

Decision title

Financial Position as at the end of September 2020

Recommendation by

Assistant Director, Finance

Decision Number

LFC-0426- D

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Summary

Report LFC- 0426 presents the London Fire Commissioner's financial position as at the end of September 2020 and provides information on financial performance against revenue and capital budgets.

The forecast at the end of September is for an overspend of £7,577k, a decrease of £2,526k since last reported at the end of June 2020 (LFC - 0389). This does however represent progress to date to identify further in year expenditure reductions to address the overspending position and reduce the impact on reserves.

This forecast outturn position is before the impact of the £10m in year funding reduction from the Mayor met in part by the use of GLA reserves at £5m and further £5m met from the Budget Flexibility Reserve (BFR).

Decision

That the London Fire Commissioner:

1. Notes the financial position as at the end of September 2020, which includes a forecast overspend of £7.6m.
2. Notes the forecasts in Report LFC- 0426 do not reflect the potential impact of any recruitment freeze for FRS and Operational staff in this financial year. It is anticipated that if this is agreed it could result in a reduction in the overspend of approximately £2m.
3. Approves the reserve movements set out at Table 2 in Report LFC- 0426.
4. Approves the capital budget re-phasing of £1,479k to future years, offset by the re-profiling of £302k from the 2021/22 capital budget to 2020/21, as detailed in Report LFC- 0426.

5. Agrees the release of £5m from the Budget Flexibility Reserve to meet part of the £10m in year funding reductions from the Mayor, with the remainder being met by GLA reserves.
6. Agrees draw of £7,577k from the BFR to meet the overspending position in the current financial year and to maintain the general reserve at the stated minimum level.



Andy Roe
London Fire Commissioner

Date **This decision was remotely
signed on Monday 14 December**

Access to Information – Contact Officer	
Name	Steven Adams
Telephone	020 8555 1200
Email	governance@london-fire.gov.uk

Report title

Financial Position as at the end of September 2020

Report to

Corporate Services DB
Commissioner's Board
London Fire Commissioner

Date

27 October 2020
04 November 2020

Report by

Assistant Director, Finance

Report number

LFC-0426

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If redacting, give reason:

Executive Summary

This report presents the London Fire Commissioner's financial position as at the end of September 2020 and provides information on financial performance against revenue and capital budgets.

The forecast at the end of September is for an overspend of £7,577k, a decrease of £2,526k since last reported at the end of June 2020 (LFC - 0389). This does however represent progress to date to identify further in year expenditure reductions to address the overspending position, and reduce the impact on reserves.

This forecast outturn position is before the impact of the £10m in year funding reduction from the Mayor met in part by the use of GLA reserves at £5m and further £5m met from the Budget Flexibility Reserve (BFR).

For the London Fire Commissioner

1. Notes the financial position as at the end of September 2020, which includes a forecast overspend of £7.6m.
2. Notes the forecasts in this report do not reflect the potential impact of any recruitment freeze for FRS and Operational staff in this financial year. It is anticipated that if this is agreed it could result in a reduction in the overspend of approximately £2m.
3. Approves the reserve movements set out at Table 2.
4. Approves the capital budget re-phasing of £1,479k to future years offset by the re-profiling of £302k from the 2021/22 capital budget to 2020/21 as detailed in this report.

5. Agrees the release of £5m from the Budget Flexibility Reserve to meet part of the £10m in year funding reductions from the Mayor, with the remainder being met by GLA reserves.
6. Agrees draw of £7,577k from the BFR to meet the overspending position in the current financial year and to maintain the general reserve at the stated minimum level.

Introduction and Background

1. This report presents the current revenue and capital expenditure position for September 2020 and the forecast outturn position at March 2021. It includes a forecast revenue overspend of £7,577k.
2. All departments review their actual income and expenditure on a monthly/quarterly basis, and provide an updated forecast of outturn and explanation of variances, against all their budgets, to the Finance Department. These returns then form the basis of reporting to the Corporate Services Directorate Board and to the Commissioner's Board and from there on to the Greater London Authority, before any decision needing to be made by the London Fire Commissioner (LFC).
3. This report presents progress to date to identify further in year expenditure reductions to address the overspending position, including further work undertaken to identify possible actions to address the overspend on operational overtime, as well as an update on COVID-19 response costs. These were all key areas of overspending identified in the Q1 financial position report.

Background to 2020/21 Budget

4. The 2020/21 budget was approved by the LFC on 25 March 2020 (LFC-0324y-D) with a net revenue budget of £401.5m, being made up of net expenditure of £444.4m with £9.6m funding from earmarked reserves and £33.3m funding from specific grants.
5. This report sets out a summary position on both the revenue and capital budgets, and then provides more detailed explanations of variances.

Mayor's Budget Guidance for 2021/22

6. The Mayor of London published his Budget Guidance for 2021/22 on 26 June 2020. The Guidance sets out scenarios for reductions in funding sources available to the Mayor, and reduces funding for the LFC in 2021/22 by up to £15m, and also includes an in year funding reduction of up to £10m in 2020/21. The £10m in year funding reduction from the Mayor is met in part by the use of GLA reserves at £5m and the remaining £5m is proposed to be met from the Budget Flexibility Reserve (BFR). The LFC is pursuing in year spending reductions, but these will be applied in the first instance to address the overspending position, which has now reduced from £10.1m at Q1 to £7.6m at Q2.

Revenue

7. The forecast outturn position at the end of September 2020 on the revenue budget is for an overspend of £7,577k, which is 1.7% of the net revenue budget. The forecast overspend at

Quarter 1 of £10,103k has decreased by £2,526k since last reported at the end of June (LFC-0389). The main reasons for this movement are explained below.

8. The variance is mainly due to:

- The operational staff costs being increased by £1,759k since last reported at the end of June mainly on additional costs on operational overtime. A significant element of this is the increased requirement to backfill volunteers for the Ambulance Driving Assist (ADA) working with the London Ambulance Service (LAS) as part of the Covid-19 response, with the cost expected to be recovered from the LAS. Further information on operational overtime is provided at paragraph 14.
- FRS Staff costs also being increased by £613k, bringing the total overspend on FRS to £1,049k, which is 1.9% of the total FRS budget. This overspend includes the impact of a £1,900k vacancy margin in 2020/21 based on expected FRS vacancy levels when the budget was set. Further information on FRS overtime is provided at paragraph 17.
[Note to CSDB: Discussions continue with departments to reduce the forecast spend in light of the recruitment process, and also if there is a recruitment freeze.]
- £675k on Professional Services, overspending mainly on the Grenfell Tower Investigation legal costs, which is met in part by income from the insurers.
- £288k decrease in interest receipts due to the delay in realising capital receipts, as well as the higher level of expenditure reducing cash balances.
- A decrease in the forecast recovery on Metropolitan Fire Brigade Act 1865 (MFB Act) income of £110k, following further work on prior year payments.

9. The above overspends are offset by other movements in the forecast outturn due to additional underspending on the following items:

- Forecast over recovery of Income is £3,868k due to additional income at £3,500k for cost recovery on operational overtime and allowances for ADA from the LAS as part of our Covid-19 response, and revised forecast on income expected from insurers to reimburse the legal costs on the Grenfell Tower Investigation (£368k).
- The forecast overspend on Building Maintenance has been revised down by £847k due to the current financial pressures, with proactive action taken to suspend further works unless they are justified due to urgent health and safety or operational requirements, and maintain overall premises spend within budget.
- £672k on Professional Development made up of £1,376k underspend on Training due to the delay in the implementation of the independent review of training due to Covid-19 and the decision to keep design and production with Babcock, offset by additional Covid-19 related spend due to cancelled training courses (£702k).
- £416k in running costs due to revised forecast spend in insurance renewal premiums for Fleet vehicles and contract hire and operating leases.
- £150k revision to the forecast spend on Communications budgets due to the withdrawal of teleconferencing now replaced with an alternative web based solution, in place to help manage the substantial increase in working from home as part of the Covid-19 response.

