

Decision title

## Budget Submission 2020 -21

Recommendation by  
Director of Corporate Services

Decision Number  
LFC-0259y-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

### Summary

The Mayor has written to the London Fire Commissioner to consult the LFC before preparing his draft component budget for the LFC for 2020/21. The Mayor is proposing to provide funding of £399.3m for the London Fire Commissioner in that year. This report provides a proposed budget submission to the Mayor that will meet that financial requirement.

The Deputy Mayor for Fire and Resilience has been consulted, and report LFC-0259y seeks the London Fire Commissioner's approval for submission.

### Decision

That the London Fire Commissioner approves:

- 1) The Budget Submission in report LFC-0259y to the Mayor that includes:
  - a. saving proposals of £3.4m in 2020/21 as set out in Appendix 3;
  - b. growth proposals of £6.0m in 2020/21 as set out in Appendix 4;
  - c. a draft 20-year capital strategy, a detailed four year capital plan, prudential indicators and borrowing limits for 2020/21 to 2023/24, with a draft capital budget in 2020/21 of £37.4m as set out in Table 9.
- 2) A draft Medium-Term Financial Plan at Appendix 2 and Reserves Strategy at Appendix 7, along with a draft covering letter at Appendix 11 for consultation with the Fire, Resilience and Emergency Planning (FREP) Committee.

Dany Cotton QFSM  
London Fire Commissioner



Date 29-11-19

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Report title

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## Budget Submission 2020/21

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Report to

Corporate Services DB  
Commissioner's Board  
Fire and Resilience Board (Budget Meeting)

Date

29 October 2019  
06 November 2019  
18 November 2019

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Report by

Assistant Director, Finance

Report number

LFC-0259y

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Protective marking: **NOT PROTECTIVELY MARKED**

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### Summary

The Mayor has written to the London Fire Commissioner to consult the LFC before preparing his draft Component Budget for the LFC for 2020/21. The Mayor is proposing to provide funding of £399.3m for the London Fire Commissioner in that year. This report provides a proposed Budget Submission to the Mayor that will meet that financial requirement.

The Deputy Mayor for Fire and Resilience has been consulted, and this report seeks the London Fire Commissioner's approval for submission.

### Recommended decisions

That the London Fire Commissioner approves:

1. The Budget Submission to the Mayor that includes:
  - a. saving proposals of £3.4m in 2020/21 as set out in Appendix 3;
  - b. growth proposals of £6.0m in 2020/21 as set out in Appendix 4;
  - c. a draft 20 year capital strategy, a detailed four year capital plan, prudential indicators and borrowing limits for 2020/21 to 2023/24, with a draft capital budget in 2020/21 of £37.4m as set out in table 9.
2. A draft Medium Term Financial Plan at Appendix 2 and Reserves Strategy at Appendix 7, along with a draft covering letter at Appendix 11 for consultation with the Fire, Resilience and Emergency Planning (FREP) Committee.

## Background

1. The Mayor's Budget Guidance for 2020/21 for the Greater London Authority (GLA) and the functional bodies was issued on 28 June 2019. The Guidance sets out the Mayor's key policy priorities to be reflected in future years' budgets, the proposed funding levels he intends to provide for each functional body, the financial context and the planned timetable for budget preparation for the GLA group.
2. Under the GLA Act 1999, the Mayor must consult the functional bodies before proposing a Component Budget for consultation. The Mayor has now written to the London Fire Commissioner to confirm his budget envelope for the LFC for 2020/21 and indicative allocations for planning purposes for 2021/22, 2022/23 and 2023/24. The letter is attached at Appendix 1. The Mayor is proposing funding for LFC of £399.3m in 2020/21 increasing to £407.8m in 2021/22, £416.6m in 2022/23 and £425.5m in 2023/24.
3. The Mayor has used indicative funding levels from retained business rates, council tax precept income and Group wide reserves to determine the total funding he plans to provide LFC from the resources under his control.
4. The target savings required for the LFC to balance its budget within the currently proposed funding envelope are considered in more detail below. The Medium Term Financial Plan in Appendix 2 sets out how the budget gap is arrived at. The proposals to meet that budget gap are set out from paragraphs 20 and supported by the list of savings proposals in Appendix 3 and growth proposals in Appendix 4.
5. The development of the LFC's revenue budget and capital programme will continue during the Mayor's budget cycle, which concludes in February 2020, with the LFC agreeing a final revenue budget and capital programme for 2020/21 in March 2020. This report forms the proposed full draft Budget Submission to the Mayor, including the additional tables attached at Appendix 12.
6. The Mayor has requested that the LFC integrates its Capital Spending Plan and Revenue Budget into one overall Budget Submission. In order to meet this requirement the LFC's capital expenditure is discussed from paragraph 44 and the 2020/21 capital programme is included in Appendix 5.
7. Table 1 below sets out a provisional timetable for the remainder of the budget process.

Table 1: Timetable for the Remainder of the Budget Process

29 November 2019	Functional bodies to provide full and final budget submissions to the Mayor.
18 December 2019	Budget and Performance Committee meets functional bodies, except TfL, to scrutinise their budget submissions
Mid to late December 2019	Following the publication of the provisional Local Government, Fire and Police Settlements, the Mayor will issue his draft consolidated budget, including Capital Strategy and borrowing limits.
TBC	FREP to consider draft Reserves Strategy and draft Medium Term Financial Plan.
29 January 2020	Assembly considers draft consolidated budget.
24 February 2020	Assembly considers final draft consolidated budget.
28 February 2020	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.
March 2020	The LFC approves the final Budget for 2020/21, within the overall funding limit set by the Mayor.

### Mayor's Consultation Letter

8. The Mayor issued his consultation letter to the London Fire Commissioner on the 19 November 2019. The purpose of the letter is to consult the LFC and clarify the requirements for the LFC's Budget Submission before preparing a draft Component Budget for 2020/21. A copy of that letter is attached at Appendix 1 and the main points are set out below.
9. The letter notes that the GLA intends to publish its Group Budget Consultation Document before the Christmas break, and also notes that this may be before the Local Government Finance Settlement.
10. The letter goes on to state that subject to any LFC comments and the impact of the Provisional Funding Settlement, the Mayor intends to provide funding of £399.3m in 2020/21, which is in line with the figure presented in his budget guidance in June 2019. He then goes on to set out funding figures in the following three years for planning purposes of £407.6m in 2021/22, £416.4m in 2022/23 and £425.5m in 2023/24. These figures are revised from the figures set out in the Mayor's Budget Guidance and result in a reduction in funding of £3.8m by 2023/24.
11. The letter also states that the Mayor requires the LFC to propose a fully balanced budget for 2020/21 and to provide all the information previously specified.

### Government Spending Review

12. In reviewing the financial position set out in this report, it should, of course, be noted that on 8 August 2019 the Chancellor of the Exchequer announced that the next Government Spending Review will now cover the period from 2021/22, and with a one year Spending Round for 2020/21. Although the results of this one year Spending Round were announced on 4 September 2019 the information provided was at a very high level, and further work is required at the Home Office before it becomes clear what resources will be made available to the fire sector, and LFB, in 2020/21.

13. The implementation of a one year spending round for 2020/21 has however resulted in a material change to the expected government grants to be received in that year, related to firefighter pension costs. 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. Although there has been no official confirmation it is now expected that a one year spending round is likely to repeat this grant payment in 2020/21, which would again partly meet the total additional cost of £25m. If this additional grant payment is confirmed it is proposed to amend the budget forecasts accordingly.

### **Medium Term Forecast**

14. The Mayor's Budget Guidance 2020/21 report (LFC-0206) set out a budget gap of £20.0m over the next four years to 2023/24 based on the funding figures provided by the Mayor and the LFC's Medium Term Forecast. The estimates have been kept under review in light of financial performance during 2019/20 and an updated forecast is set out at Appendix 2. There are a number of proposed changes to the forecast which are set out in Table 2 below on a cumulative basis, which result in a total increase in financial pressure of £4.8m over the four year planning period.

Table 2: Changes to the Medium Term Forecast

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	Description
Firefighter Pension Grant	(21.7)	0.0	0.0	0.0	Additional one-off funding as a result of pressures identified in the firefighter's pension revaluation.
Local Government Pension Scheme Employer (LGPS) Costs	0.7	0.7	0.7	0.7	Two per cent increase in LGPS employer payments.
Change in Funding from the GLA	0.0	0.2	0.3	3.8	This reflects the consultation letter from the Mayor set out from paragraph 8 above.
Reduction in Capital Financing Costs	(0.6)	(0.6)	(0.6)	(0.6)	This reflects forecast capital expenditure and borrowing requirements.
Revenue Contribution To Capital	0.6	0.6	0.6	0.6	This contribution to capital will offset future borrowing requirements.
Reactive Building Fabric Contract	0.5	0.5	0.5	0.5	As reported in the Quarter 2 Financial Position report (LFC-0260) spend on this building maintenance contract has and is expected to continue to exceed the budget.
Fire Fighters Pensions	0.1	0.1	0.0	0.0	This net £33k decrease includes an increase of £123k on Ill Health Pensions and a reduction of £156k on Injury Pensions, based on latest forecasts.
FRS Vacancy Margin	(1.0)	0.0	0.0	0.0	One year increase to the FRS Vacancy Margin to reflect current vacancy levels and proposals for growth.
Lease Car Charges and Insurance	0.1	0.1	0.1	0.1	This reflects increases in the total number of lease cars along with increased insurance costs.
Operations Support Centre	0.1	0.1	0.1	0.1	Revised cost for Operations Support Centre
Commercial Income	0.2	0.2	0.2	0.2	Revised income forecast for rental income at Croydon, Paddington and Southwark.
Trainee firefighter and development margin	1.1	(0.5)	(0.3)	(0.4)	Updated forecast on trainee costs and associated development margin.
Disaster Recovery Site	(0.2)	(0.2)	(0.2)	(0.2)	Update to existing saving associated with migrating the Woking data centre to the cloud.
<b>Total Changes</b>	<b>(20.2)</b>	<b>1.2</b>	<b>1.4</b>	<b>4.8</b>	

15. Table 2 shows the impact of an additional £21.7m pension grant from Central Government in 2020/21 only, as discussed at paragraph 13 above. The table also includes a £0.7m pressure on the LGPS as a result of a notification by the LPFA that employer contributions are expected to

increase by 2 per cent from 2020/21 as a result of the LGPS valuation 2019. The outcome of the valuation will be formally notified in January 2020, and this may see some further movement as the LFC specific position is confirmed.

16. Table 2 above also includes a transfer of £600k in funding from forecast capital financing requirements to a direct revenue contribution to capital. This movement reflects that borrowing costs over the medium term are now expected to be lower than previously expected, based on current forecasts for the capital programme and resulting borrowing requirements. However as has been demonstrated in the Capital Strategy in Appendix 6, capital financing costs are expected to increase materially in the longer term, increasing by £32.5m over the next 20 years. As a result of this it is proposed to reinvest this surplus on capital financing costs as a direct contribution against current capital expenditure, which will reduce those costs in the longer term. Whilst this additional contribution is small in that context, this position will be continue to be reviewed and the contribution increased if possible.
17. The Mayor's Budget Guidance report included a balanced budget in 2020/21 after a draw of £21.9m on the Budget Flexibility Reserve (BFR), a budget gap of £16.1m in 2021/22 after a further draw of £16.1m on the BFR and a budget gap of £24.2 in 2022/23 and £20.0m in 2023/24. These budget forecasts used funding figures that are consistent with the funding figures proposed by the Mayor in his Guidance and the consultation letter.
18. As the Commissioner will be aware the BFR has been created and supplemented in previous years from planned savings and also underspends identified in year. This has allowed total funding of £30m to be transferred into this reserve, with the intention that it is used to support making further savings and also support the budget gap in future years.
19. Table 3 below summarises how the four-year budget gap has moved from the last reported position, showing the changes to medium term forecasts. It shows how the underlying budget gap of £20.0m by 2023/24 as reported in the Mayor's Budget Guidance report is now a budget gap of £24.8m by 2023/24. These figures are presented on a cumulative basis.

Table 3: Changes to Four-Year Budget Gap

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
<b>Budget Gap included in Mayor's Budget Guidance Report (LFC-0206)</b>	<b>21.9</b>	<b>24.1</b>	<b>24.2</b>	<b>20.0</b>
Changes to the Medium Term Forecast	(20.2)	1.2	1.4	4.8
<b>Revised Budget Gap Before Saving and Growth Proposals</b>	<b>1.7</b>	<b>25.3</b>	<b>25.6</b>	<b>24.8</b>

### Budget Development and Saving Proposals

20. As set out in the section above, before any application of reserves or new saving proposals LFC has a budget gap of £1.7m in 2020/21, rising to a budget gap of £25.3m in 2021/22, £25.6m in 2022/23 and £24.8m in 2023/24, on the basis of the funding proposed by the Mayor in his Consultation Letter.
21. Officers have carried out an internal budget process to identify saving proposals to meet this saving requirement, focussing on departmental budgets. Although the funding in the BFR is

sufficient to meet the budget gap in the first year and part of the second, savings have been proposed and delivered as early as practical to smooth the impact of having to make large savings in any one year.

