

Decision title

2019/20 Budget

Recommendation by

Assistant Director, Finance

Decision Number

LFC-0133-D

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Summary

LFC-0133 presents the London Fire Commissioner's (LFC) final draft revenue and capital budget for 2019/20 for approval. The report also provides an update on the actuarial revaluation of the firefighter's pension scheme and then presents revised potential financial implications for the LFC.

Decision

The London Fire Commissioner agrees that:

1. Subject to the decisions below, a 2019/20 revenue budget of £392.3m be approved, being made up of net expenditure of £47.3m with £23.9m funding from earmarked reserves and £31.1m funding from specific grants;
2. The revenue estimates, as set out in Appendices 1, 3 and 4, showing proposed savings, growth and budget movements, are approved;
3. The establishment changes associated with the 2019/20 revenue budget, as set out in Appendices 1, 3 and 4, are approved;
4. The capital programme with gross expenditure in 2019/20 of £41.6, as set out in Table 7 and confidential Appendix 8, be approved; and
5. The additional payments into earmarked reserves for 2018/19 as set out at Table 6 are approved.

Tom George

Deputy London Fire Commissioner

Date 27/3/2019.

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Report title

2019/20 Budget

Report to	Date
Corporate Services DB	19 February 2019
Commissioner's Board	27 February 2019
Fire and Resilience Board	19 March 2019

Report by	Report number
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Summary

This report presents the London Fire Commissioner's (LFC's) final draft revenue and capital budget for 2019/20 for approval. The report also provides an update on the actuarial revaluation of the firefighter's pension scheme and then presents revised potential financial implications for the LFC.

Recommended decisions

That the London Fire Commissioner agrees that:

1. Subject to the decisions below, a 2019/20 revenue budget of £392.3m be approved, being made up of net expenditure of £47.3m with £23.9m funding from earmarked reserves and £31.1m funding from specific grants;
2. The revenue estimates, as set out in Appendices 1, 3 and 4, showing proposed savings, growth and budget movements, are approved;
3. The establishment changes associated with the 2019/20 revenue budget, as set out in Appendices 1, 3 and 4, are approved;
4. The capital programme with gross expenditure in 2019/20 of £41.6, as set out in Table 7 and confidential Appendix 8, be approved; and
5. The additional payments into earmarked reserves for 2018/19 as set out at Table 6 are approved.

Introduction

1. This report updates the budget proposals included in the Budget Submission to the Mayor in November (LFC-0091). It proposes a balanced budget for 2019/20 after including a draw from the Budget Flexibility Reserve (BFR) of £3.6m. The proposed budget is in line with the funding agreed for the LFC of £392.3m in the Mayor's Final Draft Consolidated Budget, reported at the

meeting of the London Assembly on 25 February 2019. That funding level represents an increase of £1.0m in 2019/20 from the funding the Mayor proposed in his consultation budget.

2. The Mayor has also set indicative funding allocations for the LFC in each of the following three financial years from 2020/21 to 2022/23, with funding rising by £25.3m over those three years to £416.6m in 2022/23. This increase is £9.8m higher than the funding included in the Budget Submission to the Mayor in November, which was based on the data in the Mayor's Budget Guidance in June 2018. This report also sets out the forecast budget position in each of those years, with a budget deficit of £18.1m in 2020/21, which will be met by a draw from the Budget Flexibility reserve. There is then a forecast budget deficit of £19.2m in 2021/22 which will be partially met by a draw from the Budget Flexibility reserve of £1.4m to reduce the budget gap to £17.8m. There is then a forecast budget deficit of £18.0m in 2022/23.

The Mayor's Final Draft Consolidated Budget

3. The Mayor's Final Draft Consolidated Budget was published on the 15 February 2019 and will be considered by the London Assembly at its plenary meeting on Monday 25 February 2019.
4. The Mayor's Draft Consolidated Budget determines the level of precept levied by the GLA in Londoners' Council Tax bills, which are administered by the London Boroughs and the Corporation of London. The Mayor is to increase the Band D council tax by 8.9 per cent from £294.23 to £320.51 in 2019/20. This is largely due to an increase in the police element of the precept of £24.
5. There are two sets of Council Tax calculations because the Metropolitan Police District does not include the City of London, which has its own police service. The council tax of £320.51 can therefore be broken down to £242.13 for the Metropolitan Police plus £78.38 for non-police services. The LFC's element of this non police element would be £53.00 for a Band D property. This compares to a 2018/19 Band D rate of £50.22.
6. The Mayor's Final Draft Consolidated Budget also includes additional funding for the LFC of £1.1m in 2019/20 only. That report goes on to say that:

'As part of his aim to provide positive opportunities to young people, the Mayor is proposing to allocate to the LFC an additional £1.1 million to establish a fire cadet unit in every London Borough. This provision will create 15 new cadet units and take the number of cadets to over 500 — more than double the current total.'

7. Although the additional £1.1m in funding is in 2019/20, the Mayor also states in his report that he expects £0.6m to be applied in 2019/20 and a further £0.5m in 2020/21. As a result £0.5m of the funding received in 2019/20 will be transferred to the Fire Safety and Youth Engagement earmarked reserve, with the same amount expected to be drawn from the reserve in 2020/21.

The Budget Development Process

8. The Mayor's Budget Guidance for 2019/20 for the Greater London Authority and its functional bodies was issued on 29 June 2018 and was reported the LFC on 18 July 2018 (LFC-0039). In his guidance the Mayor proposed funding for the LFC of £391.3m for 2019/20 and indicative allocations in each of 2020/21, 2021/22 and 2022/23 of £396.1m, £401.3m and £406.8m respectively. The Mayor then repeated his intention to award this level of funding in his consultation letter, which was included in the report setting out the LFC's Budget Submission to the Mayor on 13 November 2018 (LFC-0091).

9. The November Budget Update report stated that funding from the GLA of £406.8m by 2022/23 would result in a saving requirement for the LFC of £24.4m over that period. This saving requirement also reflected the impact of savings proposals totalling £3.7m and growth proposals of £1.2m over that period. That report went on to explain that whilst there was a budget gap in each year, the Budget Flexibility Reserve could be used to close the budget gap in the first two years.
10. Following the November Budget Submission report the Mayor published his Consultation Budget on 19 December 2018, which proposed an increase in funding for the LFC over the next four years of £9.8m. The Mayor then stated that his budget will maintain 'funding to the London Fire Brigade in the aftermath of the terrible Grenfell Tower fire to ensure fire engines arrive at emergency incidents within targets'. He went on to explain that he is proposing to increase the non-police precept on council tax bills by the maximum permitted of £2.28 (2.99%) to fund London Fire Brigade and support the establishment of the Violence Reduction Unit.
11. The London Assembly then considered the Mayor's Draft Consolidated Budget for 2019/20 on 24 January 2019. That report confirmed the additional funding proposed by the Mayor for the LFC and stated that:

"Given the ongoing impact of the Government's cuts and the additional resources required arising from the Grenfell Tower fire and terrorist incidents, the Mayor has again agreed to increase LFC's share of council tax in 2019-20 and commit to increasing it in future years."
12. As set out in the section above the Mayor's Final Draft Consolidated Budget has now been agreed, and includes further one off funding for the LFC of £1.1m in 2019/20. Table 1 below sets out a summary of initial funding proposed by the Mayor in his Budget Guidance, against the revised funding now proposed. It then shows the resulting additional funding available in each year.

Table 1: Change in Funding Proposed by the Mayor

Funding in Mayor's Budget Guidance	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Retained Business Rates	233.4	230.3	227.3	224.1
LFC Element of Precept	157.8	165.8	174.1	182.8
Total	391.3	396.1	401.3	406.8
Revised Funding – Mayor's Consultation Budget	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Retained Business Rates	231.9	231.9	231.9	231.9
LFC Element of Precept	159.3	167.3	175.9	184.7
Total	391.3	399.3	407.8	416.6
Revised Funding – Mayor's Final Consolidated Budget	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Retained Business Rates	231.9	231.9	231.9	231.9
LFC Element of Precept	159.3	167.3	175.9	184.7
Additional Funding for Cadets	1.0	0.0	0.0	0.0
Total	392.3	399.3	407.8	416.6
Change in Funding	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Retained Business Rates	(1.5)	1.6	4.7	7.8
LFC Element of Precept	1.5	1.6	1.8	2.0
Additional Funding for Cadets	1.0	0.0	0.0	0.0
Total	1.0	3.2	6.5	9.8

Budget Update

13. The LFC's medium term forecast (MTF) has been reviewed since it was last reported in November 2018 (LFC-0091) and is included as Appendix 1. There are a number of changes to the forecast position over the four year period from 2019/20 to 2022/23, as summarised in Table 2 below and described in more detail in the paragraphs that follow. Together these adjustments show a net £3.1m pressure to the four year budget position.

Table 2: Changes to the Medium Term Forecast

Changes to Medium Term	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	Total £k
Firefighter Pension Valuation	4,757	521	0	0	5,278
Cadets	1,050	(1,050)	0	0	0
Business Rates	(142)	(7)	0	0	(149)
Rental Income	162	0	0	0	162
LFB Enterprises	170	0	0	0	170
Firefighter pension scheme	(852)	(102)	(47)	(19)	(1,020)
Auto-enrolment	321	107	0	0	428
Trainee Firefighters and Development Pay	96	(708)	116	511	15
Role to Rank Project	88	89	0	0	177
PEG sales income	25	0	0	0	25
CFOA Subscription	16	0	0	0	16
FRS Vacancy Margin	(1,000)	1,000	0	0	0
Pay Award Contingency	(2,033)	0	0	0	(2,033)
Total	2,658	(150)	69	492	3,069

Firefighter Pension Valuation

14. A significant element of the existing budget gap over the next four financial years was as a result of the forecast outcome of the actuarial valuation of the firefighter's pension scheme as at 31 March 2016. The valuation included a material increase in the cost of employer contributions on the Firefighter Scheme, which has previously been estimated at £20m for the LFC. The Home Office had agreed protection of around 90% in the first year but budget estimates from 2020/21 had included the full impact.
15. On 28 February 2019 the Governments Actuary Department (GAD) published the final report in relation to that valuation, including the scheme specific employer contribution rates for the period April 2019 to March 2023. Based on this latest communication from GAD the pressure for the LFC now appears to be significantly higher at £25.3m, an increase of £5.3m. This increase appears to have affected a number of Fire and Rescue Authorities and as a result discussions are ongoing with the Home Office to confirm whether additional protection will be provided.
16. The £4.8m pressure set out in the above table for this issue includes the full impact of this additional £5.3m pressure from 2019/20, with also a slight reduction for the latest expected grant protection income expected for the LFC. If any additional grant protection is received from the Home Office for this in 2019/20 this will be reported on as part of the Financial Position reports in the next financial year.

Fire Cadets

17. This expenditure is to fund the opening of 15 new fire cadets units over the next two financial years. The Mayor is providing funding to cover the full cost of this in 2019/20, as a result the figures set out above include spend of £0.6m on cadets and a payment into reserves of £0.5m in 2019/20. The remaining funding will then be spent in 2020/21.

Business Rates

18. This saving of £149k on business rates reflects the latest forecast following publication of updated inflation data. The reduction is primarily due to a reduction in RPI although some is due to changes in Rateable Values. It should be noted that 2021 is likely to be a revaluation year so there may be further impact on the budget in future years.

Rental Income

19. There is a proposal for the accommodation at Union Street that has recently been vacated by London Travel Watch not to be re-let but re-occupied by LFB staff to enable the Hackitt Review team to be located within Union Street. Should this proposal be agreed there would be a reduction in commercial income of £162k per annum. It is unclear if the Ministry of Housing, Communities and Local Government would provide any funds to cover accommodation costs for this team.

LFB Enterprises (LFB_e) Recharges

20. The LFC owned company LFB_e is entering a dormant phase as trading activity comes to a close and to allow it to be preserved for possible future use as a trading entity or for other activities in the future, as required. The LFC currently has an income budget of £170k for recharges of staff time to LFB_e. That budget will be removed from 2019/20 and result in a £170k pressure from that year.

Firefighter Pension Scheme

21. Forecast additional savings on operational staff leaving the more expensive 1992 scheme and transferring to the 2015 scheme, or opting out.

2019 Pension Scheme Auto Enrolment

22. An auto enrolment exercise will be run in June 2019 for staff that were not previously enrolled in a pension scheme. This additional cost is to update the cost pressure based on the latest projections on pension contribution rates.

Trainee Firefighters and Development Pay

23. An update to the forecast cost of trainee firefighters and operational staff on development, based on latest forecasts from People Services.

Role to Rank Project

24. The proposed investment will incur increased staff costs of no more than £609k per annum, alongside savings of at least £432k per annum by 2020/21. Critical performance improvements will also be delivered, including on-station officer-led training, and greater productivity from a significant reduction in standby movements for officers. It will also consensually resolve a long-running dispute, and its associated risks, with the trade union since the 2010 industrial action. The project has had a wider influence than at first anticipated. The work to review levels of responsibility for watch officers has now been brought within the scope of the R2R project and may allow further improvements in this area.

Protective Equipment Group (PEG) Sales Income

25. This reflects that one of the three BA maintenance customers will no longer require LFC services from 2019/20.

CFOA subscription

26. The LFC's current annual contribution to the Chief Fire Officers' Association is just under £49k. This includes payments towards the provision of national operational guidance and the national children and young persons project, both initiatives that LFC benefits from significantly, along with a contribution towards the leadership and central support function that forms the National Fire Chiefs Council (NFCC). When the NFCC was formed in 2017, they began a review of their sustainability and as part of that have looked at simplifying and rationalising the contributions from all UK fire and rescue services. LFC officers have contributed towards that process to ensure a fair result for London and the Full Council of the NFCC has now agreed a new banding arrangement for the basis of payments. The impact of this is anticipated to increase LFC's contribution to an annual payment of £65k. The LFC is clear of the benefits afforded by continued involvement with the NFCC and whilst the increase is significant in percentage terms, the absolute increase is relatively modest in the context of LFC's overall budget when compared to other fire services across the UK.