10. The key variances are explained in more detail from paragraph 12 below.

Tables and Appendices to this report

11. A number of appendices provide additional detail on the financial position, as follows:

- Table 1 provides a summary of the financial position for the revenue budget;
- Table 2 provides Impact of Budget Flexibility Reserve on Budget Gap;
- Table 3 provides Forecast Changes to Capital Programme 2020/21;
- Table 4 provides the latest position on reserves;
- Table 5 provides the Capital Budget Changes by Department
- Appendix 1 provides additional detail on the forecast outturn financial position for the revenue budget;
- Appendix 1A – Revenue budget by Department
- Appendix 2 provide details on the projects contained within the capital programme;
- Appendix 3 shows the changes in the use of reserves from March Budget Report;
- Appendix 4 discuss the risks to the revenue and capital position that have not been quantified;
- Appendix 5 provides an analysis of outstanding debt relating to charges for Shut in Lift attendances;
- Appendix 6 meets the requirement to disclose all budget virements within the quarter under the LFC Scheme of Governance;

Table 1 - Summary Financial Position

	Current Budget	Current Spend	Current Variance	Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Q1	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Operational staff	136,370	139,446	3,076	278,384	285,199	6,816	5,056	1,759
Other staff	28,949	30,939	1,990	60,624	61,700	1,076	463	613
Employee related	21,484	18,820	(2,664)	24,435	23,997	(438)	324	(761)
Pensions	11,171	11,004	(166)	21,321	21,071	(250)	0	(250)
Premises	25,644	25,412	(232)	40,183	42,338	2,155	2,997	(842)
Transport	14,394	15,899	1,505	17,018	17,019	2	286	(284)
Supplies and services	19,345	32,505	13,160	27,933	33,590	5,657	4,994	663
Third party payments	932	1,293	360	1,345	1,449	104	116	(12)
Capital financing costs	182	427	245	8,050	8,552	502	502	0
Central contingency against inflation	5	0	(5)	43	62	18	3	15
Total revenue expenditure	258,476	275,746	17,269	479,335	494,978	15,642	14,742	900
Other income	(35,373)	(35,129)	243	(39,606)	(45,957)	(6,351)	(2,881)	(3,470)
Net revenue expenditure	223,104	240,616	17,513	439,729	449,021	9,291	11,861	(2,570)
Use of General Reserves	(5,824)	0	5,824	(5,824)	(5,824)	0	0	0
Use of earmarked reserves	5,416	0	(5,416)	930	959	29	(15)	44
Financing Requirement	222,696	240,616	17,921	434,836	444,156	9,320	11,846	(2,526)
Financed by:								
Specific grants	(16,668)	(123,772)	(107,104)	(33,336)	(35,079)	(1,743)	(1,743)	0
GLA funding	0	0	0	(401,500)	(401,500)	0	0	0
Net Financial Position	206,028	116,845	(89,183)	0	7,577	7,577	10,103	(2,526)

Reasons for the Revenue Position

Staff

Operational Staff

- The budget for operational staff is forecast to have a substantial overspend at £6,816k, an increase of £1,759k since reported at the end of June, mainly on additional costs on operational overtime for ADA as part of our Covid-19 response. Cost recovery from the LAS is expected to offset the impact of the overspend on overtime (£1,894km) and spend on allowances (£1,567k) related to ADA support.

13. Deducting the impact of expected income above still leaves a large overspend of £3,316k and this is mainly due to Pre-Arranged Overtime (PAO), where further actions taken since last reported are detailed below.

Operational Overtime

14. In order to address the issue on PAO, a working group has now been set up to review how this is supporting service delivery and the impact this is having on the budget. This work includes reviewing all current detachments from fire stations, as well as understanding the impact of the pressures the Brigade is under whilst also trying to deliver all of the actions within the Grenfell/HMI recommendations and the Transformation Delivery Plan (TDP).
15. The working group will also review the availability of appliances using 'off the run' data, as well as staffing requirements for each shift.
16. The outcome of the above review is awaited, for discussion to inform corporate priorities and next steps.

FRS and Control Staff

17. FRS budgets are forecast to overspend by £1,049k, which is 1.9% of the total FRS budget. This overspend includes the impact of a £1,900k vacancy margin in 2020/21 based on expected FRS vacancy levels. At the end of September, there were 177 vacancies and 89 agency staff. This overspend therefore means that departments are currently not expecting to fully achieve the vacancy margin, based on departmental recruitment plans and leaver forecasts.
18. **Note to CSDB:** A central review of the FRS staff spend to date has been carried out and the forecast position shows a variance of £200k underspend based on a forward projection of the cost incurred in the year to date compared to £1,049k departmental position. This does not reflect the potential impact of any recruitment freeze for FRS staff in this financial year which could increase the FRS underspend considerably. This position will continue to be monitored through the year.
19. Control staff budgets are forecast to overspend by £26k mainly on overtime.

Insurance related

20. As previously reported at the end of June (LFC - 0389), insurance related budgets were under pressure due to a substantial increase in renewal premiums as a result of the claims experience on Grenfell. This was addressed by, an accelerated procurement process to identify alternative options for fleet and liability covers, and allowed the renewal premiums increase of £2,000k to be reduced by £1,001k. A further reduction of £421k for fleet vehicles and contract hire and operating leases, has now been achieved because the premium with new Insurer is lower, reducing the overspend in the current year to £501k.

Employee Related

Professional Development

21. There is an underspend of £653k on Professional Development budgets made up of £1,376k on Training due to the delay in the implementation of the independent review of training due to Covid-19, as well as the decision to keep design and production with Babcock because of their capability to invest funds and undertake design and development trials. Retaining this service with Babcock was necessary as it became evident and crucial that virtual technology training

solutions will be required going forward. This underspending is offset by additional Covid-19 related spend for cancelled training courses and other training related costs (£702k).

Medical and Welfare Expenses

22. The budgets for medical and welfare expenses are forecast to underspend by £110k, an increase of £75k since last reported at the end of June due to lower childcare claims and fewer medical appeals.

Firefighter Pensions

23. Firefighter pensions budgets include expenditure on injury pensions, ill health top ups and sanction charges. There is a forecast underspend of £250k on injury pensions following medical reviews as well as a reduction in overall injury pensioner numbers.

Premises

24. There is a forecast overspend of £2,155k on Premises budgets, a decrease of £842k since last reported at the end of June (LFC - 0389), and will maintain overall premises spend within budget. This is following proactive action taken to suspend further building maintenance works, due to the current financial pressures, unless they are justified due to urgent health and safety or operational requirements.
25. As previously reported at the end of June, the main reason for the forecast overspend of £2,155k is in relation to Cleaning and Domestic Supplies (£2,242k), relating to additional cleaning at LFB Properties as part of the Covid-19 response, including £1,196k on the extension of this through the second wave of the pandemic. This is offset by an underspend on Other Property Services (£150k) due to funding specifically approved for the provision of expert property advice on the 8 Albert Embankment project, where no spend is now forecast during 2020/21, as the developers planning application has been 'called in' by the Government and this is expected to delay the project for a further year. The funding will be transferred to an earmarked reserve at the end of the financial year.
26. A forecast overspend on rents of £107k is due to the estimated cost of dilapidations at Brigade Distribution Centre (BDC) when the lease comes to an end .

Transport

Vehicle and Equipment Contract and Vehicle Passthroughs

27. The vehicle and equipment contract is forecast to overspend by £248k. This is due to three extra aerials on the run for training and also (£40k) due to lower levels of abatements, which are incurred when KPIs are not met, than prior years due to Babcock's progressive performance. There is also a forecast overspend on vehicle passthroughs of £121k due to anticipated increase in spend on accidents due to major damage caused by a recent accident.

