

Financial Position as at the end of September 2021

Report to	Date
Commissioner's Board	03 November 2021
Deputy Mayor's Fire and Resilience Board	09 November 2021
Audit Committee	02 December 2021

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For Decision

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PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DECISION-MAKER

Executive Summary

This report presents the London Fire Commissioner's (LFC) financial position as at the end of September 2021 and provides information on financial performance against revenue and capital budgets.

Recommended decision(s)

That the London Fire Commissioner:

1. Notes the financial position as at the end of 30 September 2021 (Quarter 2).
2. Approves the reserve movements set out at Table 4.
3. Approves the virement of £588k employee related insurance budget to other insurance budget set out in paragraph 24 below.

Introduction and background

1. This report presents the current revenue and capital expenditure position as at 30 September 2021 (Quarter 2) and the forecast outturn position at 31 March 2022.
2. All departments review their actual income and expenditure on a monthly/quarterly basis and provide an updated forecast of 31 March 2022 outturn and explanation of variances, against all their budgets. These returns then form the basis of reporting to the Commissioner's Board and from there on to the Greater London Authority.

Background to 2021/22 Budget

3. The 2021/22 budget was approved by the London Fire Commissioner (LFC) on 24 March 2021 (LFC-0505x) with a net revenue budget of £405.4m, being made up of net expenditure of £363.8m with £8.3m funding from earmarked reserves and £33.3m funding from specific grants.
4. This report sets out a summary position on both the revenue and capital budgets, and then provides more detailed explanations of variances.

Mayor's Budget Guidance for 2022/23

5. The Mayor of London published his Budget Guidance for 2022/23 on 30 July 2021. The Guidance sets out additional funding for the LFC of £7.1m, compared to the previous estimate for 2022/23. The Guidance then also provided funding totals for two further years with an additional £12.7 in 2023/24 and £14.6m in 2024/25.

Revenue

6. The forecast revenue outturn position at the end of September 2021 is for an underspend of £667k, which is 0.15% of the net revenue budget. The forecast underspend at Quarter 1 of £2,469k has decreased by £1,802k since last reported at the end of June (LFC- 0564). The main reasons for this movement are explained below.
7. The variance is mainly due to:
 - The forecast for operational staff costs being increased by £6,620k since last reported at the end of June as a result of additional operational overtime and allowances. A substantial part of this relates to volunteers for the Ambulance Driving Assist (ADA) working with the London Ambulance Service (LAS) which is to be met by cost recovery, on overtime at £2,754k and allowances at £2,081k. This leaves a balance of £1,785k to respond to staffing and skills gaps, including due to the ongoing pandemic.
 - £1,038k forecast additional costs on Immediate Detriment, relating to pensions administration costs, for work required on the Firefighter Pensions remedy particularly for the LFC's pensions administrator (LPPA), to support managing Immediate Detriment. The LGA Framework Agreement to support Immediate detriment has now been published, and so allow an LFC decision on whether to implement this. The LFC has received £425k from the Home Office for the administration costs currently earmarked in the reserve, but this is currently expected to be required for the final remedy.
 - £1,312k due to a rent increase forecast for Union Street offset by an underspend on property rates (£779k) due to a 9% property rate discount now applied to fire stations.
 - £776k on building maintenance due to high volume of repairs being required, with an increased focus on the estate resulting in works being identified including works that were delayed from the previous financial year due to the pandemic.
8. The above overspends are offset by other movements in the forecast outturn due to additional underspending on the following items:
 - Forecast over recovery of income at £3,680k mainly due to additional income for cost recovery on operational overtime and allowances for ADA from the LAS as part of the Covid-19 response (£4,835k) offset by revised income of £326k on Grenfell Tower Investigation and under recovery in commercial rent due to leases coming to an end and not being renewed in the current year (£571k).

- FRS Staff budgets are forecast to underspend by an additional £2,214k since last reported at the end of June due to vacancies, with continuing challenges in recruiting and retaining staff.
- There is a forecast underspend of £378k on injury pensions with a reduction in overall injury pensioner numbers.
- There is a £1,405k draw on earmarked transformation reserve to meet the costs of projects approved in 2021/22 to support delivery of the Transformation Delivery Plan.

9. The key variances are explained in more detail from paragraph 11 below.

Tables and Appendices to this report

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

- Table 1 provides a summary of the financial position for the revenue budget.
- Table 2 provides a summary of the original budget compared to revised budget and movements.
- Table 3 provides the latest position on reserves.
- Table 4 provides the forecast movement on reserves
- Table 5 provides the summary capital expenditure position
- Appendix 1 provides additional detail on the forecast outturn financial position for the revenue budget.
- Appendix 2 contains the financial position for the capital budget.
- Appendix 3 discuss the risks to the revenue and capital position that have not been quantified.
- Appendix 4 provides an analysis of outstanding debt relating to charges for Shut in Lift attendances.
- Appendix 5 meets the requirement to disclose all budget virements within the quarter under the LFC Scheme of Governance.

Table 1 - Summary Financial Position

	Year to date Budget	Year to date Spend	Year to date Variance	Full Year Revised Budget	Forecast Outturn at 30 September 2021 (Qtr.2)	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 June (Qtr.1)	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Operational staff	135,417	142,177	6,760	270,768	279,289	8,521	1,917	6,604
Other staff	32,669	32,590	(79)	65,410	59,378	(6,032)	(3,864)	(2,168)
Employee related	22,844	24,015	1,171	25,134	24,515	(619)	74	(692)
Pensions	11,392	9,218	(2,174)	21,644	21,366	(278)	100	(378)
Premises	27,900	27,380	(520)	44,837	45,890	1,052	(84)	1,136
Transport	15,986	17,666	1,680	17,605	16,714	(890)	(1,112)	221
Supplies and services	21,076	31,766	10,689	30,937	35,753	4,816	3,887	929
Third party payments	928	1,291	363	1,310	2,519	1,208	96	1,113
Capital financing costs	693	935	242	8,953	8,953	0	0	0
Central contingency against inflation	2,734	0	(2,734)	5,887	5,984	96	(26)	122
Total revenue expenditure	271,640	287,038	15,398	492,485	500,361	7,876	988	6,887
Other income	(36,952)	(26,844)	10,108	(41,519)	(48,692)	(7,173)	(3,494)	(3,680)
Net revenue expenditure	234,687	260,193	25,506	450,967	451,669	702	(2,505)	3,207
Use of General Reserves	0	0	0	0	0	0	0	0
Use of earmarked reserves	(991)	0	991	(11,410)	(12,799)	(1,389)	16	(1,405)
Financing Requirement	233,696	260,193	26,497	439,556	438,869	(687)	(2,489)	1,802
Financed by:								
Specific grants	(17,406)	(21,732)	(4,326)	(34,156)	(34,136)	20	20	0
GLA funding	0	0	0	(405,400)	(405,400)	0	0	0
Net Financial Position	216,291	238,462	22,171	0	(667)	(667)	(2,469)	1,802

