

Report title

Financial Position as at the end of June 2019

Report to

Corporate Services DB
Commissioner's Board
Fire and Resilience Board

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Summary

This report presents the London Fire Commissioner's (LFC) financial position as at the end of June 2019 and provides information on financial performance against revenue and capital budgets.

Recommendation

1. That the financial position as at the end of June 2019 be noted.
2. To approve the transfer of £3.1m in additional grant income for Firefighter's Pension Cost increase into the Budget Flexibility Reserve (BFR).
3. To approve reserve movement set out at Table 2.
4. To approve the capital budget slippage of £6.8m to future years budgets and the re-profiling of £2.4m from the 2020/21 capital budget to 2019/20.

Background

1. This report presents the current revenue and capital expenditure position for June 2019 and the forecast outturn position at March 2020.
2. All departments review their actual income and expenditure on a regular basis, and provide an updated forecast of outturn and explanation of variances, against all their budgets, to the Finance Department. These returns then form the basis of reporting to the Corporate Services Directorate Board and to the Commissioner's Board and from there on to the Greater London Authority.

Background to 2018/19 Budget

3. The 2019/20 budget was approved by the London Fire Commissioner's (LFC) on 27 March 2019 (LFC-0133-D) with a net revenue budget of £392.3m, being made up of net expenditure of £447.3m with £23.9k funding from earmarked reserves and £31.1m 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.

Revenue

5. The forecast outturn position for 2019/20 on the revenue budget is for an overspend of £1,325k, which is 0.3% of the net revenue budget. The variance is mainly due to forecast overspends on the following items:
 - operational staff of £1,076k, due to an increase to the provision for a backdated London Weighting claim of 4.6% from July 2017 and 3.4% from July 2018 and additional one off payment to consolidate this into basic pay,
 - energy costs of £473k based on forecast increases of about 17% in the electricity contract cost from April 2019 and 20% forecast increase in gas based on notification received from the Crown Commercial Services,
 - communications of £267k due to increased capacity on the Core Network, internet connectivity and increased maintenance cost due to the delay in replacement of the Fireground radio, whilst its relationship to the requirements of the Respiratory Protective Equipment (RPE) project is being explored, to improve firefighter safety,
 - rents of 188k due to the lease on the Brigade Distribution Centre (BDC) which is now required until March 2020,
 - other pension payments of £137k based on expected cost of not abating pensions for some Fire Safety Inspecting Officers, and
 - clothing & laundry of £78k due to additional PPE (Personal Protective Equipment) spend expected for specialist teams.
6. The above overspends are offset by underspending of £632k on the following items:
 - property rates of £172k due to an anticipated exemption being achieved at the new Operational Support Centre whilst the site is being fitted out,
 - professional services of £324k on the Control and Mobilising Solution (CAMS) contract based on service credits, abatements and inflation, being lower than expected, and
 - vehicle and equipment costs of £136k due to lower accident repair costs.
7. The above overspends are also offset by income budgets forecast to over recover by £390k, largely due to additional customer and client receipts of £409k as a result of Operational Resilience staff seconded to the Cabinet Office, Royal Borough of Kensington and Chelsea and Babcock and additional training income for running smoke filled environment and National Interagency Liaison Officer (NILO) courses; offset by expected under recovery of £198k as insurance claims relating to disclosure costs are clarified. Interest income is forecast to over recover by £180k, which reflects the 2018/19 outturn position and that cash balances are being held at a higher level for longer due to re-profiling of capital expenditure.
8. The key variances are explained in more detail from paragraph 10 below.

Tables and Appendices to this report

9. 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 the latest position on reserves;

- 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 shows the changes in the use of reserves from March Budget Report;
- Appendix 4 discuss the risks to the revenue and capital position that have not been quantified;
- Appendix 5 provides an analysis of outstanding debt relating to charges for Shut in Lift attendances;
- Appendix 6 meets the requirement to disclose all budget virements within the quarter under the LFC Scheme of Governance;
- Appendix 7 provides an update on expenditure approved in the Additional Resilience Requirements report (FEP2763);

Table 1. Summary Financial Position

	Current Budget	Current Spend	Current Variance	Revised Budget	Forecast Outturn	Forecast Outturn Variance
	£000s	£000s	£000s	£000s	£000s	£000s
Operational staff	67,698	66,484	(1,213)	270,252	271,327	1,076
Other staff	13,986	15,654	1,668	59,945	59,924	(22)
Employee related	17,080	17,091	11	22,010	22,179	169
Pensions	5,490	5,550	60	20,769	20,769	0
Premises	16,501	16,802	301	39,523	40,030	506
Transport	14,393	15,331	938	19,035	18,913	(122)
Supplies and services	13,795	16,456	2,661	29,567	29,605	38
Third party payments	885	534	(350)	1,762	1,863	101
Capital financing costs	400	206	(194)	9,775	9,775	0
Central contingency against inflation	0	0	0	(25)	(56)	(32)
Total revenue expenditure	150,227	154,108	3,881	472,614	474,330	1,716
Other income	(2,887)	(3,566)	(679)	(40,571)	(40,962)	(390)
Net revenue expenditure	147,339	150,542	3,202	432,043	433,368	1,325
Use of earmarked reserves	(150)	0	150	(4,429)	(4,429)	0
Financing Requirement	147,189	150,542	3,352	427,614	428,939	1,325
Financed by:						
Specific grants	(25,853)	(22,238)	3,615	(35,308)	(35,308)	(0)
GLA funding	0	0	0	(392,305)	(392,305)	0
Net Financial Position	121,336	128,304	6,968	0	1,325	1,325

