

Decision title

Budget Submission 2021/22

Recommendation by
Assistant Director, Finance

Decision Number
LFC-0432-D

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

The Mayor has written to the London Fire Commissioner to consult the London Fire Commissioner before preparing his draft Component Budget for the London Fire Commissioner for 2021/22. The Mayor is proposing to provide funding of £391.8m for the LFC in that year. Report LFC-0432 provides a proposed Budget Submission to the Mayor that will meet that financial requirement, and sets out a balanced budget position for the London Fire Commissioner in 2021/22.

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

Decision

That the London Fire Commissioner approves:

1. The Budget Submission to the Mayor that includes:
 - a. Saving proposals of £4.2m in 2021/22 as set out in Appendix 3;
 - b. Growth proposals of £4.5m in 2021/22 as set out in Appendix 4;
 - c. A draft 20 year capital strategy, a detailed four year capital plan, prudential indicators and borrowing limits for 2021/22 to 2024/25, with a draft capital budget in 2021/22 of £57.6m as set out in table 9.
2. A draft Medium Term Financial Plan at Appendix 2 and Reserves Strategy at Appendix 7, along with a draft covering letter at Appendix 11 of report LFC-0432 for consultation with the Fire, Resilience and Emergency Planning (FREP) Committee.



Andy Roe
London Fire Commissioner

Date **This decision was remotely
signed on Monday 30 November**

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Report title

Budget Submission 2021/22

Report to

Commissioner's Board
Deputy Mayor's Fire and Resilience Board
Commissioner's Board
London Fire Commissioner

Date

4 November 2020
10 November 2020
19 November 2020

Report by

Assistant Director, Finance

Report number

LFC-0432

Protective marking: **NOT PROTECTIVELY MARKED**

Publication status: Published in full

Summary

The Mayor has written to the London Fire Commissioner to consult the LFC before preparing his draft Component Budget for the LFC for 2021/22. The Mayor is proposing to provide funding of £391.8m for the London Fire Commissioner in that year. This report provides a proposed Budget Submission to the Mayor that will meet that financial requirement, and sets out a balanced budget position for the LFC in 2021/22.

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

Recommended decisions

For the Deputy Mayor

1. That the Deputy Mayor has considered the attached report prior to the London Fire Commissioner approving the Budget Submission to the Mayor and the draft Medium Term Financial Plan and Reserves Strategy to the Fire, Resilience and Emergency Planning (FREP) Committee.

For the London Fire Commissioner

That the London Fire Commissioner approves:

1. The Budget Submission to the Mayor that includes:
 - a. Saving proposals of £4.2m in 2021/22 as set out in Appendix 3;

- b. Growth proposals of £4.5m in 2021/22 as set out in Appendix 4;
 - c. A draft 20 year capital strategy, a detailed four year capital plan, prudential indicators and borrowing limits for 2021/22 to 2024/25, with a draft capital budget in 2021/22 of £57.6m as set out in table 9
2. A draft Medium Term Financial Plan at Appendix 2 and Reserves Strategy at Appendix 7, along with a draft covering letter at Appendix 11 for consultation with the Fire, Resilience and Emergency Planning (FREP) Committee.

Background

1. The Mayor's Budget Guidance for 2021/22 for the Greater London Authority (GLA) and the functional bodies was issued on 26 June 2020. The Guidance sets out the Mayor's key policy priorities to be reflected in future years' budgets, the proposed funding levels he intends to provide for each functional body, the financial context and the planned timetable for budget preparation for the GLA group.
2. In his Budget Guidance the Mayor set out three scenario funding levels for the LFB, which would require in year savings of up to £10m in 2020/21 and reductions in funding from 2021/22 of up to £15m compared with prior funding levels he had set out. The Mayor subsequently announced that he would reduce the in year saving required in 2020/21 to £5m through use of reserves. An update on plans to achieve this in year funding reduction is also set out in this report.
3. 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 set out proposed funding levels for 2021/22 of £391.8m and 2022/23 of £403.6m.
4. The Mayor has used indicative funding levels from retained business rates, council tax precept income and Group wide reserves to determine the total funding he plans to provide LFC from the resources under his control.
5. The target savings required for the LFC to balance its budget within the currently proposed funding envelope are considered in more detail below. The Medium Term Financial Plan in Appendix 2 sets out how the budget gap is arrived at. The proposals to meet that budget gap are set out from paragraphs 25 and supported by the list of savings proposals in Appendix 3 and growth proposals in Appendix 4.
6. The development of the LFC's revenue budget and capital programme will continue during the Mayor's budget cycle, which concludes in February 2021, with the LFC agreeing a final revenue budget and capital programme for 2021/22 in March 2021. This report forms the proposed full draft Budget Submission to the Mayor, including the additional tables attached at Appendix 12.
7. The Mayor has requested that the LFC integrates its Capital Spending Plan and Revenue Budget into one overall Budget Submission. In order to meet this requirement, the LFC's capital expenditure is discussed from paragraph 69 and the 2020/21 capital programme is included in Appendix 5
8. 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 2020	Functional bodies to provide full and final budget submissions to the Mayor.
10 and 11 December 2020	Budget and Performance Committee meets functional bodies, except TfL, to scrutinise their budget submissions
Mid to late December 2020	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.
16 December 2020	FREP to consider draft Reserve Strategy and draft Medium Term Financial Plan
29 January 2021	Assembly considers draft consolidated budget.
24 February 2021	Assembly considers final draft consolidated budget.
28 February 2021	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.
March 2021	The Commissioner agrees the final Budget for 2021/22, within the overall funding limit set by the Mayor.

Mayor's Consultation Letter

9. The Mayor issued his consultation letter to the London Fire Commissioner on the 30 October 2020. 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 2021/22. A copy of that letter is at Appendix 1 and the main points are set out below.
10. The letter notes that the GLA intends to publish its Group Budget Consultation Document before the Christmas break. This is on the expectation that the Government announces the Provisional Local Government and Fire Finance Settlement in early to mid-December as expected. The timing of this is dependent on when the Government's Spending Review is announced.
11. The Mayor has set out funding for the LFC of £391.8m in 2021/22, which is in line with scenario 3 as set out in his Budget Guidance and represents a reduction in funding of £15m from the funding levels as set out in the 2020/21 Budget Report. The Mayor then sets out funding of £403.6m in 2022/23, which is a £5.4m improvement on the funding levels the LFC was required to use for its forecasting as part of the Mayor's Budget Guidance of £398.2m
12. The Mayor's letter also sets out that, given the uncertainty on future funding, the revenue budget submission is required to cover only two financial years, 2021/22 and 2022/23, as well as a forecast outturn for 2020/21.

Government Spending Review

13. In reviewing the financial position set out in this report it should, of course, be noted that on the 21 October 2020 the Chancellor of the Exchequer announced that he will conduct a one-year Spending Review in order to prioritise the response to Covid-19. The review was originally meant to set out the budgets for the years 2021/22 to 2023/4, however the government had announced that it would keep plans for the Spending Review under review given the unprecedented uncertainty of Covid-19. One of the three focus areas of the review will be to give 'vital public services enhanced support to continue to fight against the virus alongside delivering first class front line services'.
14. As part of the spending review the government also is also expected to agree the pension grant of £21.7m. This was previously awarded to the LFB following the material increase in the cost of the employer contributions for the existing firefighter schemes, following the scheme valuation 2016, of £25m, largely as a result of changes by Government to the discount rate used in valuing future liabilities.
15. As a result of the announcement of a spending review covering only one year, there is considerable uncertainty in the medium term regarding funding levels, which includes not only the £21.7m pension grant, but also core funding, including any revision of the fire formula as part of the fair funding review.

Medium Term Forecast

16. The Mayor's Budget Guidance 2021/22 report (LFC-0382) set out a budget gap of £52.6m over the next two years to 2022/23 based on the funding figures provided by the Mayor and the LFC's Medium Term Forecast. The estimates have been kept under review in light of financial performance during 2020/21 and an updated forecast is set out at Appendix 2. There are a number of proposed changes to the forecast over the financial years 2021/22 and 2022/23 which are set out in Table 2. These changes result in a total decrease in financial pressure of £15.0m in 2021/22.

Table 2: Changes to the Medium Term Forecast

	2021/22 £m	2022/23 £m	Description
Change in GLA Funding Levels	0	(5.4)	This increase to proposed funding levels in 2022/23, reflects the updated position in the Mayor's consultation letter.
Firefighter Pension Grant	(21.7)	(21.7)	Continuation of pension grant as a result of pressures identified in the firefighter's pension revaluation.
Insurance Cost	(1.0)	(1.0)	Decrease in premium cost following completion of tender
Capital Financing Costs	0.6	1.0	Increased contribution to capital budgets
Compensation Budget	0.4	0.4	Ongoing increase to the compensation budget based on estimated compensation claims for future years
Operational Salaries	(1.4)	(1.4)	Update on operational salaries budget following pay award
Operational Pension	(0.6)	(0.6)	Update on operational pension budget following pay award
FRS Salaries	(0.4)	(0.4)	Update on FRS salaries budget following pay award
Change in use of Budget Flexibility Reserve	9.1	0	The additional use of the BFR in 2020/21 due to the forecast overspend, reduces the funds available by £10.7m offset by a £1.6m transfer to the reserve as set out in the section on reserves later in this report. This reduces the planned draw on the BFR from £25.1m to £16.0m in 2021/22
Total Changes	(15.0)	(29.1)	

17. Table 2 shows the impact of the additional £21.7m pension grant from Central Government in 2021/22 to 2022/23. It is now deemed prudent to include this grant in our assumptions. It had previously been assumed by the LFB that this funding would be offset by any reductions in core funding levels as part of that review. As the LFB is now forecasting these reductions it is now considered that this funding should also be included in forecasts.
18. Table 2 also includes a reduction in fleet insurance premiums of £1m following the successful retender. This is a reduction from previously estimated contract costs which were expected anticipated to be £2m.
19. Following the agreement of a 2% pay award for both Operational and FRS staff and subsequent payment of the pay award, the relevant departmental budgets have been adjusted from the central provision to reflect these costs. Remaining balances on the provisions for operational staff, FRS staff and pensions, mainly as a result of pay scale movements and grade/rank mix and totalling £2.4m, have been transferred from pay and pension budgets to the Finance Contingency budget.
20. The additional use of £10.7m from the Budget Flexibility Reserve reflects the current forecast position for 2020/21 and need to utilise part of the BFR to fund the in year overspend. This will therefore increase the pressure on the 2021/22 budget as the available BFR is reduced. The impact of this has been offset in part by a review of earmarked reserves that has identified funds

that can now be transferred to the BFR to provide additional budget support. This is explained further at paragraph 79. The position will be kept under review.

21. Table 3 below summarises how the two year budget gap has moved from the last reported position, showing the changes to the medium term forecasts. It shows how the underlying budget gap of £52.6m by 2022/23 as reported in the Mayor's Budget Guidance report is now a budget gap of £23.5m by 2022/23. These figures are presented on a cumulative basis.

Table 3: Changes to Two-Year Budget Gap

	2021/22 £m	2022/23 £m
Budget Gap	20.8	52.6
Changes to the Medium Term Forecast	(15.0)	(29.1)
Revised Budget Gap Before Saving and Growth Proposals	5.8	23.5

Recruitment Freeze

22. In light of the residual budget gap set out above of £5.8m in 2021/22 increasing to £23.5m in 2022/23, a recruitment freeze is now proposed for both Operational and FRS staff.
23. A recruitment freeze for operational staff would result in total reductions in operational staff spend of £14.7m over two years, based on a start date of April 2021. The implications of this on Operational Response are set out later in this report. It should be noted that this assumption assumes that the savings from any recruitment freeze are not offset through the use of additional overtime, and that staff shortages at stations and potential crewing shortages are not fixed through the use of Pre Arranged Overtime (PAO). A recruitment freeze on that basis would result in an average operational workforce reduction of 108 staff in 2021/22 and 296 staff in 2022/23. This can be seen in context of other previous operational vacancy levels of 238 in January 2018 and 229 in December 2013.
24. An FRS recruitment freeze would result in a reduced spend in 2020/21, which is estimated at £2m, and an increase to the FRS vacancy margin of £1m in 2021/22. A saving at this level assumes that no new agency staff were recruited and the majority of existing agency staff were let go, but includes an adjustment to allow for certain posts to be determined as essential and, where they are filled by agency staff, for those staff to remain. The reduced spend in 2020/21 will enable additional funding to be carried forward to 2021/22, supporting the budget gap in that year.

Budget Development and Saving Proposals

25. As set out in the section above, before any new saving proposals the LFC has a budget gap of £5.8m in 2021/22, rising to a budget gap of £23.5m in 2022/23, on the basis of the funding set out in the Mayor's Consultation Letter.
26. Officers have carried out an internal budget process to identify saving proposals to meet this saving requirement, focussing on departmental and corporate budgets.
27. Following this process, a total of £8.2m in savings have been included in this report over the period 2021/22 to 2022/23, this is an increase of £4.4m from the level of savings included in the

2020/21 budget report for these years. The savings proposed include £4.2m for 2021/22 with the remaining to be achieved in 2022/23. The saving proposals are set out in Appendix 3. The proposals include a number of post reductions with the assumption that affected staff will be redeployed in the first instance, and that there will be no voluntary severance exercise initiated across the Brigade.

28. The budget process for the LFC also identified a number of proposals for growth totalling £4.2m in 2021/22 which, if agreed, will be contained within the overall funding proposed by the Mayor in that year. This growth includes an additional £2.2m in cleaning costs following the ongoing impact of COVID-19.
29. The impact of the saving and growth proposals that have been identified in this report are set out in Table 4 below, along with the impact of a recruitment freeze for both operational and FRS staff.
30. It should be noted that these figures are presented on a cumulative basis, showing the budget gap in each year on the basis that the budget gap in the previous year is not closed. These figures therefore show the remaining BFR drawn down in full in 2021/22. It will be fully utilised at this point and not available for use in future years.

Table 4: Impact of Savings and Growth Proposals on the Budget Gap

	2021/22 £m	2022/23 £m
Cumulative Budget Gap after Medium Term Updates	5.8	23.5
Operational Recruitment Freeze	(5.9)	(14.7)
FRS Recruitment Freeze - Vacancies	(1.0)	0.0
Savings in future years included in previous estimates	1.1	2.7
Total Savings Now Proposed	(4.2)	(8.1)
Growth Proposals	4.5	4.8
Additional Savings in 2020/21	(0.3)	0.0
Revised Budget Gap After BFR	0	8.2

31. A summary of the LFC's overall revenue expenditure and funding is set out at Table 5 below.

Table 5: Medium Term Forecast Summary

Subjective	2021/22 £k	2022/23 £k
Net Revenue Expenditure		
Operational Staff	275,507	270,933
Other Staff	59,636	60,783
Staff Related	27,489	27,898
Firefighter Pension Scheme	21,644	21,772
Premises	45,299	46,319
Transport	18,061	18,438
Supplies and Services	31,224	31,476
Third Party	1,532	1,458
Financing	8,953	12,083
Contingency	(28)	(28)
Savings to be identified	(0)	(8,157)
Income	(41,190)	(44,194)
Net Revenue Expenditure Total	448,128	438,781
Reserves		
Reserves		
Use of Earmarked Reserves	(2,899)	(1,763)
Use of Flexibility Reserve	(16,023)	0
Use of General Reserves	0	0
Use of Transformation Reserve	(4,084)	(96)
Reserves Total	(23,006)	(1,859)
Specific Grants	(33,322)	(33,322)
Budget	391,800	403,600

Counter Terrorism Response Costs

32. In addition to the cost pressures set out earlier in this report, the LFB is also working to improve responder capability and safety by implementing an increased counter terrorism response. The earliest practical date for implementation of this is 1 October 2021. This is in order to conclude the negotiation (which may require a Fire Brigades Union (FBU) ballot) and achieve the training and equipment requirements. This timeline also reflects the current priority to implement new operational policies as part of the Grenfell Tower response, and the need for the national joint operational practices to be ratified.
33. The estimated ongoing staff cost of this is £5.8m, £2.9m in the first, part year of implementation. There will also be equipment costs, which are currently estimated at up to £2.1m. These may attract Home Office funding but there is currently no funding available for the staffing costs. The initiative is therefore unaffordable in the context of next year's budget and will increase the budget gap in 2022/23. An option would be to delay the implementation into 2022/23, to allow this to be considered as part of much broader changes to be addressed in the Integrated Risk Management Plan and the CSR. The position will be kept under review.

Operational Staff Recruitment Freeze

34. Plans to manage the continuation of our services and ensure that resources are used to best effect are already in place as part of our contingency preparations for the Covid-19 pandemic. These plans will form the basis of our resource management approach as vacancies arise, although significant further workforce analysis will be required over the coming weeks to inform development of a comprehensive plan.
35. Resource modelling indicates that it should be possible to manage the impacts of the vacancies in the short term so that the Brigade can continue to achieve the London-wide attendance standards as set out in the London Safety Plan. Longer term sustainable proposals to manage the impacts will need to be addressed as part of the next integrated risk management plan, which will need to consider our ability to undertake core activities within the context of the changing risk profile of London and a potential need to increase some of these activities with a smaller workforce.
36. In the meantime, officers will also seek to ensure the continued availability of all existing capabilities and services, although the overall capacity may need to be reduced in some instances.
37. Priority will continue to be given to reducing risk to Londoners through our prevention and protection activities and officers will review the use of strategic resource where necessary and also consider alternative means of releasing resources to ensure that these functions are properly supported.
38. In developing the resource management plan, officers will focus on securing sufficient capacity to release staff for training, ensuring that competencies continue to be developed and maintained. Officers will also seek to minimise consequential expenditure arising from the use of stand-by moves and overtime. It should be noted that this work will be undertaken to maintain continuity of service as far as possible in line with the current LSP. The position will be reviewed in light of the available funding, including the outcome of the CSR, as part of the development of the next IRMP

The Next Integrated Risk Management Plan (IRMP)

39. Whilst the budget proposals in this report will deliver a balanced budget for 2021/22, this is only after applying funding from the budget flexibility reserve, which cannot be repeated in future years. Therefore, in order to achieve a sustainable budget position in the future years the next IRMP will set out options to bridge this funding requirement from 2022/23. This will need to be set in the context of the ongoing transformation of the Brigade, and what is now known about the built environment and the impact this has on the resource requirements of the Brigade. The built environment is covered in the next section of this report. Understanding this impact, and the consequence of ongoing funding reductions, will be an important part of the discussions to inform the CSR.

