

Decision title

Budget Submission 2019/20

Recommendation by
Assistant Director, Finance

Decision Number
LFC-0091x-D

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Summary

The Mayor has written to the London Fire Commissioner to consult before preparing his draft component budget for the 2019/20. The Mayor is proposing to provide funding of £391.3m 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-0091x seeks the London Fire Commissioner's approval for submission.

The report also sets out the material impact of the actuarial valuation of the firefighter's pension schemes and the resulting impact on the forecast budget gap.

Decision

The London Fire Commissioner approves the Budget Submission to the Mayor that includes:

1. saving proposals of £1.3m in 2019/20 as set out in Appendix 4;
2. growth proposals of £1.2m in 2019/20 as set out in Appendix 5;
3. a draft 20-year capital strategy, a detailed four-year capital plan, prudential indicators and borrowing limits for 2019/20 to 2022/23, with a draft capital budget in 2019/20 of £40,013m as set out in Table 8


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Date *29 November 2018*

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Report title

Budget Submission 2019/20

Report to
London Fire Commissioner

Date
21 November 2018

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Assistant Director, Finance

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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 2019/20. The Mayor is proposing to provide funding of £391.3m 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.

This report also sets out the material impact of the actuarial valuation of the firefighter's pension schemes and the resulting impact on the forecast budget gap.

Recommended decisions

1. That the London Fire Commissioner approves the Budget Submission to the Mayor that includes:
 - a. saving proposals of £1.3m in 2019/20 as set out in Appendix 4;
 - b. growth proposals of £1.2m in 2019/20 as set out in Appendix 5;
 - c. a draft 20 year capital strategy, a detailed four year capital plan, prudential indicators and borrowing limits for 2019/20 to 2022/23, with a draft capital budget in 2019/20 of £40,013m as set out in table 8.

Background

1. The Mayor's budget guidance for 2019/20 for the Greater London Authority (GLA) and the functional bodies was issued on 29 June 2018. 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. The Guidance also included the significant new requirement for the preparation of a 20 year Capital Strategy by each functional body.

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 2019/20 and indicative allocations for planning purposes for 2020/21, 2021/22 and 2022/23. The letter is attached at Appendix 1. The Mayor is proposing no change from his budget guidance which set out proposed funding for LFC of £391.3m in 2019/20 increasing to £396.1m in 2020/21, £401.3m in 2021/22 and £406.8m in 2022/23.
3. The Mayor has used indicative funding levels from retained business rates and council tax precepts 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 forecast in Appendix 2 sets out how the budget gap is arrived at. The proposals to meet that budget gap are set out from paragraphs 16 and supported by the list of savings proposals in Appendix 4 and growth proposals in Appendix 5. The budget estimates for future years also include the material impact of the revaluation of the firefighter's pension scheme, which is discussed further from paragraph 27 below.
5. The development of the LFC's revenue budget and capital programme will continue during the Mayor's budget cycle, which concludes in February 2019, with the LFC agreeing a final revenue budget and capital programme for 2019/20 in March 2019. This report forms the proposed full draft budget submission to the Mayor, including the additional tables attached at Appendix 10.
6. The Mayor has requested that 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 46 and the 2019/20 capital programme is included in Appendix 6.

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

30 November 2018	Functional bodies to provide full and final budget submissions to the Mayor.
11 December 2018	Budget and Performance Committee scrutiny meeting.
Mid to late December 2018	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.
7 January 2019	Budget and Performance Committee to discuss implications of funding settlement. LFC participation may be required.
24 January 2019	Assembly considers draft consolidated budget.
25 February 2019	Assembly considers final draft consolidated budget.
28 February 2019	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.
March 2019	The LFC agrees the final LFC Budget for 2019/20, 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 14 November 2018. 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 2019/20. A copy of that letter is attached at Appendix 1 and the main points are set out below.
9. The letter notes that the Mayor will not be able to issue the GLA Group Budget Consultation Document until after the provisional local government finance and police grant settlements for 2019-20 are published, probably in mid-December.
10. The letter goes on to confirm that he intends to provide funding to the LFC in line with the figures presented in his budget guidance in June 2018. The letter also states that the Mayor requires the LFC to propose a fully balanced budget for 2019/20 and to provide all the information previously specified, including the new requirement for a Capital Strategy.

Medium Term Forecast

11. The 2018/19 Budget Report (FEP2825) was adopted by the LFC on 1 April 2018 and included a budget surplus of £4.4m in 2018/19 then a balanced budget in 2019/20 after a draw of £8.7m on the budget flexibility reserve, a budget gap of £1.4m in 2020/21 after a further draw of £7.1m on the budget flexibility reserve and a budget gap of £10.2m by 2021/22. These budget forecasts used funding figures that are consistent with the funding figures proposed by the Mayor in his Guidance and the consultation letter.
12. Table 2 below summarises how the four-year budget gap has moved from the last reported position, showing the key changes to medium term forecasts, funding from the Mayor and costs for additional resourcing requirements. It shows how the underlying budget gap of £10.2m by 2021/22 as reported in the 2018/19 Budget Report is now a budget gap of £24.5m by 2022/23. These figures are presented on a cumulative basis.

Table 2: Changes to Four-Year Budget Gap

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Budget Gap included in March 2018/19 Budget Update Report (FEP2825)	8.7	8.5	10.2	10.2
Changes to the Medium Term Forecast	(7.8)	10.7	12.3	19.9
Additional Funding from the Mayor	0.0	0.1	0.0	(5.5)
Changes to Additional Resourcing Requirements	(0.7)	(0.3)	(0.1)	(0.1)
Revised Budget Gap Before Saving and Growth Proposals	0.3	19.0	22.5	24.5

13. The LFC's medium term forecast is set out at Appendix 2. The estimates have been kept under review in light of financial performance during 2018/19. A full explanation of the movements from the forecast presented in the 2018/19 budget reports is then shown in Appendix 3. Material changes include:

- A reduction in the Firefighter Pension Scheme pressure of £7.0m in 2018/19 and an additional pressure of £18.1m in 2019/20, for a net increase of £11.1m overall. This is discussed further from paragraph 27 below.
- The addition of a further planning year to the forecast period adding an additional year of inflation in 2022/23 of £7.5m, mostly due to staff pay awards and additional funding from the Mayor of £5.5m from 2022/23.
- The contracts for building maintenance have increased by £1.3m in 2019/20, as set out in the report on Mechanical, Electrical and Plumbing (MEP and Building Fabric Contracts report (LFC-0045D).

14. The update to the medium term forecast in this report also includes the financial pressures set out in the July 2017 Budget Update report (FEP2763) on additional resourcing requirements. That report explained that on 12 July the Mayor of London wrote to the Home Secretary setting out his concerns about the resourcing of the fire service in London following the fire at Grenfell Tower and terrorism incidents this Spring. This was following an initial review, carried out by the Commissioner, of the specialist equipment and support the LFC requires.

15. These proposals have continued to be reviewed and there are now a number of changes to those proposals which are set out in Table 3 below. These adjustments are mostly due to phasing but will result in a decrease of £0.1m to the budget gap over the next four years.

Table 3: Changes to Additional Resourcing Requirements

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	Comments
Review of staff support for Chair of LFEPA	(0.1)	(0.1)	(0.1)	(0.1)	No longer required.
Legal Support and Disclosure Management	(1.1)	0.1	0.0	0.0	This reflects that the majority of the legal costs in 2019/20 are now expected to be recoverable from existing insurance arrangements and the significant disclosure exercise will have been completed.
Ongoing Maintenance for Capital Items	(0.1)	(0.3)	0.0	0.0	This move reflects the latest forecasts for delivery of additional aerial appliances.
Wicking t-shirts	(0.1)	0.0	0.0	0.0	Shirts have been provided for all USAR staff and consideration is being given to providing for all non-USAR staff. This budget for replacements will therefore not be required in 2019/20.
Costs of the Investigation Team	0.6	0.0	0.0	0.0	This pressure reflects an increase in the cost of servicing the Grenfell Inquiry in 2019/20 only.
Total	(0.7)	(0.3)	(0.1)	(0.1)	

Budget Development and Saving Proposals

16. As set out in the section above, before any application of reserves or new saving proposals LFC has a budget gap of £0.3m in 2019/20, rising to £19.0m in 2020/21, £22.5m in 2021/22 and £24.5m in 2022/23 on the basis of the funding proposed by the Mayor in his Consultation Letter. These figures are presented on a cumulative basis.
17. Officers have carried out an internal budget process to identify saving proposals to meet this saving requirement, focussing on departmental budgets. Although the majority of the saving target for LFC is in the second year of the four year period, savings have been proposed and delivered as early as practical to smooth the impact of having to make large savings in any one year. This has allowed surpluses in previous years to be transferred into a budget flexibility reserve which can be used to managing the budget gap over the planning period.
18. Following this process a total of £3.7m in savings have been included in this report over the period 2019/20 to 2022/23, this is an increase of £1.3m from the level of savings included in the 2018/19 Budget Report. Of this £1.3m are for 2019/20 with the remaining £2.4m to be achieved over the period 2020/21 to 2022/23. The savings proposals are set out in Appendix 4.

19. 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. The budget process also identified proposals that may deliver savings in future years that are not included in this report as they are subject to further work and development by officers.
20. The budget process for the LFC also identified a number of proposals for growth totalling £1.2m in 2019/20 which, if agreed, will be contained within the overall funding proposed by the Mayor in that year. A full list of these proposals is attached at Appendix 5.
21. 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. Note 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 £1.3m in 2019/20, increasing to £18.4m in 2020/21, £22.7m in 2021/22 and £24.4m in 2022/23.
22. It is proposed that the balance on the Budget Flexibility Reserve (BFR) of £23.1m, is used to fund the deficit in 2019/20 and in 2020/21, with the final £3.4m used in 2021/22. The final section of Table 5 then shows the impact of this with a balanced budget in 2019/20 and 2020/21, a slightly reduced gap of £19.4m in 2021/22, increasing to £24.4m in 2022/23. It should be noted that the £23.1m balance on the BFR does not include the impact of any further contribution as a result of the 2018/19 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 4: Impact of Saving and Growth Proposals on the Budget Gap

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Cumulative Budget Gap after Medium Term Updates	0.3	19.0	22.5	24.5
Savings in future years included in previous estimates	1.1	1.6	2.4	2.4
Total Saving Proposals now Proposed	(1.3)	(3.5)	(3.3)	(3.7)
Growth Proposals	1.2	1.2	1.2	1.2
Revised Budget Gap / (Surplus)	1.3	18.4	22.7	24.4
(Draw)/ Payment on Budget Flexibility Reserve	(1.3)	(18.4)	(3.4)	0.0
Budget Gap after use of Budget Flexibility Reserve	0.0	0.0	19.4	24.4
Budget Flexibility Reserve Balance	21.8	3.4	0.0	0.0

23. The saving proposals set out in this report of course only represent one element of the organisational change process, and should be seen in context of the other work that is being carried out corporately and may delivery further savings. This includes :
- The recent review of People Services.
 - The review of senior management in the General Counsel Department, and establishment of the secretariat
 - Implementation of the additional resourcing agreed following the events in 2017/18, particularly the implications for Fire Safety.
 - The work on Property Services to review processes.
 - Review of Training.
 - Watch Structure review.
24. These reviews are more strategic in nature and may deliver opportunities for further savings as they develop. They may also help support a cross departmental approach in some areas.
25. It should also be noted that the LFC's London Safety Plan, which outlined all of the plans for the four years from 2017 to help make London a safer city included a number of pilots and work streams to look at ways to close the budget gap, with the expectation that they would make a significant contribution to this. Recent incidents including the Grenfell Tower fire and the terrorist incidents at Westminster, London Bridge and Finsbury Park necessitated a review of these commitments in the London Safety Plan and resulted in some commitments being put on hold.
26. A summary of LFC's overall revenue expenditure and funding is set out at Table 6 below. This includes both the impact of allowing for a 2% increase in staff costs for pay awards in each year, along with the material increases in pension pressures largely in the 2019/20 financial year.

Table 5: Medium Term Forecast Summary

	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Previous Years Net Expenditure	401.1	411.3	428.5	437.4
Firefighter Pension Scheme Pressures	1.9	18.1	0.0	0.0
Staff Pay Inflation	5.7	6.8	6.9	7.0
Other Medium Term Forecast Assumptions	2.7	(0.8)	2.5	0.5
Change in Expenditure funded from Reserves	0.0	(4.7)	(0.6)	(0.2)
Department Savings Proposals	(1.3)	(2.2)	0.2	(0.4)
Department Growth Proposals	1.2	0.0	0.0	0.0
Proposed Net Revenue Expenditure	411.3	428.5	437.4	444.4
GLA Funding	391.3	396.1	401.3	406.8
Specific Grants	12.5	12.5	12.5	12.5
Planned Use of Earmarked Reserves	6.2	1.5	0.9	0.7
Total Funding Available	409.9	410.1	414.7	420.0
Budget Surplus/ (Gap)	(1.3)	(18.4)	(22.7)	(24.4)
Use of Budget Flexibility Reserve	1.3	18.4	3.4	0.0
Savings to be found	0.0	0.0	(19.4)	(24.4)

Firefighter Pension Scheme – Employer Costs

27. The Firefighters' Pension Schemes are subject to actuarial valuations every four years, with the Government Actuary's Department (GAD) being appointed as Scheme Actuary to undertake the valuations. This process will value the total liabilities of the FPS as at 31 March 2016, with employer contribution rates expected to be revised from 2019/20.
28. On 6 September 2018, Her Majesty's Treasury (HMT) published their draft Directions for the 2016 valuation for comment. For the Firefighters' Pension Schemes in England this meant for employers, there will be a significant increase in employer contribution rates from their current levels. This is mainly due to the proposed further reduction in the SCAPE (Superannuation Contributions Adjusted for Past Experience) discount rate. It was previously announced, in the UK Budget 2016, that there would be a reduction in the discount (SCAPE) rate from 3% to 2.8% from 2019/20. This rate is now likely to further reduce from 2.8% to 2.4%. This further reduction, if confirmed, is expected to apply from 1 April 2019.
29. The Home Office has provided additional information on the cost impact on Fire Rescue Authorities (FRAs) in 2019/20 of the changes in the discount rate. Following the provision of additional one-off funding the Home Office figures assume the impact in 2019/20 is limited to £10m sector wide, and leads to a cost impact of £1.9m for LFC. It is understood that these figures are provisional and subject to further discussion.
30. The full cost impact of the discount rate change is estimated, in figures again from the Home Office, at £107m and, using the Home Office calculation for 2019/20, equates to a cost pressure for LFC of £20.0m.

