



LONDON FIRE BRIGADE

Report title

Final 2022/23 Budget

Report to

Date

Finance and Investment Board
Commissioner's Board
Deputy Mayor's Fire and Resilience Board
Audit Committee
London Fire Commissioner

16 February 2022
9 March 2022
29 March 2022
12 May 2022

For Decision

The subject matter of this report deals with the following LFB strategic priorities:

Delivering excellence

This report supports the strategic priority of Delivering Excellence by supporting effective financial planning, use of resources and delivering Value for Money.

Report number – LFC-0679

For Publication

I agree the recommended decision below.

Andy Roe

London Fire Commissioner

This decision was signed remotely on
30 March 2022

Date

Executive Summary

This report presents the London Fire Commissioner's (LFC) final draft revenue and capital budget for 2022/23 for approval.

Proposed Decision
For the London Fire Commissioner

That the London Fire Commissioner agrees that:

1. Subject to the decisions below, a 2022/23 revenue budget of £421.8m be approved, being made up of net expenditure of £464.3m with £6.1m funding from earmarked reserves and £36.5m funding from specific grants;
2. The revenue estimates, as set out in Appendices 1, 3 and 4, showing proposed savings, growth and budget movements, are approved;
3. The movements in reserves, as set out in table 7, are approved;
4. The establishment changes associated with the 2022/23 revenue budget, as summarised in Appendices 1, 3 and 4, are approved;
5. The capital programme with gross expenditure in 2022/23 of £45.0m, as set out in Table 8, be approved;
6. The capital strategy at Appendix 5 is approved for publication.

1 Introduction and background

- 1.1 This report updates the budget proposals included in the Budget Submission to the Mayor in November 2021 (LFC-0625). It proposes a balanced budget for 2022/23 which is in line with the funding agreed for the LFC of £421.8m in the Mayor's Final Draft Consolidated Budget, which was considered at the meeting of the London Assembly on 24 February 2022.
- 1.2 The report also updates the Medium Term Forecast and savings and growth proposals as the estimates included in these have been refined as part of concluding the budget process.

2 The Mayor's Final Draft Consolidated Budget

- 2.1 The Mayor's final draft budget was approved without amendment by the London Assembly on 24 February 2022.
- 2.2 The Mayor's Draft Consolidated Budget determines the level of precept levied by the Greater London Authority (GLA) in Londoners' Council Tax bills, which are administered by the London Boroughs and the Corporation of London. The Mayor is to increase the Band D council tax by 8.8% per cent from £363.66 to £395.59 in 2022/23. The Mayor has also assumed a 1.7% increase in the aggregate council tax base compared to 2021/22.
- 2.3 There are two sets of Council Tax calculations because the Metropolitan Police District does not include the City of London, which has its own police service. The council tax of £395.59 can therefore be broken down to £277.13 for the Metropolitan Police plus £118.46 for non-police services. The LFC's element of this non police element would be £58.80 for a Band D property. This compares to a 2021/22 Band D rate of £56.87.

3 The Budget Development Process

- 3.1 The Mayor's Budget Guidance for 2022/23 for the Greater London Authority (GLA) and the functional bodies, including the LFC, was issued on 30 July 2021 (the Guidance). The Guidance set out the Mayor's key policy priorities to be reflected in future years' budgets, the proposed funding levels he intended to provide for each functional body, the financial context and the planned timetable for budget preparation for the GLA Group.
- 3.2 The Mayor required that all the functional bodies provided a Budget Submission to the GLA by 26 November 2021 which fulfilled the requirements of the Guidance.
- 3.3 In determining the total funding he planned to provide to the London Fire Commissioner (LFC) the Mayor used indicative funding levels from retained business rates, council tax precept income and GLA Group wide reserves. The Mayor then set out funding totals for each functional body, which were all based on a "central scenario" assuming a 2 per cent increase in business rates in line with inflation, a 1.99 per cent increase in council tax precept and an increase in the council tax base of 1 per cent each year.
- 3.4 The Mayor then wrote to the LFC on 24 November 2021 to confirm the funding amounts as set out in his Guidance, which are for proposed funding levels for 2022/23 of £418.5m, 2023/24 of £431.2m, and 2024/25 of £445.8m.
- 3.5 The LFC's Budget Submission to the Mayor was agreed and published on the LFC's website on 26 November 2021 to meet the requirements of the Guidance. In the submission the LFC proposed funding for Marauding Terrorist Attack (MTA) pressures of £5.4m, departmental growth of £7.0m and savings of £4.3m. This, along with other changes to spend requirements, resulted in a budget surplus of £0.1m in 2022/23, a budget deficit of £8.8m in 2023/24 and a budget surplus of £0.3m in 2024/25. The budget deficit of £8.8m in 2023/24 is covered by the funds available from the LFC's budget flexibility reserve.
- 3.6 Following the November Budget Submission report the Mayor published his Consultation Budget on 22 December 2021, which reflected the LFC's budget submission to the GLA in terms of the funding levels and budget gap for the LFC over the three year budget planning cycle of 2022/23 to 2024/25.
- 3.7 The Mayor then published his Final Draft Consolidated Budget 2022/23 on 16 February 2022 which included increases to LFC funding allocations of £3.3m in 2022/23, £4.5m in 2023/24 and £7.0m in 2024/25.
- 3.8 As set out in the section above the Mayor's Final Draft Consolidated Budget has now been agreed. Table 1 below sets out a summary of the funding proposed by the Mayor for the LFB over the three year planning period. This shows that the Mayor is indicating a total increase in LFB funding of £47.4m from 2021/22 levels to 2024/25.
- 3.9 The table also shows the impact of the collection fund deficit for 2020/21 with the impact of this reduction in funding spread over three years, and will be met through a £5m earmarked (In-year Savings) reserve which was established for that purpose. 2022/23 is the second year of the use of this reserve with the final year in 2023/24.

Table 1: Funding Proposed by the Mayor

| | 2021/22 £m | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|--|---------------|---------------|---------------|---------------|
| | | | | |
| LFC's Budget Submission to the Mayor / Mayor's Consultation Letter to the LFC | 405.4 | 418.5 | 431.2 | 445.8 |
| | | | | |
| Mayor's Final Consolidated Budget | | | | |
| Retained Business Rates | 228.1 | 242.7 | 247.5 | 252.4 |
| LFC Element of Precept | 171.8 | 180.7 | 189.8 | 200.4 |
| Government grant for income losses | 6.9 | 0.0 | 0.0 | 0.0 |
| Total | 406.8 | 423.4 | 437.3 | 452.8 |
| | | | | |
| Collection fund deficit met from earmarked reserve | (1.4) | (1.6) | (1.6) | 0.0 |
| Total Revised GLA Funding | 405.4 | 421.8 | 435.7 | 452.8 |
| | | | | |
| Increase in Funding from Mayor's Consultation Letter | NA | 3.3 | 4.5 | 7.0 |

4 Budget Update

4.1 The LFC's medium term financial plan (MTFP) has been reviewed since it was last reported in November 2021 (LFC-0625) and is included as Appendix 1. There are a number of changes to the forecast position over the three year period from 2022/23 to 2024/25 as summarised in Table 2 below and described in more detail in the paragraphs that follow. Together these adjustments show a net increase of £8.5m to the three year budget position.

Table 2: Changes to the Medium Term Forecast

| | 2022/23 | 2023/24 | 2024/25 |
|---|--------------|------------|------------|
| | £m | £m | £m |
| Platinum Jubilee | 0.3 | 0 | 0 |
| Inflation Pressures | 3.3 | 3.3 | 3.3 |
| Income from Insurers | (2.0) | (2.0) | (2.0) |
| Capital Financing Costs | (2.4) | 3.7 | 7.2 |
| Change in Transformation Growth | (0.3) | 1.0 | 0.8 |
| Change in Use of Transformation Reserve | 0.3 | (1.0) | (0.8) |
| Change to MTFP | (0.8) | 5.0 | 8.5 |

Platinum Jubilee

- 4.2 The UK will celebrate an extra bank holiday for the Queen's platinum jubilee which marks 70 years on the throne for Queen Elizabeth II on Thursday 2 June 2022 with the usual Spring Bank Holiday (or late May bank holiday) moving to Friday 3 June 2022. This increase of one Public Holiday in 2022/23 will result in an increase in Public Holiday overtime of £344k for one year only.

Inflation Pressures

- 4.3 This additional cost has been met through funding from the Mayor.

Insurance Companies

- 4.4 As set out in the Quarter 3 Financial position report the LFB is now expecting to over recover an additional £2m in income from insurance companies in 2022/23. Although work to better understand the drivers for this is ongoing, which could be linked to increasing inflation levels, it is recommended that an additional £1m is added to the budgeted income level in 2023/24, with the potential to increase this further following the outcome of that further work.

Capital Financing Costs

- 4.5 As set out in the Quarter 3 Financial position report the forecast expenditure on the capital programme for 2021/22 is now forecast to reduce as a result of project slippage to later years. This, in addition to the planned use of the Capital Financing Reserve, will reduce the capital financing cost requirement for 2022/23 by an estimated £2.4m, for one year only. Capital Financing Costs are then forecast to increase in subsequent years as a result of the delay in the sale of the 8 Albert Embankment property and the associated capital receipt. The Capital Programme will instead be financed by borrowing.

Transformation Growth Proposals

- 4.6 The 2022/23 Budget Submission included core ongoing growth for transformation of £1.5m in 2022/23 and future years funded from the existing transformation budget, with temporary growth of £1.0m to be funded from the transformation reserve. The temporary element of this growth is required for two years. This will be funded from the Transformation Reserve. This remains a risk on the precise timing of costs whilst the recruitment path for these posts is profiled.