22. Following this process a total of £5.4m in savings have been included in this report over the period 2020/21 to 2023/24, this is an increase of £3.1m from the level of savings included in the 2019/20 Budget Report for these years. The savings proposed include £3.4m for 2020/21 with the remaining £2.0m to be achieved over the period 2021/22 to 2023/24. The savings proposals are set out in Appendix 3.
23. It should be noted that the savings proposed over the final three years of the four year period have been included to show the progress that has been made towards achieving the overall budget target. These savings will be reviewed and refined as part of the ongoing budget process in future years.
24. The budget process for the LFC also identified a number of proposals for growth totalling £6.0m in 2020/21 which, if agreed, will be contained within the overall funding proposed by the Mayor in that year. This includes a material pressure of £2.2m as a result of the independent review of training, which is a provisional figure pending the full analysis of the proposals set out in the report detailing the recommendations following the review.
25. Table 4 below sets out the establishment impact of the growth proposals, with a full list of growth proposals provided at Appendix 4. It should be noted that the establishment changes below do not include the impact of the potential growth in operational staff as a result of the independent review of training, which is still being assessed. As a result of the proposed establishment increases, likely recruitment times and the FRS staff vacancy level observed for the LFC in 2019/20, this report proposes a one-off increase to the vacancy margin for the 2020/21 financial year of £1.0m in Table 2 above. This mirrors the one off increase to the vacancy margin for 2019/20 that has been achieved.



Table 4: Growth Proposals for 2020/21

Staff Group	Grade	Growth	Description of Growth
<b>Control</b>	Control Room Officer	6	29 - Six Additional Control Room Officers
	Operations Manager	1	17 - Replacement Mobilising Solution Project
	Senior Operations Manager	1	17 - Replacement Mobilising Solution Project
<b>Control Total</b>		<b>8</b>	
<b>FRS</b>	FRS B	5	28 – Outreach, 24 - High Rise work arising post-Grenfell, 19 - Grenfell Tower Inquiry
	FRS C	16	2 - Paralegal, 4 - Governance Support Officer, 5 - PA to General Counsel, 8 - Creation of new Internal Communications post, 13 - Image Management Assistant, 19 - Grenfell Tower Inquiry, 22 - Inspecting Officer Structure, 28 - Outreach
	FRS C/D	2	20 - Enforcement Team
	FRS D	6.2	12 - Data Sharing Manager, 17 - Replacement Mobilising Solution Project, 18 - Finance System Upgrade, 21 - Transport Team, 23 - Community Safety Policy and Projects Team
	FRS E	5	6 - Establishment of Permanent HMICFRS Inspection Team, 9 - Mental Health and Trauma Team Coordinator, 14 - SharePoint Administrator, 15 - On Line Services Administrator, 26 - Care Premises & Specialist Housing Co-ordinator
	FRS F	6.4	3 - FRS F Lawyer, 10 - Equalities establishment increase, 17 - Replacement Mobilising Solution Project, 18 - Finance System Upgrade, 20 - Enforcement Team, 28 – Outreach, 32 - Carbon Reduction Strategy
	FRS G	1	1 - FRS G Lawyer
<b>FRS Total</b>		<b>41.6</b>	
<b>Operational</b>	Firefighter	3	19 - Grenfell Tower Inquiry
	Lead Firefighter	2	19 - Grenfell Tower Inquiry
	Station Officer	3	19 - Grenfell Tower Inquiry, 24 - High Rise work arising post-Grenfell, 27 - AFSS Co-ordinator
	Station Commander	2	19 - Grenfell Tower Inquiry
	Group Commander	1	19 - Grenfell Tower Inquiry
<b>Operational Total</b>		<b>11</b>	
<b>Total</b>		<b>60.6</b>	

26. The impact on the forecast budget position of the saving and growth proposals that have been identified in this report are set out in Table 5 below. It should be noted that these figures are presented on a cumulative basis, showing the budget gap in each year on the basis that the budget gap in the previous year is not closed. These figures therefore show that before the

application of reserves there would be a budget gap of £6.5m in 2020/21, increasing to £30.3m in 2021/22, £28.9m in 2022/23 and £27.1m in 2023/24.

27. It is proposed that the balance on the Budget Flexibility Reserve (BFR) of £30.0m, is used to fund the deficit in 2020/21, with the final £23.4m used in 2021/22. The final section of Table 5 then shows the impact of this with a balanced budget in 2020/21, a gap of £6.9m in 2021/22, increasing to £28.9m in 2022/23 and £27.1m in 2023/24. It should be noted that the balance on the BFR does not include the impact of any further contribution as a result of the 2019/20 underspend. This position will be reviewed as part of the review of the outturn position and an additional transfer made to the BFR if possible.

**Table 5: Impact of Saving and Growth Proposals on the Budget Gap**

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
<b>Cumulative Budget Gap after Medium Term Updates</b>	<b>1.7</b>	<b>25.3</b>	<b>25.6</b>	<b>24.8</b>
Savings in future years included in previous estimates	2.2	2.0	2.3	2.3
Total Saving Proposals now Proposed	(3.4)	(3.0)	(4.7)	(5.4)
Growth Proposals	6.0	6.0	5.6	5.3
<b>Revised Budget Gap / (Surplus)</b>	<b>6.5</b>	<b>30.3</b>	<b>28.9</b>	<b>27.1</b>
(Draw)/ Payment on Budget Flexibility Reserve	(6.5)	(23.4)	0.0	0.0
<b>Budget Gap after use of Budget Flexibility Reserve</b>	<b>0.0</b>	<b>6.9</b>	<b>28.9</b>	<b>27.1</b>
Budget Flexibility Reserve Balance	23.4	0.0	0.0	0.0

28. A summary of LFC's overall revenue expenditure and funding is set out at Table 6 below.

Table 6: Medium Term Forecast Summary

	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m
Previous Years Net Expenditure	434.3	446.2	452.3	458.5
Staff Pay Inflation	8.8	6.6	6.7	6.8
Other Medium Term Forecast Assumptions	2.5	2.9	2.7	1.6
Change in Expenditure funded from Reserves	(2.1)	(3.7)	(1.1)	(0.9)
Department Savings Proposals	(3.4)	0.4	(1.7)	(0.8)
Department Growth Proposals	6.0	(0.0)	(0.4)	(0.3)
<b>Proposed Net Revenue Expenditure</b>	<b>446.2</b>	<b>452.3</b>	<b>458.5</b>	<b>464.9</b>
GLA Funding	399.3	407.6	416.4	425.5
Specific Grants	33.2	11.5	11.5	11.5
Planned Use of Earmarked Reserves	7.1	2.9	1.8	0.8
<b>Total Funding Available</b>	<b>439.6</b>	<b>422.0</b>	<b>429.6</b>	<b>437.8</b>
Budget Surplus/ (Gap)	6.6	30.3	28.9	27.1
Use of Budget Flexibility Reserve	(6.5)	(23.4)	0.0	0.0
<b>Savings to be found</b>	<b>0.0</b>	<b>6.9</b>	<b>28.9</b>	<b>27.1</b>

### Grenfell Tower Inquiry

29. The Brigade and its lawyers are undertaking a detailed analysis of the Inquiry report including the identification of the Chair's findings and conclusions which are distributed across the report. Once these have all been identified, the LFC will undertake a gap analysis to identify what, if any, areas are not already being addressed and the extent of any additional resources that may be required.
30. Most of the recommendations directed at the Brigade or Fire and Rescue Sector more widely by the Chair are being addressed by the Brigade but will have an, as yet, unquantified training requirement. In addition the Chair has made a number of recommendations directed at the Brigade in regard to communication between the Control room and the Incident Commander and the Control room and the Bridgehead. The Brigade has already identified the potential benefits of a direct communication link between Control and the Bridgehead as part of its review of fire survival guidance procedures and is commencing investigations to identify and evaluate a technological solution. The implementation of such a solution will have financial implications in terms of procurement and training but these costs are yet to be determined.
31. The Chair has directed a number of recommendations at building owners in regard to sharing information such as building plans, Personal Emergency Evacuation Plans (PEEPs), and the result of fire lift inspections with fire and rescue services. The Brigade needs to consider carefully how it will receive, store and disseminate such additional information and this is likely to have financial implications for the Brigade and other fire and rescue services.

32. More generally, the Home Secretary has written to the LFC requesting information as to how the Brigade is going to implement the Chair's recommendations and periodic reporting on progress.

### **Environment**

33. In his Budget Guidance document the Mayor has required that the budget proposals of the functional bodies, including the LFC, should ensure sufficient resourcing is available for the efficient and effective delivery of the London Environment Strategy. Brigade officers have worked closely with the GLA to meet this requirements and Appendix 10 contains detail of the actions that have been taken by the LFC to comply with this.

### **Equality Assessment**

34. The Mayor has required in his Guidance that the proposals in the LFC's Budget Submission should be assessed to further address equality, poverty, economic inequality and social integration in London. A full equality analysis is set out at Appendix 9 to comply with this requirement.

### **GLA Budget and Opinion Survey**

35. The GLA has recently delivered a survey that establishes Londoners priorities for improving the capital as a place to live and work, and understanding about which policies and interventions will drive satisfaction with the city. That survey found that residents' overall satisfaction levels were high for London (72 per cent) and residents' local areas (68 per cent) with respondents ranking policing and safety as the third most important issue, following housing and the cost of living.
36. The Mayor has provided additional funding for the London Fire Brigade, providing an additional £33m over the four years to 2023/24. The Mayor has also committed to supporting the Brigade to implement the recommendations from the Grenfell inquiry, with some work on this already in progress.

### **Medium Term Financial Plan and Reserves Strategy**

37. The fire and rescue national framework sets out the documents each Fire and Rescue Service (FRS) is required to produce, which include an integrated risk management plan (the London Safety Plan), an annual statement of assurance (to be published later this year) and its financial plans including an efficiency plan (published in 2016 covering up to 2020), a medium term financial strategy and a reserves strategy.
38. To meet this requirement a Medium Term Financial Plan and Reserves Strategy are attached to this report at Appendices 2 and 7 respectively. A draft letter to the Chair of the FREP Committee is also attached at Appendix 11 to consult FREP alongside providing the Budget Submission to the Mayor. The results of any scrutiny by the FREP committee can then also be considered as part of finalising the LFC budget for 2020/21.

### **The Financial Position as at the end of September 2019**

39. The Financial Position as at the end of September report (LFC-0260), reported that the LFC is forecasting to underspend by £1.0m for the 2019/20 financial year, largely due to operational staff vacancies. This report assumes that staff numbers will be brought back to establishment levels from 2020/21 and as a result does not include any further supplementation of the vacancy margin.
40. A review of the LFC's current forecast outturn and any underspending in previous years is a usual part of the budget setting process. This has been repeated this year with adjustments made to the medium term forecast and savings proposed in light of this. The process of refining

the estimates to take into account changes in the financial position in the current year will continue through to the presentation of the final Budget 2020/21 in March 2020. It should be noted that it is not yet assumed that the forecast 2019/20 underspend will be transferred into the BFR. This position will be reviewed and confirmed as part of the analysis of the outturn position and an additional transfer made to the BFR if possible.

## **Reserves**

41. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA, but mindful of the requirements in the Mayor's Budget Guidance, the GLA and the functional bodies must provide:
  - a statement of policy on reserves and contingencies;
  - details of all reserves and general balances;
  - an analysis and explanation of the expected movements on reserves between the start and end of each year from 1 April 2019 to 31 March 2024;
  - in the case of earmarked reserves held for purposes beyond 31 March 2020, an indication should be given as to when they are likely to be applied;
42. A statement on the adequacy of reserves is set out in Appendix 7. The corporate financial risk assessment has been refreshed in support of this. That assessment sets out the potential unbudgeted payments the LFC may be required to make if risks are realised, and is used to inform the minimum general reserve requirement.
43. As set out in previous years the current minimum general reserve requirement is set at 3.5% of the annual budget. Following the latest assessment it is proposed that the minimum reserve level remains at this amount. Appendix 7 contains additional detail on the basis for this calculation. The forecast reserve levels in future years also reflects work done to review reserve requirements in light of recent updates by the Fire Finance Network and the Home Office.
44. In his Budget Guidance the Mayor stated that reserves should only be used for the purpose for which they have been established, and that Budget Submissions must be explicit about plans for the use of reserves. The Guidance also notes that any plans to add to reserves must be fully explained and justified.
45. The latest position on reserves is set out in Table 7 below. This shows the forecast position as at the end of September 2019. Based on the forecast underspend of £1.0m the balance of the general reserve will be £15.5m at the end of 2019/20. This is £0.4m in excess of the stated minimum level of £15.1m, which is 3.5% of the net revenue expenditure budget. Officer will continue to monitor the level of the general reserve and consider if an additional transfer can be made into the Budget Flexibility Reserve as part of the review of the 2019/20 outturn position.