The Built Environment

40. The figures in this report should also be seen in context of existing and ongoing changes within the built environment. This, together with expectations at Governmental, Mayoral and local levels arising from the Hackitt and Grenfell Tower Inquiry stage 1 report have impacted on the demands placed on the Brigade. Work towards legislative change and the new regulatory landscape will continue to impose significant resource demands on us for some time to come.

41. Movement over past years towards greater use modern methods of construction and more highly fire engineered buildings has imposed greater demand for technical evaluation during building control consultation processes and the subsequent audit of completed premises.
42. Post Grenfell review and monitoring of premises with potentially combustible external wall systems has imposed significant workloads on the Brigade through use of fire safety specialist staff and operational crews. Data recently supplied by MHCLG has identified that there are 8005 residential high-rise premises in London requiring an inspection.
43. That has by necessity reduced the number and detail of audits that can be conducted of other potentially higher risk premises in greater London with consequent impact on enforcement taken in those areas. Data recently supplied by MHCLG has identified that there are 62,011 other high risk premises in London requiring an inspection. These figures do not include a range of premises categories that the Brigade already include in the current risk based inspection programme.
44. The position will be exacerbated as and when the Fire Safety Bill clarifies application of the fire safety order to external walls and structures and the 47,223 residential blocks of between 11m and 18m that may have combustible cladding feature in governmental expectations for review.
45. The new legislative environment remains under development by government and significant resource commitment has been required to assist with that development to seek to ensure it will be a system with which we can work.
46. What is known about the new environment is that the depth of audits of premises will change to encompass parts of premises not historically considered to be regulated by the brigade. Additional training has been necessary and more will be required as the regimes develop, this also has an impact of available resource to carry out protection functions on the ground.
47. It is anticipated that work with the new Building Safety Regulator will see additional demands through requests for assistance, consultation requirements and training requirements for the new system and ongoing guidance that the regulator is expected to bring forwards. That will be exacerbated if, as expected, the initial scope of the regulators remit is expanded to other high risk premises beyond residential premises over 18 metres in height
48. High resource demand in all these areas is expected to continue for some considerable time. The Royal Institute of Chartered Surveyors have stated that they believe issues in the built environment will take at least ten years to resolve. In 2017, at the Grenfell Tower fire the LFC committed 72 appliances to respond to the incident.
49. The risks set out above result in a substantial resourcing commitment for the LFB in the medium term and a resulting funding pressure. This pressure will need to be addressed by Government as part of future Comprehensive Spending Reviews.

In Year Saving Requirement

50. As set out above the Mayor has required the LFC to identify in year savings of £5m, for provision to the GLA for the LFC's share of the expected 2020-21 collection fund deficit for council tax and business rates. Whilst the LFC is currently forecasting an overspend, it is working to reduce this and has already made progress towards this. In view of this position however it is proposed that any in year spend reductions are used to reduce the overspend, and the £5m funding

requirement from the GLA is met through a transfer from the budget flexibility reserve, which was established to help smooth the impact of budget shortfalls.

Transformation

51. In January 2020 the Commissioner published his Transformation Delivery Plan, (TDP) setting out the strategy and priorities for the London Fire Brigade. The 2020/21 Budget report (LFC- 0324y-D) included an initial analysis of where costs were likely as part of this transformation, and it was estimated that there would be a cost of £3.5m in 2020/21 and an ongoing cost of £4.1m from 2021/22. A Transformation reserve was also established to support the £7.7m costs in the first two years.
52. Following the appointment of a Transformation Director the new Transformation Directorate consisting of the Grenfell Tower Inquiry team, Operational and Strategy and Risk was created. The creation of the Transformation Director was already included in the Transformation Delivery Plan.
53. Following Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection of London Fire Brigade and the subsequent report published on 17 December 2019 the Brigade was required to develop an action plan responding to the report. As part of the latest round of inspections HMICFRS are now in the process of completing a follow up inspection which will measure the Brigades progress against the action plan submitted.
54. HMICFRS are also conducting further inspections to review how all FRS have responded to the pandemic and an inspection which will review the London Fire Brigade's response to the recommendations made by the Grenfell Tower Inquiry and how the Transformation Delivery Plan is supporting the delivery of these improvements.
55. The ongoing transformation of the Brigade will be a key element of the next IRMP.

Covid-19

56. The Covid-19 pandemic has had an unprecedented impact across the public in terms of demand, service delivery and economic consequences. Throughout the pandemic the LFB have provided essential services to London including collaborating with our partners at the London Ambulance Service. On 1 April the Ambulance Driver Assist programme was launched with a number of personnel volunteering to drive ambulances on blue lights in support of LAS paramedics.
57. Covid-19 has also impacted the way FRS staff work. From March 2020 a significant number of staff, who can, have been working from home in response to government guidance. In some cases, this has involved a review of processes to ensure that the LFB can continue to provide a high service to Londoners.
58. The financial impact of Covid-19 has been closely monitored throughout the 2020/21 financial year and has also been considered during the 2021/22 budget process. It continues to provide a level of uncertainty and its ongoing impact, and the options available to fund it, are being closely monitored.
59. The quarter 2 Financial Position report assumes reimbursement totalling £3.5m from the LAS for overtime and allowances costs for ADA support. The final amount of the reimbursement is still subject to ongoing discussions and therefore the full amount still represents a financial risk. The reimbursement for the period from July to September has been included in LAS estimates, and the final amount September is being confirmed. Discussions continue on the cost for May to

June. Confirmation of reimbursement of costs relating to July to September is expected imminently, however the conclusion on May and June costs is not expected for a couple of months.

60. The LFC had also made a claim of £2.8m to the Home Office. The Home Office responded to formally to this on the 23 November 2020, to award funding of £1.6m. In making this award, the Home Office has waived the requirement for the LFC to meet the first 0.2% of its claim. However, it also states that the funding has been made available to only cover costs incurred in supporting the LAS, and that if these costs are ultimately recovered from the LAS then this grant funding should be returned. As noted above the LFC is already forecasting that funding of £3.5m is received to cover costs incurred. This award from the Home Office therefore provides additional security, but will not materially improve the overall financial position. This may however also allow costs incurred under the PMART scheme to be recovered, which are currently estimated at £0.2m. The impact of this will be considered as part of future financial position reporting for the current year.
61. This outcome of the LFC claim, coupled with the very limited number of claims from other Fire and Rescue Services, means that it is expected that a substantial balance will remain on the £6m Covid-19 Fund held by the Home Office. Discussions will therefore continue with them about the arrangements to make further claims against this Fund, although no details are yet available.

Environment

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

GLA Collaboration

63. The GLA Group Collaboration Programme is a portfolio set up by the Mayor to ensure the GLA Group realises the maximum benefits obtainable from collaboration, both within the GLA Group and with other like-minded organisations. Senior Executives from across the GLA Group sit on the Group Collaboration Board which is responsible for strategic oversight and key decision making.
64. The committed membership of the programme includes:
 - GLA
 - TfL
 - MOPAC
 - MPS
 - LFB
 - OPDC
 - LLDC
65. The programme is looking at options for realising benefits from greater collaboration, including potential financial efficiencies arising from how we buy our energy more efficiently; leveraging our procurement processes; utilising our estates better and removing duplication in back and middle office support service and policy/delivery areas not provided exclusively by a member of the GLA Group.

66. Development work is proceeding at pace with clear governance and methodology framework, and a programme in place. Resources are committed to develop the initiatives identified as possible areas of opportunity.
67. The results of this work will be included in the budget process as they are available on an ongoing basis. At this stage initiatives that are included in these figures are ones that will have a material impact in 2021/22 and these are set out in the below paragraph.
68. The estimates set out in this budget submission include energy savings that were achieved through entering into a framework agreement with LASER (a wholly owned subsidiary of Kent County Council) for the provision of energy supplier contracts. These savings were estimated at £280k in 2020/21 increasing to £326k in 2021/22. This budget submission also sets out potential additional income of £1.4m from 2022/23, through securing additional tenants for the surplus accommodation at Union Street. This has been achieved through the support of the GLA Estates Group

Equality Assessment

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

Medium Term Financial Plan and Reserve Strategy

70. The fire and rescue national framework sets out the documents each Fire and Rescue Service (FRS) is required to produce, which include an integrated risk management plan (the London Safety Plan), an annual statement of assurance (to be published later this year) and its financial plans including an efficiency plan (published in 2016 covering four future years), a medium term financial strategy and a reserves strategy. Due to the impact of Covid-19 and deferral of the 2020 local elections the current London Safety Plan has been extended for a further year, at which point a new plan will be developed.
71. To meet this requirement a Medium Term Financial Plan and Reserves Strategy are attached to this report at Appendices 2 and 7 respectively. The medium term financial plan has been updated to also meet the requirements of an efficiency plan covering 2021/22. A draft letter to the Chair of the FREP Committee is also attached at Appendix 11 to consult FREP alongside providing the Budget Submission to the Mayor. The results of any scrutiny by the FREP committee can then also be considered as part of finalising the LFC budget for 2021/22.

The Financial Position as at the end of September 2020

72. The Financial Position as at the end of September report (LFC-0426), reported that the LFC is forecasting to overspend by £5.6m for the 2020/21 financial year, due to both operational staff costs and overtime, as part of the Covid 19 response and Pre-Arranged Overtime. This forecast also assumes that an in year spend reduction is achieved against FRS staff costs of £2m, following the introduction of the establishment verification process that underpins the recruitment freeze. The forecast position is before the impact of the £5m in year funding reduction following the Mayor's Budget Guidance and does not include any in year operational recruitment freeze.
73. A review of the LFC's current forecast outturn and any underspending in previous years is a usual part of the budget setting process. This has been repeated this year with adjustments made to the medium term forecast and savings proposed in light of this. The process of refining the estimates to take into account changes in the financial position in the current year will

continue through to the presentation of the final Budget 2021/22 in March 2021. This will include an analysis of the outturn position to refine any potential transfer from the Budget Flexibility Reserve to fund any shortfall.

Reserves

74. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA, but mindful of the requirements in the Mayor's Budget Guidance, the GLA and the functional bodies must provide:
- a statement of policy on reserves and contingencies;
 - details of all reserves and general balances;
 - an analysis and explanation of the expected movements on reserves between the start and end of each year from 1 April 2020 to 31 March 2025;
 - in the case of earmarked reserves held for purposes beyond 31 March 2022, an indication should be given as to when they are likely to be applied;
 - explanation of why reserves need to not only be adequate but why they are necessary
75. 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.
76. 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.
77. 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.
78. The table below sets out the position on the financial reserves, resulting from the financial position reported above. The balance on the general reserve, following the forecast outturn overspend position of £5.6m is £15.6m after a draw from the BFR to meet the overspending position in the current financial year and to maintain the general reserve at the stated minimum level.
79. It should also be noted that as part of the review of earmarked reserves it has been identified that the Merton Control Centre reserve can be closed (£0.7m) and the ESMCP reserve can be reduced by £0.9m. The budget proposals set out in this report assume that the £1.6m released in this way is transferred to the BFR to support the budget position for 2021/22. The overall position on reserves, and the BFR in particular, will be kept under review as part of this year's financial monitoring and the ongoing work to reduce the overspend.

Table 8 - LFC Reserves for the 2020/21 Financial Year

£000s	Opening Balance at 01/04/20	Approved Movements in Q4 19/20	Approved Movement to Q2	Transfer Between Reserves	Proposed Use of Reserves	Anticipated Balance at 31/03/21
Additional Resilience Requirements	568				(44)	524
Capital Expenditure Reserve	11,745					11,745
Central Programme Office	645					645
In Year Savings Reserve	0			5,000		5,000
Compensation	676	324			(841)	159
Emergency Services Mobile Communication Programme	2,172			(900)	(64)	1,208
Emergency Medical Response	294					294
Fire Safety and Youth Engagement	1,007				(674)	333
Transformation Reserve	0	5,500			2,200	7,700
Hydrants	462					462
ICT Development Reserve	1,953					1,953
LFC Control Centre	729			(729)		0
LFB Museum Project	201				(38)	163
London Resilience	771					771
London Safety Plan Initiatives	3,162				(310)	2,852
New Governance Arrangements	0					0
Organisational Reviews	327				(89)	239
Recruitment/ Outreach	250					250
Sustainability	235					235
Vehicle & Equipment Reserve	2,697				(59)	2,638
Budget Flexibility	29,930		(5,577)	(3,371)	(4,946)	16,036
General	21,399	(5,824)	5,577		(5,577)	15,575
Total	79,224	0	0	0	(10,442)	66,783

Table 9 - Proposed Reserves Position for the 2021/22 and Future Financial Years

Reserve	Anticipated Balance at 01/04/20 £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	568	(44)	(50)		474
Capital Expenditure Reserve	11,745				11,745
Central Programme Office	645		(645)		0
Compensation	677	(517)	(37)		123
Emergency Medical Response	294				294
Emergency Services Mobile Communication Programme	2,172	(964)	(585)	(623)	0
Fire Safety and Youth Engagement	1,008	(674)	(192)	(83)	59
Transformation Delivery Plan	0	7,700	(2,807)	(3,254)	1,639
Funding Reductions	0	5,000			5,000
Hydrants	462		(120)	(127)	215
ICT Development Reserve	1,953		(541)	(550)	862
LFC Control Centre	729	(729)			0
LFC Museum Project	201	(38)	(70)		93
London Resilience	771				771
London Safety Plan Initiatives	3,163	(310)	(949)		1,904
Organisational Reviews	327	(89)	(89)		149
Recruitment/ Outreach	250				250
Sustainability	235				235
Vehicle & Equipment Reserve	2,696	(59)	(221)	(1,337)	1,079
Budget Flexibility	29,930	(13,894)	(16,036)		0
General	21,399	(5,824)			15,575
Total	79,225	(10,442)	(22,343)	(5,974)	40,466

Financial Risks and Opportunities

80. 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.

Fees, Charges, Cost Recovery and Sponsorship

81. 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 2021/22 and will be reported in the final budget report in March 2021.

Capital Programme 2021/22 to 2024/25

82. The Financial Position as at the end of September report (LFC-TBC), reported that the forecast spend on the capital programme for 2019/20 is £31,875k, this is against the original approved budget of £36,151k at outturn 2019/20 (LFC-0355), a difference of £4,306k and a reduction of £1,162k since the position reported at Quarter 1 (LFC-03389).

83. The overall capital programme summarised in table 10 below.

Table 10 - Capital Programme Summary

Project	2020/21 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	TOTAL £m
Estates Capital Programme	10.773	28.240	20.537	12.875	14.424	86.849
Fleet Replacement Plan	19.666	17.341	1.268	0.018	3.423	41.716
ICT Projects	2.055	3.765	2.903	1.745	2.516	12.984
Communications Project	0.119	0.040	1.120	1.104	0.000	2.383
Operational Policy Equipment	0.000	8.200	0.000	0.000	0.000	8.200
Total Expenditure	32.613	57.586	25.828	15.742	20.363	152.132

84. A detailed capital programme is included in Appendix 5 for 2021/22, which has been reconciled to the 2021/22 budget in the 2020/21 Capital Strategy report. In addition, the financing of the capital programme for the next four years is detailed together with the approved prudential borrowing limits. The first five years of the Capital Strategy, to 2024/25, are included in the Mayor's Capital Spending Plan, and are funded by the capital financing costs reflected in the LFC budget submission.

Capital Strategy

85. The CIPFA Prudential Code 2017 sets out a new requirement for local authorities to produce a Capital Strategy, to form part of an authority's integrated revenue, capital and balance sheet planning. The Mayor's Budget Guidance requires that the Capital Strategy covers a 20 year period, and forms part of the LFC's Budget Submission. The 2021/22 Capital Strategy is detailed in Appendix 6.

Financial Management Code of Practice

86. The CIPFA FM Code has been "designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability". Authorities should be able to demonstrate that they are complying with the Code from by 31 March 2021 and 2021/22 will be the first full year of implementation.

87. A report presenting a summary of the CIPFA Financial Management Code and the actions to be taken to address its requirements (LFC-0327) was presented to the Commissioner's Board on the 25 March 2020.

88. The FM Code applies a principle-based approach; the principles are set out in The Principle of Good Financial Management which are:

- Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- Accountability – financial management is based on medium-term financial planning, which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with transparency at its core using consistent, meaningful and understandable data, reported with appropriate frequency and with evidence of periodic officer action and elected member decision making.
- Adherence to professional standards is promoted by the leadership team and is evidenced.
- Sources of assurance are recognised as an effective tool mainstreamed into financial management and include political scrutiny and the results of external audit, internal audit and inspection.
- The long term sustainability of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources

89. The FM Code specifically refers to the annual budget process under the standards J and K, which are:

- J - The authority complies with its statutory obligations in respect of the budget setting process
- K - The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves

90. These standards are met through the LFBs budget process. The LFC complies with the statutory obligations regarding budget setting and consults with the Deputy Mayor on budget proposals. Details on the LFC reserves and the statement on the adequacy of reserves are set out in Appendix 7.

91. As part of the 2021/22 budget process internal scrutiny meetings were held with the Commissioner and Directors to discuss all saving and growth proposals and consider their impact on the service. These proposals were presented by Heads of Service ensuring good engagement throughout the LFB in the 2021/22 budget process. Key stakeholders have been engaged throughout the year in budget discussions including the medium term plan.

92. The FM Code standards include a requirement that "the authority has carried out a credible and transparent financial resilience assessment". This assessment should consider whether the LFC has in place a credible plan and process to ensure a budget sustainability over the medium term.

93. Local Authorities have access to the Financial Resilience Index which was developed by CIPFA to provide councils with a selection of indicators to assist with understanding their financial risk and financial pressures. This tool is not able to Fire and Rescue Services at present, therefore the LFC the LFC is currently working to address this requirement and will actively engage with the GLA to ensure that the assessment is transparent and effective.