31. The LFC budget previously included cost increases of £5.1m for the change in the discount rate, £2.8m based on assumptions regarding funding levels for the new scheme and £0.9m for the impact of funding retained firefighters schemes. If the Home Office figures are correct, the increase in pension costs would lead to the budget allocation exceeding the cost in 2019/20 by £7.0m, but result in an additional pressure of £11.1m from 2020/21. There are other impacts on the cost of pensions that are to be reflected in the 2016 actuarial valuation, and it is not clear whether the Home Office figures include all the changes, or simply reflect the discount rate change (which is the most significant). The initial valuation results have been shared with the Scheme Advisory Board (SAB), final results from the valuation are not expected to be available until March 2019.
32. The Government has indicated that the cost pressures beyond 2019/20 resulting from the discount rate change will be considered as part of the anticipated 2019 Spending Review. This could mean that the £11.1m pension pressure in this report could reduce materially, depending on the outcome of that review.
33. The Local Government Association (LGA) has expressed general concerns about the impact the increase in pensions costs would have on already stretched FRA resources, and which will of course apply to a number of other public services, and has written to colleagues about developing a lobbying stance. The LGA has highlighted that the SCAPE rate was introduced in the Budget 2011, purely to apply to unfunded public sector pension schemes. The recently announced rate change of 2.8% down to 2.4% comes as an 'out of cycle' review, the rate was not due to be reviewed until 2021 along with the methodology. The expectation was that the SCAPE rate would be reviewed every five years and the methodology every ten, and any 'out of cycle' review would only be in the event of a significant change of circumstances. No explanation appears to have been provided on this significant change in circumstances and so it would be useful to have clarification of this.
34. In view of the potential effect on the LFC and the budgetary implications going forward the LFC FPS Local Pension Board (LPB) agreed to write to the SAB setting out LFC concerns and requesting that those issues are considered in preparing any SAB response. The SAB is to reply to the Home Office consultation by 5 December 2018. The Home Office will then consider the SAB's response before issuing the final details on the change to employer contributions, and the changes in members benefits in March 2019.

The Financial Position as at the end of September 2018

35. The Financial Position as at the end of September report (LFC-0084), reported that the LFC is forecasting to underspend by £3.1m for the 2018/19 financial year, largely due to operational staff vacancies. This report assumes that staff numbers will be brought back to established levels from 2019/20 and as a result does not include any further supplementation of the vacancy margin.
36. A review of the LFC's current forecast outturn and the final financial position 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 proposed budget in March 2019. It should be noted that it is not yet assumed that the forecast 2018/19 underspend will be transferred into the BFR. This position will be reviewed as part of the analysis of the outturn position and an additional transfer made to the BFR if possible.

Reserves

37. 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 between the start and end of each year from 1 April 2018 to 31 March 2023;
 - in the case of earmarked reserves held for purposes beyond 31 March 2019, an indication should be given as to when they are likely to be applied;
38. 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.
39. 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.
40. 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.
41. The latest position on reserves is set out in Table 6 below. This shows the forecast position as at the end of September 2018. Based on the forecast underspend of £3.1m the balance of the general reserve will be £21.1m at the end of 2018/19. This is £7.1m in excess of the stated minimum level of £14.0m, which is 3.5% of the net revenue expenditure budget and may allow an additional transfer into the Budget Flexibility Reserve. This will be considered as part of the review of the 2018/19 outturn position.

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

	Opening Balance at 01/04/18 £k	Approved Movements £k	Underspend/ (Overspend) in 2018/19 £k	Use of Reserves in 2018/19 £k	New Payments/ Transfers £k	Anticipated Balance at 31/03/19 £k
Additional Resilience Requirements	4,773			(1,261)	(2,904)	608
Community Safety Investment Fund	101			(101)		0
Compensation	1,000					1,000
Emergency Services Mobile Communication Programme	178			(57)		121
Emergency Medical Response	830				(536)	294
Firefighters' Pension	1,172				(1,172)	0
Fire Safety and Youth Engagement	909			(194)		715
Hazardous Material Protection	18			(18)		0
HMICFRS inspection regime	0	149		(128)		21
Hydrants	462					462
ICT Development Reserve	1,310	600		(1,450)		460
LFB Museum Project	0			210		210
London Resilience	2,250			(592)	(1,113)	546
London Safety Plan Initiatives	4,635			(557)		4,078
New Governance Arrangements	300			(300)		0
Operational Competency and Development Programme	0	168				168
Pension Early Release Costs	400				(400)	0
Property PFI	1,912	(1,912)				0
Recruitment/ Outreach	418	83		(380)		120
Sustainability	235					235
Vehicle & Equipment Reserve	1,163			(562)	2,123	2,724
Budget Flexibility	11,469	7,229		4,413		23,110
General	20,356	(6,317)	3,053		4,002	21,094
Total	53,890	0	3,053	(977)	0	55,966

42. The forecast reserve position for 2019/20 to 2022/23 is set out in Table 7 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 all earmarked reserves are forecast to be fully utilised by the end of the 2022/23 financial year, with the 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 7: Proposed Reserves Position for the 2019/20 and Future Financial Years

	Anticipated Balance at 01/04/19 £k	Use of Reserves in 2019/20 £k	Use of Reserves in 2020/21 £k	Use of Reserves in 2021/22 £k	Use of Reserves in 2022/23 £k	Anticipated Balance at 31/03/23 £k
Additional Resilience Requirements	608	(608)				0
Compensation	1,000	(250)	(250)	(250)	(250)	0
Emergency Services Mobile Communication Programme	121	(57)	(64)			0
Emergency Medical Response	294	(294)				0
Fire Safety and Youth Engagement	715	(422)	(186)	(88)	(19)	0
HMICFRS inspection regime	21	(21)				0
Hydrants	462	(95)	(120)	(120)	(127)	0
ICT Development Reserve	460	(160)	(100)	(100)	(100)	0
LFB Museum Project	210	(70)	(70)	(70)		0
London Resilience	546	(546)				0
London Safety Plan Initiatives	4,078	(1,191)	(335)	(26)	0	2,526
Operational Competency and Development Programme	168	(168)				0
Recruitment/ Outreach	120	(120)				0
Sustainability	235	(235)				0
Vehicle & Equipment Reserve	2,724	(1,965)	(345)	(221)	(193)	0
Budget Flexibility	23,110	(1,330)	(18,414)	(3,366)		0
General	21,094					21,094
Total	55,966	(7,531)	(19,884)	(4,241)	(689)	23,621

Financial Risks and Opportunities

43. 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. There is one new risk and two risks have been removed. The risk regarding pension contribution rates has been materially updated to reflect the content of this report and a previous risk regarding London Resilience has also been updated to reflect the latest position on Mass Casualty Response (MCR) and the Rapid Response Team (RRT).
44. Risks that have been removed include the apprenticeship levy, and replacement property contracts as forecasts for those are now included within the estimates in this report.

Fees, Charges, Cost Recovery and Sponsorship

45. 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 2019/20, and will be reported in the final budget report in March 2019.

Capital Plan 2019/20 Onwards

46. The capital programme sets out the LFC's plan to invest resources to maintain an effective, efficient and economic asset base; by updating and replacing the vehicle fleet and operational equipment; delivering an energy efficient property portfolio, as set out in the Asset Management Plan; and providing up to date Information and Communication Technology.
47. The capital plan reported in September 2018 (LFC-0084), totalled £13,982k for 2018/19, £40,013k for 2019/20, £37,769k for 2020/21 and £25,086k for 2021/22, as detailed in the Table 8 below. The full detailed capital programme is detailed in Appendix 6.

Table 8: Future Capital Budget and Financing

Budget Year – Capital Programme by Department	2018-19 £k	2019-20 £k	2020-21 £k	2021-22 £k	2022-23 £k
ICT	1,260	5,485	3,775	2,650	4,739
Fleet	9,554	24,216	22,629	7,606	2,276
Property	3,068	10,112	9,565	8,530	9,097
New Training Centre	100	200	1,800	6,300	5,853
Capital Programme	13,982	40,013	37,769	25,086	21,965

Budget Year - Financing	2018-19 £k	2019-20 £k	2020-21 £k	2021-22 £k	2022-23 £k
Capital Receipts	1,903	40,013	44,270	15,000	12,000
Grant Funding	279	0	0	0	0
3rd Party Contribution	0	0	2,124	0	0
GLA Funding	11,800	0	(11,800)	0	0
External Borrowing	0	0	3,175	10,086	9,965
TOTAL	13,982	40,013	37,769	25,086	21,965

48. The debt charges resulting from the above capital programme are contained within the revenue budget included in the medium term forecast although this is dependant on the achievement of the sale of surplus sites to finance the capital programme. 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 borrowing required may reduce.
49. At the end of each financial year any underspend in the debt charges budget could be utilised to fund the capital programme as a Revenue Contribution to Capital Outlay (RCCO), which would reduce the level of capital receipts used to fund the capital programme and result in a lower level of borrowing in the first five years of the capital programme. Further decisions, could be required as part of the 2018/19 outturn report on whether it would be best to use any underspends to finance the capital programme or reduce the future revenue budget gap. It is currently assumed that any underspends are used to reduce the budget gap and to build up the budget flexibility reserve.

50. The borrowing associated with the capital programme and the approved external borrowing levels are detail in the Table 9 below;

Table 9: Future Capital Budget and Financing

External Borrowing Limits	2018-19 £k	2019-20 £k	2020-21 £k	2021-22 £k	2022-23 £k
Operational Boundary	220,000	220,000	225,000	240,000	240,000
Authorised Boundary	225,000	225,000	230,000	245,000	245,000
External Borrowing	66,725	60,725	58,900	65,986	71,951
Finance Leases	65,315	64,047	62,711	61,336	59,893
Total Borrowing	132,040	124,772	121,611	127,322	131,844

51. In addition to the external borrowing the LFC is also currently making use of internal borrowing to a value of £20m. The borrowing was used to fund the move to the new HQ in Union Street in 2008 is to be repaid by the receipt from the disposal of the old HQ at Albert Embankment. It has been possible to support the internal borrowing with the level of reserves that have been maintained, but this will continue to be kept under review as the level of earmarked reserves reduces over the planning period.
52. In his Budget Guidance the Mayor requires functional bodies, including the LFC, to provide an explanation and reconciliation of the movement in overall capital expenditure between that reported in the Mayor's 2018-19 Capital Spending Plan and the latest proposals set out in this report. To meet this requirement Table 10 below sets out the position in the 2018/19 Budget Submission, which was used as the basis of the Mayor's 2018-19 Plan and the current proposals, which show a total reduction in planned spend over the period of £7.0m. The main changes are discussed below.

Table 10: Comparison to GLA Approved Capital Budget

Year	2017/18	2018/19	2019/20	2020/21	2021/22	TOTAL
	£m	£m	£m	£m	£m	£m
Budget Submission November 2017	17.995	41.674	41.232	22.530	21.410	144.841
Budget Submission November 2018	21.017	13.982	40.013	37.769	25.086	137.867
Change	3.022	(27.692)	(1.219)	15.239	3.676	(6.974)
Re –phasing to/from later years	3.022	(27.692)	(3.519)	10.239	855	(17.095)
New Project/Additional Resources	0	0	2.300	5.000	2.821	10.121
TOTAL	3.022	(27.692)	(1.219)	15.239	3.676	(6.974)

53. The New Training Centre is dependant on the OSC (Operations Support Centre) moving out of the existing Croydon site, allowing this to be re-developed into a training centre. Originally, it was forecast that this move would be completed by December 2018, but due to difficulty in finding a suitable site it is now forecast that OSC will vacate by December 2019. There have been challenges with keeping the Training Centre design within budget and the new facility has been re-designed in order to address this with the new training centre now expected to open in February 2022. This has resulted in slippage of £6.7m to 2022/23 onwards.

54. Previously budgets have been included for the redevelopment/refurbishment of the Middlesex style Fire Stations £9.2m. It has now been decided to remove these from the capital programme until further feasibility works have been completed and there is a greater understanding of the options for their redevelopment. In addition, the Plumstead development has been delayed as the initial site identified for the relocation of the fire station is no longer available. The refurbishment and extension of the existing fire station is now being explored.
55. The new projects/ additional resources relate to the following schemes;
- New budget requirement for the new Breathing Apparatus Communications equipment £2.3m
 - New budget requirement for the new Breathing Apparatus equipment £5.0m
 - New budget requirement for replacement of ICT Systems £2.8m

Capital Strategy

56. 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 Capital Strategy is to be published for the 2019/20 financial year and requires formal approval by the LFC. This will be an annual requirement and will form part of the budget setting process.
57. The Mayor's Budget Guidance for 2019/20, that was published on 29 June 2018, also includes the requirement for a Capital Strategy, and for this to be included as part of the 2019/20 budget submission. The Guidance sets out some more specific details on the Mayor's requirements for the Capital Strategy, including that this should cover a period of 20 years.
58. 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. The plan includes the capital investment requirements to ensure that the LFC's fleet meets the new ultra low emissions zone requirements (ULEZ) and replacement of vehicles as they come to the end of their useful life. Ongoing capital expenditure on the LFC's estate is included to maintain the condition and functionality of fire stations. There are also estimates for spend on ICT replacement and upgrade. Table 11 details the summarised capital investment requirements for LFC for the next 20 years.

Table 11: LFC Capital Investment Ambition

Year	2018/19	2019/20	2020/21	2021/22	2022/23	5 Years 2023-28	5 Years 2028-33	5 Years 2033-38	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Major Refurbishments	0.011	0.705	0.100	1.300	2.700	14.278	12.843	14.889	46.826
New developments	0.109	3.204	5.200	10.000	7.355	32.949	18.551	21.506	98.874
Minor Works	1.928	2.948	4.071	3.355	1.300	18.169	18.551	21.506	73.148
Sustainability Works	0.426	2.474	1.580	0.175	1.815	14.502	11.773	13.648	46.452
Appliance Bay Doors	0.444	0.981	0.414	0.000	0.400	2.462	1.427	1.654	7.782
Development Costs	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250
Fleet Replacement Plan	9.554	24.216	22.629	7.606	2.276	9.200	110.637	7.690	193,808
ICT Projects	1.260	5.485	3.775	2.650	4.739	16.304	12.685	9.548	56.446
TOTAL	13.982	40.013	37.769	25.086	21.965	107.863	186.467	90.441	523.586

59. The Capital Strategy is to be financed through a combination of capital receipts, capital grants, revenue budget contributions and/or external borrowing. There are only limited capital receipts available and potential material capital receipts, including those for Southwark, Clerkenwell and Albert Embankment, have been accounted for in the current budget plans to 2022/23. There is the risk that all capital disposals will not complete and the timing and value of the capital receipts will be delayed or reduced due to the external factors such as planning requirements and the housing market and wider economy.
60. Borrowing is increasing as capital receipts are used and expenditure, such as on fleet, increases. This results in additional revenue costs (debt charges) from the repayment of debt principal (the minimal revenue provision (MRP)) and the interest charged on outstanding loans. The revenue budget plans included in the revenue budget Medium Term Forecast to 2022/23 (Appendix 2) include budget provision to fund the Capital Strategy for the first five years. From year 6 (2023/24) onwards, or earlier depending on the timing and the actual capital receipts, it is expected that the Capital Strategy will be entirely reliant on borrowing as detailed in Table 12, with the resulting capital financing costs adding to the pressure on the revenue budget.