Table 7: LFC Reserves for the 2019/20 Financial Year

£000s	Opening Balance at 01/04/19	Approved Movements in Q4 18/19	Approved Movement to Qtr.1	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)		(291)	459
Emergency Services Mobile Communication Programme	1,928	345	(99)			2,174
Emergency Medical Response	294					294
Fire Safety and Youth Engagement	715	273	42			1,031
HMICFRS inspection regime	21	65	(63)		(22)	0
Hydrants	462		(95)			367
ICT Development Reserve	1,851	150	(208)		100	1,893
LFC Control Centre	959		(209)	(21)		729
LFB Museum Project	210		(70)			140
London Resilience	1,015	38	(150)	(38)		865
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)	550	1,506
Budget Flexibility	23,110	7,287	(467)			29,930
General	23,204	(9,271)	(1,325)	566	2,366	15,539
<b>Total</b>	<b>75,434</b>	<b>0</b>	<b>(5,754)</b>	<b>0</b>	<b>2,872</b>	<b>72,552</b>

46. The forecast reserve position for 2019/20 to 2023/24 is set out in Table 8 below. This position will be reviewed in light of changes to the forecast outturn for this year and as the budget process develops. The table shows that majority of earmarked reserves are forecast to be fully utilised by the end of the 2023/24 financial year, with the main exception of the London Safety Plan Initiatives (LSPI) reserve. The LSPI reserve will also be used over the planning period, however the exact timing and requirement for the various work streams is still being finalised.

Table 8: Proposed Reserves Position for the 2020/21 and Future Financial Years

	<b>Anticipated Balance at 01/04/20 £k</b>	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	<b>Anticipated Balance at 31/03/24 £k</b>
Additional Resilience Requirements	622	(209)				413
Capital Expenditure Reserve	11,745					11,745
Central Programme Office	746	(373)	(373)			0
Compensation	459	(250)	(209)			0
Emergency Medical Response	294	(294)				0
Emergency Services Mobile Communication Programme	2,174	(329)	(585)	(1,260)		0
Fire Safety and Youth Engagement	1,031	(674)	(193)	(83)	(75)	5
Hydrants	367	(120)	(120)	(127)		0
ICT Development Reserve	1,893	(1,252)	(541)	(100)		0
LFC Control Centre	729				(729)	0
LFC Museum Project	140	(70)	(70)			0
London Resilience	865	(865)				0
London Safety Plan Initiatives	3,699	(840)	(486)			2,372
Organisational Reviews	327	(239)	(89)			0
Recruitment/ Outreach	250	(250)				0
Sustainability Reserve	235	(235)				0
Vehicle & Equipment Reserve	1,506	(1,075)	(221)	(181)	(29)	0
Budget Flexibility	29,930	(6,601)	(23,329)			0
General	15,539					15,539
<b>Total</b>	<b>72,552</b>	<b>(13,675)</b>	<b>(27,614)</b>	<b>(1,752)</b>	<b>(833)</b>	<b>30,076</b>

## Financial Risks and Opportunities

47. 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 8. It should be noted however that in his Budget Guidance the Mayor has noted financial risks around the spending review and fair funding reviews, which have been deferred to 2021/22, the re-setting of the business rates baseline and also Brexit. The impact of these will need to be considered as the budget process develops into future years.

## Fees, Charges, Cost Recovery and Sponsorship

48. The LFC receives income from a range of charges, which are calculated on a cost recovery basis. These charges will be reviewed as part of finalising the budget for 2020/21, and will be reported in the final budget report in March 2020.

## Capital Programme 2019/20 to 2023/24

49. The Financial Position as at the end of September report (LFC-0260), reported that the forecast spend on the capital programme for 2019/20 is £33,231k, this is against the original approved budget of £40,876k, a difference of £7,645k and a reduction of £1,034k since the position reported at Quarter 1 (LFC-0204).

50. The capital programme has been reviewed for the following four years, with the overall capital programme summarised in table 9 below.

Table 9: Capital Programme Summary

Project	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£m	£m	£m	£m	£m	£m
Estates Capital Programme	10.570	14.326	28.759	11.528	8.975	74.158
Fleet Replacement Plan	20.092	19.476	17.846	2.317	2.788	62.519
ICT Capital Programme	2.569	3.571	5.335	5.299	6.523	23.297
<b>Total Expenditure</b>	<b>33.231</b>	<b>37.373</b>	<b>51.940</b>	<b>19.144</b>	<b>18.286</b>	<b>159.974</b>

51. The 2019/20 Capital Strategy set out total estimated capital expenditure of £37.8m in 2020/21, which is £0.4m higher than the estimate for 2020/21 set out in the table above. This includes a reduction in spend on Fleet and Equipment of £3.2m, largely due to profiling of spend on breathing apparatus sets, an increase in spend on estates of £3.0m, which includes the impact of re-profiling of spend on the new training centre, and a reduction in spend on ICT requirements of £0.2m.
52. A detailed capital programme is included in Appendix 5 for 2020/21, which as been reconciled to 2020-21 budget in the 2019/20 Capital Strategy report. In addition, the financing of the capital programme for the next four years is detailed together with the approved prudential borrowing limits. The first five years of the Capital Strategy, to 2023/24, are included in the Mayor's Capital Spending Plan, and are funded with capital financing costs reflected in the LFC budget submission.

### Capital Strategy

53. The CIPFA Prudential Code 2017 sets out a new requirement for local authorities to produce a Capital Strategy, to form part of an authority's integrated revenue, capital and balance sheet planning. The Mayor's Budget Guidance requires that the Capital Strategy covers a 20 year period, and forms part of the LFC's Budget Submission. The 2020/21 Capital Strategy is detailed in Appendix 6.

### Finance comments

54. This report is by the Assistant Director, Finance and there are no additional comments.

### Workforce comments

55. The trade unions were provided with a copy of the Mayor's Budget Guidance in July 2019. Staff side were subsequently provided with the '2020/21 Budget process proposals' report which went to Fire & Resilience Board (FRB) on 15 October 2019, and therefore have a broad understanding of the issues impacting on the 2020/21 budget setting process.
56. In providing the 15 October 2019 FRB report, staff side were advised that there would be no substantive staffing impacts this year in the run up to April 2020, and that consultation on the detailed proposals for 2020/21 would follow in due course. The Appendix 3/Appendix 4



savings/growth proposals were provided to staff side for consultation as part of the FRB pack, and any comments received will be responded to as appropriate.

### **Legal comments**

57. 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.
58. 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.
59. 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**

60. Appendix 10 on sustainability has been added to this report, detailing budget allocations and growth budget proposals that will support the LFC's commitments under the London Environment Strategy. This includes the growth bid 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 in Appendix 5.
61. The Sustainability Works defined in the Capital Strategy budget proposals include capital expenditure related to the Carbon Strategy, property works that will deliver energy related improvements and asbestos works.
62. 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 proposals include 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 proposals also include 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 CO<sub>2</sub> 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.

## **Equalities implications**

63. Decision takers have due regard to the public sector equality duty when considering reports for decision.
64. Under s149 of the Equality Act 2010 (the Equality Act), as a public authority we must have due regard to the need to eliminate discrimination, harassment and victimisation, and any conduct that is prohibited by or under the Equality Act; and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.
65. The public sector equality duty is as follows:

The London Fire Brigade must, in the exercise of its functions, have due regard to the need to:

  - a. Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Equality Act 2010. In summary, the Act makes discrimination etc. on the grounds of a protected characteristic unlawful.
  - b. Advance equality of opportunity between people who share a protected characteristic and those who do not.
  - c. Foster good relations between people who share a protected characteristic and those who do not, including tackling prejudice and promoting understanding.
66. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, sex, and sexual orientation.
67. An initial equality impact assessment has been undertaken and is attached at Appendix 9 to this report. The impact assessment identifies a number of savings proposals with potential equality impacts and commits to further assessments being undertaken in relation to the individual proposals concerned, before their implementation.

## MAYOR OF LONDON

**Dany Cotton QFSM**  
Commissioner  
London Fire Brigade  
169 Union Street  
London SE1 0LL

**Date:**

Dear Dany

19/11/19

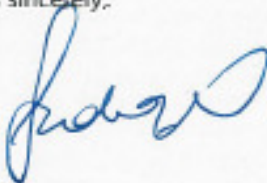
### **Budget Proposals 2020-21**

1. The purpose of this letter is to consult you before I prepare a draft component budget for the London Fire Commissioner (LFC) for 2020-21, in accordance with the provisions of paragraph 2 of schedule 6 of the Greater London Authority Act 1999 (the GLA Act). It also allows me to describe in more detail the process for finalising my Budget and clarify requirements for your budget submission.
2. My intention is to issue the GLA Group Budget Consultation Document as soon as is practical before the Christmas break, however it is likely to be published before the Government announces the Provisional Local Government Finance Settlement.
3. Subject to considering any comments that the LFC would wish to make, and the impact of the Provisional Settlement when announced, my present intention is to confirm a draft component budget for 2020-21 that will require the GLA to pay to the LFC under Section 102 of the GLA Act 1999, as amended, an amount equivalent to £399.3 million. For planning purposes, I intend to set future years' payments as follows: £407.6 million for 2021-22, £416.4 million for 2022-23 and £425.5 million for 2023-24.
4. On the basis of the funding assumptions set out above, I require that your proposals fully balance the budget for 2020-21. In order that my Budget Consultation Document can be prepared in a consistent and efficient fashion, I would be grateful if you could ensure that your submission fully complies with the requirements my officers have set out to you. May I also remind you that your budget submission should be placed on your website as soon as practical after its submission.

## MAYOR OF LONDON

5. Please send your budget submission to David Gallie, Assistant Director – Group Finance at the GLA (email: [david.gallie@london.gov.uk](mailto:david.gallie@london.gov.uk) and [GLABudget@london.gov.uk](mailto:GLABudget@london.gov.uk)) by 12 noon on Friday 29 November 2019.

Yours sincerely,



**Sadiq Khan**  
Mayor of London

CC: David Bellamy, Chief of Staff  
Fiona Twycross AM, Deputy Mayor, Fire and Resilience  
Sue Budden, Director of Corporate Services, London Fire Brigade  
Martin Clarke, Executive Director, Resources, GLA  
David Gallie, Assistant Director, Group Finance, GLA

## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
<b>Inflation and Medium Term Changes</b>					
<b>Inflation</b>		<b>10,310</b>	<b>8,133</b>	<b>8,258</b>	<b>8,537</b>
<b>MTFS Changes</b>					
<b>Operational Staff</b>					
Changes to Staff on Development Rates of Pay	This change reflects the anticipated change in the profile of the operational workforce, which will shift to include a greater number of less experienced staff on lower pay rates, following increased recruitment levels. There are further changes to development rates of pay included in the Role to Rank project below.	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 a net additional ongoing cost of £525k per annum for the LFB by the 2020/21 financial year, with £88k in 2019/20 and a further £437k in 2020/21. Critical performance improvements will also be delivered, including on-station officer-led training; and greater productivity from a significant reduction in standby movements for officers. It will also consensually resolve a long-running dispute, and its associated risks, with the trade union since the 2010 industrial action.	437	0	0	0
Trainee Firefighter Recruitment	These costs reflect the anticipated salary cost of trainee firefighters in each year.	(61)	(852)	211	169
<b>Operational Staff Total</b>		<b>396</b>	<b>(827)</b>	<b>1,276</b>	<b>(313)</b>
<b>Other Staff</b>					
Additional Payments into the Local Government Pension Scheme (LGPS) Fund and resulting on-going savings	Following the actuarial revaluation of the LGPS, savings generated were re-invested back into the scheme in order to reduce the deficit further. This is reversing the one off investment into the fund. The benefits of this will be reviewed as the results of the valuation 2019 become available.	(1,481)	0	0	0

## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Local Government Pensions Scheme - Valuation	Savings following the valuation of the LGPS pension fund, to be reviewed following valuation 2019	(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. These will also be reviewed as part of the valuation 2019.	224	0	0	0
FRS Vacancy Margin	The FRS vacancy margin was increased by £1m for the 2019/20 financial year. It is now proposed that this vacancy margin level is continued for 2020/21 only, after which £1m will need to be returned to the FRS staff budget in 2021/22.	0	1,000	0	0
Change in Expenditure funded from Specific Grants and Reserves	This reflects a reduction in expenditure from earlier years, that was previously funded from reserves for one off items.	(564)	(419)	(415)	0
<b>Other Staff Total</b>		<b>(1,943)</b>	<b>581</b>	<b>(415)</b>	<b>0</b>
<b>Firefighter Pension Scheme</b>					
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.	357	120	(83)	31
<b>Firefighter Pension Scheme Total</b>		<b>551</b>	<b>323</b>	<b>128</b>	<b>250</b>
<b>Staff Related</b>					
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 vary over the life of the contract..	(297)	245	(46)	554
Change in Expenditure funded from Specific Grants and Reserves	This reflects a reduction in expenditure from earlier years, that was previously funded from reserves for one off items.	(256)	(618)	(209)	0
<b>Staff Related Total</b>		<b>(809)</b>	<b>(403)</b>	<b>(285)</b>	<b>524</b>
<b>Premises</b>					

## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Business Rates	The forecast business rates requirement has been amended based on data received from Estates Management Consultant in December 2018.	91	212	217	222
Energy Costs - Electricity	The increased cost shown here is due to changes in the supply industry that has resulted in more fire stations being moved to more expensive contracts.	449	97	104	159
Energy Costs - Gas	Gas budget funding reviewed and a 3% increase has been allowed for 20/21 and future years.	23	23	23	0
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.	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
Operations Support Centre	This reduction reflects the expected completion of the new Operations Support Centre and the budget reduction as a result of the closure of the previous building.	(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 the previous review date, 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



## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
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.	500	0	0	0
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	9	(150)	0	729
<b>Premises Total</b>		<b>1,356</b>	<b>390</b>	<b>894</b>	<b>1,110</b>
<b>Transport</b>					
Command Unit Replacement	This budget is to cover ICT, Training and slot price costs for the replacement Command Units, and implementation costs in the first year.	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 additional resilience vehicles.	75	0	0	0
Change in Expenditure funded from Specific Grants and Reserves	This reflects a reduction in expenditure from earlier years, that was previously funded from reserves for one off items.	(938)	(1,089)	(40)	(152)
<b>Transport Total</b>		<b>(560)</b>	<b>(1,080)</b>	<b>(40)</b>	<b>(152)</b>
<b>Supplies and Services</b>					
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 2 financial years. A review is currently taking place of all LFB youth services in order to make the delivery of this work sustainable going forwards.	(174)	(438)	0	0
MDT Support following removal of Airwave support	The re-negotiated Airwave contract has increased overall costs whilst removing this element of the service. As a consequence there is now an additional requirement for the ongoing support of the new devices deployed to the fleet. The increase over time reflects the increase anticipated to reflect the failures due to age and use of the equipment.	23	0	0	0



## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Replacement of Extended Duration Breathing Apparatus (EDBA) cylinders	This reflects the ongoing cost following the replacement of EDBA cylinders as they reached the end of their maximum design life.	26	0	0	0
Additional Resilience Requirements - EDBA	Ongoing Maintenance for increased numbers of Extended Duration Breathing Apparatus Sets	0	613	0	0
Additional Resilience Requirements – Wicking T-shirts	Wicking T shirts replacement costs	52	0	0	0
Additional Resilience Requirements – Legal Costs	Legal Costs related to the Grenfell Tower 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.	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	Maintaining 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
Adoption of Paging App On Phones	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
Change in Expenditure funded from Specific Grants and Reserves	This reflects a reduction in expenditure from earlier years, that was previously funded from reserves for one off items.	(323)	(1,416)	(329)	(1,487)
<b>Supplies and Services Total</b>		<b>(250)</b>	<b>(1,324)</b>	<b>(267)</b>	<b>(1,421)</b>
<b>Third Party</b>					
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	89	0	(89)	0
<b>Third Party Total</b>		<b>89</b>	<b>0</b>	<b>(89)</b>	<b>0</b>
<b>Financing</b>					

## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
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.	309	1,061	0	0
Additional Resilience Requirements	Additional Borrowing Costs for additional items included in FEP2673	608	0	0	0
Revenue Contribution To Capital	This contribution will reduce borrowing requirements in the longer term and should be considered in context of the pressures set out in the Capital Strategy.	600	0	0	0
<b>Financing Total</b>		<b>1,517</b>	<b>1,061</b>	<b>0</b>	<b>0</b>
<b>Contingency</b>					
Additional Resilience Requirements	Staff costs related to Grenfell Investigation	(642)	0	0	0
<b>Contingency Total</b>		<b>(642)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Income</b>					
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
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.	26	0	0	0
Commercial Income - Babcock Training Croydon	Babcock training have vacated the training building on 31st July 2019. This has resulted in an annual loss from this date	55	0	0	0
Interest Income	Increase in Interest income based on current investment returns.	(180)	0	0	0
Change in Expenditure funded from Specific Grants and Reserves		(98)	(58)	(54)	(8)
<b>Income Total</b>		<b>(1,187)</b>	<b>(1,118)</b>	<b>(1,164)</b>	<b>(1,158)</b>
<b>Change in government grant income</b>		<b>(3,111)</b>	<b>21,732</b>	<b>0</b>	<b>0</b>
<b>Change in Use of Reserves</b>		<b>(1,769)</b>	<b>(12,541)</b>	<b>25,163</b>	<b>918</b>
<b>Changes to Savings and Growth in previous years</b>		<b>(281)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>New initiatives and service improvements</b>		<b>6,038</b>	<b>(35)</b>	<b>(373)</b>	<b>(291)</b>
<b>Change to GLA funding</b>		<b>(6,995)</b>	<b>(8,339)</b>	<b>(8,733)</b>	<b>(9,109)</b>
<b>Savings and Efficiencies</b>		<b>(3,378)</b>	<b>390</b>	<b>(1,681)</b>	<b>(761)</b>

## Appendix 2 – Medium Term Forecast

		2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Savings to be identified		0	(6,261)	(22,673)	1,865

### Appendix 3 – Saving Proposals

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 – Saving Proposals

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 – Saving Proposals

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
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

### Appendix 3 – Saving Proposals

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
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
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

### Appendix 3 – Saving Proposals

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
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
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



### Appendix 3 – Saving Proposals

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
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
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

### Appendix 3 – Saving Proposals

Ref	Saving Title	Saving Description	Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Additional Saving in 2023/24 £
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

## Appendix 4 – Growth Proposals

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 Proposals

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 Proposals

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 Proposals

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"> <li>• photos of incidents, events and investigations</li> <li>• Drone footage</li> <li>• CCTV from appliances and vehicles</li> <li>• Body Worn Video</li> <li>• Brigade mobiles, tablets, MDT's and MDT tablets</li> </ul> <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 Proposals

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 Proposals

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 Proposals

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 Proposals

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 &amp; 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	<p>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.</p>	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

## Appendix 5 – Capital Forward Programme and Prudential Limits

CAPITAL STRATEGY REQUIREMENTS 2020/2021	2020/21 Budget 2019/20 Capital Strategy	Budgets Reprofiled	New Budgets	Savings	2020/21 Budget 2020/21 Capital Strategy
ICT Projects	£'000	£'000	£'000	£'000	£'000
Business Intelligent Solution	360	75			435
Control & Mobilisation System (CAMS)	100				100
Fireground Radios	0	1800		(900)	900
Home Fire Safety Database (linked to Farynor Project)	70	(70)			0
New ISP	500	(500)			0
ICT Virtual Desktop Technology	0		175		175
New WAN	500	(500)			0
VM Server Environment Hosts	500	(500)			0
Replacement of laptops	563	(263)			300
New audio visual equip for Stations	100				100
Data transfer system for Joint Emergency Services Interoperability Programme			120		120
Farynor Replacement (linked to ICT Home Fire Safety Database Project)	450	(450)			0
Finance System	586				586
HR System	624				624
Payroll System	231				231
<b>ICT PROJECTS</b>	<b>4,584</b>	<b>(408)</b>	<b>295</b>	<b>(900)</b>	<b>3,571</b>
<b>ESTATE PROJECTS</b>					
Plumstead Fire Station Redevelopment	2,500	(2,050)			450
LFB Museum – Fitout	0	80			80
Refurbishment of Edmonton Fire Station	0	80			80
Heating at various stations	895	112	(217)		790
Window replacement at various stations	360	(356)	527		531
Rewiring of property at various fire stations	275	97	(227)		145
Roofing replacements	740	(287)	279		732
Minor Improvement Programme	2081	(69)	488		2,500
Appliance Bay Doors (Phase 3)	414	(253)	400		561
Brigade wide Survey for Asbestos & Removal	50			(20)	30
West Hampstead Cottages Refurb (FEP2776)	0	200			200
Improve Security at all Fire Stations, Offices & HQ	1,250	(1,050)			200
New Training Centre	1,800	2,249			4,049
PEG/BDC Development	900	(900)			0
Lambeth river station (growth bid)	100	950	970		2,020
Lift Refurbishment Works			600		600
Biggin Hill FS Extension			400		400
Bromley FS Refurbishment			50		50
Carbon Strategy Estate Works			908		908
<b>ESTATE PROJECTS</b>	<b>11,365</b>	<b>(1,197)</b>	<b>4,178</b>	<b>(20)</b>	<b>14,326</b>
<b>FLEET &amp; EQUIPMENT PROJECTS</b>					
Replacement of Fleet and Operational Equipment	12,395	(539)	763	(450)	12,169
Respiratory Protective Equipment - Barrie	0	2,300			2,300
Standard duration breathing apparatus sets	5,000	(5,000)			0
Early Replacement of ALP & HP	3,480	(1,646)			1,834
CCTV on Pumping Appliances	68			(47)	21
Early Replacement of Fire Boat	1,250	500	1,402		3,152
Vehicle Security	30			(30)	0
<b>FLEET &amp; EQUIPMENT PROJECTS</b>	<b>22,223</b>	<b>(4,385)</b>	<b>2,165</b>	<b>(527)</b>	<b>19,476</b>
<b>CAPITAL EXPENDITURE TOTAL</b>	<b>38,172</b>	<b>9,395</b>	<b>8,034</b>	<b>(547)</b>	<b>37,373</b>

## Appendix 5 – Capital Forward Programme and Prudential Limits

Project	2019/20	2020/21	2021/22	2022/23	2023/24	TOTAL
	£k	£k	£k	£k	£k	£k
<b>Capital Schemes</b>						
<b>Estates</b>						
Major Refurbishments	463	280	220	1,500	2,500	4,963
New developments	5,149	7,649	19,616	3,752	0	36,166
Minor Works	3,124	3,432	5,629	3,180	3,760	19,125
Sustainability Works	1,221	2,404	2,652	2,696	2,315	11,288
Appliance Bay Doors	613	561	642	400	400	2,616
Estates Total	10,570	14,326	28,759	11,528	8,975	74,158
<b>Fleet Replacement Plan</b>	<b>20,092</b>	<b>19,476</b>	<b>17,846</b>	<b>2,317</b>	<b>2,788</b>	<b>62,519</b>
<b>ICT Projects</b>	<b>2,569</b>	<b>3,571</b>	<b>5,335</b>	<b>5,299</b>	<b>6,523</b>	<b>23,297</b>
<b>Total Expenditure</b>	<b>33,231</b>	<b>37,373</b>	<b>51,940</b>	<b>19,144</b>	<b>18,286</b>	<b>159,974</b>
<b>Capital Financing</b>						
Capital Receipts	33,026	35,250	13,214	19,144	3,856	104,489
Capital Grants	205	0	0	0	0	205
3rd Party Contribution	0	2,123	0	0	0	2,123
External Borrowing	0	0	38,726	0	14,430	53,156
<b>TOTAL Funded Financing</b>	<b>33,231</b>	<b>37,373</b>	<b>51,940</b>	<b>19,144</b>	<b>18,286</b>	<b>159,974</b>
<b>External Borrowing</b>						
External Loans	60,725	55,725	91,451	87,451	99,881	
Finance Leases	64,047	62,711	61,336	59,893	58,335	
<b>TOTAL External Borrowing</b>	<b>124,772</b>	<b>118,436</b>	<b>152,787</b>	<b>147,344</b>	<b>158,217</b>	
<b>Approved Borrowing Levels</b>						
Operational Boundary	220,000	225,000	240,000	240,000	240,000	
Authorised Boundary	225,000	230,000	245,000	245,000	245,000	

### 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 forms part of the budget submission to the Mayor, approved by the LFC. The final Capital Strategy is to be approved by the LFC in March. 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.

#### 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;
  - links to the LFC's Asset Management Plan and other LFC Strategies/Plans, such as the Sustainability Strategy;
  - is affordable, financially prudent and sustainable;

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- 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.
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

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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.

The Capital Strategy will support this policy as follows.

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- 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 6 – LFC Capital Strategy Submission to the Mayor

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
<b>Capital Schemes</b>						
<b>Estates</b>						
Major Refurbishments	463	280	220	1,500	2,500	4,963
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Estates Total	10,570	14,326	28,759	11,528	8,975	74,158
<b>Fleet Replacement Plan</b>	<b>20,092</b>	<b>19,476</b>	<b>17,846</b>	<b>2,317</b>	<b>2,788</b>	<b>62,519</b>
<b>ICT Projects</b>	<b>2,569</b>	<b>3,571</b>	<b>5,335</b>	<b>5,299</b>	<b>6,523</b>	<b>23,297</b>
<b>Total Expenditure</b>	<b>33,231</b>	<b>37,373</b>	<b>51,940</b>	<b>19,144</b>	<b>18,286</b>	<b>159,974</b>
<b>Capital Financing</b>						
Capital Receipts	33,026	35,250	13,214	19,144	3,856	104,489
Capital Grants	205	0	0	0	0	205
3rd Party Contribution	0	2,123	0	0	0	2,123
External Borrowing	0	0	38,726	0	14,430	53,156
<b>TOTAL Funded Financing</b>	<b>33,231</b>	<b>37,373</b>	<b>51,940</b>	<b>19,144</b>	<b>18,286</b>	<b>159,974</b>

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.