Pay Awards Note

- 4.7 The Medium Terms forecast currently includes a 2 per cent pay award for both Operational and FRS Staff in each year from 2022/23 onwards. The full year impact of the pay award at this level is £6.5m, and with a part year cost of £5.2m in 2022/23. For every 1 percent increase in pay awards this would result in an additional full year impact of £3.3m and a part year cost of £2.6m.

5 Saving and Growth

- 5.1 The savings and growth set out in Appendix 3 and 4 have been reviewed with the following items now included or updated.

Table 3: Changes to Growth and Saving Proposals

| | 2022/23 | 2023/24 | 2024/25 |
|---|------------|------------|------------|
| | £m | £m | £m |
| Capital Financing Costs | 2.5 | 0.0 | 0.0 |
| Operational Contingency Arrangements: Project Initiation | 0.4 | 0.4 | 0.0 |
| 2 x Station Commander Posts in Operational Resilience | 0.1 | 0.1 | 0.1 |
| Increase in establishment for Mobilising and Control training posts | 0.2 | 0.2 | 0.2 |
| Fundraising and Partnerships Team | 0.2 | 0.2 | 0.2 |
| Director of Communications | 0.1 | 0.1 | 0.1 |
| Training Contract | 1.6 | 0.4 | 0.4 |
| Training Contract (Reserve Funding) | (1.2) | 0.0 | 0.0 |
| Update to Transformation Saving Proposals | 0.2 | 0.2 | 0.2 |
| Property Sustainable Development | 0.1 | 0.1 | 0.1 |
| Changes to Growth Requirement | 4.2 | 1.7 | 1.3 |

Capital Financing Costs

The LFB does not receive any capital grant funding from the Government and instead funds its capital programme through either capital receipts or borrowing. As the expected level of capital receipts has reduced it will be necessary to increase borrowing to replace this. In order to reduce the future impact of this it is proposed that £2.5m of borrowing in 2022/23 is replaced with direct revenue funding of the capital programme.

Operational Contingency Arrangements (OCA)

- 5.2 This expenditure of £0.35m in 2022/23 and again in 2023/24 is to establish a project to deliver new operational contingency arrangements for the London Fire Brigade at a total cost of £0.7m over the two years.

Station Commanded Posts

- 5.3 Operational Resilience has reviewed its budget submission and made amendments to support the delivery of the two governance A1 projects following progression of negotiations with the

Fire Brigade Union. These posts will be engaged with the development of all Marauding Terrorist Attack (MTA) training workstreams, including packages, risk assessments and scheduling for the pan London MTA roll out and the tender specification.

Control and Mobilising Training Posts

- 5.4 This is for growth to deliver training, which was originally identified for further work as part of the budget process. Additional work has now been carried out including discussions with the central training team where it was confirmed that an alternative is not available to remove the need for additional support. As such, the original bid is required in order to ensure the Control training team are able to deliver the new suite of training interventions now required through the Development and Maintenance of Operational Professionalism (DAMOP), integration with incident command and increased joint training with fire stations. As a result this growth is submitted again for approval. The growth is for an increase in the establishment for Control training posts of 1 FRS F, 2 x AOM posts and 2 x CRO posts to deliver Control DAMOP and training and to achieve Grenfell Tower Inquiry (GTI) recommendations and independent review of training recommendations.

Fundraising and Partnerships Team

- 5.5 The development of a clearly defined fundraising, sponsorship, brand partnerships and commercial opportunities team and programme will enable LFB to have a structured approach to raising additional funds for projects which fall outside of LFB's main operational delivery priority. These sponsorship and fundraising programmes will also help to raise LFB's brand profile outside of the emergency services function and enable LFB to reach new audiences. This Funding is for 1 x FRSF and 1 x FRSD from 2022/23 . This proposal also includes an additional £50,000 to establish an online shop.

Director of Communications

- 5.6 This additional funding will enable the permanent creation of a Director of Communications position and increased support.

Training Contract

- 5.7 This funding includes £400k to reverse a one-off saving to the training contract in 2021/22 resulting from Firefighter Development training ceasing from 1st January 2021. Firefighter Development has now restarted based on updated staffing level projections. This also includes an additional £1.2m to provide additional funding for training to support delivery of incident command and vehicle training in 2022/23. This additional £1.2m is a one off requirement and as a result is proposed to be funded from the Budget Flexibility Reserve, however the position will be kept under review as the other demands on the training budget are finalised.

Update to Transformation Saving Proposals

- 5.8 This change removes the reduction of one Assistant Commissioner position (£180k). This post will now instead be transferred to establish a new Assistant Commissioner Service Delivery Assurance position.

Change to Property Saving Proposals

- 5.9 The final budget for 2022/23 also includes three changes to the profiling of the saving proposals within Property. This will result in a slight additional saving in 2022/23 of £5k with no impact in later years. This includes deferring savings on Energy Switch off (£30,000) and Facilities Management (£50,000) to 2023/24 and bringing forwards a saving on Clerkenwell running costs (£85,000) to 2022/23.

Property Sustainable Proposals

- 5.10 This additional growth will support one additional FRS F post to formulate grant funding applications and compile detailed project descriptions that can be submitted to the various funding administrators. Most grant funding is time limited and requires dedicated resource. This funding will therefore enable LFB property to have fully prepared and written up schemes to submit once the grants are announced.

6 Summary Budget Position

- 6.1 Table 4 below shows the impact on the overall LFC budget of the changes set out in Tables 2 to 3 above. This demonstrates that the LFC has maintained a balanced budget for 2022/23, has a budget gap of £11.0m in 2023/24 and a budget gap of £2.5m in 2024/25.

Table 4: Summary Budget Position

| | 2022/23 | 2023/24 | 2024/25 |
|--|----------------|----------------|----------------|
| | £m | £m | £m |
| Budget Gap Included in the Budget Submission to the Mayor (Surplus) / Deficit | (0.1) | 8.8 | (0.3) |
| Changes to Funding from the Mayor | (3.3) | (4.5) | (7.0) |
| Changes to the Medium Term Forecast (Table 2) | (0.8) | 5.0 | 8.5 |
| Changes to Saving and Growth proposals (Table 3) | 4.2 | 1.7 | 1.3 |
| Revised Budget Gap/ (Surplus) | 0.0 | 11.0 | 2.5 |

7 Grants

- 7.1 The Budget for 2022/23 includes anticipated grant income of £36.4m, including a range of grants. Additional detail on the grants is set out in Table 5 below.

Table 5: Key Grant Receipts Projected

| Grant Name | Amount in 2022/23 £m | Expected length of Grant |
|---|----------------------|---------------------------|
| Pension Grant (2015 Firefighter Pension Actuarial Review) | 21.7 | Ongoing (Agreed annually) |
| Property PFI | 3.7 | Until 2039/40 |
| New Dimensions | 3.4 | Ongoing (Agreed annually) |
| NFCC Corporate Portfolio Office | 2.1 | Under Review |
| National Insurance Costs | 2.6 | 2022/23 Confirmed Only |
| Merton Regional Control Centre | 1.9 | Until 2034/35 |
| Other Grants | 1.1 | |
| Total | 36.5 | |

7.2 As highlighted in the table, some grants will be agreed annually as part of the central government settlement process and one is under review. The current MTFS assumption is that the total of £36.5m will continue over the MTFS period, but there is a risk that this may not be the case. This includes the assumption that the cost of the National Insurance Contributions increase for the LFC at £2.6m is also covered by government grant going forwards. The GLA has currently confirmed funding for 2022/23 only.

7.3 It should also be noted that these grant estimates do not include any additional funding for medium rise buildings. Funding for that grant is currently being negotiated with the Home Office.

8 Government Spending Review

8.1 The provisional Local Government Finance Settlement for 2022/23 was announced on 16 December 2021. As a result of the announcement of a spending review covering only one year, there remains considerable uncertainty in the medium term regarding funding levels, including any revision of the fire formula as part of the fair funding review.

9 Firefighter Pensions

9.1 In 2015, new laws introduced a new scheme for firefighters - the Firefighters' Pension Scheme 2015 (FPS 2015). These laws included protections which meant that some members of the legacy schemes (FPS 1992 and FPS 2006) didn't join FPS 2015 either straight away or at all, depending on their age. After a legal challenge, the courts determined that these protections were age discriminatory.

- 9.2 Following consultation, the government has announced how the discrimination will be removed. The changes are being made into law through the Public Service Pensions and Judicial Offices Bill. The Bill is due to come into force on 1 April 2022.
- 9.3 The cost of any additional pension payments will in due course be refunded from the pension fund, but there could be cashflow implications for the LFB. There will also be administration costs that will be incurred in implementing the remedy.
- 9.4 Discussions continue with the Local Government Association (LGA), fire sector, and the LPPA (pensions administrators) on the arrangements to implement ID. The LFC has also written to the Home Office for further advice on funding.

10 Risks and Opportunities

- 10.1 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 1. These include the risks below, which have been updated to reflect the current position.
- 10.2 The financial impact of Capital Financing costs has increased due to the delay in the sale of 8 Albert Embankment (8AE). This could result in increases to this budget from 2023/24.
- 10.3 Inflationary pressures continue to form a financial risk across staff and non-staff expenditure, which may result higher than anticipated increases in 2022/23.

11 Financial Position

- 11.1 The forecast outturn position as at the end of December 2021 (Q3) (LFC-xxx) shows an underspend of £1.6m for the 2021/22 financial year, which includes the impact of a £2.2m above budgeted level of income under the MFB Act from insurance companies.