Table 2 - Summary of Original and Revised Budgets

	Original budget	Full Year Revised Budget	Movement between variance figures	Comments
	£000s	£000s	£000s	
Operational staff	275,344	270,768	(4,576)	Allocations to reflect actual staffing position
Other staff	63,188	65,410	2,222	Allocations to reflect actual staffing position
Employee related	24,508	25,134	626	LFC to approve a virement of on employee related insurance budget to other insurance budget to bring the budget in line with spend.
Pensions	21,644	21,644	(0)	
Premises	44,807	44,837	30	
Transport	17,640	17,605	(35)	
Supplies and services	31,557	30,937	(620)	LFC to approve a virement of on employee related insurance budget to other insurance budget to bring the budget in line with spend.
Third party payments	1,402	1,310	(92)	
Capital financing costs	8,454	8,953	500	
Central contingency against inflation	2,227	5,887	3,660	Offsets staff movements
Total revenue expenditure	490,771	492,485	1,715	
Other income	(41,210)	(41,519)	(309)	
Net revenue expenditure	449,561	450,967	1,406	
Use of General Reserves	0	0	0	
Use of earmarked reserves	(10,234)	(11,410)	(1,176)	Draw on earmarked reserve to meet additional requirements for Transformation delivery.
Financing Requirement	439,327	439,556	230	
Financed by:				
Specific grants	(33,927)	(34,156)	(229)	
GLA funding	(405,400)	(405,400)	0	
Net Financial Position	(1)	0	1	

Reasons for the Revenue Position

Staff

Operational Staff

11. The budget for operational staff is forecast to have a overspend at £7,862k, an increase of £6,620k since reported at the end of June, mainly on additional costs on operational overtime for ADA as part of the Covid-19 response. Cost recovery from the LAS is expected to offset the impact of the overspend on overtime (£2,754k) and spend on allowances (£2,081k) related to ADA support.
12. Deducting the impact of expected income above leaves an overspend of £3,027k due to Pre-Arranged Overtime (PAO) to respond to staffing and skills gaps, including due to the ongoing pandemic. The position on pre-arranged overtime will continue to be monitored closely as the Brigade responds to developing challenges, particularly as those relating to the pandemic reduce, as well as considering requests from the LAS.
13. As previously reported at the end of June (LFC-0564), there is also an overspend of £660k on firefighter trainees because of courses deferred due to Covid-19 and an increase in the number of candidates being re-coursed to meet additional trainee support requirements.

FRS and Control Staff

14. FRS staff budgets are forecast to underspend by £5,944k (9.8% of the FRS budget), an increase of £2,214k since last reported at the end of June (LFC-0564). This forecast is as a result of a number of vacancies at the start of the year, following the additional recruitment controls put in place on FRS and agency staff, and continuing challenges in recruiting during the pandemic.
15. The underspend is after the impact of an increased vacancy margin for the year. There have been particular challenges in recruiting and retaining Fire Safety Inspecting Officers with staff costs here forecast to underspend by £4,752k (60 FRS vacancies and with 17 agency staff).
16. At the end of September, across all departments including Fire Safety above, there were 157 FRS vacancies across all departments and with 84 agency staff to help mitigate the impact of this.
17. Although vacancy levels had increased due to the recruitment controls last year, it was expected that once these were removed, vacancy levels and particularly agency staff would quickly return to previous levels, which has not occurred. It should also be noted that the LFC has moved to a new supplier of agency staff from August 2021. There has been a number of issues in progressing recruitment through this new contract which means that recruitment has been delayed but is likely to increase.
18. As previously reported at the end of June (LFC-0564), Control staff budgets are forecast to underspend by £88k due to vacancies.

Employee related

19. Employee related budgets are forecast to overspend by £657k due to Employee related insurance £588k but this offset spend on Other insurance. This report requests LFC to approve a virement of £588k employee related insurance budget to other insurance budget to bring the budget in line with spend. £117k on Professional Development budget mainly due to underspend against incident command course offset by £80k in relation to historic early release costs on the Local Government Pension Scheme (LGPS). The budget includes an expectation of reducing costs over time, as has been experienced in previous years.

20. However, this year has seen a higher level of dependent pensions being payable therefore extending the pensions liability. This additional liability is being reviewed to determine if it impacts on the forecast position over the medium term.

Transport

21. As previously reported at the end of June (LFC – 0564), there is a forecast underspend on running costs, revised to £1,337k, due to reduced home visits due to the Covid-19 pandemic. Also, an underspend of £715k and on vehicle insurance claims, following the successful procurement process to identify alternative options for fleet and liability covers (£612k).
22. The new insurer has different arrangements in place to fund the self-insured elements of claims which results in a one-off reduction in spend. This is offset by previously reported forecast overspend on Unitary Payment attributable to the charge for the new Aerial appliances now revised £205k and there is also a revised £123k overspend on vehicle passthroughs due to DPL pumping appliance accident.

Supplies and Services

23. As previously reported at the end of June (LFC-0564), there is a forecast overspend of £4,816k on supplies and services budgets, mainly on Professional Services on Grenfell Tower Investigation legal costs (£3,107k) including hardware and software costs £197k, this is offset by income from expected from insurers £2,819k
24. There is an overspend on other Insurance budget £585k but this offsets underspend on employee related insurance. This reports requests LFC to approve the virement of £588k employee related insurance budget to other insurance budget to bring the budget in line with spend. On communications budget £294k following the tender of telephony services and award of new contract to commence in 2022; two services are running concurrently and being paid for due to implementation and additional costs on network equipment & services following the review of credit notes that applied to last year's services.

Third party payments

25. There is a forecast overspend of £1,038k on other agencies due to forecast additional costs on Immediate Detriment for work required on the Firefighter Pensions remedy particularly for the LFC's pensions administrator (LPPA), to support managing Immediate Detriment. The LGA Framework Agreement has been published, and so allow an LFC decision on implementing this. A grant of £425k has been received from the Home Office towards additional costs, however these are currently expected to be required for the final remedy and so are held in an earmarked reserve.

Income

26. Income is forecast to over recover by £7,173k due to income from insurers in respect of the Grenfell Tower Investigation which offsets spend on professional services and software costs relating to Grenfell (revised £2,819k) previously reported at the end of June (LFC- 0564) and additional income for cost recovery on operational overtime and allowances for ADA from the LAS as part of our Covid-19 response (£4,835k), additional (220k) for Apprentices incentive payments from the Education and Skills Funding Agency (ESFA) and (£128k) one-off income received from Babcock for the disposal of vehicles.

Capital

27. The original budget for the 2021/22 capital programme was £58,637k, as per the Capital Strategy approved as part of the 2021/22 Budget report (LFC-0505x). The budget was increased to £60,563k following the capital outturn position for 2020/21 reported in the Financial Outturn Position report (LFC- XXXX); £1,926k was carried forward to 2021/22 from 2020/21.

28. The forecast capital outturn for 2021/22 as at the end of September (Q2) is £35,758k. This is £24,805k less than the revised budget position including ICT (£3,254k), Property (£13,190k) and Fleet (£8,361k). Detailed breakdown is provided in Appendix 2 and key variances are explained in more detail from paragraph 35 below.

29. The position on the amount and timing of capital receipts, including for sites at Clerkenwell which is expected in February 2022 and Albert Embankment, continues to be monitored.

Position on Reserves

30. 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 £16,617k, and this is £833k above the minimum general reserve position of 3.5% of the net revenue expenditure.

