

Financial Position as at the end of December 2021

Report to	Date
Commissioner's Board	09 February 2022
Deputy Mayor's Fire and Resilience Board	29 March 2022
Audit Committee	12 May 2022

Report classification:

For Decision

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

Delivering excellence

Report number – [LFC-0000]

For Publication

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 December 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 31 December 2021 (Quarter 3).
2. Agrees the transfer into earmarked reserve of a total of £2,640k as set out from paragraph 30 of this report.
3. Approves the reserve movements set out at Table 4.

Introduction and background

1. This report presents the current revenue and capital expenditure position as at 31 December 2021 (Quarter 3) 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. The LFC provided a Budget Submission to the Mayor addressing the requirements set out in the Guidance by the deadline of 26 November 2021.

Revenue

6. The forecast revenue outturn position at the end of December 2021 is for an underspend of £1,551k, which is 0.35% of the net revenue budget. The forecast underspend at Quarter 2 of £667k has increased by £884k since last reported at the end of September (LFC- 0610). The main reasons for this movement are explained below.
7. The Board is asked to note that the LFC insurer has recently made additional payments to fulfil its obligations under Combined Liability covers related to the Grenfell Tower Inquiry. The payments are still under consideration, but the current expectation is that a provision will be raised as part of year end closing to meet the expected costs in 2021/22 and 2022/23, as well as future years. As a result, these additional payments will not impact the overall financial position for 2021/22. This position will continue to be monitored and reported on as required.
8. The variance set out in paragraph 6 above is due to the following movements:
 - £2,213k cost recovery from the London Ambulance Service (LAS) to offset the impact of the additional overtime and allowances related to Ambulance Driver Assist (ADA) support. The ADA support to the LAS ended in November 2021 and all payments for cost recovery have now been received.
 - £2,158k on Metropolitan Fire Brigade (MFB) Act 1865, due to increased income forecast in the current quarter from insurers under the MFB Act with increases in insurance cover as well as additional insurers increasing the level of payments due to the LFC.
 - £1,390k due to growth no longer required to bring training design and production in-house to LFB from Babcock, as well as an alternative trainer resource model and a central programming team. The interim Assistant Director and interim Assistant Commissioner for Training and Professional Development are in the process of designing a new strategy and structure for the Department. It is expected that this process will result in recommendations requiring the re-purposing of this growth. The latest position is that the strategy/restructure report is expected to be presented for

decision/approval by the end of this financial year, with changes implemented from early 2022/23.

- £778k reduced forecast expenditure on Immediate Detriment whilst discussions with the Home Office continue to address the lack of clarity around the timing and availability of funding for Immediate Detriment. As part of this, the Home Office have now revoked previous guidance, adding to the challenges in this area. This reduction in cost is proposed to be earmarked in the reserve and will be finalised as part of year end closing.
- £190k on professional development budget mainly due to underspending on incident command courses.

The above underspends are offset by other movements in the forecast outturn due to the following items:

- £2,180k on operational budgets mainly on pre-arranged overtime with further information set out from paragraph 13 of this report.
- A decrease in the forecast underspend of £2,102k in FRS staff budgets following the implementation and move to the new supplier of agency staff from October 2021, it is expected that agency spend will increase for the rest of the financial year, offsetting any increase in the underspend on permanent staffing.
- Additional expenditure on operational equipment of £1,038k due to one-off equipment costs to support the Maurading Terrorist Attack (MTA) project which is expected to be incurred in the current financial year.
- £369k on vehicle and equipment contract due to accident repairs, including to one pumping appliance, and increased levels of unfair wear and tear during the year.
- £151k overspend on firefighter trainees with 22 firefighter trainees now expected to be in place by the end of this financial year.

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 presents 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 31 December 2021 (Qtr.3)	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 September (Qtr.2)	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Operational staff	203,179	212,643	9,464	270,883	281,735	10,852	8,521	2,331
Other staff	49,047	47,363	(1,684)	65,410	61,481	(3,929)	(6,032)	2,102
Employee related	23,047	25,741	2,693	24,171	24,010	(161)	(619)	458
Pensions	16,480	15,666	(815)	21,644	21,341	(303)	(278)	(25)
Premises	38,467	33,965	(4,502)	44,837	45,978	1,140	1,052	88
Transport	16,795	17,872	1,077	17,605	16,901	(703)	(890)	187
Supplies and services	26,548	38,330	11,782	31,405	37,130	5,725	4,816	909
Third party payments	1,033	1,539	506	1,364	1,763	399	1,208	(809)
Capital financing costs	1,188	1,512	324	8,953	8,953	0	0	0
Central contingency against inflation	4,193	0	(4,193)	1,772	478	(1,294)	96	(1,390)
Total revenue expenditure	379,978	394,630	14,652	488,044	499,770	11,726	7,876	3,851
Other income	(38,993)	(89,198)	(50,204)	(41,519)	(53,064)	(11,545)	(7,173)	(4,372)
Net revenue expenditure	340,985	305,432	(35,552)	446,525	446,706	181	702	(521)
Use of General Reserves	0	0	0	0	0	0	0	0
Use of earmarked reserves	(589)	0	589	(5,147)	(6,831)	(1,684)	(1,389)	(295)
Financing Requirement	340,395	305,432	(34,963)	441,379	439,876	(1,503)	(687)	(816)
Financed by:								
Specific grants	(25,806)	(27,841)	(2,035)	(35,976)	(36,024)	(48)	20	(68)
GLA funding	0	0	0	(405,400)	(405,400)	0	0	0
Net Financial Position	314,589	277,591	(36,998)	0	(1,548)	(1,551)	(667)	(884)