Vacancy Margin

27. This reflects a temporary increase to the vacancy margin for FRS staff in 2019/20 in light of ongoing vacancy levels. These are expected to reduce but could still result in an additional underspend at the start of the financial year. This will be reviewed as part of the 2020/21 budget process to determine whether any adjustment to the underlying vacancy margin is required.

Pay Award Contingency

28. Previously the LFC budget had contained funding for an additional 1% pay award for Operational and Control Staff backdated to July 2017. However this additional increase in funding is no longer expected to be required and will result in an ongoing budget saving of £2,033k from 2019/20.

Table 3: Changes to Saving Proposals

	Saving Title	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	Total Savings £k	Comments
S29	RPE Spares (Technical And Service Support)	18	0	0	0	18	Department has confirmed that this is achievable
S32	Agency (Technical And Service Support)	16	0	0	0	16	Department has confirmed that this is achievable
S49	Gym Equipment – reactive (Technical And Service Support)	10	0	0	0	10	Department has confirmed that this is achievable
S56	Overtime (Technical And Service Support)	4	0	0	0	4	Department has confirmed that this is achievable
	TOTAL	48	0	0	0	48	

Table 4: Changes to Growth Proposals

Ref	Growth Item	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k	Total Growth £k	Comments
G15	Revalidation of Incident Command (Operational Policy)	74	(74)	0	0	0	Department has confirmed this is still required but only for one year.
G07	Protective Equipment Group Technician - MTFA Project (Technical And Service Support)	41	0	0	0	41	Post required to maintain ballistic protection equipment and is already agreed by the project board
G22	ULEZ Staff Costs	207	(207)	0	0	0	Additional comments below.
G23	Establishment of Firefighter Outreach Team	355	0	0	0	355	Additional comments below.
G03	Carol Service	10	0	0	0	10	Sponsorship will continue to be sought for this existing event, however £10k will fund the majority of the costs in each year.
	Total	687	(281)	0	0	406	

Ultra Low Emission Zone (ULEZ) - Staff Reimbursement

29. The new ULEZ will go live from 8 April 2019. This will result in additional costs for staff working at stations within the zone, who drive to work in non compliant cars. If the LFC reimburses this cost it has been estimated at approximately £207k per year, including a premium to offset employee tax and national insurance as this would be a taxable benefit. The LFC is currently in dialogue with the GLA regarding an appropriate, but finite, transitional period during which the LFC may reimburse this charge to minimise any impact on firefighter standby movements, as well as ongoing consultation with the trade unions on this issue. The £207k pressure exemplifies the impact of a protection period of one year. As and when a transitional period for reimbursement has been agreed with the GLA, and if approved by the LFC, this will be reported as part of the regular financial position reports in 2019/20.

Establishment of Firefighter Outreach Team

30. The outreach team was previously established for a fixed term up to March 2019 and funded through a draw on earmarked reserves. With the removal of the London residency requirement, it is vital to ensure London's diverse BAME communities continue to be targeted through outreach activity and as a result it is now recommended that this team is established permanently

Summary Budget Position

31. Table 5 below shows the impact on the overall LFC budget of the changes set out in Tables 1 to 4 above. This demonstrates that the overall budget gap of £24.4m by 2022/23 included in the Budget Submission to the Mayor has now decreased to £18.0m. The table shows there is a budget gap in 2019/20 of £3.6m and a forecast budget gap of £18.1m in the second year that can be met through a draw on the budget flexibility reserve, resulting in a balanced budget. The remaining budget flexibility reserve can then be applied in 2021/22 to reduce the £19.2m gap in that year to £17.8 m.

Table 5: Summary Budget Position

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Budget Gap as set out in November Budget Submission Report (LFC-0091)	1.3	18.4	22.7	24.4
Increases to LFC Funding (Table 1)	(1.0)	(3.1)	(6.5)	(9.8)
Changes to the Medium Term Forecast (Table 2)	2.7	2.5	2.6	3.1
Changes to Saving proposals (Table 3)	(0.1)	(0.1)	(0.1)	(0.1)
Changes to Growth proposals (table 4)	0.7	0.4	0.4	0.4
Revised Budget Gap/ (Surplus)	3.6	18.1	19.2	18.0
Payment into / (Draw from) Budget Flexibility Reserve	(3.6)	(18.1)	(1.4)	0.0
Budget Gap After Reserve Use	0.0	0.0	17.8	18.0
Budget Flexibility Reserve Balance	19.5	1.4	0.0	0.0

Control and Mobilising

32. Subsequent to the November Budget submission a requirement has been identified for the addition of six Control Room Officers (CRO) at an annual ongoing cost of £230k. This proposal seeks to establish staff within Control and Mobilising up to 16 per watch, which is currently being achieved through overtime. This report includes one-off funding for this from the General Reserve in 2019/20. A growth bid will then be submitted for this item as part of next year's budget process and considered again at that time.

Risks and Opportunities

33. 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 Appendix 5. The risk relating to the sale of Southwark Training Centre has been removed following the recent completion of the sale and the risk relating to Firefighter Pension Contributions has been updated to reflect the update to the Medium Term Forecast in Table 2.
34. The risk regarding pay awards has also been updated to reflect that no additional payments are now expected as part of national discussions for Operational staff pay in 2017. Discussions are continuing however regarding the London Weighting award for 2017 and 2018. Any potential impact of these discussions will be reported on as part of future budget or financial monitoring reports.
35. One new risk has been added regarding the legal costs of servicing the Grenfell Tower Enquiry. The cost of this has been forecast at £1m in 2019/20, and it is currently expected that this will be funded in full from the LFC's insurance arrangements. Discussions on this are ongoing with the relevant insurance company and any delay in reaching agreement may result in an additional budget pressure in 2019/20, which will be reported as part of the regular financial position reports.

Financial Position

36. The forecast financial position as at the end of December (LFC-0121) shows an underspend of £2,505k for the 2018/19 financial year. This is a decrease of £548k from the forecast underspend reported for Quarter 2. The reduction in underspend is largely due to additional expenditure against building maintenance budgets.
37. As set out in Table 2 above it is also now expected that there will not be any additional pay award for Operational and Control staff backdated to July 2017. This will result in an increase to the 2018/19 underspend of £3,529k, increasing the forecast underspend to £6,034k.
38. The above underspend would lead to the general reserve being £7,788k above the stated minimum level. The final agreed position will be set out in the financial outturn report and any surplus above the minimum stated amount will be considered as part of a potential transfer into the Budget Flexibility Reserve.

Reserves

39. The LFC's Budget Submission to the Mayor included a statement on the adequacy of reserves for the LFC to comply with GLA requirements. That statement has now been updated to form a Reserves Strategy for the LFC, which is included at Appendix 8.
40. Following a review of grant income received in previous years and held as deferred income, it is now recommended that these funds are applied to the 2018/19 financial year and then transferred into earmarked reserves if required. This will improve transparency regarding this funding and support decision making. However in order to ensure that this does not impact financial reporting for 2018/19 it is recommended that budgets are created for this additional income and the resulting transfers to reserves. Table 6 below shows the impact of these additional draws on the proposed reserve position for 2018/19.

Table 6: Reserves Position for the 2018/19 Financial Year

£000s	Opening Balance at 01/04/18	Approved Movements	Underspend/ (Overspend) in 2018/19	Use of Reserves in 2018/19	Additional Transfers to Reserves from Grant Income	Revised Anticipated Balance at 31/03/19
Additional Resilience Requirements	4,773	(2,904)		(1,101)		767
Capital Expenditure Reserve	0			11,745		11,745
Community Safety Investment Fund	101			(101)		0
Compensation	1,000					1,000
Emergency Services Mobile Communication Programme	178			(57)	1,807	1,928
Emergency Medical Response	830	(536)				294
Firefighters' Pension	1,172	(1,172)				0
Fire Safety and Youth Engagement	909			(194)		715
Hazardous Material Protection	18			(18)		0
HMICFRS inspection regime	0	149		(128)		21
Hydrants	462					462
ICT Development Reserve	1,310	600		(750)	691	1,851
LFC Control Centre	0				959	959
LFC Museum Project	0			210		210
London Resilience	2,250	(1,213)		(173)	150	1,015
London Safety Plan Initiatives	4,635	100		(557)		4,178
New Governance Arrangements	300			(300)		0
Organisational Reviews	0	218			287	505
Pension Early Release Costs	400	(400)				0
Property PFI	1,912	(1,912)				0
Recruitment/ Outreach	418	333		(380)		370
Sustainability	235					235
Vehicle & Equipment Reserve	1,163	2,123		(421)		2,865
Budget Flexibility	11,469	7,229		4,413		23,110
General	20,356	(2,615)	6,034		(517)	23,257
Total	53,890	0	6,034	12,187	3,377	75,488

41. The latest forecast position on reserves is set out in Table 8 below. This shows the forecast outturn position for 2018/19 as at the end of December 2018 and the forecast changes in the use of reserves from 2019/20 to 2022/23. Additional information on how these reserves are planned to be used can be found in the Reserves Strategy at Appendix 8.

Table 8: Forecast Use of General and Specific Reserves

£000s	Anticipated Balance at 01/04/19	Use of Reserves in 2019/20	Use of Reserves in 2020/21	Use of Reserves in 2021/22	Use of Reserves in 2022/23	Anticipated Balance at 31/03/23
Additional Resilience Requirements	767	(767)				0
Capital Expenditure Reserve	11,745	(11,745)				0
Compensation	1,000	(250)	(250)	(250)	(250)	0
Emergency Services Mobile Communication Programme	1,928	(203)	(326)	(1,399)		0
Emergency Medical Response	294	(294)				0
Fire Safety and Youth Engagement	715	16	(624)	(88)	(19)	0
HMICFRS inspection regime	21	(21)				0
Hydrants	462	(95)	(120)	(120)	(127)	0
ICT Development Reserve	1,851	(960)	(550)	(241)	(100)	0
LFC Control Centre	959	(230)				729
LFC Museum Project	210	(70)	(70)	(70)		0
London Resilience	1,015	(1,015)				0
London Safety Plan Initiatives	4,178	(1,423)	(465)	(26)	0	2,264
Organisational Reviews	505	(505)				0
Recruitment/ Outreach	370	(370)				0
Sustainability	235	(235)				0
Vehicle & Equipment Reserve	2,865	(2,106)	(345)	(221)	(193)	0
Budget Flexibility	23,110	(3,578)	(18,141)	(1,391)		0
General	23,257					23,257
Total	75,488	(23,851)	(20,891)	(3,806)	(689)	26,251

Fees and Charges

42. The LFC receives income from a range of charges which are calculated on a cost recovery basis. Any changes to these are calculated by the Director of Corporate Services and advised to charging departments in line with delegations to officers in order to be applied from the start of the new financial year. This process includes updating the figure used for special service charges, which also covers charging for Shut in Lift and Automatic Fire Alarm call outs. The special service charge is currently set at £333 for the 2018/19 financial year, and will increase by £5 to £338 for the 2019/20 financial year.

Capital Programme and Prudential Indicators

43. This report updates the draft capital programme included in the report setting out the Budget Submission to the Mayor in November (LFC-0091x). The original programme was £14.0m for 2018/19, £40.0m for 2019/20, £37.8m for 2020/21, £25.1m for 2021/22 and £22.0m for 2021/22. The changes to the programme since the last reported position are detailed in the Financial Position report as at the end of December (LFC-0121), this report also reflects recent further changes to ICT schemes as a result of revised procurement timescales. The changes included in the Financial Position report were mainly due to the re-phasing of vans as part of the fleet replacement programme and ICT Virtual Machine (VM) servers. These changes result in a

£1.9m decrease in the budget for 2018/19, an increase of £0.9m for 2019/20, an increase of £0.4m for 2020/21 and an increase of £0.5m for 2021/22.

44. The revised capital programme after these adjustments is £12.1m for 2018/19, £40.9m for 2019/20, £38.2m for 2020/21, £25.6m for 2021/22 and £21.9m for 2022/23. The summarised capital programme is detailed in Table 9 below. The full capital programme can then be found in the confidential Appendix 6. This detailed information is not for publication for commercial reasons.

Table 9: Summary Capital Programme

	2018/19 Capital Budget £k	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k	2022/23 Capital Budget £k
Estates Projects	3,068	10,734	11,365	14,830	14,950
ICT Projects	647	4,796	4,584	3,210	4,739
Fleet	8,343	25,346	22,223	7,606	2,276
TOTAL	12,058	40,876	38,172	25,646	21,965

45. The revised capital financing for the programme is shown in Table 10 below.

Table 10: Capital Financing

Capital Financing	2018/19 Capital Budget £k	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k	2022/23 Capital Budget £k
Capital Grants & Contributions	159	120	0	0	0
Capital Receipts	11,899	39,631	35,000	15,000	12,000
Borrowings	0	1,125	1,049	10,646	9,965
Charitable Contribution	0	0	2,123	0	0
TOTAL	12,058	40,876	38,172	25,646	21,965

46. A separate report, also on today's agenda, sets out the Capital Strategy for the LFC.

Risks to Capital Programme

47. The capital budget is subject to risks and opportunities which are not quantified in the estimates in this report. The three risks currently identified are set out in Appendix 5.
48. The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.
49. Tables 11 below sets out the prudential limits for 2019/20 to 2022/23.