Reasons for the Revenue Position

Staff

10. The budget for operational staff is forecast to overspend by £1,076k. This is largely due to increases to the provision for a backdated London Weighting claim (£2,822k) of 4.6% from July 2017 and 3.4% from July 2018 and additional one off payment to consolidate London Weighting into basic pay, a forecast overspend (£2,496k) on overtime and direct standby budgets which is reducing as the Brigade moves towards full establishment, and a forecast overspend on firefighter trainee budgets (£284k). This is offset by a forecast underspend (£3,628k) due to vacancies and (£861k) on operational allowances due to delays to payments under new arrangements.
11. The variances on operational staff discussed above reflect the improvement in the overall operational staff position as a result of reducing vacancy numbers. This work has reduced the underspend on operational staff and also reduced spend on overtime compared with last year. Monthly spend on overtime is expected to continue to reduce until full establishment is achieved.
12. FRS staff are forecast to underspend by £22k. The FRS staff budget includes an additional £1m vacancy margin to reflect the level of vacancies at the start of the year. Control staff are forecast to be on target at the end of June. Six additional Control Officer posts were added to the establishment from April, funded from reserves and a growth bid will be submitted for this as part of the budget process for 2020/21.

Employee Related

13. There is an overspend of £137k on other pension payments based on expected cost of not abating pensions for some Fire Safety Inspecting Officers, offset by a £55k underspend due to medical and welfare budgets, resulting from a lower forecast number of childcare claims, medical appeals and drug and alcohol tests in this financial year.

Premises

14. There is forecast overspend on energy costs of £473k based on forecast increases of about 17% in the electricity contract cost from April 2019 and 20% forecast increase in gas based on notification received from the Crown Commercial Services. This will be addressed as part of the budget setting process for 2020/21.
15. Rents are forecast to overspend by £188k due to the lease on the Brigade Distribution Centre (BDC) which is now required until March 2020. Approval for an extension to the lease for the BDC to cover this additional time was obtained from LFEPA in January 2018, however this did not provide additional funding beyond the first year. The BDC had been scheduled to close in March 2019, when the new Operational Support Unit (OSU) was scheduled to be operational, but this was not achieved due to unexpected delays in obtaining landlord consent for the proposed works at the OSU, resulting in slippage in tendering the works. This is offset by a £172k underspend on rates due to an anticipated exemption being achieved at the new OSU whilst the site is being fitted out, and new rateable value for Dockhead fire station (applicable from April 2017) being assessed at a lower value than forecast.

Transport

16. Transport budgets are forecast to underspend by £122k, made up of a forecast underspend on the vehicle and equipment contract of £63k based on forecast abatement levels, and on vehicle passthroughs of £136k due to lower accident repair costs, which will be considered as part of

the budget process. This is offset by £79k forecast overspend on running costs due to continued high diesel prices. Pump prices are up 13% compared to the same period in 2017 and the increase is also due to the ongoing replacement of pumping appliances, with the introduction of Euro 6 engines that require ad-blue fluid to reduce the emissions of nitrous oxides.

Supplies and Services

17. There is a forecast overspend of £38k on Supplies and Services budgets mainly on Communications (£267k) due to increased capacity on the Core Network, internet connectivity and increased maintenance cost due to the delay in the replacement of the Fireground radios whilst the relationship to the requirements of the Respiratory Protective Equipment (RPE) project is being explored, there is also a forecast overspend on Clothing & Laundry (£78k) due to additional PPE spend expected to be made for the specialist entry recovery team (SERT) and Urban Search And Rescue (USAR). This is offset by £324k underspend on Professional Services due to the CAMS contract based on service credits, abatements and inflation being lower than expected.

Income

18. Income budgets are forecast to over recover by £390k. This includes additional customer and client receipts of £409k as a result of Operational Resilience staff seconded to the Cabinet Office, Royal Borough of Kensington and Chelsea and Babcock, and additional training income for running smoke filled environment and NILO courses, offset by expected under recovery of £198k due to the forecast that disclosure costs claims may not be covered under our Insurance Policy.
19. Interest income is forecast to over recover by £180k, which reflects the 2018/19 outturn position and that cash balances are being held at a higher level for longer than previously expected due to reprofiling of capital expenditure. These items will be reviewed as part of the budget setting process for 2020/21, and any savings incorporated into the 2020/21 budget.
20. Appendix 5 includes an update on the position on outstanding shut in lift debt.

Grant Income – Firefighter Pensions

21. The LFC has also received additional one off grant income of £3,111k to help meet the additional employer contributions costs for the Fire Pension Schemes from April 2019. This additional income was notified to the LFC after the budget for 2019/20 had been set. It is proposed that a budget should be set up for this income to allow for it to be paid into the Budget Flexibility Reserve. The forecast overspend of £1,325k assumes a budget adjustment for the grant income, without this, the overspend would have been considerably more.