12 Reserves

- 12.1 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 underspend position, is £17.0m, and this is £1.4m above the minimum general reserve position of 3.5% of the net revenue expenditure.
- 12.2 Table 6 below sets out the position on the financial reserves.

Table 6: Reserves Position for 2021/22 Financial Year

| Reserve Description | Opening Balance at 01/04/21 £m | Use of Reserves £m | Closing Balance at 31/03/22 £m |
|---|-----------------------------------|-----------------------|-----------------------------------|
| Additional Resilience Requirements | 0.5 | 0.0 | 0.5 |
| Capital Expenditure Reserve | 11.7 | 0.0 | 11.7 |
| Central Programme Office | 0.8 | (0.5) | 0.3 |
| In Year Savings Reserve | 5.0 | (1.4) | 3.6 |
| Compensation | 1.0 | (0.4) | 0.6 |
| Emergency Services Mobile Communication Programme | 1.1 | (0.7) | 0.4 |
| Pensions Earmarked Reserve | 0.4 | 0.0 | 0.4 |
| Covid | 2.0 | 0.0 | 2.0 |
| Emergency Medical Response | 0.3 | 0.0 | 0.3 |
| Fire Safety and Youth Engagement | 4.9 | 1.6 | 6.5 |
| Transformation Reserve | 6.3 | (2.5) | 3.8 |
| Grenfell Infrastructure Reserve | 1.2 | (0.5) | 0.7 |
| Hydrants | 0.5 | (0.0) | 0.4 |
| ICT Development Reserve | 2.3 | (0.5) | 1.7 |
| LFC Control Centre | 0.7 | 0.0 | 0.7 |
| LFB Museum Project | 0.4 | (0.2) | 0.2 |
| London Resilience | 0.8 | 0.0 | 0.8 |
| Community Risk Management Plan | 2.7 | (0.5) | 2.3 |
| Grenfell Legal Reserve | 0.0 | 0.0 | 0.0 |
| Organisational Reviews | 0.2 | (0.1) | 0.2 |
| Recruitment/ Outreach | 0.3 | 0.0 | 0.3 |
| Sustainability | 0.2 | 0.0 | 0.2 |
| Vehicle & Equipment Reserve | 2.6 | (0.2) | 2.4 |
| Budget Flexibility | 31.4 | (0.9) | 30.5 |
| General | 15.4 | 1.6 | 17.0 |
| Total | 92.8 | (5.3) | 87.5 |

12.3 The latest forecast position on reserves is set out in Table 6 below. This shows the forecast outturn position for 2021/22 as at the end of December 2021 and the forecast changes in the use of reserves from 2022/23 to 2024/25. Additional information on the purpose of these reserves can be found in the LFC Reserves Strategy Appendix in the November Budget Submission to the Mayor.

12.4 The LFC will continue to regularly review all reserve balances and where possible release funds back into the general reserve. This work will also form part of the terms of reference covered by the new Finance and Investment Board.

Table 7: Forecast Use of General and Specific Reserves

| Reserve Description | Closing Balance at 31/03/22 £m | Use of Reserves in 2022/23 £m | Use of Reserves in 2023/24 £m | Use of Reserves in 2024/25 £m | Anticipated Balance at 31/03/25 £m |
|---|-----------------------------------|----------------------------------|----------------------------------|----------------------------------|---------------------------------------|
| Additional Resilience Requirements | 0.5 | 0.0 | 0.0 | 0.0 | 0.5 |
| Capital Expenditure Reserve | 11.7 | (4.7) | (7.0) | 0.0 | 0.0 |
| Central Programme Office | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 |
| In Year Savings Reserve | 3.6 | (1.6) | (1.6) | 0.0 | 0.4 |
| Compensation | 0.6 | 0.0 | 0.0 | 0.0 | 0.6 |
| Emergency Services Mobile Communication Programme | 0.4 | (0.4) | 0.0 | 0.0 | 0.0 |
| Pensions Earmarked Reserve | 0.4 | 0.0 | 0.0 | 0.0 | 0.4 |
| Covid | 2.0 | (2.0) | 0.0 | 0.0 | 0.0 |
| Emergency Medical Response | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 |
| Fire Safety and Youth Engagement | 6.5 | (1.6) | (1.6) | (1.6) | 1.7 |
| Transformation Reserve | 3.8 | (0.8) | (1.0) | (0.2) | 1.8 |
| Grenfell Infrastructure Reserve | 0.7 | (0.7) | 0.0 | 0.0 | 0.0 |
| Hydrants | 0.4 | (0.1) | 0.0 | 0.0 | (0.1) |
| ICT Development Reserve | 1.7 | (1.5) | 0.0 | 0.0 | 0.2 |
| LFC Control Centre | 0.7 | 0.0 | 0.0 | 0.0 | 0.7 |
| LFB Museum Project | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 |
| London Resilience | 0.8 | 0.0 | 0.0 | 0.0 | 0.8 |
| Community Risk Management Plan | 2.3 | 0.0 | 0.0 | 0.0 | 2.3 |
| Organisational Reviews | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 |
| Recruitment/ Outreach | 0.3 | 0.0 | 0.0 | 0.0 | 0.3 |
| Sustainability | 0.2 | 0.0 | 0.0 | 0.0 | 0.2 |
| Vehicle & Equipment Reserve | 2.4 | (1.3) | 0.0 | 0.0 | 1.1 |
| Budget Flexibility | 30.5 | (1.2) | 0.0 | 0.0 | 29.3 |
| General | 17.0 | 0.1 | 0.0 | 0.3 | 17.4 |
| Total | 87.5 | (15.8) | (11.2) | (1.5) | 59.0 |

12.5 The expected reserve draws set out in the table above includes draws on the In Year Saving Reserve of £3.2m to support the overall budget position in 2022/23 and 2023/24. This reserve was set up in 2020/21 as required by the GLA. The table also includes a draw on the Capital Expenditure Reserve of £11.7m to fund the capital programme.

13 Fees and Charges

13.1 The LFC receives income from a range of charges which are calculated on a cost recovery basis. Any changes to these are calculated by the Director of Corporate Services and advised to charging departments in line with delegations to officers in order to be applied from the start of the new financial year. This process includes updating the rate used for special service charges, which also covers charging for Shut in Lift and Automatic Fire Alarm call outs. The special service charge is currently set at £352 for the 2021/22 financial year, and will increase by £12 to £364 for the 2022/23 financial year.

14 Capital Programme and Prudential Indicators

- 14.1 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.
- 14.2 This report updates the draft capital programme included in the report setting out the Budget Submission to the Mayor in November (LFC-0625) and provides an updated Capital Strategy at Appendix 7. A summary of the plan is set out in the table below, this includes funding of £11.7m for earmarked reserves, over the 2021/22 and 2022/23 financial years, with that funding then being returned in 2023/24.

Table 8: Capital Programme 2022/23 – 2025/26

| Project | 2021/22 | 2022/23 | 2023/24 | 2024/25 |
|-------------------------------|----------------|----------------|----------------|----------------|
| | £m | £m | £m | £m |
| Capital Schemes | | | | |
| Properties | 8.3 | 18.4 | 21.9 | 11.4 |
| Fleet Replacement Plan | 9.3 | 8.4 | 4.6 | 2.9 |
| ICT Projects | 1.4 | 9.0 | 11.7 | 5.8 |
| Communications Project | 0.0 | 1.2 | 1.1 | 0.0 |
| Operational Policy Equipment | 1.5 | 8.1 | 0.0 | 0.0 |
| | | | | |
| Total Expenditure | 19.1 | 45.0 | 39.3 | 20.1 |
| | | | | |
| Capital Financing | | | | |
| Reserve Funding | 4.7 | 7.0 | (11.7) | 0.0 |
| Capital Receipts | 14.4 | 0.0 | 25.0 | 0.0 |
| Capital Grants | 0.0 | 0.0 | 0.0 | 0.0 |
| External Borrowing | 0.0 | 38.0 | 26.0 | 20.1 |
| Total Funded Financing | 19.1 | 45.0 | 39.3 | 20.1 |

15 Risks to the Capital Programme

- 15.1 The capital budget is subject to risks and opportunities which are not quantified in the estimates in this report. These risks currently identified are set out in Appendix 5.

16 Financial Management Code of Practice

- 16.1 The CIPFA Financial Management 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 with 2021/22 being the first full year of implementation.

16.2 Work has taken place to review the LFC's compliance with the FM Code and further details on this are included in Appendix 8, which includes next steps to further improve financial management within the LFC. A key part of this continual improvement will be enabled by the introduction of the new Finance and Investment Board, which will also support good practice in Financial Management.

17 Equality comments

17.1 The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.

17.2 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.

17.3 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.

17.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:

- eliminate discrimination, harassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it
- foster good relations between people who share a relevant protected characteristic and persons who do not share it.

17.5 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:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
- 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
- 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.

17.6 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.

17.7 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:

- tackle prejudice
- promote understanding.

17.8 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.

17.9 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.

17.10 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.

17.11 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. The Inclusion Team were further consulted to ensure EIAs were conducted and reviewed where savings proposals had either been agreed or require further work.

18 Other Considerations

Workforce comments

18.1 LFB's recognised trade unions have been consulted on the savings and growth proposals for 2022/23. Following one redeployment, there is now only one FRS post being deleted which is occupied by a substantive post-holder, and this situation has been resolved voluntarily. It is also noted that there are a large number of growth FRS posts which meets an aspiration of the FRS trade unions. The deletion of operational posts will not require any staffing reductions as operational staff who are currently occupying such posts will be posted to alternative positions at similar rank.

