of £0.26m.

**Programme wide optimism** – a programme wide adjustment was applied at the time of budget setting of £5.6m. This has been reduced by 75% to £4.2m at Q3, reflecting the 3<sup>rd</sup> quarter of the year and will be kept under review.

## Section C – Further Information Summary – Savings Update

The table below presents the current status of savings agreed as part of the budget 2025/26. It should be noted that whilst some areas are not delivering the full savings planned, additional savings and income have been identified to offset these pressures. Additional information on these areas is set out within Part A of this report. The position will continue to be reviewed through the financial year, to ensure savings are delivered or potential non-delivery identified at the earliest opportunity. The table shows that whilst there has been a shortfall against some saving lines this is offset by new savings identified in year, for an overall shortfall of £1.4m.

Savings	2025-26 Budget £m	2025-26 Forecast £m	Risk Rating	Comments
Existing Departmental Savings	5.5	5.5	G	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 )	4.5	4.5	G	These are new savings put forward by departments as part of the 2025-26 budget process.
Additional Departmental Savings 2025-26	5.7	5.7	G	These are additional savings put forward by directors, mostly staff-related but also include some non-staff savings.
Cross Cutting Savings Including				
Vacancy Control Panel (£3 million);	3.0	2.0	A	This reflects planned reductions of FRS staff spend, managed through an increase in the Vacancy Margin.
Reduction in operational overtime through measures including lower sickness levels (£3 million);	3.0	2.6	A	Operational overtime is now forecasting to overspend by £0.4m, however other types of overtime and cost such as direct standbys increase this to a £1.8m overspend
Contracts Review (£2 million);	2.0	0.7	A	Revenue savings now forecast a £1.3m under delivery, although it should be noted that the workstream has also delivered savings against capital, cost avoidance
Process efficiencies (£1 million); and	1.0	-	R	Due to delays to the start of the project, cashable savings are not expected of to be achieved in 2025/26, with further savings in 2026/27 to meet the target.
Data management review (£0.6 million).	0.6	0.1	R	Savings are now expected to be £0.1m in 2025/26 with remainder expected in 2026/27
Reduction in Training Inflation	1.1	-	A	This relates to a target reduction in Training Contract costs.
Net Reduction against previous assumptions in CRMP Programmes	1.9	1.9	G	This follows assessment and prioritisation through the Performance, Risk and Assurance Board of programme budgets in 2025-26.
<b>Total Savings</b>	<b>28.3</b>	<b>23</b>	<b>-5.3</b>	<b>£5.3m shortfall against planned savings</b>
Additional Savings In Year				
Insurance Contract	-	0.6	G	Result from retender exercise.
Airwave Contract	-	0.7	G	Following the conclusion of a national legal case.
Telecoms Income	-	1.2	G	New re-leases agreed.
Premises Expenditure	-	1.1	G	Reduction on building decorations and workplace improvements.
Training Contract	-	0.3	G	Reduced cost of the training contract.
<b>Total Savings</b>	<b>-</b>	<b>3.9</b>	<b>3.9</b>	<b>£5.3m shortfall against planned savings</b>
<b>Total Savings Achieved</b>	<b>28.3</b>	<b>26.9</b>	<b>-1.4</b>	<b>Net £1.4m shortfall against savings target for 2025/26</b>

The amber-rated workstreams are:

- The vacancy control panel remains in place to provide robust challenge to all recruitment plans however the amber status recognises the challenge of balancing in-year vacancy margin targets against key organisational change deliverables, particularly for FRS staff.
- Overtime workstream reflects the fact that long-term sickness (fire stations), whilst improving, still presents challenges. In addition, operational incidents, including wildfires exert upward pressure on PAO.
- Contracts review workstream is delivering in-year benefits across the organisational portfolio, including against capital budgets and where savings have been reflected separately, such as the Airwave reductions in ICT. For revenue, the workstream is expected to deliver net cashable savings £0.7m for 2025/26 against the original £2m target.
- Training Inflation workstream reflects that there are unlikely to be reductions in indexation but other reductions in that area are possible.

The two red-rated workstreams are Data Provision and the Process Opportunities Project (POP):

- Data Provision: part of the organisational change proposals but limited to HR Data & Insights at this stage. Based on the experience and outcome of this proposed change, further Brigade-wide proposals will follow. The workstream will achieve £0.1m (against £0.6m assumed) in 2025/26.
- Process Opportunities Project (POP): reset under a new sponsor. Several new initiatives have been identified and are at the business case stage. There are significant savings in the pipeline but delays from the start of the year mean that POP is unlikely to achieve cashable savings (against £1m assumed) in 2025/26.

## Summary – Reserves Position Update (1/2)

The balance on Reserves at March 2026 is forecast at £28.4m, a movement of £23.9m against the opening balance at March 2025 of £52.3m.

