

Report title

2020/21 Budget

Report to

Fire and Resilience Board
Commissioner's Board

Date

24 March 2020
25 March 2020

Report by

Assistant Director, Finance

Report number

LFC-0324y

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

This report presents the London Fire Commissioner's (LFC's) final draft revenue and capital budget for 2020/21 for approval.

Recommended decisions

That the London Fire Commissioner agrees that:

1. Subject to the decisions below, a 2020/21 revenue budget of £401.5m be approved, being made up of net expenditure of £444.4m with £9.6m funding from earmarked reserves and £33.3m 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 2020/21 revenue budget, as set out in Appendices 1, 3 and 4, are approved;
4. The capital programme with gross expenditure in 2020/21 of £35.7m, as set out in Table 8 and confidential Appendix 7, be approved;
5. The capital strategy at Appendix 7 is approved for publication; and
6. The additional payments into earmarked reserves for 2019/20 as set out at Table 6 are approved, including the creation of a new Transformation Reserve.

Introduction

1. This report updates the budget proposals included in the Budget Submission to the Mayor in November (LFC-0259). It proposes a balanced budget for 2020/21 after including a draw from the Budget Flexibility Reserve (BFR) of £4.8m and the creation of, and then draw from the Transformation reserve of £3.5m. The proposed budget in is in line with the funding agreed for the LFC of £401.5m in the Mayor's Final Draft Consolidated Budget, reported at the meeting of the London Assembly on 24 February 2020.
2. The Mayor has also set indicative funding allocations for the LFC in each of the following three financial years from 2021/22 to 2023/24, with funding rising by £21.1m over those three years to £422.6m in 2023/24. This report also sets out the forecast budget position in each of those years, with a budget deficit of £34.0m in 2021/22, which will be met in part by a draw of £25.1m from the Budget Flexibility reserve and £4.1m from the Transformation reserve to reduce the budget gap to £4.8m. There is then a forecast budget deficit of £35.9m in 2022/23 and £35.1m in 2023/24.

The Mayor's Final Draft Consolidated Budget

3. The Mayor's Final Draft Consolidated Budget was published on 14 February 2020 and was considered by the London Assembly at its plenary meeting on 24 February 2020.
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 3.6% per cent from £320.51 to £332.07 in 2020/21. The Mayor has also assumed a 1.56% increase in the aggregate council tax base compared to 2019/20.
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 £332.07 can therefore be broken down to £252.13 for the Metropolitan Police plus £79.94 for non-police services. The LFC's element of this non police element would be £55.28 for a Band D property. This compares to a 2019/20 Band D rate of £55.05.
6. The Mayor's Final Draft Consolidated Budget included additional funding for the LFC of £2.2m in 2020/21 only. That report states that this funding will be spent on the LFC's transformation programme, with the intention that the ongoing cost is to be met by efficiencies delivered through that programme. The Mayor's Budget then also revised down funding in each of the three subsequent years by £0.9m, £1.9m and £2.9m respectively. The Mayor stated that this reduction was as a result of lower than forecast increases in the council taxbase for London.

The Budget Development Process

7. The Mayor's Budget Guidance for 2020/21 for the Greater London Authority (GLA) and the functional bodies was issued on 28 June 2019 and was reported the LFC on 25 July 2019 (LFC-0206). In his guidance the Mayor proposed funding for the LFC of £399.3m in 2020/21 increasing to £407.8m in 2021/22, £416.6m in 2022/23 and £429.3m in 2023/24. The Mayor then revised the level of funding slightly in his consultation letter, which was included in the report setting out the LFC's Budget Submission to the Mayor on 18 November 2019 (LFC-0259).
8. The November Budget Update report stated that funding from the GLA of £425.5m by 2023/24 would result in a saving requirement for the LFC of £27.1m over that period. This saving requirement also reflected the impact of savings proposals totalling £5.4m and growth proposals of £2.3m 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 2020/21 and significantly reduce the savings requirement in 2021/22.

9. Following the November Budget Submission report the Mayor published his Consultation Budget on 18 December 2019. The Mayor stated that his budgets over the last three and a half years have provided "funding to the London Fire Brigade (LFB) in the aftermath of the terrible Grenfell Tower fire for new smoke hoods, drones, better personal protective equipment and the purchase of new aerial appliances". He went on to explain that he is proposing to increase the non-police precept on council tax bills by the maximum permitted of £1.56 (1.99%). In addition to this, and following conversations with the Commissioner on the LFB transformation plans, the Mayor has "decided to fully allocate the income from the increase in the non-police precept to the fire service and will look to prioritise funding this [Transformation Programme] growth bid as we finalise the Budget in the New Year".
10. The London Assembly then considered the Mayor's Draft Consolidated Budget for 2019/20 on 29 January 2020. That report stated:

"The new London Fire Commissioner is working at pace to develop his Transformation Programme, including addressing the requirements arising from the recommendations from Phase 1 of the Grenfell Tower Inquiry and the recent HMICFRS inspection. A draft programme will be presented shortly, together with the resources required in 2020-21 to implement these necessary changes. Work is also underway to identify how the programme will achieve efficiencies in later years. The Mayor's intent is to establish a Transformation Reserve in setting the LFC's 2020-21 budget to fund the initial expenditure required. This reserve is to be funded from the financial flexibilities available to the Mayor, however, these cannot be finally determined until returns from billing authorities are received at the end of January. The Mayor will ensure that the Assembly are fully consulted on the decisions to be made on the necessary transformation of the LFB."
11. The Mayor then published his Final Draft Consolidated Budget 2020/21 on 14 February 2020 which included additional funding in 2020/21 of £2.2m in support of the LFC's transformation programme and a reduction in funding by 2023/24 of £2.9m annually as a result of lower than expected increases in the council tax base.
12. As set out in the section above the Mayor's Final Draft Consolidated Budget has now been agreed. 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 impact in each year. This demonstrates that the Mayor is providing an additional £2.2m in funding for 2020/21 only and a reduction in overall funding of £2.9m by 2023/24. It is proposed that this additional funding in 2020/21 is transferred into a new Transformation Reserve.

Table 1: Change in Funding Proposed by the Mayor

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Mayor's Consultation Budget				
Retained Business Rates	230.7	230.7	230.7	230.7
LFC Element of Precept	168.6	177.0	185.7	194.8
Total	399.3	407.7	416.4	425.5
Mayor's Final Consolidated Budget				
Retained Business Rates	232.9	230.7	230.7	230.7
LFC Element of Precept	168.6	176.1	183.8	191.9
Total	401.5	406.8	414.5	422.6
Change in funding	2.2	(0.9)	(1.9)	(2.9)

Transformation Programme

13. In recent months reports on both Phase 1 of the Grenfell Tower Public Inquiry and the inspection by Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services have been published, which included a number of recommendations. In order to address these reports and deliver transformation more widely within the organisation the LFB has developed a Transformation Delivery Plan. Work is already underway to deliver this plan and assess any financial implications, focussing on 2020/21.
14. Based on an initial analysis of where costs are likely as part of this transformation it is estimated that there will be a cost of £3.5m in 2020/21 and an ongoing cost of £4.1m from 2021/22. The initial estimate of the additional costs from the Transformation Delivery Plan is summarised in Table 2 below. These initial costs were prepared to inform the overall funding requirement, and will be subject to change as the transformation programme develops and evolves. The summary table provides the key areas addressed by the funding, and this of course links to the Transformation Delivery Plan. The intention is that performance on the transformation is measured against the Transformation Delivery Plan, with costs measured against the overall funding available. However the costs for individual items used in preparing the initial estimate are included in Appendix 8, and this also shows the Grenfell and HMICFRS recommendation addressed by the item. These costs areas will continue to be reviewed and refined as the plan progresses, and reports for decision prepared on individual items as required.

Table 2: Transformation Programme Budgets

	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Total £k
Transformation Delivery Plan	3,520	564	0	0	4,084
These work streams include appointing a transformation director, improving stakeholder and community relations, improving recruitment of inspection officers and integration of command units within station watch structures.					

15. The LFC is working to identify savings to meet the ongoing budget pressure as part of its transformation programme, including seeking invest to save options over the transformation period. Whilst these savings are identified however it is proposed to fund the initial transformation costs from a new earmarked transformation reserve that will be created for this purpose.
16. It is proposed that this transformation reserve will be established at a level of £7.7m. This is funded from underspending in 2019/20, as set out in paragraph 45, and additional funding of £2.2m from the Mayor, as set out at paragraph 11. This will fund in full the costs in 2020/21 and 2021/22, but will leave an ongoing shortfall of £4.1m from 2022/23. Any balance on the transformation reserve at the end of 2021/22 is expected to be returned to the general reserve or budget flexibility reserve, and would help meet the budget gap from 2022/23.

Budget Update

17. The LFC's medium term forecast (MTF) has been reviewed since it was last reported in November 2019 (LFC-0259) and is included as Appendix 1. There are a number of changes to the forecast position over the four year period from 2020/21 to 2023/24 as summarised in Table 2 below and described in more detail in the paragraphs that follow. Together these adjustments show a net £1.0m pressure to the four year budget position. This includes a number of changes to further reflect the forecast financial position for the current year. There are also changes as a result of a reclassification of capital expenditure as revenue and a resulting reduction in capital financing costs, and re-profiling of borrowing requirements .

Table 3: Changes to the Medium Term Forecast

Changes to Medium Term	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Total £k
Property Inflation	294	656	0	0	950
Fuel Costs	400	0	0	0	400
Space Review at Union Street	405	(40)	0	0	365
Interest income	(300)	200	0	0	(100)
License Costs	46	0	0	0	46
Top Managers Conference	36	(36)	0	0	0
Contract for Administration of the Firefighters Pension Scheme	68	0	0	0	68
Revaluation of the LGPS	(599)	129	133	0	(337)
Gas and Electricity Contracts	(280)	(46)	(51)	(81)	(458)
New BA Cylinders Stowage and Storage	77	(77)	0	0	0
Brigade Distribution Centre	162	(162)	0	0	0
FM Soft Services Provision	113	177	0	0	290
Advisor to London Fire Commissioner	90	0	0	0	90
RRT and Lambeth Facilities	104	2	2	2	110
Property Expert – 8AE	150	(150)	0	0	0
Capital to Revenue Changes					
Business Intelligence Project	449	10	(177)	0	281
Finance System	289	116	(252)	0	153
Payroll & HR System	72	323	50	0	444
Remove revenue contribution to capital	(600)	0	0	0	(600)
Capital Financing Costs	(2,641)	(759)	2,730	0	(670)
Total Change Before Mitigation	(1,665)	343	2,435	(79)	1,034

Property Inflation

18. A review of property inflation, in particular in relation to rents payable, has resulted in an expected additional financial pressure across the next two financial years.

Fuel Costs

19. As set out in the quarterly financial position reports expenditure on fuel costs has exceeded the budget in 2019/20 by over £200k, due to increases in fuel prices and the increasing requirement for AdBlue additive as the new fleet is rolled out. It is expected that this will continue to increase into 2020/21 as the roll out progresses and as a result of the full year cost of vehicles taken into service during the current year.

Space Review at Union Street

20. The review of the use of space at Union Street has identified additional requirements that are likely to be best served by returning areas in the building to Brigade use as some tenancy agreements come to an end. This space requirement is to be considered as part of wider review of ways of working at HQ, as set out in report LFC-0301x.

Interest Income

21. Both a one off and ongoing increases in interest income is proposed based on current estimates of investment returns and investment balances.

Licence Costs

22. The method used to purchase the new Performance Administration and Management Solution means that this will now result in an annual revenue cost rather than the capital purchase originally envisaged. In addition the power Business Intelligence System (BIS) is now moving into business as usual from initial capital costs of bringing the asset into use. Both of these will now be ongoing revenue license costs instead of capital purchase costs.

Top Managers Conference

23. This will support the cost of running the top managers conference with the saving from not running the conference in 2019/20 carried forward to allow a larger event to support the Transformation Delivery Plan in 2020/21.

Contract for Administration of the Firefighters Pension Scheme

24. This reflects an increase in the cost of this shared service under a cost recovery arrangement provided by the Local Pension Partnership via the London Pension Fund Authority. This will be reviewed by the LFB's Local Pension Board at their meeting in March/April 2020.

Revaluation of the LGPS

25. This reduction in cost reflects the outcome of the recent revaluation of the LGPS pension scheme for the LFB. The initial results from the valuation included a 2% fund wide increase in employer contributions and these were included in the MTF. The individual employer results advised early in the new year included a lower increase of 1.6% on employer contributions for the LFC as well as a reduction in the cash based deficit contributions.

Gas and Electricity Contracts

26. The MTF has previously included an increase in gas and electric costs to reflect changes in consumption and prices. This reduction is achievable with new energy suppliers for the provision of electric and gas at lower cost whilst being certified under the Electricity Guarantee of Origin (REGO) and the Green Gas Certified Supplier (GGCS) schemes (LFC-0309).

New BA Cylinders Stowage and Storage

27. This additional one off cost is for changes to stowage and storage following the decision to standardise breathing apparatus cylinders at 6.8l (LFC-0305).

Brigade Distribution Centre (BDC) Rent Extension

28. As part of the move to the new Operations Support Centre the lease for the current BDC will be terminated, however challenges in finalising this mean that the Brigade will not now vacate the BDC until 30 September 2020, which will result in additional costs in rent and security.

FM Soft Services Provision

29. This additional cost reflects the proposed single bundled contract for soft facilities services (LFC-0308) in line with the new facilities management strategy (LFC-0307) .

Advisor to London Fire Commissioner

30. This post will help professionalise and improve the Brigade's approach with public and stakeholder groups. This will include supporting the London Fire Commissioner by providing

high level support and advice in delivering the Commissioner's priorities and in aiding the communication of those priorities both internally and externally.

RRT and Lambeth Facilities

31. The additional cost is for additional storage and operational parking to optimise the utilisation of Lambeth fire and river stations and accommodate the Rapid Response Team (RRT)(LFC-0282).

Property Expert – 8AE

32. With the progress on the planning consent for the development of 8 Albert Embankment, the LFB is now making preparations for the delivery phase, which will generate a significant capital receipt for the Brigade. To support this additional funding is required to provide a dedicated resource to fulfil the project management and specialised technical assurance aspects of the project, over the anticipated 30 month delivery phase.

Capital to Revenue Changes

33. These changes reflect movements in expenditure from capital to revenue, as a result of the likely delivery route of these items. The BI Project has been progressing and it is now felt that the project has moved to business as usual and the costs are therefore revenue. Projects have been commenced to review and replace the finance, payroll and HR systems. Early advice suggested that these would be capital items, however progress in the market to increasingly offer cloud based solutions means that these are now expected to be revenue costs. The costs of these projects has therefore been removed from the capital programme, and also the capital financing costs adjusted. These changes have a largely neutral impact on the revenue budget overall with annual costs offset by no longer having capital financing costs. However, there will be changes to the quantum of the costs as the market develops and the systems to be implemented become clear, and to the phasing depending on the final implementation date and the useful life of the new systems. These adjustments also include the removal of a £600k revenue contribution to capital, again as part of removing the costs from the capital programme.
34. The reduction in capital financing costs reflects the movements in the capital programme from 2020/21, but also adjustments necessary to reflect reduced capital spending and the underspend on capital financing costs in 2019/20. The capital financing costs are forecast to underspend by £0.8m in 2019/20 and with no new borrowing planned in the year this reduction is now expected to continue into 2020/21, with small changes for maturing debt. In addition the Medium Term Forecast has been corrected to remove an increase in capital financing costs in 2020/21 of £1.5m, as this is not now required, with increases in the capital financing costs expected to be incurred in later years. Therefore a substantial reduction in capital financing costs is now possible, due to the low debt level currently maintained by the Brigade following the use of significant capital receipts. The availability of capital receipts, which is expected to see a boost in the short-term, is expected to cease over the medium term and therefore a significant increase in borrowing costs is forecast from 2022/23. This position will be kept under review.