94. A further report on the FM code will be prepared to provide an update on the LFC's progress against these principles prior to the final budget in March 2021.

Equalities Impact

95. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.

96. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
97. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.
98. The Public Sector Equality Duty requires us, in the exercise of all LFC functions (i.e. everything the LFC does), to have due regard to the need to:
- (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
99. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
100. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include steps to take account of disabled persons' disabilities.
101. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—
- (a) tackle prejudice, and
 - (b) promote understanding.

102. The requirement for each proposal which has a potential impact to undergo an Equality Impact Assessment was communicated to all Heads of Department as part of the budget guidance. This included specific instruction setting out the LFB's obligations under the Equality Act and Public Sector Equality Duty, with guidance to support them to complete Equality Impact Assessments (EIAs) on relevant proposals.
103. In addition, an EIA has been undertaken on the proposals which have a direct impact on staff who are in positions which are at risk of deletion. Although this staff group is small (fewer than 10), there is an adverse impact on race and gender, given the demographic makeup of the staff group affected. This impact, including mitigations agreed to minimise the impact, is outlined in the Equality Impact Assessment (agreed staffing proposals) which is attached as an Appendix 9 to this report.
104. This is particularly relevant given the 2020 Mayor's budget guidance which explicitly stated, at 5.3 and 5.4:
- (5.3) It will be a key objective for London's recovery to address the social and economic inequalities that have driven differences in the impact of Covid-19 across London's communities, as well as the inequalities created as a result of the crisis itself. In reviewing and repurposing their budgets to support London's recovery all members of the GLA Group must consider what steps they can take to address these inequalities.
- (5.4) All members of the GLA Group must also assess their wider budget proposals to consider both their potential impact on different groups of Londoners (including, but not limited to, those protected by equalities legislation), and are encouraged to consider how they can broaden their activities to further address poverty, economic inequality and social integration in London.
105. The Inclusion Team has been consulted, and further guidance was sent to Heads of Service after a review of proposals by the Team in September 2020 – requesting EIAs on those where a potential impact is identified by the Inclusion Team. Work will continue with the Inclusion Team to ensure EIAs are conducted and reviewed particularly where savings proposals have either been agreed or require further work.

Procurement and Sustainability

106. Section 6 of the Mayor's budget guidance set out expectations regarding the role of the GLA Group to play a key role in delivering a green recovery from COVID-19, and noted budget proposals would need to ensure sufficient resourcing to continue the efficient and effective delivery of the London Environment Strategy (LES), with the environment at the heart of all recovery activities. Further detail on funding allocated to support delivery of the LES is set out in the Sustainability Analysis at Appendix 10
107. Savings proposals identified in appendix 3 include a number of in year savings as a result of reduced consumption due to COVID-19 such as stationary, paper, printing equipment, travel and accommodation. Although too early to determine the impact on future years, the introduction of new technology to support remote working and meetings is expected to deliver some longer lasting benefits in reduced consumption. The removal of the internal catering

service may lead to an increase in disposable packaging. Performance in this area will be monitored by the Sustainable Development Team and supporting campaigns included in their behaviour change programme as appropriate.

108. Savings items related to the Carbon Reduction Strategy (LFC 0256) and carbon targets are expected to have limited impact on achieving the carbon reduction target of 60% by 2025. The programme of stations switch off controls has been dropped on a value for money assessment, following indications that the benefits identified at the first trial station, quickly tailed off. The reduced budget for the Zero Carbon Feasibility study will deliver a higher level review of options to inform future years work towards the longer term carbon targets, with no impact on the 2025 target. The reduction in the BMW i3 car fleet and the removal of the Scientific Support Units, is expected to have limited impact on overall carbon emissions, as mileage is unlikely to reduce, however increasing the mileage per vehicle, is likely to improve the whole life cost basis for the use of electric vehicles.
109. The post reductions identified as savings are predominately vacancies and therefore are unlikely to have any impact on reduced energy consumption and related card emissions
110. Growth proposals include an increase in the cleaning services as a result of COVID-19. The cleaning contract requires the payment of the London Living Wage (LLW) as a minimum for all staff. This is likely to result in an increase in contractors staff benefitting from the LLW identified in future years performance reporting. They also include an increase for utility costs for the new Operational Support Centre, although this is expected to have limited impact on overall carbon emissions, which has a photovoltaic array and electric vehicle charging points at the site.
111. The capital programme includes funding for the Zero Emission Pumping Appliance project and carbon reduction measures on buildings, with the noted risk of additional building cost for infrastructure to support the vehicle.

Strategic Drivers

112. The LFC has a statutory responsibility to set a balanced budget as set out in the GLA Act 1999. This report fulfils the LFC responsibilities.

Workforce Impact

113. LFB's recognised trade unions have been consulted on the savings and growth proposals for 2021/22, and the proposed in-year savings for 2020/21. A meeting of the LFC Joint Committee took place on 2 November 2020 which commenced 21 days consultation with the trade unions on the proposals. Comments were received from the FBU, GMB and UNISON during the consultation period, and responses to these comments are being provided. To date no changes have been made to the proposals arising from this consultation.
114. The FBU comments mostly sought additional information on the proposals. However, the FBU have registered their clear opposition to the proposed recruitment freeze. The FBU are being advised that the size of the budget gap does not unfortunately leave the Brigade with much of an alternative, however there will be further discussions on this in the run up to April 2021.
115. The comments from the GMB and UNISON have mostly centred on the proposed deletions of (FRS) posts which are not vacant. They have also commented on the equalities impact of these proposals which are as set out in Appendix 9 to this report, 'Staffing Equality Impacts: Post Deletions'. There are currently seven staff at risk, with a maximum six redundancies. In the first instance the Brigade is committed to seeking to directly redeploy/assimilate staff at risk into

vacant posts, with redundancies being a last resort, and this has been re-iterated to the trade unions.

Finance comments

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

Legal comments

117. 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.
118. 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.
119. 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.
120. The Mayor annually updates his budget guidance in order to take account of his mayoral priorities and legislative changes. The Commissioner must have regard to this guidance in preparing the LFC's representations during the budget consultation process.
121. This report fulfils the Commissioner's responsibilities under the above legislation

List of Appendices

Appendix	Title	Protective Marking
1.	Consultation Letter	None
2.	Medium Term Forecast	None
3.	Saving Proposals	None
4.	Growth Proposals	None
5.	Capital Forward Programme and Prudential Limits	None
6.	LFC Capital Strategy Submission to the Mayor	None
7.	Reserves Strategy and Statement on Adequacy of Reserves	None
8.	Risks and Opportunities to the Financial Position	None
9.	Equality Analysis	None
10.	Sustainability Analysis	None
11.	Draft Letter to FREP Committee	None
12.	Budget Submission to the Mayor	None

Consultation

Name/role

Insert names/or roles of those consulted, including any with the representative bodies.

Method consulted

Insert how they were consulted – meetings, away day, by email or by draft circulation of this report.

MAYOR OF LONDON

Andy Roe
London Fire Commissioner
London Fire Brigade
andrew.roe@london-fire.gov.uk

Our ref: 201026 LFC Budget
Proposals 2021-22

Date: 30 October 2020

Dear Andy,

Budget Proposals 2021-22

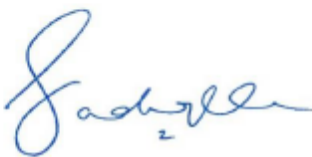
1. The purpose of this letter is to consult you before I prepare a draft component budget for the London Fire Commissioner (LFC) for 2021-22, in accordance with the provisions of paragraph 2 of schedule 6 of the Greater London Authority Act 1999 (the GLA Act). It also allows me to describe in more detail the process for finalising my Budget and clarify requirements for your budget submission.
2. My intention is to issue the GLA Group Budget Consultation Document as soon as is practical before the Christmas break. This is on the expectation that the Government announces the Provisional Local Government and Fire Finance Settlement in early to mid-December. The timing of this is dependent on when the Government's Spending Review is announced.
3. Subject to considering any comments that the LFC would wish to make, and the impact of the Provisional Settlement when announced, my present intention is to confirm a draft component budget for 2021-22 that will require the GLA to pay to the LFC under Section 102 of the GLA Act 1999, as amended, an amount equivalent to £391.8 million. This figure is expected to be reduced by the LFC's share of the expected 2020-21 collection fund deficit for council tax and business rates, which is currently forecast at £5 million – 50% of the target reduction for 2020-21 set out in my Budget Guidance in June as amended recently in Mayoral Decision 2695. For planning purposes, I intend to set an indicative allocation for 2022-23 of £403.6 million, which reflects an assumed increase in the LFC's council tax requirement and an inflation uplift in your retained business rates income.
4. Given the Government's recent decision only to hold a one-year Spending Review for 2021-22 and expected forthcoming wider changes to the Local Government Finance system, I do not consider that I have sufficient funding certainty to provide an indicative allocation for 2023-24 and 2024-25. At this stage, you are only now expected, therefore, to provide a revenue budget submission for 2021-22 and 2022-23 and a revised budget and forecast outturn for 2020-21.

City Hall, The Queen's Walk, London, SE1 2AA ♦ mayor@london.gov.uk ♦ london.gov.uk ♦ 020 7963 4000

MAYOR OF LONDON

5. On the basis of the funding assumptions set out above, I require that your proposals fully balance the budget for 2021-22. In order that my Budget Consultation Document can be prepared in a consistent and efficient fashion, I would be grateful if you could ensure that your submission fully complies with the requirements my officers have set out to you. May I also remind you that your budget submission should be placed on your website as soon as practical after its submission.
6. Please send your budget submission to Enver Enver, Assistant Director – Group Finance and Performance at the GLA (email: enver.enver@london.gov.uk and GLABudget@london.gov.uk) by 12 noon on Monday 30 November 2020.

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
David Gallie, Executive Director, Resources, GLA
Enver Enver, Assistant Director – Group Finance and Performance, GLA

Medium Term Financial Strategy

1 Summary

This report sets out the medium term financial plan for the London Fire Commissioner (LFC) covering the period 2021/22 and 2022/23.

2 Background

In his consultation letter to the London Fire Commissioner the Mayor for London set out funding for the LFC of £391.8m in 2021/22, and an indicative allocation £403.6m 2022/23 for planning purposes. The Mayor then went on to note that given the Government decision to only hold a one-year Spending Review for 2021/22 and expected forthcoming wider changes to the Local Government Finance system, he did not consider that he had sufficient funding certainty to provide an indicative allocation for 2023/24 and 2024/25. As a result he has requested that the LFC only prepares a budget submission for 2021/22 and 2022/23.

3 Budget Setting

The funding figures as set out by the Mayor represent a material decrease from assumptions at the start of the year, with funding decreasing by £15m from expected levels in 2021/22. This position has been made more difficult as a result of the financial pressures incurred as a result of COVID-19, which include additional cleaning costs of £2.2m annually.

In order to achieve the requirement for a balanced budget in 2021/22 the LFB has carried out a budget setting exercise to identify the savings required, which will include an operational staff recruitment freeze and a wide range of savings as set out in its Budget Submission to the Mayor.

Longer term sustainable proposals to manage the financial position will need to be addressed as part of the next integrated risk management plan, which will consider our ability to undertake core activities within the context of the changing risk profile of London and a potential need to increase some of these activities with a smaller workforce.

4 Efficiency Plan

The fire and rescue national framework sets out the documents each Fire and Rescue Service (FRS) is required to produce which includes an efficiency plan. The LFB published its first efficiency plan under the London Fire and Emergency Planning Authority (LFEPA) in 2016 covering four years to 2020. In order to meet the ongoing requirement this Medium Term Financial Plan (MTFP), and the proposals set out in the Budget Submission that support this MTFP, should also be considered as the Efficiency Plan for the LFC covering the financial year 2021/22.

5 Budget for 2021/22

The complete Medium Term Financial Plan for the LFC forms part of this document, which sets out the movements in the LFC's spend assumptions over the next two financial years. The table below sets out a summary of the financial position in each of those years.

Subjective	2021/22 £k	2022/23 £k
Net Revenue Expenditure		
Operational Staff	275,507	270,933
Other Staff	59,636	60,783
Staff Related	27,489	27,898
Firefighter Pension Scheme	21,644	21,772
Premises	45,299	46,319
Transport	18,061	18,438
Supplies and Services	31,224	31,476
Third Party	1,532	1,458
Financing	8,953	12,083
Contingency	(28)	(28)
Savings to be identified	(0)	(8,157)
Income	(41,190)	(44,194)
Net Revenue Expenditure Total	448,128	438,781
Reserves		
Reserves		
Use of Earmarked Reserves	(2,899)	(1,763)
Use of Flexibility Reserve	(16,023)	0
Use of General Reserves	0	0
Use of Transformation Reserve	(4,084)	(96)
Reserves Total	(23,006)	(1,859)
Specific Grants	(33,322)	(33,322)
Budget	391,800	403,600

Medium Term Financial Plan for 2021/22 and 2022/23

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
Inflation		8,639	9,021
MTFS Changes			
Operational Staff			
Changes to Staff on Development Rates of Pay	This reflects anticipated changes in the profile of the operational workforce, with movement in the number of less experienced staff on lower pay rates, based on establishment and recruitment forecasts	(2,456)	900
Operational Pension Scheme Changes	This saving is achievable based on forecast numbers of staff in the current schemes, and the reduced costs as staff leave the older schemes and recruits join the new scheme. It also includes a forecast of 30 staff opting out of the scheme per year, based on current trends.	(318)	(290)
Pensions Auto Enrolment	These are potential additional employers pensions contributions from staff entering the pension schemes, as part of the governments auto enrolment scheme. This assumes that 40% of staff enrolled into the scheme stay in the scheme.	0	160
Trainee Firefighter Recruitment	These costs reflect the anticipated salary cost of trainee firefighters in each year.	82	(657)
Change in Expenditure funded from Specific Grants and Reserves	This reflects the movement in expenditure funded from reserves for one off items.	(68)	54
Transformation Spend	Transformation Spend to support Incident Command Team and operational assurance growth.	144	0
Transformation Spend	Transformation Spend to support Integration of the Command Units into station watch structures	975	0
Transformation Spend	Ending of one off Transformation Spend to support drone capability	(20)	0
Reduction in Operational Salaries budget following pay award	Reduction in Operational Salaries budget following the application of pay award, with changes to the experience/service profile of staff	(1,400)	0
Reduction in Operational Pension budget following pay award	Reduction in Operational Pension budget following the application of pay award	(600)	0
Operational Recruitment Freeze 2021/22	This is the forecast saving based on an Operational Recruitment Freeze 2021/22	(5,900)	(8,800)
Operational Staff Total		(9,561)	(8,633)
Other Staff			

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
FRS Vacancy Margin	This reflects the reversal of a temporary increase to the vacancy margin for FRS staff in light of ongoing vacancy levels.	1,000	0
FRS Vacancy Margin	Change to the vacancy margin for 2021/22, to extend the additional vacancy margin in light of in year measures on FRS recruitment.	(1,000)	1,000
Revaluation of the LGPS Pension Scheme	This reduction in cost reflects the outcome of the recent revaluation of the LGPS pension scheme for the LFB	129	133
BI Project	These changes result from a shift in the technology stack, from the traditional on premise server based architecture with the consequential licence purchase, to a cloud based subscription model. This approach both aligns these projects with the Digital Strategies and the market in general	10	(177)
Change in Expenditure funded from Specific Grants and Reserves	This reflects a reduction in expenditure from earlier years, that was previously funded from reserves for one off items.	(350)	(366)
Transformation Spend	Transformation Spend to support the appointment of a Transformation Director, team and associated costs. This reduces the funding for this from £875k to £500k.	(375)	0
Transformation Spend	Transformation Spend to support improving stakeholder and community relations.	79	0
Transformation Spend	Transformation Spend to support counselling and Wellbeing	32	0
Transformation Spend	Transformation Spend to support building height and data quality assurance	25	0
Transformation Spend	Transformation Spend to support unwanted Fire Signal reduction dedicated team	189	0
FRS Salaries Budget	Reduction in FRS Salaries budget following the application of the pay award	(400)	0
Other Staff Total		(661)	590
Firefighter Pension Scheme			
Firefighters' Injury Pensions	This relates to inflation increases on injury pensions and assumptions around numbers in receipt of injury pensions.	203	211
Fire Fighters Ill Health	Revisions to ill health costs based on forecasts of the numbers being retired under ill health	120	(83)
Firefighter Pension Scheme Total		323	128
Staff Related			
Local Government Pensions Scheme - Early Retirement Costs	This movement reflects ongoing reductions in the number of pensioners receiving these payments.	(30)	(30)

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
Training Contract	As stated in the Future Options for Training report (FEP1829X) the fixed fee element of the Training Contract will vary in line with the requirements of the contract.	245	(46)
Change in Expenditure funded from Specific Grants and Reserves	This reflects a reduction in expenditure from earlier years, that was previously funded from reserves for one off items.	(618)	(209)
Insurance Premium	Increase in insurance premium at renewal, partly reduced following retender	1,061	0
Compensation Base Budget	Increase in the Compensation base budget following a review of anticipated claims and potential liabilities	400	0
Staff Related Total		1,058	(285)
Premises			
Business Rates	The forecast budget movements have been amended based on 2% annual inflation each year.	166	169
Gas and Electric Contracts	The increased cost shown here is due to changes in the supply industry and revision of the gas budget funding which allows for a 3% increase in 2021/22. A change in the Gas and Electric supplier has reduced this cost.	74	76
LFB Training Centre Croydon	This increase reflects the estimated increase in running costs in 2022/23 for the LFB Training Centre Croydon project.	0	446
New Premises contracts (hard and soft FM services)	The Property Services Review Report FEP2430 (item 39) identified the potential for a significant increase in costs for the provision of all works/services when tendering for new contracts. These increases are in addition to the 'inflationary pressures' submitted for Premises budgets.	158	0
Property Inflation Costs	A review of property inflation requirements has resulted in an additional financial pressure, although the conclusion on these has been delayed to reflect the impact of the pandemic.	656	0
Union Street Space Review Consultant	This reduction reflects the reversal of a financial pressure in 2020/21 to review the use of space at Union Street.	(40)	0