The revised forecast balance at March 2026 is a reduction of £0.4m on the £28.8m set out in the Final Budget 2025/26 (LFC-25-026).

Opening reserve balances may be subject to change following the outcome of the 2024/25 audit and final statement of accounts.

### General Reserve

The balance on the General Reserve at March 2026 is forecast at £12.2m, which is below the 3.5 per cent of Mayoral funding (of £18.8m) planned to be held over the medium term under the reserves policy.

A reduced General Reserve balance was expected at the time of budget setting with this reflecting upfront staff restructuring costs during 2025/26 in order to deliver sustainable savings. Balances are planned to be replenished to 3.5 per cent over the 3 year period of the upcoming 2026/27 medium term financial plan.

General Reserve	Amount £'000
2025/26 Opening Balance on General Reserve	14,442
2025/26 MTFS Planned Top-up	0
Forecast Overspend at Q3	-2,216
<b>Q3 Forecast balance on General Reserve at March 2026</b>	<b>12,226</b>

<b>Forecast balance on General Reserve at March 2026 reported at Q2</b>	<b>14,168</b>
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<b>Change since Q2 Forecast</b>	<b>-1,942</b>
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It should be noted that the £1.7m contribution towards the general reserve as part of the 2025/26 budget has been removed. This is as a result of additional dispute settlement costs which principally relates to prior years, which this contribution is now helping to mitigate.

### Budget Flexibility Reserve (BFR)

The BFR is currently forecast to be fully utilised by March 2026, with the small balance remaining reflecting timing of project spend rephased from 2024/25 as below:

Budget Flexibility Reserve	Amount £'000	
2025/26 Opening Balance on BFR	795	
Approved Use of Reserve - Forecast	HR & Payroll System	-465
	People Services – Phase 1 [balance]	-330
<b>Uncommitted Balance on BFR at March 2026</b>	<b>0</b>	

### **Earmarked Reserves**

The balance on earmarked reserves at March 2026 is forecast at £16.3m, a net movement of £21.6m against the opening balance of £37.9m. The table below summaries movements on all reserves.

Any new service demands identified in-year will require careful prioritisation given the Budget Flexibility Reserve (BFR) is fully committed.

## Summary – Reserves Position Update (2/2)

	Balance at 01/04/25	Forecast included in Q3 Figures		Current Full Year Forecast for 2025/26		Movement on 2025/26 Budget Plan		Movement on Q2 Forecast		Movement on 2025/26 Budget Plan	
		Reserve Movements	Balance at 30/12/25	Full Year Forecasted use of Reserves	Forecasted Balance at 31/03/26	Full Year Forecast as per Budget Plan	Q3 Forecast Movement on Budget Plan	Full Year Forecast as per Q2	Q3 Forecast Movement on Q2	Balance as at 31/03/26 as per Budget Plan	Q3 Forecast Movement on Budget Plan
<b>LFB Reserves £'000</b>											
Building Safety Regulator	1,956		1,956		1,956		0		0	1,700	256
Fire Safety and Youth Engagement	6,566	(922)	5,645	(922)	5,645	(1,500)	579	(1,500)	579	2,900	2,745
London Resilience	819	(819)	0	(819)	0	(559)	(260)	(559)	(260)	260	(260)
LFB Museum Project	80	(80)	0	(80)	0	(80)	0	(80)	0		0
Fire Safety Improvement	17,785	(9,400)	8,385	(9,760)	8,025	(10,400)	640	(10,400)	640	5,500	2,525
Emergency Services Mobile Communication Programme	888	(888)	0	(888)	0	(888)	0	(888)	0		0
MTA Reserve	186	(186)	0	(186)	0	(194)	8	(194)	8		0
Vehicle & Equipment Reserve	1,355	(1,355)	0	(1,355)	0	(1,355)	0	(1,355)	0		0
Community Risk Management Plan	1,921	(1,673)	248	(1,726)	195	(1,868)	142	(1,868)	142		195
Grenfell Infrastructure Reserve	215	(215)	0	(215)	0	(215)	0	(215)	0		0
Sustainability	171	(171)	0	(171)	0	(171)	0	(171)	0		0
ICT Development Reserve	1,075	(725)	350	(725)	350	(272)	(453)	(272)	(453)		350
Recruitment Reserve	1,042	(1,042)	0	(1,042)	0	(642)	(400)	(642)	(400)		0
Leadership Reserve	27	(27)	0	(27)	0	(13)	(14)	(13)	(14)		0
HR Reserve	107	(107)	0	(107)	0		(107)		(107)		0
Communications	110	(30)	80	(30)	80		(30)		(30)		80
Pension Earmarked Reserve	1,075	(755)	320	(1,075)	0		(1,075)		(1,075)	1,075	(1,075)
Finance Reserve	15	(15)	0	(15)	0	(15)	0	(15)	0		0
2024/25 Investment Carry Forward	1,687	(1,030)	657	(1,687)	0		(1,687)		(1,687)		0
Budget Flexibility	795	(465)	330	(795)	0		(795)		(795)		0
<b>TOTAL Earmarked Reserves</b>	<b>37,876</b>	<b>(19,905)</b>	<b>17,972</b>	<b>(21,625)</b>	<b>16,251</b>	<b>(18,172)</b>	<b>(3,453)</b>	<b>(20,654)</b>	<b>(971)</b>	<b>11,435</b>	<b>4,816</b>
General Reserve	14,442		14,442	(2,216)	12,226		(2,216)	758	(2,974)	17,400	(5,174)
<b>TOTAL Reserves</b>	<b>52,318</b>	<b>(19,905)</b>	<b>32,413</b>	<b>(23,841)</b>	<b>28,477</b>	<b>(18,172)</b>	<b>(5,669)</b>	<b>(19,896)</b>	<b>(3,945)</b>	<b>28,835</b>	<b>(358)</b>