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

Project	Years 2024 - 2029	Years 2029- 2034	Years 2034- 2039
	£m	£m	£m
<b>Capital Schemes</b>			
<b>Estates</b>			
Major Refurbishments	7,400	9,000	7,200
New developments	28,400	13,000	10,400

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Minor Works	16,640	15,500	12,400
Sustainability Works	12,245	8,150	6,520
Appliance Bay Doors	2000	2000	1600
<b>Estates Total</b>	<b>66,685</b>	<b>47,650</b>	<b>38,120</b>
Fleet Replacement Plan	103,410	100,892	5,868
ICT Projects	14,199	27,568	12,469
<b>Total Capital Expenditure</b>	<b>184,293</b>	<b>176,110</b>	<b>56,457</b>
<b>Capital Financing</b>			
Capital Receipts	0	0	0
Capital Grants	0	0	0
3rd Party Contribution	0	0	0
External Borrowing	48,000	37,000	37,000
<b>TOTAL Funded Financing</b>	<b>48,000</b>	<b>37,000</b>	<b>37,000</b>
<b>Unfunded Capital Expenditure</b>	<b>136,293</b>	<b>139,110</b>	<b>19,457</b>

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.
- 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

## Appendix 6 – LFC Capital Strategy Submission to the Mayor

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).
  - **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

## Appendix 6 – LFC Capital Strategy Submission to the Mayor

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
	£m	£m	£m	£m	£m	£m	£m	£m
20 year Capital Ambition	33,231	37,373	51,940	19,144	18,286	184,293	176,110	56,457
Funding (excl. borrowing)	(33,231)	(37,373)	(13,214)	(19,144)	(3,856)	0	0	0
Funded from borrowing	0	0	(38,726)	0	(14,430)	(48,000)	(37,000)	(37,000)
<b>Shortfall</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>136,293</b>	<b>139,110</b>	<b>19,457</b>

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.

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

<b>Future Years</b>	<b>Capital Expenditure £m</b>	<b>Financed from external borrowing £m</b>	<b>Debt Charges* £m</b>	<b>Budget £m</b>	<b>Budget Pressure £m</b>
2024/25	18,327	18,327	13,096	12,724	372
2025/26	44,932	44,932	14,641	13,105	1,536
2026/27	31,019	31,019	18,688	13,498	5,189
2027/28	40,375	40,375	21,609	13,903	7,706
2028/29	49,640	49,640	25,370	14,321	11,049
2029/30	57,842	57,842	30,010	14,750	15,260
2030/31	64,995	64,995	35,450	15,193	20,258
2031/32	13,634	13,634	41,621	15,648	25,972
2032/33	20,585	20,585	42,946	16,118	26,828
2033/34	19,054	19,054	44,335	16,601	27,734
2034/35	16,909	16,909	41,862	17,099	24,763
2035/36	12,828	12,828	42,903	17,612	25,291
2036/37	13,567	13,567	44,081	18,141	25,940
2037/38	13,153	13,153	42,771	18,685	24,086
2038/39	16,963	16,963	42,881	19,246	23,636

( Minimum Revenue Provision and interest has been calculated at 3% and MRP has been estimated on a 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 £40m by 2038/39, with resulting budget pressure in excess of £20m.
30. The projected budget pressure of £24m 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.
  - 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.

## Appendix 6 – LFC Capital Strategy Submission to the Mayor

### 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

PWLB Rates	March 2020	March 2021	Sept 2021
	%	%	%
5 Year Loans	2.50	2.80	3.00
10 Year Loans	2.80	3.10	3.30
25 Year Loans	3.40	3.70	3.90

### 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.

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	44.28	42.91	41.46	39.91	28.47	6.85	0.00
Finance Lease	18.43	18.43	18.43	18.43	18.43	14.99	3.39	0.00
<b>Total</b>	<b>64.05</b>	<b>62.71</b>	<b>61.34</b>	<b>59.89</b>	<b>58.34</b>	<b>43.46</b>	<b>10.24</b>	<b>0.00</b>

## Appendix 6 – LFC Capital Strategy Submission to the Mayor

(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.
  - 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.

## **Appendix 6 – LFC Capital Strategy Submission to the Mayor**

- 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 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



## **Appendix 6 – LFC Capital Strategy Submission to the Mayor**

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 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

## **Appendix 6 – LFC Capital Strategy Submission to the Mayor**

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 6A – 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	
<b>Capital Schemes</b>									
<b>Estates</b>									
Major Refurbishments	463	280	220	1,500	2,500	7,400	9,000	7,200	28,563
New developments	5,149	7,649	19,616	3,752	0	28,400	13,000	10,400	87,966
Minor Works	3,124	3,432	5,629	3,180	3,760	16,640	15,500	12,400	63,665
Sustainability Works	1,221	2,404	2,652	2,696	2,315	12,245	8,150	6,520	38,203
Appliance Bay Doors	613	561	642	400	400	2000	2000	1600	8,216
<b>Estates Total</b>	<b>10,570</b>	<b>14,326</b>	<b>28,759</b>	<b>11,528</b>	<b>8,975</b>	<b>66,685</b>	<b>47,650</b>	<b>38,120</b>	<b>226,613</b>
Fleet Replacement Plan	20,092	19,476	17,846	2,317	2,788	103,409	100,892	5,868	272,687
ICT Projects	2,569	3,571	5,335	5,299	6,523	14,199	27,568	12,469	77,533
<b>Total Capital Expenditure</b>	<b>33,231</b>	<b>37,373</b>	<b>51,940</b>	<b>19,144</b>	<b>18,286</b>	<b>184,293</b>	<b>176,110</b>	<b>56,457</b>	<b>576,833</b>
<b>Capital Financing</b>									
Capital Receipts	33,026	35,250	13,214	19,144	3,856	0	0	0	104,489
Capital Grants	205	0	0	0	0	0	0	0	205
3rd Party Contribution	0	2,123	0	0	0	0	0	0	2,123
External Borrowing	0	0	38,726	0	14,430	48,000	37,000	37,000	175,156
<b>TOTAL Funded Financing</b>	<b>33,231</b>	<b>37,373</b>	<b>51,940</b>	<b>19,144</b>	<b>18,286</b>	<b>48,000</b>	<b>37,000</b>	<b>37,000</b>	<b>281,973</b>
<b>Unfunded Capital Expenditure</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>	<b>136,293</b>	<b>139,110</b>	<b>19,457</b>	<b>294,860</b>

## Appendix 6B – 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 6C – Reconciliation to 2019/20 Capital Strategy

Project	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	Total
	£k	£k	£k	£k	£k	£k	£k
2019/20 Capital Strategy	13,982	40,013	37,769	25,086	21,965	n/a	138,815
2020/21 Capital Strategy	13,432	33,231	37,373	51,940	19,144	18,286	173,406
<b>Change</b>	<b>(550)</b>	<b>(6,782)</b>	<b>(396)</b>	<b>26,854</b>	<b>(2,821)</b>	<b>18,286</b>	<b>34,591</b>
Breakdown of changes							
Changes in ICT Requirement	(678)	(2,916)	(204)	2,685	560	6,523	5,970
Changes in Estates Requirement	44	258	2,961	13,929	(3,422)	8,975	22,745
Changes in Fleet & Equipment Requirement	84	(4,124)	(3,153)	10,240	41	2,788	5,876
<b>Total</b>	<b>(550)</b>	<b>(6,782)</b>	<b>(396)</b>	<b>26,854</b>	<b>(2,821)</b>	<b>18,286</b>	<b>34,591</b>

## **Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves**

### **LFC Reserve Strategy**

#### **SECTION 1: Introduction and Background**

1. Section 43 of the Local Government Finance Act 1992 requires that, when setting the budget for the forthcoming year, authorities should have regard to the level of reserves needed to provide sufficient resources to finance estimated future expenditure, plus any appropriate allowances that should be made for contingencies.
2. Best practice on the use and management of reserves and balances is provided by CIPFA and the Local Authority Accounting Panel (LAAP) guidance, specifically LAAP Bulletin 99 - 'Local Authority Reserves and Balances'. This was issued in July 2014, but since then many references have been made to the scale of public sector reserves by various parties.
3. In May 2018 the Government published the New Fire and Rescue Services Framework which introduces a requirement for Combined Fire and Rescue Authorities to publish a Reserve Strategy on their website and outlined the detail which should be included. The Reserves Strategy can form part of the Medium Term Financial Plan or be a stand-alone document.

#### **Strategic Context**

4. There are a number of reasons why a local government authority might hold reserves, these include to:-
  - (a) Mitigate potential future risks such as increased demand and costs;
  - (b) Help absorb the costs of future liabilities;
  - (c) Temporarily plug a funding gap should resources be reduced suddenly;
  - (d) Enable an authority to resource one-off policy developments and initiatives without causing an unduly disruptive impact on Council Tax;
  - (e) Spread the cost of large scale projects which span a number of years.
5. Reserves only provide one off funding so an authority should avoid using reserves to meet regular and ongoing financial commitments, other than as part of a sustainable medium-term budget plan.

#### **Long-Term Sustainability**

6. Reserves are an essential tool to ensure long term budget stability particularly at a time when the LFC is facing significant risk over funding and savings requirements in future years. In recent years LFC has built up reserves to help meet short term budget gaps, with £29.9m now held in the Budget Flexibility Reserve. The overall level of reserves is currently high, but will reduce significantly over the planning period as included in current budget forecasts.
7. Reserve balances have been identified as a key indicator of financial health and the LFC continues to have an appropriate level of reserves to deal with identified risks. As a minimum, there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.
8. There are two different types of reserve, and these are

## Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves

- **Earmarked Reserves** – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then decisions would be sought on how any remaining balance is to be utilised.
  - **General Reserve** – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant additional overtime costs.
9. It should be noted that if a risk materialises that requires significant draw from reserves, the LFC would need to seek to prudently rebuild reserves back to an adequate level in future years.
  10. It is also important to bear in mind that reserves are not the only way in which the financial risks are managed. Insurance cover is in place for a wide range of eventualities. In terms of this cover there is an insurance excess, with the LFC meeting the first £0.85m on claims up to the aggregate of £1.9m. This means that the LFC is insured for the totality of any claims over and above this aggregate level in any one year – the maximum hit under the policy excess therefore being £1.9m. These levels are determined in discussion with the General Counsel's Department and the aggregate figure of £1.9m represents a material improvement from the figure of £7.0m included for previous years under prior insurance arrangements.
  11. This insurance is supported by provisions that are raised in the Statement of Accounts each year for potential uninsured events where there is knowledge of a claim. These provisions are held to provide funding for a significant liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain. The 2018/19 accounts included £11.3m of provisions. The majority of this was to account for backdated costs of the operational staff London Weighting agreement (£6.2m). The provisions also included £2.0m for motor insurance and £1.5m for legal provisions.
  12. The LFC, via the GLA, also has potential access to the Bellwin scheme in particular circumstances for emergency financial assistance. The scheme is named after the late Lord Bellwin, a minister in the former Department of the Environment who introduced the scheme in 1983. It was given a statutory basis in Section 155 of the Local Government and Housing Act 1989. The scheme may be activated in any case where an emergency or disaster involving destruction of or danger to life or property occurs and, as a result, one or more local authorities incur expenditure on, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants. However it should be noted that there is no automatic entitlement to financial assistance: Ministers are empowered under the Act to decide whether or not to activate a scheme after considering the circumstances of each individual case.
  13. The Bellwin scheme requires an expenditure threshold to be exceeded in order to trigger claims, and the threshold is set each year. For the latest Bellwin claim (Grenfell Tower) this was set at £0.75m for fire within the GLA Group. In addition, only a proportion of costs can be recovered, in particular these have to be marginal (additional) costs, and only costs in excess of the threshold will be reimbursed.
  14. There are however other schemes that the Government may provide in exceptional circumstances. For example the former Department for Communities and Local Government (DCLG) wrote on 19 August 2011 to Leaders of local authorities, and fire and rescue authorities, which were affected by the civil disturbances advising of a recovery package for communities, including new funding for local authorities and fire and rescue authorities which incurred

## **Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves**

additional costs because of the disturbances. The funding that was made available was at or below the Bellwin scheme threshold with funds nationally available of £10 million. LFC recovered £194k of funds through this scheme.