Capital

22. The original budget for the 2019/20 capital programme was £40,876k, as per the Capital Strategy (LFC-0134) report. The budget was revised down to £38,988k following the capital outturn position report for 2018/19 financial year (LFC-0179), which saw £2,029k brought forward into 2018/19 following the earlier progress on the delivery of pumping appliances and other schemes, plus slippage from 2018/19 to 2019/20 of £306k and savings identified of £553k. In addition, a sum of £1,000k has been brought forward from 2020/21 mainly in respect of the Operational Support Centre and £612k deferred to 2020/21.
23. The table below shows the summary capital budgets for 2019/20 and the proposed budget changes for Quarter 1.

Budget Year	2019-20 LFC-0179	Forecast Quarter 1 2019	Variance		Savings	Re-phasing (to)/ from later years	New/ Increased Budget
ICT	4,886	2,911	(1,975)		0	(1,975)	0
Fleet	22,501	20,359	(2,142)		(304)	(1,888)	50
Property	11,220	9,956	(1,264)		(20)	(1,244)	0
New Training Centre	381	1,039	658		0	658	0
Disposal costs	0	0	0		0	0	0
Capital Programme	38,988	34,265	(4,723)		(324)	(4,449)	50

24. The current capital forecast for 2019/20 is £34,265k. This is £4,723k less than the revised capital budget of £38,988k. The main changes in the programme are summarised below with detailed explanations set out from paragraph 32 and in Appendix 2.

- Budget slippage to 2019/20 – (£6,822k)
- Budgets brought forward from 2019/20 - £2,373k
- New/Increased Budgets - £50k
- Budget Savings – (£324k)

Position on Reserves

25. Based on the forecast financial position, the forecast balance on the general reserve is £12,608k. This is £2,514k below the minimum general reserve position of £15,121k, which is 3.5% of revised net revenue expenditure for 2019/20.
26. The forecast overspend and resulting impact on the general reserve will be addressed by a draw from the Budget Flexibility Reserve (BFR). The 2019/20 Budget Report agreed a draw of £3.6m from the BFR to support revenue expenditure in 2019/20. However, assuming approval of the recommendation to pay the additional £3.1m grant income relating to firefighter pensions into the BFR the net draw on the BFR would then reduce to £0.5m for 2019/20. The consideration of the backdated London Weighting claim, at £2.8m, was recognised as requiring a draw from the BFR, however the overall forecast outturn position allows the impact on the BFR in 2019/20 to be lower than that originally agreed in the 2019/20 budget.
27. The current forecast outturn would require a draw of £2,514k from the BFR to bring the general reserve up to its stated minimum level. This additional draw when added to the £0.5m outlined above, would bring the forecast reduction in the BFR to £3,014k. This is not currently reflected in reserves position set out below, as the movement on the BFR will be confirmed later in the year as part of the outturn report.
28. Table 2 below sets out the position on the financial reserves.

Table 2. Position on Reserves

£000s	Opening Balance at 01/04/19	Approved Movements in Q4 18/19	Unapproved Use of Reserves	Anticipated Balance at 31/03/20
Additional Resilience Requirements	767	68	(337)	498
Capital Expenditure Reserve	11,745			11,745
Central Programme Office	0	250	542	792
Community Safety Investment Fund	0	11	(11)	0
Compensation	1,000		(250)	750
Emergency Services Mobile Communication Programme	1,928	345	(99)	2,174
Emergency Medical Response	294			294
Fire Safety and Youth Engagement	715	273	42	1,031
HMICFRS inspection regime	21	65	(63)	22
Hydrants	462		(95)	367
ICT Development Reserve	1,851	150	(208)	1,793
LFC Control Centre	959		(209)	750
LFB Museum Project	210		(70)	140
London Resilience	1,015	38	(150)	903
London Safety Plan Initiatives	4,178	76	(499)	3,755
New Governance Arrangements	0	148		148
Organisational Reviews	505	316	(355)	466
Recruitment/ Outreach	370			370
Sustainability	235		(235)	0
Vehicle & Equipment Reserve	2,865	244	(1,965)	1,143
Budget Flexibility	23,110	7,287	(467)	29,930
General	23,204	(9,271)	(1,325)	12,608
Total	75,434	0	(5,754)	69,680

29. The reserves table above includes transfer of £542k from the forecast underspend on the Central Programme Office budgets. Total funding for the year is £2,600k and the forecast spend is £2,058k, although subject to increase should the project workload increase. This will continue to be reviewed as part of the normal monitoring process.