## Summary – Revenue Budget Movements Update (1/1)

The table below sets out the key movements in Q3 budget figures, from that reflected in the LFC approved budget and reported at Q2.

Some items held under individual subjective headings in the approved budget, are currently reflected under contingency, such as for non-operational staff pay award. These will be further reviewed for reallocation as the year progresses and detailed cost implications are known at a Directorate level.

Note: The below table has been updated for the overall position, the detail will be provided before publication.

	Reported Budget at Q2	Revised Budget at Q3	Change	FRS Pay Award	National Insurance Contributions Grant	Protection Uplift Programme & BSR Profile	Top-up to General Fund held in Contingency	Reallocation of Savings held in Contingency	Drawdown of Approved Earmarked Reserves	Repayment of ESN Funding held in Reserves	Other Budget Corrections / Approved Changes under Delegated Authority
<b>LFC Revenue (£'000s)</b>											
Operational Staff	373,451	372,278	(1,172)								(1,172)
Other Staff	78,225	80,008	1,783	1,783							0
Employee Related	33,752	33,469	(283)								(283)
Firefighter Pensions - Injury & Ill Health	23,598	23,598	0								0
Premises	51,341	51,342	1								1
Transport	20,173	20,112	(61)								(61)
Supplies and Services	47,173	46,308	(864)								(864)
Third Party	2,549	2,549	0								0
Capital Financing	17,477	17,477	0								0
Contingency	(5,882)	(4,905)	977	(1,783)							2,760
Income	(61,377)	(61,377)	0								0
<b>Net Revenue Expenditure</b>	<b>580,479</b>	<b>580,859</b>	<b>380</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>380</b>
Use of Reserves	(18,896)	(19,276)	(380)								(380)
Transfer to Reserves	1,700	1,700	0								0
<b>Financing Requirement</b>	<b>563,282</b>	<b>563,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<u>Financed by:</u>											
Specific Grants	(31,282)	(26,882)	4,400		4,400						0
Other Government Grants	0	(4,400)	(4,400)		(4,400)						0
GLA Funding	(532,000)	(532,000)	0		0						0
<b>Net Financial Position (Forecast Outturn)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Summary – GLA Consolidated Reporting Tables (1/1)

The table below sets out the LFC revenue summary reporting position as at Q2 in a consistent format with that included in the Mayor's Final 2025/26 Consolidated Budget, for both subjective and objective analysis.

	2025/26 Budget	2025/26 Forecast	Variance
	£m	£m	£m
<b>Subjective Analysis</b>			
Staff costs	504.4	511.0	6.6
Premises costs	51.3	50.2	-1.1
Transport costs	20.1	21.7	1.6
Supplies and Services	46.3	47.6	1.3
Third party payments	2.5	2.8	0.3
Capital financing costs	17.5	18.3	0.8
Corporate Optimism Adjustment	0.0	-2.0	-2.0
<b>Total gross expenditure</b>	<b>642.2</b>	<b>649.6</b>	<b>7.4</b>
Sales, fees and charges	-59.9	-62.0	-2.1
Specific grants	-31.3	-32.7	-1.4
Interest receivable	-1.5	-2.4	-0.9
<b>Total gross income</b>	<b>-92.7</b>	<b>-97.1</b>	<b>-4.4</b>
<b>Net expenditure</b>	<b>549.6</b>	<b>552.6</b>	<b>3.0</b>