Savings and Growth

35. The savings and growth set out in Appendices 3 and 4 has been reviewed with the following items now included.

Table 4: Changes to Growth and Savings Proposals

Ref	Title	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k	Total £k	Comments
G33	Operations Support Group Vehicle Replacement	43	0	0	0	43	This reflects vehicle requirements for the Operations Support Group.
S50	GLA Collaborative Procurement Payment	(74)	0	0	0	(74)	The ongoing GLA collaborative procurement project is now being fully funded by the GLA.
	TOTAL	(37)	0	0	0	(37)	

Summary Budget Position

36. 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 £27.1m by 2023/24 included in the Budget Submission to the Mayor has now increased to £35.1m, with the £6.0m increase resulting from changes in funding (£2.9m), transformation costs (£4.1m) and MTF adjustments (£1.0m). The table shows there is a budget gap in 2020/21 of £6.2m, that can be met through a draw on the budget flexibility reserve of £4.9m and a net draw on the Transformation reserve of £1.3m, resulting in a balanced budget. The remaining budget flexibility reserve and a further £4.1m of the Transformation reserve can then be applied in 2021/22 to reduce the £34.0m gap in that year to £4.9m. There is then a forecast budget gap of £35.9m in 2022/23 after using any remaining funding in the Transformation reserve and a gap of £35.1m in 2023/24.

Table 5: Summary Budget Position

	2020/21	2021/22	2022/23	2023/24
	£m	£m	£m	£m
Budget Gap as set out in November Budget Submission Report (LFC-0259)	6.5	30.3	28.9	27.1
(Increase) /Decrease to LFC Funding (Table 1)	(2.2)	0.9	1.9	2.9
Transformation Funding (Table 2)	3.5	4.1	4.1	4.1
Changes to the Medium Term Forecast (Table 3)	(1.7)	(1.3)	1.1	1.0
Changes to Saving proposals (Table 4)	(0.0)	(0.0)	(0.0)	(0.0)
Transformation Savings Target				
Revised Budget Gap/ (Surplus)	6.1	34.0	36.0	35.1
Payment into Transformation Reserve	2.2	0	0	0
Draw from Transformation Reserve	(3.5)	(4.1)	(0.1)	0
Payment into / (Draw from) Budget Flexibility Reserve	(4.8)	(25.1)	0	0
Budget Gap After Reserve Use	0.0	4.8	35.9	35.1
Transformation Reserve Balance	4.2	0.1	0	0
Budget Flexibility Reserve Balance	25.1	0.0	0	0

Government Spending Review

37. It is currently expected that the Government will conduct a spending review in 2020, reviewing fire funding for 2021/22 and subsequent years. On 20 December 2019 the Local Government Association (LGA) and the National Fire Chiefs Council (NFCC) wrote a letter to the LFC making the point that the fire sector needs a strong unified voice to make the case for funding for fire and rescue services to HM Treasury. The LGA and NFCC therefore proposed the creation of a dedicated spending review team for the fire sector, and asked for contributions from the sector to fund the team.
38. The LFC has committed to provide £10k funding, which is at the LGA/NFCC proposed level, for this work, which will be contained within existing budgets for 2021/22.

Pension Grant

39. There was a material increase in the cost of employer contributions for the existing firefighter pension schemes, following the scheme valuation 2016, of £25m, largely as a result of changes by Government to the discount rate used in valuing future liabilities. A grant of £21.7m was provided to partly offset this pressure in 2019/20, which will then be repeated in 2020/21. If this additional grant payment is confirmed for subsequent financial years this will materially decrease the budget gap over the medium term from, £35.1m to £13.4m. This is on the assumption that pensions funding is maintained at its current level, with no other changes made elsewhere.

Risks and Opportunities

40. 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. Three new

risks have been added, the first regarding the transformation programme and the potential costs to LFC and the second around changes to accounting standards for Leasing. The third risk reflects potential costs that may be incurred by the LFB as a result of ensuring resilience in light of the implications of the Covid-19 outbreak, as set out below.

Covid- 19

The Covid-19 outbreak is likely to result in high levels of sickness among all staff groups within the LFB. In order to maintain resilience in front line response, the LFB is strengthening contingency arrangements to ensure adequate fire cover continues to be delivered across the organisation. This could potentially result in increased staff payments including overtime and recall arrangements, the potential use of the LFB's emergency fire crew contract and other financial pressures.

41. The risk regarding the legal costs of servicing the Grenfell Tower Enquiry has now been removed following the resolution of the negotiations with LFC's insurer.
42. A number of risks have also been updated to reflect current position. This includes:
 - Pay award risk has been updated to reflect that no additional payments are now expected in 2019/20
 - Economic uncertainty risk surrounding the UK leaving the EU has been updated to reflect the start of the transition period.

Financial Position

43. The forecast financial position as at the end of December (LFC-0121) shows an underspend of £3,142k for the 2019/20 financial year. This is a increase of £2,101k from the forecast underspend reported for Quarter 2. The increase in underspend is largely due to the provisional settlement agreed with our Insurers regarding reimbursement of our disclosure costs relating to Grenfell.
44. Following a recommendation from its external auditors the LFB has agreed to change the current limits for liabilities from £5k per supplies, to £5k per transaction. This will result in a reduction in the value of liabilities raised for the 2019/20 financial year and a resulting overall reduction in expenditure of approximately £3m, increasing the forecast underspend to £6,142k.
45. The above underspend would lead to the general reserve being £5,527k above the stated minimum level and it is proposed that £5,500k of this balance is transferred to a new reserve for the Transformation Delivery Plan. The final agreed position will be set out in the financial outturn report.

Reserves

46. The LFC's Budget Submission to the Mayor included a statement on the adequacy of reserves for the LFC to comply with GLA requirements. Table 6 below shows the forecast reserve position for 2019/20. It is forecast that the general reserve will be above the minimum level required, of 3.5% of net revenue expenditure, at the end of the financial year and this excess balance , forecast at £5.5m, is to be moved into a new transformation reserve.

Table 6: Reserves Position for the 2019/20 Financial Year

£000s	Opening Balance at 01/04/19	Approved Movements in Q4 18/19	Approved Movement to Q1	Transfer Between Reserves	Proposed Use of Reserves	Anticipated Balance at 31/03/20
Additional Resilience Requirements	767	68	(337)		124	622
Capital Expenditure Reserve	11,745					11,745
Central Programme Office	0	250	542		(45)	746
Community Safety Investment Fund	0	11	(11)			0
Compensation	1,000		(250)		(463)	287
Emergency Services Mobile Communication Programme	1,928	345	(99)			2,174
Emergency Medical Response	294					294
Fire Safety and Youth Engagement	715	273	42		(23)	1,007
HMICFRS inspection regime	21	65	(63)		(22)	0
Hydrants	462		(95)			367
ICT Development Reserve	1,851	150	(208)		160	1,953
LFC Control Centre	959		(209)	(21)		729
LFB Museum Project	210		(70)			140
London Resilience	1,015	38	(150)	(38)	(94)	771
London Safety Plan Initiatives	4,178	76	(499)		(56)	3,699
New Governance Arrangements	0	148		(148)		0
Organisational Reviews	505	316	(355)	(51)	(88)	327
Recruitment/ Outreach	370			(120)		250
Sustainability	235		(235)		235	235
Vehicle & Equipment Reserve	2,865	244	(1,965)	(187)	546	1,502
Transformation Reserve	0				5,500	5,500
Budget Flexibility	23,110	7,287	(467)			29,930
General	23,204	(9,271)	(1,325)	566	1,967	15,141
Total	75,434	0	(5,754)	0	7,741	77,420

47. The latest forecast position on reserves is set out in Table 7 below. This shows the forecast outturn position for 2019/20 as at the end of December 2019 and the forecast changes in the use of reserves from 2020/21 to 2023/24. Additional information on the purpose of these reserves can be found in the LFC Reserves Strategy Appendix in the November Budget Submission to the Mayor.

Table 7: Forecast Use of General and Specific Reserves

£000s	Anticipated Balance at 31/03/20	Use of Reserves in 2020/21 £k	Use of Reserves in 2021/22 £k	Use of Reserves in 2022/23 £k	Use of Reserves in 2023/24 £k	Anticipated Balance at 31/03/24 £k
Additional Resilience Requirements	622	(209)				413
Capital Expenditure Reserve	11,745					11,745
Central Programme Office	746	(373)	(373)			0
Compensation	287	(250)	(37)			0
Emergency Services Mobile Communication Programme	2,174	(329)	(585)	(1,260)		0
Emergency Medical Response	294	(294)				0
Fire Safety and Youth Engagement	1,007	(674)	(193)	(83)	(75)	(18)
Hydrants	367	(120)	(120)	(127)		0
ICT Development Reserve	1,953	(1,252)	(541)	(100)		60
LFC Control Centre	729					729
LFB Museum Project	140	(70)	(70)			0
London Resilience	771	(771)				0
London Safety Plan Initiatives	3,699	(840)	(486)			2,373
Organisational Reviews	327	(239)	(89)			0
Recruitment/ Outreach	250	(250)				0
Sustainability	235	(235)				0
Vehicle & Equipment Reserve	1,502	(1,075)	(221)	(181)	(29)	(4)
Transformation Reserve	5,500	(1,320)	(4,084)	(96)		0
Budget Flexibility	29,930	(4,804)	(25,126)			0
General	15,141					15,141
Total	77,420	(13,105)	(31,925)	(1,847)	(104)	30,438

48. Table 7 also includes the creation of a new Transformation Reserve to support the Brigades Transformation Delivery Plan as set out from paragraph 13 above. This reserve will include funding of £5.5m which will be transferred from the general reserve, to reduce that reserve to the stated minimum reserve level of £15.1m or 3.5% of NRE. This will then be supplemented by additional funding of £2.2m from the Mayor. The £1.3m draw in 2020/21 will therefore be added to the additional £2.2m funding from the Mayor to fund the forecast transformation costs of £3.5m in that year.

Fees and Charges

49. 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 rate 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 £338 for the 2019/20 financial year, and will increase by £8 to £346 for the 2020/21 financial year.

Capital Programme and Prudential Indicators

50. This report updates the draft capital programme included in the report setting out the Budget Submission to the Mayor in November (LFC-0091x) and provides an updated Capital Strategy at Appendix 7. The original programme was £33.2m for 2019/20, £37.4m for 2020/21, £51.9m for 2021/22, 19.1m for 2022/23 and £18.3m for 2023/24. A number of changes to the programme since the last reported position were detailed in the Financial Position report as at the end of December (LFC-0296). This report also reflects recent further changes to a range of schemes following further review. The changes included in the Financial Position report were mainly due to the rephrasing of capital works. The further changes since that report then largely reflect a review by all departments of the overall capital programme which included further rephrasing of the budgets and more accurate forecasts costs.
51. The revised capital programme after these adjustments is £31.4m for 2019/20, £35.7m for 2020/21, £46.2m for 2021/22, £22.7m for 2022/23 and £16.4m for 2023/24. The summarised capital programme is detailed in Table 9 below, with further detail in the Capital Strategy at Appendix 7.

Table 8: Summary Capital Programme

	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k	2022/23 Capital Budget £k	2023/24 Capital Budget £k
Estates Projects	9,569	13,331	22,210	14,902	10,365
ICT Projects	1,749	1,380	3,290	4,846	5,950
Fleet	20,009	17,779	15,652	2,948	42
Operational Policy Projects	91	3,200	5,000	0	0
TOTAL	31,418	35,690	46,152	22,696	16,357

52. The movements between the budget submission and the final capital budget are summarised in Table 9 below. The main changes on are on ICT projects and relate to removing the finance and HR systems (£3.0m) and BI project (£0.9m) from the capital programme as they are now being taken forward as revenue projects, as outlined in the MTF movements, at paragraph 33. Capital projects are also now being managed by Operational Policy department with the radio replacement (£0.9m) and breathing apparatus and BARRIE radios (£7.4m) projects moved to that department from ICT and Fleet respectively. There has also been some further re-profiling of capital budgets with the most significant being the Ultra Low Emission Fleet (£2.7m) with no impact expected on final delivery, and laptop replacement programme (£0.6m). There have also been some budget increases with the full budget for the aerial fleet now included (£3.5m), and at the new Operational Support Centre (£0.2m).

Table 9: Movement in capital budgets

Capital budget movements	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k	2022/23 Capital Budget £k	2023/24 Capital Budget £k
Capital budget – budget submission	33,231	37,373	51,940	19,144	18,286
Estates Projects	(1,001)	(995)	(6,549)	3,374	1,390
ICT Projects	(820)	(2,191)	(2,045)	(453)	(573)
Fleet	(83)	(1,697)	(2,194)	631	(2,746)
Operational Policy Projects	91	3,200	5,000	0	0
Total movements	(1,813)	(1,683)	(5,788)	3,552	(1,929)
Final capital budget	31,418	35,690	46,152	22,696	16,357

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

Table 10: Capital Financing

Capital Financing	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k	2022/23 Capital Budget £k	2023/24 Capital Budget £k
Capital Grants & Contributions	0	2,123	0	0	0
Capital Receipts	31,418	33,567	16,504	22,696	305
Borrowing	0	0	29,648	0	16,052
TOTAL	31,418	35,690	46,152	22,696	16,357

54. The movement from the capital financing set out in the budget submission is summarised below in Table 11. The re-phasing of capital expenditure leads to less demand on capital receipts balances in 2019/20 and 2020/21, and this then allows further capital receipts to be used in 2021/22, further reducing the borrowing requirement in that year. There is then an increased use of capital receipts in 2022/23 with no need to borrow in that year, and then only a small balance on capital receipts then available to be applied in 2023/24.

Table 11: Movement in capital financing

Capital financing movements	2019/20 Capital Budget £k	2020/21 Capital Budget £k	2021/22 Capital Budget £k	2022/23 Capital Budget £k	2023/24 Capital Budget £k
Capital financing – budget submission	33,231	37,373	51,940	19,144	18,286
Capital Grants & Contributions	(205)	0	0	0	0
Capital Receipts	(1,608)	(1,683)	3,290	3,552	(3,551)
Borrowing	0	0	(9,078)	0	1,622
Third party contribution					
Total movements	(1,813)	(1,683)	(5,788)	3,552	(1,929)
Final capital financing	31,418	35,690	46,152	22,696	16,357

55. The Capital Strategy for the LFC is set out at Appendix 7.

Risks to Capital Programme

56. 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.

57. The capital programme is managed on a monthly basis and is reported quarterly as part of the financial position report. For 2020/21 it is planned that capital monitoring will be addressed as part of the quarterly meetings Finance has with each Head of Service on financial management, rather than being addressed at separate capital meetings. This is intended to increase the level of engagement and scrutiny on the capital monitoring.

58. Tables 12 below sets out the prudential limits for 2019/20 to 2022/23.

Table 12: Prudential Limits

Project	2019/20	2020/21	2021/22	2022/23	2023/24
	£k	£k	£k	£k	£k
Approved Borrowing Levels					
Operational Boundary	220,000	220,000	240,000	240,000	240,000
Authorised Boundary	225,000	225,000	245,000	245,000	245,000

Leases – Changes to Accounting

59. From 2020/21, the LFC, as part of the local government sector, will be required to adopt a new international financial reporting standard (IFRS 16) for leasing. The assets and liabilities of all significant leases of over 12 months will be recognised on the balance sheet. As part of ensuring compliance with IFRS 16, the operational and authorised borrowing limits will be reviewed and increased as necessary from the levels shown in the above tables. Updated borrowing limits will

be approved separately, once a detailed data gathering exercise has been completed and the impact of IFRS 16 compliance quantified, during the 2020/21 financial year.