Table 12: LFC Capital Financing Requirement

Year	2018/19	2019/20	2020/21	2021/22	2022/23	5 Years 2023-28	5 Years 2028-33	5 Years 2033-38
	£m	£m	£m	£m	£m	£m	£m	£m
Capital Receipts	1.903	40.013	44.270	15.000	12.000	0	0	0
Grant Funding	0.279	0	0	0	0	0	0	0
3 rd Party Contributions	0	0	2.124	0	0	0	0	0
Revenue Budget Contributions	0	0	0	0	0	0	0	0
GLA Funding	11.800	0	(11.800)	0	0	0	0	0
External Borrowing	0	0	3.175	10.086	9.965	48.000	37.000	37.000
TOTAL	13.982	40.013	37.769	25.086	21.965	48.000	37.000	37.000
Shortfall	0	0	0	0	0	59.863	149.467	53.441

61. Table 13 below summarises capital expenditure and debt charges (loan interest and annual MRP charge) compared to the estimated debt charges budget from 2023/24 onwards. The future debt charge budgets have been based on the 2022/23 budget of £12.353m and increased by RPI estimated at 3% per annum. Maturing loans and the associated MRP charges reductions have been taken into account, to show the budget requirement and resulting budget pressure each year in the calculation of the required level of debt charges. Based on current estimates, the level of debt charges is expected to steadily increase over the period, resulting in a substantial increase in debt charges by 2037/38 of circa £38m, resulting in a budget pressure approaching £19m.
62. The projected budget pressure of £19m is based on current capital spend expenditure adjusted for inflation at 3% per annum, and capital receipts forecasts. This is of course subject to 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 future interest rate rises
- The availability of resources to deliver the capital programme
- Future capital expenditure demands/needs

Table 13: Forecast capital expenditure and debt charges from 2023/24 to 2037/38

Future Years	Capital Expenditure £m	Financed from External Borrowing £m	Debt Charges* £m	Budget £m	Budget Pressure £m
2023/24	16.632	16.632	10.170	12.724	(2.553)
2024/25	15.732	15.732	11.738	13.105	(1.367)
2025/26	37.495	37.495	13.035	13.498	(0.463)
2026/27	19.154	19.154	16.361	13.903	2.457
2027/28	18.851	18.851	18.135	14.321	3.815
2028/29	33.922	33.922	19.815	14.750	5.065
2029/30	51.311	51.311	22.936	15.193	7.743
2030/31	35.530	35.530	27.745	15.648	12.096
2031/32	40.510	40.510	31.067	16.118	14.949
2032/33	25.195	25.195	34.991	16.601	18.389
2033/34	18.498	18.498	37.426	17.099	20.327
2034/35	15.558	15.558	34.922	17.612	17.310
2035/36	20.378	20.378	35.281	18.141	17.140
2036/37	19.592	19.592	36.976	18.685	18.291
2037/38	16.416	16.416	38.063	19.246	18.818

* For the purposes of the above calculations, Interest has been calculated at 3% and Minimum Revenue Provision based on an estimated 15 year asset life.

63. This table indicates a revenue pressure from additional borrowing costs of £19m, in the absence of alternative funding sources. The level of capital spend is largely driven by the need to maintain and replace the fleet, fire stations and ICT that support the current level of service delivery and front line response. It is therefore difficult to reduce spend without changes to front line service delivery. This will however be considered further as the capital strategy is finalised for approval in March 2019, as well as being considered in future years.

64. The LFC Capital Strategy submission to the Mayor is set out in Appendix 7.

Finance comments

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

Workforce comments

66. The trade unions were provided with a copy of the Mayor's Budget Guidance in July 2018. Staff side consultation on this report and the budget proposals commenced on 7 November 2018 and no comments have been received to date (21 November 2018); any comments that are received will be responded to. Whilst the budget position does not currently represent significant challenges in terms of the workforce structure this will continue to be reviewed to ensure both

effective and efficient services are delivered including, where appropriate, greater collaboration with both Blue Light and GLA Services.

Legal comments

67. 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.
68. 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.
69. 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

70. The introduction of apprenticeships including the fire fighter apprenticeship which will make use of the apprenticeship levy funds before they expire, supports the LFC Sustainable Development Policy to provide apprenticeships to our workforce.
71. The 20 year capital investment strategy identifies the costs associated with future fleet replacement programmes based on the current vehicle specification with inflation. The costs of achieving the 2030 zero emission capable fleet target as set out in the London Environment Strategy are yet to be included as both the technology and associated costs cannot be defined at this time.
72. Sustainability Works identified in the LFC Capital Investment Ambition include works that will deliver carbon reduction through heating improvements, window replacements, air conditioning replacements and other essential works including rewiring and asbestos removal.
73. The Croydon Training Centre has been re-designed as a refurbishment and is expected to achieve the corresponding LFC target for BREEAM Very Good. The Planned size of the associated renewables installation has not been changed.

Equalities implications

74. The Public Sector Equality Duty applies to the London Fire Brigade when it makes decisions. The duty requires us to have regard to the need to:

- a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act. 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.

75. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion or belief, gender, and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
76. Staff savings proposed for the 2019/20 year are currently identified as five operational staff, one Station Manager and four Watch Manager Bs, who will be assimilated into other vacant operational posts. There is an increase of three Watch Manager As. The non-uniformed staff savings proposed currently identify three FRSB posts to be deleted. The two FRS B posts within Strategy and Risk (reference 33, minor staff restructure) are vacant.
77. The FRS B post that is proposed to be deleted (appendix 4 ref. 17, control admin staff) would need to be selected from one of the two FRS B established posts. The posts are filled by one male and one female with both postholders being BAME. Staff have been consulted on the proposal and management are currently looking to redeploy one member of staff subject to the redundancy and redeployment code.

List of Appendices

Appendix	Title	Protective Marking
1.	Mayor's Consultation Letter to LFC	None
2.	Medium Term Forecast	None
3.	Changes to Savings Proposed in 2018/19	None
4.	Saving Proposals	None
5.	Growth Proposals	None
6.	Capital Forward Programme and Prudential Limits	None
7.	LFC Capital Strategy Submission to the Mayor	None
8.	Statement on Adequacy of Reserves	None
9.	Risks and Opportunities to the Financial Position	None
10.	Equality Analysis	None
11.	Budget Submission to the Mayor	None

Appendix 1 – Mayor's Consultation Letter to LFC

MAYOR OF LONDON

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

Date: 21 NOV 2018



Budget Proposals 2019-20

1. The purpose of this letter is to consult you before I prepare a draft component budget for the London Fire Commissioner (LFC) for 2019-20, 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. Although my intention is to issue the GLA Group Budget Consultation Document as soon as is practical, it will not be finalised until after the provisional local government finance and police grant settlements for 2019-20 are published.
3. Subject to considering any comments that the LFC would wish to make, and the impact of the provisional settlements, my present intention is to prepare a draft component budget for 2019-20 that will require the GLA to pay to the LFC under Section 102 of the GLA Act 1999, as amended, an amount equivalent to £391.255 million. For planning purposes, I intend to set future years' payments as follows: £396.1 million for 2020-21, £401.3 million for 2021-22 and £406.8 million for 2022-23. These figures are the same as I announced in my 2019-20 Budget Guidance in June.
4. On the basis of the funding assumptions set out above, I require that your proposals fully balance the budget for 2019-20. I also require that you make a full submission of all the information previously specified. In particular, there is a new requirement for all member bodies of the GLA Group to publish a Capital Strategy, as set out in my 2019-20 Budget Guidance.
5. My finance officers have written separately to the LFC setting out the agreed format and templates for your budget submission and providing additional guidance on the requirements for the Capital Strategy. 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 complies with these requirements. May I also remind you that your budget submission should be placed on your website as soon as practical after its submission.

Appendix 1 – Mayor's Consultation Letter to LFC

MAYOR OF LONDON

6. Please send the information specified in this letter to David Gallie, Assistant Director – Group Finance at the GLA, by email to both david.gallie@london.gov.uk and GLABudget@london.gov.uk by 12 noon on Friday 30 November 2018.

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

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
	Previous Years Net Expenditure	401,087	411,277	428,493	418,062	
1	Central Contingency for Inflation	6,332	7,286	7,391	7,449	This includes both staff and non staff inflation. Staff costs are based on pay awards of 2% annually for all staff.
	Other budget pressures					
2	Pensions Auto Enrolment	481	160	0	0	These are potential additional employers pensions contributions from staff entering the pension schemes, as part of the governments auto enrolment scheme. This assumes that 40% of staff enrolled into the scheme stay in the scheme.
3	Firefighter Pension Scheme - Change to Discount Rate	1,900	18,100	0	0	In his March 2016 Budget Announcement the Chancellor stated that unfunded public sector employer pension contributions will increase from 2019 by an estimated £2bn per annum. This was as a result of the regular revaluation of the scheme. LFC previously forecast an additional pressure of £5.1m based on the change to discount rate, £2.8m following a reduction in contributions and £0.9m for the impact of funding retained fire fighter schemes. The total pressure has now been revised to a £20.0m impact. The 2019/20 impact is expected to be capped at £10m for the whole scheme, which is estimated at £1.9m impact for LFC.
4	Changes to Staff on Development Rates of Pay	(2,143)	(104)	979	626	This reduction reflects the anticipated change in the profile of the operational workforce, which will shift to include more less experienced staff on lower pay rates, following increased recruitment levels.
5	Local Government Pensions Scheme - Early Retirement Costs	(110)	(30)	(30)	(30)	This movement reflects ongoing reductions in the number of pensioners receiving these payments.
6	Local Government Pensions Scheme - Past Service Deficit	215	224	0	0	This is the forecast 'inflationary' increase in the cost of the past service deficit payments on the Local Government Pension Scheme.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
7	Local Government Pensions Scheme - 2017 Valuation	(115)	(122)	0	0	Savings following the valuation on the LFC's LGPS pension fund.
8	Firefighters' Injury Pensions	279	245	250	0	This relates to inflation increases on injury pensions and assumptions around numbers in receipt of injury pensions.
9	Firefighter Pension Sanction Charge	45	0	0	0	This increase reflects current forecast for numbers of staff choosing to commute their pension above the HMRC tax limit.
10	Operational Staff Vacancy Margin	3,724	0	0	0	This pressure is as a result of the removal of the one-off increase to the Vacancy Margin in 2018/19. This reflects that staff numbers are now expected to return to established levels from 2019/20.
11	Operational Pension Scheme Changes	(295)	(271)	(271)	(271)	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.
12	Trainee Firefighter Recruitment	(379)	(180)	0	0	These costs reflect the anticipated salary cost of trainee firefighters in each year.
13	Additional Resilience Requirements	1,188	(364)	229	0	Additional items included in the Budget Update report on Additional Resourcing Requirements in July 2017 (FEP2673)
	STAFF RELATED BUDGETS					
14	Apprenticeship Levy	(890)	(225)	0	0	An apprenticeship levy came into effect in April 2017, at a rate of 0.5% of an employer's pay bill. This levy has been transferred into a digital account and this saving reflects the use of the levy from 2019/20.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
15	Additional Payments into the Local Government Pension Scheme (LGPS) Fund and resulting on-going savings	115	(1,481)	0	0	In light of the impact of the actuarial revaluation of the LGPS, it is proposed that the new savings generated are re-invested back into the scheme in order to reduce the deficit further. These payments would then result in additional savings following the outcome of the next revaluation in 2020/21. If the savings are used in this way they would result in a £3.1m additional payment against the deficit by 2019/20, with a forecast saving of £350k in 2020/21.
16	Training Contract	(1,423)	(297)	245	(46)	As stated in the Future Options for Training report (FEP1829X) the fixed fee element of the Training Contract will reduce after the first six years of the contract.
	PREMISES BUDGETS					
17	Business Rates	(135)	98	170	170	The forecast budget movement has been amended based on data received from the Estates Management Consultant in May18. The revised forecast is based on the 18/19 approved budget of £9.088m. The projections do not currently extend to 22/23 .
18	Energy Costs	237	68	70	71	The budget requirement for 2019/20 has been reviewed following changes to electricity contracts, to half hourly billing, that had led to an overspend in 2017/18. These forecasts also take into account the reduction in cost following the disposal of Southwark Training Centre.
19	New Technical Logistics Centre	(129)	(100)	0	0	The figures shown are based on the rates, rents and other running costs required to run the two logistics centres while the new Technical Logistics Centre is set up. The increase in the on-going cost is largely due to higher rent for the new centre. This cost is considered to be reasonable by the LFC's agents bearing in mind current market conditions and the type of lease agreed.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
20	Property PFI Unitary Payment	50	50	50	50	The figures shown here reflect the payments required for the Property PFI fire stations. From 2017/18 an annual price review is applicable to the variable element of Unitary Charge based on RPIx. The standard RPIx has been applied to this value from 2017/18.
21	Building Maintenance	1,354	0	0	0	Increased cost of new building maintenance contracts for MEP (mechanical, electrical, plumbing) and Fabric Services , as reported in the report on Mechanical, Electrical and Plumbing (MEP and Building Fabric Contracts report (LFC-0045D)).
22	New Premises contracts (hard and soft FM services)	387	149	158	0	The Property Services Review Report FEP2430 (item 39) identified the potential for a significant increase in costs for the provision of all works/services when tendering for new contracts. These increases are in addition to the 'inflationary pressures' submitted for Premises budgets.
23	Rental Increases	21	120	0	0	Increase in rental costs for premises following rent reviews, largely at Merton.
24	LFB Training Centre Croydon	0	0	50	550	The report on the Third Training Centre (FEP 2646) for the project now renamed "LFB Training Centre Croydon" states that there would be an ongoing revenue pressure of £0.6m in running costs and £0.2m in lost income. The financial impact of the running costs, set out here, is based on occupation by October 2019.
25	Lease for an increase in parking spaces	37	0	0	0	This reflects the cost to execute a new lease agreement for car parking for Union Street staff (LFC-0044D).
	TRANSPORT BUDGETS					
26	EFCC contract First Aid Recertification training	(126)	0	0	0	As is outlined in FEP 2321, the EFCC contract attracts an additional charge in Years 1 and 4 for first aid recertification. Year 4 of the contract spans parts of FY 2017/18 and FY 2018/19, hence the total (unindexed) charge £126k has been allocated across these two periods.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
27	Command Unit Replacement	0	180	0	0	This budget is for an increase in the slot price following the replacement of command units.
28	Lease Car Charges	46	8	8	0	Increase in cost of subsidy for lease cars based on indexation and an increase in the number of cars in use through the scheme.
	SUPPLIES AND SERVICES BUDGETS					
29	ICT Equipment Replacement Holiday	(278)	0	0	0	Moving to Union Street allowed a move from a rolling programme of replacements to a more defined cycle as the equipment has a defined life. This represents the periodic re-instatement of that budget to update the equipment at Union Street, This would include wireless access points, physical servers and some desktop equipment.
30	Portable Hygiene Units (PHUs)	72	0	0	0	This budget is to support the on-going maintenance and call out charges relating to the purchase of two new PHUs built to LFB specification, hosted with a third-party supplier.
31	Business Intelligence platform	231	0	0	0	The Resources Committee agreed capital funding for this project in March 2016 (FEP 2578). There are associated revenue costs to cover the licensing of the products to be deployed. To achieve maximum benefit it is likely that the licensing will need to enable full interaction with the product which is licensed on an individual basis. The figures included here represent the middle ground in terms of deployment options. Discussions are underway with Microsoft regarding an adaptation of the licensing model to reflect the watch based nature of LFB. This does not yet take into account any savings that may be realised from this project, which could help offset this additional cost. The overall position will be kept under review.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
32	e-Recruitment	20	0	0	0	This is to fund the additional cost of the replacement e-Recruitment system (support for the previous system has been withdrawn). The current budget for the existing solution is £24,500 whereas the annual support fees for the new solution is £44,006.25, a shortfall of £19,506.25pa.
33	Health and safety System	36	0	0	0	This is to extend reporting facilities for the new hosted system to all users. The current budget for the existing solution is £12,135 whereas the annual support fees for the new solution is £48,560, a shortfall of £36,425pa.
34	Airwave Contract	49	51	54	56	This reflects ongoing inflation on the Airwave Contract.
35	MDT Support following removal of Airwave support	23	23	0	0	Whilst the removal of this service from Airwave was anticipated it was envisaged that this would result in a cost saving against the contract which could be re purposed to support the new MDTs. However, the re negotiated Airwave contract has increased overall costs whilst removing this element of the service - this increase has been included in the inflationary pressures return. As a consequence there is now an additional requirement for the ongoing support of the new devices deployed to the fleet which has been estimated based on the failure rate of the existing MDTs flexed to reflect the changes in the nature of their use and the expansion of the provision to include tablet devices and satnavs. The first year provision has been reduced due to part year implementation. The increase over time reflects the increase anticipated to reflect the failures due to age and use of the equipment.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
36	Extension and Re-procurement of the Personal Protective Equipment (PPE) Contract (FEP2381)	370	0	0	0	By extending the current contract with Bristol Uniforms by an additional two years from October 2016, the LFC generated one-off savings of £640k in 2017/18 and £370k in 2018/19. The adjustment shown reduces the saving in 2018/19 and removes it from the budget in 2019/20.
37	Replacement of Extended Duration Breathing Apparatus (EDBA) cylinders	(4)	26	0	0	This is the reversal of one off spend in 2017/18 on the progressive replacement of EDBA cylinders as they reach the end of their maximum design life, to maintain the authorities operational capacity.
38	National Operational Guidance (NOG) Integration	(56)	0	0	0	This is the reversal of one off funding of £0.9m in 2017/18, for the implementation of the NOG project for the LFC. The majority of the budget is removed in 2018/19, with the balance in 2019/20.
	CAPITAL FINANCING BUDGETS					
39	Borrowing Costs	5	1,517	1,061	0	This estimate is based on the borrowing costs required for the current capital programme. It is subject to review, both in respect of the forecast level of capital receipts and the actual expenditure requirements as individual projects are progressed.
	Total other budget pressures	4,801	17,845	3,023	1,176	
	INCOME BUDGETS					
40	Insurance Company Income	(970)	(1,020)	(1,070)	(1,120)	These increases assume growth of 3.5% per annum going forward. This is in addition to savings that were agreed as part of the 2017/18 budget setting process.
41	FBU Secondments	60	0	0	0	4 posts are currently seconded to the FBU, with 2 funded by LFB and 2 by the FBU. This has changed in recent years and the income received reduced also.