	2025/26 Budget	2025/26 Forecast	Variance
	£m	£m	£m
<b>Objective Analysis</b>			
Corporate Services	116.4	120.0	3.7
Preparedness & Response	396.4	397.9	1.5
People	8.8	8.4	-0.4
Transformation	0.0	0.0	0.0
Prevention, Protection and Policy	47.7	45.3	-2.4
Communications	3.6	3.8	0.2
Savings review	-9.6	-5.8	3.8
Corporate Optimism Adjustment	0.0	-2.0	-2.0
<b>Service expenditure excluding SG</b>	<b>563.3</b>	<b>567.7</b>	<b>4.4</b>
Corporate Services	-30.0	-30.1	-0.1
Prevention, Protection and Policy	-1.3	-2.5	-1.3
<b>Specific Grants</b>	<b>-31.3</b>	<b>-32.7</b>	<b>-1.4</b>
<b>Net service expenditure</b>	<b>532.0</b>	<b>535.0</b>	<b>3.0</b>

Note - Figures exclude additional £1.6m earmarked reserves draw to support in-year position

## Summary – Key Performance Indicators (Aged Debt) Update

The below two tables show the current position for aged debt as at the end of December 2025. Validation is ongoing regarding this position with departments following the implementation of improved internal reporting.

### Total Outstanding Debt Net of Credit Memos and Unallocated Cash (Excludes MFB)

Row Labels	Sum of Amount in Company Code Currency	Count of Journal Entry
0-30 days	-881,084.36	249
180-365 days	491,256.82	545
30-180 days	3,696,409.95	778
over 365 days	818,899.03	389
#N/A	-750,351.59	48
<b>Grand Total</b>	<b>3,375,129.85</b>	<b>2009</b>

### Total Outstanding Invoices (Excludes MFB)

Row Labels	Sum of Amount in Company Code Currency	Count of Journal Entry
0-30 days	1,700,474.77	219
30-180 days	3,771,156.80	712
180-365 days	1,943,475.80	508
over 365 days	821,505.36	383
<b>Grand Total</b>	<b>8,236,612.73</b>	<b>1822</b>

## Summary – Risks to the Financial Position Update

The table below presents a summary of the key risks to the LFC's in-year financial position.

Likelihood	5					Operational Budget Volatility
	4			Replacement Vehicles & Equipment		
	3			Telecommunications Income	New Unfunded Pressures	Failure to deliver planned savings and efficiencies
				Cost of Borrowing	Building Rates Review	New F&P system
				Capital Rephasing	Legal / Compensation Claims	New HR & Payroll system
TFF recourcing						
			Vehicle Contract & Accident Claims			
			Inflation			
2		Contractor Default	Energy Costs	Project costs not able to be capitalised due to changes in delivery model(s)		
						Debt Charges
1						
		1	2	3	4	5
		Impact				

The highest rated risks currently for the current year are:

- **Operational Budget Volatility** – increasing, and often seasonal demands, have budgetary impact on front line delivery. While significant reductions on key areas of budget pressure such as overtime have been made over the past two years, responding to issues such as wildfires remains a high risk.
- **Failure to deliver planned savings and efficiencies** – £28m savings were applied for 2025/26 as part of reaching a balanced budget. Progress against targets are governed closely through Director led scrutiny to ensure appropriate management actions are taken.
- **New Finance & Purchasing system** – period of transition has the potential to impact data used for forecast modelling, particularly for non-staff costs.
- **New HR & Payroll system** – impact of changes to implementation date being assessed against resources held for the project.
- **Risks for pay award** have been removed as they are now reflected in forecasts for the financial year

## Summary – Climate Budget Reporting

The LFC is required to report on a quarterly basis to show progress on the agreed and funded projects set out in their Climate Budgeting commitments. This should be incorporated into quarterly reporting as a new standalone section 'Climate budget reporting'.

Two KPIs should be included in this update, on *progress on implementing funded and unfunded climate budget measures*, providing a RAG rating on progress and a short explanatory narrative for the ratings reported.

The quarterly RAG status on the two KPIs for Q3 is provided below:

Overall assessment of progress against Climate Budget 2-2	Quarterly RAG rating	Quarterly RAG rating	Quarterly RAG rating
	Q1	Q2	Q3
Progress against funded climate measures	Green	Green	Green
Progress against unfunded climate measures	Red	Red	Red

### Funded climate measures – Green

The LFB projects listed in the climate budget table A are funded and are currently working to expected deadlines and within budget. We have 6 projects that are Green and on track. LFB have 4 projects which are amber, remain fully funded, however behind on original 2025/26 timescales with likely completion dates September 2026.

### Unfunded climate measures - Red

The LFB projects listed in the climate budget table B are unfunded and therefore are unable to receive governance. These projects are in design stages and can only be progressed following a budget allocation. The three Electric Vehicle (EV) Charging projects will potentially move to table A in future as a Green Fund finance application has been made. It is possible these three projects will be scoped and updated as they are moved to table A.