Finance comments

60. This report is by the Assistant Director, Finance and there are no further comments.

Workforce comments

61. Staff side have been consulted on the 2020/21 budget proposals as they have developed, in particular they were provided with the detailed budget submission report submitted to the FRB budget meeting on 18 November 2019; no substantive comments on this report were received from staff side. Staff side will be provided with the final budget proposals in good time for them to comment before Fire and Resilience Board on 10 March 2020.

Legal comments

62. Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
63. Section 1 of the Fire and Rescue Services Act 2004 states that the Commissioner is the fire and rescue authority for Greater London. The Commissioner is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
64. The statutory provisions relating to the setting of the Commissioner's budget are contained in the Greater London Authority Act 1999. Schedule 6 of the Act sets out the process for the development and approval of the GLA's consolidated budget and the various component budgets of the functional bodies such as the Commissioner. Paragraph 2 of Schedule 6 requires the Mayor to prepare a draft component budget for the Commissioner and for each of the other constituent bodies which make up the GLA's consolidated budget. The Mayor must consult the Commissioner before preparing the component budget and the London Assembly before producing a consolidated budget. In preparing the draft he must have regard to representations which he has received as a result of the consultation process.

Sustainability implications

65. The Sustainability Works defined in the Capital Strategy include capital expenditure related to the Carbon Strategy, property works that will deliver energy related improvements and asbestos works.
66. The Carbon Strategy identified that future decision making must take into account carbon emissions to ensure they result in reduced or neutral carbon impact to avoid exacerbating the challenge of meeting the target set. The budget includes an increase to the fleet of one vehicle. As this is a reserve vehicle, the impact on LFC carbon emissions should be negligible. The budget also includes growth in staff numbers of 41.6 FRS, 8 Control and 11 operational staff that are expected to work from LFC premises. Collectively this has been estimated to add some 94 tonnes of CO₂ annually to the LFC's emissions or 1% and could reduce the effectiveness of the measures identified in the Carbon Strategy to achieve the current target of 60% reduction by 2025. It should be noted that this is an initial attempt to identify the emissions impact of proposals to better inform the impact of decisions and also that the underlying assumptions are being verified.

Additional training staff not expected to work from LFC premises have not been included in the estimates

67. The budget also includes an Appendix setting out budget allocations and growth that will support the LFC's commitments in the London Environment Strategy. This includes growth to support additional measures to deliver the LFC's Carbon Strategy as identified as revenue growth item 32 in Appendix 4, and in the Capital Strategy.

Equalities implications

68. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.
69. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
70. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.

The Public Sector Equality Duty requires us, in the exercise of all our functions (i.e. everything we do), to have due regard to the need to:

- (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
- (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
- (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.

Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:

- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
- (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
- (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

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

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

(a) tackle prejudice, and

(b) promote understanding.

73. An Equalities Impact Assessment (EIA) is attached at Appendix 6 of this report which refers to individual EIAs that are being drafted by the relevant departments which are submitting proposals. They will be responsible for conducting appropriate consultation to ensure due regard for the Equality Act 2010 and PSED is fulfilled. 68.

74. Screening EIAs (or a decision to not run an EIA due to the very small scale of the proposal) have been conducted on the following identified through Appendix 6:

- Ref 1 (Middle Managers allowance reduction for Central Operations)
- Ref 14 (Removal of travel expenses for overtime in Control and Mobilising)
- Ref 87 and 88 (relating to reduction in funding of office equipment and furniture)
- Ref 89 (reduction of training and conferences budget)
- Ref 98 (reduction of development budget (sponsorship)).

75. No adverse impacts were found through the above EIAs, and the Inclusion Team continues to be consulted on proposed budget decisions.

List of Appendices

Appendix	Title	Protective Marking
1.	Medium Term Forecast	None
2.	Subjective Analysis	None
3.	Savings	None
4.	Growth	None
5.	Risks and Opportunities to the Financial Position	None
6.	Equality Analysis	None
7.	Capital Strategy	None
8.	Initial Estimate of Transformation Costs	None

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Inflation and Medium Term Changes					
Inflation		10,310	8,133	8,258	8,537
MTFS Changes					
Operational Staff					
Changes to Staff on Development Rates of Pay	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.	126	343	1,195	(242)
Operational Pension Scheme Changes	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.	(373)	(318)	(290)	(290)
Pensions Auto Enrolment	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.	267	0	160	50
Role to Rank Project	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.	437	0	0	0
Trainee Firefighter Recruitment	These costs reflect the anticipated salary cost of trainee firefighters in each year.	(61)	(852)	211	169
The Operational Competency and Development Programme	TBC	0	0	0	0
Operational Staff Total		396	(827)	1,276	(313)
Other Staff					
Additional Payments into the Local Government Pension Scheme (LGPS) Fund and resulting on-going savings	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.	(1,481)	0	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Local Government Pensions Scheme - 2017 Valuation	Savings following the valuation on LFEPA's LGPS pension fund.	(122)	0	0	0
Local Government Pensions Scheme - Past Service Deficit	This is the forecast 'inflationary' increase in the cost of the past service deficit payments on the Local Government Pension Scheme.	224	0	0	0
FRS Vacancy Margin	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.	0	1,000	0	0
LGPS Employer Contributions	Increase in LGPS Employer Contributions Following revaluation	115	129	133	0
BI Project	These costs relate largely to staff costs to develop reports for the BI project. Initially developing reports was part of bringing the asset into use, but now the project is moving into business as usual these are revenue costs.	449	10	(177)	0
Change in Expenditure funded from Specific Grants and Reserves		(730)	(350)	(366)	0
Other Staff Total		(1,545)	789	(410)	0
Firefighter Pension Scheme					
Firefighters' Injury Pensions	This relates to inflation increases on injury pensions and assumptions around numbers in receipt of injury pensions.	195	203	211	220
Fire Fighters Ill Health	Revised Ill health costs based on an increase to the numbers being retired under ill health, as advised by People Services	357	120	(83)	31
Firefighter Pension Scheme Total		551	323	128	250
Staff Related					
Apprenticeship Levy	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.	(225)	0	0	0
Local Government Pensions Scheme - Early Retirement Costs	This movement reflects ongoing reductions in the number of pensioners receiving these payments.	(30)	(30)	(30)	(30)
Training Contract	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.	(297)	245	(46)	554

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Change in Expenditure funded from Specific Grants and Reserves		(256)	(618)	(209)	0
Staff Related Total		(809)	(403)	(285)	524
Premises					
Business Rates	The forecast budget movement have been amended based on data received from Estates Management Consultant in December 2018.	91	212	217	222
Energy Costs - Electricity	Electricity budget funding reviewed for 19/20 after an overspend in 17/18 although actual consumption decreased by 5.22% from previous year. The increased cost is due to changes in the supply industry that has resulted in more fire stations being moved to more expensive half hourly contracts. There is potential for more sites to be moved to half hourly contracts which would result in additional costs. The revised forecast for 19/20 also allows for disposal of STC reducing costs by £34k. A 3% increase has been allowed for 20/21 and future years. BB 18/19 £1219k	449	97	104	159
Energy Costs - Gas	Gas budget funding reviewed for 19/20 after an underspend in 17/18 although actual consumption increased. The revised forecast for 19/20 also allows for disposal of STC reducing cost by £18k. A 3% increase has been allowed for 20/21 and future years. BB 18/19 £815k	23	23	23	0
Gas and Elec Contract	This reduction is achievable following a change in supplier	(280)	(46)	(51)	(81)
LFB Training Centre Croydon	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.	0	50	550	0
New Premises contracts (hard and soft FM services)	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.	149	158	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
New Technical Logistics Centre	The figures shown are based on the rates, rents and other running costs required to run the two logistics centres while the new Operations Support Centre (OSC) is set up. The refurbishment of the OSC is scheduled to be completed in December 19 and go live in early 2020. The reduction in cost is due to the closure of the current sites, once the OSC is operational.	(100)	0	0	0
Rent payable at London Operations Centre (Merton)	A rent review for Merton LOC is due in February 2020 and will be based on yearly increase of 2.5% from previous review resulting in a £384k pa increase. There will be a corresponding increase of £253k pa in the grant received from MHCLG. The net impact to the budget will be an increase of £131k from February 2020	120	0	0	0
Business Rates (Union Street)	Union Street Tenant - LAS have given notice to quit in March 2020. This has been reported as a risk with regard to potential loss of commercial income whilst the accommodation is vacant. However, the LFB will be liable for the business rates for the accommodation vacated by LAS whilst it remains vacant (LAS selected to pay rates direct to local council and this cost is not included in the rent). This is estimated to be about £115k per annum should the accommodation remain unoccupied for the entire year. There maybe an option to claim empty rates exemption for a short period and this will be investigated by the Estates consultant.	115	0	0	0
Reactive Building Fabric budget	After careful consideration of the demand and spend against this budget to date in 19/20 an estimated increase of £500k is proposed to provide a total budget provision of £1m in 20/21. It is not possible to contain this level of increase within the total approved budget for TSS/Property particularly with unknown financial implications of the forthcoming reorganisation of TSS/Property .	500	0	0	0
Rent Reviews	A review of property inflation requirements as part of the preparations for contracts that are coming up for renewal has resulted in an additional financial pressure	294	656	0	0
US Space Review Consultant	The review of the use of space at Union Street has identified that as a result of returning space to brigade use this will result in a financial pressure	40	(40)	0	0
New BA Cylinders Storage	This additional one off cost is for stowage and storage of the new cylinders	13	(13)	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
BDC Rent Extension	The brigade will not now vacate the Brigade Distribution Centre until 30 September 2020, this will result in additional costs totalling £162k, made up of rent (£94k) and Security (£68k). This is linked to the organisations Operations Support Centre project	162	(162)	0	0
FM Soft Services Provision	This additional cost reflects the proposed new strategy for this service provision	113	177	0	0
Change in Expenditure funded from Specific Grants and Reserves		9	(150)	0	729
Premises Total		1,698	962	843	1,030
Transport					
Command Unit Replacement	This budget is for an increase in the slot price following the replacement of command units.	180	0	0	0
Lease Car Charges	Increase in cost of insurance and subsidy for lease cars based on indexation and an increase in the number of cars in use through the scheme.	123	8	0	0
Additional Resilience Requirements	Ongoing Maintenance for Extended Height Aerial Appliances	75	0	0	0
	Ongoing Maintenance for Extended Duration Breathing Apparatus Sets	0	0	0	0
Fuel Expenditure	Inflation, energy efficient engines	400	0	0	0
New BA Cylinders Stowage	This additional one off cost is for stowage and storage of the new cylinders	64	(64)	0	0
Change in Expenditure funded from Specific Grants and Reserves		(938)	(1,089)	(40)	(152)
Transport Total		(96)	(1,144)	(40)	(152)
Supplies and Services					
Airwave Contract	This reflects ongoing inflation on the Airwave Contract.	51	54	56	58
Increase in Cadet Units to all London Boroughs	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.	(174)	(438)	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
MDT Support following removal of Airwave support	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.	23	0	0	0
Replacement of Extended Duration Breathing Apparatus (EDBA) cylinders	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.	26	0	0	0
Additional Resilience Requirements	Ongoing Maintenance for Extended Duration Breathing Apparatus Sets	0	613	0	0
	Wicking T shirts replacement costs	52	0	0	0
	Legal Costs related to Grenfell Investigation	(155)	(78)	0	0
Smartphones	General increase in demand for smartphones including a switch from Phone only contracts for lone workers to include data tariffs to allow access to data messaging services.	39	0	0	0
Mobile device management	In order to ensure compliance with Cyber essentials plus the Mobile device management tool used by LFB has been updated. This was agreed by CB.	94	0	0	0
Microsoft Licensing	An increase in the user base for the Office 365 subscription products to include Trainee Firefighters, Trainers and Agency staff is required	19	0	0	0
Microsoft Azure Services - Web Site	Maintain production, test and development environments and ancillary services has increased the footprint of our Azure tenancy beyond that allowed for in the original project budget	30	0	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Adoption of Paging App On Phones	This has been agreed in principle at CB and a paper is being put together on this for full consideration if accepted it will require a future saving (£14) to be reversed. The first year of this includes transitional costs including the development of the interface with the Capita system which could be funded from other sources potentially.	69	(59)	6	8
Finance System	These changes result from a shift in the technology stack, from the traditional on premise server based architecture with the consequential licence purchase, to a cloud based subscription model. This approach both aligns these projects with the Digital Strategies and the market in general	289	116	(252)	0
PAMS License	As a result of the method used to purchase the new Performance Administration and Management Solution and the Power BI system there will be ongoing revenue license costs instead of one-off capital purchase costs	21	0	0	0
Power BI License	As a result of the method used to purchase the new Performance Administration and Management Solution and the Power BI system there will be ongoing revenue license costs instead of one-off capital purchase costs	25	0	0	0
Top Managers Conference	This will support the cost of running a top managers conference in 2020/21	36	(36)	0	0
Payroll and HR System	These changes result from a shift in the technology stack, from the traditional on premise server based architecture with the consequential licence purchase, to a cloud based subscription model. This approach both aligns these projects with the Digital Strategies and the market in general	72	323	50	0
Change in Expenditure funded from Specific Grants and Reserves		(323)	(1,416)	(329)	(1,487)
Supplies and Services Total		193	(920)	(469)	(1,421)
Third Party					
Increase in FF Pension Admin Contract	This reflects an increase in the cost of this shared service under a cost recovery arrangement provided by the Local Pension Partnership via the London Pension Fund Authority. This will be reviewed by the LFB's Local Pension Board at their meeting in March/April 2020	68	0	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Advisor to London Fire Commissioner	This post will help professionalise and improve the Brigade's approach with public and stakeholder groups. This will include supporting the London Fire Commissioner by providing high level support and advice in delivering the Commissioner's priorities and in aiding the communication of those priorities both internally and externally	90	0	0	0
Change in Expenditure funded from Specific Grants and Reserves		89	0	(89)	0
Third Party Total		247	0	(89)	0
Financing					
Change to LFC Financing Costs	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.	(2,333)	303	2,730	0
Additional Resilience Requirements	Additional Borrowing Costs for additional items included in FEP2673	608	0	0	0
Revenue Contribution To Capital	TBC	0	0	0	0
Financing Total		(1,725)	303	2,730	0
Contingency					
Increase in Cadet Units to all London Boroughs	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.	0	0	0	0
Additional Resilience Requirements	Staff costs related to Grenfell Investigation	(642)	0	0	0
Contingency Total		(642)	0	0	0
Income					
Insurance Company Income	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.	(1,020)	(1,070)	(1,120)	(1,160)
Reduction in Shut in Lift charging	This adjustment reflects observed decreases in income and as the aim of this charge, to reduce demand, is realised.	10	10	10	10
Commercial Income - Paddington Canal and river Trust	The Canal and river trust have given notice to terminate their occupation of the car parking spaces at Paddington FS with effect from June 2019 this will result in a loss of £20,250 per annum	20	0	0	0

Appendix 1 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Entrance Fees - Grotto Sports Pitch	As the entire Grotto site has been leased to Hadston the sports pitch has been removed and no further income from hire of facility will be received. This will result in a loss of £26,000 per annum	26	0	0	0
Commercial Income - Babcock Training Croydon	Babcock training will be vacating the training building on 31st July 2019. This will result in an annual loss of some £55,154 per annum from this date	55	0	0	0
Interest Income	Increase in Interest income based on current rates.	(480)	200	0	0
US Space Review Consultant	The review of the use of space at Union Street has identified that as a result of returning space to brigade use this will result in a financial pressure	365	0	0	0
Change in Expenditure funded from Specific Grants and Reserves		(98)	(58)	(54)	(8)
Income Total		(1,122)	(918)	(1,164)	(1,158)
Virements					
Supplies and Services					
Increase in Cadet Units to all London Boroughs	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.	0	307	0	0
Supplies and Services Total		0	307	0	0
Contingency					
Increase in Cadet Units to all London Boroughs	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.	0	(307)	0	0
Contingency Total		0	(307)	0	0