Travel

28. Transport budgets are forecast to overspend on Travel (£410k) mainly due to Covid-19 related spend for Ultra Low Emission Zone (ULEZ) and congestion charge expenses, mileage costs for LAS volunteers and travel to Covid-19 tests.

Running costs

29. The above overspends are offset by £600k underspending on running costs due to BP free fuel for emergency services, and reduced home visits due to the Covid-19 pandemic.

Supplies and Services

30. There is a forecast overspend of £5,657k on Supplies and Services budgets an increase of £663k since last reported at the end of June (LFC - 0389). This increase is largely due to £675k overspend on Professional Services mainly on the Grenfell Tower Investigation legal costs, that will be offset by income from the insurers. The additional overspending is offset by a revision to the forecast spend on Communications budgets (£150k), following the withdrawal of teleconferencing, which has now been replaced with an alternative web based solution, to support the increased home working as part of the Covid-19 response.

31. As previously reported at the end of June (LFC - 0389), the rest of the overspends are mainly on:

Operational Equipment (£1,462k), for direct orders of additional Personal Protective Equipment (PPE), including additional Face Masks and HML costs due to Covid-19;

Professional Services (£2,854k), mainly on the Grenfell Tower Investigation legal costs, offset by £361k for the HR and Payroll System which is delayed due to Covid-19, and is planned to be transferred to an earmarked reserve at year end;

Communications budgets (£100k), due to the withdrawal of teleconferencing, now replaced with an alternative web based solution to support increased home working as part of the response to Covid-19;

Hardware and Software (£835k), due to additional ICT equipment for Covid-19 response (£308k), Grenfell Tower Investigation legal related software purchase (£321k), and software system charges (£121k) that are shared with GLA;

Staff Reimbursements (£289k), on expenses for ADA and Pandemic Multi Agency Response Teams (PMART) volunteers.

External Interest

32. As previously reported, there is a forecast overspend on external interest of £502k, with a new borrowing requirement in 2020/21 following the delay in expected capital receipts.

Income

33. The forecast over recovery of income is £6,351k an increase of £3,470k since last reported at the end of June. This is mainly due to additional income of £3,500k for cost recovery on operational overtime and allowances for ADA as part of our Covid-19 response. There are further changes with additional income expected from insurers to reimburse the legal costs on the Grenfell Tower Investigation (£368k), offset by £288k decrease in interest receipts because of reduced balances held, due the delay in capital receipts for sale of assets, and a reduction in Metropolitan Fire Brigade Act 1865 (MFB Act) income of £100k due to revised forecast relating to a prior year payment.
34. As previously reported at the end of June (LFC- 0389), the remainder of the over recovery relates to income from insurers in respect of Grenfell Tower Investigation (£2,753k) which offsets spend on professional services and hardware and software costs relating to Grenfell. Other areas include Training (£299k) due to predictions for National Interagency Liaison Officers (NILO) and

Smoke Filled Environment (SFE) courses for 2020/21, IDOX library software charges (£121k) that are shared with GLA, and on secondment income offsetting staff salary costs (£169k).

35. Appendix 5 includes an update on the position on the key outstanding charges, relating to Shut in Lift debt.

Specific Grants

36. This is an over recover on specific grants mainly due to a grant income of £1,760k from the GLA to partly offset costs of the response to Covid-19 pandemic. The LFC has also submitted a claim against the £6m Home Office Covid-19 response fund.

Funding Reductions

37. The Mayor's Budget Guidance 2021/22 included reductions in funding in 2021/22 of up to £15m, and in year funding reductions of up to £10m in 2020/21.

38. The Q1 Financial Position Report (LFC-0389) considered plans to address these funding reductions. The £10m in year funding reductions is planned to be addressed in three parts, with £5m to be met from GLA reserves, £3m from in year spending reductions and the remaining £2m from the use of the Budget Flexibility Reserve. It is however recognised that the £3m in year spending reductions were in addition to the forecast overspend at Q1 of £10.1m, therefore it is currently shown that the £3m in year funding reduction will also be met from the BFR, for an additional £5m.

39. The forecast outturn at the end of September is for an overspend of £7,577k. It is intended that overspending in the current financial year will be met from the BFR, to maintain the general reserve at the stated minimum level. The LFC has been taking action to address the overspending to reduce the demand on the BFR. Set out below are the key areas where reductions in spend have been achieved to reduce the draw from the BFR (this is addressing increases in costs since Q1, in particular on overtime relating to the Covid-19 response, as well as reducing the overspend from the Q1 position).

- Costs recovery LAS - additional income of £3,500k for cost recovery on operational overtime and allowance for ADA as part of our COVID response.
- Building maintenance - a decrease of £842k on premises budgets to maintain overall premises spend within budget. This is following proactive action taken to suspend further building maintenance works unless they are justified due to urgent health and safety or operational requirements,.
- Professional Development - £1,376k on training due to the delay in the implementation of the independent review of training due to Covid-19, as well as the decision to keep design and production with Babcock.

40. The balance on the BFR is to be used to help address the budget gap in 2021/22. Therefore an increased use of the BFR in 2020/21 impacts on the ability to balance the budget in 2021/22. Table 2 below shows the impact in 2021/22 of the accelerated use of the BFR. The Budget Submission report which is also on today's agenda, then sets out proposals to present a balanced budget in 2021/22.

Table 2 – Impact of Budget Flexibility Reserve on Budget Gap

	2020/21 £m	2021/22 £m	2022/23 £m
Forecast Budget Gap (Surplus)/Deficit	12.6	20.8	52.6
Additional Draw on Budget Flexibility Reserve to meet overspend	(7.6)		
Additional Draw on Budget Flexibility Reserve to meet in year funding reduction	(5.0)		
Reduced Budget Flexibility Reserve draw available in 2021/22		12.6	
Revised Forecast Budget Gap (Surplus)/Deficit	0.0	33.4	52.6

41. The in year spending continues to be reviewed, as well as opportunities for additional funding pursued, in order to further reduce the forecast overspend and consequent draw on the Budget Flexibility Reserve. This review will also include earmarked reserves to identify whether any balances can be repurposed to help address the overspending. The LFC has also received additional funding to address the Grenfell Tower Inquiry recommendations, of £1.3m, and Fire Safety/Protection funding, of £5.5m, which is provided to address specific criteria and may be used beyond the current financial year.

Covid-19 forecasts

42. The total forecast cost of LFC's response to the Covid-19 pandemic is currently £9,412k for 2020/21 and will be offset by funding from the GLA of £1,760k, and forecast additional income for cost recovery from the LAS of £3,500k on operational overtime and allowances for ADA support, resulting in a forecast net expenditure of £4,152k.
43. The GLA funding at £1.8m is made available from additional Covid-19 funding the GLA received from MHCLG totalling £18.6m. This additional MHCLG funding also included £6m provided to the Home Office, and the LFC has submitted a claim. This is not currently included in the forecast estimates set out in this report, pending the outcome of that claim, given that costs recovery from the LAS may reduce the cost to be reimbursed by the Home Office. Therefore a positive outcome on this claim would reduce the overspend, and resulting draw from the BFR.
44. The Home Office have also requested that FRSs provide a record of expenditure on the Covid-19 response, so they can monitor the spend across the sector. The NFCC is collating these returns from each FRS on a monthly basis.

Capital

45. The forecast outturn capital position for 2020/21 is £31,875k which is £1,162k less than the revised budget of £33,037k reported as part of the Quarter 1 Financial Position (LFC-0389). The main changes in the programme are detailed below and set out from paragraph 51. The detailed capital programme is provided in Appendix 2.
46. Expenditure against the capital programme in 2020/21 will be partly funded through the use of capital receipts (£1,529k) and third party contributions (£625k). The remaining budget requirements will need to be financed through borrowing (£29,721k), with arrangements in place with GLA Group Treasury to borrow within the GLA Group in the period up to realising capital receipts.
47. Table 3 below shows the summary capital forecast position as at the end of September 2020.