30. The table above includes £4,504k of planned draws on other earmarked reserves including:

- £1,965k from the vehicle and equipment reserve that includes £1,235k for the Ultra Low Emission Fleet programme and £670k for Ultra Low Emission Zone enhancements.
- £499k from the London Safety Plan Reserve including £185k for the fire safe and well pilot, £146k for Local Intervention Fire Education (LIFE) and cadet programmes and £167k for the Unwanted Fire Signals project.
- £355k from the Organisational Review reserve to fund the Watch Structure project team (£330k) and the Building Safety Team (£25k),
- £337k from the Additional Resilience Reserve to fund the Investigation Team and one off training costs,
- £250k from the compensation reserve to meet the cost of Counsel Fees in relation to compensation claims,,

- £235k from the sustainability reserve to fund improvements to appliances,
- £209k from the control centre reserve to fund the temporary increase to the control establishment,
- £208k from the ICT development reserve for Emergency Services Mobile Communication Programme - the Home Office project to update the emergency services network across fire, police and ambulance services.
- £150k from the London Resilience reserve funding additional costs related to Brexit reporting,
- £99k to fund the Emergency Services Mobile Communication Programme,
- £95k to fund invest to save initiatives to improve hydrants maintenance,
- £70k to fund the LFB Museum Project,
- £63k to fund the project team working on the Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services (HMICFRS) inspection,
- £11k for the remaining proposal from the Community Safety Investment Fund,
- The Fire Safety and Youth Engagement reserve is showing a net payment of £42k. This includes the transfer of the second year of funding from the Mayor for cadets (£438k), offset by £396k to support youth engagement schemes.

31. The forecast movement on the reserves in 2019/20 was included as part of the Budget Report 2019/20, and the movements set out above are compared to the original forecast in a table provided at Appendix 3. This shows the anticipated balance on reserves at 31st March 2020 presented in the March Budget, and the revised forecast balance included in this report, with explanations of any variances. The forecast balance in reserves has increased from £51,637k to £69,680k, an increase of £18,044k largely as a result of finalising the accounting treatment of the funding that lead to the creation of the Capital Expenditure Reserve (£11,745k), and the additional pension funding (£3,111k).

Capital

32. The current capital forecast for 2019/20 is £34,265k. This is £4,723k less than the revised budget of £38,988k (LFC-0179). The main changes in the programme are detailed below and a full breakdown of the future capital programme is detailed in Appendix 2.

Budget re-phased from 2019/20 – £2,373k

- Aerial Appliances - £1,646k - due to updated profile of stage payments
- LFB Training Centre - £658k – rephrased due to updated project timescales
- Minor Works - £69k – to cover Fire Station requests for priority accommodation changes and urgent mechanical and electrical asset replacements.

Re-phased to 2019/20 – (£6,822k):

Property

- Appliance Bay Door Replacements (£290k) – This includes Soho, £40k, due to planning issues relating to design, Erith, £100k, for accidental damage work, Wimbledon, £150k because of the complexities relating to completing the work whilst keeping the Fire Station operational and also a long lead in time for the manufacture of the appliance bay doors.
- Replacement of Heating Systems (£703k) – This includes Wimbledon, £403k, due to internal resource levels being stretched and the delivery of the appliance bay door project above, Acton, £200k, and Surbiton, £100k, with both schemes delayed due to design technical complexities

- West Hampstead Cottages Refurbishment (£100k), where potential delays are foreseen in receiving listed planning consent from the Camden
- Other rephasing (£177k), including £77k for Roof Replacement at Clapham due to design issues due to roof mounted mechanical plant and relocation of Fire Safety Team and £100k for the Plumstead and Lambeth River Fire Station Refurbishments due to forecast lower consultancy costs during 2019/20.

ICT

- ICT –Computer Terminals (£100k), a review of requirements highlighted the terminals would not be needed until 2021/22.
- ICT – Fire Ground Radios (£1,800k), the scheme is paused for three months to allow the Respiratory Protective Equipment (RPE) project to come to a conclusion on the equipment that will be used therefore scheme unlikely to be delivered in 2019/20.
- ICT – Business Intelligent Solution (£75k), the expenditure profile has been updated after a review of work to be completed during 2019/20.

Fleet and Operational Equipment

- Fleet Equipment – (£784k), the FRU equipment expenditure is deferred one year to allow for the planning of the requirements this financial year.
- Fleet Vans – (£450k), the delivery of vans to be BDC is now expected to be in 2020/21.
- Respiratory Protective Equipment (BARRIE) – (£2,300k), has been deferred due to a review of equipment requirements.
- Other slippage (£43k).

New Budget Requirement/Increased Budget - £50k

- Purchase of vans – increased budget £50k – (LFC-0124). The cost of purchasing the vans is £750k, the increase budget requirement relates to an increase in contract price compared to the initial estimate.

Budget savings – (£324k)

- Fleet Equipment Savings (£304k), including a £284k saving on replacement of 9m ladders due to asset life review on the asset register which has now been confirmed at 15 years and £23k of other equipment savings.
- Other savings (£20k).

Update on significant scheme changes during the first quarter:

33. LFB Training Centre - £658k has been brought forward from 2020/21 budget - The budget has been re-profiled to reflect the latest programme. The project is now programmed to complete in June 2021 (construction completed) and to be operational from September 2021. This timetable accords with the programme for the Operations Support Centre project, and is in line with the Protective Equipment Groups (PEG's) move out from their current Croydon site (which is a dependency of the LFB Training Centre Croydon project).
34. ICT - Fire ground Radios - £1,800k slippage to 2020/21. This project has been paused for three months to allow the Respiratory Protective Equipment (RPE) project to come to a conclusion on

the equipment that will be used, particularly in respect of intrinsically safe radios. It is therefore very unlikely that the money will be spent in this financial year.