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	270,883	(4,461)	Allocations to reflect actual staffing position
Other staff	63,188	65,410	2,222	Allocations to reflect actual staffing position
Employee related	24,508	24,171	(337)	
Pensions	21,644	21,644	(0)	
Premises	44,807	44,837	30	
Transport	17,640	17,605	(35)	
Supplies and services	31,557	31,405	(152)	
Third party payments	1,402	1,364	(38)	
Capital financing costs	8,454	8,953	500	
Central contingency against inflation	2,227	1,772	(455)	
Total revenue expenditure	490,771	488,044	(2,726)	
Other income	(41,210)	(41,519)	(309)	
Net revenue expenditure	449,561	446,525	(3,035)	
Use of General Reserves	0	0	0	
Use of earmarked reserves	(10,234)	(5,147)	5,087	Includes budget raised for £1,769k additional fire safety protection grant income to be applied to costs in future years, earmarked in the reserve, £4,000k reduction in BFR to contingency offset by additional draw from compensation and Grenfell infrastructure reserve.
Financing Requirement	439,327	441,379	2,052	
Financed by:				
Specific grants	(33,927)	(35,976)	(2,049)	Includes budget raised for £1,769k additional fire safety protection grant income to be applied to costs in future years earmarked.
GLA funding	(405,400)	(405,400)	0	
Net Financial Position	(0)	0	(0)	

Reasons for the Revenue Position

Staff

Operational Staff

11. The budget for operational staff is forecast to have an overspend at £10,041k, an increase of £2,180k since reported at the end of September mainly on pre-arranged overtime. This includes additional costs on operational overtime for ADA as part of the Covid-19 response. Cost recovery from the LAS offsets the impact of the spend on overtime (£3,670k) and allowances (£2,769k) related to ADA support. The ADA support to the LAS ended in November 2021 and all cost recovery payments have now been received.
12. There is an overspend of £811k on firefighter trainees an increase of £151k due to 22 firefighter trainees expected to be in place by the end of this financial year, following the re-starting of operational recruitment. As previously reported at the end of September (LFC-0610), the remainder of the underspending is due to training courses deferred because of Covid-19, as well as an increase in the number of candidates being re-coursed to meet additional trainee support requirements.

Pre-Arranged Overtime (PAO)

13. This report provides an updated forecast on Operational Staff Expenditure for 2021/22, which after accounting for cost recovery from the LAS is for an overspend of £4,414k (1.6% of the operational staffing budget of £271m). As has been reported throughout the year the operational staff position includes the impact of an overspend on PAO, which was reported at £3,027k in Quarter 2 (LFC-0610), again after LAS cost recovery.
14. Monthly expenditure on PAO continues to show volatility, with the expected reduction previously forecast in the last quarter, due to the end of the ADA support to the LAS, not being observed. Overtime is instead expected to remain at higher levels which will increase the overspend from the Q2 position by £1,387k to £4,414k in Q3. This reflects the impact on available staffing of a range of issues including vacancies, sickness and in particular staff self isolating.

FRS and Control Staff

15. FRS staff budgets are forecast to underspend by £3,841k (6.3% of the FRS budget), a decrease of £2,102k since last reported at the end of September (LFC-0610) following the implementation and move to the new supplier of agency staff from October 2021. It is expected that agency spend will continue to increase for the rest of the year, as requirements for agency staff are met, and with this also offsetting any increase in underspending due to permanent staff vacancies.
16. The underspend of £3,841k due to vacancies is after the impact of an increased vacancy margin of £2.3m for the year. There have been particular challenges in recruiting and retaining Fire Safety Inspecting Officers with staff costs here forecast to underspend by £3,118k, as well as significant challenges with recruiting and retaining professional staff in departments such as Finance, Procurement, and ICT. At the end of December, there were 143 FRS vacancies across all departments, and with 85 agency staff to help mitigate the impact of this.
17. As previously reported at the end of June (LFC-0564), Control staff budgets are forecast to underspend by £88k due to vacancies.

Employee related

18. Employee related budgets are forecast to underspend by £161k due to medical and welfare expenses budget (£71k) because of low demand for childcare due to remote working, on Professional Development budget (£269k) mainly due to underspend against incident command courses. This is offset by £121k overspending in employee related insurance, and £80k in relation to historic early release costs on the Local Government Pension Scheme (LGPS), where costs have been reducing as expected however a higher level of dependent pensions being payable has extended the pensions liability.

Transport

19. As previously reported at the end of June (LFC – 0564), there is a forecast underspend on running costs £1,338k, with reduced use of appliances for home safety visits due to the Covid-19 pandemic (£715k) and an underspend on vehicle insurance claims (£613k), following the successful procurement process to identify alternative options for fleet and liability covers with the new insurer having different arrangements in place to fund the self-insured elements of claims which has resulted in a one-off reduction in spend. This is offset by £492k on vehicle and equipment contract due to accident repairs, including to a pumping appliance, and increased levels of unfair wear and tear during the year.

Supplies and Services

20. As previously reported at the end of June (LFC-0564), there is a forecast overspend of £5,725k on supplies and services budgets, with this further increased by £1,123k for one-off expenditure on operational equipment for the Maurading Terrorist Attack (MTA) project forecast to be implemented this financial year.
21. As previously reported at the end of September (LFC-0610), the rest of the overspend is mainly due to Professional Services on Grenfell Tower Investigation legal costs (£3,061k) including hardware and software costs £213k, with this offset by income expected from insurers. There is also a revised forecast on communications budget (£444k) following the tender of telephony services, with the requirement to have two services running concurrently to support successful implementation, as well as additional costs on network equipment & services as disputes on some charges are resolved.