Table 11: Prudential Limits

	2019/20	2020/21	2021/22	2022/23
Authorised Limit for External Debt	Requested Approval (Nov 2018)	Requested Approval (Nov 2018)	Requested Approval (Nov 2018)	Requested Approval (Nov 2018)
	£m	£m	£m	£m
Borrowing	155.0	155.0	175.0	175.0
Long term liabilities	70.0	70.0	70.0	70.0
Total	225.0	225.0	245.0	245.0
Operational Boundary for External Debt				
Borrowing	150.0	150.0	170.0	170.0
Long term liabilities	70.0	70.0	70.0	70.0
Total	220.0	220.0	240.0	240.0

List of Appendices

Appendix	Title	Protective Marking
1.	Draft Medium Term Forecast	None
2.	Budget Tables	None
3.	Proposed Savings	None
4.	Proposed Growth	None
5.	Risks and Opportunities to the Financial Position	None
6.	Draft Reserves Strategy	None
7.	Equality Analysis	None
8.	Capital Programme	None

Appendix 1 – Draft Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
	Previous Years Net Expenditure	401,087	447,267	432,639	424,093	
1	Central Contingency for Inflation	4,299	7,286	7,391	7,449	This includes both staff and non staff inflation. Staff costs are based on pay awards of 2% annually for all staff.
	Other budget pressures					
2	Pensions Auto Enrolment	802	267	0	0	These are potential additional employers pensions contributions from staff entering the pension schemes, as part of the governments auto enrolment scheme. This assumes that 40% of staff enrolled into the scheme stay in the scheme.
3	Firefighter Pension Scheme - Change to Discount Rate	25,278	0	0	0	In his March 2016 Budget Announcement the Chancellor stated that unfunded public sector employer pension contributions will increase from 2019 by an estimated £2bn per annum. This was as a result of the regular revaluation of the scheme. LFC previously forecast an additional pressure of £5.1m based on the change to discount rate, £2.8m following a reduction in contributions and £0.9m for the impact of funding retained fire fighter schemes. The total pressure has now been revised to a £20.0m impact. The 2019/20 impact is expected to be capped at £10m for the whole scheme, which is estimated at £1.9m impact for LFC.
4	Changes to Staff on Development Rates of Pay	(2,594)	(549)	1,376	1,200	This reduction reflects the anticipated change in the profile of the operational workforce, which will shift to include more less experienced staff on lower pay rates, following increased recruitment levels.
5	Local Government Pensions Scheme - Early Retirement Costs	(110)	(30)	(30)	(30)	This movement reflects ongoing reductions in the number of pensioners receiving these payments.
6	Local Government Pensions Scheme - Past Service Deficit	215	224	0	0	This is the forecast 'inflationary' increase in the cost of the past service deficit payments on the Local Government Pension Scheme.
7	Local Government Pensions Scheme - 2017 Valuation	(115)	(122)	0	0	Savings following the valuation on the LFC's LGPS pension fund.
8	Firefighters' Injury Pensions	279	245	250	0	This relates to inflation increases on injury pensions and assumptions around numbers in receipt of injury pensions.
9	Firefighter Pension Sanction Charge	45	0	0	0	This increase reflects current forecast for numbers of staff choosing to commute their pension above the HMRC tax limit.
10	Operational Staff Vacancy Margin	3,724	0	0	0	This pressure is as a result of the removal of the one-off increase to the Vacancy Margin in 2018/19. This reflects that staff numbers are now expected to return to established levels from 2019/20.
11	FRS Vacancy Margin	(1,000)	1,000	0	0	This reflects a temporary increase to the vacancy margin for FRS staff in 2019/20 in light of ongoing vacancy levels. These are expected to reduce but could still result in an additional underspend at the start of the financial year.

Appendix 1 – Draft Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
12	Operational Pension Scheme Changes	(1,147)	(373)	(318)	(290)	This saving is achievable based on forecast numbers of staff in the current schemes, and the reduced costs as staff leave the older schemes and recruits join the new scheme. It also includes a forecast of 30 staff opting out of the scheme per year, based on current trends.
13	Role to Rank Project	88	89	0	0	The proposed investment will incur increased staff costs of no more than £609k per annum, alongside savings of at least £432k per annum for the LFB by the 2020/21 financial year. Critical performance improvements will also be delivered, including on-station officer-led training; and greater productivity from a significant reduction in standby movements for officers. It will also consensually resolve a long-running dispute, and its associated risks, with the trade union since the 2010 industrial action.
14	Trainee Firefighter Recruitment	168	(443)	(281)	(63)	These costs reflect the anticipated salary cost of trainee firefighters in each year.
15	Additional Resilience Requirements	1,188	(364)	229	0	Additional items included in FEP2673
16	Increase in Cadet Units to all London Boroughs	1,050	(1,050)	0	0	The Mayor has awarded LFC an extra £1.1m of funding for fire cadets to open 15 new units over the next 2 financial years. This will be funded as one off uplifts to the business rates allocation.
	STAFF RELATED BUDGETS					
17	Apprenticeship Levy	(890)	(225)	0	0	An apprenticeship levy came into effect in April 2017, at a rate of 0.5% of an employer's pay bill. This levy has been transferred into a digital account and this saving reflects the use of the levy from 2019/20.
18	Additional Payments into the Local Government Pension Scheme (LGPS) Fund and resulting on-going savings	115	(1,481)	0	0	In light of the impact of the actuarial revaluation of the LGPS, it is proposed that the new savings generated are re-invested back into the scheme in order to reduce the deficit further. These payments would then result in additional savings following the outcome of the next revaluation in 2020/21. If the savings are used in this way they would result in a £3.1m additional payment against the deficit by 2019/20, with a forecast saving of £350k in 2020/21.
19	Training Contract	(1,423)	(297)	245	(46)	As stated in the Future Options for Training report (FEP1829X) the fixed fee element of the Training Contract will reduce after the first six years of the contract.
	PREMISES BUDGETS					
20	Business Rates	(277)	91	170	170	The forecast budget movement have been amended based on data received from Estates Management Consultant in December 2018.
21	Energy Costs	237	68	70	71	The budget requirement for 2019/20 has been reviewed following changes to electricity contracts, to half hourly billing, that had led to an overspend in 2017/18. These forecasts also take into account the reduction in cost following the disposal of Southwark Training Centre.

Appendix 1 – Draft Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
22	New Technical Logistics Centre	(129)	(100)	0	0	The figures shown are based on the rates, rents and other running costs required to run the two logistics centres while the new Technical Logistics Centre is set up. The increase in the on-going cost is largely due to higher rent for the new centre. This cost is considered to be reasonable by the Authority's agents bearing in mind current market conditions and the type of lease agreed.
23	Property PFI Unitary Payment	50	50	50	50	The figures shown here reflect the payments required for the Property PFI fire stations. From 2017/18 an annual price review is applicable to the variable element of Unitary Charge based on RPIx. The standard RPIx has been applied to this value from 2017/18.
24	Building Maintenance	1,354	0	0	0	Increased cost of new building maintenance contracts for MEP (mechanical, electrical, plumbing) and Fabric Services. A report seeking approval of this new contract is scheduled to be reviewed by Commissioners Board during July 2018.
25	New Premises contracts (hard and soft FM services)	387	149	158	0	The Property Services Review Report FEP2430 (item 39) identified the potential for a significant increase in costs for the provision of all works/services when tendering for new contracts. These increases are in addition to the 'inflationary pressures' submitted for Premises budgets.
26	Rental Increases	21	120	0	0	Increase in rental costs for premises following rent reviews.
27	LFB Training Centre Croydon	0	0	50	550	The report on the Third Training Centre (FEP 2646) for the project now renamed "LFB Training Centre Croydon" states that there would be an ongoing revenue pressure of £0.6m in running costs and £0.2m in lost income. The financial impact of the running costs, set out here, is based on occupation by October 2019.
28	Lease for an increase in parking spaces	37	0	0	0	This reflects the cost to execute a new lease agreement for car parking for Union Street staff (LFC-0044D).
TRANSPORT BUDGETS						
29	EFCC contract First Aid Recertification training	(126)	0	0	0	As is outlined in FEP 2321, the EFCC contract attracts an additional charge in Years 1 and 4 for first aid recertification. Year 4 of the contract spans parts of FY 2017/18 and FY 2018/19, hence the total (unindexed) charge £126k has been allocated across these two periods.
30	Command Unit Replacement	0	180	0	0	This budget is for an increase in the slot price following the replacement of command units.
31	Lease Car Charges	46	8	8	0	Increase in cost of subsidy for lease cars based on indexation and an increase in the number of cars in use through the scheme.
SUPPLIES AND SERVICES BUDGETS						

Appendix 1 – Draft Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
32	ICT Equipment Replacement Holiday	(278)	0	0	0	Moving to Union Street allowed a move from a rolling programme of replacements to a more defined cycle as the equipment has a defined life. This represents the periodic re-instatement of that budget to update the equipment at Union Street, This would include wireless access points, physical servers and some desktop equipment.
33	Portable Hygiene Units (PHUs)	72	0	0	0	This budget is to support to on-going maintenance and call out charges relating to the purchase of two new PHUs built to LFB specification, hosted with a third-party supplier.
34	Business Intelligence platform	231	0	0	0	The Resources Committee agreed capital funding for this project in March 2016 (FEP 2578). There are associated revenue cost to cover the licensing of the products to be deployed. To achieve maximum benefit it is likely that the licensing will need to enable full interaction with the product which is licensed on an individual basis. The figures included here represent the middle ground in terms of deployment options. Discussions are underway with Microsoft regarding an adaptation of the licensing model to reflect the watch based nature of LFB. This does not yet take into account any savings that may be realised from this project, which could help offset this additional cost. The overall position will be kept under review.
35	e-Recruitment	20	0	0	0	This is to fund the additional cost of the replacement e-Recruitment system (support for the previous system has been withdrawn). The current budget for the existing solution is £24,500 whereas the annual support fees for the new solution is £44,006.25, a shortfall of £19,506.25pa.
36	CFOA Subscription	16	0	0	0	The National Fire Chiefs Council have agreed a new banding arrangement for payments. The impact of this is anticipated to increase LFC's contribution to an annual payment of £65k.
37	Health and safety System	36	0	0	0	This is to extend reporting facilities for the new hosted system to all users. The current budget for the existing solution is £12,135 whereas the annual support fees for the new solution is £48,560, a shortfall of £36,425pa.
38	Airwave Contract	49	51	54	56	This reflects ongoing inflation on the Airwave Contract.

Appendix 1 – Draft Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
39	MDT Support following removal of Airwave support	23	23	0	0	Whilst the removal of this service from the Airwave was anticipated it was envisaged that this would result in a cost saving against the contract which could be re purposed to support the new MDTs. However, the re negotiated Airwave contract has increased overall costs whilst removing this element of the service - this increase has been included in the inflationary pressures return. As a consequence there is now an additional requirement for the ongoing support of the new devices deployed to the fleet which has been estimated based on the failure rate of the existing MDTs flexed to reflect the changes in the nature of their use and the expansion of the provision to include tablet devices and satnavs. The first year provision has been reduced due to part year implementation. The increase over time reflects the increase anticipated to reflect the failures due to age and use of the equipment.
40	Extension and Re-procurement of the Personal Protective Equipment (PPE) Contract (FEP2381)	370	0	0	0	By extending the current contract with Bristol Uniforms by an additional two years from October 2016, the Authority generated one-off savings of £640k in 2017/18 and £370k in 2018/19. The adjustment shown reduces the saving in 2018/19 and removes it from the budget in 2019/20.
41	Replacement of Extended Duration Breathing Apparatus (EDBA) cylinders	(4)	26	0	0	This is the reversal of one off spend in 2017/18 on the progressive replacement of EDBA cylinders as they reach the end of their maximum design life, to maintain the authorities operational capacity.
42	National Operational Guidance (NOG) Integration	(56)	0	0	0	This is the reversal of one off funding of £0.9m in 2017/18, for the implementation of the NOG project for the Authority. The majority of the budget is removed in 2018/19, with the balance in 2019/20.
	CAPITAL FINANCING BUDGETS					
43	Borrowing Costs	5	1,517	1,061	0	This estimate is based on the borrowing costs required for the current capital programme. It is subject to review, both in respect of the forecast level of capital receipts and the actual expenditure requirements as individual projects are progressed.
	Total other budget pressures	27,756	(927)	3,091	1,668	
	INCOME BUDGETS					
44	Insurance Company Income	(970)	(1,020)	(1,070)	(1,120)	These increases assume growth of 3.5% per annum going forward. This is in addition to savings that were agreed as part of the 2017/18 budget setting process.
45	Reduction in PEG income	25	0	0	0	Reduction in breathing apparatus maintenance income due to loss of custom.
46	FBU Secondments	60	0	0	0	4 posts are currently seconded to the FBU, with 2 funded by LFB and 2 by the FBU. This has changed in recent years and the income received reduced also.