Appendix 2 – Subjective Analysis

Subjective Analysis £m	Revised Budget 2019-20	Forecast Outturn 2019-20	Budget 2020-21	Plan 2021-22	Plan 2022-23	Plan 2023-24
Operational staff	270.1	269.0	278.8	283.4	290.0	295.2
Other staff	59.8	58.9	60.7	61.5	60.7	61.7
Employee related	22.1	22.9	24.3	25.3	25.7	26.9
Pensions	20.8	21.0	21.3	21.6	21.8	22.0
Premises	39.6	40.7	39.2	41.2	42.2	43.4
Transport	18.0	17.8	18.7	18.2	18.5	18.5
Supplies and services	29.7	31.4	31.1	30.6	30.4	29.2
Third party payments	2.1	2.2	1.4	1.4	1.3	1.3
Capital financing costs	9.8	9.4	8.7	9.0	11.7	11.7
Central contingency against inflation	0.1	0.0	0.0	(0.0)	(0.1)	(0.1)
Savings to be identified	0.0	0.0	0.0	(4.5)	(31.8)	(30.8)
Total expenditure	472.0	473.1	484.2	487.6	470.4	479.1
Total income	-40.4	-42.4	(39.8)	(41.1)	(42.6)	(44.0)
Net expenditure	431.6	430.6	444.4	446.5	427.8	435.0
Transfer to/(from) reserves	-3.9	-2.9	(9.6)	(28.2)	(1.8)	(0.8)
Financing requirement	427.7	427.7	434.8	418.3	426.1	434.2
Specific grants	35.4	35.4	33.3	11.6	11.6	11.6
Retained Business Rates	233.2	233.2	232.9	230.7	230.7	230.7
Council tax requirement	159.2	159.2	168.6	176.1	183.8	191.9

Transformation Funding Requirements	0.0	0.0	0.0	0.0	4.0	4.1
Revised Savings to be Identified	0.0	0.0	0.0	(4.5)	(35.8)	(34.9)

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
1	Middle Managers Allowance	The middle managers agreement set out payments to 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 to achieve this saving.	36,000	0	0	0
2	Reduction of Clothing Budget	Good financial management has limited laundry costs meaning savings can be achieved on this budget.	25,000	0	0	0
3	Corporate Management Team Review	A review of Corporate Management Team functions, staffing and budgets will begin once the new Commissioner has been appointed with a view to identifying necessary savings. The proposal is to allow the new Commissioner's considerations to be taken into account before offering savings based on an assessment of support requirements for the Commissioner and Directors.	0	25,000	0	0
4	Cancel membership of the London European Office Cooperation agreement.	This year we can stop LFB's contribution to membership of the European Office, which provides internal stakeholders 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 may still, and especially at this time in the ongoing Brexit debate, have implications for the GLA group. This proposal was provisionally agreed as part of last years budget process to ensure sufficient notice was provided for cancellation.	10,000	0	0	0
5	Reduction of Creative Services budget	In house creative services provide LFB with a resource that all departments rely on and often take for granted for a wide range of in house design and creative activity, as well as the ability to manage print costs. This savings would be from the 2021/22 financial year and work will continue with departments to ensure the implications are understood.	0	10,000	0	0
6	Reduce Communications department staffing resource.	Due to the continued and growing requirement for Grenfell Tower fire related communications activity, no proposals are made to reduce staffing levels up to and including financial year 2021/22 (two growth bids are made for 2021/22). This is based on known requirements during that period including the outcome of the Grenfell Tower Inquiry and potentially the MPS investigation. Given that a review of the department was completed in 2018, it is reasonable for the Assistant Director of Communications to complete a follow up review during 2021/22 to explore a reduction in staff salary budget. The department has a very limited corporate budget, and to reach the proposed savings targets for both 2022/23 and 2023/24, a reduction in the staff salary budget would be the most realistic option at this time, but with a clear understanding that some elements of service provided by the communications department would likely have to stop.	0	0	24,256	24,256

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
7	Control and Mobilising department professional services	With a fully managed mobilising service the need to buy in professional services directly has reduced over the past three years.	20,000	0	0	0
8	Control and Mobilising Travelling Expenses	Travelling expenses for carrying out overtime have been reviewed, and Control staff can no longer claim this expense.	10,000	0	0	0
9	Metropolitan Fire Brigade Act Income	<p>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 continuing to filter through in terms of insured business.</p> <p>Currently there is a 3.5% year on year inflationary increase built into the Medium Term Forecast. In addition, given previous insurance returns an extra 1.5% increase in the income was built into the budget up to 2021/22. However, there is considered to be increased risks going forward following Brexit with uncertainty leading to possible change in building projects and costs. This includes that people may leave the London property market or choose not to insure which could lead to a potential reduction in MFB income. Therefore whilst it is still proposed to make additional increases going forward to 2023/24, this would be at a lower rate. This is considered prudent considering the risks of economic pressures on the insurance market and the risk of potential challenges from the insurance industry. This will be kept under review going forward.</p>	420,000	440,000	285,000	280,000
10	Review Of Shared Services	Ongoing work 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.	12,000	0	0	0

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
11	Finance Department System Review	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	18,000	0
12	Increase General Counsel income budget	The proposal is to increase the income budget for recoverable legal costs by £20,000 to £155,000, on the basis the prosecution caseload should increase in time resulting in potentially more recoverable costs. The likelihood of a shortfall in income received would need to be managed as part of the budget monitoring process.	0	0	0	20,000
13	General Counsel Minor Restructure	This saving has been achieved under delegated authority and related to a minor restructure of the General Counsel department.	36,615	0	0	0
14	Cancel LGA subscription	Cease corporate subscription to Local Government Association.	0	0	0	30,000
15	Reduce General Counsel Media and Research Budget	Reduce Media & Research budget on the basis of retaining one legal reference package provided by LexisNexis procured through the London Borough Legal Alliance.	0	0	0	25,000
16	Grenfell Team Personnel	Predicted conclusion of team approximately calculated based on an 80% reduction in 22/23 with the further 20% concluding in 23/24	0	0	686,400	171,600
17	Safety Event Reporting Database administration (potential reduction in FRS administration roles)	The Health and Safety department have introduced a new safety event reporting database. As expected, with the implementation of the new SERD system (in October 2018), workload has increased for the SERD administration staff initially as the system is new to staff and there is an increased requirement for system and staff support. There may be some scope in the future to reduce the centralised administration burden based on the functionality of the new system. Currently this work is completed by several administration staff within the department. There may be potential, after the system has been fully integrated in the organisation, that through automation that can be introduced into the new system that the administration posts can be reduced. This is not guaranteed. Any reductions in the Health and Safety departmental budget can only be met by staff reductions. Following the loss of a Senior Health and Safety Advisor post in 2017/18 through budget savings, and through increased workload and pressure on the health and safety team through Grenfell and other investigations it would be very difficult to consider reducing the staff in the team at this point in time.	0	0	32,400	0

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
18	Disbanding of Emergency Services Network (ESN) Team (S027 17/18)	Removal of the ESN team following the implementation of the ESN project. 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	276,814	0
19	Paging System Replacement	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	52,000	0	0
20	Airbus Licensing	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.	30,000	0	0	0
21	Break Fix Contract	A retender of the Break Fix Contract for supporting the ICT equipment deployed at LFB has been completed and will deliver this saving. This has been achieved partly through the changing nature of the way in which services are provided to the end user.	152,000	0	0	0
22	ICT Contract Inflation	This reflects a reduction in inflation forecasts under RPI for a range of contracts.	46,513	47,159	46,513	46,513
23	Cognos Licensing	The cost of the Cognos License can be saved following the planned replacement of that reporting tool with Microsoft products.	0	43,718	0	0
24	Data modelling	The budget is for data modelling and operational research currently undertaken by ORH Ltd, under a contract with the Brigade. The expenditure supports a range of modelling to support planning of the response service (e.g. replacement sites for fire stations, locations of appliances at stations). The saving is achievable having regard to the usual volume of work commissioned. There is likely to be a greater call for modelling as the Brigade prepares for a new London Safety Plan (LSP), hence the saving is not shown to be delivered until 2021/22. Should any modelling demand for a future LSP (beyond 2021/22) exceed the reduced budget then specific additional provision would need to be sought.	0	30,000	0	0
25	Mobilising System mid contract refresh	The capita contract includes an annual allowance for Technical refresh. This can be removed from the contract cost in the final years of the contract, if extended.	0	0	216,000	108,000

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
26	Operational WMB Policy Post Deletion	Post Deletion: The WMB post at a cost of £56,881 would be given up following the delivery of the NOG project as set out in LSP2017. This post enables NOG to be integrated into the LFB which will ultimately enable the alignment and reviewing of policy against National criteria to be undertaken more efficiently and ensures the LFB was able to adapt to National changes in policy and legislation quicker. Part of this project will see the development of an IT single policy portal, which may also host MOS training packages (subject to ongoing discussions) which will contribute towards firefighter competency and safety.	0	61,159	0	0
27	Operational Allowances	This saving on operational allowances is achievable but will reduce the number of staff available for recall to duties for flood and other rescue related activities by 16% (20 staff).	49,815	0	0	0
28	Recruitment Advertising	Savings as a result of revisions to recruitment process and current expected requirements in future years. This saving may need to be reviewed if recruitment requirements increase.	10,000	50,000	44,300	0
29	People Services Budget Reductions	A range of savings as a result of a review of expenditure in previous years, including Drug and Alcohol Tests, Medical Expenses Contract, Childcare and the Occupational Health Contract.	25,000	0	0	0
30	Hydraulic Platforms	Provided there are no significant issues with the new aerial fleet, this will have no significant implications on service delivery and the current HPs are out of life by many years. 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 in 2020/21 and then roll out will include training crews on the new vehicles.	150,000	0	0	0
31	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.	30,000	0	0	0
32	Emergency Fire Crews Contract	Minor saving due to mismatch in budget and current cost due to inflation adjustments.	25,000	0	0	0
33	Scientific Services Contract	The current Budget accounts for both fixed contract spend and unplanned out of contract scope spend. Due to the controls in place around the uncontracted spend and the minor changes in scope of the contract the unplanned spend is consistently under spent. This will reduce the budget in line with the prior year run rates.	66,000	0	0	0

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
34	Fleet Modifications	Due to the capital funded modifications this budget has been consistently underspent as the Fleet and Babcock focus has been on achieving these major projects. That has highlighted that there is also little need to carry out many safety related modifications across what will soon be a brand new pumping appliance fleet. Any modifications related to future changes in equipment will be picked up in the project spend and so not managed against this budget. There will always be a risk of change to the dynamic safety related environment these vehicles & equipment operate in. A budget will always be required. Impact of Savings The saving proposed is only a part of the overall budget and recent years' history has proven that this budget reduction will not have a detrimental impact. Also, the new pumping fleet will not have need for extensive modifications.	26,587	0	0	0
35	Woking IT Disaster Recovery centre	The move of the IT Disaster Recovery Centre from the Woking site to the Stratford fire station site is now complete. The £237k pa provision for the rent at Woking can be released as the current lease will not be renewed.	237,000	0	0	0
36	Business Rates	There is a £20k surplus at new Dockhead Fire Station due to final assessment being below forecast, plus the disposal of old Mitcham site being completed releasing £13k.	33,000	0	0	0
37	Layflat Hose	A reduction in the replacement of the layflat hose may be achievable based on existing failure rates.	13,000	10,000	10,000	10,000
38	Respiratory Protective Equipment Replacement	A reduction in the replacement of the Respiratory Protective Equipment may be achievable based on existing failure rates.	10,000	5,000	15,000	15,000
39	Business rates - LFB HQ - One-off	This one-off reduction is achievable following a review of the business rates budget at the LFB HQ building.	998,875	(998,875)	0	0
40	Business rates - LFB HQ - Ongoing	This ongoing reduction is achievable following a review of the business rates budget at the LFB HQ building.	345,840	0	0	0
41	Security	A reduction in cost of the security service at sites awaiting disposal. The saving has been scheduled for 2021/22 and assumes that sites awaiting disposal at Clerkenwell and Lambeth will all be completed by that date. Should disposal of all sites be completed sooner then the saving can be brought forward.	0	125,000	0	0
42	Technical And Service Support Operational Equipment	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 a phased reduction in funds is proposed. Minimal impact forecast but will be kept under review.	11,000	11,000	11,000	11,000