Third party payments

22. The previous forecast overspend of revised £778k due to expected additional costs on Immediate Detriment for work required on the Firefighter Pensions remedy have been removed for the current financial year due to the continuing discussion with the Home Office to address the lack of clarity around the timing and availability of funding for Immediate Detriment. As part of this, the Home Office have now revoked previous guidance adding to the challenges in this area. Discussions are continuing with key stakeholders including the London Pension Partnership Administration (LPPA), Local Government Association (LGA) and the Home Office. It is proposed to set aside resources in earmarked reserves as these costs are expected to be deferred into the coming financial year, and this will be finalised as part of year end closing.
23. As previously reported at the end of September (LFC-0610), a grant of £425k has been received from the Home Office towards additional costs for the pensions remedy, however these are now held in the earmarked reserve and expected to be required to support the implementation of the pensions remedy in the coming financial year.

Income

24. Income is forecast to over recover by £11,545k an increase of £4,372k since last reported at the end of September (LFC – 0610) due to (£2,158k) on Metropolitan Fire Brigade (MFB) Act 1865, due to increased income forecast in the current quarter from insurers under the MFB with increases in insurance cover as well as additional insurers increasing the levy of payments due to the LFC and (£2,213k) cost recovery from the London Ambulance Service (LAS) to offset the impact of the additional overtime and allowances related to Ambulance Driver Assist (ADA) support. The ADA support to the LAS ended in November 2021 and all payments for cost recovery have now been received.
25. The previously reported over recovery of income largely related to cost recovery from the LAS to offset the impact of the additional spend on overtime and allowances related to ADA support and income from insurers in respect of the Grenfell Tower Investigation.

Position on Reserves

26. 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 £17,000k, and this is £1,372k above the minimum general reserve position of 3.5% of the net revenue expenditure.
27. Table 3 below sets out the position on the financial reserves.

Table 3 Position on Reserves

Reserve Description	Opening Balance at 01/04/21 £000s	Use of Reserves £000s	Closing Balance at 31/03/22 £000s
Additional Resilience Requirements	524		524
Capital Expenditure Reserve	11,745		11,745
Central Programme Office	829	(501)	328
In Year Savings Reserve	5,000	(1,400)	3,600
Compensation	1,000	(395)	605
Emergency Services Mobile Communication Programme	1,081	(654)	428
Pensions Earmarked Reserve	425		425
Covid	1,968		1,968
Emergency Medical Response	294		294
Fire Safety and Youth Engagement	4,939	1,576	6,515
Transformation Reserve	6,278	(2,509)	3,769
Grenfell Infrastructure Reserve	1,210	(520)	690
Hydrants	462	(46)	416
ICT Development Reserve	2,283	(541)	1,742
LFC Control Centre	729		729
LFB Museum Project	372	(176)	196
London Resilience	771		771
London Safety Plan Initiatives	2,716	(459)	2,257
Grenfell Legal Reserve	0		0
Organisational Reviews	239	(89)	150
Recruitment/ Outreach	250		250
Sustainability	235		235
Vehicle & Equipment Reserve	2,585	(233)	2,353
Budget Flexibility	31,417	(884)	30,532
General	15,449	1,551	17,000
Total	92,801	(5,279)	87,521

28. The main movement on reserve draw is due to the draw on Grenfell Infrastructure Reserve to meet the costs of projects including the implementation of new improved radio repeaters, gas detection monitors, funding to support costs for training for Evacuation & Rescue policy etc £520k. There is also a draw on compensation reserve to meet overspend on personal injury claims and contribution towards costs and damages £395k
29. 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.
30. It is proposed to transfer into the earmarked reserve a total of £2,640k including £1,769k additional fire safety protection grant income to be applied to costs in future years, £778k on Immediate Detriment following whilst discussions continue with the Home Office on the lack of clarity around the timing and availability of funding for Immediate Detriment, £50k on finance systems relating to costs not incurred this year and £43k sponsorship income for Communications to be applied to costs next year.
31. 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 £000s	Balance March 2022 £000s	Movement £000s	Comments
Additional Resilience Requirements	524	524	0	
Capital Expenditure Reserve	11,745	11,745	0	
Central Programme Office (CPO)	829	328	(501)	Moved into the general reserve to reflect the reconciled funding received for the CPO above the costs incurred.
In Year Savings Reserve	5,000	3,600	(1,400)	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.
Compensation	1,000	605	(395)	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 of software bespoke including staff cost.
Pensions Earmarked Reserve	425	425	0	
Covid	1,968	1,968	0	

Reserve Description	Balance March 2021 £000s	Balance March 2022 £000s	Movement £000s	Comments
Emergency Medical Response	294	294	0	
Fire Safety and Youth Engagement	4,939	6,515	1,576	Includes budgets raised for £1,769k to move additional grants into earmarked reserve offset by draw to meet other staff costs
Transformation Reserve	6,278	3,769	(2,509)	Forecast draw to meet various spend on transformation delivery plan as these are approved through Brigade Portfolio Board.
Grenfell Infrastructure Reserve	1,210	690	(520)	Draw to meet the costs of projects as these are approved through Brigade Portfolio Board
Hydrants	462	416	(46)	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)	Forecast draw to meet finance system upgrade and any unspent balance to be moved to earmarked reserve as part of year end closing.
LFC Control Centre	729	729	0	
LFB Museum Project	372	196	(176)	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.
New Governance Arrangements	0	0	0	
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	30,532	(884)	Planned draw to meet 2021/22 budget gap
General	15,449	17,000	1,551	Forecast underspend and transfer into general reserve
Total	92,801	87,521	(5,279)	

Capital

32. 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- 0596), with £1,926k carried forward to 2021/22 from 2020/21.

33. The forecast capital outturn for 2021/22 as at the end of December (Q3) is £19,318k. This is £41,245k less than the revised budget position including ICT (£3,368k), Property (£16,616k), Fleet (£13,170k), Communications (£40k) and Operational Policy (£8,051k). A detailed breakdown is provided in Appendix 2 and key variances are explained in more detail below.
34. 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.
35. The forecast capital outturn for 2021/22 is £19,318k, which is a reduction of £16,440k compared to the position reported at Quarter 2, £35,758k (LFC-0610). The main changes in the programme are outlined below, which includes £8,051k slippage on the Respiratory Protective Equipment and Radio replacement projects.