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
New BA Cylinders Storage	This reduction reflects the reversal of an additional one off cost for stowage and storage of new cylinders	(13)	0
Brigade Distribution Centre Rent Extension	The brigade will not now vacate the Brigade Distribution Centre until 30 September 2020, this resulted in additional costs budgeted at £226, made up of rent (£94k) and security (£68k), linked to the organisations Operations Support Centre project. This is the reversal of this, with the final part in 2021/22	(162)	0
Facilities Management Soft Services Provision	This additional cost reflects the proposed new strategy for this service provision	177	0
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	(150)	0
Rapid Response Team and Lambeth Facilities	The additional cost is for additional storage and operational parking to optimise the utilisation of Lambeth fire and river stations and accommodate the Rapid Response Team (RRT)(LFC-0282).	2	2
Property Expert – 8 Albert Embankment	This reduction reflects the reversal of a financial cost in 2020/21 to provide a dedicated resource to fulfil the project management and specialised technical assurance aspects of the 8 Albert Embankment project.	(150)	0
Transformation Spend	Ending of one off funding for Transformation Spend to support the reconfiguration of Control	(100)	0
Premises contract - Security Contract	Previous dedicated line for security removed – this cost is now included within the Soft FM contract scheduled commenced during 2020/21.	(15)	(16)
Premises Total		603	678
Transport			
Lease Car Charges	Increase in cost of insurance and subsidy for lease cars based on indexation and an adjustment to the number of cars in use through the scheme.	8	0
New Breathing Apparatus Cylinders Stowage	Ending of funding for this additional one off cost for stowage and storage of the new cylinders	(64)	0
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	(1,089)	(40)
Transport Total		(1,144)	(40)
Supplies and Services			
Airwave Contract	This reflects ongoing inflation on the Airwave Contract.	54	56

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
Increase in Cadet Units to all London Boroughs	The Mayor awarded LFC an extra £1.1m of funding for fire cadets to open 15 new units over 2 financial years, and this adjustment reflects that funding coming to an end. A review is currently taking place of all LFB youth services in order to make the delivery of this work sustainable going forwards.	(438)	0
Subscriptions to online legal reference material	No inflation increase is applicable following the agreement of a three year contract for these services	(2)	(2)
Additional Resilience Requirements	Ongoing Maintenance for Extended Duration Breathing Apparatus Sets	613	0
Additional Resilience Requirements - Legal Costs	Legal Costs related to Grenfell Investigation, which will be offset by insurance income.	(78)	0
Adoption of Paging App On Phones	This savings reflects the decision to replace Brigade pagers with a mobile paging app (LFC-0214).	(59)	6
Finance System	These changes result from a shift to a cloud based subscription model and this approach both aligns these projects with the Digital Strategies and the market in general	116	(252)
Top Managers Conference	Reduction in costs to run a top managers conference in 2021/22	(36)	0
Payroll and HR System	These changes result from a shift to a cloud based subscription model and this approach both aligns these projects with the Digital Strategies and the market in general	323	50
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	(1,322)	(329)
Transformation Spend	Reversal of one-off transformation spend to support systems development	(335)	0
Transformation Spend	Reversal of one-off transformation spend to support Fire Survival Guidance Training	(50)	0
Mobile Plan Charges	General increase in demand for Tablets Laptops and Appliance based devices. Each device is equipped with a data Sim to allow internet connectivity.	88	0

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
Hyper Visor Licence	The environment is supported by two primary tools Citrix and VMWare. Pricing for both has increased and this growth reflects the changes made by suppliers to licensing models.	138	0
Microsoft Licence	An increase in the user base for the Office 365 subscription products to include Trainee Firefighters, Trainers and Agency staff is required	113	0
Break Fix Contract Additions	The contract in place allows for these additional services which were factored into the approval and represent services reaching the end of warrantee periods and moving to paid support.	62	0
Microsoft Azure	Maintaining production, test and development environments and ancillary services has increased the footprint of our Azure tenancy beyond that allowed for in the original project budget	33	0
Supplies and Services Total		(779)	(471)
Third Party			
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	0	(89)
Third Party Total		0	(89)
Financing			
Change to LFC Financing Costs	This estimate is based on the borrowing costs required for the current capital programme. It is subject to review, both in respect of the forecast level of capital receipts and the actual expenditure requirements as individual projects are progressed.	303	2,730
Financing Total		303	2,730
Income			
Insurance Company Income	These increases assume growth of 3.5% per annum going forward. This is in addition to savings that were agreed as part of the 2017/18 budget setting process.	(1,070)	(1,120)
Reduction in Shut in Lift charging	This adjustment reflects observed decreases in income and as the aim of this charge, to reduce demand, is realised.	10	10
Interest Income	Reduction in Interest income based on current rates.	200	0
Change in Expenditure funded from Specific Grants and Reserves	This reflects a change in expenditure from earlier years, funded from reserves for one off items.	(58)	(54)
Income Total		(918)	(1,164)

		2021/22	2022/23
Inflation and Medium Term Changes		£k	£k
Change in government grant income		(2,768)	2,800
Change in Use of Reserves		(20,458)	30,879
New initiatives and service improvements		4,319	0
change to GLA funding		(8,339)	(8,733)
Savings and Efficiencies		14,498	19,013
Savings to be identified		(5,816)	(30,525)

Appendix 3 – Savings Proposals

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
1	Pause Staff Recruitment Business Intelligence	Pause recruitment of the following roles in the ICT department: Business Intelligence Analyst - FRS D - Project resource Image Management Assistant - FRS C Data Sharing Manager - FRS D	135,213		
2	Pause Recruitment Technical Design Group	Pause recruitment of the following roles in the ICT department: Infrastructure Support - FRS F On Line Services Admin - FRS E	119,638		
3	Fire Safety Central Team Staff	The impact on Covid 19 on recruitment activities has resulted in the recruitment process not yet being initiated for one Station Officer and one FRS C/D post (Automatic Fire Suppression Systems and Transport), resulting in the duties being undertaken by existing posts.	113,495		
4	Pause Recruitment Networks	Pause recruitment of the FRS G Head of Networking & Security in the ICT department.	82,136		
5	Carbon Reduction Strategy	Reduce scope of Carbon Zero feasibility work. In year saving and one year only. This will limit the feasibility study to four sites.	80,000	100,000	
6	Fire Safety FRS Staff	Deletion of vacant FRS E Care Premises & Specialist Housing Co-ordinator post. Roles are being reviewed within the department to see if this work can be covered in the interim.	54,906		
7	Pause Recruitment – Service Management	Pause recruitment of the Service Management Analyst - FRS D in the ICT department.	47,413		
8	Pause Recruitment – Senior Incident Analyst	Pause recruitment of the FRS Senior Incident Analyst – FRS D in the ICT department.	47,413		
9	Fire Safety Staff	Deletion of the vacant FRS C Outreach post. The impact on Covid 19 on recruitment activities has resulted in the recruitment process not yet being initiated for this role, resulting in the duties being undertaken by existing posts. Upon consideration of other roles within the department, it became clear that whilst Outreach remain an important action, existing resources can continue to support this function.	41,173		

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
10	Fire Safety FRS Staff - Outreach	Deletion of two vacant FRS B Outreach posts. The impact on Covid 19 on recruitment activities has resulted in the recruitment process not yet being initiated for this role, resulting in the duties being undertaken by existing posts. One vacant post will be deleted in 20/21 and the other vacant post in 21/22	35,477	35,477	
11a	Fire Safety	Subject to the outcome of the Youth Review - anticipation that the outcome of the review will facilitate a restructure of existing role and responsibilities. Delete vacant JFIS Booking Co-ordinator - FRS B.		35,477	
11b	Fire Safety	Subject to the proposals in the Youth Review being agreed, it is proposed to delete vacant LIFE posts (1 x StnO; 1 x FRSF; 1 x FRSD) in addition to the FRS D referenced in line 39a.		182,376	
11	Fire Safety FRS Staff - Education	Deletion of the vacant FRS B Education Officer post. The impact of Covid 19 on education activities has resulted in us being able to manage the workload of the team at present, using existing resources.	35,477		
12	Safe and Well Alarms - Fire Safety	Safe & Well Alarms - the delivery aspect of this project has now ceased and there is no further requirement for a budget for alarms.	26,638		
13	Helpdesk Supervisor	Remove 1x FRS C Helpdesk Supervisor from Training and Development. This post is currently vacant.	24,017	17,156	
14	Professional Services	Professional Services (Community Safety) - Review of current usage has enabled in year savings.	24,000	4,000	
15	Recruitment Advertising	Reduction in the recruitment advertising budget for both Operation and FRS roles following a shift to digital media campaigns. This has been reviewed in light of current climate due to COVID19 and the new approval to recruit process.	20,000		44,300
16	Drug and Alcohol testing	Based on previous years spend it is proposed to reduce the Drug and Alcohol testing budget, however due to uncertainty and a new supplier this saving may not be maintained in future years.	4,790		
17	Office Furniture - Fire Stations	Usage in year to be monitored in order to allow a saving to be taken in 2020/21.	20,000		
18	Office Equipment - Fire Stations	Usage in year to be monitored in order to allow a saving to be taken in 2020/21.	20,000		
19	FRS Staff Reductions in Central Operations	Removal of 1 x FRSE post within Central Operations following the end of fixed term contract.	19,070	45,709	

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
20	Catering Services - Fire Safety	Review of current usage has enabled in year savings.	15,000		
21	Portable Hygiene Unit	Reduce the call out fees associated with Portable Hygiene Unit s by 50% which would reduce service and management costs.	12,600	16,800	
24	Academic Sponsorship	Reduce the allocated academic sponsorship budget, until existing sponsored members of staff have completed their courses.	6,000		
25	Clothing - National Uniform Managed Service	Introduction of the National Uniform Managed Service provides forecast savings of: - 4-6% in general uniform (not including undress); and - 91% in undress uniform subject to choosing the MPS clothing range (this is dependent on the contractor selected during the tender).	5,235	32,239	
26	Transport -Fire Safety	Public Transport - Review of current usage enables in year savings	5,000	3,000	
	Various Savings under £10k	This includes various smaller value savings including on accommodation, academic sponsorship, uniform, public transport and stationery.	27,150		
31	Station Commander Removal Operational Resilience	Removal of Station Commander position in Inter Agency Liaison Group whilst the station commander for the CBRNe RRT will be brought into Operational Resilience to take over the responsibility to minimise the impact.	0	84,958	
32	1x FRS D FFD Operations Lead	Delete 1x FRS D Firefighter Operations Lead in Training & Professional Development team. There are currently two posts and the workload can be absorbed within the team.	0	39,465	
33	Casual cars	Due to new ways of working as a result of Covid 19, this reduction should be able to be sustained as less travelling/face to face meetings with Managers will be taking place.	1,000		0
35	Modern Workplace	Additional 1 X FRS F Change Manager post, this additional requirement will offset the in year ICT savings identified above and would be required to mitigate the impact in 2020/21	(65,000)		

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
36	MFB Act - Additional Income	Metropolitan Fire Brigade Act (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 and Covid19 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. 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.		420,000	440,000
37	Rent reviews (rents payable)	Potential for savings on rent reviews due to changes in the current market conditions and length of existing lease; savings to be confirmed.		294,000	
38	Reduction FRS Control Staff	The removal of the 1 x FRS B and 1 x FRS D following the increase in central support available due to the new Property Strategy.		134,056	0
39	Fire Safety - Policy Team	Following a review, the intention will be to create a Policy Team for Fire Safety (Prevention & Protection). The review will outline the new structure however it is anticipated that the following posts can be deleted - 1.56 x FRS C		64,229	
39a	Fire Safety	Deletion of FRS D LIFE post vacated by member of staff redeployed in CS Policy.		49,332	
40	Business Administration Apprentice - Fire Safety	Deletion of the five Business Administration Apprentice which are currently vacant.		120,660	
40a	Corporate Management Secretariat	Restructure of Corporate Management Secretariat. Deletion of 3 x FRSC, 1 x FRSB, 1 x FF (driver), offset by two additional FRSD posts.		118,936	

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
40b	Corporate Management Secretariat	Reduction of budget for Political Advisor to the Commissioner. This is not an established post.		90,000	
41	Transformation Directorate Structure	Transformation Directorate savings over the period are following the introduction of the new structure and capabilities set out by the Transformation Director.		115,000	517,000
42	Other Supplies & Services - Fire Safety	Reduction in core budgets associated with LIFE (transport etc.) - to be informed by the completion of the Youth Review		106,400	
43	Do not proceed with new lease for railway arches	Proposed that the new lease for railway arches is not taken forward which was agreed under report LFC 0282. The current review of the planning application by the Secretary of State has delayed the redevelopment of Lambeth. It is proposed that demand for the facility is reviewed and unused funds returned.		102,000	2,000
44	Operational Allowances Reduction	Reduction in the Operational Policy Operational Allowances budget which will impact on staff available for recall.		100,000	
45	Inter-agency Liaison Group Commander	Removal of Group Commander responsible for the management of Inter-agency Liaison Group (IALG) following the Operation Resilience and Special Operations Review.		97,751	
46	Emergency Planning Group Commander	Removal of the Group Commander responsible for Emergency planning, London Resilience and the Rapid Response Team. This area of work to be covered by other members of the newly formed Operational Resilience & Control as part of the department reorganisation.		97,751	
47	High Rise Premises Team - Fire Safety	It is proposed to remove the temporary posts in the High Rise Premise Team (1 x FRS D; 1 x FRS C) and align this work to the Projection Board / Building Risk Review project where external funding is available.		90,505	
48	Carbon Reduction Strategy	Stop the 'station switch off controls' programme of works that were agreed as part of the Carbon Reduction Strategy report LFC-0256	187,000	187,000	0
49	Fire Safety - 1 x Station Commander post	Re-introduce the Peak Activity Team (PAT) into the Area Delivery Team Structure - during Covid 19 Officers were reallocated to the area structure as an interim measure. Propose to formally initiate this in 2021 meaning that there is no longer a requirement for a Station Commander for this team		79,412	

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
50	On station A Service Vehicle Inspection	Carry out the basic vehicle inspection as part of the vehicle maintenance regime on station.		71,419	
51	Increased in Residential income	The completion of the cottages refurbishment project at West Hampstead Fire Station will result in 8 new rooms being available to rent to staff.		67,200	
52	Emergency Planning Station Officer	The removal of a Station Officer position in Emergency Planning. This will require a reorganisation and reallocation of work streams for the event planning function.		63,043	
53	Additional Saving on contracts	Write to the main contractors and ask for savings proposals. This could result in a change to the operating model or performance regime. Contractors to be asked to provide ideas where minor changes to the operating model could lead to additional savings. The savings proposed are 2.5% of the annual service charge. These targets could be flexed.		61,376	
54	Reduction of Operations Manager	Reduction of one Operations Manager currently within Operational Resilience – Special Operations Group		59,708	
55	People Services Apprentices	Removal of three apprenticeship positions within the People Services department. There is currently no capacity to set up and manage the scheme.		58,893	
56	Desktop upgrade - software products no longer required	Software no longer required in the Windows 2019 desktop as they have been superseded by other products		56,839	
57	Scientific Support Units	Remove the Scientific Support Units' and rely on the current Detection Identification Monitoring provision. The saving represents the reduction in maintenance required with the units.		56,193	
58	Unused Hour Staffing – People Services	Unused Hours in established posts Ops Development Advisor Sub Officer x -0.34 Plan & Management Information Manager. FRS F x 0.34 Asst Management Info Off FRS C x 0.20 Health & Absence Adviser FRS Ex Health & Absence Management Assistant FRS B x 0.6		55,250	
59	FRS E post 20/21 Operational Resilience	Loss of an FRS E post in 2020/21 by not recruiting to vacant post.		54,307	

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
60	Paging System Replacement	The Paging System will be replaced with a mobile phone app, subject to approval and re-alignment of operational policies.		52,000	
61	Radio Support Team Reduction	Delete 1 x FRS D post which is vacant and will have minimal impact of the team.		47,413	
62	ICT Contract Inflation	This reflects a reduction in inflation forecasts under RPI for a range of contracts in 2021/22 and 2022/23.		47,159	46,513
63	Cognos Licensing	The cost of the Cognos licences can be saved following the planned replacement of that reporting tool with Microsoft products.		43,718	
64	Cash savings (specific identification of cost saving TBC)	Cash savings determined from identified income within Operational Resilience.		41,255	
65	Backup Archive	Remove the off-site long term storage of system backup tapes.		36,000	
66	1 x FRS B Admin Assistant post	Reduction of 1 x FRS B Administration Assistant post from Operational Policy & Assurance departmental strategy and planning management team		35,477	
67	Additional Saving on Bureau Veritas	Write to Bureau Veritas and ask for savings proposals. This could result in a change to the operating model or performance regime. We would ask the contractors to provide ideas where minor changes to the operating model could lead to additional savings. The savings proposed are 2.5% of the annual service charge. These targets could be flexed.		32,615	
68	Reduce General Counsel Media and Research Budget	As a result of significant costs reduction through two 3 year contracts with our online legal reference material providers we are now able to reduce the Media & Research budget.		30,000	
69	Medical Welfare Services (occupational health contract)	The occupational health contract with Health Management provides for the cost of the contract being increased each year in line with an agreed formula. Health Management has not applied for the cost increase this year and this will result in an underspend. There is no direct impact upon occupational health service		30,000	
70	Light vehicle servicing	Reduce service frequency on light vehicles from 6 monthly to annually and based on mileage/usage. This saving assumes 30% of the annual cost is made up of one of the services events and this can be removed from reduced servicing.		30,000	
71	Union St. Catering Management Fee	No in house catering service for staff or tenants in Union Street which will remove the requirement of a catering management fee.		28,000	