Appendix 3 – Savings

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
43	Telemetry Maintenance	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	7,500	7,500	0
44	Gas Tight Suits	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	10,000	0	0	0
45	Training and Conferences	The reduction in budget will mean there will be less opportunities for staff to attend external continuous professional development (CPD) training and attend conferences to learn about best practice and new developments in the fire and rescue service and other professional fields (e.g. L&D, HR, IT, Finance, Legal). Those staff who need to log continuous professional development to retain membership to a professional body may find it challenging to evidence CPD hours.'	133,620	0	0	0
46	Training Boat Maintenance	Reduce contract hire, Targa training boat maintenance costs running lower than anticipated over the past 3 years	7,000	7,000	7,000	7,000
47	Training Department Sponsorship	Reduce development budget (sponsorship). Continuations for those already pursuing study will be honoured over a year period.	23,000	23,000	0	12,000
48	Operational Fleet Insurance	A draw down of the surplus claims funds is offered as a one-off saving in the 2020-21 budget submission. As there is already a forecast underspend of -£117k on the Insurance Premium budget in Procurement and an underspend of -£39k on Insurance claims, the draw down is not recommended this year. Insurance section have said the draw down is likely to be £350,000 or 50% of this year's payments, but this may be subject to change.	350,000	(350,000)	0	0
49	Other Saving Proposals	This includes a range of minor savings proposals under £10k individually.	25,033	10,915	815	815
50	GLA Collaborative Procurement	The ongoing GLA collaborative procurement project is now being fully funded by the GLA.	74,000	0	0	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
1	FRS G Lawyer	<p>Establish FRS G Lawyer post to provide appropriate level of strategic management in Public Inquiry/Inquest work - Over the course of the past 20 years General Counsel's Department (GCD) has dealt with a number of significant inquests and public inquiries including the Marchioness Inquiry, Bethnal Green inquests, 7/7 Inquests, Lakanal inquests, Westminster Bridge and London Bridge Terror attacks and the current Grenfell Tower Public Inquiry with the Croydon Tramlink inquests due to begin next year.</p> <p>The Head of Litigation(TMGB) has led or worked on the majority of the inquests and inquiries that the LFB has been involved in over the years and has built up a significant amount of expertise and knowledge. However, the current structure of the Employment and Litigation team does not have an established FRS G post to provide an appropriate level of strategic management for this particular area of work. This has led to a gap in resilience for GCD and an increased need to rely upon external resources and the Head of Litigation particularly in managing the Grenfell Tower Public Inquiry and associated litigation.</p> <p>The establishment of an FRS G Inquest/Public Inquiry post will build in future resilience for GCD and, in time, enable GCD to rely less upon outside resources which should in time pay for itself.</p>	82,136	0	0	0
2	FRS C Paralegal	<p>Re-introduction of an Employment Lawyer/Paralegal into the Employment and Civil Litigation Team at FRS C grade - Since Employment Tribunal fees were abolished, there has been an increase in claims. It is evident that we need an experienced junior lawyer/paralegal (FRS C) who will be able to assist with some of the case-work, and who will also be able to focus on pensions advice. In previous years, we have had a pensions specialist within the team. Whilst the team leader has good knowledge of pensions law, in her absence, there is a slight gap in the knowledge of the team, and this creates a potential issue with regard to resilience. The team also undertakes debt recovery work but has struggled to drive this forward. It is a corporate objective to drive down the LFB outstanding debt and so to that in effect it is a potential 'spend to save' proposal.</p> <p>In addition to support within the Employment Team, an additional junior lawyer/ paralegal will also provide much needed support for other areas of work within the litigation team.</p>	40,387	0	0	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
3	FRS F Lawyer	<p>Establish FRS F Prosecution Lawyer - In 2019/20 there has been an increased focus on enforcement work within the Fire Safety Department with a view to improving and developing processes to increase the efficiency and time in which enforcement matters are pursued. The GCD is key to that plan and is working closely with the client to develop matters in accordance with an agreed action plan. That work is likely to increase the number of active enforcement matters within the GCD.</p> <p>Prosecution cases not only fulfil the LSP aims of fire prevention but can also result in penalties being imposed and costs being awarded. While the recovery of costs forms part of the GCD budget as an income target, it does mean that increased work should generate increased income. The team will also be in a better position to explore and pursue POCA proceedings, which is also an income stream.</p>	66,149	0	0	0
4	FRS C Governance Support Officer	Establish FRS C Governance Support Officer - The Governance Team has been established to service the new corporate governance framework arising from the reforms. The framework has been in operation for over one year, with a number of learnings arising. The burden upon the team has become apparent over the year, and it is apparent that there is a need for a senior administrator capable of underpinning the requirements of the boards with regard to report despatches; the maintenance of logs, registers and schedules; updating document libraries; schedule policy reviews; document publishing into the public domain; and report processing, including the application of redactions and other publishing requirements.	40,387	0	0	0
5	FRS C PA to General Counsel	Establish FRS C PA to General Counsel - The post of General Counsel has been occupied by a locum for 4 years pending decisions regarding the future of the post and the Legal Team and is now filled on a permanent basis. The role of General Counsel is a technical, managerial and strategic one, involving a large number of meetings, Boards and Panels, the preparation of documents, reports and presentations and oversight of corporate governance under a new statutory arrangement. In order to be effective and for the LFB to obtain value for money from the post of General Counsel moving forwards, there is a need for administrative and organisational support which is currently not available in the General Counsel Department.	40,387	0	0	0
6	Establishment of Permanent HMICFRS Inspection Team	Increase in posts to establish Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) Inspection Team as permanent team - Increase in 1 x FRS E	53,219	0	0	0
7	New budget for digital communications	A growth bid of £15k allocated to the communications department to promote website fire safety.	15,000	0	0	0
8	Creation of new Internal Communications post	1 x FRS C Internal Communications Officer to support the business requirements of the Brigade to do more internal communications.	40,387	0	0	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
9	Mental Health and Trauma Team Coordinator	A new post is required to coordinate and manage two LFB mental health initiatives: a team of trained volunteer Mental Health First Aiders (MHFA) including additionally trained trauma support volunteers as part of the Trauma Support Team (TST) to be deployed to support watches after critical / major incidents.	54,969	0	0	0
10	Equalities establishment increase	A gap analysis in relation to public sector due regard to the Equality Act 2010 revealed some compliance issues around some Brigade practices. Further investigation indicated substantial work was required to ensure the Brigade is compliant with legislation (an example is a requirement to reform of the EIA process, and ensuring all policies are cogniscent of and make reference to relevant diversity and inclusion considerations). Areas needing strategic direction and further development for compliance and to emulate good practise include embedding inclusion into recruitment, leadership, communications, procurement, data management, and partnership working. This work is key in mitigating risk to the Brigade not just in being able to fulfil LSP 2017 commitments, but also in ensuring the Brigade is resilient and able to meet staffing requirements now and in the future. Without progressing this work, there is significant reputational risk to the Brigade. There is a moral obligation to fulfil in relation to inclusion work and growth in this department and will ensure the Brigade is able to provide a safe and supportive environment to its staff, addressing the concerns identified in the staff survey this year. An increase of establishment is therefore required of 1 x FRS F post in the role of Equality Manager. The grade of this post has been evaluated against the work programme and is deemed commensurate with the level of responsibility.	66,149	0	0	0
11	Training Delivery	Following the conclusion of phase one of the Grenfell Enquiry and the independent review of training, a number of changes to training delivery are now being developed. An estimate of the financial impact of these is included here, but is subject to change. This includes moving to the use of more LFC operational staff to deliver training under a seconded model to the contractor.	2,234,973	933,802	137,486	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
12	Data Sharing Manager FRS D	<p>Much of the Brigade's work relies heavily on the sharing of information and data with partners, including local councils, other emergency services, voluntary sector organisations, etc. Data sharing supports the Brigade's response, prevention and protection activities, and efficient sharing of data can be compromised by inadequate or lengthy discussions to put in place sharing agreements. For this reason, In 2018, additional funding was agreed to establish a temporary FRS D post to lead on the delivery of a London Information Sharing Alliance using the Information Sharing Gateway platform (ISG). The post was established for one year and was co-funded with the GLA who partnered in the project. The project aimed to improve, streamline and demystify the process by which London local authorities and their partners share personal data in a way that is compliant with data protection law. Data sharing has historically been an unnecessarily complex process and often met with resistance. The Information Sharing Gateway platform establishes a common framework for data sharing agreements to be complied, agreed and signed off online. Roll out of the platform has been tied in with the GLA work on the London Office of Technical Innovation and the work to diver digital innovation and those partner Boroughs. Being a pan-London organisation, the LFB has to manage a large number of data sharing agreements and the ISG brings many benefits. For this reason, we would like to continue with a dedicated role to support the ISG beyond the implementation phase. It is therefore proposed to establish a permanent Data Sharing Manager post (at FRS D grade) to deliver expertise in data sharing matters (principally to borough commanders) and to provide governance and support and to the organisations and users of the IGS platform.</p>	47,413	0	0	0
13	Image Management Assistant FRS C	<p>LFB is making more use of image recording devices and it is necessary to provide more support to the work of the existing FRSD Visual Collection Manager. The proposed FRS C Image Management Assistant (job title and grade to be confirmed) will help with the cataloguing, editing, preparation and disclosure of Brigade images including;</p> <ul style="list-style-type: none"> • photos of incidents, events and investigations • Drone footage • CCTV from appliances and vehicles • Body Worn Video • Brigade mobiles, tablets, MDT's and MDT tablets <p>The post is tied in with the delivery of the Digital Imagery Project which is looking at all image capture devices and how those images are stored, access and managed across the Brigade in ways that are compliant with data protection principles and rules on the preservation of evidence.</p> <p>Additionally the Brigade are seeking to procure a system that will allow members of the public to send video and still pictures of incidents through to control staff. This will allow incidents to be viewed in real time and also allows for these images to be retained in the long term.</p>	70,387	0	0	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
14	SharePoint Administrator FRS E	A resource is needed to support the existing SharePoint 2013 software the 2019 platform and to assist in the implementation and ongoing support of SharePoint Online. The removal of the devolved administrative roles in end user departments, the move of Station and H drives to SharePoint and One Drive, the introduction of security protocols and the continued support of our bespoke solutions as part of the migration to the online services will increase the workload within the department significantly. This function is currently covered through an Agency member of staff.	53,219	0	0	0
15	On Line Services Administrator FRS E	As we move services to the cloud a number of services are now required to maintain the Office 365 interface, including task such as managing user access, Domains, security groups, licences This change in approach to licensing facilitated a cost avoidance of some £500k per annum	53,219	0	0	0
16	WAN Contract Overspend	Additional services have been required over the life of the contract which have increased the costs of this service to LFB. This is a one off growth item to cover the period to the end of the current contract (July 2020) It is anticipated that the current procurement exercise will deliver a reduction in costs for these services which it is believed will bring the overall cost back in line with the approved budget.	145,000	(145,000)	0	0
17	Replacement Mobilising Solution Project	Staff requirement of 1 x FRS F, 1 x FRS D, 1 x Senior Operations Manager, 1 x Operations Manager and an external resource to document and challenge business requirements with a view to formulating a specification to be used in the procurement of a new system.	265,411	0	0	0
18	Finance System Upgrade	Staff requirement of 1 x FRS F to Manage the project and 2 x FRS D. There is a corporate project to replace both the Finance system and the Payroll system. The cost of the hardware and software, the necessary specialist consultancy support and on-going maintenance will be picked up as part of a separate report and also as part of the capital programme by the ICT Department. This project is considered critical to the financial integrity of the LFC. There are also likely to be further additional staffing requirements in Finance for the implementation stage of the project which will be considered in a separate report. (This project will consider GLA collaboration).	160,975	0	(160,975)	0
19	Grenfell Tower Inquiry	Increase in projected 2020/21 team size due to increased pressures from phase two of the Grenfell Tower Inquiry and ongoing criminal investigation. This is only predicted as a one off cost, but there is the possibility this will change.	723,843	(723,843)	0	0
20	Enforcement Team	Increase in establishment of Enforcement Team due to change in inspection regime. More intrusive inspection process and improvements in identification and targeting of risks has seen a rise in enforcement rates and work for the team which is a positive direction of travel in line with departmental aims and outcomes of HMICFRS inspections programme. Additional posts required 2 x FRS C/D, 1 x FRS C Support Officer and the extension of the 0.4 detachment of legal support (FRS F for 2 years)	162,832	0	(26,459)	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
21	Transport Team	Creation of 2 x additional FRS D post in Transport to respond to the significant workload associated with major transport and infrastructure projects including but not limited to Crossrail 2, Heathrow M25 Tunnel, Western Rail link to Heathrow T5, London City Airport expansion; High Speed 2; Bakerloo & Northern Line extensions. 1 post will be transitional to support and underpin the work of the other Central Teams. Increased focus generally in fire safety issues has seen wider and more extensive consultation requests from Transport providers for both existing infrastructure and major new projects.	94,846	0	0	0
22	Inspecting Officer Structure	Additional 8 x Fire Safety Advisors (FRS C) to complement and support the existing Inspecting Officer structure. Since the introduction of Fire Safety Advisors in 2018 we have had two successful recruitment rounds with a number of staff due to be progressing up to Fire Safety Inspecting Officer by year end. This increase in establishment will create sufficient FSA's to provide succession planning and resilience to the Inspecting Officer cadre. We anticipate in any given year, through promotion and natural wastage turnover of qualified Fire Safety Inspecting Officers of approx. 12 per year. Due to current market pressures and demand for fire safety skills we anticipate potentially higher numbers of staff turnover in the coming years as reforms are made to the regulatory requirements. Initial requirement will be for 2 years when a review will take place to determine further need.	323,096	0	(323,096)	0
23	Community Safety Policy and Projects Team	The Community Safety Policy and Projects Team has an FRS D (0.8). Increase this post to 1.0 to deliver Houseboat Project. Would also solve issues in future as recruitment to an 0.8 post is very difficult. The house boat project has been made possible by a successful grant bid for £153.5k. The grant money does not cover the staffing costs associated with delivery.	9,300	0	0	0
24	High Rise work arising post-Grenfell	Posts originally created to support the High Rise work arising post-Grenfell, this has encompassed recording and follow up of high rise inspections plus data management and support to NFCC and MHCLG. Role now includes work associated with other buildings affected by concerns over the building facade (government test 27 - cladding types). Results of recent testing to be shared with responsible persons for buildings and extended to buildings below 18m which will inevitably create the need for administration, co-ordination and support of this work going forward. Inspections of affected building will be absorbed into business as usual in the risk based inspection programme but a higher level of recording and interrogation of data will be required due to the ongoing nature of the Building Safety Programme. Establishment increase required - core funding this function with 1 x WMB & 1 x FRS B	98,528	0	0	0
25	Accreditation for Inspecting Officers	Cost of up to £140 per officer for up to 200 technical officers. We have continually argued for greater competency across the built environment and accreditation particularly in regard to fire and construction sectors. We are seeking to mirror that by obtaining 3rd party accreditation on the competency of our Fire Safety Inspecting Officers	28,000	0	0	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
26	Care Premises & Specialist Housing Co-ordinator	Following the successful pilot of an enhanced programme of inspections and education provided to specialist housing and care premises and to meet the growing sector of vulnerable people being accommodated in a range of specialist housing across all parts of London, we are proposing to substantiate the role of Care Premises & Specialist Housing Co-ordinator (FRSE) to carry on engagement with key partners such as CQC and raise wider awareness of fire risk indicators amongst vulnerable people that continue to underpin the number of fire fatalities and injuries that we see across London.	53,219	0	0	0
27	AFSS Co-ordinator	Creation of an additional AFSS co-ordinator (WMB) to meet the growing demand for advice and support and to champion the benefits of suppression systems across the range of premises. Supports LFBs long standing campaign to see sprinklers installed in all new builds for specific building types and retro fitted in properties where there is a clear fire safety benefit.	64,016	0	0	0
28	Outreach	Outreach function is currently provided by a team within Fire Safety but funding has come from People Services. The original team structure did not include an Outreach Manager or support for growing workstreams including but not limited to development of strategy to support retention of under-represented groups, recruiting talent and diversity into FRS, STEM and Control positions, management of Outreach volunteers; development of cadets employment pathway and supporting strategic employment partnerships. Growth bid is for 1 x FRS F, 1 x FRS C and 2 x FRS B	175,560	0	0	0
29	Six Additional Control Room Officers	Due to the relocation of the Resource Management Function, Control establishment was reduced from 66 Control Room Officers (CRO) to 60. This equated to a reduction of one CRO per watch (six staff in total) reducing watch establishment from 16 to 15 and model staffing from 11 to 10. In order to maintain operational resilience we would continue to staff up to 16 with a model staffing of 11. To achieve this we are currently funding the shortfall through overtime, which by its very nature is difficult to predict and therefore does not provide the required resilience within the department. It has become clear that we will look to maintain this position in the medium to long term and will need to be cognisant of any conclusions and recommendations coming from the ongoing Grenfell Tower Inquiry.	241,212	0	0	0
30	Insurance	Insurance has increased by £83k due to increases in the employees liability,(an aggregate stop to cap insurance excess), and volume increase in the Authority payroll/budget. There is also an increase in property insurance, as there has been an increase in leased properties and the insurance on Union Street has increased following a revaluation of the building by the new landlord.	83,000	0	0	0

Appendix 4 – Growth

Ref	Growth Item	Description of Growth	2020/21 £	2021/22 £	2022/23 £	2023/24 £
31	Multi Agency Incident Transfer	<p>The Brigade has received transformational funding to implement MAIT. MAIT will allow the Brigade to transfer incident information from its Vision mobilising system, via the internet, to other blue light agencies that have a MAIT compatible mobilising system. The data is transferred / received via a cloud hub. The Brigade are seeking to implement a proof of concept with fire & rescue services from Wales initially.</p> <p>The transformational money that we have has been used to modify Vision and other components. However, as it is capital money it cannot be used to pay service subscription costs, hence the bid for revenue growth.</p>	30,000	0	0	0
32	Carbon Reduction Strategy	The Mayor has set a carbon reduction targets for the LFC of 60% reduction by 2025 and a further target of Carbon zero by 2050. Additionally the Deputy Mayor for the Environment tasked the LFC with developing a strategy to set out how the 2025 target would be met. A strategy has been drafted that includes the proposals to take forward a number of new energy efficiency and renewable energy measures, with forecast revenue expenditure of £733k. This may also deliver ongoing revenue budget savings as a result of reduced energy costs, this impact of this will be monitored.	391,000	(100,000)	0	(291,000)
33	999 Eye	<p>The Brigade currently lacks the ability to receive streaming video and still pictures from members of the public as incidents are occurring. The ability to receive and where appropriate store such images could be a valuable addition to the tools available for control officers.</p> <p>This product, 999 eye, allows members of the public who dial 999 on their mobile phone to send live images back to control. These images are subsequently stored in a secure facility owned by Capita.</p> <p>The ability to receive such pictures will greatly increase situational awareness at incidents and where appropriate allow control officers to revise attendance at incidents based upon footage received.</p>	30,000	0	0	0
33	Operations Support Group Vehicle Replacement	This reflects vehicle requirements for the Operations Support Group	43,000	0	0	0

Appendix 5 – Risks and Opportunities

1. Firefighter and Local Government Pension Schemes

- 1.1. There has been a material increase in the cost of employer contributions for the existing firefighter pension schemes, following the **scheme valuation 2016**. That increase was assessed at £25m and is largely as a result of changes, by Government, to the discount rate used in valuing future liabilities. A grant of £22m was provided to offset this pressure in 2019/20 and in 2020/21. The figures in this report assume that no funding is received for this in subsequent financial years. As a result this £25m pressure forms a significant element of the forecast budget gap over the medium term.
- 1.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities (FRAs), of a **discrimination claim in connection with the transitional arrangements** applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. The tribunal ruled in favour of the claimants. The Government and FRAs sought permission from the Supreme Court to appeal the Court of Appeal's decision, however this was denied. In December 2019, the Employment Tribunal declared that firefighters are entitled to return to their pre 2015 pension scheme. The potential cost and staffing implications for the LFC are not possible to forecast at present, but may lead to a material budget pressure. The remedy is potentially made more complex as it may need to address the issue on a range public sector pensions, possibly including the LGPS.