Appendix 1 – Draft Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
47	LFB Company	170	0	0	0	The LFC owned company LFBc is entering a dormant phase in order that it can be preserved for possible future use as a trading entity or for other activities in the future as required. The LFC currently has an income budget of £170k for recharges of staff time to LFBc. That budget will be removed from 2019/20.
48	Interest Receivable	80	0	0	0	This forecast is based on the interest rates received on our cash deposits and reflects a reduction in our forecast cash balances and thus the interest earned.
49	Reduction in rental income at HQ	162	0	0	0	There is a proposal for the accommodation at Union Street that has recently been vacated by London Travel Watch not to be re-let but re-occupied by LFB staff to enable the Hackitt Review team to be located within Union Street. It is unclear if HCLG would provide any funds to cover accommodation costs for this team.
50	Reduction in Shut in Lift charging	110	10	10	10	This adjustment reflects observed decreases in income and as the aim of this charge, to reduce demand, is realised.
	Total income	(363)	(1,010)	(1,060)	(1,110)	
	Total Unavoidable Pressures and Savings identified	31,692	5,350	9,422	8,007	
51	Change in Expenditure funded from Specific Grants and Reserves	14,064	(17,525)	(332)	(1,726)	
	Revised Net Revenue Expenditure	446,843	435,092	441,729	430,375	
52	Growth Agreed in Previous Years	(115)	0	0	0	Proposals included in 2017/18 Budget report (FEP2708) and 2018/19 Budget Report (FEP2825)
53	2019/20 Savings Proposals	(1,386)	(2,172)	184	(358)	
54	2019/20 Growth Proposals	1,925	(281)	0	0	
55	Budget Surplus/ (Deficit)	0	0	(17,820)	(195)	
	Proposed Net Revenue Expenditure	447,267	432,639	424,093	429,823	
	Use of Budget Flexibility Reserve	(3,578)	(18,141)	(1,391)	0	
	Use of Earmarked Reserves	(20,272)	(2,747)	(2,415)	(689)	
	Financing Requirement	423,417	411,751	420,288	429,134	
	Specific Grants	31,113	12,492	12,492	12,492	
	Financing Requirement after use of Specific Grants	392,305	399,259	407,796	416,642	

Appendix 2 – Budget Tables

Service Analysis

	2018/19 Revised Budget £000s	2018/19 Forecast Outturn £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s	2022/23 Budget £000s
Community safety	34,079	33,850	39,635	38,194	38,387	38,869
Firefighting	334,103	332,043	375,675	360,876	368,647	374,089
Pensions	20,764	20,764	21,091	21,336	21,585	21,585
Emergency Planning and London Resilience	1,166	1,166	1,320	1,170	1,170	1,170
Central services	91	91	91	91	91	91
Savings to be agreed	0	0	0	0	(17,820)	(18,014)
Net Service Expenditure	390,203	387,914	437,812	421,667	412,060	417,790
Capital Financing	9,770	9,450	9,775	11,292	12,353	12,353
Interest Receipts	(400)	(470)	(320)	(320)	(320)	(320)
Net Revenue Expenditure	399,573	396,894	447,267	432,639	424,093	429,823
Use of Earmarked Reserves	11,937	14,693	(23,849)	(20,888)	(3,805)	(689)
Financing Requirement	411,510	411,587	423,418	411,751	420,288	429,134
Specific Grants	13,040	13,117	31,113	12,492	12,492	12,492
GLA Funding	398,470	398,470	392,305	399,259	407,796	416,642

Appendix 2 – Budget Tables

Subjective Analysis

	2018/19 Revised Budget £000s	2018/19 Forecast Outturn £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s	2022/23 Budget £000s
Operational Staff	240,800	239,003	270,179	273,741	279,267	284,959
Other Staff	57,223	55,776	59,886	58,339	58,878	59,561
Employee Related	23,128	24,488	20,383	19,895	20,717	21,209
Firefighter's Pensions	20,445	20,435	22,058	22,303	22,552	22,552
Premises	38,048	38,066	51,441	38,699	40,186	41,138
Transport	16,363	15,857	18,924	16,963	17,499	17,846
Supplies and Services	29,271	29,529	31,128	29,556	30,646	29,597
Third Party Payments	1,882	1,938	1,817	1,817	1,817	1,817
Capital Financing Costs	9,770	9,450	9,775	11,292	12,353	12,353
Central Contingency	215	5	(313)	(313)	(313)	(313)
Savings to be achieved	0	0	0	0	(17,820)	(18,014)
Total Revenue Expenditure	437,145	434,548	485,279	472,291	465,782	472,706
Income	(37,572)	(37,654)	(38,012)	(39,653)	(41,689)	(42,883)
Net Revenue Expenditure	399,573	396,894	447,267	432,639	424,093	429,823
Use of Earmarked Reserves	11,937	14,693	(23,849)	(20,888)	(3,805)	(689)
Financing Requirement	411,510	411,587	423,418	411,751	420,288	429,134
Specific Grants	13,040	13,117	31,113	12,492	12,492	12,492
GLA Funding	398,470	398,470	392,305	399,259	407,796	416,642

Appendix 2 – Budget Tables

Analysis of changes from the budgeted figures

	£000s
2018/19 Funding Requirement	386,725
Changes due to:	
Inflation	6,332
Savings and efficiencies	(1,386)
Net change in service expenditure and income, excluding inflation and savings	12,768
Change in use of reserves	(35,786)
Net change in government grants and retained business rates funding	23,653
2019/20 Funding Requirement	392,305

Savings and efficiencies

	2019/20 Savings Proposed £000s	2020/21 Savings Proposed £000s	2021/22 Savings Proposed £000s	2022/23 Savings Proposed £000s
Total savings	0	0	0	0
Operational staff savings	179	57	0	0
Other staff savings	209	0	25	321
Premises savings	0	346	125	0
One-off business rates rebate in 2020-21	0	999	(999)	0
Other non staff savings	514	315	225	22
Additional income	485	455	440	15
Total efficiencies	1,386	2,172	(184)	358
Total savings and efficiencies	1,386	2,172	(184)	358

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S01	Metropolitan Fire Brigade Act (S022 17/18) (Finance Services)	Increased income from the MFB Act following higher than expected increase in the building costs indices which is a major factor in determining gross sums insured and therefore contributions. In addition the increase in new building in and around central London is starting to filter through in terms of insured business. The outturn for 2017/18 and the returns for 2018/19 provide positive indications on the buoyancy in sums insured, therefore it is proposed to extend the 5% year on year increase into 2021/22 from the 3.5% increases already included in the Medium Term Forecast. There are risks going forward following Brexit with uncertainty leading to possible change in building projects and costs including that people may leave the London property market or choose not to insure which could lead to a potential reduction in MFB income. Insurance business may also be affected by the bedding in of increases in the Insurance Premium Tax (IPT) which was raised to 12% in 2017. Increasing premium costs may have an impact on insurance business with people choosing not to insure, or taking more risk to reduce the cost of insurance premiums. Recent terrorism incidents may also impact on insurance business with insurers themselves either moving away from terror cover, as they have done in the past, or being more cautious in their pricing of terror related premiums. The impact of the rising cost of insurance on the insurance market will be kept under review. Given the uncertainty in the markets and potential risks with Brexit and other economic pressures it has been considered prudent not to include an additional saving in 2022/23. This will be kept under review going forward.	400,000	420,000	440,000	0	1,260,000
S02	Business rates (Technical And Service Support)	This one-off reduction is achievable following a review of the business rates budget at the LFB HQ building.	0	998,875	(998,875)	0	0
S03	Business rates (Technical And Service Support)	This ongoing reduction is achievable following a review of the business rates budget at the LFB HQ building.	0	345,840	0	0	345,840

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S04	Disbanding of Emergency Services Network (ESN) Team (S027 17/18) (ICT)	Removal of the ESN team following the implementation of the ESN project. However, at present the indication is that transition will start in 2019 and take approximately 15 months. As a consequence this saving has moved from 2020/21 to 2021/22. The figures have been revised to reflect current expenditure budgets. If approved the Project team would not be available for post go-live issues or the mid-life refresh of the Vision solution.	0	0	0	276,814	276,814
S05	Reduce Area Support Teams FRS B reduction (S001 18/19) (Fire Stations)	This saving was agreed as part of the 2018/19 budget report and the figure presented here is the full ongoing impact.	160,753	0	0	0	160,753
S06	Fleet Insurance (Procurement)	Following the retender of the insurance policies in 2018/19 this saving is achievable under the new arrangements.	160,000	0	0	0	160,000
S07	Personal Protective Equipment (S022 18/19) (Procurement)	There are no adverse impacts from realising this saving. The new kit is at a reduced cost and there are less numbers of kit due to staffing reductions. These savings can be achieved provided that the firefighter establishment does not increase, otherwise the savings would reduce.	157,000	0	0	0	157,000
S08	Hydraulic Platforms (S021 18/19) (Procurement)	Saving from the staged removal of 4 Hydraulic Platform (HPs) vehicles via the rationalisation of the Aerial Fleet following the introduction of the new more reliable aerial. Should delays occur the profile of savings may change. Delivery of the new aerials is expected from July 2019 and then roll out will include training crews on the new vehicles.	0	150,000	0	0	150,000
S09	Security (Technical And Service Support)	A reduction in cost of security service at sites awaiting disposal. The saving has been scheduled for 2021/22 and assumes that sites awaiting disposal at Mitcham, Clerkenwell, STC and Lambeth will all be completed by that date. Should disposal of all sites be completed sooner then the saving can be brought forward. Minimal impact but is dependent on disposals being completed.	0	0	125,000	0	125,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S10	Reduction in Server Replacement (ICT)	Reduction in Server replacement budget due to cloud Backup Implementation. This figure will need to be further reviewed once the solution is in place.	0	0	100,000	0	100,000
S11	Commercial Income (Technical And Service Support)	Outline agreement has been reached for a rent review due in November 2018 with LPP for accommodation at Union Street for a 2 year extension. The agreement allows for an annual review based on RPI, and has been included in the estimated additional income. This is subject to completion of agreement.	50,000	35,000	0	0	85,000
S12	Operational Staff - Station Manager from within RMC (S007 17/18) (Control and Mobilising)	Staffing within Brigade Control has been reviewed, as a result, the proposed new structure maintains a Principal Operations Manager, 2 x Senior Operations Managers and a Station Manager. However, once the new structure has bedded in, the role of the Station Manager will be surplus to requirements, with the day to day operational function to be performed by the Officer of the Day (OOD). Whilst the SM in control has been of benefit, now that the RMC functions are shared with control staff, in the control room, the need for that permanent Operational element has diminished. The OOD provides the support during the watch changes and are on call should further support be required.	74,000	0	0	0	74,000
S13	Middle Managers Allowance (S004 17/18) (Central Operations)	The annual budget held by Central Operations for the middle managers agreement is £280k. These payments cover the performance of additional duties by SM and GM to maintain the operational rota and also to provide planned cover of the next higher role. It is planned that these payments can be managed down over the following years to achieve this saving.	36,000	36,000	0	0	72,000
S14	Paging System Replacement (ICT)	Paging System replacement with Phone App - subject to approval and re alignment of operational policies. This may lead to a growth requirement in Mobile phones and associated contracts.	0	0	52,000	0	52,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S15	CMT Review (Commissioner's & Directors')	A review of CMT functions, staffing and budgets once new governance arrangement has been established with a view to identifying necessary savings. The new governance arrangements were introduced in April 2018. The proposal is to allow the new arrangements to embed before offering savings based on an assessment of support requirements for the Commissioner and Directors. The savings review will offer no impact on service delivery and will offset part of the growth proposal regarding the impact of implementing new Governance arrangements.	0	0	25,000	25,812	50,812
S16	Review Of Shared Services (S018 17/18) (Finance Services)	Working with MOPAC to review the Internal Audit shared service function within the Finance Department has identified efficiencies and savings that may be achieved. These result from improvements in Internal Audit productivity, the changing nature of the Authority's organisational structure, and increased automation in work processes, which all contribute to a proposed reduction of planned audit days. The savings should be achievable but will be regularly reviewed as there are risks. For example, with fewer audit days available there would be less audits undertaken in a year and could lead to longer periods between audits being undertaken. This could lead to an increased risk to the Authority of fraud or poor practices not being discovered. If too many audit days were cut it could lead to External Audit not accepting the level of audit requirements for the Authority and therefore increasing the amount of work External Audit do and also the cost.	30,000	12,000	0	0	42,000
S17	Brigade Control Admin Staff (S008 17/18) (Control and Mobilising)	Staffing within Brigade Control has been reviewed, as a result, an FRS B will be removed from the London Operations Centre (LOC) admin team, which would leave 1 x FRS D and 1 x FRS B. The reduction of 1 x FRS B post would have little impact as a number of administrative functions can now been reallocated to other departments.	34,000	0	0	0	34,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S18	Personal Protective Equipment (Procurement)	The Collaborative PPE framework let by Kent FRS which LFB has joined provides for rebates from the contractor when other fire and rescue services join the framework to supply the fire gear requirements. For LFB, the rebate formula is 0.15% of our annual spend which takes effect upon tranches of 2,000 additional firefighters being added to the framework contracts. Actual savings to be determined in future years.	0	33,500	0	0	33,500
S19	Professional Services (Control and Mobilising)	With a fully managed mobilising service the need to buy in professional services directly has reduced over the past three years.	0	0	32,000	0	32,000
S20	Airbus Licensing (ICT)	As we transition from the old mobile data terminals to the new devices the number of software licences required for the fleet has been reviewed with the new configuration. The ability to easily swap devices between vehicles has allowed a reduction in the spares being held and so reduce overall licencing, resulting in a saving.	0	30,000	0	0	30,000
S21	Uninsured Loss Recovery (Procurement)	Income - Uninsured Loss Recovery. There are approximate 40 claims each year for which the third party is 100% at fault. In such cases, uninsured losses are claimable by the LFB. There are also a further estimated 30 insurance claims where fault is debated by the two parties. The process for recovering the LFB's losses is managed by either QBE (challenged cases) or a sub contractor of QBE and requires resource from the Vehicle Administration and Monitoring Team which is not currently available. The processes to manage cost recovery are currently very slow, inefficient and ineffective. Improving the processes and providing some additional resource would result in increasing the amount of income recovered . Income is currently set at £11.4k per year but a lot more could be achieved with some additional resource being applied and improving the processes. This has been conservatively set at an additional £30k income.	0	30,000	0	0	30,000
S22	WM B Post Saving (S004 18/19) (Operational Policy)	The WMB post would be given up following the delivery of the increased flood capability project as set out in LSP2017. This saving commences near the end of 2018/19 financial year and as a result the saving is spread over 2018/19 and 2019/20.	29,811	0	0	0	29,811