### **SECTION 2: Risk Assessment to Determine the Adequacy of the General Reserve**

15. A well-managed multi-purpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, the LFC has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.
16. The LFC has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the LFC will unexpectedly become liable for expenditure that it has not budgeted for.
17. The LFC has set its level for the General Reserve at 3.5% of net revenue budget. This is lower than the 5% benchmark commonly used across the Fire Sector nationally. The minimum of 3.5% requirement is a challenging but not untypical position for an upper tier local authority, and it is considered that this is still a reasonable basis for forward planning.
18. After taking into account transfers agreed in the financial outturn report for 2018/19, the opening balance of the general reserve at the start of 2019/20 represented 3.2% of the LFC's net revenue budget but re-established at 3.5% during the financial year. Due to varying revenue budgets, maintaining a consistent level of General Reserve will result in the percentage varying over time, ie if an authority has an increasing budget a balance of 3.5% at year end could be less than 3.5% at the start of the new financial year.
19. The percentage measure is a useful control measure but is a rudimentary way of assessing the adequacy of the general reserve and a more meaningful approach is to develop a risk assessment. The LFC considers both measures as part of its annual Reserve Strategy.
20. A risk assessment of the adequacy of the LFC's General Reserve is carried out annually to determine the extent to which the LFC is exposed to uninsured and unbudgeted losses. The risk assessment for the coming financial year, 2020/21, has been prepared as part of the budget setting process and is shown in Appendix A. The impact and scale of potential short term losses has been estimated to be £28.7m, with £1.9m of this assessed as high risk.
21. Based on the forecast underspend of £1.0m, at Q2, the balance of the general reserve will be £15.5m at the end of 2019/20. Officers will continue to monitor the level of the General Reserve and consider if an additional transfer can be made into the Budget Flexibility Reserve as part of the review of the 2019/20 outturn position.

### **SECTION 3: Annual Review of Earmarked Reserves**

22. The LFC has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the LFC is informed of the latest plans for the balances held in such reserves over the medium term via



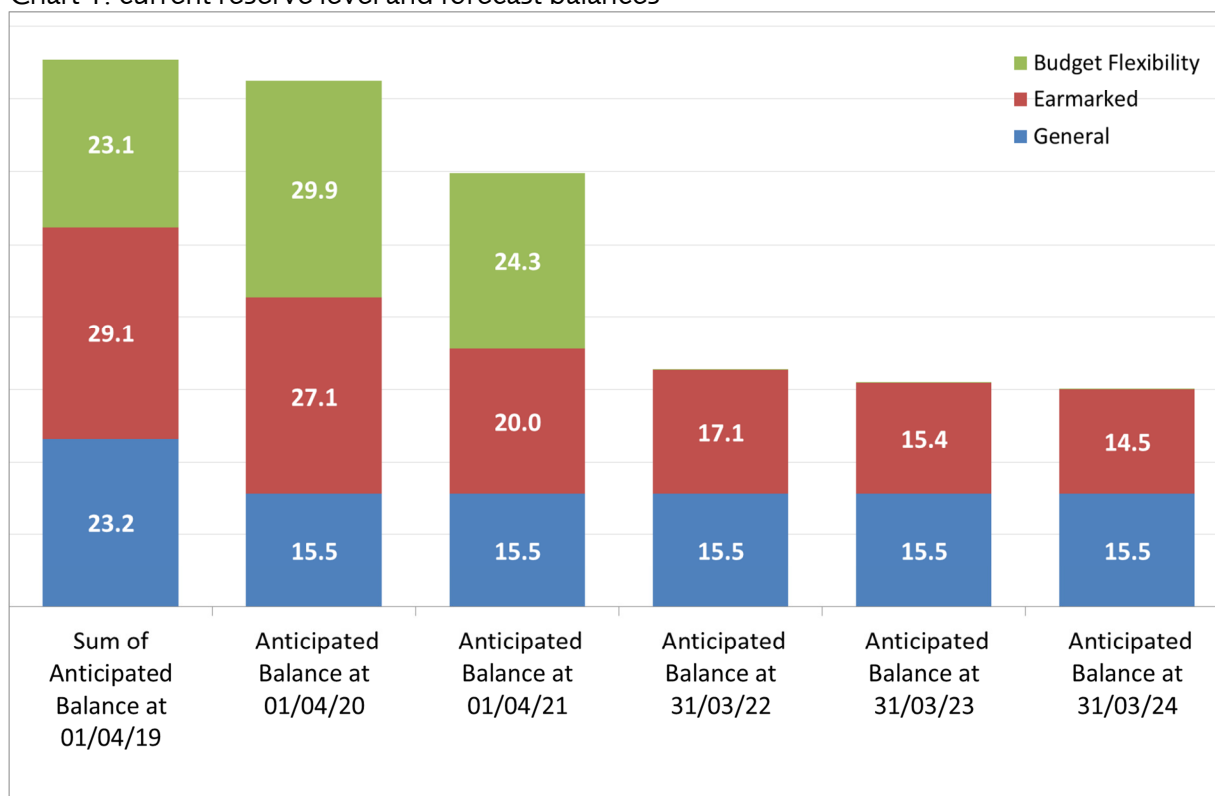
## Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves

the Reserves Strategy. When the LFC approves the Reserves Strategy for publication it will be made available on its website, including the draft Reserves Strategy prepared as part of the Budget Submission to the mayor and which is subject to consultation with FREP before approval in the final budget in March.

23. As part of the annual review of reserves 2019-20, Earmarked Reserves are presented in broad categories and analysed as outlined below.

- **Reserves to cover timing differences** – This includes reserves where funding has been received in previous financial years and these balances are held to meet the costs in future years. At the start of 2020/21 the balance of this group of reserves is anticipated at £20.3m and the forecast balance at the end of 2023/24 is £14.1m.
- **Cost pressures** – This group of reserves is where money has been set aside from the revenue budget in previous years to fund projects or one-off expenditure that is uncertain in timing. At the start of 2020/21 the balance of the group of reserves is anticipated at £6.0m and the forecast balance at the end of 2023/24 is £0.4m.
- **Emerging risks** – two reserves are held to cover potential risks in future years. These are for compensation and hydrants and the forecast balance at the start of 2020/21 is anticipated at £0.8m and is expected to be used in full over the next four years.

Chart 1: current reserve level and forecast balances



## **Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves**

### **Appendix A – Risk Assessment of the Adequacy of General Reserves**

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

## Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves

### Corporate Risks

Corporate		Total		Highest Single Drawing	
Risk Level	Type of risk	Short Term	Long Term	Short Term	Long Term
<b>High</b>	Impact of Grenfell inquiry on public confidence/ safety, threat of terrorism, effect of cyber attack, ineffective contractual and non-contractual training.	£1.9m	£6.0m	£1.0m	£6.0m
<b>Medium</b>	Industrial relations, impact of Grenfell inquiry on staff wellbeing, capacity to delivery change, death or serious injury, ineffective budget planning, failure of mobilising system, adult safeguarding not effective, insufficient support for staff wellbeing, impact of major incidents, high sickness levels, operational vacancies, training requirements not met, contractual failure, inclusion strategy fail.	£22.8m	£26.3m	£5.3m	£10.0m
<b>Low</b>	HMIC results affect public confidence, impact of Brexit on service delivery, pandemic outbreak.	£4.0m	£0.0m	£4.0m	£0.0m

5. The focus of this review of the adequacy of reserves is on the short term only as reserves can only be used once and are not a permanent source of funding. The table shows that the total short term exposure, if all risks were to materialise in a single year, is £28.7m. However this needs to be considered against the probability of more than one significant risk materialising in any one year.
6. The CIPFA guidance emphasises that a well managed authority will ensure that reserves are not only adequate but also necessary. It would not be appropriate to set funds aside to cover risks that are deemed extremely unlikely to occur. CIPFA also advises that a balance needs to be found between maintaining adequate levels of reserves and investing in risk reduction measures. For example it may be possible to reduce the level of balances held where appropriate action to mitigate or remove risks has been successfully taken.
7. The table shows that £26.8m of the total short term exposure is assessed as low or medium with the remaining £1.9m as high risk. So while the total risk exposure is above the LFC's currently assessed minimum level of reserves (£15.5m based upon the proposed 2020/21 budget), this needs to be considered against the probability of all these risk events occurring. The highest estimated single drawing in the short term is for £5.3m.

## **Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves**

### **Conclusion**

8. There are a range of factors that need to be taken into account in determining an appropriate level of reserves and as the CIPFA guidance states a considerable degree of professional judgement is required. For LFC the combination of a maximum insurance liability of £1.9m in any one year, the current availability of £11.3m in provisions to cover known or expected events, the availability of earmarked reserves, and a generally prudent approach to cost estimation and budgeting indicates that a general reserve level of 3.5% (£15.5m) can currently be deemed to be adequate given the corporate governance and control arrangements in place across the organisation.

## Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves

### Appendix B – Projected Reserve Balances over Medium Term Financial Plan Period (2020-2024)

	Anticipated Balance at 01/04/20	Use of Reserves in 2020/21	Use of Reserves in 2021/22	Use of Reserves in 2022/23	Use of Reserves in 2023/24	Anticipated Balance at 31/03/24
<b>General Reserve</b>	<b>15,539</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,539</b>
<b>Budget Flexibility</b>	<b>29,930</b>	<b>(6,601)</b>	<b>(23,329)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Earmarked Reserves</b>						
<b>Timing Difference</b>						
Capital Expenditure Reserve	11,745	0	0	0	0	11,745
Central Programme Office	746	(373)	(373)	0	0	0
ESMCP/ ESN project	2,174	(329)	(585)	(1,260)	0	0
Fire Safety and Youth Engagement	1,031	(674)	(193)	(83)	(75)	5
LFC Control Centre	729	0	0	0	(729)	0
LFC Museum Project	140	(70)	(70)	0	0	0
London Safety Plan Initiatives	3,699	(840)	(486)	0	0	2,372
<b>Cost Pressure</b>						
Additional Resilience Requirements	622	(209)	0	0	0	413
Emergency Medical Response	294	(294)	0	0	0	0
ICT Development Reserve	1,893	(1,252)	(541)	(100)	0	0
London Resilience	865	(865)	0	0	0	0
Organisational Reviews	327	(239)	(89)	0	0	0
Recruitment/ Outreach	250	(250)	0	0	0	0
Sustainability	235	(235)	0	0	0	0
Vehicle & Equipment Reserve	1,506	(1,075)	(221)	(181)	(29)	0
<b>Emerging Risk</b>						
Compensation	459	(250)	(209)	0	0	0
Hydrants	367	(120)	(120)	(127)	0	0
<b>Grand Total</b>	<b>72,552</b>	<b>(13,675)</b>	<b>(27,614)</b>	<b>(1,752)</b>	<b>(833)</b>	<b>30,076</b>

#### General Reserve

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

#### Earmarked - Budget Flexibility Reserve

## **Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves**

2. The Budget Flexibility Reserve was set up in response to the Mayor's 2017/18 Budget consultation letter that requires the temporary boost to LFC's balances to be held to assist balancing future year's budgets, and is funded from budgeted savings in 2017/18 of £6.2m followed by an additional transfer in that year of £12.5m identified during that year. The reserve was also supplemented by a further £4.4m in 2018/19 from further savings. This will be used to support the budget position over the current planning period to 2022/23. An additional transfer into this reserve will be considered as part of the review of the 2019/20 outturn position.

### **Earmarked – Timing Differences**

3. The Capital Expenditure Reserve was created based on the funding received from the GLA in relation to the sale of Southwark. This will be paid back to the GLA and the process for making this payment is being discussed.
4. The Corporate Programme Office is an NFCC function hosted by LFC. This reserve is based on funding exceeding spend in 2019/20 and as spend increases over the next two years, this funding will be used to balance the cost of the programme.
5. The Emergency Services Mobile Communications Programme (ESMCP) is a cross-government, multi-agency programme that will deliver a new communication system to the emergency services and other public safety users throughout Great Britain. This system will be called the Emergency Services Network (ESN) and it will provide integrated critical voice and broadband data services. DCLG committed to provide grants to cover the reasonable cost of transition from the current Airwave service to ESN and it is expected the Home Office will provide similar guarantees. However, the full financial implications of implementation of the network are not yet known. It is proposed that this reserve is fully used by 2020/21.
6. The Fire Safety and Youth Engagement reserve was established in 2016/17 (FEP 2661) and is funded from the net contribution to overheads from the LFC's trading company, LFB Enterprises. This was later supplemented from contributions received to fund youth engagement activities. The reserve is to be used to support future youth engagement activities. It is currently forecast that the current balance on this reserve will be utilised by 2022/23.
7. The LFC control centre reserve has been set up in this report to fund any one-off shortfall in funding for the LFC Control Centre at Merton, after government funding expires. It will also support the one year cost of increasing the control rota as discussed in this report.
8. The LFB Museum Project reserve was created as part of the Financial Position as at the end of September 2018 report (LFC-0084). This reserve will fund a Museum project manager for a period of three years to support that work.
9. Under the new London Safety Plan a number of trials and pilots could be carried out in future financial years. LFC currently holds an earmarked reserve of £4.1m to aid in the implementation of any new operational delivery models over the life of the plan.