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 allowed for a trial period using the LPP services whilst it transitioned to its new service delivery model, although work on this continues to develop. Officers are now working with the Local Pension Board to consider options for 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 £0.3m pa under a shared service arrangement to provide administration services for the firefighter pension scheme, although cost is set to rise in 2020/21.

3. Pay and Inflation

- 3.1. The Covid-19 outbreak is likely to result in high levels of sickness among all staff groups within the LFB. In order to maintain resilience in front line response, the LFB is strengthening contingency arrangements to ensure adequate fire cover continues to be delivered across the organisation. This could potentially result in increased staff payments including overtime and recall arrangements, the potential use of the LFB's emergency fire crew contract and other financial pressures.
- 3.2. The **EU exit** has led to some economic uncertainty. While the impact of this is currently unclear, preparing forecasts for increases in general inflation remains difficult.
- 3.3. LFC has made a budget provision for a 2% **pay award** for all staff in each of the next four years from 2020/21 to 2023/24.

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

Appendix 5 – Risks and Opportunities

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 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.
- 4.6. **Operations Support Centre (OSC) Project (formally IELP)** – Fit out of the site is almost complete however there is a risk that additional expenditure requirements may be identified as part of finalising the project..
- 4.7. **Plumstead Redevelopment** – The Plumstead site will be refurbished and an extension built. The current plan is that the construction will start in January 2021. Any delay in meeting this date will need to be considered as part of the capital monitoring process and there may be additional costs.
- 4.8. **Fleet and Equipment** - A risk exists in relation to meeting the emission reduction targets for 2030 (ULEF programme) for the replacement vehicles and associated equipment in that the technology and infrastructure, if available at all, may be more costly than existing vehicle technology.
- 4.9. **ICT** - As part of the project to upgrade the desktop environment **cloud based services** will be utilised for Microsoft office products. These products are offered in a variety of packages and LFB has selected a mix of these that best suits the business use identified by the project. There is a risk that the allocation of licences associated with this may not provide sufficient functionality or allow appropriate levels of integration with other applications. The likelihood is low, however should it arise the cost implications could be significant with a maximum annual revenue requirement of some £0.7m.
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**.

Appendix 5 – Risks and Opportunities

- 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/fair funding reviews**.
- 6.2. The current **four year funding settlement** from central Government ran until the end of 2019/20. There is a one year spending plan for 2020/21 and it is expected that a further spending review will cover the subsequent financial years. The result of that 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. 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 2022/23 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.
- 7.4. There may be an additional training requirement to support new expected **fire safety legislative changes** which have the potential to result in training for all technical officers. New technology may also be required to support the new fire safety landscape.

Appendix 5 – Risks and Opportunities

- 7.5. As a result of ongoing vacancies it may be necessary to extend the **Pay Policy arrangements** for Fire Safety Inspecting Officers & Fire Safety Specialist Officers to cover the current short term skills gap (FEP 2795 & LFC-0075) for a further period. The cost of this is currently £80k annually.
- 7.6. Central government funding has been provide for the **NFCC Building Safety Team** for which London have a number of seconded officers. If this funding were to cease those officer would return to their base posting at LFB but there is likely to be a need to commit to shaping the wider for Safety landscape during the implementation and refinement of the Hackitt recommendations for which LFB have so far played a pivotal role. A full review will determine needs going forward to assess appropriate roles and grades.
- 7.7. There is currently a **review of Youth Engagement** within LFB being undertaken, one of the potential outcome may be to invest in a single lead product that is Fire Cadets - this potentially would provide the ongoing funding for the cadet units that have received initial funding from the mayor. However any decision to remove some youth provision may require Mayoral approval. If a decision was not forthcoming there would be a potential budget pressure in order to maintain the new cadet units post mayoral funding.
- 7.8. Despite **agile use of working space at both Union street** and other locations across the LFB estate there is continued pressure for office space at Union Street, particularly in light of growth in teams (e.g. Cadets & Fire Engineers) and business improvement options including, but not limited to a central hub to manage building consultations (linked to Government Building Safety Programme and the Hackitt outcomes). Budget pressure may be incurred due to seeking further accommodation close to Union Street or reviewing building occupancy by rent paying tenants as part of an overarching property strategy.
- 7.9. The **New Commissioner** may require additional support - and this will be assessed during the ongoing staffing review.
- 7.10. The new Commissioner also now has in place a **Transformation Delivery Plan** and initial cost estimates to deliver this have been prepared and with resources to be set aside in a transformation reserve. There is a risk that the total and profile of these costs could vary from the initial estimate and place quite different demands on the transformation reserve.
- 7.11. A new international accounting standard on leases will impact on the LFB from 2020/21. Work is being undertaken to determine the impact of this, but it is expected that this will require income from sub-letting leased premises to be treated as a capital receipt. This is expected to be used to meet the cost of the Minimum Revenue Provision and so the overall impact on the revenue budget is expected to be neutral, however this will be kept under review.
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.
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

Appendix 5 – Risks and Opportunities

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.

Appendix 6 – Equality Analysis

Standard Equality Impact Assessment Form

Question 1: Which Team, Department, or Project Board is responsible for carrying out the Standard Equality Impact Assessment?

Name	Finance Department / individual departments proposing savings
------	---

Question 2: Lead assessor's contact details

Name	Abby Crawford	Mobile No	
9.3. Job title	Equality Manager	Extension	30514
Department	People Services	Email	Abby.crawford@london-fire.gov.uk

Question 3: Title of / policy (please include the policy number) / project / report / proposed change / initiative / decision

2020/21 Budget Process Proposals

Question 4: Is the work...

New	x	A complete redesign	
A small change or policy review		Other (e.g. reviewed as current)	

Question 5: Briefly outline the aim and the purpose of the work

Aim	This report sets out the LFC's 2020/21 Budget in compliance with the requirements of his Budget Guidance.
Purpose	<p>That the London Fire Commissioner agrees that:</p> <ul style="list-style-type: none">• Subject to the decisions below, a 2020/21 revenue budget of £399.3m be approved, being made up of net expenditure of £440.5m with £5.7m funding from earmarked reserves and £33.3m funding from specific grants;• The revenue estimates, as set out in Appendices 1, 3 and 4, showing proposed savings, growth and budget movements, are approved;• The establishment changes associated with the 2020/21 revenue budget, as set out in Appendices 1, 3 and 4, are approved;• The capital programme with gross expenditure in 2020/21 of £35.7m, as set out in Table 8 and confidential Appendix 7, be approved;

	<ul style="list-style-type: none"> The capital strategy at Appendix 7 is approved for publication; and The additional payments into earmarked reserves for 2019/20 as set out at Table 6 are approved, including the creation of a new Transformation Reserve.
--	--

Question 6: Has an EIA been conducted previously? (please tick)			
Yes	x	No	
If yes, attach a copy. If no, state the reason.	Prepared by Strategy and Risk Dept on the previous 2019/20 Budget Paper		

Question 7: Who is it intended to benefit / Who does the change affect?					
Staff	x	Wider public	x	Service users	x
Other (please state)					

Initial Equality Impact Assessment – Screening Stage

Complete the table below to see whether you need to complete a full Equality Impact Assessment.

Only positive impacts identified: No full EIA required	Only neutral impacts identified No full EIA required	One or more adverse impacts identified Full EIA required
--	--	--

Question 8: Identifying the impacts	
<p>Consider the relevance of the policy / project / decision on each group below and describe any impacts identified.</p> <p>NB: Some characteristics may attract multiple impacts e.g. age: positive impact on older people, adverse impact on younger people.</p>	
Protected Characteristic	Level of Impact (Positive impact, neutral impact, adverse impact)
Age (younger, older or particular age group)	An initial EIA was undertaken as part of the budget process and there were a number of proposals that required further review, where the savings may have an impact on staff or service delivery. This EIA lists the proposed savings which potentially have an equality impact :

Question 8: Identifying the impacts	
<p>Consider the relevance of the policy / project / decision on each group below and describe any impacts identified.</p> <p>NB: Some characteristics may attract multiple impacts e.g. age: positive impact on older people, adverse impact on younger people.</p>	
	<ul style="list-style-type: none"> • Ref 1- Central Ops • Ref 14 – Control • Ref 32 – General Counsel • Ref 51 – Ops Policy • Ref 53 – Ops Policy • Ref 55 – People Services • Ref 56 – People Services • Ref 57 – People Services • Ref 58 – People Services • Ref 59 – People Services • • Ref 87 – Technical and Service Support • Ref 88 – Technical and Service Support • Ref 89 – Training and Professional Dev't • Ref 98 – Training and Professional Dev't <p>The Inclusion Team has wrote to the Heads of each relevant Department to ensure that Equality Implications are considered at the time of decision-making in relation to the above proposals.</p> <p>The outcome of this process is reflected in the Equalities implications at paragraph 68 on the main report.</p>
Disability (physical, sensory, mental health, learning disability, long term illness, hidden)	See above re: speculative equality impacts.
Gender reassignment (someone proposing to/undergoing/ undergone a transition from one gender to another)	See above re: speculative equality impacts.
Marriage / Civil Partnership (married as well as same-sex couples)	See above re: speculative equality impacts.
Pregnancy and Maternity	See above re: speculative equality impacts.
Race (including nationality, colour, national and/or ethnic origins)	See above re: speculative equality impacts.
Religion or Belief (people of any religion, or no religion, or people who follow a particular belief (not political)	See above re: speculative equality impacts.
Sex	See above re: speculative equality impacts.

Question 8: Identifying the impacts	
<p>Consider the relevance of the policy / project / decision on each group below and describe any impacts identified.</p> <p>NB: Some characteristics may attract multiple impacts e.g. age: positive impact on older people, adverse impact on younger people.</p>	
(men and women)	
Sexual Orientation (straight, bi, gay and lesbian people)	See above re: speculative equality impacts.
Are there any other groups this work may affect? i.e. carers, non-binary people, people with learning difficulties, neurodiverse people, people with dyslexia, ADHD, care leavers, ex-offenders, people living in areas of disadvantage, homeless people, people on low income / poverty?	See above re: speculative equality impacts.

Appendix 7 – LFC Capital Strategy

LFC Capital Strategy 2020/21 and Future Years

Introduction

1. The Capital Strategy outlines the London Fire Commissioner's (LFC) approach to capital investment, ensuring that it is in line with corporate priorities. These priorities are set out in the London Safety Plan (LSP), and detail how the Brigade will deliver and shape services to provide London with a world class fire and rescue service. The Brigade wants London to be the safest global city and the Capital Strategy will contribute to that ambition, and support delivery of the Mayor's priorities.
2. The Capital Strategy sets out a framework for the management of capital finance and along with the LFC Treasury Management Strategy covers the following areas:
 - Capital Expenditure and Investment Plans;
 - Prudential Indicators;
 - External Debt; and
 - Treasury Management.
3. The Capital Strategy addresses the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which sets out a requirement for local authorities to produce a Capital Strategy to form part of its integrated revenue, capital and balance sheet planning.
4. The Mayor's Budget Guidance 2020/21 also includes specific requirements in relation to the Capital Strategy, not least of which to have 20 year capital ambition, investment and funding plan.
5. The Capital Strategy has been prepared as part of the budget setting process, and formed part of the budget submission to the Mayor, approved by the LFC. This final Capital Strategy has been updated and is recommended for approval by the LFC. This is an annual requirement, and the Capital Strategy will be published in draft as part of the budget submission to the Mayor in November, and as a final Capital Strategy following approval by the LFC in March of each year.

Benefits

6. The Capital Strategy demonstrates that the LFC takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability, risk and affordability.
7. The key aims of the Capital Strategy are to deliver a capital programme that;
 - ensures the LFC's capital assets are used to support the delivery of services according to the priorities within the London Safety Plan;

Appendix 7 – LFC Capital Strategy

- links to the LFC's Asset Management Plan and other LFC Strategies/Plans, such as the Sustainability Strategy;
- is affordable, financially prudent and sustainable;
- ensures the most cost effective use is made of the existing assets and new capital expenditure; and
- supports delivery of the Mayoral policies and objectives.

Approach

8. The London Safety Plan sets out the London Fire Brigade's core purpose to help make London the safest global city. This is to be delivered by the Brigade's vision 'to be a world class fire and rescue service for London, Londoners and visitors'. The LSP details the Brigade's commitments in delivering fire safety, responding to emergencies, and how it will use its resources to be successful. The LSP also sets out how the Brigade supports delivery of the Mayor's priorities.
9. The Capital Strategy underpins the London Safety Plan, and is designed to enable the LFC to deliver on the commitments in the LSP. The Strategy has been derived largely from the Asset Management Plan, the ICT Strategy, the Fleet Replacement Plan, LFB's Sustainability Strategy and the Treasury Management Strategy. It has been developed to ensure that it reflects the LFC's ambitions to both drive and take advantage of innovations that can help improve both service delivery.
10. The Asset Management Plan seeks to align the asset portfolio to best support service delivery by the Brigade, and reflect the requirements of the London Safety Plan. A condition survey has been undertaken for all LFC properties, and the current condition and functional suitability of the property has been assessed against the LFC's requirements for a modern fire service.
11. The ICT Strategy seeks to ensure that the technologies available to the Brigade, via a range of ICT solutions, are fit for purpose, affordable and sustainable, that they are responsive to business need and valued by staff and stakeholders, and are delivered in a cost effective and efficient way, including collaboratively where appropriate.
12. The Fleet Replacement Plan will meet the Brigade's fleet requirements over the coming years, and address the fleet commitments made under the Mayor's London Environment Strategy (LES). This requires the LFC to achieve the following targets:
 - all cars in support fleets to be zero emission capable by 2025;
 - all new cars and vans (less than 3.5 tonnes), including response vehicles, being zero emission capable from 2025;
 - all heavy vehicles (greater than 3.5 tonnes) to be fossil fuel- free from 2030; and
 - zero emission fleet by 2050.
13. The Sustainability Strategy sets out ten objectives to achieve the Brigade's vision of being the leaders on sustainable development within the UK Fire and Rescue Service. The three main focus areas of this Strategy are, environment and climate change; economic value; and equality and inclusion.