Debtors

35. An analysis of debtors relating to Shut in Lift is provided in Appendix 5. This includes a chart that shows the decrease in Shut in Lift debts over the past 18 months of shut in lift charges. The total number of shut in lift debts has been falling gradually over the last two years, after its peak, with the overall balance reduced from £300k at the end of September 2015 to £98k at the end of June 2019.

Additional Resilience Requirements

36. Appendix 7 provides detailed information on the additional resourcing costs agreed (FEP2763) following the Grenfell Tower fire and terrorist incidents in 2017. This includes the forecast spend for 2019/20 and the budget requirement for 2020/21 and future years.

Finance comments

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

Workforce comments

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

Legal comments

39. The report is a financial performance update, presented for information only. It is submitted in accordance with Part 6 (Financial Regulations) of the London Fire Commissioner's ("LFC") Scheme of Governance that sets out detailed rules covering financial planning, monitoring, control, systems and procedures and insurance.
40. 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.
41. 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

42. There are no direct sustainable implications.

Equalities implications

43. This report has no equality implications.

List of Appendices to this report

1. Detailed Financial Position
2. Capital Programme 2019/20
3. Changes in use of reserves from March Budget Report
4. Risks to the revenue and Capital Position
5. Outstanding LIFT debtors
6. Scheme of Governance – Budget Virements
7. Additional Resilience Requirements

Consultation

Name/role	Method consulted
Heads of Department	Departmental finance returns

Appendix 1 – Detailed Financial Position

	Current Budget	Current Spend	Current Variance		Original Budget	Revised Budget	Forecast Outturn	Forecast Outturn Variance	
	£	£	£	%	£	£	£	£	%
Operational Staff	67,148,930	65,645,192	(1,503,737)	(2.2%)	270,798,421	268,057,149	268,870,709	813,560	0.3%
Trainee Firefighters	548,600	839,098	290,498	53.0%	1,590,569	2,194,401	2,456,724	262,323	12.0%
Total Operational Staff	67,697,530	66,484,291	(1,213,239)	(1.8%)	272,388,990	270,251,550	271,327,433	1,075,883	0.4%
FRS Staff	12,623,389	14,275,297	1,651,908	13.1%	53,080,258	54,401,771	54,380,255	(21,516)	(0.0%)
Control Staff	1,362,376	1,378,240	15,864	1.2%	5,299,147	5,543,503	5,543,504	0	0.0%
Total Other Staff	13,985,765	15,653,537	1,667,772	11.9%	58,379,405	59,945,274	59,923,758	(21,516)	(0.0%)
Other Pension Payments	220,000	77,689	(142,311)	(64.7%)	880,000	880,000	1,017,000	137,000	15.6%
Severance	0	0	0	0.0%	0	8,060	8,060	0	0.0%
Professional Development	16,117,370	16,400,292	282,923	1.8%	18,353,950	17,934,408	17,957,854	23,446	0.1%
Recruitment	45,290	26,096	(19,194)	(42.4%)	181,159	181,159	183,459	2,300	1.3%
Employee Related Insurance	0	50,879	50,879	0.0%	215,000	215,000	276,777	61,777	28.7%
Compensation	201,453	69,153	(132,300)	(65.7%)	805,814	805,814	805,814	0	0.0%
Medical and Welfare Expenses	496,270	467,342	(28,928)	(5.8%)	2,279,081	1,985,081	1,930,017	(55,064)	(2.8%)
Total Employee Related	17,080,383	17,091,451	11,068	0.1%	22,715,004	22,009,522	22,178,981	169,459	0.8%
Firefighter Pension Scheme	5,489,815	5,549,852	60,037	1.1%	20,769,276	20,769,276	20,769,276	0	0.0%
Building Maintenance	1,956,666	1,056,241	(900,425)	(46.0%)	8,512,832	8,612,578	8,612,578	0	0.0%
Grounds Maintenance	24,238	11,905	(12,332)	(50.9%)	120,984	120,984	120,984	0	0.0%
Premises Security	512,752	542,537	29,785	5.8%	547,752	547,752	547,752	0	0.0%
Energy Costs	338,066	463,535	125,469	37.1%	2,271,205	2,271,205	2,744,205	473,000	20.8%
Rents	3,605,096	4,103,129	498,033	13.8%	8,256,016	8,283,856	8,471,675	187,819	2.3%
Property PFI Contract	5,635,202	5,650,979	15,776	0.3%	5,635,202	5,635,202	5,635,202	0	0.0%
Property Rates	2,368,678	2,320,290	(48,388)	(2.0%)	8,936,853	8,795,117	8,622,785	(172,332)	(2.0%)
Water & Sewerage Rates	46,675	11,105	(35,570)	(76.2%)	271,515	271,515	271,515	0	0.0%
Fixtures & Fittings	21,992	16,415	(5,577)	(25.4%)	97,969	87,969	87,969	0	0.0%
Cleaning and Domestic Supplies	360,541	307,062	(53,479)	(14.8%)	2,101,297	2,065,597	2,065,597	0	0.0%
Premises Insurance	35,420	109,934	74,514	210.4%	322,000	322,000	340,000	18,000	5.6%