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
42	Interest Receivable	80	0	0	0	This forecast is based on the interest rates received on our cash deposits and reflects a reduction in our forecast cash balances and thus the interest earned .
43	Reduction in Shut in Lift charging	110	10	10	10	This adjustment reflects observed decreases in income and as the aim of this charge, to reduce demand, is realised.
	Total income	(720)	(1,010)	(1,060)	(1,110)	
	Total Unavoidable Pressures and Savings identified	10,413	24,121	9,354	7,516	
44	Change in Expenditure funded from Specific Grants and Reserves	(8)	(4,733)	(593)	(186)	
	Revised Net Revenue Expenditure	411,492	430,665	437,254	425,392	
45	Growth Agreed in Previous Years	(115)	0	0	0	Proposals included in 2017/18 Budget report (FEP2708) and 2018/19 Budget Report (FEP2825)
46	2019/20 Savings Proposals	(1,338)	(2,172)	184	(358)	
47	2019/20 Growth Proposals	1,238	0	0	0	
48	Budget Surplus/ (Deficit)	0	0	(19,376)	(5,008)	
	Proposed Net Revenue Expenditure	411,277	428,493	418,062	420,027	
	Use of Budget Flexibility Reserve	(1,330)	(18,414)	(3,366)	0	
	Use of Earmarked Reserves	(6,200)	(1,467)	(875)	(689)	
	Financing Requirement	403,747	408,612	413,822	419,338	
	Specific Grants	12,492	12,492	12,492	12,492	

Appendix 2 – Medium Term Forecast

	Description	2019/20	2020/21	2021/22	2022/23	Comments
		£k	£k	£k	£k	
	Financing Requirement after use of Specific Grants	391,255	396,120	401,330	406,846	

Appendix 3 – Movements from the Forecast Presented in the 2018/19 Budget

	Appendix 2 Reference (MTF)	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
Firefighter Pension Scheme Changes	3	(6,953)	11,147	11,147	11,147
Inflation	1	(1,331)	(1,189)	(778)	6,742
Building Maintenance	21	1,354	1,354	1,354	1,354
Development Margin	4	(910)	(620)	359	985
Business Rates	17	27	174	285	455
Airwave contracts	34	49	100	154	210
Energy Budgets	18	185	199	215	215
Reverse S042 - Additional Commercial Income	Item Removed	0	192	192	192
Command Units Replacement	27	0	180	180	180
Rent at Merton and Woking	23	21	141	141	141
Shut in Lift Income	43	100	100	100	110
Portable Hygiene Units	30	72	72	72	72
Lease Car Charges	28	46	53	62	62
Change to FBU secondment	41	60	60	60	60
Property PFI	20	0	0	0	50
FF Sanction Charge	9	45	45	45	45
Parking space	25	37	37	37	37
Training Centre	24	(300)	(600)	(550)	0
Training Contract budget	16	225	0	0	0
Firefighter Trainees	12	(379)	(559)	(559)	(559)
LGPS Early retirement	5	(110)	(140)	(170)	(200)
Training contract (fixed fee element)	16	0	0	0	(46)
MFB (addition of the 2022/23 planning year)	40	0	0	0	(1,120)
Operational Pension Scheme Changes (addition of the 2022/23 planning year)	11	0	0	0	(271)
Total		(7,762)	10,746	12,346	19,861

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 1	Metropolitan Fire Brigade Act (S022 17/18) (Finance Services)	Increased income from the MFB Act following higher than expected increase in the building costs indices which is a major factor in determining gross sums insured and therefore contributions. In addition the increase in new building in and around central London is starting to filter through in terms of insured business. The outturn for 2017/18 and the returns for 2018/19 provide positive indications on the buoyancy in sums insured, therefore it is proposed to extend the 5% year on year increase into 2021/22 from the 3.5% increases already included in the Medium Term Forecast. There are risks going forward following Brexit with uncertainty leading to possible change in building projects and costs including that people may leave the London property market or choose not to insure which could lead to a potential reduction in MFB income. Insurance business may also be affected by the bedding in of increases in the Insurance Premium Tax (IPT) which was raised to 12% in 2017. Increasing premium costs may have an impact on insurance business with people choosing not to insure, or taking more risk to reduce the cost of insurance premiums. Recent terrorism incidents may also impact on insurance business with insurers themselves either moving away from terror cover, as they have done in the past, or being more cautious in their pricing of terror related premiums. The impact of the rising cost of insurance on the insurance market will be kept under review. Given the uncertainty in the markets and potential risks with Brexit and other economic pressures it has been considered prudent not to include an additional saving in 2022/23. This will be kept under review going forward.	400,000	420,000	440,000	0	1,260,000
Agreed 2	Business rates (Technical And Service Support)	This one-off reduction is achievable following a review of the business rates budget at the LFB HQ building.	0	998,875	(998,875)	0	0
Agreed 3	Business rates (Technical And Service Support)	This ongoing reduction is achievable following a review of the business rates budget at the LFB HQ building.	0	345,840	0	0	345,840
Agreed 4	Disbanding of Emergency Services Network (ESN) Team (S027 17/18) (ICT)	Removal of the ESN team following the implementation of the ESN project. However, at present the indication is that transition will start in 2019 and take approximately 15 months. As a consequence this saving has moved from 2020/21 to 2021/22. The figures have been revised to reflect current expenditure budgets. If approved the Project team would not be available for post go-live issues or the mid-life refresh of the Vision solution.	0	0	0	276,814	276,814

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 5	Reduce Area Support Teams FRS B reduction (S001 18/19) (Fire Stations)	This saving was agreed as part of the 2018/19 budget report and the figure presented here is the full ongoing impact.	160,753	0	0	0	160,753
Agreed 6	Fleet Insurance (Procurement)	Following the retender of the insurance policies in 2018/19 this saving is achievable under the new arrangements.	160,000	0	0	0	160,000
Agreed 7	Personal Protective Equipment (S022 18/19) (Procurement)	There are no adverse impacts from realising this saving. The new kit is at a reduced cost and there are less numbers of kit due to staffing reductions. These savings can be achieved provided that the firefighter establishment does not increase, otherwise the savings would reduce.	157,000	0	0	0	157,000
Agreed 8	Hydraulic Platforms (S021 18/19) (Procurement)	Saving from the staged removal of 4 Hydraulic Platform (HPs) vehicles via the rationalisation of the Aerial Fleet following the introduction of the new more reliable aerial. Should delays occur the profile of savings may change. Delivery of the new aerials is expected from July 2019 and then roll out will include training crews on the new vehicles.	0	150,000	0	0	150,000
Agreed 9	Security (Technical And Service Support)	A reduction in cost of security at sites awaiting disposal. The saving has been scheduled for 2021/22 and assumes that all sites awaiting disposal be completed by that date. Should disposal of be completed sooner then the saving can be brought forward. Minimal impact but is dependent on disposals being completed.	0	0	125,000	0	125,000
Agreed 10	Reduction in Server Replacement (ICT)	Reduction in Server replacement budget due to cloud Backup Implementation. This figure will need to be further reviewed once the solution is in place.	0	0	100,000	0	100,000
Agreed 11	Commercial Income (Technical And Service Support)	Outline agreement has been reached for a rent review with the LPP for accommodation at Union Street based on a 2 year extension. The agreement allows for an annual review based on RPI, and has been included in the estimated additional income. This is subject to completion of agreement.	50,000	35,000	0	0	85,000

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 12	Operational Staff - Station Manager from within RMC (S007 17/18) (Control and Mobilising)	Staffing within Brigade Control has been reviewed, as a result, the proposed new structure maintains a Principal Operations Manager, 2 x Senior Operations Managers and a Station Manager. However, once the new structure has bedded in, the role of the Station Manager will be surplus to requirements, with the day to day operational function to be performed by the Officer of the Day (OOD). Whilst the SM in control has been of benefit, now that the RMC functions are shared with control staff, in the control room, the need for that permanent Operational element has diminished. The OOD provides the support during the watch changes and are on call should further support be required.	74,000	0	0	0	74,000
Agreed 13	Middle Managers Allowance (S004 17/18) (Central Operations)	The annual budget held by Central Operations for the middle managers agreement is £280k. These payments cover the performance of additional duties by SM and GM to maintain the operational rota and also to provide planned cover of the next higher role. It is planned that these payments can be managed down over the following years to achieve this saving.	36,000	36,000	0	0	72,000
Agreed 14	Paging System Replacement (ICT)	Paging System replacement with Phone App - subject to approval and re alignment of operational policies. This may lead to a growth requirement in Mobile phones and associated contracts.	0	0	52,000	0	52,000
Agreed 15	CMT Review (Commissioner's & Directors')	A review of CMT functions, staffing and budgets once new governance arrangement are robustly established with a view to identifying necessary savings. The new governance arrangements were introduced in April 2018. The proposal is to allow the new arrangements to embed before offering savings based on an assessment of support requirements for the Commissioner and Directors. The savings review will offer no impact on service delivery and will offset part of the growth proposal regarding the impact of implementing new Governance arrangements. Further work will be carried out following a review of the first year of operation of the arrangements to see if this saving can be brought forward.	0	0	25,000	25,812	50,812

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 16	Review Of Shared Services (S018 17/18) (Finance Services)	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 LFC'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 LFC 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 LFC and therefore increasing the amount of work External Audit do and also the cost.	30,000	12,000	0	0	42,000
Agreed 17	Brigade Control Admin Staff (S008 17/18) (Control and Mobilising)	Staffing within Brigade Control has been reviewed, as a result, an FRS B will be removed from the London Operations Centre (LOC) admin team, which would leave 1 x FRS D and 1 x FRS B. The reduction of 1 x FRS B post would have little impact as a number of administrative functions can now be reallocated to other departments.	34,000	0	0	0	34,000
Agreed 18	Personal Protective Equipment (Procurement)	The Collaborative PPE framework let by Kent FRS which LFB has joined provides for rebates from the contractor when other fire and rescue services join the framework to supply the fire gear requirements. For LFB, the rebate formula is 0.15% of our annual spend which takes effect upon tranches of 2,000 additional firefighters being added to the framework contracts. Actual savings to be determined in future years.	0	33,500	0	0	33,500
Agreed 19	Professional Services (Control and Mobilising)	With a fully managed mobilising service the need to buy in professional services directly has reduced over the past three years.	0	0	32,000	0	32,000
Agreed 20	Airbus Licensing (ICT)	As we transition from the old mobile data terminals to the new devices the number of software licences required for the fleet has been reviewed with the new configuration. The ability to easily swap devices between vehicles has allowed a reduction in the spares being held and so reduce overall licencing, resulting in a saving.	0	30,000	0	0	30,000

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 21	Uninsured Loss Recovery (Procurement)	Income - Uninsured Loss Recovery. There are approximate 40 claims each year for which the third party is 100% at fault. In such cases, uninsured losses are claimable by the LFB. There are also a further estimated 30 insurance claims where fault is debated by the two parties. The process for recovering the LFB's losses is managed by either QBE (challenged cases) or a sub contractor of QBE and requires resource from the Vehicle Administration and Monitoring Team which is not currently available. The processes to manage cost recovery are currently very slow, inefficient and ineffective. Improving the processes and providing some additional resource would result in increasing the amount of income recovered. Income is currently set at £11.4k per year but a lot more could be achieved with some additional resource being applied and improving the processes. This has been conservatively set at an additional £30k income.	0	30,000	0	0	30,000
Agreed 22	WM B Post Saving (S004 18/19) (Operational Policy)	The WMB post would be given up following the delivery of the increased flood capability project as set out in LSP2017. This saving commences near the end of 2018/19 financial year and as a result the saving is spread over 2018/19 and 2019/20.	29,811	0	0	0	29,811
Agreed 23	Remove Democratic Services Contract inflationary increase (General Counsel)	As part of the 2017/18 budget setting process the budget for the GLA Shared Services arrangements for Democratic and Members Services of £159k was taken as a saving. However an annual increase of £7k on the budget as detailed as an inflation and medium term change had not been taken into account. Therefore the saving proposal is to remove this annual increase.	7,000	7,000	7,000	7,000	28,000
Agreed 24	Mutual Assistance (ICT)	Reduced costs from Cross Border activity - Following a change in the policy for adding time to reflect actual mobilisation times for other brigades.	27,000	0	0	0	27,000
Agreed 25	Operational Staff (Control and Mobilising)	With the removal/transfer of all operational posts from control and mobilising the budget for operational overtime is no longer required.	22,000	0	0	0	22,000