### **Earmarked – Cost Pressure**

10. The additional resilience requirements reserve was approved in July 2017 (FEP2763). The reserve was set up to temporarily fund the initial revenue costs identified following the Grenfell Tower fire and the terrorist incidents at Westminster, London Bridge and Finsbury Park. Spend against this

## Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves

reserve will be reviewed as part of the 2018/19 outturn position and funding released back to the general reserve if no longer required.

11. The emergency medical response reserve was established in the Financial Position as at the end of September 2017 report (FEP2792). This reserve is to fund an inoculation programme for staff if co-responding is rolled out across the Brigade and is forecast to be fully used in the 2018/19 and 2019/20 financial years.
12. The ICT development reserve holds funds to accommodate changes to HR, Finance and Fire Safety systems, which are subject to fluctuations in cost and demand. It is currently expected that this reserve will be fully used over the next four financial years.
13. The London Resilience reserve was established to manage the costs of the implementation of new London Resilience workstreams between financial years. These workstreams are now well established and any unused funds held in this reserve will be released back to the general reserve as part of the review of the 2018/19 outturn.
14. The Organisational review reserve was created as part of the 2018/19 outturn report and includes £150k for a review of the property services function and £177k for the building safety programme.
15. The recruitment/outreach reserve was created in the January 2017 Budget Update report (FEP2685) to fund the proposed establishment of the firefighter recruitment and outreach team for a period of two years (£550k), and the development of new advertising campaign materials arising from the recent firefighter recruitment market research exercise in 2017/18 (£50k). It is forecast that this reserve will be fully used by the end of the 2019/20 financial year and then closed.
16. The sustainability reserve was set up to deliver the LFC's programme of investment in enhanced energy efficiency and renewable technologies, the spend is expected to be completed in 2019/20.
17. The vehicle and equipment reserve includes funding of £2.0m for the ultra low emission fleet programme, £670k for alterations to vehicles to comply with the Ultra Low Emission Zone (FEP2687) and £60k to retrofit some LFB non-frontline vehicles with hybrid diesel/hydrogen alternatives to further reduce the environmental impact of the LFB fleet (FEP2661). It is expected that this reserve will be fully used by the end of 2022/23.

### Earmarked – Emerging Risks

18. The compensation reserve was set up during the 2011/12 budget process (FEP 1698). The aim of this reserve is to move financial risk out of the annual revenue budget. Previously the budget had contained a budgeted sum for compensation – which is unpredictable, and which will therefore often significantly under or over spend. This reserve will be used to fund compensation claims in excess of budgeted amounts. Its level has been kept under review for adequacy.
19. The hydrants reserve (FEP1698) was set up during the 2011/12 budget process. This is to deal with payments for water companies catching up with a backlog of repairs that has built up over a number of years. It is difficult to predict the water companies' ability to catch up, and progress can be hampered by other events affecting water companies such as bad weather, which diverts resources. As the backlog of repairs is dealt with, this reserve should be wound down. Any residual amounts may help support further efficiency improvements within the hydrants team.

## **Appendix 7 – Reserves Strategy and Statement on Adequacy of Reserves**

### **Appendix C – Extract from National Framework reference reserves**

#### **Reserves**

##### **5.6**

Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.

##### **5.7**

Fire and rescue authorities should establish a policy on reserves and provisions in consultation with their chief finance officer. General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.

##### **5.8**

Each fire and rescue authority should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).

##### **5.9**

Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan. The strategy should be set out in a way that is clear and understandable for members of the public, and should include:

how the level of the general reserve has been set;

justification for holding a general reserve larger than five percent of budget; and

details of the activities or items to be funded from each earmarked reserve, and how these support the FRA's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.

##### **5.10**

The information on each reserve should make clear how much of the funding falls into the following three categories:

Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.

Funding for specific projects and programmes beyond the current planning period.

As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)



## Appendix 8 – Risks and Opportunities to the Financial Position

### 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 has been provided to offset this pressure in 2019/20 and although it is expected that this grant will be repeated in 2020/21, confirmation is still awaited. The figures in this report also 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 has now been denied, with the case returning to the Employment Tribunal for a remedy to be determined. An initial hearing is scheduled for 18 December 2019. The potential cost 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 allows for a trial period using the LPP services whilst it transitions to its new service delivery model, and at this point allow officers to consider testing the LPP administration against other options to seek the best solution to the LFC's requirements going forward. This could lead to change in the cost of the service. The LFC currently pays the LPFA £283k pa under a shared service arrangement to provide administration services for the firefighter pension scheme.

### 3. Pay and Inflation

- 3.1. The outcome of the **EU referendum** has led to some significant economic uncertainty. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult.
- 3.2. LFC has made a budget provision for a 2% **pay award** for all staff in each of the next four years from 2020/21 to 2023/24. The position is yet to be finalised regarding the FRS pay award for 2019/20, for which the LFC has also budgeted 2%.

### 4. Capital Expenditure and Financing

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

## Appendix 8 – Risks and Opportunities to the Financial Position

also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

- 4.2. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group, chaired by the Director of Corporate Services) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.
- 4.3. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loans Board (PWLB) rates. No allowance has been made in the capital programme for potential future **capital grants or contributions** and LFC will bid for available capital resources as and when such opportunities arise.
- 4.4. The Capital Programme includes the forecast sale receipts from the disposal of the former **Clerkenwell Fire Station and the former Head Office at Albert Embankment**. If these receipts are delayed and/or the amount of the receipt changes, then additional borrowing may be required. In addition, if there is any delay in delivering the planned capital programme, the level of required borrowing may reduce.
- 4.5. The LFB **Croydon Training Centre** project is dependent on the OSC project as PEG must vacate their current site before construction of the new training centre and real fire training venue can begin. If the OSC project suffers further delays, this could affect the timetable and affordability of the training centre project.
- 4.6. **Operations Support Centre (OSC) Project (formally IELP)** – Fit out of the site is underway and there is a risk that additional expenditure requirements maybe identified as part of that process.
- 4.7. **Plumstead Redevelopment** – It is now proposed that the Plumstead site will be refurbished and an extension built. It is planned that construction will start in January 2021 and be completed in February 2020. Any delay in meeting these milestones will be considered as part of the capital monitoring process.
- 4.8. The design and specification of **the replacement vehicles and equipment** is now underway in order to meet the ULEZ deadline of October 2021. Key risks relate to the contractor sourcing appropriate vehicle build options within a timeframe that meets fleet replacement requirements and which may in turn impact the LFC's cash flow. The forecast cash expenditure for future years is based on the current assessment of the stage payment requirements for the fleet replacement programme which represents above 80% of the forecast Vehicles and Equipment expenditure in that period and the delivery timings for the balance of the fleet replacement programme.
- 4.9. 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 £704k.
5. Property Services

## Appendix 8 – Risks and Opportunities to the Financial Position

- 5.1. Of the 10 LSP5 sites, nine have been sold. It is not known exactly when the remaining site Clerkenwell, will be disposed of and this may result in additional **security costs**.
- 5.2. The 2017/18 budget report (FEP2708) included material savings for **energy budgets**. This budget has underspent in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings therefore set the budget at a less cautious level, and as a result will increase the risk of overspends in subsequent years, for example because of a colder than average winter.
6. Funding from the Mayor and Central Government
  - 6.1. The report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next four financial years. However there is uncertainty about the level of funding for future years in part due to a number of risks on **retained business rates and the spending/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.

## Appendix 8 – Risks and Opportunities to the Financial Position

- 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.
- 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 2 years. 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 provision 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.
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 prudent assumptions used when calculating the budget requirement. These additional savings will therefore set the budget at a less cautious level, and as a result this will increase the risk of overspends in subsequent years.
  - 9.3. It is currently expected that **Legal costs** related to the Grenfell Investigation would be recovered under LFC's insurance. Any variation to this forecast may further increase the current overspending position. The disclosure costs are an area of particular attention with

## **Appendix 8 – Risks and Opportunities to the Financial Position**

further upward cost pressure. Discussions are ongoing with insurers to confirm what costs will be recovered through this route. Work is continuing in this area.

## Appendix 9 – Equality Analysis

### Standard Equality Impact Assessment Form

<b>Question 1: Which Team, Department, or Project Board is responsible for carrying out the Standard Equality Impact Assessment?</b>
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Name	Finance Department / individual departments proposing savings
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<b>Question 2: Lead assessor's contact details</b>
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Name	Abby Crawford	Mobile No	
Job title	Equality Manager	Extension	30514
Department	People Services	Email	Abby.crawford@london-fire.gov.uk

<b>Question 3: Title of / policy (please include the policy number) / project / report / proposed change / initiative / decision</b>
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2020/21 Budget Process Proposals
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<b>Question 4: Is the work...</b>
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New	x	A complete redesign	
A small change or policy review		Other (e.g. reviewed as current)	

<b>Question 5: Briefly outline the aim and the purpose of the work</b>
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Aim	This report sets out the LFC's 2020/21 Budget Submission to the Mayor in
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	compliance with the requirements of his Budget Guidance.
Purpose	<ol style="list-style-type: none"> <li>1. That the London Fire Commissioner approves:</li> <li>2. The Budget Submission to the Mayor that includes:</li> <li>3. saving proposals of £3.4m in 2020/21 as set out in Appendix 4;</li> <li>4. growth proposals of £5.9m in 2020/21 as set out in Appendix 5;</li> <li>5. a draft 20 year capital strategy, a detailed four year capital plan, prudential indicators and borrowing limits for 2020/21 to 2023/24, with a draft capital budget in 2020/21 of £55.1m as set out in the table below.</li> <li>6. A draft Medium Term Financial Plan at Appendix 2 and Reserves Strategy at Appendix 8 for consultation with the Fire, Resilience and Emergency Planning Committee.</li> </ol>

Question 6: Has an EIA been conducted previously? (please tick)			
Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>
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	<input checked="" type="checkbox"/>	Wider public	<input checked="" type="checkbox"/>	Service users	<input checked="" type="checkbox"/>
Other (please					

state)	
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### 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: <b>No full EIA required</b>	Only neutral impacts identified <b>No full EIA required</b>	One or more adverse impacts identified <b>Full EIA required</b>
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Question 8: Identifying the impacts	
Consider the relevance of the policy / project / decision on each group below and describe any impacts identified.	
NB: Some characteristics may attract multiple impacts e.g. age: positive impact on older people, adverse impact on younger people.	
Protected Characteristic	Level of Impact ( Positive impact, neutral impact, adverse impact)
<b>Age</b> (younger, older or particular age group)	<p>There are a number of proposals which will require an independent Equality Impact Assessment (EIA), where the savings have been approved and there may be an impact on staff or service delivery. This EIA lists the proposed savings which potentially have an equality impact :</p> <ul style="list-style-type: none"> <li>• Ref 1- Central Ops</li> <li>• Ref 14 – Control</li> <li>• Ref 32 – General Counsel</li> <li>• Ref 51 – Ops Policy</li> <li>• Ref 53 – Ops Policy</li> </ul>



	<ul style="list-style-type: none"> <li>• Ref 55 – People Services</li> <li>• Ref 56 – People Services</li> <li>• Ref 57 – People Services</li> <li>• Ref 58 – People Services</li> <li>• Ref 59 – People Services</li> <li>•</li> <li>• Ref 87 – Technical and Service Support</li> <li>• Ref 88 – Technical and Service Support</li> <li>• Ref 89 – Training and Professional Dev't</li> <li>• Ref 98 – Training and Professional Dev't</li> </ul> <p>The Inclusion Team has written 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>
<b>Disability</b> (physical, sensory, mental health, learning disability, long term illness, hidden)	<b>See above re: speculative equality impacts.</b>
<b>Gender reassignment</b> (someone proposing to/undergoing/undergone a transition from one gender to another)	<b>See above re: speculative equality impacts.</b>
<b>Marriage / Civil Partnership</b> (married as well as same-sex couples)	<b>See above re: speculative equality impacts.</b>
<b>Pregnancy and Maternity</b>	<b>See above re: speculative equality impacts.</b>
<b>Race</b> (including nationality, colour, national and/or ethnic origins)	<b>See above re: speculative equality impacts.</b>
<b>Religion or Belief</b> (people of any religion, or no religion, or people who follow a particular belief (not political))	<b>See above re: speculative equality impacts.</b>

<b>Sex</b> (men and women)	<b>See above re: speculative equality impacts.</b>
Sexual Orientation (straight, bi, gay and lesbian people)	<b>See above re: speculative equality impacts.</b>
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?	<b>See above re: speculative equality impacts.</b>

## **Appendix 10 – Sustainability Analysis**

### **LES Budget Guidance - Environment**

The Mayors budget guidance for the GLA Group set out the requirement that budget proposals ensure sufficient resourcing and budget necessary for the efficient and effective delivery of the London Environment Strategy (LES). This includes implementing responsible procurement, reducing waste, reducing CO<sub>2</sub> emissions, adapting to climate change, improving air quality, and increasing London's green cover. Details of resourcing and budget allocated against these areas is set out below in Tables 1-3.