• Budget slippage in future years	(£16,854k)
• Other Changes	(£414k)
Total	(£16,440k)

Budget Slippage

36. The most significant capital variances are outlined below.

Fleet

37. As previously reported at the end of September (LFC-0610) the spend in Fleet continues to be reviewed and the ongoing challenges due to global supplier delays in vehicle parts, relating to the pandemic and additional border controls.
38. Spend for a number of projects including Officer Pool Cars (£1.5m), Operational Support Units (£1.2m), Thermal Imaging Cameras (£0.9m), Lightweight portable pumps & Command Support Units (£0.6m), account for the movement from Quarter 2 as the projects expect delivery early in the new financial year.

Property

39. The major variance in the Property Quarter 3 forecast relates to the Lambeth Fire Station (£2.8m) with this requiring further review as the tender prices submitted were significantly higher than budget, and therefore the budget has now slipped to 2022/23.

Operational Policy

40. There has been a delay in the delivery date of this project due to the procurement process being revised before going out to re-tender. In order to allow sufficient time for this to be implemented the Respiratory Protective Equipment and Radio replacement projects (£8.1m) have been reprofiled into 2022/23. Provided the contract is awarded in May 2022 the delivery date is expected to now be late 2022/23.
41. 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	1,649	(3,368)
Property	24,870	8,254	(16,616)
Communications	40	0	(40)
Fleet and Equipment	22,436	9,266	(13,170)
Operational Policy	8,200	149	(8,051)
Total Capital Expenditure	60,563	19,318	(41,245)

Debtors

42. 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. However as at the end of December 2021, the total outstanding debt on Shut in Lift is £222k due to the increasing level of charges raised.

Finance comments

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

Workforce comments

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

Legal comments

45. The report is a financial performance update. It also seeks approval from the London Fire Commissioner ("LFC") to transfer into earmarked reserve of a total of £2,640k as set out from paragraph 30 of this report and approve the reserve movements set out at Table 4.
46. This report 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.
47. This report fulfils the obligations of section 8 (f) of the Financial Regulations which stipulates, inter alia, that following consultation with the relevant Heads of Service, budget monitoring reports will be presented to the relevant Board regularly.

Sustainability implications

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

Equalities implications

49. 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.

50. 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.
51. 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.
52. 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.
53. 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.
54. 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.
55. 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.
56. 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.
57. 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.
58. 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;

Thomas Davies 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		Full Year Revised Budget	Forecast Outturn at 30 December 2021 (Qtr.3)	Forecast Outturn Variance (under)/Over		Forecast Outturn at 30 September 2021 (Qtr.2)	Movement between previous and outturn variance
	£	£	£	%	£	£	£		£	£
Operational Staff	203,179,068	211,961,635	8,782,568	4.3%	270,883,178	280,924,232	10,041,054	3.7%	7,861,505	2,179,550
Trainee Firefighters	0	681,644	681,644	0.0%	0	811,169	811,169	0.0%	659,698	151,471
Total Operational Staff	203,179,068	212,643,279	9,464,211	4.7%	270,883,178	281,735,401	10,852,223	4.0%	8,521,203	2,331,021
FRS Staff	45,463,127	42,797,962	(2,665,165)	(5.9%)	60,631,374	56,790,207	(3,841,167)	(6.3%)	(5,943,570)	2,102,403
Control Staff	3,584,079	4,565,060	980,981	27.4%	4,778,772	4,690,634	(88,138)	(1.8%)	(88,138)	0
Total Other Staff	49,047,206	47,363,022	(1,684,184)	(3.4%)	65,410,146	61,480,841	(3,929,305)	(6.0%)	(6,031,708)	2,102,403
Other Pension Payments	615,000	596,448	(18,552)	(3.0%)	820,000	900,000	80,000	9.8%	80,000	0
Severance	0	(60,505)	(60,505)	0.0%	0	0	0	0.0%	95,024	(95,024)
Professional Development	19,055,883	21,589,366	2,533,483	13.3%	18,925,748	18,657,210	(268,538)	(1.4%)	(78,783)	(189,755)
Recruitment	90,869	47,334	(43,535)	(47.9%)	121,159	99,011	(22,148)	(18.3%)	(23,400)	1,252
Employee Related Insurance	629,804	1,012,777	382,973	60.8%	895,009	1,016,000	120,991	13.5%	(588,335)	709,326
Compensation	1,145,940	995,523	(150,417)	(13.1%)	1,396,115	1,396,115	0	0.0%	(46,790)	46,790
Medical and Welfare Expenses	1,509,968	1,559,662	49,694	3.3%	2,013,291	1,942,019	(71,272)	(3.5%)	(56,272)	(15,000)
Total Employee Related	23,047,465	25,740,604	2,693,139	11.7%	24,171,322	24,010,355	(160,967)	(0.7%)	(618,556)	457,589
Firefighter Pension Scheme	16,480,466	15,665,645	(814,821)	(4.9%)	21,643,761	21,340,636	(303,125)	(1.4%)	(278,125)	(25,000)
Building Maintenance	8,945,708	6,901,907	(2,043,801)	(22.8%)	11,240,296	11,955,082	714,786	6.4%	692,044	22,742
Grounds Maintenance	(6,008)	0	6,008	(100.0%)	0	0	0	0.0%	0	0
Premises Security	154,568	(203)	(154,770)	(100.1%)	76,000	76,000	0	0.0%	0	0
Energy Costs	1,673,936	1,745,341	71,405	4.3%	2,537,332	2,537,332	0	0.0%	0	0
Rents	8,407,830	9,252,499	844,669	10.0%	8,709,856	10,023,926	1,314,070	15.1%	1,312,065	2,005
Property PFI Contract	5,704,422	5,723,722	19,299	0.3%	5,727,495	5,727,495	0	0.0%	0	0
Property Rates	7,507,218	5,896,039	(1,611,179)	(21.5%)	8,658,610	7,879,335	(779,275)	(9.0%)	(779,275)	0