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 26	Post Conversion (Operational Policy)	SM post change to FRS E (subject to skills based assessment). With the recent creation of the RPE project team and ongoing recruitment, there is an opportunity within 2019/20 to advertise for either a SM (currently funded) or an FRS E position, which could provide a saving. This would however be dependant on the suitability of the candidates applying for the role and selection to determine the whether an SM or E post. As this is currently an unknown the potential budget saving has been placed in the following year with an understanding for the need to be reviewed as part of next years financial saving process and if necessary an alternative saving needing to be sought. It is also recognised that in doing so there may also be a staffing underspend created within 2019/20 however if achieved any saving identified earlier than planned will be used to meet departmental pressures..	0	21,043	0	0	21,043
Agreed 27	Operational Equipment (Technical And Service Support)	Budget provision to fund the purchase of ad-hoc and low value new equipment items for the fleet that fall below the capital threshold. This is a demand led budget and expenditure will fluctuate from year to year. Expenditure in previous years has been lower than forecast and a phased reduction in funding is proposed. Minimal impact forecast but will be kept under review.	5,000	5,000	5,000	5,000	20,000
Agreed 28	Finance Department and System Review (S019 17/18) (Finance Services)	As part of the project to look at replacing the Finance, Payroll and HR systems there will be a review of the structure of Finance Department to consider efficiencies that may arise from the implementation of the new systems and processes. This should also strengthen resilience, help manage increasing workloads and potentially deliver savings over future years.	0	0	0	18,000	18,000
Agreed 29	Downgrade role / rank of three Watch Managers (Operational Resilience)	Proposal to restructure / regrade three existing WM(B)/ Station Officer positions to WM(A) / Sub Officer (post Role to Rank project) . Whilst not an ideal scenario, restructuring of workload and responsibility levels could allow the downgrade of three existing WM(B) positions. It will not be possible to offer up any existing post as a saving given increasing demands.	17,208	0	0	0	17,208
Agreed 30	Reduce General Counsel Grants and Subscriptions (General Counsel)	This is on the basis that the LFB's subscription to London Councils Joint Committee is no longer needed in light of the new Governance arrangements from 1 April 2018. This saving proposal has no impact on service delivery. London Councils have received notice that we do not intend to renew our subscription.	17,202	0	0	0	17,202

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 31	Increase income budget (General Counsel)	The proposal is to increase the income budget for recoverable legal costs by £15,000 to £150,000. However, as the level of income received cannot be guaranteed this proposal is being deferred to 2022/23 in order to establish whether this has been achieved in 2018/19 to 2021/22. This saving proposal has manageable impact on service delivery. The likelihood of a shortfall in income received would need to be managed as part of the budget monitoring process.	0	0	0	15,000	15,000
Agreed 32	Telemetry Maintenance (Technical And Service Support)	It is anticipated that the scheduled replacement of Telemetry Entry Control Board batteries will not be required again before the end of their forecast operational life.	0	0	7,500	7,500	15,000
Agreed 33	Minor staff restructure (Strategy & Risk)	Convert 2 FRS Bs to an FRS E. The FRS B posts are vacant and have been covered by a temp at FRS C, which is more appropriate to the work. However, the impact on the team of supporting FREP has been greater than envisaged, and we have a greater need for an FRS E to support delivery of governance arrangements. The work being done at FRS C level will have to be absorbed by others in the team or stopped. The two FRS B posts have been covered by a temp at FRS C which has been more appropriate for the work required of them. This proposal establishes these changes and does not result in redundancies	14,251	0	0	0	14,251
Agreed 34	Reduction of Creative Services budget (Communications)	Maintaining an in-house Creative Services budget has provided LFB with a heavily relied upon service for all in house design and creative work, and the ability to manage print costs (including equipment and materials). A reduction on this service could have an impact on expectations from other departments and may require buying in services when the Brigade's needs for Creative Services peak throughout the year.	0	0	13,000	0	13,000

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 35	Operational equipment (S006 18/19) (Operational Policy)	<p>This would see a further reduction in the operational equipment budget in 2020/21 leaving approximately £18k remaining for the delivery of new equipment for new training requirements, research and the general miscellaneous items identified during project delivery. This will have a cumulative effect by 2020/21 as Operational Policy (OP) would become increasingly reliant on other departments to provide funding streams to deliver training, projects and new equipment.</p> <p>Notwithstanding possible support provided by other department equipment budgets, this would potentially hinder OPs ability to deliver efficiency savings to the LFB as quickly and effectively as previously as it would require and would be dependant on successful negotiations with other departments to support projects. Examples being the delivery of the Fire Bags, short length/ different gauge hose and various equipment trials in support of policy development such as high-rise.</p>	0	8,838	0	2,881	11,719
Agreed 36	Cancel membership of the London European Office Cooperation agreement (Communications)	Stop LFB's contribution to membership of the European Office, which provides colleagues across the GLA Group with information about EU policies, legislation and funding opportunities of relevance to London. It promotes the vision and work of the Mayor in Brussels to the EU and other cities and stakeholders based in Brussels and seeks to ensure that London's interests are taken into account in the development of EU policies and programmes, in particular through contacts with the European Commission and Members of the European Parliament. This facility has had only minimal use by the London Fire Brigade to date but may have implications for the GLA group.	0	10,000	0	0	10,000
Agreed 37	Other Supplies and Services (ICT)	This reduction reflects existing underspends.	10,000	0	0	0	10,000
Agreed 38	Employment checks (People Services)	Savings arising from policy changes: (1) to no longer undertake 3 yearly basic renewals; and (2) new starters finance their own basic checks.	10,000	0	0	0	10,000
Agreed 39	Medical expenses (People Services)	Expenditure reduces year-on-year as only pre-November 1994 starters are eligible to claim full medical expenses.	10,000	0	0	0	10,000
Agreed 40	Operational Equipment (Procurement)	The re-use and re-cycling of equipment will facilitate a further £10k saving in this budget for 2019/20	10,000	0	0	0	10,000

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 41	Stationery & consumables, Office Equipment and Furniture (SO32/33 18/19) (Technical And Service Support)	A reduction in stationery budget at Union Street. This budget was underspent in 2017/18. A reduction in the funding allocated for office equipment and furniture. This can be accommodated within the existing budget. The level of ongoing costs will be reviewed as part of the forthcoming Protective Equipment Group (PEG) relocation.	10,400	400	400	0	11,200
Agreed 42	Catering Supplies (Technical And Service Support)	A reduction in the budget requirement for provision of the catering management contract at 169 Union Street, due to new contract being completed at lower cost. No impact for duration of new contract.	10,000	0	0	0	10,000
Agreed 43	Commercial Income (Technical And Service Support)	Outline agreement has been reached with the Welfare Fund to rent office accommodation. This is subject to completion of agreement.	10,000	0	0	0	10,000
Agreed 44	New equipment (Technical And Service Support)	Negotiations with the supplier have allowed operational Gas Tight Suits (GTS) which are no longer gas tight after operational use to be re-cycled as training GTS - reducing the number needing to be replaced	0	10,000	0	0	10,000
Agreed 45	Travelling Expenses (Control and Mobilising)	Travelling expenses for carrying out overtime for control staff are now under review which will allow a reduction in the Transport budget.	0	10,000	0	0	10,000
Agreed 46	Property Consultants (SO38 17/18) (Technical And Service Support)	The budget requirement has been reviewed due to underspends reported during the past three financial years.	10,000	0	0	0	10,000
Agreed 47	Car Schemes - Tendering (SO18 18/19) (Procurement)	The leased car scheme and subsequent mini competition are tendered via the Halton framework. The fee for this is an average of £7.7k per year. By tendering this via our own Procurement department, there is potential to save an average of £7.7k per year.	0	0	7,700	0	7,700
Agreed 48	Income from Chargepoints (Procurement)	This is the anticipated income from the chargepoints for electric vehicles at the Brigade's premises.	7,500	0	0	0	7,500

Appendix 4 – Saving Proposals

New Ref	Saving Title	Saving Description	Saving in 2019/20 £	Additional Saving in 2020/21 £	Additional Saving in 2021/22 £	Additional Saving in 2022/23 £	Total Saving Proposed
Agreed 49	Car Schemes (S043 17/18) (Procurement)	The budgets for leased car insurance, equipment, windscreens and tyres can all be reduced to reflect a known reduction in demand. There is no negative impact because the charges are pro rata in relation to the number of vehicles on the scheme. Provided the number of cars on the Leased Car Scheme does not increase, then the savings are achievable.	5,000	0	0	0	5,000
Agreed 50	Portakabin Hire (Technical And Service Support)	The portakabins currently on hire will no longer be required on completion of the Operations Support Centre.	0	4,680	0	0	4,680
Agreed 51	Fuel budget (ICT)	This reduction reflects existing underspends.	4,500	0	0	0	4,500
Agreed 52	Compressor Maintenance (Technical And Service Support)	The completion of the Operations Support Centre will result in a reduction in the number of breathable air compressors.	0	4,000	0	0	4,000
Total			1,338,625	2,172,176	(184,275)	358,007	3,684,533

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 1	Commissioners Awards	This proposal is for the introduction of Commissioner Awards for staff and for the event to be held at London's Living room in City Hall. The benefits of this award align with the London Fire Brigade's well being and behavioural framework activity to recognise staff, improve morale, increase a sense of pride and in doing all of the above have a positive impact on how employees engage with the Brigade's objectives and targets. The award already exists, but is currently added to the Assistant Commissioner awards and this event does not reflect the significance of the Commissioner's Award.	6,000	0	0	0	6,000
Agreed 2	Training Planning	There is 1 x FRS B post which provides support in terms of the 1661 budget, sponsorship and FFD courses. As FFD training has increased in order to meet LFB workforce requirement, the current resource is performing activities which exceed that of a FRS B grade. The role involves more than the completion of basic admin duties and requires the postholder to: <ul style="list-style-type: none"> • use numerical and analytical skills to research and summarise findings in respect of the training & conferences budget and the sponsorship budget • be responsible for the sponsorship administration and monitoring processes, and escalate issues as appropriate • be responsible for the training & conferences administration and monitoring process, and escalate issues as appropriate • collate data to organise and support recruitment of seconded trainers and Associate Trainers to Babcock plus support FFD welcome days • recommend (and action where appropriate) business systems and process improvements • review and distribute FFD end of course reports, referring back to Babcock if required Upgrade of 1 x FRSB to 1 x FRSC	6,342	0	0	0	6,342
Agreed 3	Learning Support Advisor	In 2018/19 the LFB's original requirement was for 288 trainee firefighters. This has now increased to 369 trainees this year. There has been changes in the trainee firefighter eligibility criteria and also an increase in the number of trainee firefighters either being appointed with learning support needs or such needs have being identified during the 11 week FFD training course. Given the current lack of dedicated specialist advice in this area there has been delays in dealing with these cases and putting in place reasonable adjustments to support individuals in a timely fashion given that the training period is 11 weeks. A part time dedicated resource is required to deal with such cases and ensure that the trainees identified support interventions are put in place to support their progression on the course. Additional 0.6 x FRSE	31,973	0	0	0	31,973
Agreed 4	People Services Administrative Support	New post - Administrative Support Officer (FRSC)	40,101	0	0	0	40,101

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 5	Protective Equipment Group Technician - Flood Defence	Additional post required for maintenance of existing and new equipment purchased at part of Flood Defence Project and general increase in workload (FRSC).	41,040	0	0	0	41,040
Agreed 6	DaMOP staff	<p>The current Development and Maintenance of Operational Professionalism (DaMOP) policy (No. 497) was introduced in 2006 to assist station-based operational staff develop and maintain the knowledge, skills and understanding required for their role. An internal audit of DaMOP was undertaken by MOPAC in February 2018. The outcome of the audit was that the current policy/process provided limited assurance. As a result, approval was given by the Commissioner's Group for a fundamental review of DaMOP with implementation of the changes taking place on a corporate priority risk basis over the next two years. A set of principles were also agreed including; that the scope be widened beyond the current station-based requirements to incorporate all operational, specialist and control roles at all levels, and that system should be enhanced/developed to support the new framework. The project board, chaired by the Director of Safety and Assurance subsequently agreed at its meeting on 19th July that operational "tags" for senior officers as well identifying how day duty staff return to operations e.g. Fire Inspecting Officers, be included in the scope of the project. The primary objective of the project is to develop and new maintenance of skills framework that will provide the LFC and the Commissioner's Board with an internal assurance process to demonstrate that staff within the scope of the framework are maintaining their operational professionalism against agreed standards. The project team is comprised of both permanent (0.3 FRS G, 1 xGM and 1xSM) and seconded officers from within the Brigade. The seconded officers are brought into the project to work on competency areas related to their substantive roles as required. It is assumed that station-based staff seconded into the team will continue to be facilitated and funded from the operational salary budget, and that other secondments for the senior officer, control and specialist elements of the project in phase 2 will be supported in a similar way. This approach has been supported by the DaMOP project board. An increase in the current establishment is required to support the delivery of the project, and to maintain the capability to provide training assurance to the LFC once completed by ensuring that the agreed framework is kept up-to-date following amendments to current policy or where new competency requirements are identified. The main responsibilities of the FRS C post will be to support the Project Manager with administrative tasks including data collection and analysis and assisting the facilitation of staff engagement activities. There is an additional bid to support remote working of the project team members by using mobile devices ('phones/tablets).</p> <p>Additional FRSC Post.</p>	42,201	0	0	0	42,201

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 7	PDA (Pre-Determined Attendance) Staffing	Creation of a deputy for the Head of PDA section (FRSD). Before go-live of the Vision mobilising system, a number of business process improvements were discussed with the intention to provide a better allocation of responsibilities between Information Technology (IT) PDA and Control (Operations Support Group), with IM taking the lead for all data preparation tasks. These additional tasks include data maintenance for Vision of: fire station profiles, resource types (appliances), attributes and equipment, incident type codes (PDAs), officer profiles, contact list (directory), activation times for appliances, action prompts, action plans and items and alerting areas – flash messages/prompts. It has not proven possible to contain the cost of this work within existing resources. Additional FRS D Post	47,300	0	0	0	47,300
Agreed 8	Additional post necessary to support the Farynor fire safety system.	Whilst it has been possible to provide some support to Farynor users from within existing resources, this has impacted on other work (particularly important data quality/cleaning tasks). Furthermore the support requirement has expanded with the introduction of the new mobile working solution creating additional pressures on support. Work is underway to scope a replacement fire safety system (embracing community safety activities as well) which will potentially replace the Farynor (and other) systems. The post (FRSD)., when created, would allow better support to be provided to Farynor users, and support the system redevelopment process by providing project support. Additional FRS D Post	47,300	0	0	0	47,300
Agreed 9	Project Director, Emergency Service Network (ESN) Project – increased budget provision	The post of ESN Project Director was a shared role with the postholder spending 50 per cent of their time working on national ESN project matters funded by the Home Office, and 50 per cent on LFB ESN matters. That arrangement whereby the Project Director carried out a national role in the ESN project, has now ended and the Project Director will now focus solely on LFB ESN matters going forward, although on a reduced time basis. This pressure reflects the loss of income from the Home Office.	50,000	0	0	0	50,000

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 10	Training Programming	The Training Programming Team currently deal with a range of issues to support the scheduling and programming of all the training courses for LFB staff via the Babcock Training Contract. It is proposed that all staff in the team should be able to carry out all functions within the team, therefore the upskilling of existing staff (- 2 x FRSB and + 2 x FRS C). Establishing a further FRS C post will result in the capacity within the team to deal more effectively with day to day work as well as take on the activity of processing course swaps and cancellation requests. Management has undertaken a review of work activities undertaken by both the Training Programme (TPr) and the Establishment and Performance (EPT) teams to determine where some of the functions currently carried out by both teams best fits. Indications are that there will a separation of some work functions which will mean that whilst EPT will have specific training requirements, determine priorities and provide associated criteria, TPr will ensure that training is delivered to the right people, at the right time and in the right place. Existing processes and systems mean that this will create additional work for this team who already have a heavy workload. Given the current establishment of the team and current workloads e.g. helpdesk function, responding to managers and delegates, processing swaps and cancellation request, the proposal of an additional resource FRS C will dealing with the day to day activities of the work of the team. Additional FRSC post and upgrade of 2 x FRSB to FRSC posts.	52,785	0	0	0	52,785
Agreed 11	TSS Project co-ordinator	Due to the large number of operationally critical projects, LFB requires project support to assist and manage the numerous fleet and equipment projects. The establishment of this Project Co-ordinator (FRS E) post will continue to assist in the current and future workloads and enable the Brigade to continue to provide the most effective vehicles and equipment available on the market for its firefighters, maintaining safe systems of work and ensuring the LFB keeps pace with technical advances. Additional FRS E Post	53,287	0	0	0	53,287