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S23	Remove Democratic Services Contract inflationary increase (General Counsel)	As part of the 2017/18 budget setting process the budget for the GLA Shared Services arrangements for Democratic and Members Services of £159k was taken as a saving. However an annual increase of £7k on the budget as detailed as an inflation and medium term change had not been taken into account. Therefore the saving proposal is to remove this annual increase.	7,000	7,000	7,000	7,000	28,000
S24	Mutual Assistance (ICT)	Reduced costs from Cross Border activity - Following a change in the policy for adding time to reflect actual mobilisation times for other brigades.	27,000	0	0	0	27,000
S25	Operational Staff (Control and Mobilising)	With the removal/transfer of all operational posts from control and mobilising the budget for operational overtime is no longer required.	22,000	0	0	0	22,000
S26	Post Conversion (Operational Policy)	SM post change to FRS E (subject to skills based assessment). With the recent creation of the RPE project team and ongoing recruitment, there is an opportunity within 2019/20 to advertise for either a SM (currently funded) or an FRS E position, which could provide a saving. This would however be dependant on the suitability of the candidates applying for the role and selection to determine the whether an SM or E post. as this is currently an unknown the potential budget saving has been placed in the proceeding year with a n understanding for the need to be reviewed as part of next years financial saving process and if necessary an alternative saving needing to be sought. It is also recognised that in doing so there may also be a staffing underspend created within 2019/20 however this will be utilised in the contribution towards anticipated growth and /or secondment costs.	0	21,043	0	0	21,043
S27	Operational Equipment (Technical And Service Support)	Budget provision to fund the purchase of ad-hoc and low value new equipment items for the fleet that fall below the capital threshold. This is a demand led budget and expenditure will fluctuate from year to year. Expenditure in previous years has been lower than forecast and phased reduction in fund is proposed. Minimal impact forecast but will be kept under review.	5,000	5,000	5,000	5,000	20,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S28	Finance Department and System Review (S019 17/18) (Finance Services)	As part of the project to look at replacing the Finance, Payroll and HR systems there will be a review of the structure of Finance Department to consider efficiencies that may arise from the implementation of the new systems and processes. This should also strengthen resilience, help manage increasing workloads and potentially deliver savings over future years.	0	0	0	18,000	18,000
S29	RPE Spares (Technical And Service Support)	A reduction in the cost of key RPE spares as a result of recent negotiations with the supplier	18,000	0	0	0	18,000
S30	Downgrade role / rank of three Watch Managers (Operational Resilience)	Proposal to restructure / regrade three existing WM(B)/ Station Officer positions to WM(A) / Sub Officer (post Role to Rank project) . Whilst not an ideal scenario, we consider that restructuring of workload and responsibility levels could allow us to downgrade three existing WM(B) positions. It will not be possible to offer up any existing post as a saving given increasing demands.	17,208	0	0	0	17,208
S31	Reduce General Counsel Grants and Subscriptions (General Counsel)	This is on the basis that the LFB's subscription to London Councils Joint Committee is no longer needed in light of the new Governance arrangements from 1 April 2018. This saving proposal has no impact on service delivery. London Councils have received notice that we do not intend to renew our subscription.	17,202	0	0	0	17,202
S32	Agency (Technical And Service Support)	A reduction in agency budget in Property previously used to fund initial resource requirements for special projects. Work on special projects will have to be contained within approved establishment which may delay projects if resources are not available due to existing commitments.	16,000	0	0	0	16,000
S33	Increase income budget (General Counsel)	The proposal is to increase the income budget for recoverable legal costs by £15,000 to £150,000. However, as the level of income received cannot be guaranteed this proposal is being deferred to 2022/23 in order to establish whether this has been achieved in 2018/19 to 2020/21. This saving proposal has manageable impact on service delivery. The likelihood of a shortfall in income received would need to be managed as part of the budget monitoring process.	0	0	0	15,000	15,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S34	Telemetry Maintenance (Technical And Service Support)	It is anticipated that the scheduled replacement of Telemetry Entry Control Board batteries will not be required again before the end of their forecast operational life.	0	0	7,500	7,500	15,000
S35	Minor staff restructure (Strategy & Risk)	<p>Convert 2 FRS Bs to an FRS E. The FRS B posts are vacant and have been covered by a temp at FRS C, which is more appropriate to the work. However, the impact on the team of supporting FREP has been greater than envisaged, and we have a greater need for an FRS E to support delivery of governance arrangements. The work being done at FRS C level will have to be absorbed by others in the team or stopped</p> <p>The two FRS B posts have been covered by a temp at FRS C which has been more appropriate for the work required of them. This proposal establishes these changes and does not result in redundancies</p>	14,251	0	0	0	14,251
S36	Reduction of Creative Services budget (Communications)	Maintaining an in-house Creative Services budget has provided LFB with a heavily relied upon service for all in house design and creative work, and the ability to manage print costs (including equipment and materials). A reduction on this service could have an impact on expectations from other departments and may require buying in services when the Brigade's needs for Creative Services peak throughout the year.	0	0	13,000	0	13,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S37	Operational equipment (S006 18/19) (Operational Policy)	<p>This would see a further reduction in the operational equipment budget in 2020/21 leaving approximately £18k remaining for the delivery of new equipment for new training requirements, research and the general miscellaneous items identified during project delivery. This will have a cumulative effect by 2020/21 as Operational Policy (OP) would become increasingly reliant on other departments to provide funding streams to deliver training, projects and new equipment.</p> <p>Notwithstanding possible support provided by other department equipment budgets, this would hinder OPs ability to deliver efficiency savings to the LFB as quickly and effectively as previously as it would require and would be dependant on successful negotiations with other departments to support projects. Examples being the delivery of the Fire Bags, Short length/ different gauge hose and various equipment trials in support of policy development such as high-rise.</p>	0	8,838	0	2,881	11,719
S38	Cancel membership of the London European Office Cooperation agreement (Communications)	Stop LFB's contribution to membership of the European Office, which provides colleagues across the GLA Group with information about EU policies, legislation and funding opportunities of relevance to London. It promotes the vision and work of the Mayor in Brussels to the EU and other cities and stakeholders based in Brussels and seeks to ensure that London's interests are taken into account in the development of EU policies and programmes, in particular through contacts with the European Commission and Members of the European Parliament. This facility has not been used by the London Fire Brigade to date but may have implications for the GLA group.	0	10,000	0	0	10,000
S39	Other Supplies and Services (ICT)	This reduction reflects existing underspends.	10,000	0	0	0	10,000
S40	Employment checks (People Services)	Savings arising from policy changes: (1) to no longer undertake 3 yearly basic renewals; and (2) new starters finance their own basic checks.	10,000	0	0	0	10,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S41	Medical expenses (People Services)	Expenditure reduces year-on-year as only pre-November 1994 starters are eligible to claim full medical expenses.	10,000	0	0	0	10,000
S42	Operational Equipment (Procurement)	The re-use and re-cycling of equipment will facilitate a further £10k saving in this budget for 2019/20	10,000	0	0	0	10,000
S43	Stationery & consumables (Technical And Service Support)	A reduction in stationery budget at Union Street. This budget was underspent in 2017/18.	10,000	0	0	0	10,000
S44	Catering Supplies (Technical And Service Support)	A reduction in the budget requirement for provision of the catering management contract at 169 Union Street, due to new contract being completed at lower cost. No impact for duration of new contract.	10,000	0	0	0	10,000
S45	Commercial Income (Technical And Service Support)	Outline agreement has been reached with the Welfare Fund to rent office accommodation. This is subject to completion of agreement.	10,000	0	0	0	10,000
S46	New equipment (Technical And Service Support)	Negotiations with the supplier have allowed operational Gas Tight Suits (GTS) which are no longer gas tight after operational use to be re-cycled as training GTS - reducing the number needing to be replaced	0	10,000	0	0	10,000
S47	Travelling Expenses (Control and Mobilising)	Travelling expenses for carrying out overtime for control staff are now under review which will allow a reduction in the Transport budget.	0	10,000	0	0	10,000
S48	Property Consultants (S038 17/18) (Technical And Service Support)	The budget requirement has been reviewed due to underspends reported during the past three financial years.	10,000	0	0	0	10,000

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S49	Gym Equipment - reactive (Technical And Service Support)	A 13% reduction in funding available for reactive gym equipment repairs and replacements at LFB premises (excluding PFI sites) A reduction in budget provision could result in gym equipment not being repaired or replaced as recommended during the maintenance contractors annual inspection. However, there has been a programme of replacing gym equipment at stations over recent years and it is forecast that this investment should make this position manageable in the short term.	10,000	0	0	0	10,000
S50	Car Schemes - Tendering (S018 18/19) (Procurement)	The leased car scheme and subsequent mini competition are tendered via the Halton framework. The fee for this is an average of £7.7k per year. By tendering this via our own Procurement department, there is potential to save an average of £7.7k per year.	0	0	7,700	0	7,700
S51	Income from Chargepoints (Procurement)	This is the anticipated income from the chargepoints for electric vehicles at the Brigade's premises.	7,500	0	0	0	7,500
S52	Car Schemes (S043 17/18) (Procurement)	The budgets for leased car insurance, equipment, windscreens and tyres can all be reduced to reflect a known reduction in demand. There is no negative impact because the charges are pro rata in relation to the number of vehicles on the scheme. Provided the number of cars on the Leased Car Scheme does not increase, then the savings are achievable.	5,000	0	0	0	5,000
S53	Portakabin Hire (Technical And Service Support)	The portakabins currently on hire will no longer be required on completion of the Operations Support Centre.	0	4,680	0	0	4,680
S54	Fuel budget (ICT)	This reduction reflects existing underspends.	4,500	0	0	0	4,500

Appendix 3 – Proposed Savings

Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
S55	Compressor Maintenance (Technical And Service Support)	The completion of the Operations Support Centre will result in a reduction in the number of breathable air compressors.	0	4,000	0	0	4,000
S56	Overtime (Technical And Service Support)	A reduction in overtime budget in Property , based on expenditure incurred during 2 year period ending 31/3/17. Minimal impact based on current workloads. There could be pressure on budget should there be any major projects at HQ, including a change of tenants, in future years.	3,869	0	0	0	3,869
S57	Office Equipment (S032 18/19) (Technical And Service Support)	A reduction in the funding allocated for office equipment. This can be accommodated within the existing budget. The level of ongoing office equipment funding costs will be reviewed as part of the forthcoming Protective Equipment Group (PEG) relocation.	300	300	300	0	900
S58	Office Furniture (S033 18/19) (Technical And Service Support)	A reduction in the funding allocated for office furniture. This can be accommodated within the existing budget. The level of ongoing office furniture funding costs will be reviewed as part of the forthcoming PEG relocation.	100	100	100	0	300
Total			1,386,494	2,172,176	(184,275)	358,007	3,732,402

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G01	Commissioners Awards	This proposal is for the introduction of Commissioner Awards for staff and for the event to be held at London's Living room in City Hall. The benefits of this award align with the London Fire Brigade's well being and behavioural framework activity to recognise staff, improve morale, increase a sense of pride and in doing all of the above have a positive impact on how employees engage with the Brigade's objectives and targets. The award already exists, but is currently added to the Assistant Commissioner awards and this event does not reflect the significance of the Commissioner's Award.	6,000	0	0	0	6,000
G02	Training Planning	There is 1 x FRS B post which provides support in terms of the 1661 budget, sponsorship and FFD courses. As FFD training has increased in order to meet LFB workforce requirement, the current resource is performing activities which exceed that of a FRS B grade. The role involves more than the completion of basic admin duties and requires the postholder to: <ul style="list-style-type: none"> • use numerical and analytical skills to research and summarise findings in respect of the training & conferences budget and the sponsorship budget • be responsible for the sponsorship administration and monitoring processes, and escalate issues as appropriate • be responsible for the training & conferences administration and monitoring process, and escalate issues as appropriate • collate data to organise and support recruitment of seconded trainers and Associate Trainers to Babcock plus support FFD welcome days • recommend (and action where appropriate) business systems and process improvements • review and distribute FFD end of course reports, referring back to Babcock if required 	6,342	0	0	0	6,342
G03	Carol Service	Sponsorship will continue to be sought for this existing event, however £10k will fund the majority of the costs in each year.	10,000	0	0	0	10,000

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G04	Learning Support Advisor	In 18/19 the LFB's original requirement was for 288 trainee firefighters. This has now increased to 369 trainees this year. There has been changes in the trainee firefighter eligibility criteria and also an increase in the number of trainee firefighters either being appointed with learning support needs or such needs have being identified during the 11 week FFD training course. Given the current lack of dedicated specialist advice in this area there has been delays in dealing with these cases and putting in place reasonable adjustments to support individuals in a timely fashion given that the training period is 11 weeks. A part time dedicated resource is required to deal with such cases and ensure that the trainees identified support interventions are put in place to support their progression on the course.	31,973	0	0	0	31,973
G05	People Services Administrative Support	New post - Administrative Support Officer (FRSC).	40,101	0	0	0	40,101
G06	Protective Equipment Group Technician - Flood Defence	Additional post required for maintenance of existing and new equipment purchased at part of Flood Defence Project and general increase in workload.	41,040	0	0	0	41,040
G07	Protective Equipment Group Technician - MTFA Project	1 x FRS B/C Technician Additional post agreed by MTFA Project Board.	41,040	0	0	0	41,040