Appendix 7 – LFC Capital Strategy

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

Influences

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

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

Mayoral Policies

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

Ensuring London is:

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

Appendix 7 – LFC Capital Strategy

The Capital Strategy will support this policy as follows.

- To ensure that our fire stations are well placed to meet the needs of Londoners, attending incidents effectively and to the attendance standards set.
- Looking to open up fire stations so that they become community assets/hubs, with a space available for community groups and for use by community volunteers, and ensuring that the design of new fire stations is consistent with this requirement.
- Identifying potential opportunities that the estates can offer to provide accommodation to further our prevention priorities with local authorities e.g. the health agenda and crime prevention (cadet training)
- To contribute to the Mayor's Homes for Londoners agenda so that where LFC land can be released for development, the requirements for affordable housing are considered.

- b) A city that becomes a world leader in improving the environment locally and globally, taking the lead in tackling climate change, reducing pollution, developing a low carbon economy, consuming fewer resources and using them more effectively.

The Capital Strategy will support this policy as follows.

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

20 Year Capital Ambition

17. The 20 year capital ambition programme has been based on the LFC's current capital programme plus the on-going future capital requirements to keep the business operating at current levels.
18. The LFC capital spending plans for the five years to 2023/24 are approved as part of the budget process, and are funded with capital financing costs reflected in the revenue budget. The is set out in the Table 1 below.

Appendix 7 – LFC Capital Strategy

Table 1: Capital budgets and financing 2019/20 to 2023/24

Project	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£k	£k	£k	£k	£k	£k
Capital Schemes						
Estates						
Major Refurbishments	463	1,730	300	500	600	3,593
New developments	4,734	5,213	14,750	7,166	1,600	33,463
Minor Works	2,808	3,219	4,029	3,980	5,360	19,396
Sustainability Works	1,106	2,338	2,566	2,856	2,405	11,271
Appliance Bay Doors	458	831	565	400	400	2,654
Estates Total	9,569	13,331	22,210	14,902	10,365	70,377
Fleet Replacement Plan	20,009	17,779	15,652	2,948	42	56,430
ICT Projects	1,749	1,380	3,290	4,846	5,950	17,215
Operational Policy Projects	91	3,200	5,000	0	0	8,291
Total Expenditure	31,418	35,690	46,152	22,696	16,357	152,313
Capital Financing						
Capital Receipts	31,418	33,567	16,504	22,696	305	104,490
3rd Party Contribution	0	2,123	0	0	0	2,123
External Borrowing	0	0	29,648	0	16,052	45,700
TOTAL Funded Financing	31,418	35,690	46,152	22,696	16,357	152,313

19. The further 15 years, from 2024 to 2039, to complete the 20 year capital ambition have been prepared on the basis of maintaining the asset base at its current level, with updates/replacements as necessary. The further element has some funding identified, however there is a funding gap to be addressed. This element of the capital spending plans is set out in the Table 2 below.

Appendix 7 – LFC Capital Strategy

Table 2: Capital Ambition 2024/25 to 2038/39 and Ambition Gap

Project	Years 2024 - 2029	Years 2029 - 2034	Years 2034 - 2039
	£k	£k	£k
Capital Schemes			
Estates			
Major Refurbishments	11,411	13,228	15,335
New developments	42,428	19,108	22,151
Minor Works	21,078	22,782	26,411
Sustainability Works	11,297	11,979	13,887
Appliance Bay Doors	2,536	2,940	3,408
Estates Total	88,750	70,037	81,192
Fleet Replacement Plan	88,968	109,247	3,433
ICT Projects	15,856	36,227	29,454
Operational Policy Projects	2,688	14,572	4,714
Total Capital Expenditure	196,262	230,083	118,793
Capital Financing			
Capital Receipts	0	0	0
Capital Grants	0	0	0
3rd Party Contribution	0	0	0
External Borrowing	48,000	37,000	37,000
TOTAL Funded Financing	48,000	37,000	37,000
Unfunded Capital Expenditure	148,262	193,083	81,793

20. The programme includes the capital investment requirements to ensure that the LFC's fleet meets the ULEZ and replacement of vehicles as they come to the end of their useful life. Ongoing capital expenditure on the LFC's estate is included to maintain the condition and functionality of fire stations. There are also estimates for spend on ICT replacement and upgrade. The programme does not include the additional costs in respect of the works to the LFC estate to enable the LFC fleet to be zero emissions compliant by 2030, as it is not possible to accurately predict the level of additional infrastructure required at this time.
21. The capital requirement for the LFC estate has been based on analysis that has been undertaken to assess the condition and functional suitability of all existing fire stations. Three quarters of fire stations are classified as being in a satisfactory or good condition. A recommendation for each fire station has been made based on its condition, functional suitability, development value and location, and classified as follows.

Appendix 7 – LFC Capital Strategy

- Fire stations requiring replacement and relocation.
 - Fire stations identified for re-development
 - Fire stations identified for major refurbishment/rebuild
 - Fire stations requiring minor capital works
 - Fire stations where no works are required.
22. The Asset Management Strategy identified 11 fire stations for replacement and relocation, 11 for re-development, and seven for major refurbishment/rebuild. In addition, 13 'Middlesex' style fire stations are the subject of a feasibility study to identify if they are to be replaced, redeveloped or refurbished. When locations are being considered the Brigade works in partnership with local councils, residents, businesses, emergency services and other partners who work to improve safety and wellbeing to explore the options.
23. In addition to the above, the LFC is committed to providing
- A new Training Centre which includes a multi storey fire house;
 - A new Operations Support Centre; and
 - A new London Fire Brigade Museum (at the former Albert Embankment HQ site).
24. The Ultra Low Emission Fleet (ULEF) Programme sets out the steps to be taken to plan, develop, test, procure and deploy new vehicle technologies within the LFC fleet to achieve the targets set out in the Sustainability Strategy. It focuses on the process for heavy frontline vehicles, given the current lack of low/zero emission capable HGVs and the technological challenges in developing them.
25. Government advocates a 'cloud first' approach when considering options for new ICT systems and infrastructure improvements. With this the funding model shifts from capital to revenue based expenditure, which presents challenges to LFC, due to the increasing pressure on revenue funding and budgets. At present the ICT Strategy does not plan a radical change to the ICT infrastructure in the short term as this would consume significant resources and generate risk in the transitional phase. Instead, a 'cloud' based approach to new systems will be adopted as and when current systems are being replaced which would allow the Brigade to explore new ways for ICT delivery, whilst minimising risk and disruption.

Available Capital Funding

26. There is a variety of ways in which capital expenditure can be financed, but the main sources are often from a combination of revenue resources/reserves, capital grants, capital receipts and borrowing. A brief explanation of each of these options is set out below.
- **Prudential Borrowing** - The LFC ensures that the level of borrowing is affordable, prudent and cost effective. Borrowing is subject to the requirements of the Prudential Code and is managed through the Treasury Management Strategy. Borrowing has a long-term impact on the revenue budget, through the interest payable on the loan and the annual charge for the repayment of the sum borrowed (MRP). Loans are sourced from the Public Works Loan Board (PWLb).

Appendix 7 – LFC Capital Strategy

- **External Capital Grants** - Grants are awarded to the LFC from Central Government and other third parties. Most grants are now policy specific and may be awarded through a bidding process. The LFC bids for grant funding as and when opportunities arise.
- **Capital Receipts** - The LFC is able to generate capital receipts through the sale of surplus assets. This is a limited resource as the majority of the LFC's assets are currently in operational use as part of front line service delivery. The programme includes the sale of the former Clerkenwell fire station. A development agreement has been signed for the former Headquarters at Albert Embankment but the timing and value of the receipt is yet to be finalised. There is the risk that some of the planned capital disposals will not complete. The timing and value of the capital receipts may also be further impacted by planning requirements and changes in market conditions.

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

- **Revenue Funding** - LFC can use revenue resources to fund capital projects on a direct basis, however current funding projections, which point to a revenue budget gap from 2021/22 onwards, mean that the capacity for this is very limited. Invest to save projects that result in additional revenue savings in future years are the best option for funding by this method.

27. The LFC's level of borrowing is forecast to increase as the availability of capital receipts comes to an end, as well as expenditure increasing, in particular on fleet with the LFC now owning its fire appliances, etc., resulting in additional revenue costs through MRP and the interest charged on outstanding loans. The revenue budget plans included in the budget submission 2020/21 include budget provision to fund the Capital Strategy for the first five years. From year 6, 2024/25, or earlier depending on the timing and the actual capital receipts received, it is expected that the Capital Strategy will be entirely reliant on borrowing, with the additional capital financing costs adding to the pressure on the revenue budget. The gap in funding is shown the table below as the Ambition Gap.

Ambition Gap

Table 3: Capital Ambition Gap

Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/29	2029/34	2034/39
	£k	£k	£k	£k	£k	£k	£k	£k
20 year Capital Ambition	31,418	35,690	46,152	22,696	16,357	196,262	230,089	118,793
Funding (excl. borrowing)	(31,418)	(35,690)	(16,504)	(22,696)	(305)	0	0	0
Funded from borrowing	0	0	(29,648)	0	(16,052)	(48,000)	(37,000)	(37,000)
Shortfall	0	0	0	0	0	148,262	193,083	81,793

Appendix 7 – LFC Capital Strategy

28. The table below summarises capital expenditure and debt charges (loan interest and annual MRP change) compared to the estimated debt charges budget from 2024/25 onwards. The future debt charge budgets have been based on the 2023/24 budget of £12.4m and increased by RPI estimated at 3% per annum. Maturing loans, and the associated MRP charges reductions, in the forecasts, to show the budget requirement and resulting budget pressure in each year.

Table 4: Capital Expenditure Financed from borrowing and Forecast Revenue costs for Interest and MRP Charges 2024/25 to 2038/39

Future Years	Capital Expenditure £k	Financed from external borrowing £k	Debt Charges* £k	Budget £k	Budget Pressure £k
2024/25	24,252	24,252	12,375	12,724	-349
2025/26	42,736	42,736	14,493	13,105	1,388
2026/27	19,009	19,009	18,327	13,498	4,829
2027/28	49,486	49,486	20,088	13,903	6,184
2028/29	60,779	60,779	24,729	14,321	10,409
2029/30	73,829	73,829	30,446	14,750	15,696
2030/31	83,062	83,062	37,432	15,193	22,239
2031/32	14,800	14,800	45,349	15,648	29,700
2032/33	29,505	29,505	46,787	16,118	30,669
2033/34	28,886	28,886	49,038	16,601	32,437
2034/35	25,565	25,565	47,516	17,099	30,416
2035/36	21,893	21,893	49,393	17,612	31,781
2036/37	18,156	18,156	51,448	18,141	33,307
2037/38	22,541	22,541	51,187	18,685	32,502
2038/39	30,637	30,637	52,476	19,246	33,231

(*Minimum Revenue Provision and interest. Interest has been calculated at 3% and MRP has been estimated on an average 15 year asset life for the purposes of the above calculations)

29. Based on current estimates, the level of debt charges is expected to steadily increase over the period, resulting in a substantial increase in debt charges with these potentially being in excess of £50m by 2038/39, with resulting budget pressure in excess of £30m.
30. The projected budget pressure of £33m is based on current capital spend projection, increased by inflation forecast at 3% per annum, taking account of any forecast capital receipts. This figure is subject to change with the following risk items.
- The level and timing of capital receipts.
 - The effect of Brexit and impact on the cost of purchases/delivery of projects.
 - The potential of changes in future interest rate rises.
 - The potential for changes in inflation rates.

Appendix 7 – LFC Capital Strategy

- The availability of resources to delivery the capital programme .

31. The level of capital spend, that leads to the forecast increase in capital financing costs, is largely driven by the need to maintain and update the fleet, fire stations and ICT to support the current level of service delivery and front line response. It is therefore difficult to reduce spend without impacting on front line service delivery.

Options to bridge funding gap

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

- Provide a revenue contribution to fund the capital programme.
- Pursue possible alternative funding/service delivery options.
- Reduce the level of the capital programme.
- Secure additional resources/funding.

External Debt

33. All borrowing is from the Public Works Loan Board (PWLB) and LFC's current and forecast outstanding debt, excluding the borrowing requirements of the capital strategy and current capital programme is as follows:

Table 5: External Debt

As 31 March	2020	2021	2022	2023	2024	2029	2034	2039
	£m	£m	£m	£m	£m	£m	£m	£m
PWLB Loans	60.725	55.725	52.725	48.725	46.725	29.500	23.500	18.500

34. The future forecast PWLB interest rates are provided in Table 6 below. The PWLB borrowing is now be based on the gilt rates plus 180 basis points. The LFC will seek to secure competitive borrowing rates, working with the GLA to identify possible alternatives to the PWLB .

Table 6: Projected Future Forecast PWLB Interest Rates (Feb 2020)

PWL Rates	March 2020	March 2021	September 2021	December 2021
	%	%	%	%
5 Year Loans	2.30	2.50	2.70	2.80
10 Year Loans	2.50	2.70	2.90	3.00
25 Year Loans	3.00	3.30	3.50	3.60

Other Long Term Liabilities

35. LFC has other long term liabilities which include PFI contracts for fire stations and a finance lease for the Merton Control centre. The current and forecast outstanding long term liabilities are set out in Table 7 below.

Appendix 7 – LFC Capital Strategy

Table 7: Other Long Term Liabilities

As 31 March	2020	2021	2022	2023	2024	2029	2034	2039
	£m	£m	£m	£m	£m	£m	£m	£m
PFI	45.62	44.29	42.91	41.47	39.91	28.48	6.85	0.00
Finance Lease	18.43	18.43	18.43	18.43	18.43	14.98	3.39	0.00
Total	64.05	62.72	61.34	59.90	58.34	43.46	10.24	0.00

(The repayment of the existing other long term liabilities is calculated through financial models – such as the PFI model which is audited each year)

36. There are no plans for any future finances leases/PFI arrangements at the current time. The contract register is regularly reviewed to ensure that no finance leases have been entered into without the Finance Department's knowledge. This is also further managed by the Assistant Director - Finance reviewing all reports to the LFC with the financial implications of decisions being set out in the reports as appropriate.
37. The long term liabilities will be reviewed and updated as necessary, with the implementation of International Financial Reporting Standard IFRS16, which requires all leases/contracts that convey the right to use an asset be brought on to the balance sheet, and long term liabilities created for the future rentals under these leases. IFRS 16 is to come into effect from 1st April 2020. The Capital Strategy will be updated in March 2020 once the impact of the new accounting requirements have been assessed.

Risk Assessment

38. The LFC has a financial plan in place to deliver the capital programme over the coming years, which includes the use of capital receipts, borrowing, grants and third party contributions. There is a potential risk/opportunity to future funding with a general election in December, and any impact this may have on Brexit and the Spending Review 2020/21. There are also Mayor and London Assembly elections in 2020. Any future funding settlements could impact significantly on the resources available to the LFC to fund the capital programme.
39. The Capital Programme is subject to the following specific risks.
- A lack of affordable sites for new developments.
 - Increased cost in delivering the capital programme due to inflation pressures/Brexit/limited number of suppliers that can provide specialist equipment/vehicles.
 - The potential requirement to fund the replacement of National New Dimensions Assets which currently has not been factored in the capital requirements.
 - Additional building costs required to support the deliver Zero Emission Pumping Appliances (ZEPA)
 - Difficulty in obtaining planning consent for new developments and refurbishments.
 - Third party collaboration and contractor capacity to deliver, as all capital projects will require varying collaboration with external parties over the project life.