31. Table 3 below sets out the position on the financial reserves.

Table 3 Position on Reserves

Reserve Description	Opening Balance at 01/04/21	Planned Use of Reserve	Use of Reserves	Transfer Between Reserves In Year	Closing Balance at 31/03/22
Additional Resilience Requirements	524				524
Capital Expenditure Reserve	11,745				11,745
Central Programme Office	829	(373)	(373)	(501)	(45)
In Year Savings Reserve	5,000			(1,400)	3,600
Compensation	1,000		(890)		110
Emergency Services Mobile Communication Programme	1,081	(654)	(654)		428
Pensions Earmarked Reserve	425				425
Covid	1,968				1,968
Emergency Medical Response	294				294
Fire Safety and Youth Engagement	4,939	(193)	(193)		4,746

Reserve Description	Opening Balance at 01/04/21	Planned Use of Reserve	Use of Reserves	Transfer Between Reserves In Year	Closing Balance at 31/03/22
Transformation Reserve	6,278	(2,590)	(4,146)		2,132
Grenfell Infrastructure Reserve	1,210	(43)	(43)		1,167
Hydrants	462	(120)	(120)		342
ICT Development Reserve	2,283	(541)	(541)		1,742
LFC Control Centre	729				729
LFB Museum Project	372	(87)	(175)		197
London Resilience	771				771
London Safety Plan Initiatives	2,716	(486)	(459)		2,257
Organisational Reviews	239	(89)	(89)		150
Recruitment/ Outreach	250				250
Sustainability	235				235
Vehicle & Equipment Reserve	2,585	(233)	(233)		2,353
Budget Flexibility	31,417	(4,884)	(4,884)	1,400	27,932
General	15,449		667	501	16,617
Total	92,801	(10,293)	(12,132)	0	80,668

32. Table 3 provides the further use of reserve in-year against the planned use of reserve. The main movement on reserve draw is due to the draw on the Transformation Reserve to meet the costs of projects approved to support delivery of the Transformation Delivery Plan £1,556k. There is

also a draw on compensation reserve to meet overspend on personal injury claims and contribution towards costs and damages £890k.

33. As previously reported at the end of June (LFC-0564), following a review of the Central Programme Office (CPO) earmarked reserve a balance of £501k has been moved into the general reserve to reflect the reconciled funding received for the CPO above the costs incurred. It is also planned that there will be a £1,400k draw from the In-Year Savings reserve to reflect the profile of the £5m funding reduction from the Mayor in 2020/21 that is being applied over three years.
34. The forecast movement on the reserves in 2020/21 was included as part of the Budget Report 2021/22, and the movements set out in Table 4 below are compared to the original forecast. This shows the anticipated balance on reserves at 31 March 2021 presented in the March Budget, and the revised forecast balance included in this report.

Table 4 Forecast Movement on Reserves

Reserve Description	Balance March 2021	Balance March 2022	Movement	Comments
Additional Resilience Requirements	524	524	0	
Capital Expenditure Reserve	11,745	11,745	0	
Central Programme Office (CPO)	829	(45)	(874)	Draw to meet CPO spend
In Year Savings Reserve	5,000	3,600	(1,400)	
Compensation	1,000	110	(890)	Draw on compensation reserve to meet overspend on personal injury claims and contribution towards costs and damages,
Emergency Services Mobile Communication Programme (ESMCP)	1,081	428	(654)	Draw to meet costs main of software bespoke.
Pensions Earmarked Reserve	425	425	0	
Covid	1,968	1,968	0	
Emergency Medical Response	294	294	0	
Fire Safety and Youth Engagement	4,939	4,746	(193)	Draw to meet staff costs
Transformation Reserve	6,278	2,132	(4,146)	Forecast draw to meet various spend on transformation delivery plan.
Grenfell Infrastructure Reserve	1,210	1,167	(43)	Planned draw to meet spend.

Reserve Description	Balance March 2021	Balance March 2022	Movement	Comments
Hydrants	462	342	(120)	Due to increase in the number of hydrants repair jobs being completed by the water supply companies.
ICT Development Reserve	2,283	1,742	(541)	Finance system upgrade
LFC Control Centre	729	729	0	
LFB Museum Project	372	197	(175)	To meet spend on museum project mainly on professional service for Fundraising Sponsorship and Retail.
London Resilience	771	771	0	
London Safety Plan (LSP) Initiatives	2,716	2,257	(459)	Planned draw to meet LSP spend.
Organisational Reviews	239	150	(89)	Planned draw to meet Building Support Programme
Recruitment/ Outreach	250	250	0	
Sustainability	235	235	0	
Vehicle & Equipment Reserve	2,585	2,353	(233)	Planned draw to meet spend for the Ultra-Low Emission Zone (ULEZ) project
Budget Flexibility	31,417	27,932	(3,484)	Planned draw incorporated in 2021/22 budget (£4.8m) offset by £1.4m draw from the In-Year Savings reserve to reflect the profile of the £5m funding reduction from the Mayor in 2020/21 that is being applied over three years.
General	15,449	16,617	1,168	Forecast underspend and transfer into general reserve
Total	92,801	80,668	(12,132)	

Capital

35. The Capital budget approved by the LFC in March 2021 was £58,637k. This budget was increased as of the outturn report 2020/21, to approve of slippage from 2020/21 to 2021/22 of £1,926k including ICT £648K, Property £1,169K and Fleet £109k.

• Budgets Approved for 2021/22	£58,637k
• Budget Slippage from 2020/21	£1,926k
Total	£60,563k

36. The forecast capital outturn for 2021/22 is £35,758k, which is a reduction of £11,505k compared to the position reported at Quarter 1, £47,263k (LFC-0564). The main changes in the programme are outlined below.

• Budget slippage in future years	(£10,025k)
• Budget Brought Forward	(£149k)
• Savings	(£1,450k)
• Other Changes	(£179k)
Total	(£11,505k)

Budget Slippage

37. The spend in Fleet continues to be reviewed and, whilst the rollout of the replacement programme remains generally on schedule, there have been challenges due to global supplier delays in vehicle parts, relating to the pandemic and additional border controls. As a result, the change in variance is largely due to the Command Support Unit slippage of £2,395k into 2022/23.

38. Fire Rescue Units (£93k) are reprofiled to 2022/23 for modifications, this is from the 10% contingency agreed. The All-Wheel Drive milestone #1 will be purchased in 2021/22 and the rest in 2022/23, deferring (£184k). Following a tender response which was higher than budgeted it has been agreed to defer £1,100k for the Hose Layer Units in (DMFD115) paper.

39. The major variance in the Property Quarter 2 forecast figures is the Plumstead Fire Station (£2,866k) no longer going ahead in 2021/22. Following a tender evaluation process, the preferred bidder submission was over budget. This project is now to be retendered under a different framework and therefore the potential start date has been reprofiled for 2022/23.

40. As a result of various station project revisions due to tender prices exceeding available budget and project start dates being reviewed there was a reprofile of £2,249k from the Q1 outturn in Property. This also includes the Euston Fire Station (£900k) which has had a change in specification to remove gas dependency so alternative options are being investigated. The Appliance Bay Doors tender documents for Barnet, Leyton and Holloway not yet been issued, the works are due to be completed in 2022/23 (£486k).

41. Due to an increase in the tender costs, it is also planned to reprofile (£1,514k) into 2022/23 to avoid asset decline and meet the operational requirements from the estate.

Budget Brought Forward

42. It is anticipated that the total cost to fund the carbon reduction works (LED & Solar PV) will exceed the Q1 forecast and therefore £100k has been brought forward from 2022/23 to deliver the

project in 2021/22. Solar PV projects at Biggin Hill, Wennington and Chelsea have been deferred due to planned roofing works at the stations.

43. Despite some delays in the payment schedule the Heavy Distribution Unit (HDU) forecast spend has increased from Q1 (£49k) to reflect the actual unit costs as there are five HDU replaced in 2021/22.