Table 3. Forecast Changes to Capital Programme 2020/21

Department	2020/21 Budget - Outturn 2019/20	2020/21 Budget - Q1	2020/21 Forecast Q2	Movement Q1 to Q2	Budget Variance year to date
	£k	£k	£k	£k	£k
ICT	2,488	1,793	1,802	9	(686)
Property Services	14,153	11,901	10,423	(1,478)	(3,730)
Communications	110	110	119	9	9
Fleet and Equipment	16,230	19,233	19,531	298	3,301
Operational Policy	3,200	0	0	0	(3,200)
Total	36,181	33,037	31,875	(1,162)	(4,306)

Position on Reserves

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 £7,577k is £15,575k 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. The balance on the general reserve is now £184k above the minimum general reserve position of 3.5% of the net revenue expenditure

Table 4 - Position on Reserves

£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 31/03/20
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				(64)	2,108
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
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		(7,577)	(5,000)	(4,946)	12,408
General	21,399	(5,824)	7,577		(7,577)	15,575
Total	79,224	0	0	0	(12,442)	66,783

48. The Draft Outturn Financial Position report (LFC 0355) approved the transfer of £324k to the Compensation reserve to allow this earmarked reserve to be maintained at a level of £1m to meet any additional spend on compensation costs in future years and £5,500k into a new Transformation reserve to fund the Transformation Delivery Plan (TDP). The transformation reserve includes additional grant income from the GLA of £2.2m bringing the transformation reserve total to £7.7m
49. The use of reserves mainly include £841k on Compensation reserve to fund personal injury claims, a revised forecast draw of £310k from the London Safety Plan initiatives and £674k to fund Fire Safety and Youth Engagement.
50. The Budget Flexibility Reserve is to be used to meet the in year funding shortfall, both resulting from the forecast overspend (£7,577k) and the balance on the funding reductions (£5,000k).
51. As previously reported at the end of June, it is proposed to transfer to the earmarked reserve the expected underspend on Other Property Services of £150k and £361k on professional service

for the HR and Payroll System delayed due to Covid-19. This will be reviewed as part of the outturn reporting at the end of the financial year.

52. The forecast movement on the reserves in 2019/20 was included as part of the Budget Report 2020/21, and the movements set out above are compared to the original forecast in a table provided at Appendix 3. This shows the anticipated balance on reserves at 31st March 2020 presented in the Final Budget 2020/21, and the revised forecast balance included in this report. The forecast balance in reserves has decreased from £79,224k to £66,783k, a decrease of £12,442k mainly as a result of the forecast overspending position and draw on the general reserve to meet the funds for the Transformation reserve and Compensation reserve.

Capital

53. The original budget for the 2020/21 capital programme was £35,690k, as per the Capital Strategy (LFC-0134) report. The budget was increased to £36,181k following on from the capital outturn position report for 2019/20 financial year (LFC-0355-D), which saw £491k carried forward into 2020/21 from 2019/20.
54. The forecasted capital outturn for 2020/21 as at September is £31,875k which is £1,162k less than the revised budget position at Quarter 1. This is due to a budget slippage to future years of £1,479k offset by budget re-profiling from 2021/22 of £302k. There are also forecast overspends of £9k and £6k in the ICT and Fleet and Equipment capital programmes respectively.

• Budget re-phased to future years	(£1,479k)
• Budget re-profiled from 2021/22	£302k
• Forecast overspend within programme	£15k
• Total	(£1,162k)

55. Further information on the re-phasing of budget to future years (£1,479k) and the re-profiling of budget from 2021/22 (£302k) is provided below.

Budget re-phased to future years

56. Two months has been added to the Plumstead Fire Station Redevelopment programme for design stage 3 and 4 to allow for further collaboration and consultation with stakeholders to finalise the design. Furthermore, the impact of Covid-19 has caused delays in receiving pre-application advice from Greenwich Council, which is a requirement before stage 3 can be closed, and has resulted in approximately four weeks delay. This has resulted in the construction period which was due to start towards the end of 2020/21 slipping into 2021/22 with £877k of the budget being re-phased accordingly.
57. Forecast spend on the new Training Centre has reduced by a further £32k from the Q1 position. A further delay of four months has been factored into the project which will effectively push payments expected in this financial year through to the next. [**Note to CSDB:** The position on the Training centre is being reviewed.]
58. As a result of delays with suppliers due to Covid-19, £400k has been re-profiled into next financial year. These delays will also enable officers to put together a more robust plan to deliver the works over the next three years.
59. The window replacement project at Tooting is proceeding through design stages and pre-application documents have been submitted to the local authority regarding future planning and

listed building consent. However, works are unlikely to commence until 2021/22 and so a further £43k has been re-phased accordingly.

60. A proposal at Quarter 1 to transfer £127k budget from the Biggin Hill extension project to the minor improvements programme in order to fund a project to deliver 'privacy for all' facilities at Holloway fire station has been reversed as the project will not proceed this financial year. The Holloway project has been placed on hold pending future consideration of improvements to existing women's accommodation and the introduction of gender neutral accommodation across the wider LFB estate. This budget has now been re-phased into 2021/22.

Budget re-profiled from 2021/22

61. It is anticipated that the costs of the LFB Museum will be £270k at the end of the financial year, 56% of this amount is to be funded from the National Lottery Heritage Fund. This forecast requires £9k of budget to be brought forward from future years.
62. As part of the completion of Commands Support Units at Stage 1 during 2020/21, £292k of the 10% contingency budget has been re-phased over 2020/21 and the completion of Stages 2 and 3 in 2021/22.
63. The changes from the 2020/21 Q1 position are summarised by department in Table 5 below, and a more detailed summary table in Appendix 2.

Table 5 - Capital Budget Changes by Department

Budget Year	2020/21 Budget - Q1 £000s	2020/21 Forecast - Q2 £000s	Variance £000s	Slippage (to)/ from later years £000s	Budget Increases/ (decreases) £000s
ICT	1,793	1,802	9	0	9
Property	11,901	10,423	(1,478)	(1,478)	0
Communications	110	119	9	9	0
Fleet	19,233	19,531	298	292	6
Operational Policy	0	0	0	0	0
Capital Programme	33,037	31,875	(1,162)	(1,177)	15

Debtors

64. An analysis of debtors relating to Shut in Lift is provided in Appendix 5. This includes a chart that shows the level of Shut in Lift debts. As at the end of September 2020, the total outstanding debt on Shut in Lift is £225k with this increase due to the increasing level of charges raised, with further work being undertaken to confirm if this is an ongoing trend. The Shut in Lift board has been re-established and the debt recovering processes reviewed to support managing the increasing volumes of invoices.

Procurement and Sustainability

65. There are no direct procurement and sustainable implications arising from this report.

Strategic Drivers

66. Transformation Plan Strategic Pillar.

Workforce Impact

67. No staff-side consultations have been undertaken on this report.

Finance comments

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

Legal comments

69. The report is a financial performance update, presented for information only. It is submitted in accordance with Part 6 (Financial Regulations) of the London Fire Commissioner's ("LFC") Scheme of Governance that sets out detailed rules covering financial planning, monitoring, control, systems and procedures and insurance.
70. This report fulfils the obligations of section 8 (f) of the Financial Regulations which stipulates that, "Following consultation with the relevant Heads of Service the Director of Corporate Services will present budget monitoring reports to the relevant Board regularly.
71. The Director of Corporate Services has responsibility for the administration of the LFC's financial affairs under section 127 of the Greater London Authority Act 1999, and is required to ensure arrangements for all financial and accounting matters, the security of money, and other assets are economic, efficient and effective.