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G08	DaMOP staff	The current Development and Maintenance of Operational Professionalism (DaMOP) policy (No. 497) was introduced in 2006 to assist station-based operational staff develop and maintain the knowledge, skills and understanding required for their role. An internal audit of DaMOP was undertaken by MoPAC in February 2018. The outcome of the audit was that the current policy/process provided limited assurance. As a result, approval was given by the Commissioner's Group for a fundamental review of DaMOP with implementation of the changes taking place on a corporate priority risk basis over the next two years. A set of principles were also agreed including; that the scope be widened beyond the current station-based requirements to incorporate all operational, specialist and control roles at all levels, and that system should be enhanced/developed to support the new framework. The project board, chaired by the Director of Safety and Assurance subsequently agreed at its meeting on 19th July that operational "tags" for senior officers as well identifying how day duty staff return to operations e.g. Fire Inspecting Officers, be included in the scope of the project. The primarily objective of the project is to develop and new maintenance of skills framework that will provide the LFC and the Commissioner's Board with an internal assurance process to demonstrate that staff within the scope of the framework are maintaining their operational professionalism against agreed standards. The project team is comprised of both permanent (0.3 FRS G, 1 xGM and 1xSM) and seconded officers from within the Brigade. The seconded officers are brought into the project to work on competency areas related to their substantive roles as required. It is assumed that station-based staff seconded into the team will continue to be facilitated and funded by AC Fire Stations from the operational salary budget, and that other secondments for the senior officer, control and specialist elements of the project in phase 2 will be supported by the relevant AC/AD in a similar way. This approach has been supported by the DaMOP project board. An increase in the current establishment is required to support the delivery of the project, and to maintain the capability to provide training assurance to the LFC once completed by ensuring that the agreed framework is kept up-to-date following amendments to current policy or where new competency requirements are identified. The main responsibilities of the FRS C post will be to support the Project Manager with administrative tasks including data collection and analysis and assisting the facilitation of staff	42,201	0	0	0	42,201

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G09	PDA Staffing	Deputy head of PDA section (to help deal with the transfer of work from Control after go-live of the Vision mobilising system).	47,300	0	0	0	47,300
G10	Additional post necessary to support the Farynor fire safety system.	This post is necessary to support the Farynor fire safety system.	47,300	0	0	0	47,300
G11	Project Director, Emergency Service Network (ESN) Project – increased budget provision	Project Director, Emergency Service Network (ESN) Project	50,000	0	0	0	50,000
G12	Training Programming	The Training Programming Team currently deal with a range of issues to support the scheduling and programming of all the training courses for LFB staff via the Babcock Training Contract. It is proposed that all staff in the team should be able to carry out all functions within the team, therefore the upskilling of existing staff (- 2 x FRSB and + 2 x FRS C). Establishing a further FRS C post will result in the capacity within the team to deal more effectively with day to day work as well as take on the activity of processing course swaps and cancellation requests. Management has undertaken a review of work activities undertaken by both the Training Programme (TPr) and the Establishment and Performance (EPT) teams to determine where some of the functions currently carried out by both teams best fits. Indications are that there will a separation of some work functions which will mean that whilst EPT will have specific training requirements, determine priorities and provide associated criteria, TPr will ensure that training is delivered to the right people, at the right time and in the right place. Existing processes and systems mean that this will create additional work for this team who already have a heavy workload. Given the current establishment of the team and current workloads e.g. helpdesk function, responding to managers and delegates, processing swaps and cancellation request, the proposal of an additional resource FRS C will dealing with the day to day activities of the work of the team.	52,785	0	0	0	52,785

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G13	TSS Project co-ordinator	1 x FRS E Project co-ordinator	53,287	0	0	0	53,287
G14	Service and test manager for Vision mobilising system	Service and test manager for the Vision mobilising system.	65,200	0	0	0	65,200
G15	Revalidation of Incident Command	Extension of short term contract for revalidation of Incident Command.	74,000	(74,000)	0	0	0
G16	Scrutiny and Inspection Management	The Policing and Crime Act 2017 created Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services and the London Assembly's Fire, Resilience and Emergency Planning Committee. This growth bid is to resource the demand created, ensuring that they receive timely, high-quality and accurate representations.	84,076	0	0	0	84,076
G17	Leadership Project	Conversion from Supernumerary to permanent - Leadership Project Manager (Group Manager)	85,084	0	0	0	85,084
G18	Training Performance and Improvement team	When the Training and Professional Development department (TPD) was created following the People Services Review, the Training Performance and Improvement team (P&I) was established. The team is responsible for performance reporting across the department and training partnership with Babcock Training, and for running a portfolio of improvement projects. This work is essential to improve the efficiency and effectiveness of the training function. TPD does not currently have resources dedicated to compliance. These need to be put in place to respond to the upcoming independent review of training, to carry out a review of training contract compliance, and to manage all departmental compliance issues on an ongoing basis. The team currently contains two permanent posts (1 x FRS F, 1 x FRS C), and for 2018/19 only, two temporary posts (1 x FRS E, 1 x FRS D). This growth bid is for the two temporary posts (1 x FRS E, 1 x FRS D) to be made permanent. This is in order to provide the minimum resource levels needed for departmental performance, improvement and compliance to be addressed.	99,875	0	0	0	99,875

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G19	Data Science and Research Analysis	The bid for one FRS E data science post, supported by two FRS C research analysts. Data Science is the emerging sector within information intelligence and "... is an interdisciplinary field that uses scientific methods, processes, algorithms and systems to extract knowledge and insights from data in various forms, both structured and unstructured..." In a recent study, 84% of private sector executives said that Data Science and Artificial Intelligence is "essential" to remain competitive with benefits in every department. Tools and techniques used in other organisations use Data Science for business intelligence including but not limited to predictive analytics, machine learning and natural language processing. Data Science is already an embedded field within government departments and a trawl of the GLA family (including the London Boroughs) indicates that around a third already have established data science posts and may others are considering doing so.	133,287	0	0	0	133,287
G20	Re organisation of TDG	The ICT Infrastructure department requires a reorganisation to ensure the correct resources are in place to take advantage of technology improvements. The current structure also requires improvements to ensure siloed working is removed, career progression is available and teams become smaller and more manageable with less direct staff management for the Head of Infrastructure	172,054	0	0	0	172,054
G21	Implementation of the Mayor's London Fire Commissioner Governance Direction 2018	The new Governance process requires management and servicing to work effectively. This includes working with the Commissioner's teams and advisers to identify business requiring action under the direction; ensuring that the Deputy Mayor is briefed; reports are prepared for the Local Pension Board, Deputy Mayor's Board and the GLA's Corporate Investment Board; preparation and negotiation of draft decisions; management of the flow of business through directorate and corporate decision-making structures; and ensuring that the Deputy Mayor's role is facilitated. This work will be undertaken by a newly established Governance Team in the General Counsel's Department.	180,256	0	0	0	180,256

Appendix 4 – Proposed Growth

Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
G22	ULEZ Staff Costs	The new ULEZ will go live from 8 April 2019. This will result in additional costs for staff working at stations within the zone, who drive to work in non compliant cars. If the LFC reimburses this cost it has been estimated at approximately £207k per year, including a premium to offset employee tax and national insurance as this would be a taxable benefit, and employer national insurance costs. The LFC is currently in dialogue with the GLA regarding an appropriate, but finite, transitional period during which the LFC may reimburse this charge to minimise any impact on firefighter standby movements, and is also in consultation with the trade unions on this issue. The £207k pressure exemplifies the impact of a protection period of one year. As and when a transitional period for reimbursement has been agreed with the GLA, and if approved by the LFC, this will be reported as part of the regular financial position reports in 2019/20.	207,000	(207,000)	0	0	0
G23	Establishment of Firefighter Outreach Team	The outreach team is currently funded through a draw on an earmarked reserve. It is now proposed that this team is permanently established and increased to seven posts.	355,000	0	0	0	355,000
Total			1,908,201	(74,000)	0	(200,000)	1,634,201

Appendix 5 – Risks and Opportunities

1. Firefighter and Local Government Pension Schemes

- 1.1. The results of the 2016 valuation of the firefighters pension scheme, which will be implemented with new **pension contribution rates** from 2019/20, have now been released. The results of that valuation show that there are significant additional financial pressures in future years, which are included in the estimates in this report. This pressure may potentially be reduced in 2019/20 if further additional one-off grant income is provided by the Home Office. In addition the Chancellor announced in his 2018 Budget that the additional pension costs would be settled as part of the upcoming spending review. This may mean that this pressure is materially reduced in subsequent financial years.
- 1.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities, of a potential **discrimination claim** in connection with the transitional arrangements applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. Any increase in the numbers of staff receiving protection under the transitional arrangements may lead to a budget pressure. Any changes may also have an impact on other public sector pensions, including the LGPS.
- 1.3. The LFC's next stage of **pensions auto enrolment** implementation is set for June 2019 when staff that have opted out will be enrolled into a pension scheme. It is currently assumed that 40% of staff who are enrolled in this way will remain in the scheme, with additional employer pension contributions of £1,069k. Any variation to this forecast may have a budget impact for LFC.

2. London Pensions Fund Authority (LPFA) Pensions Administration

- 2.1. The London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund have formed a strategic partnership and from April 2016 created a wholly owned company, **Local Pensions Partnership** (LPP), to manage pension fund investment activities (only on the Local Government Pension Scheme (LGPS)) and also to provide pensions administration services, including to third party clients on the LGPS and the Firefighters' Pension Scheme (FPS). It was agreed (FEP2644) that the LFC should continue the current shared service arrangement with the LPFA for the administration of the FPS but with the LPFA then sub-contracting to the LPP. This allows for a trial period using the LPP services whilst it transitions to its new service delivery model, and at this point allow officers to consider testing the LPP administration against other options to seek the best solution to the LFC's requirements going forward. This could lead to change in the cost of the service. The LFC currently pays the LPFA £283k pa under a shared service arrangement to provide administration services for the firefighter pension scheme.

3. Pay and Inflation

- 3.1. The outcome of the **EU referendum** has led to some significant economic uncertainty. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult.
- 3.2. LFC has made a budget provision for a 2% **pay award** for all staff in each of the next four years from 2019/20 to 2022/23. Negotiations are continuing on the London Weighting pay awards for 2017 and 2018 Discussions. Any potential impact of these discussions will be reported on as part of future budget or financial monitoring reports.

4. Capital Expenditure and Financing

- 4.1. The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However even a well managed project can be subject to **re-phasing or deferral** due to a number of unforeseen issues, such as failure

Appendix 5 – Risks and Opportunities

or default on the part of the contractor or exceptionally adverse weather conditions. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

- 4.2. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group, chaired by the Director of Corporate Services) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.
- 4.3. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loans Board (PWLB) rates. No allowance has been made in the capital programme for potential future **capital grants or contributions** and LFC will bid for available capital resources as and when such opportunities arise.
- 4.4. The Capital Programme includes the forecast sale receipts from the disposal of the former **Clerkenwell Fire Station and the former Head Office at Albert Embankment**. If these receipts are delayed and/or the amount of the receipt changes, then additional borrowing may be required. In addition, if there is any delay in delivering the planned capital programme, the level of required borrowing may reduce.
- 4.5. The LFB **Croydon Training Centre** project is dependent on the OSC project as PEG must vacate their current site before construction of the new training centre and real fire training venue can begin. If the OSC project suffers further delays, this could affect the timetable and affordability of the training centre project.
- 4.6. **Operations Support Centre (OSC) Project (formally IELP)** - The tender responses received for the construction/fit out are currently being evaluated. It is envisaged that the contract will be awarded by the end of November and works are planned to complete by October 2019. Until a preferred contractor is identified there is a risk that the project may slip further or the budget requirement increases.
- 4.7. **Plumstead Redevelopment** - There is still uncertainty regarding Plumstead fire station, depending on whether a new site can be found. It is thought that this will be unlikely, therefore the decision will need to be made whether to refurbish the existing building, potentially with an extension. This uncertainty could result in delay and in changes to the forecast spend for this project.
- 4.8. The design and specification of **the replacement vehicles and equipment** is now underway in order to meet the ULEZ deadline of October 2021. Key risks relate to the contractor sourcing appropriate vehicle build options within a timeframe that meets fleet replacement requirements and which may in turn impact the LFC's cash flow. The forecast cash expenditure for future years is based on the current assessment of the stage payment requirements for the fleet replacement programme which represents above 80% of the forecast Vehicles and Equipment expenditure in that period and the delivery timings for the balance of the fleet replacement programme.
- 4.9. **Public Services Network (PSN)** - The PSN budget (£707k) has been removed from the capital programme. The budget was a contingency to fund work in relation to the Emergency Services Network (ESN) code of connection. Work to adhere to the ESN CoCo was funded from the Home Office by grant award. Work continues but no further external funding is available. There remains a risk that we will require access to further funding in the future, subject to the final conditions of the ESN CoCo.

Appendix 5 – Risks and Opportunities

5. Property Services

- 5.1. Of the 10 LSP5 sites, nine have been sold. It is not known exactly when the remaining site Clerkenwell, will be disposed of and this may result in additional **security costs**.
- 5.2. The 2017/18 budget report (FEP2708) included material savings for **energy budgets**. This budget has underspent in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings therefore set the budget at a less cautious level, and as a result will increase the risk of overspends in subsequent years, for example because of a colder than average winter.

6. Funding from the Mayor and Central Government

- 6.1. The report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next four financial years. However there is uncertainty about the level of funding for future years in part due to a number of risks on **retained business rates and the spending review**.
- 6.2. The current **four year funding settlement** from central Government runs until the end of 2019/20. There is to be a spending review to cover the period from 2020/21 and it is expected that further details will be available on this once further progress is made on Brexit. The result of the spending review may then materially affect the funding for fire that the Mayor receives. It would then be up to the Mayor to decide what impact, if any, there is to LFC's financial position.