Savings

44. The £1,000k movement in ICT is largely due to potential savings in the capital programme for Wireless Access Network (WAN) project (£500k) & the new Internet Service Provider (ISP) project (£500k) as these projects were able to be delivered without using capital funding.
45. Potential savings have also been identified in Fleet (£450k) with the replacement of the Scientific Support Unit no longer going ahead.

Disposals

46. Fleet continues to dispose of vehicles when they reach the end of their life cycle with 21 sold in Quarter 2 for £185k.

Other Changes

47. The other variances from the Q1 position include the ZEPA project (£354k) which is funded through revenue so has been removed from capital programme in Q2. The Fireboat forecasts have been adjusted from Q1 to reflect the actual unit costs expected (£71k). West Hampstead single person's accommodation refurbishment has been completed, however there is an outstanding retention sum of £14k following completion of defects liability period. The Cold Cutter (£78k) forecast has been updated as the actual unit cost is expected to be lower. The Chelsea and Clapham Fire Station works have been completed which will result in an underspend of £134k.
48. Table 5 below sets out the summary capital expenditure position.

Table 5 – Summary Capital Expenditure Position

	Full Year Budget	Forecast Outturn	Outturn Variance
	£000s	£000s	£000s
ICT	5,017	1,763	(3,254)
Property	24,870	11,680	(13,190)
Communications	40	40	0
Fleet and Equipment	22,436	14,075	(8,361)
Operational Policy	8,200	8,200	0
Total Capital Expenditure	60,563	35,758	(24,805)

Debtors

49. An analysis of debtors relating to Shut in Lift is provided in Appendix 5. This includes a chart that shows the level of Shut in Lift debts. The total number of Shut in Lift debts had been falling gradually, with the overall balance reduced from £300k at the end of September 2015 to £98k at the end of June 2019. As at the end of September 2021, the total outstanding debt on Shut in Lift is £258k with this increase due to the increasing level of charges raised.

Finance comments

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

Workforce comments

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

Legal comments

52. The report is a financial performance update, presented for information only. It also seeks approval from the London Fire Commissioner ("LFC") to agree the reserve movements set out at Table 4: Forecast movement on reserves and the virement of £588k employee related insurance budget to other insurance budget to bring the budget in line with spend. It is submitted in accordance with Part 6 (Financial Regulations) of the London Fire Commissioner's Scheme of Governance that sets out detailed rules covering financial planning, monitoring, control, systems and procedures and insurance.
53. This report fulfils the obligations of section 8 (f) of the Financial Regulations which stipulates that, "Following consultation with the relevant Heads of Service the Director of Corporate Services will present budget monitoring reports to the relevant Board regularly.
54. The Director of Corporate Services has responsibility for the administration of the LFC's financial affairs under section 127 of the Greater London Authority Act 1999, and is required to ensure arrangements for all financial and accounting matters, the security of money, and other assets are economic, efficient and effective.

Sustainability implications

55. There are no direct sustainable implications arising from this report.

Equalities implications

56. The London Fire Commissioner and decision takers are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when exercising our functions and taking decisions.
57. 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.
58. 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.
59. The Public Sector Equality Duty requires us, in the exercise of all LFC functions (i.e. everything the LFC does), to have due regard to the need to:
- a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.

- b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
60. Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
61. 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.
62. 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—
- 1. (a) tackle prejudice, and
 - 2. (b) promote understanding.
63. Paragraphs 5.3 and 5.4 of the Mayor's Budget Guidance stipulate that:
- 3. 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.
 - 4. 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.
64. On 30 June 2020 the LFB Head of Strategic Finance wrote to all Heads of Department with budget packs to request their saving/growth proposals. As part of this communication a specific instruction was included which set 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.
65. The Inclusion Team has been consulted throughout the process and will support any departments undertaking EIAs on their proposals.

List of Appendices

Appendix	Title	Open or confidential
1.	Detailed Q2 Forecast Outturn	Open
2.	Capital Programme 2021/22	Open
3.	Risks to the revenue and capital position	Open
4.	Outstanding LIFT debtors	Open
5.	Scheme of Governance – Budget Virements	Open

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;

Saminara Rahman Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)

Adrian Bloomfield Financial Advisor, on behalf of the Chief Finance Officer

Appendix 1 Detailed Q2 Forecast Outturn

	Year to date Budget	Year to date Spend	Year to date Variance		Original Budget	Full Year Revised Budget	Forecast Outturn at 30 September 2021 (Qtr.2)	Forecast Outturn Variance (under)/Over		Forecast Outturn Variance at 30 June (Qtr.1)	Movement between previous and outturn variance
	£	£	£	%	£	£	£	£	%	£	£
Operational Staff	135,417,226	141,575,248	6,158,022	4.5%	277,944,490	270,767,714	278,629,219	7,861,505	2.9%	1,241,214	6,620,291
Trainee Firefighters	0	602,115	602,115	0.0%	2,133,401	0	659,698	659,698	0.0%	676,073	(16,375)
Total Operational Staff	135,417,226	142,177,363	6,760,137	5.0%	280,077,891	270,767,714	279,288,917	8,521,203	3.1%	1,917,287	6,603,916
FRS Staff	30,279,374	29,542,028	(737,345)	(2.4%)	56,413,189	60,631,374	54,687,804	(5,943,570)	(9.8%)	(3,730,015)	(2,213,556)
Control Staff	2,389,386	3,047,906	658,520	27.6%	5,536,277	4,778,772	4,690,634	(88,138)	(1.8%)	(133,954)	45,816
Total Other Staff	32,668,760	32,589,934	(78,826)	(0.2%)	61,949,466	65,410,146	59,378,438	(6,031,708)	(9.2%)	(3,863,969)	(2,167,740)
Other Pension Payments	410,000	372,628	(37,372)	(9.1%)	850,000	820,000	900,000	80,000	9.8%	80,000	0
Severance	0	116,671	116,671	0.0%	0	0	95,024	95,024	0.0%	0	95,024
Professional Development	19,131,679	20,871,605	1,739,926	9.1%	20,072,924	18,913,789	18,835,006	(78,783)	(0.4%)	55,986	(134,769)
Recruitment	60,580	39,849	(20,730)	(34.2%)	414,941	121,159	97,759	(23,400)	(19.3%)	0	(23,400)
Employee Related Insurance	844,599	1,031,461	186,862	22.1%	304,020	1,375,009	786,674	(588,335)	(42.8%)	0	(588,335)
Compensation	1,390,457	620,590	(769,867)	(55.4%)	805,814	1,890,807	1,844,017	(46,790)	(2.5%)	0	(46,790)
Medical and Welfare Expenses	1,006,646	962,116	(44,529)	(4.4%)	2,301,081	2,013,291	1,957,019	(56,272)	(2.8%)	(62,272)	6,000
Total Employee Related	22,843,960	24,014,921	1,170,961	5.1%	24,748,780	25,134,055	24,515,499	(618,556)	(2.5%)	73,714	(692,270)
Firefighter Pension Scheme	11,392,170	9,218,002	(2,174,168)	(19.1%)	21,320,692	21,643,761	21,365,636	(278,125)	(1.3%)	100,000	(378,125)
Building Maintenance	5,818,984	4,423,241	(1,395,742)	(24.0%)	9,418,556	11,240,296	11,932,340	692,044	6.2%	(84,214)	776,258
Grounds Maintenance	(6,008)	0	6,008	(100.0%)	120,984	0	0	0	0.0%	0	0
Premises Security	313,136	(203)	(313,338)	(100.1%)	630,271	76,000	76,000	0	0.0%	0	0
Energy Costs	1,039,603	1,153,104	113,501	10.9%	2,463,430	2,537,332	2,537,332	0	0.0%	0	0
Rents	6,535,741	8,196,173	1,660,432	25.4%	8,360,856	8,709,856	10,021,921	1,312,065	15.1%	0	1,312,065
Property PFI Contract	5,681,349	5,723,721	42,372	0.7%	5,680,104	5,727,495	5,727,495	0	0.0%	0	0