Equalities impact

72. 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.
73. 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.
74. 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.
75. 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.
76. 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.
77. 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.
78. 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.
79. Paragraphs 5.3 and 5.4 of the Mayor's Budget Guidance stipulate that:
- 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.
80. The LFB budget guidance includes the LFB's obligations under the Equality Act and Public Sector Equality Duty, with guidance to support departments to complete Equality Impact Assessments (EIAs) on relevant budget proposals.
81. The Inclusion Team has been consulted throughout the process and will support any departments undertaking EIAs on their proposals.

List of Appendices

Appendix	Title	Protective Marking
1.	Detailed Financial Position	N/A
2.	Capital Programme 2020/21	N/A
3.	Changes in use of reserves from March Budget Report	N/A
4.	Risks to the revenue and capital position	N/A
5.	Outstanding LIFT debtors	N/A
6.	Scheme of Governance – Budget Virements	N/A

Appendix 1 – Detailed Financial Position

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 1		Movement between previous and outturn variance
	£	£	£	%	£	£	£	%	£	£
Operational Staff	135,303,424	138,207,681	2,904,257	2.1%	276,250,137	282,830,165	6,580,028	2.4%	4,900,509	1,679,520
Trainee Firefighters	1,066,700	1,237,965	171,264	16.1%	2,133,401	2,369,262	235,861	11.1%	155,897	79,964
Total Operational Staff	136,370,124	139,445,645	3,075,521	2.3%	278,383,538	285,199,427	6,815,889	2.4%	5,056,406	1,759,484
FRS Staff	26,273,985	28,126,531	1,852,545	7.1%	55,088,108	56,137,596	1,049,488	1.9%	436,721	612,766
Control Staff	2,674,638	2,812,417	137,778	5.2%	5,536,277	5,562,431	26,154	0.5%	26,154	0
Total Other Staff	28,948,624	30,938,947	1,990,324	6.9%	60,624,385	61,700,027	1,075,642	1.8%	462,876	612,766
Other Pension Payments	425,000	397,780	(27,220)	(6.4%)	850,000	850,000	0	0.0%	0	0
Severance	0	3,461	3,461	0.0%	0	0	0	0.0%	0	0
Professional Development	18,850,325	17,931,063	(919,262)	(4.9%)	19,712,125	19,059,412	(652,713)	(3.3%)	19,407	(672,120)
Recruitment	82,471	11,847	(70,624)	(85.6%)	164,941	167,391	2,450	1.5%	2,450	0
Employee Related Insurance	304,020	250,522	(53,498)	(17.6%)	304,020	626,720	322,700	106.1%	322,700	0
Compensation	818,980	(601,682)	(1,420,662)	(173.5%)	1,396,678	1,396,678	0	0.0%	14,544	(14,544)
Medical and Welfare Expenses	1,003,540	826,880	(176,661)	(17.6%)	2,007,081	1,896,700	(110,381)	(5.5%)	(35,556)	(74,825)
Total Employee Related	21,484,336	18,819,870	(2,664,466)	(12.4%)	24,434,845	23,996,900	(437,944)	(1.8%)	323,545	(761,489)
Firefighter Pension Scheme	11,170,642	11,004,212	(166,430)	(1.5%)	21,320,692	21,070,692	(250,000)	(1.2%)	0	(250,000)
Building Maintenance	4,585,877	3,496,610	(1,089,268)	(23.8%)	9,403,556	9,363,556	(40,000)	(0.4%)	807,000	(847,000)
Grounds Maintenance	60,492	48,241	(12,251)	(20.3%)	120,984	120,984	0	0.0%	0	0
Premises Security	630,271	428,026	(202,245)	(32.1%)	670,271	670,271	0	0.0%	0	0
Energy Costs	1,012,675	1,051,245	38,570	3.8%	2,463,430	2,463,430	0	0.0%	0	0
Rents	6,032,491	5,950,554	(81,937)	(1.4%)	8,448,856	8,555,518	106,662	1.3%	126,662	(20,000)
Property PFI Contract	5,680,104	5,706,167	26,063	0.5%	5,680,104	5,680,104	0	0.0%	0	0
Property Rates	4,408,167	4,746,121	337,954	7.7%	7,638,967	7,603,634	(35,333)	(0.5%)	(28,800)	(6,533)
Water & Sewerage Rates	117,722	134,574	16,852	14.3%	279,117	279,117	0	0.0%	0	0

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 1		Movement between previous and outturn variance
Fixtures & Fittings	43,985	27,915	(16,069)	(36.5%)	87,969	87,968	(1)	(0.0%)	0	(1)
Cleaning and Domestic Supplies	1,032,797	1,641,131	608,334	58.9%	2,123,597	4,390,763	2,267,166	106.8%	2,242,166	25,000
Premises Insurance	165,508	357,395	191,887	115.9%	331,016	331,016	0	0.0%	0	0
Other Property Services	1,874,230	1,824,339	(49,891)	(2.7%)	2,934,683	2,791,209	(143,474)	(4.9%)	(150,000)	6,526
Total Premises	25,644,318	25,412,318	(232,001)	(0.9%)	40,182,549	42,337,570	2,155,020	5.4%	2,997,028	(842,008)
Running Costs	1,071,622	1,710,953	639,331	59.7%	2,551,555	1,802,784	(748,771)	(29.3%)	(333,081)	(415,690)
Vehicle and Equipment Contract	11,691,696	11,984,006	292,310	2.5%	11,713,196	11,961,502	248,306	2.1%	61,390	186,916
Vehicle Passthroughs	645,764	648,193	2,429	0.4%	642,984	764,436	121,452	18.9%	21,452	100,000
Maintenance and Repairs	0	5,359	5,359	0.0%	0	0	0	0.0%	0	0
Contract Hire & Operating Leases	563,189	520,121	(43,068)	(7.6%)	1,266,014	1,236,719	(29,295)	(2.3%)	72,150	(101,445)
Travel	422,012	1,030,838	608,827	144.3%	844,021	1,253,999	409,977	48.6%	464,150	(54,173)
Total Transport	14,394,283	15,899,470	1,505,188	10.5%	17,017,770	17,019,440	1,669	0.0%	286,061	(284,392)
Hydrants	210,002	1,414,540	1,204,538	573.6%	420,004	425,000	4,996	1.2%	0	4,996
Operational Equipment	678,455	2,763,413	2,084,959	307.3%	1,504,294	2,967,186	1,462,892	97.2%	1,337,363	125,529
Smoke Alarms	293,319	234,221	(59,099)	(20.1%)	586,638	531,569	(55,069)	(9.4%)	(55,069)	0
Equipment Furniture and Materials	179,615	443,108	263,492	146.7%	403,235	460,881	57,646	14.3%	(99,304)	156,950
Lost & NFWT Operational Equipment	122,448	196,591	74,144	60.6%	122,448	178,448	56,000	45.7%	0	56,000
Catering	156,218	117,311	(38,907)	(24.9%)	312,436	261,963	(50,473)	(16.2%)	(35,517)	(14,956)
Clothing & Laundry	2,920,476	3,536,066	615,590	21.1%	3,437,897	3,559,711	121,815	3.5%	206,780	(84,965)
General Office Expenses	319,386	265,564	(53,822)	(16.9%)	579,964	520,125	(59,839)	(10.3%)	(41,000)	(18,839)
Professional Services	8,314,894	7,978,836	(336,058)	(4.0%)	8,959,925	11,490,206	2,530,282	28.2%	1,854,949	675,333
Postal Services	60,830	51,035	(9,795)	(16.1%)	61,055	61,055	0	0.0%	0	0
Communications	2,142,475	6,721,767	4,579,292	213.7%	4,284,950	4,384,950	100,000	2.3%	250,000	(150,000)
Hardware and Software	3,335,706	8,177,215	4,841,509	145.1%	6,336,292	7,171,314	835,021	13.2%	866,424	(31,403)
Staff Reimbursements	120,857	320,884	200,028	165.5%	241,721	531,153	289,432	119.7%	290,839	(1,407)
Grants and Subscriptions	157,643	169,023	11,380	7.2%	274,286	279,048	4,762	1.7%	64,222	(59,460)
Other Insurance	257,000	63,886	(193,114)	(75.1%)	257,000	625,800	368,800	143.5%	368,800	0