	Year to date Budget	Year to date Spend	Year to date Variance		Full Year Revised Budget	Forecast Outturn at 30 December 2021 (Qtr.3)	Forecast Outturn Variance (under)/Over		Forecast Outturn at 30 September 2021 (Qtr.2)	Movement between previous and outturn variance
	£	£	£	%	£	£	£		£	£
Water & Sewerage Rates	196,804	182,481	(14,324)	(7.3%)	293,072	293,072	0	0.0%	0	0
Fixtures & Fittings	65,977	62,335	(3,642)	(5.5%)	87,969	97,969	10,000	11.4%	0	10,000
Cleaning and Domestic Supplies	1,763,092	285,630	(1,477,462)	(83.8%)	2,546,600	2,546,600	0	0.0%	0	0
Premises Insurance	170,639	343,135	172,497	101.1%	341,277	351,277	10,000	2.9%	10,000	0
Other Property Services	3,883,148	3,572,429	(310,719)	(8.0%)	4,618,960	4,489,534	(129,426)	(2.8%)	(182,619)	53,193
Total Premises	38,467,334	33,965,315	(4,502,019)	(11.7%)	44,837,466	45,977,621	1,140,155	2.5%	1,052,215	87,940
Running Costs	2,522,994	2,265,385	(257,609)	(10.2%)	2,914,186	1,575,924	(1,338,262)	(45.9%)	(1,336,762)	(1,500)
Vehicle and Equipment Contract	11,938,701	12,143,050	204,349	1.7%	11,921,269	11,960,761	39,492	0.3%	205,061	(165,569)
Vehicle Passthroughs	543,138	921,868	378,730	69.7%	538,498	1,030,400	491,902	91.3%	123,399	368,503
Maintenance and Repairs	173,587	367,768	194,181	111.9%	173,587	173,587	0	0.0%	0	0
Contract Hire & Operating Leases	1,037,207	1,066,916	29,710	2.9%	1,284,449	1,257,767	(26,682)	(2.1%)	(18,682)	(8,000)
Travel	579,491	1,107,178	527,686	91.1%	772,654	903,030	130,375	16.9%	136,718	(6,343)
Total Transport	16,795,118	17,872,165	1,077,047	6.4%	17,604,644	16,901,469	(703,175)	(4.0%)	(890,266)	187,091
Hydrants	344,099	1,124,190	780,091	226.7%	458,799	610,703	151,904	33.1%	141,201	10,703
Operational Equipment	1,996,680	2,104,518	107,838	5.4%	2,613,110	3,466,087	852,977	32.6%	(185,028)	1,038,005
Smoke Alarms	420,000	463,838	43,839	10.4%	560,000	520,000	(40,000)	(7.1%)	(40,000)	0
Equipment Furniture and Materials	265,823	376,748	110,925	41.7%	354,435	377,570	23,135	6.5%	16,948	6,187
Lost & NFWT Operational Equipment	128,158	264,010	135,852	106.0%	128,158	250,000	121,842	95.1%	80,000	41,842
Catering	214,381	122,172	(92,209)	(43.0%)	285,842	217,456	(68,386)	(23.9%)	(50,267)	(18,119)
Clothing & Laundry	3,119,967	3,637,761	517,794	16.6%	3,324,273	3,415,598	91,325	2.7%	70,637	20,688
General Office Expenses	463,748	493,169	29,421	6.3%	598,722	622,518	23,795	4.0%	63,510	(39,715)
Professional Services	9,115,042	12,508,655	3,393,613	37.2%	9,604,547	13,357,694	3,753,147	39.1%	3,632,945	120,202
Postal Services	60,942	55,684	(5,259)	(8.6%)	61,055	50,978	(10,077)	(16.5%)	(10,077)	0
Communications	3,337,846	6,606,015	3,268,168	97.9%	4,450,462	4,894,626	444,164	10.0%	294,210	149,954
Hardware and Software	5,821,537	9,103,933	3,282,396	56.4%	7,548,163	7,889,408	341,244	4.5%	176,645	164,599
Staff Reimbursements	181,210	262,329	81,120	44.8%	241,621	227,845	(13,776)	(5.7%)	(9,661)	(4,115)
Grants and Subscriptions	213,212	217,813	4,601	2.2%	270,616	269,798	(818)	(0.3%)	(658)	(160)