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
72	Radio Masts - FM Costs Saving	Savings in Fabric Maintenance budgets to be made as a result of the radio masts being disposed of at Shooters Hill and St Columba and decommissioned at Hillingdon		25,000	
73	GLA Payroll Shared Service	The LFB Payroll Team provide the GLA payroll function under a Shared Service agreement. This has been reviewed for 2020/21 and the amount charged to the GLA for the service has been increased to reflect the true cost of the service resulting in additional income.		24,269	
74	Unused Staffing Hours	Unused hours associated with 1xFRS B and 1xFRS C member of staff who made applications under flexible working and flexible retirement to be removed from budget.		22,425	
75	Consultants budget	Reduction in property consultants budget following review. This service will be delivered through existing budgets		20,000	30,000
76	BMW i3 replacement with a reduced number	Review the number of cars which would result in a reduction in the size of the Pool car Fleet and would save revenue maintenance costs.		14,400	
77	Other Professional Services - Fire Safety	Other Professional services budget to be reduced following the review of current usage		13,000	
78	MOPAC Internal Audit Function	Proposed reduction in planned audit days following the improvements in Internal Audit productivity, the changing nature of the Authority's organisational structure, and increased automation in work processes		12,000	
79	Increase charge for external supply of LFB images (incidents)	Increase the cost of incident photos: this will provide an increase in annual income circa £11k		11,000	
80	FRS E Post in Operational Policy	Reduction of 0.2 x FRS E Strategy & Planning Manager post from Operational Policy & Assurance departmental strategy and planning management team		10,981	
81	FRS D Post reduction in Operational Policy	Reduction of 0.20 x FRS D Deputy Strategy & Planning manager post from Operational Policy & Assurance departmental strategy and planning management team		9,866	
86	Grade change - FRS C to FRS B	This is the position of an FRS C changing to an FRS B within the Operational Resilience Support team.		6,662	

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
90	Fitness Advice Team (FAT)	Revision of the Lead Fitness Adviser (FRS D E) job description to a Fitness Adviser (FRS D)		5,574	
	Various Savings under £10k	This includes various smaller value savings including printers, stationary, medical aids, accommodation and travel budgets.		73,155	
99	Mobilising System mid contract refresh	The Capita contract includes an annual allowance for technical refresh of the Vision mobilising system and peripherals (terminals). This will be removed from the contract cost in the final years of the contract, if extended, and if a replacement mobilising system is procured.			216,000
100	Rapid Response Team (RRT) Overtime	Removal of the RRT overtime budget following the changes in the establishment noted in the RRT review LFC 0252, DMFD 72 will ensure the correct staffing model that will see a reduction in the need for overtime to deliver the Mass casualty recovery response. This will be implemented by 2022/23.			200,000
101	Building Fabric	A reduction in the planned maintenance to remove the general building checks which are completed every 6 months to identify faults and issues that need addressing.			140,000
102	Control Officer (part time)	Removal of a part time Control Officer post to support the delivery of Capital Guard. This work will now be resourced corporately.			44,902
103	Safety Event Reporting Database administration	The Health and Safety department have introduced a new Safety Event Reporting Database (SERD). Following the full integration of the system, it is anticipated that further automation could be introduced and staff reductions made. This will be review as the system is embedded.			32,400
104	Data modelling budget reduction	Reduction in the budget is for data modelling and operational research based on current contract spend. Saving has been identified for 2022/23 due to expected demand associated with the London Safety Plan development.			30,000
111	Rental income	To seek new tenants for vacated or surplus accommodation at Union Street and across the estate.			1,400,000
112	Policy Team Review - Fire Safety	Further Review of one policy team to result in the removal of 1 x FRS F, 2 x FRS E, 1 x FRS D, 1 x FRS C and reduction in posts			268,698

	Saving Title	Saving Description	In Year Savings 2020/21 (One year only) £	Saving in 2021/22 £	Additional Saving in 2022/23 £
113	Emergency Services Network (ESN) staff	Remove the unfilled posts of ESN Project Director - 80% x TMG A and Business Change Support Manager - FRS E.			168,714
114	People Services Staffing Review	Following the implementation of the HR/Payroll system in approximately 18 months a number of standalone systems will be decommissioned to make process more efficient. An outcome of this implementation will be increased self service across the LFB. An internal restructure will assist with further efficiencies within People Services, this will be developed in future years.			150,000
105	1 X Group Commander from Incident Command	Reduction of 1 x Group Commander currently working on Grenfell related works streams			98,111
106	High Rise Premises Team - Fire Safety	Deletion of the High Risk Premises Team Station Commander - There is an expectation is that this will become a business as usual action going forward and be devolved to Areas.			79,412
107	1 x Station Officer from National Occupational Guidance Integration Project	Reduction of 1 x Station Officer from NOG integration project.			68,374
108	Call out for RPELO	Remove the Respiratory Protective Equipment Liaison Officer role. This capability would be replaced with a reduced out of hours capability and greater responsibility placed on duty 24/7 uniformed staff.			30,000
109	Externalised Estates Management, bring in-house	Recruit specialist technical resource at FRS F in house and reduce the use of external Estate management consultant and associated fees.			5,000

Appendix 4 – Growth Proposals

Reference	Growth Item	Description of Growth	Growth in 2020/21	Growth in 2021/22 £	Additional Growth in 2022/23 £
1	Face Fit Technicians	The introduction of Scott Aviva Half mask respirator – requiring the catch up and ongoing periodic face fit testing of all Operational personnel.	96,000		84,000
2	Daily Cleaning	This proposal is included as the additional cleaning requirements for Covid-19 are currently funded directly from the Covid-19 reserve. As a result of the covid19 pandemic there is a requirement to increase the cleaning across the estate. This is to allow for daily sanitisation, including weekends, of all high risk areas. This requirement is expected to continue beyond this financial year and may be required permanently. This growth bid is to cover the cost of this increased cleaning across the estate which cannot be contained within the existing budgets.		2,200,000	
3	MEP Contract	Additional funding of £1.4m is required to support the reactive repairs service for mechanical, electrical and plumbing services (MEP). This contract provides services to ensure the buildings remain safe for occupation and provide critical services such as heating, hot water, lighting and power. This additional funding is required to ensure budget remains available to repair faults and issues. If this is not made available, we will no longer be able to address faults and buildings may become unavailable.		1,400,000	
4	Building decorations budget	Increased to the base budget for building decorations will be required based on contract review and inflationary increase of 25% since previous contract tender.		196,000	
5	Director of People Post (see Changes to Management Report LFC 0345)	Director of People post, The budget includes funding from reserves for the first two years of the TDP, with the ongoing costs for subsequent years built into the base budget and forming part of the budget gap to be addressed as part of the budget process.		120,000	
6	Merton LOC - enhance security	Provision of additional security guard at site. A review of current security arrangements by SOG and Property at site concluded that 2 guards on 24/7 were required to provide the correct level of cover at this critical site. The additional cost would be £120k per year.		120,000	
6a	Corporate Management Secretariat	New Chief of Staff to the Commissioner (TMGC – to be confirmed)		108,281	

Reference	Growth Item	Description of Growth	Growth in 2020/21	Growth in 2021/22 £	Additional Growth in 2022/23 £
7	ICT department	Modelling and operational research - ORH contract - It is anticipated that an additional requirement is likely in the development of the LSP. This growth is seen as a short term requirement and will be reviewed in future budget years		70,000	
8	FM contract costs (Facilities Management)	Operational Support Centre premises are substantially larger than the former facilities and this will result in higher costs for FM maintenance contract and utility costs for the new building, even after allowing for any reductions on the former premises.		55,000	
9	External Audit	External Audit - E&Y Scale fee Costs - 2019/20 increase.		47,200	
10	GLA TM Shared Service	GLA Treasury Management Shared service- increase from £42k to £79.2k		37,200	
11	Wellbeing	2 x Fitness testing officers plus one fitness adviser FRS D.			164,154
12	ICT department	Licence cost and associated supplier support to use the Incident Command Operating Software software as required by the Command Unit Project These costs will be refined during a procurement exercise.			125,000

Appendix 5 – Capital Forward Programme and Prudential Limits

Programme	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
	£m	£m	£m	£m	£m	£m
Estates						
Major Refurbishments	1.661	3.850	3.518	3.400	4.060	16.489
New developments	1.564	14.076	9.783	1.300	1.552	28.275
Minor Works	4.310	5.183	3.980	5.360	4.131	22.964
Sustainability Works	2.263	4.108	2.856	2.415	4.203	15.845
Appliance Bay Doors	0.975	1.023	0.400	0.400	0.478	3.276
Estates Total	10.773	28.240	20.537	12.875	14.424	86.849
Fleet Replacement Plan	19.666	17.341	1.268	0.018	3.423	41.716
ICT Projects	2.055	3.765	2.903	1.745	2.516	12.984
Communications Project	0.119	0.040	1.120	1.104	0.000	2.383
Operational Policy Equipment	0.000	8.200	0.000	0.000	0.000	8.200
Total Expenditure	32.613	57.586	25.828	15.742	20.363	152.132

Programme	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Financing						
Capital Receipts	1.529	50.800	23.000	0.000	0.000	75.329
Capital Grants	1.865	0.000	0.000	0.000	0.000	0.625
External Borrowing	29.219	6.786	2.828	15.742	20.363	76.178
TOTAL Funded Financing	32.613	57.586	25.828	15.742	20.363	152.132

LFC Capital Strategy 2021/22 for Budget Submission

Introduction

1. The Capital Strategy outlines the London Fire Commissioner's (LFC) approach to capital investment, ensuring that it is in line with corporate priorities. These priorities are set out in the London Safety Plan (LSP), and Transformation Delivery Plan. The Capital Strategy supports the Brigade to deliver its purpose as an organisation trusted to serve and protect London, and delivery of the Mayor's priorities.
2. The Capital Strategy sets out a framework for the management of capital finance and along with the LFC Treasury Management Strategy covers the following areas:
 - Capital Expenditure and Investment Plans;
 - Prudential Indicators;
 - External Debt; and
 - Treasury Management.
3. The Capital Strategy addresses the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which sets out a requirement for local authorities to produce a Capital Strategy to form part of its integrated revenue, capital and balance sheet planning.
4. The Capital Strategy has been prepared as part of the budget setting process and is to be submitted to the Mayor as part of the budget submission, approved by the LFC. The final Capital Strategy is approved by the LFC in March. This is an annual requirement, and the Capital Strategy will be published in draft as part of the budget submission to the Mayor in November, and as a final Capital Strategy following approval by the LFC in March.

Benefits

6. The Capital Strategy demonstrates that the LFC takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability, risk and affordability.
7. The key 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 and the Transformation Delivery 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

8. The Transformation Delivery Plan sets out the London Fire Brigade's vision that "We will be a dynamic, forward-looking organisation of fully engaged people at the centre of the communities we serve, adapting to the changing needs of London". It also addresses the recommendations from the Grenfell Tower Inquiry and the HM Inspectorate of Constabulary and Fire & Rescue Services.
9. The Strategy has been derived largely from the Asset Management Plan, the ICT Strategy, the Fleet Replacement Plan, LFB's Sustainability Strategy and the Treasury Management Strategy. It has been developed to ensure that it reflects the LFC's ambitions to both drive and take advantage of innovations that can help improve both service delivery and value for money.
10. The Asset Management Plan seeks to align the asset portfolio to best support service delivery by the Brigade. It reflects the requirements of the Transformation Delivery Plan, 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 current condition and functional suitability of the property has been assessed against the LFC's requirements for a modern fire service.
11. The ICT Strategy seeks to ensure that the technologies available to the Brigade, via a range of ICT solutions, are fit for purpose, affordable and sustainable, that they are responsive to business need and valued by staff and stakeholders, and are delivered in a cost effective and efficient way, including collaboratively where appropriate.
12. The Fleet Replacement Plan will meet the Brigade's fleet requirements over the coming years and address the fleet commitments made under the Mayor's London Environment Strategy (LES). This requires LFC to achieve the following targets:
 - all cars in support fleets to be zero emission capable by 2025;
 - all new cars and vans (less than 3.5 tonnes), including response vehicles, being zero emission capable from 2025;
 - all heavy vehicles (greater than 3.5 tonnes) to be fossil fuel- free from 2030; and
 - zero emission fleet by 2050.

13. The Sustainability Strategy sets out ten objectives to achieve the Brigade's vision of being the leaders on sustainable development within the UK Fire and Rescue Service. The three main focus areas of this strategy are environment and climate change; economic value; and equality and inclusion.
14. The Treasury Management Strategy sets out the treasury management arrangements in place to manage the LFC's borrowing and cash balances, and deliver best practice. It covers the management of LFC's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. This is delivered as part of the GLA Group Investment Syndicate (GIS).

Influences

15. The main influences on the Capital Strategy are set out below.
 - The age of the estate - about a third of fire stations are over 60 years old and nearly a third are listed, locally listed and/or are in a conservation area.
 - The layout and design of the majority of fire stations creates challenges in meeting the needs of a modern service.
 - Changing operational requirements – developing response to changes in the type of incidents, including terrorism related, and fire safety particularly in the post Grenfell period.
 - Population growth and locating resources to address developing needs
 - New fleet requirements due to the changing needs of the service and 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

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

Ensuring London is:

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

The Capital Strategy will support this policy as follows.

- To ensure that our fire stations are well placed to meet the needs of Londoners, attending incidents effectively and to the attendance standards set.
 - Looking to open up fire stations so that they become community assets/hubs. Ensure that the design of new fire stations will enable them to be community hubs.
 - 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 so that where LFC land can be released for development, the requirements for affordable housing are considered.
- b) A city that becomes a world leader in improving the environment locally and globally, taking the lead in tackling climate change, reducing pollution, developing a low carbon economy, consuming fewer resources and using them more effectively.

The Capital Strategy will support this policy as follows.

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

20 Year Capital Ambition

17. The 20 year capital ambition programme has been based on the LFC's current capital programme plus the on-going future capital requirements to keep the business operating at current levels.
18. The LFC capital spending plans for the five years to 2024/25 are approved as part of the budget process, and are funded with capital financing costs reflected in the revenue budget. The is set out in the table 1 below.

Table 1: Capital budgets and financing 2020/21 to 2024/25

Project	2020/21	2021/22	2022/23	2023/24	2024/25	TOTAL
	£m	£m	£m	£m	£m	£m
Capital Schemes						
Estates						
Major Refurbishments	1.661	3.850	3.518	3.400	4.060	16.489
New developments	1.564	14.076	9.783	1.300	1.552	28.275
Minor Works	4.310	5.183	3.980	5.360	4.131	22.964
Sustainability Works	2.263	4.108	2.856	2.415	4.203	15.845
Appliance Bay Doors	0.975	1.023	0.400	0.400	0.478	3.276
Estates Total	10.773	28.240	20.537	12.875	14.424	86.849
Fleet Replacement Plan	19.666	17.341	1.268	0.018	3.423	41.716
ICT Projects	2.055	3.765	2.903	1.745	2.516	12.984
Communications Project	0.119	0.040	1.120	1.104	0.000	2.383
Operational Policy Equipment	0.000	8.200	0.000	0.000	0.000	8.200
Total Expenditure	32.613	57.586	25.828	15.742	20.363	152.132
Capital Financing						
Capital Receipts	1.529	50.800	23.000	0.000	0.000	75.329
Capital Grants	1.865	0.000	0.000	0.000	0.000	0.625
External Borrowing	29.219	6.786	2.828	15.742	20.363	76.178
TOTAL Funded Financing	32.613	57.586	25.828	15.742	20.363	152.132

19. A further 15 years, from 2025 to 2040, to complete the 20 year capital ambition has been prepared on the basis of maintaining the asset base at its current level, with updates/replacements as necessary. The further element has some funding identified, however there is a funding gap to be addressed. The element of the capital spending plans is set out in the table 2 below.

Table 2: Capital Ambition 2025/26 to 2039/40 and Ambition Gap

Project	Years 2025 - 2030	Years 2030- 2035	Years 2035- 2040
	£m	£m	£m
Capital Schemes			
Estates			
Major Refurbishments	49.109	32.547	37.733
New developments	15.377	19.681	22.815
Minor Works	21.238	23.465	27.203
Sustainability Works	12.838	12.337	14.304
Appliance Bay Doors	2.613	3.027	3.509
Estates Total	101.175	91.057	105.564
Fleet Replacement Plan	136.314	66.433	3.946
ICT Projects	19.906	25.814	30.719
Communications Project	0.000	0.000	0.000
Operational Policy Equipment	7.095	10.164	4.714
Total Capital Expenditure	264.490	193.468	144.943
Capital Financing			
Capital Receipts	0.000	0.000	0.000
Capital Grants	0.000	0.000	0.000
3rd Party Contribution	0.000	0.000	0.000
External Borrowing	48.000	37.000	37.000
TOTAL Funded Financing	48.000	37.000	37.000
Unfunded Capital Expenditure	216.490	156.468	107.943

20. The programme 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 in respect of the works to the LFC estate to enable the LFC fleet to be zero emission compliance

by 2030 as it is not possible to predict the impact the level of additional infrastructure required at this time.

21. The capital requirement for the LFC estate has been based on analysis that has been undertaken which assesses the condition and functional suitability for all existing fire stations. Three quarters of fire stations are classified as being in a satisfactory or good condition. A recommendation for each fire station has been made based on its condition, functional suitability, development value and location, and classified as follows.
 - Fire stations requiring replacement and relocation.
 - Fire stations identified for re-development
 - Fire stations identified for major refurbishment/rebuild
 - Fire stations requiring minor capital works
 - Fire stations where no works are required.
22. The Ultra Low Emission Fleet (ULEF) Programme sets out the steps to be taken to plan, develop, test, procure and deploy new vehicle technologies within the LFC fleet to achieve the targets set out above. It focuses on the process for heavy frontline vehicles, given the current lack of low/zero emission capable HGVs and the technological challenges in developing them.
23. Government advocates a 'cloud first' approach when considering options for new ICT systems and infrastructure improvements. With this the funding model shifts from capital to revenue based expenditure, which presents challenges to LFC, due to the increasing pressure on revenue funding and budgets. At present the ICT Strategy does not plan a radical change to the ICT infrastructure in the short term as this would consume significant resources and generate risk in the transitional phase. Instead, a 'cloud' based approach to new systems will be adopted as and when current systems are being replaced which would allow the Brigade to explore new ways for ICT delivery, whilst minimising risk and disruption.