7. Collaboration, New Initiatives and Service Improvements

- 7.1. The Brigade delivers its **Mass Casualty Response** (MCR) initially by the **Rapid Response Team** (RRT) supported by a cadre of Senior Officer Responders. The response has minimum standards set by the Home Office relating to responders numbers that must be available. At a time when the UK threat level is at Severe and has been increased to Critical within the last 16 months the budget to support this response is essential. These cadres deliver the response on a voluntary basis outside of a national agreement with the representative bodies. Following four terrorist attacks in London in 2017 the Brigade's response has come under scrutiny and subject to debate in the House of Commons and subsequent Inquests. The response is a major part of the Brigade frontline response to Terrorism and the funding required must be protected or it will leave the Brigade with considerable risk and unable to meet National Planning Assumptions. These detail of the capability and response has security implications with some Operations protectively marked a SECRET, the information is therefore not publically available.
- 7.2. Co-responding has previously been piloted in four London Boroughs by LFC. If co-responding is later re-introduced across London this may result in additional financial costs, if additional funding is not provided.
- 7.3. Discussions between officers and the FBU have now agreed a new watch structure, through the role to rank programme, in order to further improve the resilience of the Brigade by simplifying, yet strengthening, the **officer structure at stations** with the intention to reduce officer out duties and improve appliance availability. This will resolve some longstanding issues around appliance redeployment, address the issue of WMAs working alongside WMBs on the same watch and achieve some general efficiency improvements. This will ensure that watches are less reliant on staff from other stations to keep their appliances available for the shift through a more sequential use of acting up, out duties and redeployment of appliances. This would give a greater level of appliance availability throughout the shift, which when combined with the new approach to direct standbys, will maximise the resources we currently have.

Appendix 5 – Risks and Opportunities

Work is now taking place to develop the implementation plan, including a full assessment of the costs of the new structure.

- 7.4. The Home Office will replace the existing Airwave contracts as part of the ESMCP delivery of the **Emergency Services Network (ESN)**. Existing contracts are subsidised and the Home Office Permanent Secretary has provided written 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. LFB budget plans include a saving of £277k in 2021/22 for disbanding the ESN project team and whilst ESMCP have not yet issued a revised project timeline to deliver ESN, from what is known it will be 2021 at the earliest before the Brigade can transition to the new system. The revised Full Business Case for ESN has not yet been agreed within Government and it is currently uncertain when any financial impacts for LFC will be known. Once known the budget forecasts will be updated accordingly.
8. Contractual Pressures/ Risks
 - 8.1. 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.
 - 8.2. The company that provided and supported the LFC's **Command Support Unit system** software has ceased trading. Whilst there is now a supplier in place supporting the system and interim arrangements have been agreed there is no formal arrangement yet in place to support the deployed version other than on a time and materials basis. There may then also be additional training requirements once a replacement system is implemented.
9. Changes to Income
 - 9.1. **Telecommunications income** in respect of radio masts may be reduced in the future due to a reduction in the number of operators in the industry and a potential change to legislation on access to land by operators.
 - 9.2. The saving proposals from 2017/18 and continuing over the current planning period include material savings for income generated through the **MFB Act**. This budget has recovered more income than budgeted and caused an underspend in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings will therefore set the budget at a less cautious level, and as a result this will increase the risk of overspends in subsequent years.
 - 9.3. One new risk has been added regarding the **legal costs** of servicing the Grenfell Tower Enquiry. The cost of this has been forecast at £1m in 2019/20, and it is currently expected that this will be funded in full from the LFC's insurance arrangements. Discussions on this are ongoing with the relevant insurance company and any delay in reaching agreement may result in an additional budget pressure in 2019/20, which will be reported as part of the regular financial position reports.

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Robustness of Estimates

1. As in every year the budget is a series of estimates and these carry with them a certain amount of risk that actual spending will not be the same as the estimate. There are risks around significant major projects, pay awards, pension costs, inflation rates etc. as set out in the main report. The estimates in today's report have been kept under review in the light of decisions agreed by the LFC, changes to budget forecasts and also updated information from 2018/19 budget monitoring.

Reserves and general balances

2. Subject to the Assembly's powers, the Mayor sets the overall level of funding available to each of the functional bodies. The functional bodies then determine how this funding is to be used through the balance of spending and internal funding – i.e. the LFC can choose to have lower or higher spending plans, with a lower or higher use of reserves.
3. To meet the requirement of the Local Government Act 2003 in respect of the adequacy of reserves and to demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA, but mindful of the requirements in the Mayor's Budget Guidance, 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 between the start and end of each year from 1 April 2018 to 31 March 2023
 - In the case of earmarked reserves held for purposes beyond 31 March 2020, an indication should be given as to when they are likely to be applied.

Statement of Reserve Policy

4. CIPFA guidance to local authorities addresses the need for prudence in assessing the adequacy of reserves and recommends that chief finance officers (for LFC this is the Director of Corporate Services) take into account the strategic, operational and financial risks facing the LFC when setting the budget. The assessment should be made on the basis that core services will continue to operate in the event of unforeseen scenarios occurring and that there are adequate levels of reserves to meet these requirements. The guidance is non prescriptive in its approach as it expects each authority to form its own view on the adequacy of reserves.
5. In terms of an allowance against contingencies, the previously assessed minimum of 3.5% of the net revenue expenditure requirement is a challenging but not untypical position for an upper tier local authority, and it is considered that this is still a reasonable basis for forward planning.
6. Whilst it is the case that a well managed authority with a prudent approach to budgeting should be able to operate with a relatively low level of reserves it is important to understand the quantum and likelihood of financial risks or threats in a given year. It is arguable that an FRA faces less financial volatility than a multi purpose local authority. However, it does face financial risks in a single year, for example, financial compensation claims for firefighters' death in service or the impact of industrial action, as well as significant operational incidents. It should be noted that if a risk materialises that requires significant cover from reserves, the LFC would need to prudently seek to rebuild reserves back to an adequate level in future years.

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7. It is also important to bear in mind that reserves are not the only way in which the financial risks are managed. Insurance cover is in place for a wide range of eventualities. In terms of this cover there is an insurance excess, with the LFC meeting the first £0.85m on claims up to the aggregate of £1.9m. This means that the LFC is insured for the totality of any claims over and above this aggregate level in any one year – the maximum hit under the policy excess therefore being £1.9m. These levels are determined in discussion with the General Counsel's Department and the aggregate figure of £1.9m represents a material improvement from the figure of £7.0m included for previous years under prior insurance arrangements.
8. This insurance is supported by provisions that are raised in the statement of accounts each year for potential uninsured events where there is knowledge of a claim. There are specific amounts set aside where there is a present obligation as a result of a past event and a reliable estimate can be made of the amount of the obligation. The provisions that it is forecast LFC will have in place as at 31 March 2019 are set out in the table below:

Summary of Provisions Expected at 31 March 2019

	£k
Legal	1,418
Motor Insurance	1,678
Property	327
MMI	50
Total	3,473

9. The LFC, via the GLA, also has potential access to the Bellwin scheme in particular circumstances for emergency financial assistance. The scheme is named after the late Lord Bellwin, a minister in the former Department of the Environment who introduced the scheme in 1983. It was given a statutory basis in Section 155 of the Local Government and Housing Act 1989. The scheme may be activated in any case where an emergency or disaster involving destruction of or danger to life or property occurs and, as a result, one or more local authorities incur expenditure on, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants. However it should be noted that there is no automatic entitlement to financial assistance: Ministers are empowered by Section 155 of the Local Government and Housing Act 1989 to decide whether or not to activate a scheme after considering the circumstances of each individual case.
10. The Bellwin scheme requires an expenditure threshold to be exceeded in order to trigger claims, and the threshold is set each year. For the latest Bellwin claim (Grenfell Tower) this was set at £0.75m for fire within the GLA Group. In addition, only a proportion of costs can be recovered, in particular these have to be marginal costs, and only costs in excess of the threshold will be reimbursed.
11. There are however other schemes that the Government may provide in exceptional circumstances. For example the former Department for Communities and Local Government (DCLG) wrote on 19 August 2011 to Leaders of local authorities, and fire and rescue authorities, which were affected by the civil disturbances advising of a recovery package for communities, including new funding for local authorities and fire and rescue authorities which incurred additional costs because of the disturbances. The funding that was made available was at or

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below the Bellwin scheme threshold with funds nationally available of £10 million. LFC recovered £194k of funds through this scheme.

12. The robustness of the current assessment of the adequacy of reserves is tested against the LFC's established and audited risk management arrangements by carrying out an evaluation of the potential financial impact of each of the relevant corporate risks materialising and assessing this against the likelihood of this given the control measures that are in place. The current assessment of risk impact and likelihood once current controls have been applied highlights the areas where the financial consequences might be considered to be significant (if the risk materialised), and where these cannot be covered from existing provisions or insurance arrangements. A notable example is the cost of covering a significant business continuity event. Whilst the likelihood of this occurring is considered low given the application of our current controls, its impact would be significant. It is therefore important to ensure that adequate financial arrangements are in place to meet the expected costs, whilst bearing in mind that these costs can only be estimated. For example the cost of using the contract for emergency cover for a few months in the event of a significant business continuity event may require a substantial drawing from reserves. However as experience has shown the net cost would depend upon the nature of that event, the proportion of the workforce included within it and the resulting level of any offsetting cost savings.
13. A summary of the current corporate risks that are assessed as having a potential financial impact, along with the estimate of that impact and examples of the types of events the risk covers, is set out in the table below. This shows both the estimated short term and long term financial impact. It also shows the estimated highest single drawing that might need to be made from reserves in both the short and long term. It should be noted that these can only be estimates based upon an informed judgement in the absence of any other detailed information.

Corporate Risks

Corporate		Total		Highest Single Drawing	
Risk Level	Type of risk	Short Term	Long Term	Short Term	Long Term
High	Capability to provide a specialist response.	£6.9m	£6.8m	£5.0m	£6.0m
Medium	Death or serious injury, failure of a significant contract, uncertainty on government approach to Home Office funding, Breakdown in industrial relations, ESN programme fails to deliver	£18.7m	£30.5m	£5.0m	£10.0m
Low	Pandemic outbreak	£0.1m	£0.0m	£0.1m	£0.0m

14. The focus of this review of the adequacy of reserves is on the short term only as reserves can only be used once and are not a permanent source of funding. The table shows that the total short term exposure, if all risks were to materialise in a single year, is £25.7m. However this needs to be

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considered against the probability of more than one significant risk materialising in any one year. The CIPFA guidance emphasises that a well managed authority will ensure that reserves are not only adequate but also necessary. It would not be appropriate to set funds aside to cover risks that are deemed extremely unlikely to occur. CIPFA also advises that a balance needs to be found between maintaining adequate levels of reserves and investing in risk reduction measures – for example it may be possible to reduce the level of balances held where appropriate action to mitigate or remove risks has been successfully taken. The table shows that £18.8m of the total short term exposure is assessed as low or medium with the remaining £6.9m as high risk. So while the total risk exposure is above the LFC's currently assessed minimum level of reserves (£15.5m based upon the proposed 2019/20 budget), this needs to be considered against the probability of all these risk events occurring. The highest estimated single drawing in the short term is for £5.0m.

Conclusion

15. There are a range of factors that need to be taken into account in determining an appropriate level of reserves and as the CIPFA guidance states a considerable degree of professional judgement is required. For LFC the combination of a maximum insurance liability of £1.9m in any one year, the current availability of £3.5m in provisions to cover known or expected events, the availability of earmarked reserves, and a generally prudent approach to cost estimation and budgeting indicates that a general reserve level of 3.5% (£15.5) can currently be deemed to be adequate given the corporate governance and control arrangements in place across the organisation.

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Details of Reserves

16. The table below shows how total reserves would be made up if the reserve use set out in this report is agreed. These are discussed in turn.

Movement on Reserves

£000s	Anticipated Balance at 01/04/19	Use of Reserves in 2019/20	Use of Reserves in 2020/21	Use of Reserves in 2021/22	Use of Reserves in 2022/23	Anticipated Balance at 31/03/23
Additional Resilience Requirements	767	(767)				0
Capital Expenditure Reserve	11,745	(11,745)				0
Compensation	1,000	(250)	(250)	(250)	(250)	0
Emergency Services Mobile Communication Programme	1,928	(203)	(326)	(1,399)		0
Emergency Medical Response	294	(294)				0
Fire Safety and Youth Engagement	715	16	(624)	(88)	(19)	0
HMICFRS inspection regime	21	(21)				0
Hydrants	462	(95)	(120)	(120)	(127)	0
ICT Development Reserve	1,851	(960)	(550)	(241)	(100)	0
LFC Control Centre	959	(230)				729
LFC Museum Project	210	(70)	(70)	(70)		0
London Resilience	1,015	(1,015)				0
London Safety Plan Initiatives	4,178	(1,423)	(465)	(26)	0	2,264
Organisational Reviews	505	(505)				0
Recruitment/ Outreach	370	(370)				0
Sustainability	235	(235)				0
Vehicle & Equipment Reserve	2,865	(2,106)	(345)	(221)	(193)	0
Budget Flexibility	23,110	(3,578)	(18,141)	(1,391)		0
General	23,257					23,257
Total	75,488	(23,851)	(20,891)	(3,806)	(689)	26,251

17. The general reserve provides working balances to help cushion the impact of uneven cash flows and a contingency to cushion the impact of unexpected events or emergencies. There are also a number of earmarked reserves. These contain funds that the LFC has agreed should be set aside for specific purposes. The table also shows how these reserves are moving over time. The earmarked reserves are considered further in the following paragraphs.