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 1		Movement between previous and outturn variance
Advertising	52,931	62,543	9,612	18.2%	105,861	113,003	7,142	6.7%	2,142	5,000
Other Supplies and Services	22,585	(10,774)	(33,359)	(147.7%)	45,170	28,984	(16,186)	(35.8%)	(16,773)	587
Total Supplies and Services	19,344,838	32,505,229	13,160,391	68.0%	27,933,176	33,590,396	5,657,220	20.3%	4,993,856	663,364
Other Agencies	362,134	341,265	(20,869)	(5.8%)	396,134	407,435	11,301	2.9%	11,301	0
Other Local Authorities	486,423	981,675	495,251	101.8%	860,393	912,746	52,353	6.1%	64,753	(12,400)
Audit & Bank Charges	83,800	(30,325)	(114,125)	(136.2%)	88,600	128,922	40,322	45.5%	40,322	0
Total Third Party Payments	932,357	1,292,614	360,257	38.6%	1,345,127	1,449,103	103,976	7.7%	116,376	(12,400)
Debt Repayment	(634,000)	0	634,000	(100.0%)	5,817,000	5,817,000	0	0.0%	0	0
External Interest	815,917	427,343	(388,574)	(47.6%)	2,233,000	2,735,430	502,430	22.5%	502,430	0
Total Capital Financing Costs	181,917	427,343	245,426	134.9%	8,050,000	8,552,430	502,430	6.2%	502,430	0
Budget for Non Staff Inflation	0	0	0	0.0%	0	0	0	0.0%	0	0
Central Contingency	32,000	0	(32,000)	(100.0%)	55,439	76,129	20,690	37.3%	11,665	9,025
Savings to Be Achieved	(29,389)	0	29,389	(100.0%)	(157,329)	(157,329)	0	0.0%	0	0
Savings done by DA	2,321	0	(2,321)	(100.0%)	145,195	142,759	(2,436)	(1.7%)	(8,472)	6,036
Contingency	4,932	0	(4,932)	(100.0%)	43,305	61,559	18,254	42.2%	3,193	15,061
Total revenue expenditure	258,476,370	275,745,648	17,269,278	6.7%	479,335,386	494,977,543	15,642,156	3.3%	14,741,769	900,387
MFB Act Income	(30,577,291)	(30,459,872)	117,418	(0.4%)	(30,577,291)	(30,467,291)	110,000	(0.4%)	0	110,000
Customer and Client Receipts	(4,520,286)	(4,545,391)	(25,105)	0.6%	(8,228,828)	(14,977,696)	(6,748,869)	82.0%	(2,880,766)	(3,868,103)
Interest Receivable	(275,000)	(139,225)	135,775	(49.4%)	(800,000)	(512,000)	288,000	(36.0%)	0	288,000
Bad Debts	0	15,208	15,208	0.0%	0	0	0	0.0%	0	0
Total Other Income	(35,372,576)	(35,129,280)	243,296	(0.7%)	(39,606,118)	(45,956,987)	(6,350,869)	16.0%	(2,880,766)	(3,470,103)

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr.1		Movement between previous and outturn variance
Net revenue expenditure	223,103,794	240,616,368	17,512,574	7.8%	439,729,268	449,020,556	9,291,288	2.1%	11,861,004	(2,569,716)
Use of General Reserves	(5,824,000)	0	5,824,000	(100.0%)	(5,824,000)	(5,824,000)	0	0.0%	0	0
Use of Earmarked Reserves	5,415,841	0	(5,415,841)	(100.0%)	930,338	959,361	29,023	3.1%	(14,544)	43,567
Financing Requirement	222,695,635	240,616,368	17,920,733	8.0%	434,835,606	444,155,916	9,320,311	2.1%	11,846,460	(2,526,149)
Financed by:										
Specific grants	(16,667,803)	(123,771,779)	(107,103,976)	642.6%	(33,335,606)	(35,078,875)	(1,743,269)	5.2%	(1,743,269)	0
GLA Grant	0	0	0	0.0%	(401,500,000)	(401,500,000)	0	0.0%	0	0
Net Financial Position	206,027,832	116,844,589	(89,183,243)	(43.3%)	0	7,577,042	7,577,042	0.0%	10,103,191	(2,526,149)

Appendix 1A – Departmental Breakdown

	Current Budget	Spend	Current Variance	Revised Budget	Forecast Outturn	Forecast Outturn Variance	Previous Forecast Variance Qtr. 1	Movement in Forecast Outturn
Commissioner's & Directors'	854	1,022	168	1,709	1,837	129	129	
Finance Services	(27,269)	(34,587)	(7,316)	(13,065)	(9,772)	3,292	6,404	(3,112)
General Counsel	1,833	1,487	(346)	3,032	3,244	211	(231)	442
Information and Communication Technology	10,903	17,493	6,590	19,319	19,301	(19)	(154)	135
Technical & Commercial	24,739	28,638	3,899	29,507	29,763	257	444	(187)
Property Department	20,774	22,012	1,238	31,646	31,674	28	868	(840)
Directorate of Corporate Services	30,980	35,043	4,063	70,439	74,210	3,771	7,331	(3,560)
Central Operations								
Control and Mobilising	2,821	2,988	167	5,683	5,691	8	8	
Fire Safety	11,577	(87,831)	(99,408)	22,179	21,248	(930)	(1,564)	633
Fire Stations	126,922	130,002	3,080	253,802	259,144	5,343	2,673	2,670
Operational Policy	2,325	2,704	378	4,715	4,729	14	489	(475)
Operational Resilience	3,235	4,418	1,183	6,469	6,265	(204)	377	(581)
Directorate of Operations	146,880	52,281	(94,599)	292,848	297,077	4,229	1,983	2,246
Communications	944	1,183	238	1,851	1,887	37	(24)	61
Health and Safety	474	386	(88)	949	822	(126)	(68)	(58)
People Services	3,962	3,760	(202)	7,873	7,766	(107)	15	(122)
Training and Professional Development	20,207	20,060	(147)	22,419	21,670	(749)	474	(1,224)
Directorate of People Services	25,587	25,389	(198)	33,092	32,145	(947)	397	(1,344)
Grenfell Investigation Team	850	1,042	192	1,701	2,054	353	235	118
Strategy & Risk	878	968	90	1,714	1,722	7	(6)	14
Central Programme Office	(1)	1,100	1,102	(2)	31	34	34	
Directorate of Transformation	1,727	3,110	1,383	3,413	3,807	394	263	131
Total	206,028	116,845	(89,183)	401,501	409,076	7,576	10,103	(2,527)