18.2 Within the trade union consultation the FBU made comments and asked a large number of questions on a wide range of specific growth and savings proposals which have all been responded to. More significantly the FBU raised objections to the proposals for FRS staffing growth within Transformation, People Services and ICT and proposed instead that this money was spent on increasing the firefighter establishment. Arising from this, a meeting was held with the FBU, other trade unions, and relevant Directors and Heads of Service on 8 February 2022 where the FBU comments were discussed. At this meeting Brigade representatives explained that the front line service relies on effective and efficient support services, and many of these services require investment in order to respond to the concerns raised by staff, trade unions, Equality Support Groups, and our stakeholders through the Grenfell inquiry, in areas such as leadership, recruitment, and diversity and inclusion. Following this meeting the FBU sought an audience with the London Fire Commissioner (LFC) to discuss the budget proposals. This meeting took place on 23 February 2022 at which the Commissioner re-iterated his support for the proposed investment in the support services for the reasons that had previously been provided...

Sustainability and Procurement comments

18.3 The LFC has signed up to be an Anchor Institution in London and as such will put plans in place to address the following Mayoral priorities:

- Procurement from small and diverse London businesses, to spread the benefits of the GLA Group's purchasing power across London's communities;
- Recruiting, retaining, promoting and upskilling Londoners from underrepresented backgrounds, with a focus on good work;
- Working with young people to ensure they have access to quality mentoring support; and Retrofit and energy efficiency on your estates, to speed up London's progress to Net Zero by 2030, including a committed pipeline of buildings to retrofit by 2024.

18.4 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. Procurement from SMEs will also play a key role in the recovery post COVID-19. Further detail on funding allocated to support delivery of the LES is set out in the Sustainability Analysis at Appendix 8.

18.5 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.

18.6 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 per cent 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.

- 18.7 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.
- 18.8 The post reductions identified as savings are predominately vacancies and therefore are unlikely to have any impact on reduced energy consumption and related carbon emissions
- 18.9 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.
- 18.10 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.

19 Financial comments

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

20 Legal comments

- 20.1 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.
- 20.2 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.
- 20.3 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.

- 20.4 This report also confirms the Capital Strategy has been prepared in accordance with best practice and guidance set out in the CIPFA Prudential Code 2017. The Capital Strategy assists with the budget setting process, ensures capital assets are used to support corporate priorities and aims to improve overall service delivery, thereby ensuring economy, efficiency and effectiveness is achieved.
- 20.5 Part 6 of the London Fire Commissioners Scheme of Governance (Financial Regulations) requires the Director of Corporate Services to prepare the medium-term capital programme and annual capital estimate for approval by the Commissioner as part of the final budget report.
- 20.6 This report complies with the legislative and Scheme of Governance requirements set out above.

List of Appendices

| Appendix | Title | Protective Marking |
|----------|--------------------------------|--------------------|
| 1. | Medium Term Financial Strategy | None |
| 2. | Savings | None |
| 3. | Growth | None |
| 4. | Equality Analysis | None |
| 5. | Capital Strategy | None |
| 6. | Financial Management Code | None |

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES/NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

David O'Sullivan has drafted this report and confirms the following:

Assistant Director/Head of Service

Adrian Bloomfield has reviewed the documentation and is satisfied for it to be referred to Board for consideration.

Advice

The Finance and Legal teams have commented on this proposal;

Thomas Davies Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)

David O'Sullivan Financial Advisor, on behalf of the Chief Finance Officer

Appendix 1 – Medium Term Financial Strategy

Medium Term Financial Strategy

1 Introduction

This report sets out the Medium Term Financial Strategy for the London Fire Commissioner (LFC) covering the period 2022/23 and 2024/25 as required under the Financial Management Code of Practice.

The MTFS is a key part of the LFC's financial management framework and helps to ensure that resources are aligned to strategic priorities. It improves financial planning and strategic financial management and provides the financial context within which budgets are set.

The MTFS must set out the financial plans for multiple years, have regard to affordability and taken into account the interdependencies of both revenue and capital income and expenditure.

Under the CIPFA Prudential Code for Capital Finance, the LFC is also required to produce an annual Capital Strategy which sets out the investment plans, considering the affordability of those plans.

2 Economic context

The London Economy has been hard hit by the impacts of the Covid-19 pandemic as well as the impacts of leaving the European Union. These impacts potentially affect business rates and council tax revenue schemes which the Mayor receives and, in turn, is able to pass on to the LFC.

At the same time, during 2020 inflation rose considerably above the Government's 2% target and is forecast to reach 4% at some point in the next calendar year. There is global demand for energy, shortages in key supplies and the prices of oil has doubled in 2020. All of these factors impact our supply chains and ultimately cost inflation within our third party expenditure.

All of these factors mean that there is considerable uncertainty with financial planning and introduce some significant financial risks.

For the past few years, the Government has only given one-year settlements in the Comprehensive Spending Review but on 7 September 2021 the Chancellor of the Exchequer announced that he will conduct a three year spending review to cover the period from 2022/23 to 2024/25. It is hoped that this will greater certainty to financial planning. On the 27 October 2021, the chancellor of the Exchequer released the Spending Review, with further clarity to follow as part of the funding settlements expected in December 2021.

3 Background

On 30 July 2021 the Mayor issued his latest Budget Guidance setting out the GLAs estimates of the Group budgets for each functional body, covering the period to 31 March 2025 and has been issued to underpin the process of setting the 22/23 annual budgets. This guidance highlights the huge funding uncertainty which the Mayor currently faces given the impact of Covid-19, Brexit and lack of certainty within the Government's plans to address the significant impacts on the London and wider economy.

This GLA Budget Guidance includes estimates of business rates and council revenue and certain assumptions have been made in those estimates which may, or may not, prove to be correct. Unlike the Metropolitan Police, the LFC receives no support grant from the Home Office and is

predominantly reliant on funding from the Mayor and his decisions on distribution of business rates and council tax.

The Mayor then wrote to the LFC on 24 November 2021 to confirm the funding amounts as set out in his Guidance, which are for proposed funding levels for 2022/23 of £418.5m, 2023/24 of £431.2m, and 2024/25 of £445.8m. The LFC's Budget Submission to the Mayor was agreed and published on the LFC's website on 26 November 2021 to meet the requirements of the Guidance.

The Mayor then published his Final Draft Consolidated Budget 2022/23 on 16 February 2022 which included increases to LFC funding allocations of £3.3m in 2022/23, £4.5m in 2023/24 and £7.0m in 2024/25.

The Mayor has absolute discretion in distributing the GLA business rates income and it is therefore important that the LFC can demonstrate a strategic approach to its finances enabling the achievement of strategic objectives whilst at the same time delivering real efficiencies.

4 London Fire Commissioner strategic priorities

The London Fire Commissioner has outlined the following strategic priorities for the Brigade:

| Strategic theme | Our aims – This is where we want to be by April 2022. |
|--|--|
| <p>The best people and the best place to work</p> | <p>Leadership: We will place a premium on leadership skills and will invest in leadership at all levels.</p> <p>Diversity & Inclusion: We will foster and embed a culture of togetherness so that every member of staff feels respected and valued regardless of their gender, sexuality, colour of skin, race or religion. Everyone will feel able to bring their whole self to work, feeling a sense of belonging in the Brigade because they can be themselves.</p> |
| <p>Seizing the future Outward facing</p> | <p>Developing our long-term strategy: Our long-term strategy is to become a forward-thinking service led organisation, with communities at the heart of our delivery. Our priority over the next twelve months will be to develop and launch our Community Risk Management Plan, which covers the period of our strategy from April 2022 to March 2026</p> |
| <p>Delivering excellence</p> | <p>Operational Excellence: We will build on the delivery of the Phase 1 GTI and HMI recommendations and our TDP. Through continuous improvement across our operational and enabling functions we will strive for excellence and efficiency in all we deliver.</p> |

Following Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection of LFC and the subsequent report published on 17 December 2019 the LFC was required to develop an action plan responding to the report. HMICFRS carried out two virtual inspections in 2020.

The first reviewed our progress in implementing the recommendations of the Grenfell Tower Inquiry Phase 1 report and the second looked at how we are addressing the causes for concern identified in the HMICFRS Inspection report. HMICFRS subsequently published their inspection findings, where they recognised the "sustained focus and effort on understanding the lessons from the fire and acting where the inquiry recommended it should".

Following the HMICFRS inspections the Commissioner published his Transformation Delivery Plan (TDP) in January 2020.

The LFC is currently in the process of developing a Comprehensive Risk Management Plan (CRMP) which replaces the London Safety Plan and focuses on community engagement and outcomes. A new Target Operating Model (TOM) is also being developed which will focus on outcomes based service design.

Funding figures as set out by the Mayor represent increases in funding in each year, with an additional £16.4m provided in 2022/23, a further £13.9m in 2023/24 and a further £17.1m in 2024/25.

In order to achieve the requirement for a balanced budget in 2022/23 the LFC has carried out a budget setting exercise to identify the savings required, which will include maintaining operational staff vacancies 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.

5 The Strategy

Given the wider economic context and the significant transformation journey which the LFC is on, the Medium Term Financial Strategy is based on the following key principles:

- LFC resources are allocated to strategic priorities and the number of fire stations and appliances are not reduced
- Financial sustainability will be achieved through targeted investment and ensuring costs are minimised
- Opportunities for innovative and modern ways of working will be adopted as far as possible in line with the CRMP and new TOM.
- Appropriate investment continues to be made in transformation activity
- Resources are available to meet the recommendations arising from the Grenfell Tower Inquiry and the improvement plan from the HMICRFS inspection.
- Adequate investment in core infrastructure is maintained'
- Appropriate resources set aside to deliver key corporate strategies.
- General Fund balance will be maintained at 3.5% of NRE (net revenue expenditure).
- Earmarked reserves will be maintained for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- The LFC will ensure that it operates within its approved budget.