18. The additional resilience requirements reserve was approved in July 2017 (FEP2763). The reserve was set up to temporarily fund the initial revenue costs identified following the Grenfell Tower fire and the terrorist incidents at Westminster, London Bridge and Finsbury Park. Spend against this reserve is reviewed as part of the quarterly financial position reports.

19. The compensation reserve was set up during the 2011/12 budget process (FEP1698). The aim of this reserve is to move financial risk out of the annual revenue budget. Previously the budget had contained a budgeted sum for compensation – which is unpredictable, and which will therefore often significantly under or over spend. This reserve will be used to fund compensation claims in excess of budgeted amounts. Its level has been kept under review for adequacy.

20. The emergency medical response reserve was established in the Financial Position as at the end of September 2017 report (FEP2792). This reserve is to fund an inoculation programme for staff if

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co-responding is rolled out across the Brigade and is forecast to be fully used in the 2018/19 and 2019/20 financial years.

21. The Emergency Services Mobile Communications Programme (ESMCP) is a cross-government, multi-agency programme that will deliver a new communication system to the emergency services and other public safety users throughout Great Britain. This system will be called the Emergency Services Network (ESN) and it will provide integrated critical voice and broadband data services. DCLG committed to provide grants to cover the reasonable cost of transition from the current Airwave service to ESN and it is expected the Home Office will provide similar guarantees. However, the full financial implications of implementation of the network are not yet known. It is proposed that this reserve is fully used by 2022/23.
22. The Fire Safety and Youth Engagement reserve was established in 2016/17 (FEP2661) and is funded from the net contribution to overheads from the LFC's trading company, LFB Enterprises and contributions received to fund youth engagement activities. The reserve is to be used to support fire safety and youth engagement activities. It is currently forecast that the current balance on this reserve will be utilised by 2022/23.
23. The HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services) Inspection Regime reserve was established as part of the review of the 2017/18 outturn (LFC-0031). The reserve will fund the establishment of a project team for 12 months to facilitate the inspection regime. This project team will support the wider work of Scrutiny and Inspection as set out in the Growth bid reference 15.
24. The Hydrants reserve (FEP1698) was set up during the 2011/12 budget process to deal with payments for water companies catching up with a backlog of repairs that had built up over a number of years. The remaining balance on the reserve will now be used on invest to save projects to help support further efficiency improvements within the hydrants team.
25. The ICT development reserve holds funds to accommodate changes to HR, Finance and Fire Safety systems and the NOG implementation budget. It is currently expected that this reserve will be fully used over the next four financial years.
26. The LFC control centre reserve has been set up in this report to fund any one-off shortfall in funding for the LFC Control Centre at Merton, after government funding expires. It will also support the one year cost of increasing the control rota as discussed in this report.
27. The London Resilience reserve was established to manage the costs of the implementation of new London Resilience workstreams between financial years. These workstreams are now well established and the remaining balance will be used to fund costs related to the Command Unit project and specialist operational equipment.
28. The LFB Museum Project reserve was created as part of the Financial Position as at the end of September 2018 report (LFC-0084). This reserve will fund a Museum project manager for a period of three years to support that work.
29. Under the new London Safety Plan a number of trials and pilots could be carried out in future financial years. LFC currently holds an earmarked reserve of £4.2m to aid in the implementation of any new operational delivery models.
30. The recruitment/outreach reserve was created in the January 2017 Budget Update report (FEP2685) to fund the proposed establishment of the firefighter recruitment and outreach team

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for a period of two years (£550k), and the development of new advertising campaign materials arising from the recent firefighter recruitment market research exercise in 2017/18 (£50k). It is forecast that this reserve will be fully used by the end of the 2019/20 financial year and then closed.

31. The sustainability reserve was set up to deliver the LFC's programme of investment in enhanced energy efficiency and renewable technologies, the spend is expected to be completed in 2019/20.
32. The vehicle and equipment reserve includes funding of £2.0m for the ultra low emission fleet programme, £670k for alterations to vehicles to comply with the Ultra Low Emission Zone (FEP2687) and £60k to retrofit some LFB non-frontline vehicles with hybrid diesel/hydrogen alternatives to further reduce the environmental impact of the LFB fleet (FEP2661). It is expected that this reserve will be fully used by the end of 2022/23.
33. The Organisational Reviews reserves was created as part of the Role to Rank programme as part of the review of the 2017/18 outturn position (LFC-0031) to meet the costs of that review. This reserve was previously called the watch structure review reserve. This reserve is expected to be fully used in 2019/20 after which it will be closed. This reserves also includes funding of £50k for a review of Training.
34. The Budget Flexibility Reserve was set up in response to the Mayor's 2017/18 Budget consultation letter that requires the temporary boost to LFC's balances to be held to assist balancing future year's budgets, and is funded from budgeted savings in 2017/18 of £6.2m followed by an additional transfer in that year of £12.5m identified during that year. The reserve will also be supplemented by a further £4.4m in 2018/19 from further savings. This will be used to support the budget position over the current planning period to 2022/23. An additional transfer into this reserve will be considered as part of the review of the 2018/19 outturn position.

Budget Savings 2019/20

Appendix 7

Equality Analysis

Prepared by Strategy and Risk

November 2018

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Appendix 7 – Equality Analysis

Equality Analysis

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Budget Savings 2019/20

2. Purpose of Report

The statutory provision relating to setting the London Fire Commissioner's (LFC) 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 consolidated budget and the various component budgets of the functional bodies including the LFC.

The Equality and Human Rights Commission has provided guidance stating that organisations subject to the Equality Duty must ensure that the impact financial proposals could have on the performance of the general equality duty is properly considered as part of the decision making process.

This analysis will be presented to the Commissioners Board and the Deputy Mayor's Fire and Resilience Board in November.

The strategic management of the LFC's budget is the responsibility of the London Fire Commissioner. The equality analysis has been prepared by the Strategy and Risk Department.

Appendix 7 – Equality Analysis

3. What is the anticipated impact (negative, positive or neutral) on people who share protected characteristics?

Staff savings arising from departmental savings proposals (Appendix 4 Budget Report)

Staff savings proposed through this route for the 2019/20 year are currently identified as five operational staff, one Station Manager and four Watch Manager Bs, who will be assimilated into other vacant operational posts. There is an increase of three Watch Manager As.

The non-uniformed staff savings proposed currently identify three FRSB posts to be deleted. The two FRS B posts within Strategy and Risk (reference 33, minor staff restructure) are vacant. The FRS B post that is proposed to be deleted (reference 17, control admin staff) would need to be selected from one of the two FRS B established posts. The posts are filled by one male and one female with both postholders being BAME. Staff have been consulted on the proposal and management are currently looking to redeploy one member of staff subject to the Redundancy and Redeployment Code. There is a FRS E post being established within Strategy and Risk which will provide an opportunity for staff development.

It should be noted that the nine FRS B posts identified for savings (reference 5, Reduce Area Support Teams) and the Watch Manager B post (reference 22, Watch Manager B post saving) are the second part of the savings that had been agreed as part of the 2018/19 Budget. The reduction of 9 FRS B posts was met from vacant posts.

Reference 16. Review of shared services £30k savings 2019/20

While there is a reduction of £30k in 2019/20 this is part of a three year risk based plan. There is no impact on staff.

Reference 38 Employment Checks

While this should have no or minimal impact on service delivery, it could have a detrimental effect on those staff who are currently unemployed and then have to pay for their checks.

Reference 45 Travelling expenses Control

While this should have minimal impact on service delivery, it could have an impact on whether staff choose to carry out overtime, dependant on their travelling, and the amount they spend on travel.

Other savings arising from departmental savings proposals

There are some non-staff related savings that could potentially have a differential impact on staff or service users who share protected characteristics, however most savings with this potential have been found from underspends and should not have any negative impact on staff or on services provided. Where savings that have the potential for impact have been

Appendix 7 – Equality Analysis

identified in the 2019/20 financial year that do not arise from underspends, the probable impact on staff is considered minimal or nil as these savings mostly arise from the replacement of items at lower cost rather than lower numbers.

Growth proposals (Appendix 5 budget report)

As part of the growth proposals there is one Group Manager and nine FRS posts that will be established, three FRS E, one FRS D, and five FRS C that will give staff a number of opportunities for staff development.

Reference 2 Learning Support Advisor

This will provide a part time specialist post which will support trainee firefighters appointed with learning support needs and will also put in place reasonable adjustments to support those firefighters on their progression on the course.

Reference 5 DaMOP staff

DaMOP is important in the development and maintenance of operational staff skills this postholder will assist in the collection and analysis of data and facilitation of staff engagement activities.

Reference 9 Training Programming

This post will assist in dealing with issues that impact on the scheduling and programming of all training for LFB staff via the Babcock Training Contract.

Reference 14 Training Performance and Improvement Team

The two posts FRS E and FRS D will be a new resource to review training contract compliance and manage such issues on an ongoing basis.

Reference 16 Re-organisation of TDG

The re-organisation will look at reducing silo working and the possibilities of career progression. Until this reorganisation is delivered it is difficult to say what specific opportunities are available but there should be some development opportunities created.

Reference 18 Implementation of LFC Governance

This will enable a Governance Team to be established who will work closely with the Commissioner's teams to ensure an effective flow of business through LFC decision making structures.

Appendix 7 – Equality Analysis

4. What is the evidence or other information in support of this?

The Authority holds data on staff with regard to sex, race, disability, age, sexual orientation and religion. Specific data is not collected on the remaining protected characteristics of gender reassignment, marriage, civil partnership, pregnancy and maternity. The data held is supplied both at recruitment and on employment, and staff are periodically reminded to review and update the information held on them according to the requirements of the Data Protection Act.

5. Who did you consult, and what was their response?

Consultation with staff and representative bodies is ongoing.

6. What actions are proposed that could mitigate any negative impact?

The payment of an additional £10k lump sum to enhance the voluntary redundancy package made initially to FRS staff in October 2012 has now been agreed on a permanent basis.

LFB has limited ability to affect poverty and economic inequality, beyond what already is the case; operational staff are already mindful to cause as little collateral damage as possible when attending incidents so that the inhabitants can return to their homes wherever and as soon as possible, thus minimising the economic impact of fire and related incidents (this is laid down in the Fire and Rescue Services Act 2004 Sections 7-9, which stipulates that we must protect property and mitigate damage).

Fire and community safety activities and intervention, such as fitting smoke alarms, the Fire and Cadet schemes, and Junior Fire Setter Intervention Scheme, are used to reduce the impact of fire and other incidents on Londoners in areas of economic deprivation, and also to provide transferable life skills to improve employability either in the fire service or elsewhere.

Contracts are sought through the GLA portal, and already consider equality issues and apprenticeships; further work could be undertaken to ensure that contracts seek to provide further opportunities for Londoners.

Confidential Appendix 8 – Capital Investment Requirements

Project	2019/20	2020/21	2021/22	2022/23
	£k	£k	£k	£k
ICT Requirements				
Upgrade Operating System	98			
Business Intelligent Solution	454	360	500	
Control & Mobilising Systems (CAMS)	100	100		2,800
Mobile Data Terminals	71			1,486
Fire ground Radios	1,800			
Home Fire Safety Project (linked to Farynor)		70	60	
New Laptops		563		
Audio Equipment for Union St			220	
Accident Reporting System				
Virtual Desktop Technology (Citrix)	235			
New Telephone System	150			
New Computer Terminals Thin & Fat Clients	100		1,150	
NetScaler Replacement	200			
Wireless Access Points	853			
New ISP		500		
New WAN		500		
VM Server Environment Hosts		500		
Audio Equipment for Fire Stations		100		
Data Transfer for Joint Emergency Services Interoperability Programme	120			
Business Management System (PMF)	215			
Farina Replacement	100	450	200	
Finance System	100	586	1,080	453
HR System	100	624		
Payroll System	100	231		
ICT Projects TOTAL	4,796	4,584	3,210	4,739

Estates Requirements				
Union St – Work Place Improvements	60			
Plumstead Fire Station Development	100	2,500	2,500	350
LFB Museum Fit-out	30		1,200	1,152
Edmonton Fire Station Development			300	1,500
Heating Replacement at Various Fire Stations	1,634	895	50	925
Window Replacement at Various Fire Stations	215	360	50	540
Rewiring at Various Fire Stations	575	275	25	300
Roof Replacements	624	740	60	680
Minor Improvement Programme	2,164	2,081	2,040	2,000
Replacement of Appliance Bay Doors	981	414	0	400
Removal of Asbestos	50	50	50	50
Safety Works at Fire Stations				
Forecourts/Rear Yards Refurbishments				
West Hampstead Cottages Refurbishments	705			
Security at all Fire Stations, Offices & HQ	100	1,250	1,255	
New Training Centre	300	1,800	6,300	5,853
PEG/BDC Development	3,196	900		
Lambeth River Station Development		100	1,000	1,200

Confidential Appendix 8 – Capital Investment Requirements

Project	2019/20	2020/21	2021/22	2022/23
	£k	£k	£k	£k
Union St – Air-conditioning Replacement				
HQ Relocation/Refurbishment				
Station Refurbishments				
Station Rebuilds/Redevelopments				
Development Costs				
Estates Projects TOTAL	10,734	11,365	14,830	14,950
Fleet & Equipment Requirements				
Replacement of Fleet & Operational Equip	23,046	17,223	7,606	2,276
Respiratory Projective Equipment (Barrie)	2,300			
Standard Breathing Apparatus		5,000		
Fleet & Equipment TOTAL	25,346	22,223	7,606	2,276
Overall Capital Requirements TOTAL	40,876	38,172	25,646	21,965