	Year to date Budget	Year to date Spend	Year to date Variance		Full Year Revised Budget	Forecast Outturn at 30 December 2021 (Qtr.3)	Forecast Outturn Variance (under)/Over		Forecast Outturn at 30 September 2021 (Qtr.2)	Movement between previous and outturn variance
	£	£	£	%	£	£	£		£	£
Other Insurance	747,199	751,400	4,201	0.6%	747,199	751,000	3,801	0.5%	584,953	(581,152)
Advertising	84,496	191,236	106,740	126.3%	112,661	127,435	14,774	13.1%	14,794	(20)
Other Supplies and Services	33,877	46,273	12,396	36.6%	45,170	81,211	36,041	79.8%	36,041	0
Total Supplies and Services	26,548,217	38,329,744	11,781,527	44.4%	31,404,833	37,129,927	5,725,094	18.2%	4,816,194	908,900
Other Agencies	293,025	373,039	80,014	27.3%	274,939	534,379	259,439	94.4%	1,037,758	(778,319)
Other Local Authorities	618,193	1,171,175	552,982	89.5%	952,978	1,102,849	149,871	15.7%	170,665	(20,794)
Audit & Bank Charges	121,600	(5,289)	(126,889)	(104.3%)	135,800	125,550	(10,250)	(7.5%)	0	(10,250)
Total Third Party Payments	1,032,818	1,538,925	506,107	49.0%	1,363,717	1,762,777	399,060	29.3%	1,208,423	(809,363)
Debt Repayment	0	0	0	0.0%	6,976,000	6,976,000	0	0.0%	0	0
External Interest	1,187,583	1,511,575	323,992	27.3%	1,977,000	1,977,000	0	0.0%	0	0
Total Capital Financing Costs	1,187,583	1,511,575	323,992	27.3%	8,953,000	8,953,000	0	0.0%	0	0
Budget for Non Staff Inflation	(1)	0	1	(100.0%)	(1)	(1)	0	0.0%	0	0
Central Contingency	3,472,764	0	(3,472,764)	(100.0%)	560,699	681,355	120,656	21.5%	120,656	0
Savings to Be Achieved	648,401	0	(648,401)	(100.0%)	935,939	(277,709)	(1,213,649)	(129.7%)	176,274	(1,389,923)
Savings done by DA	71,592	0	(71,592)	(100.0%)	275,319	74,519	(200,800)	(72.9%)	(200,800)	0
Contingency	4,192,757	0	(4,192,757)	(100.0%)	1,771,957	478,165	(1,293,792)	(73.0%)	96,131	(1,389,923)
Total revenue expenditure	379,978,031	394,630,273	14,652,242	3.9%	488,044,023	499,770,191	11,726,168	2.4%	7,875,511	3,850,658
MFB Act Income	(32,018,319)	(25,802,747)	6,215,572	(19.4%)	(32,123,319)	(34,281,738)	(2,158,419)	6.7%	0	(2,158,419)
Customer and Client Receipts	(6,650,124)	(63,224,702)	(56,574,577)	850.7%	(8,795,334)	(18,182,409)	(9,387,076)	106.7%	(7,173,399)	(2,213,677)
Interest Receivable	(325,000)	(170,428)	154,572	(47.6%)	(600,000)	(600,000)	0	0.0%	0	0

	Year to date Budget	Year to date Spend	Year to date Variance		Full Year Revised Budget	Forecast Outturn at 30 December 2021 (Qtr.3)	Forecast Outturn Variance (under)/Over		Forecast Outturn at 30 September 2021 (Qtr.2)	Movement between previous and outturn variance
	£	£	£	%	£	£	£		£	£
Bad Debts	0	0	0	0.0%	0	0	0	0.0%	0	0
Total Other Income	(38,993,443)	(89,197,877)	(50,204,434)	128.8%	(41,518,652)	(53,064,148)	(11,545,495)	27.8%	(7,173,399)	(4,372,096)
Net revenue expenditure	340,984,588	305,432,397	(35,552,191)	(10.4%)	446,525,370	446,706,043	180,673	0.0%	702,112	(521,439)
Use of General Reserves	0	0	0	0.0%	0	0	0	0.0%	0	0
Use of Earmarked Reserves	(589,136)	0	589,136	(100.0%)	(5,146,693)	(6,830,538)	(1,683,845)	32.7%	(1,389,120)	(294,725)
Financing Requirement	340,395,452	305,432,397	(34,963,056)	(10.3%)	441,378,677	439,875,506	(1,503,172)	(0.3%)	(687,008)	(816,164)
Financed by:										
Specific grants	(25,806,195)	(27,841,227)	(2,035,033)	7.9%	(35,975,612)	(36,023,535)	(47,923)	0.1%	20,001	(67,924)
GLA Grant	0	0	0	0.0%	(405,400,000)	(405,400,000)	0	0.0%	0	0
Net Financial Position	314,589,258	277,591,169	(36,998,088)	(11.8%)	0	(1,548,030)	(1,551,095)	0.0%	(667,007)	(884,088)

Appendix 2 Detailed Capital Position

Department	2021/22 Strategy Budget	2021/22 Revised Budget Q1	Movement Outturn to Q1	2021/22 Forecast Q1	2021/22 Forecast Q2	2021/22 Forecast Q3	Movement Q2 to Q3	Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
ICT Projects								
Upgrade Operating System	0	98	98	0	0	0	0	(98)
Control & Mobilisation System (CAMS)	200	200	0	200	200	200	0	0
Audio Equipment for Union St	220	220	0	220	220	137	(83)	(83)
ICT – Virtual Desktop Technology	0	250	250	0	0	0	0	(250)
New ISP	500	500	0	500	0	0	0	(500)
New WAN	500	500	0	500	0	0	0	(500)
Replacement of laptops	348	648	300	648	648	648	0	0
New computer terminals - Thin Client	765	765	0	0	0	0	0	(765)
New audio visual equips for Stations	500	500	0	500	500	464	(36)	(36)
Data transfer system for Joint Emergency Services Interoperability Programme	195	195	0	195	195	0	(195)	(195)
Farynor Replacement (linked to ICT Home Fire Safety Database Project)	1,141	1,141	0	0	0	0	0	(1,141)
Additional Devices - NEW (Monitors and Docks	0	0	0			200	200	200
ICT PROJECTS	4,369	5,017	648	2,763	1,763	1,649	(114)	(3,368)
PROPERTY PROJECTS								
Plumstead Fire Station Redevelopment	2,871	2,892	21	2,893	27	40	13	(2,852)
Heating at various stations	1,887	1,797	(90)	1,797	892	921	29	(876)
Window replacement at various stations	652	870	218	1,521	621	628	7	(242)
Rewiring of property at various fire stations	30	35	5	35	7	8	1	(27)
Roofing replacements	1,391	1,888	497	1,688	1,473	1,474	1	(414)
Minor Improvement Programme	2,639	2,920	281	2,738	1,948	1,695	(253)	(1,225)