Appendix 7 – LFC Capital Strategy

- The risk that the planned capital disposals will not realise the projected capital receipts income or may not come to fruition thus resulting in additional borrowing costs.
- Additional revenue budget pressures resulting from increased revenue impact of borrowing.
- Interest rate increases for borrowing.
- Changes in government funding, policy and legislation.
- Availability and speed of developments in technology.
- Recruitment and retention of key skilled staff and significant staff resource to deliver the capital schemes.

40. The risks are being managed by as follows.

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

Knowledge and Skills

41. The capital programme and the responsibility for management of a service level agreement (SLA) for the treasury management function is managed by a team of professionally qualified accountants with extensive local government financial management knowledge. Continuous professional development (CPD) is a requirement of various professions and courses are attended to update knowledge on a regular basis.
42. The SLA for treasury management services is with the Greater London Authority (GLA) where there is dedicated team of treasury management specialists who provide the main treasury management function service to the LFC.
43. All project teams consist of various professionals, such as surveyors and accountants, and outside professional advice is bought in when required. Periodically those charged with

Appendix 7 – LFC Capital Strategy

governance are provided with relevant training on a range of financial topics, which is provided by specialist external organisations as appropriate.

Governance and Monitoring

34. An important part of the governance arrangements is the frequent monitoring of the agreed capital programme. The capital is reviewed monthly with budget holders, and a quarterly basis with senior management. The capital monitoring is reported alongside revenue monitoring in the monthly financial position report which is reported to the Directorate Board and Commissioner's Board on a monthly basis. Additional quarterly monitoring reports are also presented to the Fire and Resilience Board and are published. The published reports are used to support scrutiny by the London Assembly's Fire, Resilience and Emergency Planning (FREP) and Budget and Performance (BPC) Committees.
35. New, or changes to existing capital projects are dealt with as part of the capital monitoring process and budget holders are required to submit a request outlining the key scheme information, costs both capital and revenue and associated risks.
36. Where a new scheme or a budget change is required which is greater than £150k, a separate report is prepared and additional governance arrangements are in place. The reports are considered by the Corporate Services Directorate Board and Commissioner's Board, and the Deputy Mayor through the Fire and Resilience Board, as required, before final approval by the London Fire Commissioner.
37. The Capital Programme is agreed by the CAPS Group, (Capital Approvals, Planning and Strategy Group) and approved by the London Fire Commissioner before submission to the Mayor as part of the annual budget submission. This CAPS group meets quarterly, where new projects are discussed together with the delivery of, and any changes to, the current capital programme. The progress of capital disposals is also reviewed together with the level of required external borrowing.
38. When proposing capital projects for inclusion into the programme, the responsible department will undertake an assessment/evaluation as to how the project:
 - ensures LFC's capital assets are used to support the delivery of services according to the priorities within the London Safety Plan and Corporate Vision;
 - links to LFC's Asset Management Plan and other LFC Strategies/Plans;
 - is affordable, financially prudent and sustainable;
 - ensures the most cost effective use is made of the existing assets and new capital expenditure; and
 - supports the Mayor of London in meeting the approved objectives and strategic plans.

Officers' Responsibilities

39. The LFC has overall responsibility for the Capital Strategy, with support from senior management with the strategic development and monitoring of the capital programme through Commissioner's Board and Directorate Boards. The Capital Strategy will also be subject to consultation with the Deputy Mayor, and submission to the Mayor as part of the budget submission. Wherever appropriate to do so, and more specifically for the larger projects, project

Appendix 7 – LFC Capital Strategy

boards are established, which consist of a wide range of professional expertise. These boards meet regularly to assess and monitor the progress of the projects to ensure the delivery of the defined capital investment.

Chief Finance Officer Sign Off

40. The Chief Finance Officer is to report explicitly on the deliverability, affordability and risk associated with the Capital Strategy. The capital Strategy was presented to the Commissioner's Board, and the Fire and Resilience Board, alongside reports for approval of the Budget and Treasury Management Strategy.

Appendices

Appendix 7A – LFC Capital Investment and Financing Requirements

Appendix 7B - Mayoral Policies and Objectives

Appendix 7C – Reconciliation to 2019/20 Capital Strategy

Appendix 7A – Summary LFC Capital Investment and Financing Requirements

Project	2019/20	2020/21	2021/22	2022/23	2023/24	Years 2024 - 2029	Years 2029- 2034	Years 2034- 2039	TOTAL
	£k	£k	£k	£k	£k	£k	£k	£k	£k
Capital Schemes									
Estates									
Major Refurbishments	463	1,730	300	500	600	11,411	13,228	15,335	43,567
New developments	4,734	5,213	14,750	7,166	1,600	42,428	19,108	22,151	117,150
Minor Works	2,808	3,219	4,029	3,980	5,360	21,078	22,782	26,411	89,667
Sustainability Works	1,106	2,338	2,566	2,856	2,405	11,297	11,979	13,887	48,434
Appliance Bay Doors	458	831	565	400	400	2,536	2,940	3,408	11,538
Estates Total	9,569	13,331	22,210	14,902	10,365	88,750	70,037	81,192	310,356
Fleet Replacement Plan	20,009	17,779	15,652	2,948	42	88,968	109,247	3,433	258,078
ICT Projects	1,749	1,380	3,290	4,846	5,950	15,856	36,227	29,454	98,752
Operational Policy	91	3,200	5,000	0	0	2,688	14,572	4,714	30,265
Total Capital Expenditure	31,418	35,690	46,152	22,696	16,357	196,262	230,083	118,793	697,451
Capital Financing									
Capital Receipts	31,418	33,567	16,504	22,696	305	0	0	0	104,490
Capital Grants	0	0	0	0	0	0	0	0	0
3rd Party Contribution	0	2,123	0	0	0	0	0	0	2,123
External Borrowing	0	0	29,648	0	16,052	48,000	37,000	37,000	167,700
TOTAL Funded Financing	31,418	35,690	46,152	22,696	16,357	48,000	37,000	37,000	274,313
Unfunded Capital Expenditure	0.000	0.000	0.000	0.000	0.000	148,262	193,083	81,793	423,138

Appendix 7B – Mayoral Policies and Objectives

Mayoral Policies

Ensuring London is:

1. **A city that meets the challenges of economic and population growth** in ways that ensure a sustainable, good and improving quality of life and sufficient high quality homes and neighbourhoods for all Londoners and help tackle the huge issue of deprivation and inequality among Londoners, including inequality in health outcomes.
2. **An internationally competitive and successful city** with a strong and diverse economy and an entrepreneurial spirit that benefit all Londoners and all parts of London; a city which is at the leading edge of innovation and research and which is comfortable with – and makes the most of – its rich heritage and cultural resources.
3. **A city of diverse, strong, secure and accessible neighbourhoods** to which Londoners feel attached, which provide all of its residents, workers, visitors and students – whatever their origin, background, age or status – with opportunities to realise and express their potential and a high quality environment for individuals to enjoy, live together and thrive.
4. **A city that delights the senses** and takes care over its buildings and streets, having the best of modern architecture while also making the most of London's built heritage, and which makes the most of and extends its wealth of open and green spaces, natural environments and waterways, realising their potential for improving Londoners' health, welfare and development.
5. **A city that becomes a world leader in improving the environment** locally and globally, taking the lead in tackling climate change, reducing pollution, developing a low carbon economy, consuming fewer resources and using them more effectively.
6. **A city where it is easy, safe and convenient for everyone to access jobs, opportunities and facilities** with an efficient and effective transport system which actively encourages more walking and cycling, makes better use of the Thames and supports delivery of all the objectives of this Plan.

Appendix 7C – Capital Strategy

Capital Strategy Changes	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£k	£k	£k	£k	£k	£k
2019/20 Capital Strategy	40,876	38,172	25,646	21,965	16,632	143,291
2020/21 Capital Strategy	31,418	35,690	46,152	22,696	16,357	152,313
Change – Increase/ (decrease)	(9,458)	(2,482)	20,506	731	(275)	9,022
Breakdown of changes:						
Changes in ICT Requirement	(3,047)	(3,204)	80	107	(139)	(6,203)
Changes in Estates Requirement	(1,165)	1,966	7,380	(48)	(178)	7,955
Changes in Fleet & Equipment Requirement	(5,337)	(4,444)	8,046	672	42	(1,021)
Operational Policy*	91	3,200	5,000	0	0	8,291
Total	(9,458)	(2,482)	20,506	731	(275)	9,022

*Operational Policy budgets have been moved from Fleet – these are not budget increases.

Appendix 8 – Initial Estimate of Transformation Costs

Title	Grenfell, HMI and Transformation Related Workstreams	Cost in 2020/21 £k	On-going Cost £k	Recommendation Source		
				Grenfell Inquiry	HMICFRS Inspection	LFB Strategic Plan
Appointment of a Transformation Director, team and associated costs.	The appointment of a Transformation Director will enable the long term, systemic transformation of the organisation. It is assumed that the director will have a transformation team of FRS G, 4x FRS F and FRS D and these will be in place from 1 July 2020. Note: It may be possible to provide some of this resource from the GTIRT. This also includes a provision for other transformation related costs (£500k).	875	500	To ensure robust delivery of all recommendations	To ensure robust delivery of all recommendations	<i>Becoming a "Learning Organisation"</i> - Appoint Transformation Director
Incident Command Team and operational assurance growth.	This will address the key corporate risk of maintaining and strengthening the programme of acquisition, maintenance and quality assurance of incident commander competence across the brigade – 2x Group Commander, 2x Station Commander, 2x Station Officer, FRS D, plus a consultant	433	577	8- Communication between the control room and the incident commander 10 – Command and Control	2019 - CCL - 2a	<i>Talent and Learning</i> - Deliver prioritised actions from Independent Training Review: - As a priority action from Operational Training Review
Incident Command Re-validation	To provide reassurance that everyone with incident command responsibilities has the required technical and procedural knowledge, along with command skills. This will alternate with refresher training currently in place. This funding will also enable the reinstatement of training removed to accommodated Incident Command Training (£300k). Level 2 100 (of 200) officers in 2020/21 (£45k) and Level 3 13 officers (£42k)	387	387	8- Communication between the control room and the incident commander	2019 - CCL - 2a-e	<i>Talent and Learning</i> - Deliver prioritised actions from Independent Training Review: - As a priority action from Operational Training Review
Systems development	Initial analysis to identify potential system development requirements – building information (£180k), command unit integration (£25k), crews returning from incidents (£30k) and development of training system (£100k)	335	0	To support implementation of a range of recommendations	To support implementation of a range of recommendations	To support implementation of a range of recommendations

Appendix 8 – Initial Estimate of Transformation Costs

Title	Grenfell, HMI and Transformation Related Workstreams	Cost in 2020/21 £k	On-going Cost £k	Recommendation Source		
				Grenfell Inquiry	HMICFRS Inspection	LFB Strategic Plan
Integration of the Command Units into station watch structures	This funding will enable the integration of the Command Units and their staff into station watch structures and increase the resilience of the Command Unit fleet. The delivery of this project will support training of Control Room Officers and operational staff, through the permanent availability of a Command Unit at Merton. A minimum crewing of 3 on Command Units will also support communications between the Incident Commander and Control.	325	1,300	10 – Command and Control	2019 - CCL - 2a-e	<i>Improved Execution</i> - Integration of Command Units
Increased recruitment of Inspection Officers	Recent recruitment has proven difficult in face of a buoyant employment market for Fire Safety professionals. The introduction of market rate subsidies in key skill areas - technical fire safety officers ranging from Fire Engineers through to competent Fire Safety Inspecting Officers.	250	250	5 Section 7(2)(d) of the Fire and Rescue Services Act		<i>Improved Execution</i> - Continue progress in improving Fire safety delivery
Improving stakeholder and community relations.	Improving stakeholder and community relations is fundamental to London Fire Brigade's strategic direction, which includes transformational change and how the organisation responds to both the Grenfell Tower Inquiry Phase One report and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection recommendations. This funding will enable the formation of a stakeholder and community relations team to support this – with staffing of TMG C, FRS F, FRS E, FRS C, but doesn't include costs of engagement/consultation activity.	238	317			<i>Become More Central to our Communities</i> - Implement the Improving Stakeholder and Community Relations Plan
Drone capability	This additional funding to deliver a drone capability will result in improved situational awareness and increased capability for incident commanders, monitoring officers, tactical advisers and operational personnel, and the consequent advantages in terms of firefighter safety, incident resolution and business continuity in London. Pilots 2x Station Officer (£122k) and initial installation costs for system funded under Additional Resilience Requirements (£20k)	142	122	10 – Command and Control		

Appendix 8 – Initial Estimate of Transformation Costs

Title	Grenfell, HMI and Transformation Related Workstreams	Cost in 2020/21 £k	On-going Cost £k	Recommendation Source		
				Grenfell Inquiry	HMICFRS Inspection	LFB Strategic Plan
Counselling and Wellbeing	The provision of two additional counsellors to support delivery of the Wellbeing Strategy. This will, in particular, support improvement in meeting first appointment performance. The cost is based on FRS F counsellors.	100	132	5 - post incident counselling	2019 – People – 2 The Brigade should make sure all staff understand and know how to get support after a traumatic incident	<i>Constantly Improving the Effectiveness of our Service</i> - supports delivery our the Wellbeing Strategy
Independent Operational Assurance Advisor	The recruitment of an independent Operational Assurance Advisor will ensure that the operational elements of transformation are being effectively progressed and delivered, provide robust assurance directly to the Commissioner, with free access to all levels of the organisation to do so.	100	100	To ensure robust delivery of all recommendations	To ensure robust delivery of all recommendations	<i>Constantly Improving the Effectiveness of our Service</i> - Appoint an independent Operational Assurance Advisor reporting directly to the Commissioner.
Fire Survival Guidance Training	New computer based training package to support Fire Survival Guidance calls (£50k to £100k) and Operations Manager in Control.	100	50	9 - Emergency calls		<i>Talent and Learning</i> - As a priority action from Operational Training Review
Reconfiguration of Control	The reconfiguration of the Control room, as part of the Control Improvement Plan, will enable supervisory officers to better monitor their teams performance and, in particular, be in a better position to recognise when a control officer is dealing with a particularly challenging or complex call. Adopting a 'pod' based system will not only facilitate better supervision but will also allow an easier flow of information across the Control room.	100	0	10 – Command and Control		<i>Constantly Improving the Effectiveness of our Service</i> - Fully implement the Control and Mobilising Improvement Plan

Appendix 8 – Initial Estimate of Transformation Costs

Title	Grenfell, HMI and Transformation Related Workstreams	Cost in 2020/21 £k	On-going Cost £k	Recommendation Source		
				Grenfell Inquiry	HMICFRS Inspection	LFB Strategic Plan
Building height and data quality assurance	Building height and data quality assurance - FRS E and FRS D to manage and quality assure building height and other building risk data.	75	100	12 - Evacuation		
Independent Audit Committee	The establishment of an Independent Audit Committee to provide more robust scrutiny and assurance of LFBs decision making and service delivery.	60	60	To ensure robust delivery of all recommendations	To ensure robust delivery of all recommendations	<i>Constantly Improving the Effectiveness of our Service</i> Work with City Hall to establish an independent Audit Committee for LFB
Unwanted Fire Signal reduction dedicated team	Unwanted Fire Signal reduction dedicated team – currently funded in 2020/21 from LSP reserve. This team will review attendance at automatic fire alarms (AFAs) and incorporate learnings into most effective way of addressing AFAs. This team will also review call filtering at control and a cost recovery charge for uncooperative commercial properties.	0	189		The Brigade should make sure it addresses effectively the burden of false alarms. 2019 - Effect - 5	<i>Improved Execution</i> Unwanted Fire Signals/ AFA) Reduction Team
	Total	3,520	4,084			