Appendix 1 – Detailed Financial Position

	Current Budget	Current Spend	Current Variance		Original Budget	Revised Budget	Forecast Outturn	Forecast Outturn Variance	
	£	£	£	%	£	£	£	£	%
Other Property Services	1,595,398	2,208,666	613,268	38.4%	2,573,583	2,509,537	2,509,537	0	0.0%
Total Premises	16,500,724	16,801,800	301,075	1.8%	39,647,207	39,523,311	40,029,798	506,487	1.3%
Running Costs	1,295,269	1,762,911	467,642	36.1%	2,486,164	2,486,164	2,564,926	78,762	3.2%
Vehicle and Equipment Contract	11,281,465	11,792,242	510,777	4.5%	11,282,867	11,277,260	11,214,190	(63,070)	(0.6%)
Vehicle Passthroughs	656,849	587,875	(68,973)	(10.5%)	658,889	667,407	531,819	(135,588)	(20.3%)
Maintenance and Repairs	241,250	39,718	(201,532)	(83.5%)	2,200,000	2,200,000	2,200,000	0	0.0%
Contract Hire & Operating Leases	640,879	704,146	63,267	9.9%	1,157,462	1,153,263	1,190,991	37,728	3.3%
Travel	277,036	443,631	166,594	60.1%	975,583	1,251,143	1,211,129	(40,014)	(3.2%)
Total Transport	14,392,747	15,330,523	937,776	6.5%	18,760,965	19,035,237	18,913,055	(122,182)	(0.6%)
Hydrants	477,042	651,045	174,002	36.5%	496,055	420,004	420,004	(0)	(0.0%)
Operational Equipment	396,802	422,984	26,182	6.6%	2,767,692	1,638,592	1,639,926	1,334	0.1%
Smoke Alarms	181,660	194,508	12,849	7.1%	700,000	726,638	726,640	2	0.0%
Equipment Furniture and Materials	73,609	188,928	115,318	156.7%	294,441	294,441	342,602	48,161	16.4%
Lost & NFWT Operational Equipment	116,871	170,544	53,673	45.9%	116,871	116,871	116,871	0	0.0%
Catering	79,984	126,774	46,791	58.5%	303,636	334,936	335,728	792	0.2%
Clothing & Laundry	2,641,400	2,999,728	358,328	13.6%	3,271,629	3,424,429	3,502,811	78,382	2.3%
General Office Expenses	200,787	188,366	(12,421)	(6.2%)	619,245	632,745	575,514	(57,231)	(9.0%)
Professional Services	7,052,753	7,094,801	42,048	0.6%	9,615,198	10,092,156	9,767,917	(324,239)	(3.2%)
Postal Services	13,446	56,330	42,884	318.9%	61,055	61,055	61,055	0	0.0%
Communications	962,048	960,549	(1,499)	(0.2%)	3,982,950	4,025,118	4,292,054	266,936	6.6%
Hardware and Software	1,444,813	3,099,342	1,654,529	114.5%	6,345,135	6,935,824	6,973,991	38,167	0.6%
Staff Reimbursements	60,628	59,260	(1,368)	(2.3%)	248,721	242,521	242,283	(238)	(0.1%)
Grants and Subscriptions	51,443	130,301	78,858	153.3%	205,771	205,771	204,675	(1,096)	(0.5%)
Other Insurance	0	68,560	68,560	0.0%	250,000	250,000	233,267	(16,733)	(6.7%)
Advertising	28,965	30,410	1,445	5.0%	105,861	115,861	120,341	4,480	3.9%
Other Supplies and Services	12,542	13,127	585	4.7%	45,170	50,170	49,593	(577)	(1.2%)
Total Supplies and Services	13,794,793	16,455,558	2,660,765	19.3%	29,429,429	29,567,131	29,605,272	38,140	0.1%