	Year to date Budget	Year to date Spend	Year to date Variance		Original Budget	Full Year Revised Budget	Forecast Outturn at 30 September 2021 (Qtr.2)	Forecast Outturn Variance (under)/Over		Forecast Outturn Variance at 30 June (Qtr.1)	Movement between previous and outturn variance
	£	£	£	%	£	£	£	£	%	£	£
Property Rates	4,829,238	4,166,509	(662,729)	(13.7%)	7,622,967	8,658,610	7,879,335	(779,275)	(9.0%)	0	(779,275)
Water & Sewerage Rates	123,536	116,671	(6,865)	(5.6%)	279,117	293,072	293,072	0	0.0%	0	0
Fixtures & Fittings	43,985	43,066	(918)	(2.1%)	87,969	87,969	87,969	0	0.0%	0	0
Cleaning and Domestic Supplies	1,251,442	198,320	(1,053,122)	(84.2%)	2,065,597	2,546,600	2,546,600	0	0.0%	0	0
Premises Insurance	170,639	452,979	282,340	165.5%	331,016	341,277	351,277	10,000	2.9%	0	10,000
Other Property Services	2,098,529	2,906,137	807,609	38.5%	3,073,683	4,618,960	4,436,341	(182,619)	(4.0%)	0	(182,619)
Total Premises	27,900,172	27,379,719	(520,453)	(1.9%)	40,134,550	44,837,466	45,889,681	1,052,215	2.3%	(84,214)	1,136,429
Running Costs	2,131,801	2,549,515	417,713	19.6%	2,551,555	2,914,186	1,577,424	(1,336,762)	(45.9%)	(1,448,875)	112,113
Vehicle and Equipment Contract	11,956,134	12,227,358	271,225	2.3%	11,713,196	11,921,269	12,126,330	205,061	1.7%	248,861	(43,800)
Vehicle Passthroughs	547,778	727,310	179,532	32.8%	1,097,983	538,498	661,897	123,399	22.9%	100,000	23,399
Maintenance and Repairs	173,587	366,722	193,135	111.3%	1,262,086	173,587	173,587	0	0.0%	0	0
Contract Hire & Operating Leases	789,964	937,731	147,767	18.7%	1,266,013	1,284,449	1,265,767	(18,682)	(1.5%)	(14,432)	(4,250)
Travel	386,328	856,945	470,618	121.8%	821,521	772,654	909,373	136,718	17.7%	2,917	133,801
Total Transport	15,985,592	17,665,582	1,679,990	10.5%	18,712,354	17,604,644	16,714,378	(890,266)	(5.1%)	(1,111,529)	221,263
Hydrants	229,400	1,037,931	808,532	352.5%	445,004	458,799	600,000	141,201	30.8%	0	141,201
Operational Equipment	1,232,862	1,455,114	222,252	18.0%	2,739,061	2,613,110	2,428,082	(185,028)	(7.1%)	(5,277)	(179,751)
Smoke Alarms	280,000	307,096	27,096	9.7%	586,638	560,000	520,000	(40,000)	(7.1%)	0	(40,000)
Equipment Furniture and Materials	177,215	306,688	129,472	73.1%	359,235	354,435	371,383	16,948	4.8%	3,112	13,836
Lost & NFWT Operational Equipment	128,158	264,004	135,846	106.0%	122,448	128,158	208,158	80,000	62.4%	50,000	30,000
Catering	142,920	100,886	(42,034)	(29.4%)	304,936	285,842	235,575	(50,267)	(17.6%)	(3,394)	(46,873)
Clothing & Laundry	2,915,664	3,595,240	679,576	23.3%	3,563,096	3,324,273	3,394,910	70,637	2.1%	(13,242)	83,879
General Office Expenses	328,765	413,870	85,105	25.9%	572,464	598,722	662,232	63,510	10.6%	(5,172)	68,682
Professional Services	8,637,495	10,390,416	1,752,921	20.3%	9,086,878	9,616,506	13,249,451	3,632,945	37.8%	3,376,424	256,521
Postal Services	60,830	52,646	(8,184)	(13.5%)	61,055	61,055	50,978	(10,077)	(16.5%)	(10,077)	0
Communications	2,225,231	5,834,353	3,609,122	162.2%	4,284,950	4,450,462	4,744,672	294,210	6.6%	269,210	25,000
Hardware and Software	4,094,911	6,336,374	2,241,463	54.7%	8,408,958	7,548,163	7,724,809	176,645	2.3%	224,183	(47,537)

	Year to date Budget	Year to date Spend	Year to date Variance		Original Budget	Full Year Revised Budget	Forecast Outturn at 30 September 2021 (Qtr.2)	Forecast Outturn Variance (under)/Over		Forecast Outturn Variance at 30 June (Qtr.1)	Movement between previous and outturn variance
	£	£	£	%	£	£	£	£	%	£	£
Staff Reimbursements	120,806	187,328	66,521	55.1%	241,721	241,621	231,960	(9,661)	(4.0%)	2,446	(12,107)
Grants and Subscriptions	155,808	162,767	6,959	4.5%	233,286	270,616	269,958	(658)	(0.2%)	(58)	(600)
Other Insurance	267,199	1,132,360	865,161	323.8%	257,000	267,199	852,152	584,953	218.9%	0	584,953
Advertising	56,330	152,332	96,002	170.4%	115,861	112,661	127,455	14,794	13.1%	0	14,794
Other Supplies and Services	22,585	36,235	13,651	60.4%	45,170	45,170	81,211	36,041	79.8%	(1,000)	37,041
Total Supplies and Services	21,076,181	31,765,641	10,689,460	50.7%	31,427,761	30,936,792	35,752,986	4,816,194	15.6%	3,887,155	929,040
Other Agencies	311,111	372,539	61,428	19.7%	486,134	274,939	1,312,697	1,037,758	377.4%	0	1,037,758
Other Local Authorities	509,708	924,613	414,904	81.4%	871,393	899,578	1,070,243	170,665	19.0%	95,540	75,125
Audit & Bank Charges	107,400	(6,110)	(113,510)	(105.7%)	88,600	135,800	135,800	0	0.0%	0	0
Total Third Party Payments	928,219	1,291,042	362,822	39.1%	1,446,127	1,310,317	2,518,740	1,208,423	92.2%	95,540	1,112,883
Debt Repayment	0	0	0	0.0%	6,417,000	6,976,000	6,976,000	0	0.0%	0	0
External Interest	693,333	935,438	242,104	34.9%	2,233,000	1,977,000	1,977,000	0	0.0%	0	0
Total Capital Financing Costs	693,333	935,438	242,104	34.9%	8,650,000	8,953,000	8,953,000	0	0.0%	0	0
Budget for Non Staff Inflation	(1)	0	1	(100.0%)	0	(1)	(1)	0	0.0%	0	0
Central Contingency	2,502,828	0	(2,502,828)	(100.0%)	16,119	4,676,163	4,796,819	120,656	2.6%	0	120,656
Savings to Be Achieved	226,867	0	(226,867)	(100.0%)	(157,329)	935,939	1,112,214	176,274	18.8%	0	176,274
Savings done by DA	4,481	0	(4,481)	(100.0%)	159,781	275,319	74,519	(200,800)	(72.9%)	(25,709)	(175,090)
Contingency	2,734,175	0	(2,734,175)	(100.0%)	18,571	5,887,421	5,983,552	96,131	1.6%	(25,709)	121,840
Total revenue expenditure	271,639,788	287,037,641	15,397,853	5.7%	488,486,192	492,485,315	500,360,825	7,875,511	1.6%	988,274	6,887,236
MFB Act Income	(31,913,319)	(18,796,802)	13,116,517	(41.1%)	(30,577,291)	(32,123,319)	(32,123,319)	0	0.0%	0	0
Customer and Client Receipts	(4,864,039)	(8,047,316)	(3,183,277)	65.4%	(8,389,928)	(8,795,334)	(15,968,732)	(7,173,399)	81.6%	(3,493,646)	(3,679,753)
Interest Receivable	(175,000)	(96)	174,904	(99.9%)	(800,000)	(600,000)	(600,000)	0	0.0%	0	0