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 12	Service and test manager for Vision mobilising system	Since go live of the Vision mobilising system, there has been a considerable impact upon ICT staff, both in transitioning to live and in the course of normal operations. At present, different staff across the ICT department are involved in a range of incident, problem and change management issues relating to the Vision mobilising system. In addition, the Head of ICT has had very significant involvement with the technical service management of Capita / Vision, including required attendance at numerous technical, planning and service management meetings. The combined impact of this is having an impact on the department at a time when there are significant other ICT projects and priorities. This new post (FRSF) will act as a dedicated Service Manager for the Vision system, representing a single point of contact between ICT and Capita, taking a leading role in service management meetings and liaising with ICT incident, problem and change management staff. In addition, this role will be responsible for ensuring that all Vision software releases are tested in accordance with the prescribed procedures (including witnessing factory testing at Capita facilities in Gosport for every release). Additional FRS F Post	65,200	0	0	0	65,200
Agreed 13	Scrutiny and Inspection Management	The Policing and Crime Act 2017 created Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) and the London Assembly's Fire, Resilience and Emergency Planning Committee. This growth bid is to resource the demand created, ensuring that they receive timely, high-quality and accurate representations. This includes 0.8 x FRSG, 0.2 x FRSD and 0.2 x FRSC. In addition to this the HMICFRS Reserve will fund the creation of a project team for 12 months to support that new inspection regime.	84,076	0	0	0	84,076

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 14	Leadership Project	<p>The LFB is committed to deliver a more people focused culture through effective Leadership and Management at all levels. The People Services Review (PSR) concluded that the Commissioner's group should continue their work to articulate their expectations for the organisation. This strategic intent should form the basis of an organisation wide communications programme and an LFB specific, unified Leadership and Management Development (L&MD) programme.</p> <p>The approach will seek to articulate a unified understanding of effective Leadership and Management within the context of the LFB. With this understanding the project can then seek to create a programme that develops strong Leadership towards a more people focused culture. A set of core principles will support Leadership excellence that is displayed at all levels and supports the strategic intentions of the service. To achieve this, a corporate LFB Leadership Project was established.</p> <p>A significant amount of work has already commenced on this long term project. The project lead is a Group Manager, who was seconded into the Development & Training department for a five year period, prior to the PSR. To ensure the continuation within the agreed timeline and provide consistency for the project going forward, it is proposed that this post is converted into a permanent position.</p> <p>Additional Group Manager post.</p>	85,084	0	0	0	85,084
Agreed 15	Training Performance and Improvement team	<p>When the Training and Professional Development department (TPD) was created following the People Services Review, the Training Performance and Improvement team (P&I) was established. The team is responsible for performance reporting across the department and training partnership with Babcock Training, and for running a portfolio of improvement projects. This work is essential to improve the efficiency and effectiveness of the training function. TPD does not currently have resources dedicated to compliance. These need to be put in place to respond to the upcoming independent review of training, to carry out a review of training contract compliance, and to manage all departmental compliance issues on an ongoing basis. The team currently contains two permanent posts (1 x FRS F, 1 x FRS C), and for 2018/19 only, two temporary posts (1 x FRS E, 1 x FRS D). This growth bid is for the two temporary posts (1 x FRS E, 1 x FRS D) to be made permanent. This is in order to provide the minimum resource levels needed for departmental performance, improvement and compliance to be addressed.</p> <p>Additional temporary FRSE and FRSD posts</p>	99,875	0	0	0	99,875

Appendix 5 – Growth Proposals

New Ref	Growth Item	Description of Growth	Ongoing and one-off costs				Total Growth £
			2019/20 £	2020/21 £	2021/22 £	2022/23 £	
Agreed 16	Data Science and Research Analysis	The bid for one FRS E data science post, supported by two FRS C research analysts. Data Science is the emerging sector within information intelligence and is an interdisciplinary field that uses scientific methods, processes, algorithms and systems to extract knowledge and insights from data in various forms, both structured and unstructured. In a recent study, 84% of private sector executives said that Data Science and Artificial Intelligence is "essential" to remain competitive with benefits in every department. Tools and techniques used in other organisations use Data Science for business intelligence including but not limited to predictive analytics, machine learning and natural language processing. Data Science is already an embedded field within government departments and a trawl of the GLA family (including the London Boroughs) indicates that around a third already have established data science posts and may others are considering doing so. Additional FRSE and 2 x FRSC posts	133,287	0	0	0	133,287
Agreed 17	Re organisation of TDG	The ICT Infrastructure department requires a reorganisation to ensure the correct resources are in place to take advantage of technology improvements. The current structure also requires improvements to ensure working in silo's is removed, career progression is available and teams become smaller and more manageable with less direct staff management for the Head of Infrastructure Additional FRSG and 2 x FRS F Posts. Upgrade of a FRSE to FRSF. Removal of 1 x FRSE.	172,054	0	0	0	172,054
Agreed 18	Implementation of the Mayor's London Fire Commissioner Governance Direction 2018	The new Governance process requires management and servicing to work effectively. This includes working with the Commissioner's teams and advisers to identify business requiring action under the direction; ensuring that the Deputy Mayor is briefed; reports are prepared for the Local Pension Board, Deputy Mayor's Board and the GLA's Corporate Investment Board; preparation and negotiation of draft decisions; management of the flow of business through directorate and corporate decision-making structures. This work will be undertaken by a newly established Governance Team in the General Counsel's Department. Additional 0.6 x TMGC, 1 x FRSF and 2.6 x FRSE.	180,256	0	0	0	180,256
Total			1,238,161	0	0	0	1,232,161

Appendix 6 – Capital Forward Programme and Prudential Limits

Detailed Capital Programme	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
ICT Requirements					
Upgrade Operating System		98			
Business Intelligent Solution	654	600	360		
Control & Mobilising Systems (CAMS)		100	100		2,800
Mobile Data Terminals	71				1,486
Fire ground Radios		1,800			
Home Fire Safety Project (linked to Farynor)		130			
New Laptops	45		563		
Audio Equipment for Union St				220	
Accident Reporting System	62				
Virtual Desktop Technology (Citrix)	50	200			
New Telephone System	42	150			
New Computer Terminals Thin & Fat Clients	41	100		1,150	
NetScaler Replacement		200			
Wireless Access Points	100	753			
New ISP			500		
New WAN			500		
VM Server Environment Hosts		500			
Audio Equipment for Fire Stations			100		
Data Transfer for Joint Emergency Services Interoperability Programme	195				
Business Management System (PMF)		215			
Farina Replacement		100	450	200	
Finance System		189	497	1,080	453
HR System		240	484		
Payroll System		110	221		
ICT Projects TOTAL	1,260	5,485	3,775	2,650	4,739
Estates Requirements					
Union St – Work Place Improvements		60			
Plumstead Fire Station Development		100	2,500	2,500	350
LFB Museum Fit-out		30		1,200	1,152
Edmonton Fire Station Development				300	1,500
Heating Replacement at Various Fire Stations	142	1,634	895	50	925

Appendix 6 – Capital Forward Programme and Prudential Limits

Detailed Capital Programme	2018/19 £k	2019/20 £k	2020/21 £k	2021/22 £k	2022/23 £k
Window Replacement at Various Fire Stations	134	215	360	50	540
Rewiring at Various Fire Stations	50	575	275	25	300
Roof Replacements	70	624	740	60	680
Minor Improvement Programme	1,858	2,164	2,081	2,040	2,000
Replacement of Appliance Bay Doors	406	981	414	0	400
Removal of Asbestos	50	50	50	50	50
Safety Works at Fire Stations	50				
Forecourts/Rear Yards Refurbishments	38				
West Hampstead Cottages Refurbishments	11	705			
Security at all Fire Stations, Offices & HQ		100	1,250	1,255	
New Training Centre	100	200	1,800	6,300	5,853
PEG/BDC Development	9	2,874	900		
Lambeth River Station Development			100	1,000	1,200
Development Costs	250				
Estates Projects TOTAL	3,168	10,312	11,365	14,830	14,950
Fleet & Equipment Requirements					
Replacement of Fleet & Operational Equip	9,554	21,916	17,629	7,606	2,279
Respiratory Projective Equipment (Barrie)		2,300			
Standard Breathing Apparatus			5,000		
Fleet & Equipment TOTAL	9,554	24,216	22,629	7,606	2,276
Overall Capital Requirements TOTAL	13,982	40,013	37,769	25,086	21,965

Appendix 7 – LFC Capital Strategy Submission to the Mayor

LFC Capital Strategy 2019/20 for GLA Budget Submission

Intention

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, in the immediate, medium and longer term, 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.

The capital strategy sets out a framework for the management of capital finance and covers the following areas

- Capital Expenditure and Investment Plans;
- Prudential Indicators;
- External Debt; and
- Treasury Management.

The Capital Strategy addresses the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which sets out a new requirement for local authorities to produce a Capital Strategy to form part of its integrated revenue, capital and balance sheet planning. The Capital Strategy is a new requirement for the 2019/20 financial year. The Capital Strategy will be reviewed as part of the budget setting process, submitted to the Mayor as part of the budget submission, and approved by the LFC, on an annual basis.

Benefits

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.

The key benefits 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;
- 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

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

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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.

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 is being 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 and value for money.

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

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

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

- 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.

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.

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

Influences

The main influences on the Capital Strategy are:

- The age of the estate - 34% of our fire stations are over 60 years old, and 29% of our fire stations are listed/locally listed and/or are in a conservation area, with 19% of fire stations both listed and over 60 years old.
- The layout and design of the majority of fire stations creates challenges in meeting the needs of a modern service.

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

Mayoral Policies

There are a number of Mayoral Policies that the Capital Strategy strives to address;

Ensuring London is:

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 neighborhoods for all Londoners and help tackle the huge issue of deprivation and inequality among Londoners, including inequality in health outcomes.

The LFC's aim is:

- To ensure that our fire stations are well placed to meet the needs of the Londoners and enable us to reach incidents effectively and to the attendance standards we have set.
- To Look to open up our stations so that they community assets/hubs. For example, using stations as blood donation centres, meeting spaces for healthy eating groups, health outreach or screening services, coffee mornings, social contact groups for the elderly and meeting space for community volunteers. Ensure that the design of new fire stations will enable them to be community hubs.
- To identifying potential opportunities that the estates can offer to provide accommodation to further our prevention priorities with local authorities e.g. the health agenda and crime prevention (cadet training)
- To contribute to the Mayor's Homes for Londoner's agenda by providing affordable housing for our staff, and, where we can release land for development, that the provision of affordable housing is always considered.

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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 LFC's aim is:

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

20 Year Capital Ambition

The 20 year capital 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. The plan includes the capital investment requirements to ensure that the LFC's fleet meets the new ultra low emissions zone requirements (ULEZ) and replacement of vehicles as they come to the end of their useful life. Ongoing capital expenditure on the LFC's estate is included to maintain the condition and functionality of fire stations. There are also estimates for spend on ICT replacement and upgrade. The programme does not include the additional costs for the LFC fleet to be zero emission compliance by 2030 as it is not possible to predict the impact this will have on costs and the level of additional infrastructure at this time.

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Year	2018/19	2019/20	2020/21	2021/22	2022/23	5 Years 2023-28	5 Years 2028-33	5 Years 2033-38	TOTAL
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Major Refurbishments	0.011	0.705	0.100	1.300	2.700	14.278	12.843	14.889	46.826
New developments	0.109	3.204	5.200	10.000	7.355	32.949	18.551	21.506	98.874
Minor Works	1.928	2.948	4.071	3.355	1.300	18.169	18.551	21.506	73.148
Sustainability Works	0.426	2.474	1.580	0.175	1.815	14.502	11.773	13.648	46.452
Appliance Bay Doors	0.444	0.981	0.414	0.000	0.400	2.462	1.427	1.654	7.782
Development Costs	0.250	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.250
Fleet Replacement Plan	9.554	24.216	22.629	7.606	2.276	9.200	110.637	7.690	193,808
ICT Projects	1.260	5.485	3.775	2.650	4.739	16.304	12.685	9.548	56.446
TOTAL	13.982	40.013	37.769	25.086	21.965	107.863	186.467	90.441	523.586

The capital requirement for the LFC estate has been based on analysis that has been undertaken which assesses the condition and functional suitability for all existing fire stations. 75% percent of fire stations are classified as being in a satisfactory or good condition. A recommendation for each fire station has been made based on it's condition, functional suitability, development value and location. The options used are:-

1. Fire stations requiring replacement and relocation.
2. Fire stations identified for re-development
3. Fire stations identified for major refurbishment/rebuild
4. Fire stations requiring minor capital works
5. Fire stations where no works are required.

The plan identified that 11 fire stations require replacing and relocation, 11 fire stations identified for re-development, 7 fire stations identified for major refurbishment/rebuild. In addition, 13 Middlesex stations are the subject of a feasibility study to identify if they are to be replaced, redeveloped or a major refurbishment should take place, taking into account whether location improvements could be achieved. When locations are being considered we are committed to work in partnership with local councils, residents, businesses, emergency services and other partners who work to improve safety and wellbeing to explore the options.

In addition to the above, the LFC is committed to providing:-

1. The new Training Centre which includes a multi story fire house.
2. The new Operations Support Centre
3. The new London Fire Brigade Museum (at the former Albert Embankment HQ site).

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

Government advocates a 'cloud first' approach when considering options for new ICT systems and infrastructure improvements. With this the funding model shifts from capital to revenue based

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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 which would allow the Brigade to explore new ways for ICT delivery, whilst minimising risk and disruption.

Projected 20 Year Capital Funding

Year	2018/19	2019/20	2020/21	2021/22	2022/23	5 Years 2023-28	5 Years 2028-33	5 Years 2033-38
	£m	£m	£m	£m	£m	£m	£m	£m
Capital Receipts	1.903	40.013	44.270	15.000	12.000	0	0	0
Grant Funding	0.279	0	0	0	0	0	0	0
3 rd Party Contributions	0	0	2.124	0	0	0	0	0
Revenue Budget Contributions	0	0	0	0	0	0	0	0
GLA Funding	11.800	0	(11.800)	0	0	0	0	0
External Borrowing	0	0	3.175	10.086	9.965	0	0	0
TOTAL	13.982	40.013	37.769	25.086	21.965	48.000	37.000	37.000
Shortfall	0	0	0	0	0	59.863	149.467	53.441

Funding Streams

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. Loans are sources from PWLB or from other local authorities.

External Grants – Grants are awarded to the LFC from Central Government and other third parties. Most grants are now policy specific and are awarded through a bidding process. The LFC bids for grant funding as and when opportunities arise. There is currently no external grant funding included in the capital programme forecast funding.

Capital Receipts – The LFC is able to generate capital receipts through the sale of surplus assets. This is a limited resource as the majority of the LFC's assets are currently in operational use as part of front line service delivery and response. The programme includes the sale of the former Southwark fire station and the former Clerkenwell fire station. A development agreement has been signed for the former Headquarters at Albert Embankment but the timing and value of the receipt is yet to be finalised. There is the risk that some of the planned capital disposals will not complete. The timing and value of the capital receipts may also be further delayed or reduced due planning requirements and the economy.