Appendix 1 – Detailed Financial Position

	Current Budget	Current Spend	Current Variance		Original Budget	Revised Budget	Forecast Outturn	Forecast Outturn Variance	
	£	£	£	%	£	£	£	£	%
Other Agencies	333,097	2,614	(330,484)	(99.2%)	321,700	333,097	333,097	0	0.0%
Other Local Authorities	470,294	530,699	60,405	12.8%	1,406,894	1,340,594	1,442,266	101,672	7.6%
Audit & Bank Charges	81,400	1,049	(80,351)	(98.7%)	88,600	88,600	88,000	(600)	(0.7%)
Total Third Party Payments	884,791	534,361	(350,430)	(39.6%)	1,817,194	1,762,291	1,863,363	101,072	5.7%
Debt Repayment	0	0	0	0.0%	6,357,000	6,357,000	6,357,000	0	0.0%
External Interest	400,000	206,412	(193,588)	(48.4%)	3,418,000	3,418,000	3,418,000	0	0.0%
Total Capital Financing Costs	400,000	206,412	(193,588)	(48.4%)	9,775,000	9,775,000	9,775,000	0	0.0%
Budget for Non Staff Inflation	0	0	0	0.0%	0	0	0	0	0.0%
Central Contingency	0	0	0	0.0%	100,841	(19,367)	1	19,367	(100.0%)
Savings to Be Achieved	0	0	0	0.0%	(173,287)	(115,836)	(97,061)	18,775	(16.2%)
Savings done by DA	0	0	0	0.0%	120,997	110,463	40,642	(69,821)	(63.2%)
Contingency	0	0	0	0.0%	48,551	(24,740)	(56,418)	(31,678)	128.0%
Total revenue expenditure	150,226,549	154,107,785	3,881,236	2.6%	473,731,021	472,613,853	474,329,518	1,715,665	0.4%
MFB Act Income	0	(585,302)	(585,302)	0.0%	(29,137,291)	(29,137,291)	(29,137,291)	0	0.0%
Customer and Client Receipts	(2,887,230)	(2,982,807)	(95,576)	3.3%	(9,008,762)	(11,113,801)	(11,324,279)	(210,478)	1.9%
Interest Receivable	0	882	882	0.0%	(320,000)	(320,000)	(500,000)	(180,000)	56.3%
Bad Debts	0	1,178	1,178	0.0%	0	0	0	0	0.0%
Total Other Income	(2,887,230)	(3,566,049)	(678,818)	23.5%	(38,466,052)	(40,571,091)	(40,961,570)	(390,478)	1.0%
Net revenue expenditure	147,339,318	150,541,736	3,202,418	2.2%	435,264,969	432,042,762	433,367,949	1,325,187	0.3%
Use of Earmarked Reserves	(150,000)	0	150,000	(100.0%)	(12,401,066)	(4,429,253)	(4,429,253)	0	0.0%
Financing Requirement	147,189,318	150,541,736	3,352,418	2.3%	422,863,903	427,613,509	428,938,696	1,325,187	0.3%
Financed by:									

Appendix 1 – Detailed Financial Position

	Current Budget	Current Spend	Current Variance		Original Budget	Revised Budget	Forecast Outturn	Forecast Outturn Variance	
	£	£	£	%	£	£	£	£	%
Specific grants	(25,852,978)	(22,237,542)	3,615,436	(14.0%)	(31,608,903)	(35,308,427)	(35,308,427)	(0)	0.0%
GLA Grant	0	0	0	0.0%	(391,255,000)	(392,305,082)	(392,305,082)	0	0.0%
Net Financial Position	121,336,341	128,304,194	6,967,853	5.7%	0	0	1,325,187	1,325,187	0.0%

Appendix 2 - Capital Programme

FUTURE CAPITAL PROGRAMME BUDGET Quarter 1 2019-20, FORECAST	Status	2019/20 Budget LFC- 0179	Quarter 1 Forecast	Variance	Notes
ICT Projects		£'000s	£'000s	£'000s	£'000s
Records Management Operating System	Amber	98	98	0	
Business Intelligent Solution	Green	454	379	(75)	Slipped to 2020/21
Control & Mobilisation System (CAMS)	Amber	100	100	0	
Mobile Data Terminals Replacement	Green	71	71	0	
Fire ground Radios	Red	1,800	0	(1,800)	Slipped to 2020/21
ICT – Virtual Desktop Technology (Citrix)	Amber	250	250	0	
New telephone system equipment	Green	150	150	0	
Netscaler Replacement	Green	200	200	0	
Wireless Access Points	Green	853	853	0	
New computer terminals - Fat Client	Green	100	0	(100)	Slipped to 2021/22 year
Multi Agency Incident Transfer (MAIT)	Red	195	195	0	
Business Management System (PMF)	Amber	215	215	0	
Farynor (linked to Home Fire Safety)	Green	100	100	0	
New Finance System	Green	100	100	0	
New HR System	Green	100	100	0	
New Payroll System	Green	100	100	0	
ICT PROJECTS		4,886	2,911	(1,975)	
ESTATE PROJECTS					
Workplace Improvement Plan Union St	Green	60	60	0	
Plumstead Fire Station Redevelopment	Green	100	50	(50)	c/fwd to 2020/21
LFB Museum – Fit out	Amber	30	30	0	
Heating at various stations	Green	1,634	931	(703)	c/fwd to 2020/21
Window replacement at various stations	Amber	215	215	0	
Rewiring of property at various fire stations	Green	598	555	(43)	c/fwd to 2020/21
Minor Improvement Programme	Green	2,164	2,233	69	b/fwd from 2020/21
Roof Replacements	Amber	624	547	(77)	c/fwd to 2020/21
Appliance Bay Doors (Phase 3)	Amber	1,002	712	(290)	c/fwd to 2020/21
Brigade wide Survey for Asbestos Removal	Green	50	30	(20)	Savings
West Hampstead Accommodation Refurb	Amber	663	563	(100)	c/fwd to 2020/21
New Training Centre	Green	381	1,039	658	b/fwd from 2020/21
Operations Support Centre Project (IELP)	Green	3,980	3,980	0	
Lambeth River Station Redevelopment	Green	100	50	(50)	c/fwd to 2020/21