	Year to date Budget	Year to date Spend	Year to date Variance		Original Budget	Full Year Revised Budget	Forecast Outturn at 30 September 2021 (Qtr.2)	Forecast Outturn Variance (under)/Over		Forecast Outturn Variance at 30 June (Qtr.1)	Movemen t between previous and outturn variance
	£	£	£	%	£	£	£	£	%	£	£
Bad Debts	0	0	0	0.0%	0	0	0	0	0.0%	0	0
Total Other Income	(36,952,358)	(26,844,215)	10,108,143	(27.4%)	(39,767,219)	(41,518,652)	(48,692,051)	(7,173,399)	17.3%	(3,493,646)	(3,679,753)
Net revenue expenditure	234,687,430	260,193,426	25,505,996	10.9%	448,718,973	450,966,662	451,668,774	702,112	0.2%	(2,505,372)	3,207,484
Use of General Reserves	0	0	0	0.0%		0	0	0	0.0%	0	0
Use of Earmarked Reserves	(990,969)	0	990,969	(100.0%)	(6,991,401)	(11,410,211)	(12,799,331)	(1,389,120)	12.2%	16,000	(1,405,119)
Financing Requirement	233,696,461	260,193,426	26,496,965	11.3%	441,727,572	439,556,451	438,869,443	(687,008)	(0.2%)	(2,489,372)	1,802,364
Financed by:											
Specific grants	(17,405,603)	(21,731,871)	(4,326,268)	24.9%	(33,335,606)	(34,156,451)	(34,136,450)	20,001	(0.1%)	20,000	1
GLA Grant	0	0	0	0.0%	(401,500,000)	(405,400,000)	(405,400,000)	0	0.0%	0	0
Net Financial Position	216,290,858	238,461,555	22,170,697	10.3%	6,891,966	0	(667,007)	(667,007)	0.0%	(2,469,372)	1,802,365

Appendix 2 Detailed Capital Position

The forecast capital outturn position at the end of September 2021 is **£35,758k**, this is **£24,805k less** than budgeted.

Department	2021/22 Strategy Budget	2021/22 Revised Budget Q1	Movement Outturn to Q1	2021/22 Forecast Q1	2021/22 Forecast Q2	Movement Q1 to Q2	Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
ICT Projects							
Upgrade Operating System	0	98	98	0	0	0	(98)
Control & Mobilisation System (CAMS)	200	200	0	200	200	0	0
Audio Equipment for Union St	220	220	0	220	220	0	0
ICT – Virtual Desktop Technology	0	250	250	0	0	0	(250)
New ISP	500	500	0	500	0	500	(500)
New WAN	500	500	0	500	0	500	(500)
Replacement of laptops	348	648	300	648	648	0	0
New computer terminals - Thin Client	765	765	0	0	0	0	(765)
New audio visual equips for Stations	500	500	0	500	500	0	0
Data transfer system for Joint Emergency Services Interoperability Programme	195	195	0	195	195	0	0
Farynor Replacement (linked to ICT Home Fire Safety Database Project)	1,141	1,141	0	0	0	0	(1,141)
ICT PROJECTS	4,369	5,017	648	2,763	1,763	1,000	(3,254)
PROPERTY PROJECTS							
Plumstead Fire Station Redevelopment	2,871	2,892	21	2,893	27	2,866	(2,865)
Heating at various stations	1,887	1,797	-90	1,797	892	905	(905)
Window replacement at various stations	652	870	218	1,521	621	900	(249)
Rewiring of property at various fire stations	30	35	5	35	7	28	(28)
Roofing replacements	1,391	1,888	497	1,688	1,473	215	(415)
Minor Improvement Programme	2,639	2,920	281	2,738	1,948	790	(972)
Appliance Bay Doors (Phase 3)	938	999	61	993	253	740	(746)
Brigade wide Survey for Asbestos & Removal	20	20	0	19	19	0	(1)

Department	2021/22 Strategy Budget	2021/22 Revised Budget Q1	Movement Outturn to Q1	2021/22 Forecast Q1	2021/22 Forecast Q2	Movement Q1 to Q2	Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
West Hampstead Cottages Refurb (FEP2776)	0	0	0	0	14	(14)	14
New Training Centre *	7,469	7,349	-120	0	0	0	(7,349)
Operational Support Centre (PEG/BDC Development)	0	0	0	0	0	0	0
Lambeth river station (growth bid)	3,043	3,072	29	3,071	2,987	84	(85)
Lift Refurbishment Works	1,000	861	-139	861	1,193	(332)	332
Chelsea/Clapham FS's – Accommodation improvement	250	641	391	641	507	134	(134)
Biggin Hill FS Extension	130	137	7	137	250	(113)	113
Carbon Strategy Estate Works	881	889	8	889	989	(100)	100
Gender neutral (Privacy for all) Facilities	500	500	0	500	500	0	0
PROPERTY PROJECTS	23,701	24,870	1,169	17,783	11,680	6,103	(13,190)
COMMUNICATIONS							
LFB Museum – Fitout	40	40	0	40	40	0	0
COMMUNICATIONS PROJECTS	40	40	0	40	40	0	0
FLEET & EQUIPMENT PROJECTS							
Pumping Appliances	0	0	0	0	0	0	0
Aerial Appliances	3,474	3,579	105	77	77	0	(3,502)
Specialist Heavy Vehicles Total	12,435	11,683	-752	12,184	8,207	3,977	(3,476)
CCTV on Pumping Appliances *	76	32	-44	91	91	0	59
ZEPA	0	0	0	354	0	354	0
Light Vehicles and Vans	1,821	1,821	0	1,822	1,822	0	1
Vehicle Modifications	0	-6	-6	0	0	0	6
Fire Boats	1,572	2,164	592	1,586	1,515	71	(649)
Operational Equipment	2,949	3,163	214	2,363	2,363	0	(800)
ULEF Compliant	0		0	0	0	0	0
FLEET & EQUIPMENT PROJECTS	22,327	22,436	109	18,477	14,075	4,402	(8,361)

Department	2021/22 Strategy Budget	2021/22 Revised Budget Q1	Movement Outturn to Q1	2021/22 Forecast Q1	2021/22 Forecast Q2	Movement Q1 to Q2	Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
OPERATIONAL POLICY							
Respiratory Protective Equipment	2,300	2300	0	2,300	2,300	0	0
Standard duration breathing apparatus sets	5,000	5000	0	5,000	5,000	0	0
Fireground Radios	900	900	0	900	900	0	0
OPERATIONAL POLICY PROJECTS	8,200	8,200	0	8,200	8,200	0	0
TOTAL	58,637	60,563	1,926	47,263	35,758	11,505	(24,805)

The table below sets out the impact of the capital project slippage from 2020/21 and the changes to capital schemes as part of 2021/22 Quarter 2 forecast position.