The LFC aims to promote 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 – The LFC can use revenue resources to fund capital projects on a direct basis, however, current funding projections which point to a budget gap from 2026/27 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.

Appendix 7 – LFC Capital Strategy Submission to the Mayor

Funding from GLA – At present, it is projected that the GLA will provide £11.8m funding for the capital programme in 2018/19. This is dependant on the completion of the sale of the former fire station at Southwark. The conditions associated with the funding is that it will be repaid back to the GLA once the Albert Embankment site is sold.

Ambition Gap

Year	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m	5 Years 2023-28 £m	5 Years 2028-33 £m	5 Years 2033-38 £m
20 year Capital Ambition	14.403	40.013	37.769	25.086	21.965	107.863	186.467	90.441
Funding (excl. borrowing)	13.982	40.013	34.594	15.000	12.000	0	0	0
Funded borrowing	0	0	3.175	10.086	9.965	48.000	37.000	37.000
Shortfall	0	0	0	0	0	59.863	149.467	53.441

Borrowing is increasing as capital receipts are used and expenditure, such as on fleet, increases, this results in additional revenue costs (debt charges) from the repayment of debt principal (the minimal revenue provision MRP) and the interest charged on outstanding loans. The revenue budget plans included in the revenue budget Medium Term Forecast to 2022/23 (LFC-0039) include budget provision to fund the Capital Strategy for the first five years. From year 6 2023/24 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 resulting capital financing costs adding to the pressure on the revenue budget.

The Capital Strategy is forecast to be fully funded for the first five years of the programme within the existing approved annual debt charges budget and the projected programme and associated funding is detailed in the table below;

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Proposed Capital Programme and Financing

Capital Programme	2018/19	2019/20	2020/21	2021/22	2022/23	TOTAL
	£m	£m	£m	£m	£m	£m
Major Refurbishments	0.011	0.705	0.100	1.300	2.700	4.816
New developments	0.109	3.204	5.200	10.000	7.355	25.868
Minor Works	1.928	2.948	4.071	3.355	2.680	14.982
Sustainability Works	0.426	2.474	1.580	0.175	1.815	6.470
Appliance Bay/Forecourts	0.444	0.981	0.414	0.000	0.400	2.239
Development Costs	0.250	0.000	0.000	0.000	0.000	0.250
Fleet Replacement Plan	9.554	24.216	22.629	7.606	2.276	66.281
ICT Projects	1.260	5.485	3.775	2.650	4.739	17.909
TOTAL	13.982	40.013	37.769	25.086	21.965	138.815
Financing						
Capital Receipts	1.903	40.013	44.270	15.000	12.000	113.186
Grant Funding	0.279	0	0	0	0	0.279
3rd Party Contribution	0	0	2.124	0	0	2.124
GLA Funding	11.800	0	(11.800)	0	0	0
External Borrowing	0	0	3.175	10.086	9.965	23.226
TOTAL	13.982	40.013	37.769	25.086	21.965	138.815

The table below summarises capital expenditure and debt charges (loan interest and annual MRP change) compared to the estimated debt charges budget from 2023/24 onwards. The future debt charge budgets have been based on the 2022/23 budget of £12.353m and increased by RPI estimated at 3% per annum. Maturing loans and the associated MRP charges reductions have been taken into account, to show the budget requirement and resulting budget pressure each year in the calculation of the required level of debt charges. Based on current estimates, the level of debt charges is expected to steadily increase over the period, resulting in a substantial increase in debt charges by 2037/38 of circa £38m, resulting in a budget pressure approaching £19m.

The projected budget pressure of £19m is based on current capital spend projection which is based on inflation at 3% per annum and the current forecast for the capital receipts. This figure will 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 future interest rate rises
- The availability of resources to deliver the capital programme

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Forecast capital expenditure and debt charges 2023/24 to 2037/38

Future Years	Capital Expenditure £m	Financed from external borrowing £m	Debt Charges* £m	Budget £m	Budget Pressure £m
2023/24	16.632	16.632	10.170	12.724	(2.553)
2024/25	15.732	15.732	11.738	13.105	(1.367)
2025/26	37.495	37.495	13.035	13.498	(0.463)
2026/27	19.154	19.154	16.361	13.903	2.457
2027/28	18.851	18.851	18.135	14.321	3.815
2028/29	33.922	33.922	19.815	14.750	5.065
2029/30	51.311	51.311	22.936	15.193	7.743
2030/31	35.530	35.530	27.745	15.648	12.096
2031/32	40.510	40.510	31.067	16.118	14.949
2032/33	25.195	25.195	34.991	16.601	18.389
2033/34	18.498	18.498	37.426	17.099	20.327
2034/35	15.558	15.558	34.922	17.612	17.310
2035/36	20.378	20.378	35.281	18.141	17.140
2036/37	19.592	19.592	36.976	18.685	18.291
2037/38	16.416	16.416	38.063	19.246	18.818

* For the purposes of the above calculations, Interest has been calculated at 3% and Minimum Revenue Provision based on an estimated 15 year asset life.

The table indicates a revenue pressure from additional borrowing costs of £19m in the absence of alternative funding sources. The level of capital spend is largely driven by the need to maintain and replace the fleet, stations and ICT that support the current level of service delivery and front line response. It is therefore difficult to reduce spend without changes to front line service delivery.

Options to bridge funding gap

1. Revenue contribution to fund the capital programme
2. Investigate possible alternative funding options
3. Reduce the level of the capital programme
4. Call for additional resources through the budget setting process, funding settlements and potential new grants.

Changes from 2017/18 Budget Submission

Year	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	TOTAL £m
2017/18 Budget Submission	17.995	41.674	41.232	22.530	21.410	144.841
2018/19 Budget Submission	21.017	13.982	40.013	37.769	25.086	137.867
Change	3.022	(27.692)	(1,219)	15.239	3.676	(6.974)
Re-phasing to later years	3.022	(27.692)	(3.519)	10.239	855	(17.095)
New Project/Additional Resources	0	0.00	2.300	5.000	2.821	10.121
TOTAL	3.022	(27.692)	(1,219)	15.239	3.676	(6.974)

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The New Training Centre which is dependant on the OSC (Operations Support Centre) moving out of the existing Croydon site, which is to be re-developed into a training centre. Originally, it was forecast that this would be completed by December 2018 but due to difficulty in finding a suitable site it is now forecast that OSC will vacate this site by December 2019. There have been challenges with keeping the Training Centre project within budget and the new facility has been re-designed in order to address this issue and the new training centre is now expected to open in February 2022. This has resulted in slippage of £6.7m to 2022/23 onwards.

Previously budgets have been included for the redevelopment/refurbishment of the Middlesex Fire Stations £9.2m. It has now been decided to remove these from the capital programme until further feasibility works have been completed and there is a greater understanding of the options for their redevelopment. In addition, the Plumstead development has been delayed as the initial site identified for the relocation of the fire station is no longer available. The refurbishment and extension of the existing fire station is now being explored.

The new projects/ additional resources relate to the following schemes;

1. New budget requirement for the new BA Communications equipment £2.3m
2. New budget requirement for the new Breathing Apparatus equipment £5.0m
3. New budget requirement for replacement of ICT Systems £2.8m

Risks

The Capital Programme is subject to the following risks:-

1. A lack of affordable sites for new developments.
2. Increased cost in delivering the capital programme due to inflation pressures/Brexit/ limited number of suppliers that can provide specialist equipment/vehicles.
3. The potential requirement to fund the replacement of National Dimension Assets which currently has not been factored in the capital requirements.
4. Additional costs required to deliver Zero Emission Pumping Appliances (ZEPA)
5. Difficulty in obtaining planning consent for new developments and refurbishments.
6. Third party collaboration and contractor capacity to deliver as all capital projects will require varying collaboration with external parties over the project life.
7. 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.
8. Additional revenue budget pressures resulting from increased revenue impact of borrowing.
9. Interest rate increases for borrowing.
10. Changes in government funding, policy and legislation.
11. Availability and speed of developments in technology.
12. Recruitment and retention of key skilled staff and significant staff resource to deliver the capital schemes.

These risks are mitigated by;

1. 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.

Appendix 7 – LFC Capital Strategy Submission to the Mayor

2. Investing in invest to save projects where the outcome of these projects will result in revenue savings to LFC.
3. Ensuring the capital governance framework including regular monitoring and review of the capital programme is in place.
4. 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.
5. Re-allocating key resources to development projects as required to meet the capital programme.
6. Promoting collaboration with other emergency services and the GLA family
7. Limit the risk of contract failure by effectively managing contracts and learning from past lessons in project delivery.
8. The ability to flex the capital programme and re-phase capital expenditure so as not to result in additional external borrowing and the resulting increase in debt charges.

Appraisal

The Capital Programme is agreed by the CAPS Group, (Capital Approvals, Planning and Strategy Group) and approved by the Corporate Services Department Board and by LFC Commissioner before submission to the Mayor for approval. This group meets quarterly, where new projects are discussed together with the delivery and any changes to the current capital programme. The progress of capital disposals is reviewed together with the level of required external borrowing.

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

- Ensures the 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 the 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
- Supports Mayor in meeting the approved objectives and strategic plans.

Sign Off

The Chief Finance Officer is to report explicitly on the deliverability, affordability and risk associated with the Capital Strategy. A report presenting the Strategy will then be approved by the LFC, alongside the Chief Finance Office formally signing off the Strategy, before it is published in March 2019.

Annexes Annex A – Summary Forecast Capital Investment Requirements

Appendix 7 – LFC Capital Strategy Submission to the Mayor

Annex A – Summary Forecast Capital Investment Requirements

Project	2018/19	2019/20	2020/21	2021/22	2022/23	5 Years 2023-2028	5 Years 2028-2033	5 Years 2033-2038	TOTAL
	£k	£k	£k	£k	£k	£k	£k	£k	£k
ICT Requirements	1,260	5,485	3,775	2,650	4,739	16,304	12,685	9,548	56,446
Estates Requirements	3,168	10,312	11,365	14,830	14,950	82,359	63,145	73,202	273,332
Fleet & Equipment Requirements	9,554	24,216	22,629	7,606	2,276	9,200	110,637	7,690	193,808
Overall Capital Requirements	13,982	40,013	37,769	25,086	21,965	107,863	186,467	90,441	523,586

Appendix 8 – Statement on Adequacy of Reserves

Robustness of Estimates

1. As in every year the budget is a series of estimates and these carry with them a certain amount of risk that actual spending will not be the same as the estimate. There are risks around significant major projects, pay awards, pension costs, inflation rates etc. as set out in the main report. The estimates in today's report will be kept under review in the light of decisions agreed after this date, updated information and further prospective changes arising from 2018/19 budget monitoring, as well as during the remainder of the budget setting process for 2019/20.

Reserves and general balances

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

Statement of Reserve Policy

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

Appendix 8 – Statement on Adequacy of Reserves

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

Summary of Provisions Expected at 31 March 2019

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

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

Appendix 8 – 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.

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

Corporate Risks

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

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

Appendix 8 – Statement on Adequacy of Reserves

considered against the probability of more than one significant risk materialising in any one year. The CIPFA guidance emphasises that a well managed authority will ensure that reserves are not only adequate but also necessary. It would not be appropriate to set funds aside to cover risks that are deemed extremely unlikely to occur. CIPFA also advises that a balance needs to be found between maintaining adequate levels of reserves and investing in risk reduction measures – for example it may be possible to reduce the level of balances held where appropriate action to mitigate or remove risks has been successfully taken. The table shows that £18.8m of the total short term exposure is assessed as low or medium with the remaining £6.9m as high risk. So while the total risk exposure is above the LFC's currently assessed minimum level of reserves (£14.4m based upon the proposed 2019/20 budget), this needs to be considered against the probability of all these risk events occurring. The highest estimated single drawing in the short term is for £5.0m.

Conclusion

15. There are a range of factors that need to be taken into account in determining an appropriate level of reserves and as the CIPFA guidance states a considerable degree of professional judgement is required. For LFC the combination of a maximum insurance liability of £1.9m in any one year, the current availability of £3.5m in provisions to cover known or expected events, the availability earmarked reserves, and a generally prudent approach to cost estimation and budgeting indicates that a general reserve level of 3.5% (£14.4m) can currently be deemed to be adequate given the corporate governance and control arrangements in place across the organisation.

Appendix 8 – Statement on Adequacy of Reserves

Details of Reserves

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

Movement on Reserves

£000s	Anticipated Balance at 01/04/19	Use of Reserves in 2019/20	Use of Reserves in 2020/21	Use of Reserves in 2021/22	Use of Reserves in 2022/23	Anticipated Balance at 31/03/23
Additional Resilience Requirements	608	(608)				0
Compensation	1,000	(250)	(250)	(250)	(250)	0
Emergency Services Mobile Communication Programme	121	(57)	(64)			0
Emergency Medical Response	294	(294)				0
Fire Safety and Youth Engagement	715	(422)	(186)	(88)	(19)	0
HMICFRS inspection regime	21	(21)				0
Hydrants	462	(95)	(120)	(120)	(127)	0
ICT Development Reserve	460	(160)	(100)	(100)	(100)	0
LFB Museum Project	210	(70)	(70)	(70)		0
London Resilience	546	(546)				0
London Safety Plan Initiatives	4,078	(1,191)	(335)	(26)	0	2,526
Role to Rank Programme	168	(168)				0
Recruitment/ Outreach	120	(120)				0
Sustainability	235	(235)				0
Vehicle & Equipment Reserve	2,724	(1,965)	(345)	(221)	(193)	0
Budget Flexibility	23,110	(1,330)	(18,414)	(3,366)		0
General	21,094					21,094
Total	55,966	(7,531)	(19,884)	(4,241)	(689)	23,621

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

18. The additional resilience requirements reserve was approved in July 2017 (FEP2763). The reserve was set up to temporarily fund the initial revenue costs identified following the Grenfell Tower fire and the terrorist incidents at Westminster, London Bridge and Finsbury Park. Spend against this reserve will be reviewed as part of the 2018/19 outturn position and funding released back to the general reserve if no longer required.

19. 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.

20. The emergency medical response reserve was established in the Financial Position as at the end of September 2017 report (FEP2792). This reserve is to fund an inoculation programme for staff if co-responding is rolled out across the Brigade and is forecast to be fully used in the 2018/19 and 2019/20 financial years.

Appendix 8 – Statement on Adequacy of Reserves

21. The Emergency Services Mobile Communications Programme (ESMCP) is a cross-government, multi-agency programme that will deliver a new communication system to the emergency services and other public safety users throughout Great Britain. This system will be called the Emergency Services Network (ESN) and it will provide integrated critical voice and broadband data services. DCLG committed to provide grants to cover the reasonable cost of transition from the current Airwave service to ESN and it is expected the Home Office will provide similar guarantees. However, the full financial implications of implementation of the network are not yet known. It is proposed that this reserve is fully used by 2020/21.
22. The 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. The reserve is to be used to support youth engagement activities. It is currently forecast that the current balance on this reserve will be utilised by 2022/23. However ongoing activities in LFB will contribute further to this reserve.
23. The HMICFRS (Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services) Inspection Regime reserve was established as part of the review of the 2017/18 outturn (LFC-0031). The reserve will fund the establishment of a project team for 12 months to facilitate the inspection regime. This project team will support the wider work of Scrutiny and Inspection as set out in the Growth bid reference 12.
24. 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.
25. 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.
26. 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.
27. 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.
28. 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.
29. 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.