6 Assumptions

The Mayor has proposed that the GLA and its functional bodies should assume for planning purposes that their allocation of discretionary income from the GLA for 2022/23 and future years is based on a 'central scenario'. As part of that central scenario:

- Business rates funding is assumed to increase by CPI inflation (estimated at 2%)

- Council tax Band D precept is assumed to increase by 1.99%.
- The Council tax base is assumed to increase by 1% a year.

The main assumptions in the MTFS are:

- 2% per annum pay award is applied to all staff groups.
- Each post has pay progression until the top of the grade/operational competence is reached.
- Energy and utility cost increases of 3% per annum with an additional £0.6m of funding from reserves in 2022/23 to reflect the current volatility in the market.
- Inflation is applied to other areas based on contractual requirements, linked to CPI, RPI and AWE as appropriate
- Increases in the rates of national insurance employer contributions are offset by additional Government funding.
- Any financial impacts of the pension remedy have not yet been included.

7 Medium Term Financial Strategy 2022-2025

The Medium Term Financial Strategy sets out the proposed revenue budget for the next financial year (2022/23) and financial forecasts for a further two financial years. The table below sets out a summary of the financial position in each of those years.

| | 2022/23 £m | 2023/24 £m | 2024/25 £m |
|--|---------------|---------------|---------------|
| Operational Staff | 284.8 | 305.9 | 311.2 |
| Other Staff | 66.4 | 67.0 | 67.1 |
| Staff Related | 25.7 | 26.9 | 27.3 |
| Firefighter Pension Scheme | 21.8 | 22.0 | 22.3 |
| Premises | 42.4 | 43.8 | 43.9 |
| Transport | 17.7 | 17.0 | 16.0 |
| Supplies and Services | 32.5 | 32.0 | 32.4 |
| Third Party | 1.3 | 1.3 | 1.3 |
| Financing | 12.2 | 15.8 | 19.3 |
| Income | (44.5) | (45.9) | (47.3) |
| Surplus (-) / Savings (+) still to be achieved | 0.0 | (11.0) | (2.5) |
| Net Revenue Expenditure Total | 460.3 | 474.7 | 491.0 |
| <u>Funding</u> | | | |
| Reserves (excl. BFR) | (1.9) | (2.5) | (1.7) |
| Budget Flexibility Reserve | 0.0 | 0.0 | 0.0 |
| Total – Reserves | (1.9) | (2.5) | (1.7) |
| Specific Grants | (36.5) | (36.5) | (36.5) |
| Budget – Mayoral Funding | 421.8 | 435.7 | 452.8 |

As can be seen from the table above, the brigade will have a net use of reserves of £6.1m across the MTFs. It is anticipated that the development of the new target operating model will form the basis for service redesign and to help deliver this to the brigade the Budget Flexibility Reserve will be used to smooth the delivery of these future savings plans.

8 Efficiency Plan

The Fire and Rescue Service National Framework for England provides for certain documents to be produced and this includes an Efficiency Plan.

The LFC 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, the proposals set out in the LFC Budget Submission to the Mayor should be considered as the Efficiency Plan for the LFC covering the financial year 2022/23.

A new VFM Principles framework will be used to underpin the strategic priorities and the new Target Operating Model and the development of future efficiency plans.

These principles will be proposed by the LFC CFO and scrutinised by the Finance & Investment Board prior to adoption. The latest framework includes:

- An outcomes-based approach to service delivery models to be adopted in line with the CRMP (Community Risk Management Plan) and the Target Operating Model.
- A new Priority budgeting approach will be adopted in future budget setting processes to ensure resources are aligned with key priorities and strategic objectives.
- Organisational structures will be reviewed to ensure they are fit-for-purpose in meeting statutory obligations but lean and efficient.
- Business processes and related systems will be reviewed to ensure that they are aligned with modern, best practice and seek to maximise the use of digital solutions.
- Maximisation of procurement benefits to drive out value-for-money in commercial contracts.
- Opportunities for collaboration with the GLA, the fire and rescue sector and other public sector bodies will be proactively sought.
- Early and proactive engagement with the unions will be undertaken on any potential pay awards.

This is not an exhaustive list but gives an indication of the LFC's approach to delivering value-for-money and efficiency savings

9 Reserves

As part of our statutory obligations, the LFC Chief Finance Officer (currently Director of Corporate Services) must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

As part of the budget setting process, the CFO must provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion. This will be form part of the final February budget submission.

- The LFC's policy on reserves is contained within the MTFS principles highlighted above and areas follows:
- The LFC will maintain its general reserve at a minimum of 3.5% of net revenue expenditure to cover any major unforeseen expenditure.
- The LFC will aim to balance its revenue budget over the period of the MTFS without reliance on the use of the general reserve.
- The LFC will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities.
- A specific Budget Flexibility Reserve will be earmarked and maintained to smooth the delivery of efficiencies.
- The use and level of earmarked reserves will be reviewed annually by the CFO who will give an opinion on their adequacy.

10 Financial Risks

Covid-19 Pandemic

Covid-19 continues to present significant risk and uncertainty to the LFC.

The LFC incurred substantial additional costs in 2020/21 and 2021/22 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. Whilst the LFC has budgeted for additional cleaning in 2021/22, this budget will no longer be available from 2022/23. If ongoing cleaning is required, this could result in a £2.1m pressure. The LFC holds a £2.0m reserve against Covid Risks.

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 LFC. In order to maintain resilience in front line response, the LFC 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 LFC's emergency fire crew contract and other financial pressures.

Firefighter and Local Government Pension Schemes

There was a material increase in the cost of employer pension contributions for the existing firefighter pension schemes, following the scheme valuation 2016. A grant has previously been provided to offset this pressure and it is assumed that this will be confirmed as ongoing in the Spending Review from 2022/23.

The Fire Brigade's 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.

This remedy will take a number of years to implement, and arrangements are being considered to address the Immediate Detriment. The cost of meeting this Immediate Detriment (ID) could potentially reach £100m based on a number of different factors and discussions are ongoing with central government in relation to the funding of the remedy.

The LFC will also incur additional administration costs in implementing the new LGA Framework and this could pose a financial risk in 2022/23.

Pay and Inflation

LFC has made a budget provision for a 2% pay award for all staff in each of the next three years from 2022/23 to 2024/25. However, this will be subject to consultation. The Mayor has also provided an additional £3.3m to the LFB in his final budget for 2022/23, to reflect increases to inflation.

The budget currently assumes a saving of £14.7m from the phasing of the release of the operational recruitment freeze. Given the impacts of Immediate Detriment there is a risk to this saving being delivered. Again, this will be monitored closely over the coming months.

Property and equipment costs

The EU withdrawal process and Covid-19 have led to some significant economic uncertainty. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult. This is a particular risk in the Property Department.

The volatility surrounding utility costs has resulted in the 3% inflation becoming insufficient. Therefore an additional £0.6m is being funded from reserves to provide additional one-off funding.

There is also a risk with the costs of property rents, particularly in central London, that could impact on future lease agreements/reviews. On the income budget, it has also become more challenging finding tenants and therefore a potential risk for the brigade.

There is a developing impact of the pandemic and EU exit on the supply chain and this may result further pressure on the supply of certain items including building supplies, vehicle components and IT equipment. This may result in further cost pressure.

Capital Expenditure and Financing

The capital budget can be subject to change during the year and any re-phasing or deferral due can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

The capital programme is currently proposed to be funded by a mixture of capital receipts and borrowing and the associated debt costs have been calculated using the current forecast Public Works Loans Board (PWLB) rates. Actual borrowing rates and resulting costs could be different.

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, leading to additional capital financing costs. Existing vehicles may need to be replaced earlier than their expected replacement date, bringing forward capital expenditure.

Funding from the Mayor and Central Government

This report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next three 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. The MTFS has been formulated using the central scenario totals set out in the Mayor's Budget Guidance 2022/23 but there is a risk that actual funding could be lower.

Key operational systems

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. LFC budget plans include a saving 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 2024 at the earliest before the LFC can transition to the new system. Once a credible date is available from the Home Office for the LFCs transition, the budget plans will be updated accordingly. The LFC currently holds an earmarked reserve against any anticipated costs of this work.

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 totalling £0.25m of revenue and £0.6m capital expenditure. However until actual contract award there remains a risk that these sums may be insufficient.

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.

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 may emerge.

Other risks

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.

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.

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.

The saving proposals include material savings for income generated through the (Metropolitan Fire Brigade) MFB Act. This budget has recovered increased budgets approved in recent years, however uncertainty remains on the extent to which increase in this income may continue.

Legal costs

Whilst the LFC has insurance to cover legal costs in relation to legal claims, there is always the risk that there are legal costs which are not covered by the existing policies and/or insured amounts.

11 Conclusion

The review of the MTFS has been undertaken against a backdrop of significant funding uncertainty and during a period of national and global economic instability arising from the impacts of Covid-19.

The LFC has been through a period of significant external scrutiny which has resulted in a significant transformation journey. It is important, therefore, that the Medium Term Financial Strategy can support not only business-as-usual activity but also investment in its transformation activity.