Capital Programme 2021/22 onwards - Outturn 2020/21	2021/22 Capital Strategy Budget £000	Slippage from 2020/21 £000	2021/22 Revised Budget £000	2022/23 Revised Budget £000	2023/24 Revised Budget £000	2024/25 Revised Budget £000	2025/26 Revised Budget £000
ICT Projects	4,369	648	5,017	5,703	6,299	6,901	2,936
Property Projects	23,701	1,169	24,870	20,006	19,460	10,160	34,648
Communication Project	40	0	40	1,063	1,104	0	0
Fleet Projects	22,327	109	22,436	6,287	18	3,416	5,040
Operational Policy Projects	8,200	0	8,200	0	0	0	0
CAPITAL EXPENDITURE TOTAL	58,637	1,926	60,563	33,059	26,881	20,477	42,624

Appendix 3 –Risks to the Financial Position

1. Covid-19 Pandemic

- 1.1. The **Covid-19** continues to present significant risk and uncertainty to the LFB, but now primarily on future funding as progress continues to be made to ease restrictions.
- 1.2. The Brigade has incurred substantial additional costs in 2020/21 in adapting the way it delivers its services, with for example, requirements for **additional PPE and cleaning**, although funding has now been provided to meet past costs and a sum is held in reserves for any further costs. The ongoing nature of the pandemic means that the risk of further additional costs remains.
- 1.3. The Brigade has also incurred additional costs as part of the **emergency services response** in London, in particular as part of the Ambulance Driver Assist (ADA) with the London Ambulance Service (LAS). These costs are however covered by a service agreement with the LAS, which provides for full cost recovery.
- 1.4. Covid -19 has led to significant **economic uncertainty**. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult as progress continues to be made to ease restrictions.
- 1.5. **Additional funding** has been provided to offset these additional costs, including from the GLA and Home Office as well as cost recovery from the LAS.
- 1.6. Covid-19 is also impacting on **funding uncertainty** in the current and future years, as reflected in the Mayor's Budget Guidance for 2021/22 and 2022/23. Covid-19 is also impacting on the resources available to Government and this presents the risk of a negative outcome from future Spending Reviews.
- 1.7. The pandemic is painting a changing picture regarding **Shut in Lift incident charges** and the approach to cost recovery, including lift owners (which include a local authorities and housing associations) ability to pay charges, impacting on the level of outstanding debt, and changing numbers of attended SiL call outs.

2. Firefighter and Local Government Pension Schemes

- 2.1. There was a material increase in the cost of employer contributions for the existing firefighter pension schemes, following the **scheme valuation 2016**. That increase was assessed at £25m and is largely as a result of changes, by Government, to the discount rate used in valuing future liabilities. A grant of £22m has been provided to offset this pressure in 2019/20, 2020/21 and is also confirmed for 2021/22. This funding is expected to be confirmed as ongoing in the Spending Review from 2022/23.
- 2.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities (FRAs), of a **discrimination claim** in connection with the transitional arrangements applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. The tribunal ruled in favour of the claimants. The Government and FRAs sought permission from the Supreme Court to appeal the Court of Appeal's decision, however, was denied, with the case returning to the Employment Tribunal for a remedy to be determined. The Government has consulted on options for the remedy and has now provided further advice on implementing the remedy from 2022. Work on this is still ongoing, to determine how to address key elements of the remedy and the financial, and other, implications for the LFC. The remedy is made more complex as it may need to address the issue on a range public sector pensions, including the LGPS.
- 2.3. Following the publication of further guidance by the Home Office work is underway to understand the implications of making payments under **Immediate Detriment** ahead of the

full implementation of the pensions remedy. £1,000k has been incorporated in the forecast outturn position for additional resources, particularly at the LFC's pensions administrator (LPFA), to support managing Immediate Detriment. The LGA Framework Agreement is expected to be published in the next month, and so allow an LFC decision on making Immediate detriment payments. There is a further risk of £1,500k envisaged for next financial year, which will become clearer on publication of the Framework and experience in processing Immediate detriment claims.

3. London Pensions Fund Authority (LPFA) Pensions Administration

- 3.1. The London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund formed, in April 2016, a wholly owned company, **Local Pensions Partnership** (LPP), to manage pension fund investment activities (only on the Local Government Pension Scheme (LGPS)) and also to provide pensions administration services, including to third party clients on the LGPS and the Firefighters' Pension Scheme (FPS). It was agreed (LFC-0361) that the LFC should continue the current shared service arrangement with the LPFA/LPP for the administration of the FPS. This allows continuity on the pensions administration through the very challenging period expected to implement the changes to the pension scheme on the remedy to the pensions case mentioned 2.2 above, as well as providing an opportunity for the LPP to embed its new business and costing model.

4. Pay and Inflation

- 4.1. The Government restriction for the Covid-19 pandemic are now being eased however there continues to be uncertainty on future impacts/waves of the virus, with an ongoing but reducing risk of sickness and/or self-isolation among all staff groups within the LFB. In order to maintain resilience in front line response, the LFB will need to maintain contingency arrangements to ensure adequate fire cover continues to be delivered across the organisation. This could potentially result in increased staff payments including overtime and recall arrangements, the potential use of the LFB's emergency fire crew contract and other financial pressures.
- 4.2. Work continues to address the impact of overtime costs, and changes required to address the drivers of the need for overtime.
- 4.3. LFC has made a budget provision for a 2% **pay award** for all staff in each of the next four years from 2022/23 to 2025/26. A 1.5% pay award is now proposed for most staff in the 2021/22 financial year, and if agreed by the LFC could result in savings against the budget provision.
- 4.4. Discussions are also taking place regarding a 2% pay award for all firefighters up to and including the rank of Group Commander to deliver an improved responder capability and safety by implementing an **increased counter terrorism response**. If agreed this will be from the 2022/23 financial year and will be considered as part of the budget process. Additional cost may also be incurred for equipment however which will be in the 2021/22 financial year and could potentially be funded from the Budget Flexibility Reserve.
- 4.5. From a Control perspective there is the potential move to a **new shift system** – identified in the budget return but this is subject to agreement from the trade unions (which is still being discussed). There is also money allocated through the Transformation Fund regarding the reconfiguration of the Control room (again identified in the budget return). In addition, there will be Covid related impacts as more staff self-isolate and PAO is needed to plug any gaps.
- 4.6. **Transformation** – The work on transformation is continuing to develop and evolve and this may result in additional cost pressures.

4.7. **Draeger** – The procurement litigation has been discontinued. The costs for LFC in addressing all elements have been now been settled.

5. Premises Costs

5.1. **Rents** – following Union Street lease review in December 2020, there is ongoing discussion with the Landlord and outcome of this is expected late 2021. This may further increase the overspend on rent.

5.2. **Property rates** – the underspend on property rates is due to a 9% rate discount applicable to fire stations due to a national decision, which is now subject to review. The profiling of this is being worked out and may further impact on the underspend expected this year.

5.3. **Commercial rent** – a number of property leases are coming to an end without further contract extension, this is expected to impact on the commercial rent income.