Appendix 8 – Statement on Adequacy of Reserves

30. 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.
31. 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.
32. The Role to Rank Programme reserve was created as part of the review of the 2017/18 outturn position (LFC-0031) to meet the costs of that review. This reserve was previously called the watch structure review reserve. This reserve is expected to be fully used in 2019/20 after which it will be closed.
33. The Budget Flexibility Reserve was set up in response to the Mayor's 2017/18 Budget consultation letter that requires the temporary boost to LFC's balances to be held to assist balancing future year's budgets, and is funded from budgeted savings in 2017/18 of £6.2m followed by an additional transfer in that year of £12.5m identified during that year. The reserve will also be supplemented by a further £4.4m in 2018/19 from further savings. This will be used to support the budget position over the current planning period to 2022/23. An additional transfer into this reserve will be considered as part of the review of the 2018/19 outturn position.

Appendix 9 – Risks and Opportunities to the Financial Position

1. Firefighter and Local Government Pension Schemes

- 1.1. The provisional results of the 2016 valuation of the firefighters pension scheme, which are to be implemented with new **pension contribution rates** from 2019/20, have now been released. The results of that valuation show that there could be significant additional financial pressures in future years which are included in the estimates in this report. However in his 2018 Budget the chancellor announced that these additional costs would be settled as part of the upcoming spending review. This may mean that this pressure is materially reduced.
- 1.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities, of a potential **discrimination claim** in connection with the transitional arrangements applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. Any increase in the numbers of staff receiving protection under the transitional arrangements may lead to a budget pressure. Any changes may also have an impact on other public sector pensions, including the LGPS. Although the Employment Tribunal (ET) had determined that the transitional (protection) arrangements, which were designed to protect those within ten years of normal pension age, are objectively justified, a subsequent Employment Appeals Tribunal (EAT) allowed the firefighter's appeal on a narrow basis. The EAT has granted respondents permission to appeal, and this appeal in the Court of Appeal is to take place in November 2018, but it will be a number of months before the outcome is known.
- 1.3. The LFC's next stage of **pensions auto enrolment** implementation is set for June 2019 when staff that have opted out will be enrolled into a pension scheme. It is currently assumed that 40% of staff who are enrolled in this way will remain in the scheme, with additional employer pension contributions of £641k. Any variation to this forecast may have a budget impact for LFC.

2. London Pensions Fund Authority (LPFA) Pensions Administration

- 2.1. The London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund have formed a strategic partnership and from April 2016 created a wholly owned company, **Local Pensions Partnership** (LPP), to manage pension fund investment activities (only on the Local Government Pension Scheme (LGPS)) and also to provide pensions administration services, including to third party clients on the LGPS and the Firefighters' Pension Scheme (FPS). It was agreed (FEP2644) that the LFC should continue the current shared service arrangement with the LPFA for the administration of the FPS but with the LPFA then sub-contracting to the LPP. This allows for a trial period using the LPP services whilst it transitions to its new service delivery model, and at this point allow officers to consider testing the LPP administration against other options to seek the best solution to the LFC's requirements going forward. This could lead to change in the cost of the service. The LFC currently pays the LPFA £272k pa under a shared service arrangement to provide administration services for the firefighter pension scheme.

3. Pay and Inflation

- 3.1. The outcome of the **EU referendum** has led to some significant economic uncertainty. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult.
- 3.2. LFC has made a budget provision for a 2% **pay award** for all staff in each of the next four years from 2019/20 to 2022/23. Negotiations are continue on the national firefighters and the London Weighting pay awards for 2017.

4. Capital Expenditure and Financing

Appendix 9 – Risks and Opportunities to the Financial Position

- 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 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 LFC has entered into a conditional contract for the sale of the site of the former **Southwark Training Centre** with Hadston. Planning consent for a development scheme on the property was granted by Southwark Council at the end of January 2018, which should have led to the completion of the contract in the Summer of 2018. However, the planning consent was made subject to a number of conditions, most notably relating to affordable housing. As a result, the timing for completion of the transaction with Hadston has been extended but is expected to occur within 2018/19. If the timing of the receipt is delayed, then additional borrowing maybe required which would result in additional revenue costs due to the increased level of debt charges.
- 4.6. The **LFB Croydon Training Centre project** has a dependency on the OSC project (see below) requiring PEG moving out of Croydon and any delay may have a knock on effect on the delivery of the Training Centre programme. The scope of the project is currently being reconsidered due to potential difficulties in delivering the project within the approved budget. Plans are in place to bring the project back within budget.
- 4.7. **Operations Support Centre (OSC) Project (formally IELP)** - The tender responses received for the construction/fit out are currently being evaluated. It is envisaged that the contract will be awarded by the end of November and works are planned to complete by October 2019. Until a preferred contractor is identified there is a risk that the project may slip further or the budget requirement increases.
- 4.8. **Plumstead Redevelopment** - There is still uncertainty regarding Plumstead fire station, depending on whether a new site can be found. It is thought that this will be unlikely, therefore the decision will need to be made whether to refurbish the existing building, potentially with an extension. This uncertainty could result in delay and in changes to the forecast spend for this project.

Appendix 9 – Risks and Opportunities to the Financial Position

- 4.9. 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 2018/19 and 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.
- 4.10. **Public Services Network (PSN)** - The PSN budget (£707k) has been removed from the capital programme. The budget was a contingency to fund work in relation to the Emergency Services Network (ESN) code of connection. Work to adhere to the ESN CoCo was funded from the Home Office by grant award. Work continues but no further external funding is available. There remains a risk that we will require access to further funding in the future, subject to the final conditions of the ESN CoCo.
5. Property Services
- 5.1. Of the 10 LSP5 sites, eight have been sold. It is not known exactly when the remaining site Clerkenwell, will be disposed of and this may result in additional **security costs**.
- 5.2. The 2017/18 budget report (FEP2708) included material savings for **energy budgets**. This budget has underspent in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings therefore set the budget at a less cautious level, and as a result will increase the risk of overspends in subsequent years, for example because of a colder than average winter.
6. Funding from the Mayor and Central Government
- 6.1. The report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next four financial years. However there is uncertainty about the level of funding for future years in part due to a number of risks on **retained business rates and the spending review**.
- 6.2. The current **four year funding settlement** from central Government runs until the end of 2019/20. There is to be a spending review to cover the period from 2020/21 and it is expected that further details will be available on this once further progress is made on Brexit. The result of the spending review may then materially affect the funding for fire that the Mayor receives. It would then be up to the Mayor to decide what impact, if any, there is to LFC's financial position.
7. Collaboration, New Initiatives and Service Improvements
- 7.1. The Brigade delivers its **Mass Casualty Response** (MCR) initially by the **Rapid Response Team** (RRT) supported by a cadre of Senior Officer Responders. The response has minimum standards set by the Home Office relating to responders numbers that must be available. At a time when the UK threat level is at Severe and has been increased to Critical within the last 16 months the budget to support this response is essential. These cadres deliver the response on a voluntary basis outside of a national agreement with the representative bodies. Following four terrorist attacks in London in 2017 the Brigade's response has come under scrutiny and subject to debate in the House of Commons and subsequent Inquests. The response is a major part of the Brigade frontline response to Terrorism and the funding required must be protected or it will leave the Brigade with considerable risk and unable to meet National Planning Assumptions. These detail of the capability and response has security implications with some Operations protectively marked a SECRET, the information is therefore not publically available.

Appendix 9 – Risks and Opportunities to the Financial Position

- 7.2. Co-responding has previously been piloted in four London Boroughs by LFC. If co-responding is later re-introduced across London this may result in additional financial costs, if additional funding is not provided.
- 7.3. Discussions between officers and the FBU have now agreed a new watch structure, through the role to rank programme, in order to further improve the resilience of the Brigade by simplifying, yet strengthening, the **officer structure at stations** with the intention to reduce officer out duties and improve appliance availability. This will resolve some longstanding issues around appliance redeployment, address the issue of WMAs working alongside WMBs on the same watch and achieve some general efficiency improvements. This will ensure that watches are less reliant on staff from other stations to keep their appliances available for the shift through a more sequential use of acting up, out duties and redeployment of appliances. This would give a greater level of appliance availability throughout the shift, which when combined with the new approach to direct standbys, will maximise the resources we currently have. Work is now taking place to develop the implementation plan, including a full assessment of the costs of the new structure.
- 7.4. The Home Office will replace the existing **Airwave contracts** as part of the ESMCP and these contracts have been extended to the end of 2022 and can be extended further if required. These contracts are subsidised and it is expected that this subsidy will remain for the term of the Airwave Contract. There could be significant financial pressures to LFC under any new contract provision as the Home Office may be unwilling to continue to subsidise any future system. The budget plans also include a saving of £277k in 2021/22 for disbanding the project team and whilst ESMCP have not yet issued a revised project timeline, 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 will not be agreed within Government until early 2019 so it is forecast that it will be March 2019 when any financial impacts for LFC will be known. Once received the budget forecasts will be updated accordingly.
8. Contractual Pressures/ Risks
 - 8.1. Significant demand continues to be placed on the **Information and Communications Technology Department** to meet new requirements and aid in the development of smarter systems for the LFC. This is at a time where resources are limited and as a result there is a risk that development of information technology solutions may be constrained.
 - 8.2. The company that provided and supported the LFC's **Command Support Unit system** software has ceased trading. Whilst there is now a supplier in place supporting the system and interim arrangements have been agreed there is no formal arrangement yet in place to support the deployed version other than on a time and materials basis. There may then also be additional training requirements once a replacement system is implemented.
9. Changes to Income
 - 9.1. **Telecommunications income** in respect of radio masts may be reduced in the future due to a reduction in the number of operators in the industry and a potential change to legislation on access to land by operators.
 - 9.2. The saving proposals from 2017/18 and continuing over the current planning period include material savings for income generated through the **MFB Act**. This budget has recovered more income than budgeted and caused an underspend in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings will therefore set the budget at a less cautious level, and as a result this will increase the risk of overspends in subsequent years.

Budget Savings 2019/20 Equality Analysis

Prepared by Strategy and Risk

November 2018

Appendix 10 – Equality Analysis

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Appendix 10 – Equality Analysis

Equality Analysis

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1. Name of Report and Reference Number (if available)

Budget Savings 2019/20

2. Purpose of Report

The statutory provision relating to setting the London Fire Commissioner's (LFC) budget are contained in the Greater London Authority Act 1999. Schedule 6 of the Act sets out the process for the development and approval of the GLA consolidated budget and the various component budgets of the functional bodies including the LFC.

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

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

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

Appendix 10 – Equality Analysis

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

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

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

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

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

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

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

Reference 38 Employment Checks

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

Reference 45 Travelling expenses Control

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

Other savings arising from departmental savings proposals

There are some non-staff related savings that could potentially have a differential impact on staff or service users who share protected characteristics, however most savings with this potential have been found from underspends and should not have any negative impact on staff or on services provided. Where savings that have the potential for impact have been identified in the 2019/20 financial year that do not arise from underspends, the probable impact on staff is considered minimal or nil as these savings mostly arise from the replacement of items at lower cost rather than lower numbers.

Appendix 10 – Equality Analysis

Growth proposals (Appendix 5 budget report)

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

Reference 2 Learning Support Advisor

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

Reference 5 DaMOP staff

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

Reference 9 Training Programming

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

Reference 14 Training Performance and Improvement Team

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

Reference 16 Re-organisation of TDG

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

Reference 18 Implementation of LFC Governance

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

Appendix 10 – Equality Analysis

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

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

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

Consultation with staff and representative bodies is ongoing.

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

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

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

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

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

Appendix 11 – Budget Submission to the Mayor

Service Analysis

	2018/19 Revised Budget £000s	2018/19 Forecast Outturn £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s	2022/23 Budget £000s
Community safety	34,079	33,766	35,821	37,442	37,678	38,174
Firefighting	334,999	332,463	343,649	357,472	364,881	371,356
Pensions	20,764	20,910	21,091	21,336	21,585	21,585
Emergency Planning and London Resilience	1,166	1,166	1,170	1,170	1,170	1,170
Central services	91	91	91	91	91	91
Savings to be agreed	0	0	0	0	(19,376)	(24,384)
Net Service Expenditure	391,099	388,396	401,822	417,521	406,029	407,993
Capital Financing	9,770	9,256	9,775	11,292	12,353	12,353
Interest Receipts	(400)	(430)	(320)	(320)	(320)	(320)
Net Revenue Expenditure	400,469	397,222	411,277	428,493	418,062	420,026
Use of Earmarked Reserves	(1,227)	2,076	(7,532)	(19,884)	(4,241)	(688)
Financing Requirement	399,242	399,298	403,745	408,609	413,822	419,338
Specific Grants	(12,518)	(12,574)	(12,492)	(12,492)	(12,492)	(12,492)
GLA Funding	386,725	386,725	391,255	396,120	401,330	406,846

Subjective Analysis

	2018/19 Revised Budget £000s	2019/20 Budget £000s	2020/21 Budget £000s	2021/22 Budget £000s	2022/23 Budget £000s
Operational Staff	240,581	249,181	271,457	276,914	282,114
Other Staff	56,801	58,574	57,375	58,044	58,727
Employee Related	23,173	20,769	19,895	20,717	21,209
Firefighter's Pension Expenditure	20,445	22,058	22,303	22,552	22,552
Premises	37,768	39,697	38,848	40,335	41,287
Transport	16,802	18,717	16,963	17,499	17,846
Supplies and Services	30,410	29,371	28,866	29,128	29,619
Third Party Payments	1,882	1,817	1,817	1,817	1,817
Capital Financing Costs	9,770	9,775	11,292	12,353	12,353
Central Contingency Against Inflation	164	(313)	(313)	(313)	(313)
Savings to be achieved	0	0	0	(19,376)	(24,384)
Total Revenue Expenditure	437,796	449,646	468,503	459,670	462,829
Income	(37,327)	(38,369)	(40,010)	(41,608)	(42,802)
Net Revenue Expenditure	400,470	411,277	428,493	418,062	420,026
Use of Earmarked Reserves	(1,227)	(7,532)	(19,884)	(4,241)	(689)
Financing Requirement	399,243	403,745	408,609	413,821	419,337
Specific Grants	(12,518)	(12,492)	(12,492)	(12,492)	(12,492)
GLA Funding	386,725	391,255	396,120	401,330	406,846

Appendix 11 - Budget Submission to the Mayor

Analysis of changes from the budgeted figures

	£000s
2018/19 Funding Requirement	386,725
Changes due to:	
Inflation	6,332
Savings and efficiencies	223
Net change in service expenditure and income, excluding inflation and savings	4,253
Change in use of reserves	(6,305)
Net change in government grants and retained business rates funding	26
2019/20 Funding Requirement	391,255

Savings and efficiencies

	2019/20 Savings Proposed £000s	2020/21 Savings Proposed £000s	2021/22 Savings Proposed £000s	2022/23 Savings Proposed £000s
Total savings	0	0	0	0
Operational staff savings	179	57	0	0
Other staff savings	209	0	25	321
Premises savings	0	346	125	0
One-off business rates rebate in 2020-21	0	999	(999)	0
Other non staff savings	466	315	225	22
Additional income	485	455	440	15
less savings proposed in 2017/18	(1,116)	(527)	(725)	0
Total efficiencies	223	1,868	959	1,317
Total savings and efficiencies	223	1,868	959	1,317