Department	2021/22 Strategy Budget	2021/22 Revised Budget Q1	Movement Outturn to Q1	2021/22 Forecast Q1	2021/22 Forecast Q2	2021/22 Forecast Q3	Movement Q2 to Q3	Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Appliance Bay Doors (Phase 3)	938	999	61	993	253	256	3	(743)
Brigade wide Survey for Asbestos & Removal	20	20	0	19	19	19	0	(1)
West Hampstead Cottages Refurb (FEP2776)	0	0	0	0	14	14	0	14
New Training Centre *	7,469	7,349	(120)	0	0	0	0	(7,349)
Operational Support Centre (PEG/BDC Development)	0	0	0	0	0	0	0	0
Lambeth river station (growth bid)	3,043	3,072	29	3,071	2,987	190	(2,797)	(2,882)
Lift Refurbishment Works	1,000	861	(139)	861	1,193	1,194	1	333
Chelsea/Clapham FS's – Accommodation improvement	250	641	391	641	507	507	0	(134)
Biggin Hill FS Extension	130	137	7	137	250	258	8	121
Carbon Strategy Estate Works	881	889	8	889	989	703	(286)	(186)
Gender neutral (Privacy for all) Facilities	500	500	0	500	500	288	(212)	(212)
Security Improvements at Stns						59	59	59
PROPERTY PROJECTS	23,701	24,870	1,169	17,783	11,680	8,254	(3,426)	(16,616)
COMMUNICATIONS								
LFB Museum – Fitout	40	40	0	40	40	0	(40)	(40)
COMMUNICATIONS PROJECTS	40	40	0	40	40	0	(40)	(40)
FLEET & EQUIPMENT PROJECTS								
Pumping Appliances	0	0	0	0	0	0	0	0
Aerial Appliances	3,474	3,579	105	77	77	160	83	(3,419)
Specialist Heavy Vehicles Total	12,435	11,683	(752)	12,184	8,207	6,142	(2,065)	(5,541)
CCTV on Pumping Appliances *	76	32	(44)	91	91	97	6	65
ZEPA	0	0	0	354	0	0	0	0

Department	2021/22 Strategy Budget	2021/22 Revised Budget Q1	Movement Outturn to Q1	2021/22 Forecast Q1	2021/22 Forecast Q2	2021/22 Forecast Q3	Movement Q2 to Q3	Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Light Vehicles and Vans	1,821	1,821	0	1,822	1,822	44	(1,778)	(1,777)
Vehicle Modifications	0	(6)	(6)	0	0	0	0	6
Fire Boats	1,572	2,164	592	1,586	1,515	1,518	3	(646)
Operational Equipment	2,949	3,163	214	2,363	2,363	1,305	(1,058)	(1,858)
ULEF Compliant	0		0	0	0	0	0	0
FLEET & EQUIPMENT PROJECTS	22,327	22,436	109	18,477	14,075	9,266	(4,809)	(13,170)
OPERATIONAL POLICY								
Respiratory Protective Equipment	2,300	2,300	0	2,300	2,300	0	(2,300)	(2,300)
Standard duration breathing apparatus sets	5,000	5,000	0	5,000	5,000	0	(5,000)	(5,000)
Fireground Radios	900	900	0	900	900	149	(751)	(751)
OPERATIONAL POLICY PROJECTS	8,200	8,200	0	8,200	8,200	149	(8,051)	(8,051)
TOTAL	58,637	60,563	2,503	47,263	35,758	19,318	(16,440)	(41,245)

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 £000s	Slippage from 2020/21 £000s	2021/22 Qtr. 3 Outturn £000s	2022/23 Revised Budget £000s	2023/24 Revised Budget £000s	2025/26 Revised Budget £000s
ICT Projects	4,369	648	1,649	9,446	9,708	5,940
Property Projects	23,701	1,169	8,254	18,379	21,892	11,415
Communication Project	40	0	0	1,160	1,104	0
Fleet Projects	22,327	109	9,266	8,410	4,614	2,872
Operational Policy Projects	8,200	0	149	0	0	0
CAPITAL EXPENDITURE TOTAL	58,637	1,926	19,318	37,395	37,318	20,227

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.
- 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. The previously reported forecast overspend of £1,038k due to forecast additional costs on Immediate Detriment for work required on the Firefighter Pensions remedy have been reduced for the current financial year because of continuing discussions with the Home Office and a lack

of clarity around the timing and availability of funding for Immediate Detriment. As part of this, the Home Office have now revoked previous guidance adding to uncertainty in this area. Discussions are ongoing between stakeholders including London Pension Partnership Authority (LPPA), Local Government Association (LGA) and the Home Office. It is proposed to earmark the balance of the original £1,038k in the reserve as part of year end closing.

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 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 has been implemented for operational and Control staff in the 2021/22 financial year which has resulted in savings against the budget provision. FRS staff have also been offered a 1.5% pay increase in 2021/22 but this is yet to be agreed. Pay negotiations for 2022/23 are yet to commence for any occupational group.
- 4.4. Discussions have been 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**. The London Region FBU are currently balloting their members on this. 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. There is money allocated through the Transformation Fund regarding the reconfiguration of the Control room which is identified in the budget return. In addition, there will continue to be Covid related impacts as 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

Rents – following Union Street lease rent review in December 2020, an arbitration process is ongoing with the outcome of this expected in late March 2022. This may increase the amount on rent for Union Street, a significant proportion is expected to be offset by income from new tenant arrangements.

5.1. **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.