Appendix 2 - Capital Programme 2020/21

Department	2020/21 Budget - Outturn 2019/20	2020/21 Revised Budget - Q1	2020/21 Forecast Q2	Movement Q1 to Q2	Budget Variance year to date
ICT PROJECTS					
Upgrade Operating System	98	98	98	-	-
Control & Mobilisation System (CAMS)	200	200	200	-	-
Mobile Data Terminals Replacement	56	56	65	9	9
ICT – Virtual Desktop Technology	250	250	250	-	-
New telephone system equipment	10	10	10	-	-
Wireless Access Points	808	808	808	-	-
Replacement of laptops	300	300	300	-	-
New audio visual equip for Stations	500	-	-	-	(500)
Data transfer system for Joint Emergency Services Interoperability Programme	195	-	-	-	(195)
Farynor Replacement (linked to ICT Home Fire Safety Database Project)	71	71	71	-	-
ICT PROJECTS	2,488	1,793	1,802	9	(686)
PROPERTY PROJECTS					
Plumstead Fire Station Redevelopment	460	1,228	351	(877)	(109)
Heating at various stations	881	1,403	1,403	-	522
Window replacement at various stations	699	531	488	(43)	(211)
Rewiring of property at various fire stations	38	38	38	-	-
Roofing replacements	1,019	1,376	1,376	-	357
Minor Improvement Programme	2,021	2,259	2,259	-	238
Appliance Bay Doors (Phase 3)	814	975	975	-	161
Brigade wide Survey for Asbestos & Removal	20	20	20	-	-
West Hampstead Cottages Refurb (FEP2776)	344	344	344	-	-
New Training Centre	1,428	600	568	(32)	(860)
Operational Support Centre	394	394	394	-	-
Lambeth river station (growth bid)	3,197	250	250	-	(2,947)
Lift Refurbishment Works	600	691	692	1	92
Chelsea/Clapham FSs – Accommodation	1,130	857	857	-	(273)
Biggin Hill FS Extension	400	227	100	(127)	(300)
Carbon Strategy Estate Works	708	708	308	(400)	(400)
PROPERTY PROJECTS	14,153	11,901	10,423	(1,478)	(3,730)
COMMUNICATIONS					
LFB Museum – Fit-out	110	110	119	9	9
COMMUNICATIONS PROJECTS	110	110	119	9	9
FLEET & EQUIPMENT PROJECTS					
Replacement of Fleet	3,822	3,822	3,822	-	-
Replacement of Fleet Equipment	550	382	382	-	(168)
Early Replacement of ALP & HP	8,497	8,497	8,497	-	-
CCTV on Pumping Appliances	46	46	46	-	-
Replacement of Specialist Vehicles and Vans	3,548	3,571	3,869	298	321
Early Replacement of Fire Boat	(234)	2,914	2,914	-	3,148

FLEET & EQUIPMENT PROJECTS	16,230	19,233	19,531	298	3,301
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Department	2020/21 Budget - Outturn 2019/20	2020/21 Revised Budget - Q1	2020/21 Forecast Q2	Movement Q1 to Q2	Budget Variance year to date
OPERATIONAL POLICY					
Respiratory Protective Equipment - Barrie	2,300	-	-	-	(2,300)
Fireground Radios	900	-	-	-	(900)
OPERATIONAL POLICY PROJECTS	3,200	0	0	0	(3,200)
CAPITAL EXPENDITURE TOTAL	36,181	33,037	31,875	(1,162)	(4,306)

Appendix 3 - Changes in Use of Reserve from March Budget Report

Appendix 3 shows the anticipated balance on reserves at 31 March 2020 in the Final Budget 2020/21, and the revised forecast balance included in this report. The total amount of reserves has decreased from £79,224k to £66,783k, a decrease of £12,442k mainly as a result of the forecast overspending position and the £5,000k funding reduction to be met from the Budget flexibility Reserve. The impact on the reserves will continue be reviewed as the overspend position develops.

£000s	Anticipated Balance March 2020	Anticipated Balance (Q2 Report)	Movement
Additional Resilience Requirements	568	524	(44)
Capital Expenditure Reserve	11,745	11,745	0
Central Programme Office	645	645	0
In Year Savings Reserve	0	5,000	5,000
Compensation	676	159	(517)
Emergency Services Mobile Communication Programme	2,172	2,108	(64)
Emergency Medical Response	294	294	0
Fire Safety and Youth Engagement	1,007	333	(674)
Transformation Reserve	0	7,700	7,700
Hydrants	462	462	0
ICT Development Reserve	1,953	1,953	0
LFC Control Centre	729	729	0
LFB Museum Project	201	163	(38)
London Resilience	771	771	0
London Safety Plan Initiatives	3,162	2,852	(310)
New Governance Arrangements	0	0	0
Organisational Reviews	327	239	(89)
Recruitment/ Outreach	250	250	0
Sustainability	235	235	0
Vehicle & Equipment Reserve	2,697	2,638	(59)
Budget Flexibility	29,930	19,985	(9,946)
General	21,399	7,998	(13,401)
Total	79,224	66,783	(12,442)

Appendix 4 - Risks to the Revenue and Capital Position

1. Covid-19

- 1.1. The response to the COVID-19 pandemic is leading to additional costs. This is both in terms of the Brigade's own services, such as in PPE and additional cleaning, but also in support of the wider emergency services response, in particular supporting the London Ambulance Service.
- 1.2. Additional funding has been provided to help meet these additional costs. However it is not yet clear what funding will be made available. This report includes funding from the GLA, and a forecast cost recovery from the LAS. The Brigade has also submitted a claim to the Home Office £6m fund.

2. Funding

- 2.1. The COVID-19 pandemic is not only leading to additional costs, but also impacting on future funding levels. The Mayor's Budget Guidance 2021/22 sets out revised indicative funding levels, and included an in-year saving requirement for LFC in 2020/21 of up to £10m, which is being addressed. This funding impact is subject to further review as the position develops, and further Government announcements are made on funding.
- 2.2. Balances in earmarked reserves are also being reviewed to identify whether any amounts can be released to support the in year financial position.

3. Firefighter and Local Government Pension Schemes

- 3.1. 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 was provided to offset this pressure in 2019/20 and in 2020/21. The figures in this report assume that no funding is received for this in subsequent financial years. As a result this £25m pressure forms a significant element of the forecast budget gap over the medium term.
- 3.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities (FRAs), of a **discrimination claim in connection with the transitional arrangements** applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. The tribunal ruled in favour of the claimants. The Government and FRAs sought permission from the Supreme Court to appeal the Court of Appeal's decision, however this was denied. In December 2019, the Employment Tribunal declared that firefighters are entitled to return to their pre 2015 pension scheme. The potential cost and staffing implications for the LFC are not possible to forecast at present, but may lead to a material budget pressure. The remedy is potentially made more complex as it may need to address the issue on a range public sector pensions, possibly including the LGPS. The Government is now consulting on the possible remedy, and the Brigade has submitted its response.

4. London Pensions Fund Authority (LPFA) Pensions Administration

- 4.1. The London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund have formed a strategic partnership and from April 2016 created a wholly owned company, **Local Pensions Partnership** (LPP), to manage pension fund investment activities (only on the Local Government Pension Scheme (LGPS)) and also to provide pensions administration services, including to third party clients on the LGPS and the Firefighters' Pension Scheme (FPS). It was agreed (FEP2644) that the LFC should continue the current shared service arrangement with the LPFA for the administration of the FPS but with the LPFA then sub-contracting to the LPP.

- 4.2. Possible alternative shared service options have been considered working with the Local Pensions Board and it has been agreed that the share service remain with the LPP, but that this be reviewed again in three years time. A key reason for remaining with the LPP was the risk identified in changing administrators when the significant changes required from the McCloud/Sargeant case are yet to be confirmed and implemented.
- 4.3. The review identified potential cost savings in the administration, both in alternative shared service but also through re-structuring at LPP, which has now led to the establishment of a separate administration company LPPA. Costs savings will continue to be pursued with the LPP as well as re-visited when the position is reviewed again in three years.
- 4.4. The LPP forecast cost for 2020/21 is £333k.

5. Pay and Inflation

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

6. Transformation Delivery Plan (TDP)

- 6.1. As departments continue to deliver the items in the TDP this will sometimes result in additional financial pressures that are currently unfunded. Where these items are identified, it is proposed that they are reviewed to consider whether any flexibility in the Transformation reserve could be used to meet these costs. The way the Transformation reserve is used to fund TDP actions is now being reviewed, to ensure resources are allocated to key priorities.