Revenue budgets included for 2021/22 onwards will be subject to review as part of the budget setting process, including adjustments for inflation and managing budget pressures.

Further information on existing performance delivery including broader context on specific actions is detailed in the Sustainable Development Annual Report's as published on the London Fire Brigade website.

### **Responsible Procurement**

Progress against the Responsible Procurement implementation plan continues. Led by the Sustainable Development Team within the Procurement Department and supported by the Central Responsible Procurement Team, the plan is taking forward a circular economy pilot of workwear, eradicating unnecessary single use plastics, maintain full compliance with London Living Wage payments throughout the supply chain and improving payment terms and spend with Small to Medium sized Enterprises.

### **Reducing Waste**

Across the estate the average recycling rate at 66.7%, has exceeded the LES target, with a further LFC set target of 80% in place. Plans are in place to increase the recycling rate further and reduce CO<sub>2</sub> emissions through reduced vehicle movements. The LFCs contractor has introduced a dirty Materials Recovery Facility, undertaking a sort of recyclables from the general waste and a dedicated collection route covering some 70% of premises is in place. All general waste is diverted from landfill.

### **Reducing CO<sub>2</sub> emissions**

Significant improvements have already been delivered on carbon reduction including:

- CO<sub>2</sub> emissions have reduced by over 50% from 1990 levels as at April 2019.
- Some 830 kWp of solar photovoltaics have been installed at 65 sites (over half of the LFCs premises), of which some 16 or 205kWp was installed during the current mayoral term.

Further improvements to deliver against LES targets are set out in the draft carbon strategy. Growth bids included in the budget submission to undertake additional energy efficiency works and install further solar photovoltaics at stations as set out in the strategy are included. Additionally it includes proposals to move to 100% renewable electricity, which collectively will support delivery against the 2025 carbon reduction targets of the LES.

## Appendix 10 – Sustainability Analysis

### Adapting to Climate Change

The London Resilience Group continues to support the London Resilience Partnership in preventing, preparing for, and responding to, emergencies related to climatic events.

Further activity to adapt to climate change was undertaken as an action of the London Safety Plan 6 (2017-2021), with the introduction of additional operational equipment to help manage flood waters, this work has been completed.

### Air Quality

The existing fleet has surpassed 10% zero emission capable, with 57 electric range extended or hybrid electric fleet cars. They are supported by dedicated charging infrastructure at 80 of the 102 land based stations, with further installations planned.

The replacement programme of fleet vehicles that will bring them into line with ULEZ compliance continues. Centred around the pumping appliance replacement project, which has replaced over 40% of these frontline vehicles, with completion due by October 2021. Vehicles based within the central ULEZ zone are already compliant.

The fireboats replacement will introduce engines specified to the International Maritime Organisation (IMO) tier 3, which requires specific NOx reducing technologies similar to that of Euro 6 engines for road vehicles.

### Green Cover

The sustainable development team has and will continue to support fire stations across London to make significant improvements in local green cover, providing policy guidance and encouragement through the Brigade in Bloom competition. Some 80 fire stations have established gardens, improving wellbeing locally. Developed and built locally by firefighters on a voluntary basis, each is unique to their station.

Table 1: LES related budget growth items

LES theme	Description of Item	Capital / Revenue	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Carbon Strategy	Growth bid to fund additional works set out in the carbon strategy	Capital	908	531	531	0
Carbon Strategy	Growth bid to fund additional works set out in the carbon strategy	Revenue	311	211	211	0
Carbon Strategy	Growth bid 1 x FRS F to provide additional resources required to deliver the carbon strategy	Revenue	80	80	80	80

## Appendix 10 – Sustainability Analysis

Table 2: LES related existing budget items

LES theme	Description of Item	Capital / Revenue	2020/21 £k	2021/22 £k	2022/23 £k	2023/24 £k
Responsible Procurement	Contribution to the central Responsible Procurement team hosted by Transport for London	Revenue	74	74	74	74
Waste Reduction	Existing budget allocation to deliver the waste and recycling collection	Revenue	328	328	328	328
Air Quality	The fleet capital replacement programme will replace vehicles with ULEZ compliant vehicles	Capital	14,052	9,766	0	0
Air Quality	2 x fire boat replacement	Capital	3,109	475	0	0
Carbon reduction	Planned minor works property improvements that will support energy efficiency improvements of buildings such as heating, windows and roof replacements	Capital	3,263	1,580	2,515	3,185
Carbon reduction	Planned major works building refurbishment projects that will include energy efficiency and renewable energy as per the requirements set out in the standard station design briefing	Capital	11,779	11,716	4,100	2,500
Carbon reduction	Property energy improvements	Revenue	400	400	400	400
Climate Adaptation	London Resilience Group	Revenue	1,122	1,122	1,122	1,122
Implementation Support	Sustainable Development Team	Revenue	230	230	230	230

Table 3: LES related reserve budget items

LES theme	Description of Item	Capital / Revenue	Reserve £k	Comment
Air Quality	The Ultra Low Emission Fleet programme and Zero Emission Pumping Appliance Programme, and Programme Manager	Revenue	2,100	This budget has not been profiled against future years.
Air Quality	Phase 2 installation of electric vehicle charging point infrastructure	Revenue	421	This budget is expected to be spent within 2019/20.

## Appendix 11 – Draft Letter to FREP Committee

Andrew Dismore (FREP Chairman)  
Fire, Resilience and Emergency Planning committee  
City Hall  
The Queen's Walk  
London  
SE1 2AA

The London Fire Commissioner is the  
fire and rescue authority for London

Date 29 November 2019

Dear Andrew Dismore

### **LFC Reserves Strategy and Medium Term Financial Plan**

The purpose of this letter is to provide the Fire Resilience and Emergency Planning (FREP) Committee with a copy of the Reserves Strategy and Medium Term Financial Plan for the London Fire Commissioner (LFC) for review and consideration. This will ensure that the LFC complies with relevant governance reporting requirements.

The Home Office published, in May 2018, its updated fire and rescue national framework, which set out the Government's priorities and objectives for fire and rescue authorities (FRAs). The framework sets out the documents each FRA is required to produce including an integrated risk management plan (the London Safety Plan), an annual statement of assurance (to be published later this year) and its financial plans including an efficiency plan (published in 2016 covering the period up to 2020), a medium term financial strategy and a reserves strategy.

As part of the 2020/21 Budget Process a Reserves Strategy and Medium Term Forecast have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, to assist in decision making and the ultimate approval of the 2020/21 Budget for the LFC. Draft versions of these documents are included in the Budget Submission to the Mayor, provided to the GLA to meet the 29 November 2019 deadline. A copy of that submission, which includes the Reserves Strategy at Appendix 7 and the Medium Term Forecast at Appendix 2, is attached to this letter.

I would also be grateful if the FREP Committee could review and consider these two documents and provide any comments so that these can be considered as part of finalising the LFC Budget 2020/21.

Yours sincerely

**Dany Cotton**  
London Fire Commissioner

## Appendix 12 – Budget Submission to the Mayor

<b>Objective Analysis</b>	<b>Revised Budget 2019-20</b>	<b>Forecast Outturn 2019-20</b>	<b>Budget 2020-21</b>	<b>Plan 2021-22</b>	<b>Plan 2022-23</b>	<b>Plan 2023-24</b>
Community safety	38.4	38.4	40.2	40.1	40.2	40.8
Fire fighting and rescue	361.3	361.1	372.9	377.7	383.8	389.2
Fire-fighter pensions	21.1	21.3	21.6	22.0	22.1	22.3
Emergency planning and London Resilience Team	1.3	1.3	1.1	1.1	1.1	1.1
Central services	0.1	0.1	0.1	0.1	0.1	0.1
Savings to be identified	0.0	0.0	0.0	-6.9	-28.9	-27.1
<b>Net service expenditure</b>	<b>422.1</b>	<b>422.1</b>	<b>436.0</b>	<b>434.1</b>	<b>418.4</b>	<b>426.6</b>
Capital financing costs	9.8	9.4	10.7	11.8	11.8	11.8
External interest receipts	-0.3	-0.8	-0.5	-0.5	-0.5	-0.5
<b>Net revenue expenditure</b>	<b>431.6</b>	<b>430.6</b>	<b>446.2</b>	<b>445.4</b>	<b>429.6</b>	<b>437.8</b>
Transfer to/(from) reserves	-3.9	-2.9	-13.7	-26.2	-1.8	-0.8
<b>Financing requirement</b>	<b>427.7</b>	<b>427.7</b>	<b>432.5</b>	<b>419.1</b>	<b>427.9</b>	<b>437.0</b>
Specific grants	35.4	35.4	33.2	11.5	11.5	11.5
Retained business rates	233.2	233.2	230.7	230.7	230.7	230.7
<b>Council tax requirement</b>	<b>159.2</b>	<b>159.2</b>	<b>168.6</b>	<b>176.9</b>	<b>185.7</b>	<b>194.8</b>

<b>Subjective Analysis</b>	<b>Revised Budget 2019-20</b>	<b>Forecast Outturn 2019-20</b>	<b>Budget 2020-21</b>	<b>Plan 2021-22</b>	<b>Plan 2022-23</b>	<b>Plan 2023-24</b>
Operational staff	270.1	269.0	278.0	282.4	289.1	294.3
Other staff	59.8	58.9	61.5	62.2	61.5	62.5
Employee related	22.1	22.9	21.3	21.6	21.8	22.0
Pensions	20.8	21.0	24.4	25.4	25.8	27.0
Premises	39.6	40.7	39.5	40.9	42.0	43.3
Transport	18.0	17.8	18.3	17.8	18.1	18.1
Supplies and services	29.7	31.4	30.6	29.7	29.7	28.6
Third party payments	2.1	2.2	1.3	1.3	1.2	1.3
Capital financing costs	9.8	9.4	11.3	12.4	12.4	12.4
Central contingency against inflation	0.1	0.0	-0.2	-0.2	-0.3	-0.3
Savings to be identified	0.0	0.0	0.0	-6.9	-28.9	-27.1
<b>Total expenditure</b>	<b>472.0</b>	<b>473.1</b>	<b>486.0</b>	<b>486.7</b>	<b>472.4</b>	<b>482.1</b>
Total income	-40.4	-42.4	-39.8	-41.4	-42.8	-44.3
<b>Net expenditure</b>	<b>431.6</b>	<b>430.6</b>	<b>446.2</b>	<b>445.4</b>	<b>429.6</b>	<b>437.8</b>
Transfer to/(from) reserves	-3.9	-2.9	-13.7	-26.2	-1.8	-0.8
<b>Financing requirement</b>	<b>427.7</b>	<b>427.7</b>	<b>432.5</b>	<b>419.1</b>	<b>427.9</b>	<b>437.0</b>
Specific grants	35.4	35.4	33.2	11.5	11.5	11.5
Retained Business Rates	233.2	233.2	230.7	230.7	230.7	230.7
<b>Council tax requirement</b>	<b>159.2</b>	<b>159.2</b>	<b>168.6</b>	<b>176.9</b>	<b>185.7</b>	<b>194.8</b>

## Appendix 12 – Budget Submission to the Mayor

### Changes in the council tax requirement

*Compares Revised Budget 2019-20 with 2020-21 Budget*

2019-20 council tax requirement	159.2
<i>Changes due to:</i>	
Inflation	10.3
Savings and efficiencies	-3.4
Net change in service expenditure and income, excluding inflation and savings	7.7
Change in use of reserves	-9.8
Net change in government grants and retained business rates funding	4.6
<b>2020-21 council tax requirement</b>	<b>168.6</b>

### Movement in reserves during financial year

#### Budget Submission (November 2019)

	Outturn 2018-19	Forecast Outturn 2019-20	Budget 2020-21	Plan 2021-22	Plan 2022-23	Plan 2023-24
Opening balances	53.9	75.4	72.6	58.9	32.7	30.9
<i>Transfers to / from (-)</i>						
Earmarked reserves	12.4	4.8	-13.7	-26.2	-1.8	-0.8
General reserves	9.2	-7.7	0.0	0.0	0.0	0.0
<b>Total reserves</b>	<b>75.4</b>	<b>72.6</b>	<b>58.9</b>	<b>32.7</b>	<b>30.9</b>	<b>30.1</b>

### Total reserves at end of financial year

#### Budget Submission (November 2019)

	Outturn 2018-19	Forecast Outturn 2019-20	Budget 2020-21	Plan 2021-22	Plan 2022-23	Plan 2023-24
Earmarked reserves	52.2	57.0	43.3	17.1	15.4	14.5
General reserves	23.2	15.5	15.5	15.5	15.5	15.5
<b>Total reserves</b>	<b>75.4</b>	<b>72.6</b>	<b>58.9</b>	<b>32.7</b>	<b>30.9</b>	<b>30.1</b>