Available Capital Funding

26. There is a variety of ways in which capital expenditure can be financed, but the main sources are often from a combination of revenue resources/reserves, capital grants, capital receipts and borrowing. A brief explanation for each of these options is described below.
27.
 - **Prudential Borrowing** - The LFC ensures that the level of borrowing is affordable, prudent and cost effective. Borrowing is subject to the requirements of the Prudential Code and is managed through the Treasury Management Strategy. Borrowing has a long-term impact on the revenue budget, through the interest payable on the loan and the annual charge for the repayment of the sum borrowed (MRP). Loans are sourced in discussion with the GLA and from the Public Works Loan Board (PWLb).

- **External Capital Grants** - Grants are awarded to the LFC from Central Government and other third parties. Most grants are now policy specific and are awarded through a bidding process. The LFC bids for grant funding as and when opportunities arise.
- **Capital Receipts** - The LFC is able to generate capital receipts through the sale of surplus assets. This is a limited resource as the majority of the LFC's assets are currently in operational use as part of front line service delivery and response. The programme includes the sale of the former Clerkenwell fire station, and the former Headquarters at Albert Embankment but the timing and value of the receipts 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 to planning requirements and changes in market conditions.

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

- **Revenue Funding** - LFC can use revenue resources to fund capital projects on a direct basis, however, current funding projections point to a revenue budget gap which means 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.

28. The LFC's level of borrowing is forecast to increase as the availability of capital receipts come to an end, and expenditure increases, such as on fleet with the LFC now owning its fire appliances, etc., resulting in additional revenue costs through MRP and the interest charged on outstanding loans. It is expected that the Capital Strategy will be entirely reliant on borrowing from 2023/24, depending on the timing of the remaining capital receipts, with the additional capital financing costs adding to the pressure on the revenue budget
29. The table below summarises capital expenditure and debt charges (loan interest and annual MRP change) compared to the estimated debt charges budget from 2025/26 onwards. The future debt charge budgets have been based on the 2024/25 budget of £11.683m 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.

Table 3: Capital Expenditure Financed from borrowing and Forecast Revenue costs for Interest and MRP Charges 2025/26 to 2039/40

Future Years	Capital Expenditure £m	Financed from external borrowing £m	Debt Charges* £m	Budget £m	Budget Pressure £m
2025/26	42.660	42.660	13.628	12.033	1.595
2026/27	23.196	23.196	17.912	12.394	5.517
2027/28	53.586	53.586	20.994	12.766	8.228
2028/29	68.001	68.001	25.822	13.149	12.673
2029/30	77.048	77.048	33.140	13.543	19.596
2030/31	84.170	84.170	41.355	13.950	27.405
2031/32	24.261	24.261	51.094	14.369	36.725
2032/33	25.602	25.602	52.959	14.780	38.160
2033/34	35.733	35.733	54.812	15.244	39.568
2034/35	23.703	23.703	53.102	15.701	37.401
2035/36	23.192	23.192	53.313	16.172	37.141
2036/37	21.069	21.069	52.693	16.657	36.036
2037/38	33.315	33.315	54.235	17.157	37.078
2038/39	39.962	39.962	56.351	17.672	38.679
2039/40	27.404	27.404	59.469	18.202	41.267

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

29. Based on current estimates, the level of debt charges is expected to steadily increase over the period, resulting in a substantial increase in debt charges by 2039/40 to nearly £60m, resulting in a budget pressure in excess of £40m.
30. The projected budget pressure, of over £40m, 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 effects of Brexit and impact on the cost of purchases/delivery of projects.
 - The effects of the Coronavirus pandemic and the impact on the delivery of projects.
 - The potential of future interest rate rises.
 - The availability of resources to deliver the capital programme.
31. The table indicates a revenue pressure from additional borrowing costs of over £40m 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.

Options to bridge funding gap

32 The LFC will need to consider options on how to bridge the funding gap and ensure that future years capital expenditure is affordable, as part of the development of the next London Safety Plan from 2022/23. Possible options to consider are provided below.

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

External Debt

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

Table 4: External Debt

As 31 March	2021	2022	2023	2024	2025	2030	2035	2040
	£m	£m	£m	£m	£m	£m	£m	£m
PWLb Loans	55.725	52.725	48.725	46.725	43.225	26.500	23.500	16.500

34. Interest charges will be based on forecast PWLB interest rates. Obviously the effects of the pandemic could change these rates significantly as well as the cost to replace of the LFC fleet.

35. Table 5 below sets out the prudential limits for 2020/21 to 2023/24

Table 5: Prudential Limits

Approved Borrowing Levels £k	2020/21	2021/22	2022/23	2023/24	2024/25
Operational Boundary	220,000	240,000	240,000	240,000	240,000
Authorised Boundary	225,000	245,000	245,000	245,000	245,000

Other Long Term Liabilities

36. LFC has other long term liabilities which include PFI contracts for fire stations and a finance lease for the Merton Control centre. The current and forecast outstanding long term liabilities are as follows.

Table 6: Other Long Term Liabilities

As 31 March	2021	2022	2023	2024	2025	2030	2035	2040
	£m	£m	£m	£m	£m	£m	£m	£m
PFI	44.29	42.91	41.47	39.91	38.83	30.22	19.35	3.44
Finance Lease	18.43	18.43	18.43	18.43	18.43	13.53	0	0
Total	62.72	61.34	59.90	58.34	56.76	43.75	19.35	3.44

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

37. There are no plans for any future finance leases/PFI arrangements at the current time. The contract register is regularly reviewed to ensure that no finance leases have been entered into without the Finance Department's knowledge. This is also further managed by the Assistant Director - Finance reviewing all reports to LFC to include financial implications.

38. The above table does not take into account the effects of implementing the new accounting standard IFRS16, where all leases/contracts that conveys the right to use an asset will be brought onto the balance sheet and long term liabilities will be created for the future rentals under these leases. The new accounting standard has been delayed but is still likely to come into effect from 1st April 2021. The Capital Strategy will be updated once the impact of the new accounting requirements have been assessed.

Risk Assessment

39. The Capital Programme is subject to the following risks.

- A lack of affordable sites for new developments.
- Increased cost in delivering the capital programme due to inflation pressures/Brexit/limited number of suppliers that can provide specialist equipment/vehicles.
- The potential requirement to fund the replacement of National New Dimensions Assets which currently has not been factored in the capital requirements.
- Additional building costs required to support the deliver Zero Emission Pumping Appliances (ZEPA)
- Difficulty in obtaining planning consent for new developments and refurbishments.
- Third party collaboration and contractor capacity to deliver, as all capital projects will require varying collaboration with external parties over the project life.
- The risk that the planned capital disposals will not realise the projected capital receipts income or may not come to fruition thus resulting in additional borrowing costs.
- Additional revenue budget pressures resulting from increased revenue impact of borrowing.

- Interest rate increases for borrowing.
- Changes in government funding, policy and legislation.
- Availability and speed of developments in technology.
- Recruitment and retention of key skilled staff and significant staff resource to deliver the capital schemes.

40. The risks are being managed by as follows.

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

Knowledge and Skills

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

Governance and Monitoring

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

Officers' Responsibilities

49. The LFC has overall responsibility for the Capital Strategy, with support from senior management with the strategic development and monitoring of the capital programme through Commissioner's Board and Directorate Boards. The Capital Strategy will also be subject to consultation with the Deputy Mayor, and submission to the Mayor as part of the budget submission. Wherever appropriate to do so, and more specifically for the larger projects, project boards are established, which consist of a wide range of professional expertise. These boards meet regularly to assess and monitor the progress of the projects to ensure the delivery of the defined capital investment.

Chief Finance Officer Sign Off

50. 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 be presented to the Commissioner's Board, and the Fire and Resilience Board, alongside reports for approval of the Budget and Treasury Management Strategy.

LFC Reserve Strategy**SECTION 1: Introduction and Background**

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

Strategic Context

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

Long-Term Sustainability

6. Reserves are an essential tool to ensure long term budget stability particularly at a time when the LFC is facing significant risk over funding and savings requirements in future years. In recent years LFC has built up reserves to help meet short term budget gaps, in particular the Budget Flexibility Reserve. The budget plans set out in the Budget Submission 2021/22 include full draw down of this reserve by the end of 2022/23.
7. Reserve balances have been identified as a key indicator of financial health and the LFC continues to have an appropriate level of reserves to deal with identified risks. As a minimum,

there are sufficient balances to support the budget requirements and provide an adequate contingency for budget risks.

8. There are two different types of reserve, and these are

- **Earmarked Reserves** – these reserves are held to fund a specific purpose and can only be used to fund spending associated with that specific purpose. Should it transpire that not all of the agreed funds are required then decisions would be sought on how any remaining balance is to be utilised.
- **General Reserve** – usage from this Reserve is non-specific and is held to fund any unforeseen spending that had not been included in the base budget e.g. excessive operational activity resulting in significant additional overtime costs.

9. It should be noted that if a risk materialises that requires significant draw from reserves, the LFC would need to seek to prudently rebuild reserves back to an adequate level in future years.

10. It is also important to bear in mind that reserves are not the only way in which the financial risks are managed. Insurance cover is in place for a wide range of eventualities. In terms of this cover there is an insurance excess, with the LFC meeting the first £0.85m on claims up to the aggregate of £5.0m. 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 £5.0m. These levels are determined in discussion with the General Counsel's Department.

11. This insurance is supported by provisions that are raised in the Statement of Accounts each year for potential uninsured events where there is knowledge of a claim. These provisions are held to provide funding for a significant liability or loss that is known with some certainty will occur in the future, but the timing and amount is less certain. The 2019/20 draft accounts include £5.3m of provisions. The largest provisions relate to motor insurance, at £2.1m, and legal provisions at £1.4m.

12. The LFC, via the GLA, also has potential access to the Bellwin scheme in particular circumstances for emergency financial assistance. The scheme is named after the late Lord Bellwin, a minister in the former Department of the Environment who introduced the scheme in 1983. It was given a statutory basis in Section 155 of the Local Government and Housing Act 1989. The scheme may be activated in any case where an emergency or disaster involving destruction of or danger to life or property occurs and, as a result, one or more local authorities incur expenditure on, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among its inhabitants. However, it should be noted that there is no automatic entitlement to financial assistance: Ministers are empowered under the Act to decide whether or not to activate a scheme after considering the circumstances of each individual case.

13. The Bellwin scheme requires an expenditure threshold to be exceeded in order to trigger claims, and the threshold is set each year. For the latest Bellwin claim (Grenfell Tower) this was set at £0.75m for fire within the GLA Group. In addition, only a proportion of costs can be recovered, in particular these have to be marginal (additional) costs, and only costs in excess of the threshold will be reimbursed.

14. There are however other schemes that the Government may provide in exceptional circumstances. For example the former Department for Communities and Local Government (DCLG) wrote on 19 August 2011 to Leaders of local authorities, and fire and rescue authorities,

which were affected by the civil disturbances advising of a recovery package for communities, including new funding for local authorities and fire and rescue authorities which incurred 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.

15. There may also be circumstances that arise where central government additional funding, such as during the current Covid-19 pandemic. The Ministry of Housing, Communities and Local Government (MHCLG) has provided additional funding and the LFC has received £1.8m through this source via the GLA. As part of the MHCLG funding £6m was provided to the Home Office to support FRSs Covid-19 response, and the LFC has submitted a claim against this fund.

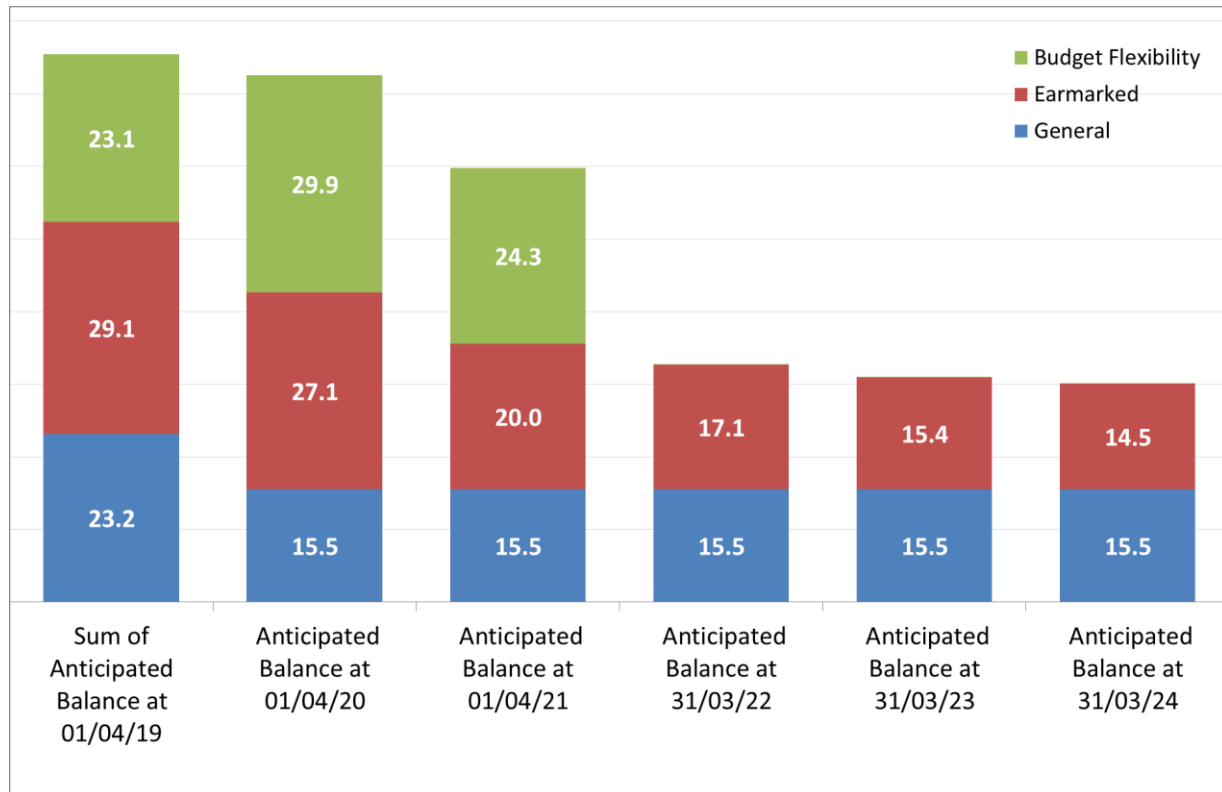
SECTION 2: Risk Assessment to Determine the Adequacy of the General Reserve

16. A well-managed multi-purpose authority will strive to maintain as low a level of General Reserve as possible, whilst still covering its financial risks. As a single-purpose authority, the LFC has no opportunity to use cross-service subsidies to meet unanticipated expenditure and so, proportionally, its General Reserve may be slightly higher than for a multi-purpose authority.
17. The LFC has a robust approach to managing risk and there are effective arrangements for financial control in place. That said, given the high level of influence that third parties, such as the Local Government Employers and Government departments have on its income and expenditure, there is always a risk that the LFC will unexpectedly become liable for expenditure that it has not budgeted for.
18. The LFC has set its level for the General Reserve at 3.5% of net revenue budget. This is lower than the 5% commonly used across the Fire Sector nationally. The minimum of 3.5% requirement is a challenging but not untypical position for an upper tier local authority, and it is considered that this is still a reasonable basis for forward planning.
19. The opening balance on the general reserve in 2020/21 was in excess of the stated level following the underspend in 2019/20. Part of this excess balance was used to establish the transformation reserve, to support the Transformation Delivery Plan, with the remainder transferred to the Budget Flexibility Reserve. Managing the Covid-19 response is presenting significant financial challenges for the LFC; however, the intention remains to maintain the general reserve at the 3.5% level.
20. The percentage measure is a useful control measure but is a rudimentary way of assessing the adequacy of the general reserve and a more meaningful approach is to develop a risk assessment. The LFC considers both measures as part of its annual Reserve Strategy.
21. A risk assessment of the adequacy of the LFC's General Reserve is carried out annually to determine the extent to which the LFC is exposed to uninsured and unbudgeted losses. The risk assessment for the coming financial year, 2021/22, has been prepared as part of the budget setting process. The impact and scale of potential short term losses has been estimated to be £28.7m, with £2.0m of this assessed as high risk.
22. Based on the forecast overspend of £7.6m, at Q2, the balance of the general reserve would fall below the stated minimum level. However, the overspending is to be addressed through an additional draw from the Budget Flexibility Reserve, to allow the general reserve to be maintained at 3.5%, £15.6-m, at the end of 2020/21. Officers will continue to monitor the level of the General Reserve.

SECTION 3: Annual Review of Earmarked Reserves

23. The LFC has a number of earmarked reserves which have been established for specific purposes where there have been timing differences at budget setting or year end, or emerging risks or cost pressures. The relevance of, and balance in, each of these is reviewed annually and the LFC is informed of the latest plans for the balances held in such reserves over the medium term via the Reserves Strategy. When the LFC approves the Reserves Strategy for publication it will be made available on its website, including the draft Reserves Strategy prepared as part of the Budget Submission to the Mayor and which is subject to consultation with the London Assembly's Fire, Resilience and Emergency Planning (FREP) Committee before approval in the final budget in March.
24. As part of the annual review of reserves 2020-21, Earmarked Reserves are presented in broad categories and analysed as outlined below.
- **Reserves to cover timing differences** – This includes reserves where funding has been received in previous financial years and these balances are held to meet the costs in future years. At the start of 2020/21 the balance of this group of reserves is anticipated at £20.3m and the forecast balance at the end of 2023/24 is £14.1m.
 - **Cost pressures** – This group of reserves is where money has been set aside from the revenue budget in previous years to fund projects or one-off expenditure that is uncertain in timing. At the start of 2020/21 the balance of the group of reserves is anticipated at £6.0m and the forecast balance at the end of 2023/24 is £0.4m.
 - **Emerging risks** – two reserves are held to cover potential risks in future years. These are for compensation and hydrants and the forecast balance at the start of 2020/21 is anticipated at £0.8m and is expected to be used in full over the next four years.