7. Risks to Capital Expenditure and Financing

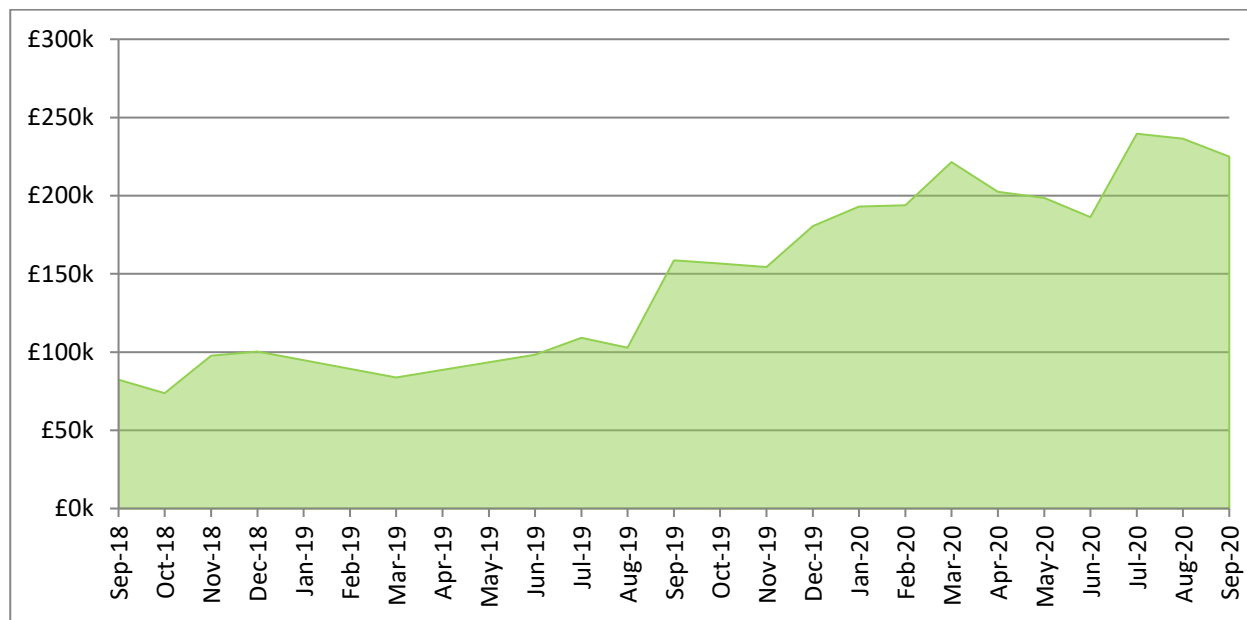
- 7.1. The capital programme is regularly reviewed and the associated risks to the programme are assessed throughout the year. Some risks are generic such as contractor default whilst other risks are specific to individual projects. Mitigating actions are adopted to reduce the risk occurring and to limit the impact of the risk, should it occur.
- 7.2. 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.
- 7.3. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements.

The capital programme is managed on a monthly basis and all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.

- 7.4. 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 the Brigade will bid for available capital resources as and when such opportunities arise.
- 7.5. The 2020/21 capital programme originally included the **capital receipts** financing from the sale of the former fire station at Clerkenwell and the part disposal of 8 Albert Embankment, however these sales have been delayed to next financial year which will mean borrowing will now be required in 2020/21 which will lead to borrowing and additional revenue costs that were not envisaged. The level of required borrowing will be dependent on the level of actual capital expenditure incurred during the year.
- 7.6. The **LFB Training Centre** project has a number of dependencies and challenges on maintaining costs within budget and with design in particular on the Real Fire Training Venue. This will need to be monitored on an ongoing basis, as well as the project now being reviewed.
- 7.7. A number of fire stations require major refurbishment/redevelopment which are not currently in the medium term capital programme. Should opportunities arise to relocate these fire stations funding may need to be requested/re-directed from other projects if deemed a priority.
- 7.8. **Replacement vehicles and equipment** - Key risks relate to the contractor sourcing appropriate vehicle build options within a timeframe that meets fleet replacement requirements and which may in turn impact the LFC's cash flow. The forecast cash expenditure for 2020/21 and future years is based on the current assessment of the stage payment requirements for the pump replacement and aerial appliance replacement programme, which represents nearly 50% of the forecast Vehicles and Equipment expenditure in that period, and the delivery timings for the balance of the fleet replacement programme.
- 7.9. **Covid -19 and Funding** – The capital programme has been affected by the impact of Covid 19 in terms of delays on site works and equipment and vehicles deliveries. In addition, the impact on funding highlighted in paragraph 2.1 above may also impact on the capital programme due to the lack of available funds to support the revenue costs arising from capital borrowing costs.
- 7.10. **Financial Markets Uncertainty** – This could impact on the interest costs of borrowing required to fund capital expenditure and on the cost of capital goods purchased from outside the UK.

Appendix 5 - Outstanding Lift Debtors

The chart below shows the amount of outstanding LIFT debts, with £225k outstanding at the end of September 2020. The level of outstanding debt has been increasing due to an increase in the level of charges raised. The Shut in Lift board has been re-established and the debt recovering processes reviewed to support managing the increasing volumes of invoices.



The table below shows the top five (worst) outstanding debtors for LIFT income.

Customer Name	Amount Outstanding (£)	No Of Invoices Outstanding
LONDON BOROUGH OF SOUTHWARK	23,226	56
PEABODY TRUST	22,060	54
A2 DOMINION HOMES LIMITED	11,434	28
LONDON BOROUGH OF ISLINGTON	9,864	24
NETWORK RAIL	7,771	19
Grand Total	74,354	181

Review of the top five debtors

London Borough of Southwark:

LB Southwark make up the majority of our invoices issued as they have the highest number of properties. They have been settling their invoices as previously advised but new ones are regularly issued. Since July 2019, 168 invoices have been raised, and over 100 of these have been paid.

Peabody Trust:

Five of the outstanding invoices have been referred to General Counsel and copy of invoices have been requested in some cases and sent via email. PO number has been issued for further eight invoices and payment is envisaged. The rest are chased up regularly.

A2 Dominion Homes Limited:

Some invoices have now been referred to General Counsel and further reminder letters sent out for the rest of the outstanding invoices and these are also expected to be referred to General Counsel for further action.

London Borough of Islington:

Outstanding invoices have been referred to General Counsel for further action.

Network Rail:

Payment of the outstanding invoices was expected but recent communication with Network Rail hasn't secured payment, however their accounts team has requested further information to support making payment.

Appendix 6 - Scheme of Governance - Budget Virements

Financial Regulation 9:

"(b) With the agreement of the Director of Corporate Services, a Head of Service may transfer up to £50,000 from a budget head within that department's approved budget to a budget head within another department's approved budget, but if those budget heads are in different Directorates the agreement of the appropriate Director or Commissioner is also required.

(c) With the agreement of the Director of Corporate Services, Directors may transfer up to £150,000 from a budget head within that department's approved budget to a budget head within another department's approved budget.

(e) The Director of Corporate Services shall report all transfers under (b) and (c) to the Commissioner as part of the quarterly Financial Position reports."

Department from	Department to	Description	Date	Amount transferred
Training and Professional Development (TDP)	Training and Professional Development	A permanent virement within TPD. This is to pay for Fire Safety training courses from training contract budget.	04/08/2020	£396,141
Fire Safety	Training and Professional Development	A temporary virement from Fire Safety to TDP to pay for additional training course.	12/08/2020	£18,000
Finance	Training and Professional Development	A temporary virement budget from Finance to pay for Incident Command Level 3 and Level 4.	07/09/2020	£42,000
Strategy & Risk (S&R)	Strategy & Risk	A permanent virement within S&R to fund the annual CFOA subscription payment centralised.	08/09/2020	£41,000
Finance	Strategy & Risk	A permanent virement to consultants budget in S&R	08/07/2020	£20,690