5.2. **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. Risks to Capital Expenditure and Financing

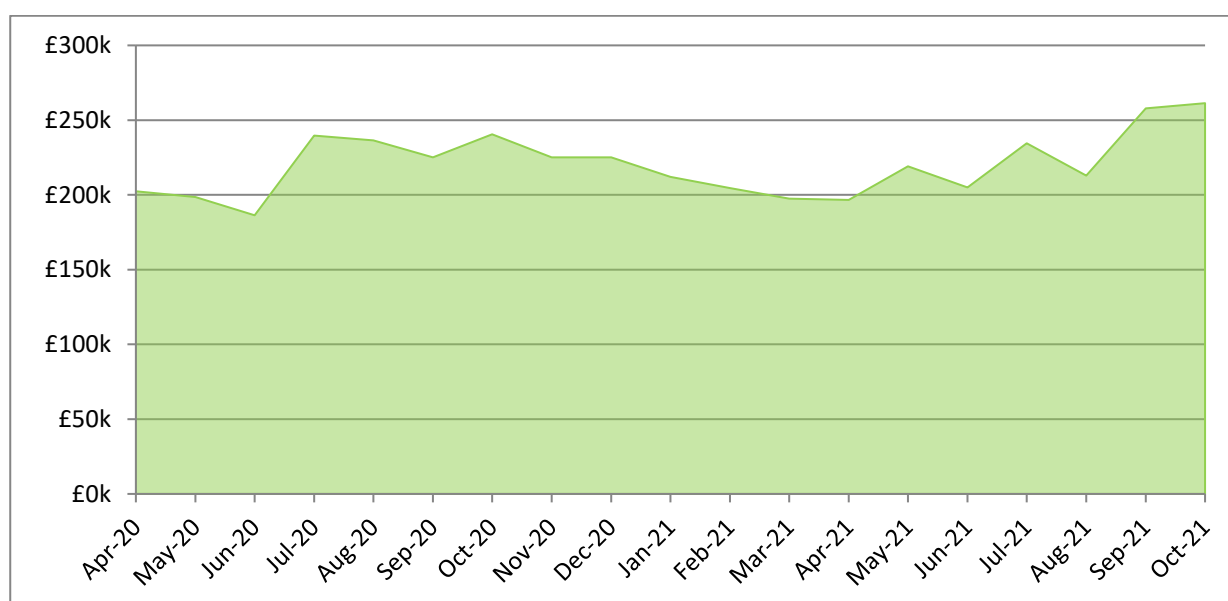
- 6.1. The capital programme is regularly reviewed and the associated risks to the programme are assessed throughout the year. Some risks are generic such as contractor default whilst other risks are specific to individual projects. Mitigating actions are adopted to reduce the risk occurring and to limit the impact of the risk, should it occur.
- 6.2. 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.
- 6.3. 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.
- 6.4. 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.
- 6.5. 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.
- 6.6. 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.
- 6.7. **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.

- 6.8. **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.
- 6.9. **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.
- 6.10. **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.
- 6.11. The progress of the **Lambeth River Fire Station** project has been impacted by a number of decisions including the planning permission of 8 Albert Embankment, as well as tender returns that are higher than the capital budget, as such this has resulted in the reprofiling of the current scheme. The costs associated with this decision have been identified.
- 6.12. Due to the current procurement process being revised the **Respiratory Protective Equipment** project has been reprofiled to allow sufficient time for re-procurement. There is a risk that there could be increased costs associated with this re-procurement that will impact the capital programme.

Appendix 5: Outstanding Lift Debts

59. 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 December 2021, the total outstanding debt on Shut in Lift is £222k due to the increasing level of charges raised.
60. The chart below shows the amount of outstanding LIFT debts, with £ 203,631k outstanding at the end of December 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.



61. 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	14,347	35
THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA	13,094	31
PEABODY TRUST	12,526	30
SAINSBURYS SUPERMARKETS PLC	10,345	25
LONDON BOROUGH OF LAMBETH	9,312	23
Grand Total	59,624	144

Review of the top five debtors

A2 Dominion Homes Limited:

Most of old debts relate to years 2019 and 2020 which have been under review. Whilst discussions are going to resolve the very old outstanding bills, the most recent 2021 invoices have been settled on regular basis due to smooth communication between responsible teams.

The Royal Borough of Kensington and Chelsea:

The Royal Borough appeared on the debtors list for the first time since September with outstanding invoices dated in June (11 invoices issued) and September (11 invoices). 9 new invoices have become outstanding since then causing the Borough to rise higher up on the top 5 most outstanding debtors. The increasing debt and payment delays are as a result of issues relating to the implementation of a new supplier system

Peabody Trust:

There was no payment from Peabody since last reported at the end of September 2021. New invoices have been issued since. 4 in October with further 2 in December. Invoices from March, April and May are still outstanding. The outstanding items have been passed to General Council for action.

Sainsbury Supermarkets PLC:

The Area team have continued to chase the outstanding debts for Sainsbury Supermarket PLC including multiple reminder letters sent but no positive position on this. There are twenty-three invoices for £ 9,500 due to be paid. The outstanding invoice will be referred to General Council after further chasing attempts.

London Borough of Lambeth

Borough of Lambeth re-appears again on debtors list after settling most of their earlier outstanding invoices in October. Since then new bills have been issued in late October, November and December respectively raising the Borough up to top 5 on debtors list. The areas have been chasing payments since and advised these will be settled in due course.

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
Training and Professional Development	Fire Safety	For Senior Officer SCIE Safeguarding Training	07/12/2021	£11,959
Central Finance	Central Finance	Transfer of budget from employee insurance to other insurance. The combined liability insurance is split 50:50 between employee and other insurances. The budget is being transferred to reflect this.	11/01/2022	£480,000
Operational Policy	Operational Policy	Changes to Other Public Sector/USAR dog grants budgets	14/01/2022	£53,400