6. Compensation Reserve

6.1. The use of reserves includes £890k on Compensation reserve to fund personal injury claims. This leaves a balance of only £110k at the end of September out of the earmarked reserves of £1,000k earmarked for compensation to meet any additional costs this year.

7. Risks to Capital Expenditure and Financing

7.1. The capital programme is regularly reviewed and the associated risks to the programme are assessed throughout the year. Some risks are generic such as contractor default whilst other risks are specific to individual projects. Mitigating actions are adopted to reduce the risk occurring and to limit the impact of the risk, should it occur.

7.2. The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However, even a well-managed project can be subject to **re-phasing or deferral** due to a number of unforeseen issues, such as failure or default on the part of the contractor or exceptionally adverse weather conditions. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

7.3. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.

7.4. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loans Board (PWLb) rates. No allowance has been made in the capital programme for potential future **capital grants or contributions** and the Brigade will bid for available capital resources as and when such opportunities arise.

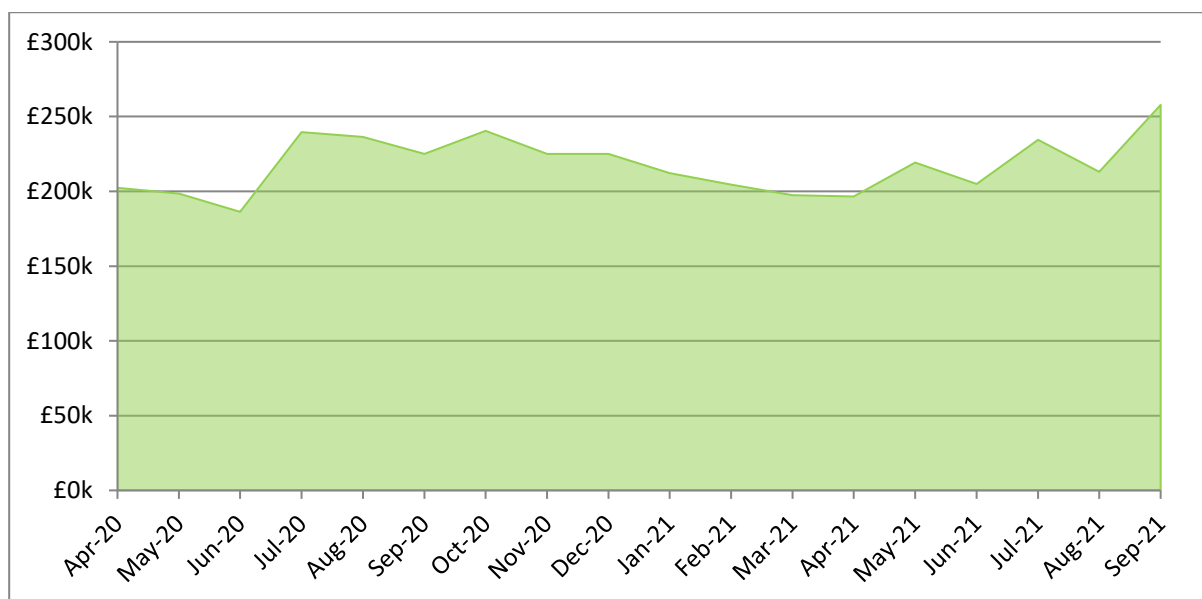
7.5. The 2021/22 capital programme is financed from **capital receipts** from the sale of the former fire station at Clerkenwell and prudential borrowing. The sale of 8 Albert Embankment has been delayed. The level of required borrowing will be dependent on the timing of the capital receipts and the level of actual capital expenditure incurred during the year.

- 7.6. A number of fire stations require major refurbishment/redevelopment which are not currently in the medium term capital programme. Should opportunities arise to relocate these fire stations funding may need to be requested/re-directed from other projects if deemed a priority.
- 7.7. **Replacement vehicles and equipment** - Key risks relate to the contractor sourcing appropriate vehicle build options within a timeframe that meets fleet replacement requirements, and which may in turn impact the LFC's cash flow. The forecast cash expenditure for 2021/22 and future years is based on the current assessment of the stage payment requirements for the pump replacement and aerial appliance replacement programme, which represents nearly 50% of the forecast Vehicles and Equipment expenditure in that period, and the delivery timings for the balance of the fleet replacement programme.
- 7.8. **Covid 19 and Funding** – The capital programme has been affected by the impact of Covid 19 in terms of delays on site works and equipment and vehicles deliveries. In addition, the impact on revenue funding is also likely to impact on the capital programme due to the lack of available funds to support the revenue costs arising from capital borrowing costs.
- 7.9. **Financial Markets Uncertainty** – This could impact on the interest costs of borrowing required to fund capital expenditure and on the cost of capital goods purchased from outside the UK.
- 7.10. **HGV Driver Shortage** – The global driver shortage is as a result of the impact of Covid 19 on delayed driving assessment renewal, Brexit, fuel shortage and other factors such as pay and drivers retiring. This poses a risk to the capital programme as it causes a delay in the delivery of materials for Property projects and equipment for Fleet and ICT. If this is to continue then a further risk would be the delivery of Capital Projects in the programme in 2021/22.

Appendix 5: Outstanding Lift Debts

An analysis of debtors relating to Shut in Lift is provided in Appendix 5. This includes a chart that shows the level of Shut in Lift debts. The total number of Shut in Lift debts had been falling gradually, with the overall balance reduced from £300k at the end of September 2015 to £98k at the end of June 2019. As at the end of September 2021, the total outstanding debt on Shut in Lift is £258k with this increase due to the increasing level of charges raised.

The chart below shows the amount of outstanding LIFT debts, with £ 258k outstanding at the end of September 2021. The level of outstanding debt has been increasing due to an increase in the level of charges raised. Further work is being undertaken to confirm if this is an ongoing trend.



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

Customer Name	Amount Outstanding (£)	No of Invoices Outstanding
A2 DOMINION HOMES LIMITED	14,770	36
LONDON BOROUGH OF SOUTHWARK	12,672	30
PEABODY TRUST	10,836	26
SAINSBURYS SUPERMARKETS PLC	9,500	23
THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA	9,293	22
Grand Total	57,071	137

Review of the top five debtors

A2 Dominion Homes Limited:

General Counsel is dealing with referred invoices from Dominion Homes Ltd for further legal action and debt recovery. Expecting full payment after the completion of legal recovery process

London Borough of Southwark:

Majority of outstanding debts are populated by invoices raised in September, twenty-four invoices value over £10k. The payment for older July and August bills has been chased by area team and is expected in due course.

Peabody Trust:

Peabody did not pay any of the outstanding invoices since last report. One new invoice has been issued since. Invoices from March (nine), April and May (five) are still outstanding, causing Peabody to raise higher on the debtors list. Debts continue to be chased by Fire Stations Department.

Sainsbury Supermarkets PLC:

Copies of outstanding invoices have been issued as per request from Sainsbury. More recent invoices have become outstanding increasing the debt by additional £1.5k since last report. These debts have been chased by emails and followed up by reminder letters.

The Royal Borough of Kensington and Chelsea:

The Royal Borough appears on the debtors list for the first time with outstanding invoices dated in June (11 invoices issued) and September (11 invoices). The area has been chasing payments by emails with reminders and phone calls. Payments are expected in coming weeks.

Appendix 5: Financial Regulation 9:

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

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

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

Department from	Department to	Description	Date	Amount transferred
Finance	Technical Support Services	DAC budget moved from finance contingency.	15/10/2021	£115,464