Chart 1: current reserve level and forecast balances



Risk Assessment of the Adequacy of General Reserves

25. 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.
26. 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.
27. 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.
28. 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	Pandemic outbreak, impact of Grenfell inquiry on public confidence/ safety, threat of terrorism, effect of cyber attack, ineffective contractual and non-contractual training.	£3.4m	£8.0m	£1.1m	£6.0m
Medium	Industrial relations, impact of Grenfell inquiry on staff wellbeing, capacity to delivery change, death or serious injury, ineffective budget planning, failure of mobilising system, adult safeguarding not effective, insufficient support for staff wellbeing, impact of major incidents, high sickness levels, operational vacancies, training requirements not met, contractual failure, inclusion strategy fail.	£22.8m	£26.3m	£5.3m	£10.0m
Low	HMIC results affect public confidence, impact of Brexit on service delivery.	£3.9m	£0.0m	£3.9	£0.0m

29. 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 £30.1m. However, this needs to be considered against the probability of more than one significant risk materialising in any one year.
30. 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.
31. The table shows that £26.7m of the total short term exposure is assessed as low or medium with the remaining £3.4m as high risk. So while the total risk exposure is above the LFC's currently assessed minimum level of reserves (£15.2m based upon the proposed 2021/22 budget), this needs to be considered against the probability of all these risk events occurring. The highest estimated single drawing in the short term is for £5.3m.

Conclusion

32. 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 £5.0m in any one year, the current availability of £5.3m in provisions to cover known or expected events, the availability of earmarked reserves, and a generally prudent approach to cost estimation and budgeting indicates that a general reserve level of 3.5% (£15.5m) can currently be deemed to be adequate given the corporate governance and control arrangements in place across the organisation.

Annex A Projected Reserve Balances over Medium Term Financial Plan Period (2020-2023)

Reserve	Anticipated Balance at 01/04/20 £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	568	(44)	(50)		474
Capital Expenditure Reserve	11,745				11,745
Central Programme Office	645		(645)		0
Compensation	677	(517)	(37)		123
Emergency Medical Response	294				294
Emergency Services Mobile Communication Programme	2,172	(964)	(585)	(623)	0
Fire Safety and Youth Engagement	1,008	(674)	(192)	(83)	59
Transformation Delivery Plan	0	7,700	(2,807)	(3,254)	1,639
Funding Reductions	0	5,000			5,000
Hydrants	462		(120)	(127)	215
ICT Development Reserve	1,953		(541)	(550)	862
LFC Control Centre	729	(729)			0
LFC Museum Project	201	(38)	(70)		93
London Resilience	771				771
London Safety Plan Initiatives	3,163	(310)	(949)		1,904
Organisational Reviews	327	(89)	(89)		149
Recruitment/ Outreach	250				250
Sustainability	235				235
Vehicle & Equipment Reserve	2,696	(59)	(221)	(1,337)	1,079
Budget Flexibility	29,930	(13,894)	(16,036)		0
General	21,399	(5,824)			15,575
Total	79,225	(10,442)	(22,343)	(5,974)	40,466

General Reserve

- 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. All earmarked reserves continue to be reviewed to ensure they continue to meet these requirements, and this position will continue to be updated throughout the budget process.

Earmarked - Budget Flexibility Reserve

- The Budget Flexibility Reserve was set up in response to the Mayor's 2017/18 Budget consultation letter that requires the temporary boost to LFC's balances to be held to assist balancing future year's budgets, and is funded from budgeted savings in 2017/18 of £6.2m followed by an additional transfer in that year of £12.5m identified during that year. The reserve

was also supplemented by a further £4.4m in 2018/19 and £7.6m in 2019/20. This will be used to support the budget position in 2020/21 and 2021/22.

Earmarked – Timing Differences

4. The Capital Expenditure Reserve was created based on the funding received from the GLA in relation to the sale of the site in Southwark. This is to be paid back to the GLA and the process for making this payment is being discussed.
5. The Corporate Programme Office is an NFCC function hosted by LFC. This reserve is based on funding exceeding spend in 2019/20 and as spend increases over the next two years, this funding will be used to balance the cost of the programme.
6. 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. Central Government has committed to provide grants to cover the reasonable cost of transition from the current Airwave service to ESN. However, the full financial implications of implementation of the network are not yet known. Based on current estimates it is recommended that £900k of this reserve can be released.
7. The Fire Safety and Youth Engagement reserve was established in 2016/17 (FEP 2661) and is funded from the net contribution to overheads from the LFC's former trading company, LFB Enterprises. This was later supplemented from contributions received to fund youth engagement activities. The reserve is to be used to support future youth engagement activities. It is currently forecast that the current balance on this reserve will be utilised by 2022/23.
8. The LFC control centre reserve was set up to fund any one-off shortfall in funding for the LFC Control Centre at Merton, after government funding expires. It is now recommended that this reserve is released and that any shortfall in funding is considered as part of usual medium term financial planning.
9. 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.
10. Under the current London Safety Plan (LSP) a number of trials and pilots were to be carried out in future financial years. LFC currently holds an earmarked reserve to aid in the implementation of any new operational delivery models over the life of the plan. The remaining balance on this reserve will be reviewed as the next LSP is prepared for 2022/23.

Earmarked – Cost Pressure

11. 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. Potential use of the remaining balance on this reserve is being reviewed alongside additional funding of £1.3m provided as part of implementing the Grenfell Tower Inquiry recommendations.

12. 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.
13. 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.
14. The London Resilience reserve was established to manage the costs of the implementation of new London Resilience workstreams. This function continues to develop, including in relation to responsibilities and funding. The continuing requirement for this reserve is to be reviewed as part of the 2020/21 outturn.
15. The Organisational review reserve was created as part of the 2018/19 outturn report and includes for ongoing work on the review of the property services function and the building safety programme.
16. 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).
17. The sustainability reserve was set up to deliver the LFC's programme of investment in enhanced energy efficiency and renewable technologies.
18. The vehicle and equipment reserve includes funding of £2.0m for the ultra low emission fleet programme, £670k for alterations to vehicles to comply with the Ultra Low Emission Zone (FEP2687) and £60k to retrofit some LFB non-frontline vehicles with hybrid diesel/hydrogen alternatives to further reduce the environmental impact of the LFB fleet (FEP2661). It is expected that this reserve will be fully used by the end of 2022/23.

Earmarked – Emerging Risks

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 is used to fund compensation claims in excess of budgeted amounts. Its level has been kept under review for adequacy, alongside reviewing the annual compensation budget.
20. 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.

Annex C – Extract from National Framework reference reserves

Reserves

21. Sections 31A, 32, 42A and 43 of the Local Government Finance Act 1992 requires billing and precepting authorities to have regard to the level of reserves needed for meeting estimated future expenditure when calculating the budget requirement.
22. Fire and rescue authorities should establish a policy on reserves and provisions in consultation with their chief finance officer. General reserves should be held by the fire and rescue authority and managed to balance funding and spending priorities and to manage risks. This should be established as part of the medium-term financial planning process.
23. Each fire and rescue authority should publish their reserves strategy on their website, either as part of their medium term financial plan or in a separate reserves strategy document. The reserves strategy should include details of current and future planned reserve levels, setting out a total amount of reserves and the amount of each specific reserve that is held for each year. The reserves strategy should cover resource and capital reserves and provide information for the period of the medium term financial plan (and at least two years ahead).
24. Sufficient information should be provided to enable understanding of the purpose(s) for which each reserve is held and how holding each reserve supports the fire and rescue authority's medium term financial plan. The strategy should be set out in a way that is clear and understandable for members of the public, and should include:
 - how the level of the general reserve has been set;
 - justification for holding a general reserve larger than five percent of budget; and
 - details of the activities or items to be funded from each earmarked reserve, and how these support the FRA's strategy to deliver a good quality service to the public. Where an earmarked reserve is intended to fund a number of projects or programmes (for example, a change or transformation reserve), details of each programme or project to be funded should be set out.
25. The information on each reserve should make clear how much of the funding falls into the following three categories:
 - Funding for planned expenditure on projects and programmes over the period of the current medium term financial plan.
 - Funding for specific projects and programmes beyond the current planning period.
 - As a general contingency or resource to meet other expenditure needs held in accordance with sound principles of good financial management (e.g. insurance)

Appendix 8 – Risks and Opportunities to the Financial Position

1. Covid-19 Pandemic

- 1.1. The **Covid-19** continues to present significant risk and uncertainty to the LFB.
- 1.2. The Brigade has incurred substantial additional costs in adapting the way it delivers its services, with for example, requirements for **additional PPE and cleaning**. The ongoing nature of the pandemic means that the risk of further additional costs remains.
- 1.3. The Brigade has also incurred additional costs as part of the **emergency services response** in London, in particular as part of the Ambulance Driver Assist (ADA) with the London Ambulance Service (LAS). Discussions continue with the LAS on continuing ADA into the second wave of the pandemic.
- 1.4. **Additional funding** is being pursued to help offset these additional costs, including from the GLA and Home Office as well as cost recovery from the LAS.
- 1.5. Covid-19 is also impacting on funding in the current and future years, including the negative impact on the **ongoing funding** available to the Mayor through business rates and council tax. Initial assessments of this impact have been reflected in the indicative funding from the Mayor, but there remains the risk of further impact. Covid-19 is also impacting on the resources available to Government and this presents the risk of a negative outcome from the Spending Review.

2. Firefighter and Local Government Pension Schemes

- 2.1. There was a material increase in the cost of employer contributions for the existing firefighter pension schemes, following the **scheme valuation 2016**. That increase was assessed at £25m and is largely as a result of changes, by Government, to the discount rate used in valuing future liabilities. A grant of £22m has been provided to offset this pressure in 2019/20 and again in 2020/21, and although it is expected that this grant will be repeated in 2020/21, confirmation is still awaited. As this funding would then have been provided for three years, it is assumed that this will be confirmed as ongoing in the spending Review from 2022/23.
- 2.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities (FRAs), of a discrimination claim in connection with the transitional arrangements applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. The tribunal ruled in favour of the claimants. The Government and FRAs sought permission from the Supreme Court to appeal the Court of Appeal's decision, however was denied, with the case returning to the Employment Tribunal for a remedy to be determined. The Government consultation setting out options for the remedy recently closed, and further advice on the outcome is awaited. It is expected that the remedy will be implemented from 2022, as this may have significant cost implications for the LFC, depending on the level of additional Government funding provided. The remedy is made more complex as it may need to address the issue on a range public sector pensions, including the LGPS.

3. London Pensions Fund Authority (LPFA) Pensions Administration

- 3.1. 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 (LFC-0361) that the LFC should continue the current shared service arrangement with the LPFA/LPP for the administration of the FPS. This allows continuity on the pensions administration through the very challenging period expected to implement the changes to the

pension scheme on the remedy to the pensions case mentioned 1.2 above, as well as providing an opportunity for the LPP to embed its new business and costing model.

4. Pay and Inflation

- 4.1. The Covid-19 pandemic continues to provide uncertainty, and this may result in high levels of sickness and/or self-isolation among all staff groups within the LFB. In order to maintain resilience in front line response, the LFB will need to maintain contingency arrangements to ensure adequate fire cover continues to be delivered across the organisation. This could potentially result in increased staff payments including overtime and recall arrangements, the potential use of the LFB's emergency fire crew contract and other financial pressures.
- 4.2. LFC has made a budget provision for a 2% **pay award** for all staff in each of the next three years from 2021/22 to 2023/24. This will be kept under review in light of the recent announcement by the government and in context of national pay bargaining for operational staff.
- 4.3. Discussions taking place regarding a pay award for all firefighters up to and including the rank of Group Commander linked to the work associated with the Counter Terrorist response.
- 4.4. The **EU Withdrawal process** and **Covid -19** 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.

5. Capital Expenditure and Financing

- 5.1. 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.
- 5.2. 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 in departments, with regular reporting in to Finance where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and reported to Commissioner's Board to be agreed.
- 5.3. 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.
- 5.4. **Operations Support Centre (OSC) Project (formally IELP)** – Practical completion of the site has been completed however there is a risk that additional expenditure requirements maybe identified as part of finalising the project.
- 5.5. **Fleet and Equipment** - A risk exists in relation to meeting the emission reduction targets for 2030 (Ultra Low Emission Fleet (ULEF) programme) for the replacement vehicles and associated equipment in that the technology and infrastructure, if available at all, may be more costly than existing vehicle technology. Existing vehicles may need to be replaced early than their expected replacement date, bringing forward capital expenditure.

- 5.6. As part of the **ICT** project to upgrade the desktop environment **cloud based services** will be utilised for Microsoft office products. These products are offered in a variety of packages and LFB has selected a mix of these that best suits the business use identified by the project. There is a risk that the allocation of licences associated with this may not provide sufficient functionality or allow appropriate levels of integration with other applications. The likelihood is low, however should it arise the cost implications could be significant with a maximum annual revenue requirement of some £0.7m.
- 5.7. The capital projects programme has been impacted by both Covid-19 disruption on site and delays to obtaining planning permission. The impacted projects include the Plumstead Redevelopment and Biggin Hill The delays to meeting the target deadlines will be considered as part of the capital monitoring process and there may be additional costs.
- 5.8. Of the 10 LSP5 sites, nine have been sold. London Borough of Islington has confirmed it no longer intends to purchase Clerkenwell and the site is being remarketed.
- 5.9. The **energy budgets** continue at a less cautious level than seen in the past, and as a result continues the risk of overspends in future years, for example because of a colder than average winter.
- 5.10. The LFB **Croydon Training Centre** project has a revised budget of £15.5m that was approved in July 2017, along with a revised profile of expenditure over the life of the project. This is subject to review during the planning and design stage.
6. Funding from the Mayor and Central Government
 - 6.1. This report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next two financial years. However there is significant uncertainty about the level of funding for future years due to a number of risks on the funding available to the Mayor, through **retained business rates** and the **council tax**, as well Government decisions on funding, including the **spending/fair funding reviews**.
 - 6.2. There is to be a one year funding settlement for 2021/22 and it is expected that a further spending review will cover the financial years from 2022/23. The result of that spending review may then materially affect the funding for fire that the Mayor receives. It would then be for 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 Home Office will replace the existing Airwave contracts as part of the delivery of the **Emergency Services Network (ESN)**. Existing contracts are subsidised, and the Home Office has provided assurance this subsidy will remain for the term of the Airwave Contract. There could be significant financial pressures to LFC under any new contract provision for ESN as the Home Office may be unwilling to continue to subsidise a future system. LFB budget plans include a saving of £277k in 2024/25 for disbanding the ESN project team and whilst ESMCP have not yet issued a revised project timeline to deliver ESN, from what is known it will be 2023 at the earliest before the Brigade can transition to the new system. The revised Full Business Case for ESN has not yet been agreed within Government and it is currently uncertain when any financial impacts for LFC will be known. Once known the budget plans will be updated accordingly. The LFB currently holds an earmarked reserve of £1.2m against any anticipated costs of this work.
 - 7.2. Evaluations are currently underway for a new **Command Support System (iCOS)**. As a preferred supplier has yet to be appointed, it is not known what the likely costs of the new system will be. Plans have been developed at £250k revenue and £600k capital funding based

upon information received from the suppliers, however until actual contract award there remains a risk that these sums may be insufficient.

- 7.3. There is a similar risk in respect to the **OneRisk** system which is system is being introduced to replace the legacy systems for the collection and management of Fire Safety and Operational risk information. The project is still in the requirements gathering stage and it will not be until we go to market that actual costs will be known, and the adequacy of the planned funding determined.
- 7.4. Central government funding has been provided for the National Fire Chiefs Council (NFCC) Building Safety Team hosted by the LFB, and with a number of seconded officers. If this funding were to cease those officers would return to their base postings at LFB but there is likely to be a need to commit to shaping the wider for Safety landscape during the implementation and refinement of the Hackitt recommendations for which LFB has so far played a pivotal role. However, Central Government funding remains in place at this stage.
- 7.5. There is currently a review of **Youth Engagement** being undertaken within LFB, one of the potential outcomes may be to invest in a single lead product that is Fire Cadets - this potentially would provide the ongoing funding for the cadet units that have received initial funding from the Mayor. The Youth Review paper is currently progressing through the Governance process.
- 7.6. The **Transformation Delivery Plan**, including actions to address the Grenfell Tower Inquiry and HM Inspectorate of Constabulary and Fire & Rescue Services recommendations, continues to develop and evolve, and there is a risk that further financial pressures and may emerge.
- 7.7. 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 responder numbers that must be available. At a time when the UK threat level is at Substantial meaning an attack is likely, 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 a number of terrorist attacks in London since 2017 the Brigade's response has come under scrutiny and subject to debate in the House of Commons and subsequent Inquests. The response is an important part of the Brigades response to terrorism and the funding required must be protected or it will leave the Brigade with considerable risk against a range of threats noted in the National Security Risk Assessment (NSRA). The detail of the capability and response has security implications with some Operations protectively marked a SECRET, the information is therefore not publicly available. This report considers the future cost of establishing this on a more formal basis.

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. Price increases are being considered by Thames Water which could affect the Water Team budget in Procurement. It is still subject to further discussions with the supplier and the cost impact is currently being refined.

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, as well potential change to legislation impacting on the ability to raise income.

- 9.2. The saving proposals from 2017/18 and continuing over the current planning period include material savings for income generated through the (Metropolitan Fire Brigade) **MFB Act**. This budget has recovered more income than budgeted 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 increase the risk of overspends in subsequent years.
- 9.3. It is currently expected that **Legal costs** related to the Grenfell Investigation would be recovered under LFC's insurance. Any variation to this forecast may further increase the current overspending position. The disclosure costs are an area of particular attention with further upward cost pressure. Discussions are ongoing with insurers as claims are submitted, and work is continuing in this area.

Equality Impact Assessment: Agreed Savings Proposals 2021/22

1. What is the name of the policy, project, decision or activity?

Budget 2021/22 – agreed savings proposals

Overall Equality Impact of this policy, project, decision or activity (select once EIA is completed):

High		Medium	X	Low	
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2. Contact details

Name of EIA author	Abby Crawford
Department and Team	Inclusion, People Services

3. Aim and Purpose

What is the aim and purpose of the policy, project, decision or activity?	To set out the budget 2021/22 for London Fire Brigade. The 2020/21 March Budget report presented the budget gap over the four years up to 2023/23. That report agreed a deficit of £4.8m for 2020/21 to be met from the budget flexibility and transformation reserves, which had been established for that purpose. The report also then showed a much larger draw of £25.1m in 2021/22 to meet the deficit in that year and a budget gap of £35.1m by 2022/23.
Who is affected by this work (all staff, specific department, wider communities?)	LFB staff.