The MTFS and plans as presented demonstrate that the LFC is financial sustainable although will need to continue to focus on efficiency in its service delivery

Appendix 2 – Saving Proposals

The table below presents a summary of the savings proposals by department.

| Department | Saving in 2022/23 | Additional Saving in 2023/24 | Additional Saving in 2024/25 | Total Saving 2022-2025 |
|---------------------------------------|-------------------|------------------------------|------------------------------|------------------------|
| | £000 | £000 | £000 | £000 |
| Control and Mobilising | 169 | 0 | 0 | 169 |
| Finance Services | 140 | 100 | 115 | 355 |
| Fire Safety | 360 | 360 | 221 | 941 |
| Health and Safety | 0 | 32 | 0 | 32 |
| ICT | 800 | 674 | 123 | 1,597 |
| London Resilience | 24 | 21 | 23 | 68 |
| Operational Policy | 14 | 94 | 120 | 228 |
| People Services | 28 | 363 | 708 | 1,099 |
| Property | 1,688 | 85 | 0 | 1,773 |
| Technical & Commercial | 310 | (150) | 292 | 452 |
| Training and Professional Development | 8 | 0 | 0 | 8 |
| Transformation | 608 | 0 | 0 | 608 |
| TOTAL | 4,149 | 1,579 | 1,602 | 7,330 |

Appendix 3 – Growth Proposals

The table below presents a summary of the growth proposals by department.

| Department | Growth in 2022/23 | Additional Growth in 2023/24 | Additional Growth in 2024/25 | Total Growth 2022-25 |
|------------------------------------|-------------------|------------------------------|------------------------------|----------------------|
| | £0 | £0 | £0 | £0 |
| General Counsel | 1,393 | 0 | 0 | 1,393 |
| Transformation | 1,488 | 0 | 0 | 1,488 |
| People Services | 1,232 | -38 | 37 | 1,231 |
| Finance Services | 3025 | -2,515 | 0 | 510 |
| ICT | 1,228 | 760 | 0 | 1,988 |
| Training and Professional Services | 400 | 0 | 0 | 400 |
| Property | 675 | 0 | 0 | 675 |
| Fire Safety | 126 | 182 | 182 | 490 |
| Operational Policy | 137 | 0 | 0 | 137 |
| Control & Mobilising | 627 | 0 | 0 | 627 |
| Operational Resilience | 1,035 | 0 | -750 | 285 |
| Communications | 400 | 100 | 0 | 500 |
| TOTAL | 11,766 | -1,511 | -531 | 9,724 |

In addition to the departmental growth, there is also a £5,400,000 brigade wide growth due to MTFA.



Equality Impact Assessment (EIA) Form

The **purpose** of an EIA is to give **as much information as possible** about potential equality impacts, to demonstrate we meet our **legal duties** under the Equality Act 2010.

Please read the EIA Guidance [on Hotwire](#) before completing this form.

Once you open the template please save it on your OneDrive or SharePoint site. Do not open the template, fill it in and then click Save as this will override the template on Hotwire.

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

London Fire Brigade Budget Submission 2021/22

Overall Equality Impact of this policy, project, decision or activity (*see instructions at end of EIA to complete*):



2. Contact details

Name of EIA author Adrian Bloomfield

Department and Team Assistant Director, Finance

Date of EIA October 2021



3. Aim and Purpose

What is the aim and purpose of the policy, project, decision or activity?

The budget proposal 2021/22 aims to support the delivery of the London Fire Commissioner's priorities to serve and protect London through providing the appropriate financial and human resources.

Who is affected by this work (all staff, specific department, wider communities?)

All staff across the Brigade are impacted by the budget proposal as are the communities we serve.

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?

Individual discussions with staff members who are affected by post-deletions have been had.

5. Assessing Equality Impacts

Use this section to record the impact this policy, project, decision or activity might have on people who have characteristics which are protected by the Equality Act.

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:
 - Eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - 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:

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- (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.
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 July 2021 all Heads of Service received Budget Guidance from the Finance Department, outlining the requirements for budget setting. This document included specific guidance on when and how to undertake an Equality Impact Assessment on proposals. The guidance noted in particular:

"LFB has a legal duty under the Equality Act 2010 to show 'due regard' to the [Public Sector Equality Duty](#) every time we take a decision, begin a project or policy, or begin a proposal which will affect our workforce, service users or wider communities. You must show this

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regard **before** and **at the time** a decision, including a growth or saving proposal, is under consideration. To 'have due regard' means that in making decisions and in our other day-to-day activities LFB must consciously consider the need to do the things set out in the general equality duty: eliminate discrimination, advance equality of opportunity and foster good relations.

"There are some principles for decision makers which we recommend you consider when preparing your budget submissions. You should:

1. consider this budget guidance you being made aware of your duty to have due regard
 2. you must show due regard before and at the time a decision is taken and when it is under consideration;
 3. you cannot satisfy the duty by justifying a decision after it has been taken;
 4. this is not a box ticking exercise, you have to exercise the duty with rigour and with an open mind in such a way that it influences the final decision;
 5. the duty is non-delegable. This means it remains the responsibility of LFB, even if we contract out some of our work to third parties. It's our responsibility to make sure LFB maintains proper supervision over that third party to ensure it carries out its 'due regard' duty;
 6. the duty is a continuing one – it doesn't go away at the point you make a decision;
 7. Equality Impact Assessments (EIAs) are our best way of demonstrating due regard and if there is a legal dispute, the EIA should demonstrate that we actually considered relevant questions that relate to that decision;
 8. the duty is upon the decision maker personally - what matters is what you take into account and what you know; and,
 9. LFB has to assess the risks and extent of any adverse impact of any decisions and the ways those risks may be eliminated before decisions are made. That does not, however, mean we can't move forward when there are adverse impacts."
9. The guidance made clear that an EIA should be undertaken if a 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

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- Relates to an area with known inequalities.

10. 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.

11. 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:

- Proposal to transform People Services (including the creation of new posts)
- The restructure of Regulatory Fire Safety – Primary Authority Business Group (PABG)] to deliver improved levels of effectiveness and efficiency to just FRS staff;
- Fire safety service improvement - to implement the recommendations from the Fire Safety policy team's review in 2021. This will involve the amalgamation of three teams into two and a review of work streams undertaken by the teams;
- Budget savings FSR Outreach; and,
- Fire Safety Budget Savings - 2021/22.

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12. 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.

Staffing Equality Impacts: Post Deletions

13. The budget proposes a number of posts be deleted causing savings in the next financial year. Of this list the majority are for posts held by operational members of staff, who have been redeployed elsewhere, or, are being made by deleting a vacant post, or a post where a person was leaving (natural wastage). To date, there were three posts which are proposed to be deleted causing either a redundancy situation or a person to return to a more junior substantive post. Our current planning assumes that only one person will be made redundant and the others will be found alternative suitable employment.

14. The posts are:

- Post to be deleted in Fire Safety (TMG C) – the post-holder will be made redundant by agreement
- Post to be deleted in Health and Safety (FRS B) – the post-holder 'at risk' will be found another suitable role
- Post to be deleted in Fire Safety (FRS F) – the post-holder will revert back to their substantive post.

15. The equality breakdown of the postholders of the three deleted posts impacting people is:

| Age | | Gender | | Ethnicity | | Disability | |
|---------|----------|--------|------|-----------|----------|------------|----|
| Over 55 | Under 55 | Female | Male | BAME | Non-BAME | Yes | No |
| 0 | 3 | 1 | 2 | 0 | 3 | 0 | 3 |

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16. Consultation with the Industrial Relations Team and Employee Relations Team has identified key mitigations, as outlined above to reduce any potential adverse impact on employees. The FRS B post-holder will be given redeployee status, and the Brigade will actively seek to identify vacant posts that they can be directly redeployed, or assimilated, into. The TMG post-holder is satisfied with the situation.
17. The post-holder of the FRS F role which is being deleted and is returning to their substantive FRS E role demonstrates an unmitigated adverse impact on one person.

| Protected Characteristic | Impact: positive, neutral or adverse | Reason for the impact |
|--|---|---|
| <i>Example: Age</i> | <i>Adverse</i> | <i>Moving this service online will adversely affect older people, who are least likely to have access to a computer or smart phone and may not be able to use the new service.</i> |
| Age (younger, older or particular age group) | NEUTRAL | <i>The age of the people affected is under 55 and does not cause a specific adverse impact</i> |
| Disability | POSITIVE | <i>Increasing the Learning Support Team on a permanent basis (x1 FRS C and x1 FRS E) will have a positive impact on the experience of staff who are neurodiverse and have a disability.</i> |



| | | |
|---|-----------------|--|
| <p>(physical, sensory, mental health, learning disability, long term illness, hidden)</p> | | |
| <p>Gender reassignment</p> | | |
| <p>(someone proposing to/undergoing/ undergone a transition from one gender to another)</p> | <p>NEUTRAL</p> | <p><i>The budget submission has a neutral impact on this protected characteristic.</i></p> |
| <p>Marriage / Civil Partnership</p> | | |
| <p>(married as well as same-sex couples)</p> | <p>NEUTRAL</p> | <p><i>The budget submission has a neutral impact on this protected characteristic.</i></p> |
| <p>Pregnancy and Maternity</p> | | |
| | <p>NEUTRAL</p> | <p><i>Staff on maternity leave should be included in all opportunities for new roles so they are not disadvantaged. This should be an action that falls to the line manager of staff who are on maternity leave.</i></p> |
| <p>Race (including nationality, colour, national and/or ethnic origins)</p> | <p>POSITIVE</p> | <p><i>The introduction of new posts across the Transformation and People Services directorates at more senior levels provides an opportunity to increase the diversity of staff at those senior levels. For example, within the Transformation proposals there are: two TMG B's and one TMG A (part-time) posts in the growth section. At the time of writing (October 2021), there were no Black, Asian or Ethnic Minority staff at that grade within the organisation.</i></p> |

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The recruitment of an FRS E within People Services who has specific responsibility for coaching and mentoring will have a positive impact on the experience of staff from underrepresented backgrounds.

Two additional posts included in Fire Safety for growth are X1 FRS F and X1 FRS E to lead and manage the building design and consultation hub. These two posts will be working to improve the standards of fire safety compliance with the built environment, including the social sector which has an indirect positive impact on communities who are disproportionately from lower socio-economic groups (as data shows Black, Asian and Ethnic Minority communities are more likely to live in the most deprived neighbourhoods across England <https://www.ethnicity-facts-figures.service.gov.uk/uk-population-by-ethnicity/demographics/people-living-in-deprived-neighbourhoods/latest#overall-most-deprived-10-of-neighbourhoods-by-ethnicity>)

Religion or Belief (people of any religion, or no religion, or people who follow a particular belief (not political))

NEUTRAL

The budget submission has a neutral impact on this protected characteristic.

Sex
(men and women)

NEGATIVE

One woman is adversely impacted by the decision to delete an FRS F post, she had been undertaking on a temporary basis for some time, resulting in her returning to her substantive post.



Sexual Orientation

(straight, bi, gay and lesbian people)

NEUTRAL

No information recorded against this specific protected characteristic.

6. Impacts outside the Equality Act 2010

What other groups might be affected by this policy, project, decision or activity?

Consider the impact on: carers, parents, non-binary people, people with learning difficulties, neurodiverse people, people with dyslexia, autism, care leavers, ex-offenders, people living in areas of disadvantage, homeless people, people on low income / in poverty.

Childcare Budget - £20,000 saving (leaving a £30,000 underspend in the budget). This is clearly an under-utilised budget and the impact on parents is deemed to be minimal (not adverse). In order to ensure adverse impacts are limited, it is proposed that the organisation advertises this fund better to staff in future. It could be that once people return to the office, this budget is used better – so making a savings against this line could have adverse impacts further down the line to parents and carers, who are primarily women.

7. Legal duties under the Public Sector Equality Duty (s149 Equality Act 2010)

How does this work help LFB to:

Eliminate discrimination

Advance equality of opportunity between different groups?

Foster good relations between different groups?

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| | | | |
|---|---|---|---|
| Growth bid for £50,000 for inclusion programmes if accepted will allow us to demonstrate compliance with the Public Sector Equality Duty | X | X | X |
| Growth bid for £100,000 for leadership development programmes will be include provisions targeted at staff from underrepresented groups. This will allow us to demonstrate compliance with the PSED. | X | X | X |
| Growth bid to allow staff to obtain a LGV licence. It is expected that this will benefit Black, Asian and Ethnic Minority Staff based on data from the DVLA suggesting that in general this group are less likely to have a driving licence compared to people who are white. SOURCE: here . | | X | |
| Growth bid to increase the IT support to Fire Stations (3 X FRS D staff from X1 FRS D staff). This is likely to be beneficial to staff who rely on technology to support their learning, development and maintenance of skills. | X | X | |
| Growth bid to increase remote access facilities to all staff. If approved, this is likely to be beneficial to staff who are disabled, or those who are at higher risk from covid-19. | X | X | |
| Growth bid to increase the Wellbeing Team staff resource and efficiency of booking fitness testing. This is anticipated to increase overall levels of fitness, including for staff who require 18 month fitness testing. This is primarily expected to increase the health outcomes for men in the organisation. SOURCE: here . | | X | |
| Growth bid to increase spend on external coaches and training for internal coaches. Part of this resource will be used to support newly promoted staff, high-potential staff to go for promotion and underrepresented staff in general to go for promotion. It is expected that this will benefit women, Black, Asian and Ethnic Minority staff primarily, plus LGBT or disabled staff. | | X | |



8. Mitigating and justifying impacts

Where an **adverse** impact has been identified, what steps are being taken to **mitigate** it? If you're unable to mitigate it, is it **justified**?

| Characteristic with potential adverse impact (e.g. age, disability) | Action being taken to mitigate or justify | Lead person responsible for action |
|---|--|------------------------------------|
| Childcare budget | Advertise the childcare scheme in future years | Assistant Director People Services |
| Staff on maternity leave | Advertise the vacancies available coming up to all staff who are on maternity leave so they do not suffer disadvantage | Line Manager of staff |
| Race | <i>To undertake a positive action campaign (either internally or externally) for the appointment of these posts. This could include: using an external partner who specialises in recruiting diverse candidates to senior roles, or running awareness sessions internally for staff to explain the new roles before they are advertised.</i> | Outreach Manager |

Now complete the RAG rating at the top of page 1:

High: as a result of this EIA there is evidence of significant adverse impact. This activity should be stopped until further work is done to mitigate the impact.

Medium: as a result of this EIA there is potential adverse impact against one or more groups. The risk of impact may be removed or reduced by implementing the actions identified in box 8 above.

Low: as a result of this EIA there are no adverse impacts predicted. No further actions are recommended at this stage.



Appendix 5 – Capital Strategy

LFC Capital Strategy 2022/23 for Budget Submission

Introduction

1. The Capital Strategy has been developed in accordance with the CIPFA Prudential Code (2018 edition) to ensure that all amounts borrowed by London Fire Commissioner's (LFC) are affordable. The Capital Strategy outlines the LFC's approach to capital investment decisions and priorities, 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 LFC is developing a Community Risk Management Plan (CRMP) and Target Operating Model (TOM) to be in place from 2022/23 as these will be key to informing the Capital Strategy going forward. The Capital Strategy supports the Brigade and it is intended to give a high-level overview of how the capital expenditure and capital financing contribute to delivery of services and its purpose as an organisation trusted to serve and protect London, and delivery of the Mayor's priorities.
2. The LFC Capital Strategy and capital programme covers a more detailed outlook is set over a five-year timeframe. The Strategy does however include a longer-term vision, a forward look at those projects that are likely to run beyond the five year strategy and programme period or be initiated subsequently. This covers a timeframe for the 15 years from 2026/27 to 2040/41. The format of the Capital Strategy reflects the latest Prudential and Treasury Management Codes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
3. 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.
4. 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.
5. 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 LFC'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".
9. The Strategy has been derived largely from the Asset Management Plan, the ICT Strategy, the Fleet Replacement Plan, the Sustainability Strategy and the Treasury Management Strategy. It has been developed to reflect the LFC's priorities, and will be reviewed for future years to deliver against the CRMP and TOM to be in place from 2022/23. It will also support addressing the recommendations from the Grenfell Tower Inquiry and the HM Inspectorate of Constabulary and Fire & Rescue Services.
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 requirements are considered below, including investment and capital funding. This is based on the LFC's current capital programme plus the on-going future capital requirements and maintain operational effectiveness at current levels. A key review of the Capital Strategy and 20 year capital requirement will be undertaken once the CRMP and TOM are in place from 2022/23.

18. The LFC capital spending plans for the five years to 2025/26 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 2021/22 to 2025/26

| Project | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 | TOTAL |
|-------------------------------|---------------|---------------|---------------|---------------|---------------|----------------|
| | £m | £m | £m | £m | £m | £m |
| Capital Schemes | | | | | | |
| Properties | 8.254 | 18.379 | 21.892 | 11.415 | 38.088 | 98.028 |
| Fleet Replacement Plan | 9.266 | 8.410 | 4.614 | 2.872 | 4.102 | 29.264 |
| ICT Projects | 1.449 | 8.996 | 11.731 | 5.836 | 1.672 | 29.684 |
| Communications Project | 0.00 | 1.160 | 1.104 | 0 | 0 | 2.264 |
| Operational Policy Equipment | 0.149 | 8.051 | 0 | 0 | 0 | 8.200 |
| Total Expenditure | 19.118 | 44.996 | 39.341 | 20.123 | 43,862 | 167.440 |
| Capital Financing | | | | | | |
| Capital Receipts | 19.118 | 6.982 | 13.300 | 0 | 0 | 39.4 |
| Capital Grants | 0 | 0 | 0 | 0 | 0 | 0 |
| External Borrowing | 0 | 38.014 | 26.041 | 20.123 | 43.862 | 128.040 |
| TOTAL Funded Financing | 19.118 | 44.996 | 39.341 | 20.123 | 43.862 | 167.440 |

19. Revenue Funding of the Capital Programme for the first 5 years

In the medium term the total budget is £167.440m of which partly funded by £39.4m of Capital Receipts (Clerkenwell & 8AE) and the remaining expected to be funded by £128.040 of external funding. The additional borrowing costs (MRP & Interest Charges) will be £9.6m for 22/23 (£9.9m in 21/22) and increasing in the following years to £15.86m in 23/24 and £19.3m in 24/25 and this is expected to be reflected in the revenue report. (The current revenue budget to fund 21/22 Capital Programme is £8.45m). As set out in the treasury management report LFC internally borrow a significant amount of funding which reduced the interest charged. However, there is a requirement in accordance to the Prudential code for LFB to set aside sufficient funds to fund the Capital Programme should the need arise.

20. A further 15 years, from 2026/27 to 2040/2041, 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 2026/27 to 2040/41 and Ambition Gap

| Project | Years 2026/2031 | Years 2031/2036 | Years 2036/2041 |
|-------------------------------------|----------------------------|----------------------------|----------------------------|
| | £m | £m | £m |
| Capital Schemes | | | |
| Properties | 82.934 | 93.791 | 108.060 |
| Fleet Replacement Plan | 48.396 | 71.620 | 9.125 |
| ICT Projects | 20.647 | 38.434 | 28.288 |
| Communications Project | 0.000 | 0.000 | 0.000 |
| Operational Policy Equipment | 17.259 | 0.000 | 4.714 |
| Total Capital Expenditure | 169.236 | 203.845 | 150.187 |
| 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 | 169.236 | 203.845 | 150.187 |
| TOTAL Funded Financing | 169.236 | 203.845 | 150.187 |
| Unfunded Capital Expenditure | 0 | 0 | 0 |

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.