4. Equality considerations: the EIA must be based on evidence and information.

What consultation has taken place to support you to predict the equality impacts of this work?	Consultation with Trade Unions, Inclusion Team.
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5. Assessing Equality Impacts

1. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising LFB functions and taking decisions.
2. It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
3. The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.
4. The Public Sector Equality Duty requires us, in the exercise of all LFC functions (i.e. everything the LFC does), to have due regard to the need to:
 - (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
5. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
 - (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;

Appendix 9

(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.

6. The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
7. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—
 - (a) tackle prejudice, and
 - (b) promote understanding.
8. In June 2020 all Heads of Service received Budget Guidance from the Head of Finance, outlining the requirements for budget setting. This document included specific guidance on when and how to undertake an Equality Impact Assessment on proposals. Guidance stated 'the more the proposal affects staff or service users, the more relevance it will have to equality issues. You should undertake an EIA if your saving or growth proposal:
 - Affects employees or service users directly; or
 - Will result in a major change in the way we deliver a function; or
 - Relates to functions that are important to a particular group; or
 - Could affect different groups in different ways; or
 - Relates to an area with known inequalities.
9. In addition, Heads of Service were reminded of the Mayor's Budget Guidance provided the following guidance in relation to equality impacts, at 5.3 and 5.4:

5.3 It will be a key objective for London's recovery to address the social and economic inequalities that have driven differences in the impact of Covid-19 across London's communities, as well as the inequalities created as a result of the crisis itself. In reviewing and repurposing their budgets to support London's recovery all members of the GLA Group must consider what steps they can take to address these inequalities.

5.4 All members of the GLA Group must also assess their wider budget proposals to consider both their potential impact on different groups of Londoners (including, but not limited to, those protected by equalities legislation), and are encouraged to consider how they can broaden their activities to further address poverty, economic inequality and social integration in London.

Appendix 9

10. The Inclusion Team have been consulted on a number of equality impact assessments and equality implications for individual proposals, mainly those which have potential to impact on staff in a significant way or which have potential impacts on different groups, including:
- Review of the Youth Services functions (impact on women and young people);
 - Proposal regarding fitness advisors (impact on staff);
 - Proposals regarding deletion of posts.
11. Where adverse impacts have been identified, engagement and consultation will continue with trade unions, equality support groups and the Inclusion Team to determine actions to mitigate these. These will be monitored through implementation of the action plans arising from individual EIAs.

Staffing Equality Impacts: Post Deletions

1. There are at least 41.52 (net) posts (final figure will be confirmed on 29 October 2020) which are proposed to be deleted within the savings proposals in this budget. Although the majority of post deletions relate to posts which are vacant, there are **seven** posts which are not vacant, and six of these are likely to be subject to redundancies (one deletion is two generic posts reducing to one). The equality breakdown of the current postholders of these seven positions are:

Age		Gender		Ethnicity		Disability	
Over 55	Under 55	Female	Male	BAME	Non-BAME	Yes	No
6	1	5	2	6	1	1	6

2. The table above demonstrates a clear adverse equality impact on ethnicity and gender, specifically affecting women and BAME staff.
3. Consultation with the Inclusion Team and Industrial Relations Team has identified an important mitigation, to reduce the adverse impact identified above. In the first instance all individuals will be given redeployee status, and the Brigade will actively seek to identify vacant posts that they can be directly redeployed, or assimilated, into.

Appendix 9

4. This mitigation, however, is subject to recruitment continuing at the current rate. Should recruitment not continue at the current rate, assurance has been sought by the Assistant Director, People Services, that the exception criteria (where Directors may approve recruitment even where this has been advised to pause) will explicitly apply to the group of individuals referenced above.

7. Legal duties under the Public Sector Equality Duty (s149 Equality Act 2010)	
How does this work help LFB to:	
Eliminate discrimination?	Each individual proposal which has been found to have potential or actual equality impacts will have an EIA undertaken as the responsibility of the budget proposal owner (usually Head of Service). As part of this they will identify opportunities to eliminate discrimination using the EIA template. The mitigations outlined above re: staffing impacts aim to eliminate any discrimination as part of the redeployment/redundancy processes.
Advance equality of opportunity between different groups?	There are a number of growth proposals submitted which provide an immediate and obvious opportunity to advance equality of opportunity (e.g. growing teams or expanding mental health support), and positive impacts are also expected to be captured as part of the individual equality impact assessment process. Where savings through staffing reductions have been identified, consultation will take place to ensure actions are taken to mitigate impacts – including utilising voluntary redundancy where requested and redeploying where posts are proposed to be deleted, to ensure equality of opportunity can be maintained.
Foster good relations between different groups?	Thorough consultation with Trade Unions, Equality Support Groups and the Inclusion Team has been advised throughout the budget setting process to identify opportunities to foster good relations between different groups. There is no immediate impact on this element of the Duty arising from this process.

Appendix 9

Budget Guidance - Environment

The Mayors budget guidance for the GLA Group set out the requirement that budget proposals ensure sufficient resourcing and budget necessary for the continued efficient and effective delivery of the London Environment Strategy. As a minimum budget proposals were expected to demonstrate how they were contributing to key Mayoral ambitions, including: the 60% CO₂ reduction target; compliance with zero emission fleet targets; the 65% municipal waste recycling target and helping to achieve at least 50% green cover of London. Details of resourcing and budget allocated against these areas is set out below and in Tables 1-2.

Revenue budgets included for 2022/23 onwards will be subject to review as part of the budget setting process, including adjustments for inflation and managing budget pressures.

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

Reducing CO₂ emissions

The LFCs Carbon Reduction Strategy was approved in February 2020. It sets out plans to achieve the 2025 target of 60% CO₂ reduction and a 3 year programme of works from 2020/21 to 2022/23. Works include further installation of photovoltaics, LED lighting, and improvements to heating controls at fire stations. It also includes plans to take forward a Power Purchase Agreement (PPA) for additional renewable electricity generation. Budget items that relate directly to the strategy are identified in table 1 as Carbon Strategy.

The strategy also included actions to inform the approach to achieve the 2050 net zero carbon target by moving away from natural gas dependency. Namely a trial of an Air Source Heat Pump, and a feasibility study to achieve a zero carbon fire station. A review of works and funds required to achieve future targets is expected to be undertaken on completion of the current programme of works.

Budget items that support carbon reduction, and do not form part of the new works set out in the Carbon Reduction Strategy are identified in table 1 as carbon reduction. Major works on building refurbishment for energy efficiency included within this appendix are identified under 'new developments' in the capital programme. The figures provided in table 1 of this appendix exclude items under new developments that do not include any energy efficiency related improvements such as the refurbishment of the appliance bay at Biggin Hill.

Significant improvements have been delivered on carbon reduction to date including:

- CO₂ emissions have reduced by over 52% from 1990 levels as at April 2020.
- Some 830 kWp of solar photovoltaics (PV) have been installed at 65 sites (over half of the LFCs premises), of which some 16 or 205kWp was installed during the current mayoral term. A further four sites are out to tender for PV, with more in the design stage, that are expected to be completed before the end of March 2021.
- The electricity supply contract that commenced in July 2020, provides 100% REGO backed renewable electricity and the potential to take forward a PPA through sleeving arrangements.

Air Quality

The existing fleet is now 14% zero emission capable, with 66 electric range extended or hybrid electric fleet cars. They are supported by dedicated charging infrastructure at 97 of the 102 land based stations. Three of the remaining stations are expected to have charging infrastructure installed as part of major refurbishment works planned at those sites. The LFC owns or leases five other sites, all of which have charge points installed. A further three fire stations are undergoing installations of publicly accessible rapid charging under the Mayors scheme led by Transport for London. This will provide readily accessible infrastructure to one of the remaining fire stations that has insufficient electrical capacity to install a dedicated charging point.

The replacement programme of fleet vehicles that will bring them into line with ULEZ compliance continues. Centred around the pumping appliance replacement project, which has replaced over 68% of these frontline vehicles, with completion due by October 2021. Vehicles based within the central ULEZ zone are already compliant.

The fireboat replacement project is on track to replace the existing boats, with engines specified to the International Maritime Organisation (IMO) tier 3, which requires specific NOx reducing technologies similar to that of Euro 6 engines for road vehicles.

Reducing Waste

Across the estate the average recycling rate has increased to 67.8%, and exceeded the LES target, with a further LFC set target of 80% in place. A programme of premises audits is working to identify supporting measures to improve performance across the estate, with positive early results. All general waste is diverted from landfill.

Green Cover

The sustainable development team supports fire stations across London to improve local green cover, providing policy guidance and encouragement through the Brigade in Bloom competition. Some 82 fire stations have established gardens, improving wellbeing locally. Developed and built locally by firefighters on a voluntary basis, each is unique to their station.

Responsible Procurement

Progress against the Responsible Procurement implementation plan continues. Led by the Sustainable Development Team within the Procurement Department and supported by the Central Responsible Procurement Team (CRPT). The CRPT is now funded directly by the GLA.

Adapting to Climate Change

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

Table 1: LES related existing budget items

LES theme	Description of Item	Capital / Revenue	2021/22 £k	2022/23 £k
Carbon Strategy	Works set out in the carbon strategy	Capital	731	531
Carbon Strategy	REGO certified renewable electricity	Revenue	1,650	1,650

LES theme	Description of Item	Capital / Revenue	2021/22 £k	2022/23 £k
Carbon Strategy	Works set out in the carbon strategy	Revenue	24	24
Carbon Strategy	Carbon Reduction Manager - to deliver the carbon strategy	Revenue	80	80
Carbon reduction	Planned minor works property improvements that will support energy efficiency improvements of buildings such as heating, windows and roof replacements	Capital	3,988	2,685
Carbon reduction	Planned major works building refurbishment projects that will include energy efficiency and renewable energy as per the requirements set out in the standard station design briefing	Capital	14,076	10,501
Carbon reduction	Energy and compliance team	Revenue	187	187
Air Quality	2 x fire boat replacement	Capital	475	0
Air Quality	The fleet capital replacement programme will replace vehicles with ULEZ compliant vehicles	Capital	9,766	0
Air Quality	Charge points Maintenance and Management	Revenue	26	26
Waste Reduction	Existing budget allocation to deliver the waste and recycling collection	Revenue	328	328
Climate Adaptation	London Resilience Group	Revenue	1,168	1,168
Implementation Support	Sustainable Development Team	Revenue	301	301

Table 2: LES related reserve budget items

LES theme	Description of Item	Capital / Revenue	Reserve £k	Comment
Air Quality	The Ultra Low Emission Fleet programme and Zero Emission Pumping Appliance Programme, and Programme Manager	Revenue	1,832	Early feasibility work undertaken, spend profile is dependent on ZEPa procurement currently out to tender.
Air Quality	Phase 2 installation of electric vehicle charging point infrastructure	Revenue	173	Works largely complete, 2 sites delayed, awaiting landlords permission and review of electrical supply upgrade requirements.

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

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

Date 30 November 2020

Dear Andrew,

LFC Reserves Strategy and Medium Term Financial Plan

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

The Home Office published, in May 2018, its updated fire and rescue national framework, which set out the Government's priorities and objectives for fire and rescue authorities (FRAs). The framework sets out the documents each FRA is required to produce including an integrated risk management plan (the London Safety Plan), an annual statement of assurance (to be published later this year) and its financial plans including an efficiency plan (which is now formed by the Budget Submission), a medium term financial strategy and a reserves strategy. Due to the impact of Covid-19 and deferral of the 2020 local elections the current London Safety Plan has been extended for a further year, at which point the LFC will develop a new plan.

As part of the 2021/22 Budget Process a Reserves Strategy and Medium Term Forecast have been prepared in accordance with the Chartered Institute of Public Finance and Accountancy (CIPFA) guidance, to assist in decision making and the ultimate approval of the 2021/22 Budget for the LFC. Draft versions of these documents are included in the Budget Submission to the Mayor, provided to meet the 30 November 2020 deadline. A copy of that submission, which also forms the efficiency plan for the LFC including the Reserves Strategy at Appendix 7 and the Medium Term Forecast at Appendix 2, is attached to this letter.

I would be grateful if the FREP Committee could review and consider these two documents and provide any comments so that these can be considered as part of finalising the LFC Budget 2021/22.

Yours sincerely

Andy Roe
London Fire Commissioner

Objective Analysis	Budget Submission (November 2020)			
	Revised Budget	Forecast	Budget	Plan
	2020-21	2020-21	2021-22	2022-23
Community safety	41.3	42.0	39.5	38.2
Fire fighting and rescue	377.6	383.4	376.9	374.0
Fire-fighter pensions	22.2	22.5	22.0	22.2
Emergency planning and London Resilience Team	1.2	1.2	1.1	1.1
Central services	0.1	0.1	0.2	0.2
Savings to be identified	-10.2	-10.4	0.0	-8.2
Net service expenditure	432.2	438.8	439.8	427.6
Capital financing costs	8.0	8.7	9.0	11.7
External interest receipts	-0.6	-0.6	-0.6	-0.6
Net revenue expenditure	439.6	446.9	448.1	438.7
Transfer to/(from) reserves	-4.9	-10.3	-23.0	-1.9
Financing requirement	434.7	436.6	425.1	436.8
Specific grants	33.2	35.1	33.3	33.3
Retained business rates	232.9	232.9	228.1	232.7
Council tax requirement	168.6	168.6	163.7	170.9

Subjective Analysis	Budget Submission (November 2020)			
	Revised Budget	Forecast	Budget	Plan
	2020-21	2020-21	2021-22	2022-23
Operational staff	278.4	285.2	275.5	270.9
Other staff	60.6	59.7	59.6	60.8
Employee related	24.4	24.0	27.5	27.9
Pensions	21.3	21.0	21.6	21.8
Premises	40.2	42.4	45.3	46.3
Transport	17.0	17.0	18.1	18.4
Supplies and services	28.0	33.6	31.2	31.5
Third party payments	1.3	1.4	1.5	1.5
Capital financing costs	8.0	8.6	9.0	12.1
Central contingency against inflation	0.0	0.0	0.0	0.0
Savings to be identified	0.0	0.0	0.0	-8.2
Total expenditure	479.2	492.9	489.3	483.0
Total income	-39.6	-46.0	-41.2	-44.2
Net expenditure	439.6	446.9	448.1	438.8
Transfer to/(from) reserves	-4.9	-10.3	-23.0	-1.9
Financing requirement	434.7	436.6	425.1	436.9
Specific grants	33.2	35.1	33.3	33.3
Retained Business Rates	232.9	232.9	228.1	232.7
Council tax requirement	168.6	168.6	163.7	171.0

Changes in the council tax requirement

Compares Revised Budget 2020-21 with 2021-22 Budget

2020-21 council tax requirement	168.6
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Changes due to:

Inflation	8.6
Savings and efficiencies	-4.2
Net change in service expenditure and income, excluding inflation and savings	4.1
Change in use of reserves	-18.1
Net change in government grants and retained business rates funding	4.7

2021-22 council tax requirement	163.7
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Description of Saving	Directorate (from objective analysis. Add additional rows if necessary)	Nature of Saving (e.g. Procurement/Staff input reduction s/cost avoidance /income maximisation/others)	Impact of Saving (e.g. operational impact on front line services)	Risk Impact (High/Medium/Low)	Budget Submission (November 2020) Enter figures as positive, incremental numbers
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Due to the corporate overspend this year the in year savings are being met through a transfer from the Budget Flexibility Reserve to an earmarked reserve to pay to the GLA next year. The LFB is implementing savings and cost controls to reduce the forecast overspend position, including the in year savings totalling £958k as detailed in Appendix 3 of the budget submission

Total	0.0	0.0
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Breakdown of reserves balances at end of financial year	Budget Submission (November 2020)			
	Forecast			
	Outturn 2019-20	Outturn 2020-21	Budget 2021-22	Plan 2022-23

Additional Resilience Requirements	0.6	0.5	0.5	0.5
Capital Expenditure Reserve	11.7	11.7	11.7	11.7
Central Programme Office	0.6	0.6	0.0	0.0

Funding Reductions	0.0	5.0	5.0	5.0
Compensation	0.7	0.2	0.1	0.1
Emergency Services Mobile Communication Programme	2.2	1.2	0.6	0.0
Emergency Medical Response	0.3	0.3	0.3	0.3
Fire Safety and Youth Engagement	1.0	0.3	0.1	0.1
Transformation Reserve	0.0	7.7	4.9	1.6
Hydrants	0.5	0.5	0.3	0.2
ICT Development Reserve	2.0	2.0	1.4	0.9
LFC Control Centre	0.7	0.0	0.0	0.0
LFB Museum Project	0.2	0.2	0.1	0.1
London Resilience	0.8	0.8	0.8	0.8
London Safety Plan Initiatives	3.2	2.9	1.9	1.9
New Governance Arrangements	0.0	0.0	0.0	0.0
Organisational Reviews	0.3	0.2	0.1	0.1
Recruitment/ Outreach	0.3	0.3	0.3	0.3
Sustainability	0.2	0.2	0.2	0.2
Vehicle & Equipment Reserve	2.7	2.6	2.4	1.1
Budget Flexibility	29.9	13.9	16.0	0.0
Total earmarked reserves	57.9	51.1	46.7	24.9
General reserves	21.4	15.6	15.6	15.6
Total reserves	79.3	66.7	62.3	40.5

Movement in reserves during financial year	Budget Submission (November 2020)			
	Forecast			
	Outturn 2019-20	Outturn 2020-21	Budget 2021-22	Plan 2022-23
Opening balances	75.4	79.3	66.7	62.3
<i>Transfers to / from (-)</i>				
Earmarked reserves	5.7	-6.8	-4.4	-21.8
General reserves	-1.8	-5.8	0.0	0.0
Total reserves	79.3	66.7	62.3	40.5

Total reserves at end of financial year	Budget Submission (November 2020)			
	Forecast			
	Outturn 2019-20	Outturn 2020-21	Budget 2021-22	Plan 2022-23
Earmarked reserves	57.9	51.1	46.7	24.9
General reserves	21.4	15.6	15.6	15.6