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.

21. 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.
22. 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

23. 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.
24.
 - **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 in some cases 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.

25. 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 over the medium term, depending on the timing of the remaining capital receipts, with the additional capital financing costs adding to the pressure on the revenue budget
26. 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 2025/26 budget 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 2026/27 to 2040/41

| Future Years | Capital Expenditure £m | Financed from external borrowing £m | Debt Charges* £m | Budget £m | Budget Pressure £m |
|--------------|------------------------|-------------------------------------|------------------|-----------|--------------------|
| 2026/27 | 24.680 | 24.680 | 27.724 | 12.033 | 15.691 |
| 2027/28 | 20.303 | 20.303 | 33.541 | 12.395 | 21.146 |
| 2028/29 | 32.630 | 32.630 | 31.134 | 12.766 | 18.368 |
| 2029/30 | 45.851 | 45.851 | 32.502 | 13.149 | 19.353 |
| 2030/31 | 45.520 | 45.520 | 34.620 | 13.544 | 21.076 |
| 2031/32 | 41.457 | 41.457 | 38.039 | 13.950 | 24.089 |
| 2032/33 | 39.292 | 39.292 | 36.890 | 14.368 | 22.522 |
| 2033/34 | 45.868 | 45.868 | 40.479 | 14.800 | 25.679 |
| 2034/35 | 41.118 | 41.118 | 40.382 | 15.244 | 25.138 |
| 2035/36 | 36.110 | 36.110 | 42.227 | 15.701 | 26.526 |
| 2036/37 | 25.881 | 25.881 | 41.014 | 16.172 | 24.842 |
| 2037/38 | 28.750 | 28.750 | 43.030 | 16.657 | 26.373 |
| 2038/39 | 39.962 | 39.962 | 40.877 | 17.157 | 23.720 |
| 2039/40 | 27.797 | 27.797 | 42.069 | 17.671 | 24.398 |
| 2040/41 | 27.797 | 27.797 | 42.069 | 18.202 | 23.867 |

(Minimum Revenue Provision and interest has been calculated at 2.5% and MRP has been estimated on a 15 year asset life for the purposes of the above calculations)

27 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 2040/41 to nearly £42m, resulting in a budget pressure in excess of £25m.

28 The projected budget pressure, of over £25m, is based on current capital spend projection which is based on inflation at 2.5% 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.

29. The table indicates a revenue pressure from additional borrowing costs of over £42m 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

30 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

31. 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 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 | 2036 | 2041 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| PWLB Loans | 55.725 | 48.725 | 46.725 | 43.225 | 38.225 | 23.500 | 23.500 | 14.500 |

32. 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.

33. Table 5 below sets out the prudential limits for 2021/22 to 2025/26

Table 5: Prudential Limits

| Approved Borrowing Levels £k | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Operational Boundary | 240,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Authorised Boundary | 245,000 | 245,000 | 245,000 | 245,000 | 245,000 |

Other Long Term Liabilities

34. 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 | 2022 | 2023 | 2024 | 2025 | 2026 | 2031 | 2036 | 2041 |
|--------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| | £m | £m | £m | £m | £m | £m | £m | £m |
| PFI | 42.91 | 41.47 | 39.91 | 38.33 | 36.74 | 28.40 | 16.60 | 0 |
| Finance Lease | 18.43 | 18.43 | 18.43 | 18.43 | 18.29 | 11.83 | 0 | 0 |
| Total | 61.34 | 59.90 | 58.34 | 56.76 | 55.03 | 40.23 | 16.60 | 0 |

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

35. 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.

36. 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 is to come into effect from 1st April 2022. The Capital Strategy will be updated once the impact of the new accounting requirements has been assessed.

Risk

37. 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.

38. 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.

Appraisal - Governance and Monitoring

39. An important part of the governance arrangements is the frequent monitoring of the agreed capital programme. The capital programme is reviewed regularly with budget holders, and reported on a quarterly to senior management. The capital monitoring is reported alongside revenue monitoring in the quarterly financial position report, which is reported to the Directorate Board and Commissioner's Board. 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 (FREPEP) and Budget and Performance Committees (BPC).

40. 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.
41. 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.
42. The Capital Programme is approved by the London Fire Commissioner before submission to the Mayor as part of the annual budget submission.
43. 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.
44. 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

45. 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.

CIPFA Financial Management Code

Introduction and Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) has published the Financial Management (FM) Code and associated guidance for public sector bodies. The FM Code states that it has been introduced because;

"the exceptional financial circumstances faced by local authorities have revealed concerns about fundamental weaknesses in financial management, particularly in relation to organisations that may be unable to maintain services in the future".
2. The FM Code does not have legislative backing but does support the London Fire Commissioner's (LFC) compliance with the duty to have sound financial management in place. It also supports the Chief Finance Officer, the Director of Corporate Services, in complying with the legal duty under s 127 Greater London Authority Act 1999 to make arrangements for the proper administration of the LFC's financial affairs.
3. The Commissioner's Board was updated on the introduction of the FM Code in March 2020 (LFC-0327) and in the Final Budget Report for 2021/22 in readiness for the first full year of the FM Code which was 2021/22.

Financial Management Requirements

4. The FM Code applies a principles-based approach and includes the CIPFA Statement of Principles of Good Financial Management. This sets out the six principles as follows:
 - Organisational leadership – demonstrating a clear strategic direction based on a vision in which financial management is embedded into the organisation culture
 - Accountability – based in medium-term financial planning that 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 frequently with evidence of periodic officer 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 toll mainstreamed into financial management, including 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
5. To enable authorities to test their conformity with the Statement of Principles of Good Financial Management, the FM Code translates these principles into financial management standards. These are then what is required of an authority to meet the minimum standards of financial

management acceptable to address fiduciary duties to taxpayers, customers and lenders. The CIPFA financial management standards are set out in Annex 1.

Addressing the Requirements of the FM Code

6. It was previously reported that it was considered that the LFC already complied with a number of standards within the FM Code, work then continued in 2021/22 to deliver improvements where additional work was required to meet an Action plan to achieve full compliance with the code. Annex 1 below provides an update against each area of the code. Improvements continue to be identified and implemented where possible to reflect the changing financial position, resources, systems and best suit the needs of the LFC's stakeholders.

Appendix 6 – Financial Management Code

Annex 1

| Reference | CIPFA Financial Management Standards | Action | |
|-----------|---|---|--|
| | The responsibilities of the chief finance officer and leadership team | | |
| A | The leadership team is able to demonstrate that the services provided by the authority provide value for money. | Work with the fire and rescue sector, through the NFCC, to develop more robust measures to demonstrate value for money. | The LFC worked closely with the NFCC as part of the 2022/23 Spending Review and will continue to work for future Spending Reviews to ensure the services it provides are understood and can be shown to represent good value for money. The LFB has also prepared draft Value for Money Principles for approval to further support good decision making. |
| B | The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government. | LFC in Compliance with Code | |
| | Governance and financial management style | | |
| C | The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. | LFC in Compliance with Code | |
| D | The authority applies the CIPFA/SOLACE <i>Delivering Good Governance in Local Government: Framework</i> (2016). | LFC in Compliance with Code | |
| E | The financial management style of the authority supports financial sustainability. | Review the resilience index completed by local authorities to see if it can be adapted for the LFB. | The LFC provided regular updates on its budget and reserves position to its Corporate Board, as well as the Deputy Mayor for Fire and Resilience and its Audit Committee, to ensure proper review, scrutiny and understanding and ensured of its financial position. |
| | Long to medium-term financial management | | |
| F | The authority has carried out a credible and transparent financial resilience assessment. | Extend Medium Term Financial planning within the LFB to support financial sustainability. | Financial Planning reporting within the LFC has been extended both internally and externally, and will continue to be reviewed |
| G | The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members. | | |

| | | | |
|---|--|---|--|
| | | | and improved into future years to support sustainable financial planning. |
| H | The authority complies with the CIPFA <i>Prudential Code for Capital Finance in Local Authorities</i> . | LFC in Compliance with Code | |
| I | The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. | LFC in Compliance with Code | |
| | The annual budget | | |
| J | The authority complies with its statutory obligations in respect of the budget setting process. | LFC in Compliance with Code | |
| K | The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. | LFC in Compliance with Code | |
| | Stakeholder engagement and business plans | | |
| L | The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget. | To effectively engage with stakeholders as part of the development of the Community Risk Management Plan, to help support medium and long term decision making. | The LFB has carried out initial consultations on its services to support the development of the Community Risk Management Plan, and it has now been agreed to extend the existing plan until April 2023 to enable additional public consultation to be carried out with its stakeholders on this key document. |
| M | The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions. | To establish a document appraisal methodology to support decision making and achieving value for money. | A new appraisal methodology has been developed to support the analysis of its proposals, including a scoring methodology for consistently. This methodology supported the budget process for 2022/23. |
| | Monitoring financial performance | | |
| N | The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability | | |
| O | The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability. | To review which elements of the balance sheet are reported on to the leadership team, and consider which additional elements should also be reported on in this way | Key risks within the balance sheet are communication to the management team as part of regular reports, including the impact of pensions risks as a result of the recent legal case on the firefighter pension scheme |

| | | | |
|---|---|-----------------------------|---|
| | | | (McCloud Sargeant). Work is ongoing to further embed this within reporting. |
| | External financial reporting | | |
| P | The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the <i>Code of Practice on Local Authority Accounting in the United Kingdom</i> . | LFC in Compliance with Code | |
| Q | The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions | LFC in Compliance with Code | |