Appendix 2 - Capital Programme

FUTURE CAPITAL PROGRAMME BUDGET Quarter 1 2019-20, FORECAST	Status	2019/20 Budget LFC- 0179	Quarter 1 Forecast	Variance	Notes
ESTATE PROJECTS		11,601	10,995	(606)	
FLEET & EQUIPMENT PROJECTS					
Fleet and Operational Equipment	Green	17,711	16,223	(1,488)	New £50k & slippage £1,234k , savings £304k.
Respiratory Protective Equipment (BARRIE)	Red	2,300	0	(2,300)	c/fwd to 2020/21
Early Replacement of ALP & HP*	Green	1,800	3,446	1,646	b/fwd from 2020/21
CCTV on Pumping Appliances *	Green	99	99	0	
Early Replacement of Fire Boat*	Amber	500	500	0	
Portable Hygiene Units	Green	91	91	0	
FLEET & EQUIPMENT PROJECTS		22,501	20,359	(2,142)	
CAPITAL EXPENDITURE TOTAL		38,988	34,265	(4,723)	

Appendix 2 - Capital Programme

FUTURE CAPITAL PROGRAMME BUDGET, Quarter 1 2019-20 FORECAST	2019/20 Capital Strategy LFC - 0134	2018/19 Outturn Slippage	New Projects/ Savings	Slippage to 2020/21	2019/20 Revised Budget		2020/21 Budget	2021/22 Budget	2022/23 Budget	Previous Years Spend	Total Projected Spend	Approved Budget
ICT Projects	£'000s	£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Records Management Operating System	98	0	0	0	98		0	0	0	2,091	2,189	2,350
Business Intelligent Solution	454	0	0	(75)	379		435	465	0	531	1,810	1,810
Control & Mobilisation System (CAMS)	100	0	0	0	100		100	0	2,800	9,013	9,213	10,650
Mobile Data Terminals Replacement	71	0	0	0	71		0	0	1,486	2,029	2,100	2,100
Fire ground Radios	1,800	0	0	(1,800)	0		1,800	0	0	0	1,800	Q4 18-19
ICT – Virtual Desktop Technology (Citrix)	235	15	0	0	250		0	0	0	0	250	TBA
New telephone system equipment	150	0	0	0	150		0	0	0	164	307	157
Netscaler Replacement	200	0	0	0	200		0	0	0	0	200	TBA
Wireless Access Points	853	0	0	0	853		0	0	0	0	853	TBA
New ISP	0	0	0	0	0		500	0	0	0	500	TBA
New WAN	0	0	0	0	0		500	0	0	0	500	TBA
VM Server Environment Hosts	0	0	0	0	0		500	0	0	0	500	TBA
Replacement of laptops	0	0	0	0	0		563	0	0	0	563	TBA
New computer terminals - Thin Client	0	0	0	0	0		0	1,150	0	0	1,150	TBA
New audio visual equip for Stations	0	0	0	0	0		100	0	0	0	100	TBA
New computer terminals - Fat Client	100	0	0	(100)	0		0	100	0	0	100	TBA
Audio Equipment for Union St	0	0	0	0	0		0	220	0	0	220	TBA
Data transfer system for Joint Emergency Services Interoperability Programme	120	75	0	0	195		0	0	0	71	266	266
Business Management System (PMF)	215	0	0	0	215		0	0	0	0	215	TBA
Farynor Replacement (linked to Home Fire Safety)	100	0	0	0	100		450	200	0	0	750	£100k fees
Home Fire Safety Database	0	0	0	0	0		70	60	0		0	TBA
New Finance System	100	0	0	0	100		586	1,080	453	0	1,766	TBA
New HR System	100	0	0	0	100		624	0	0	0	724	TBA

Appendix 2 - Capital Programme

FUTURE CAPITAL PROGRAMME BUDGET, Quarter 1 2019-20 FORECAST	2019/20 Capital Strategy LFC - 0134	2018/19 Outturn Slippage	New Projects/ Savings	Slippage to 2020/21	2019/20 Revised Budget		2020/21 Budget	2021/22 Budget	2022/23 Budget	Previous Years Spend	Total Projected Spend	Approved Budget
ICT Projects	£'000s	£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
New Payroll System	100	0	0	0	100		231	0	0	0	331	TBA
ICT PROJECTS	4,796	90	0	(1,975)	2,911		6,459	3,275	4,739	13,969		
ESTATE PROJECTS												
Workplace Improvement Plan (WIP) Union Street	60	0	0	0	60		0	0	0	106	167	240
Plumstead Fire Station Redevelopment	100	0	0	(50)	100		2,550	2,500	350	0	5,100	TBA
LFB Museum – Fit out	30	0	0	0	30		0	1,200	1,152	18	1,248	2,400
Refurbishment of Edmonton Fire Station	0	0	0	0	0		80	220	1,500	0	300	TBA
Heating at various stations	1,634	0	0	(703)	931		1,598	50	925	n/a	n/a	n/a
Window replacement at various stations	215	0	0	0	215		360	50	540	n/a	n/a	n/a
Rewiring of property at various fire stations	575	23	0	(43)	555		318	25	300	n/a	n/a	n/a
Minor Improvement Programme	2,164	0	0	69	2,233		2,012	2,040	1,496	n/a	n/a	n/a
Roof Replacements	624	0	0	(77)	547		817	60	680	n/a	n/a	n/a
Appliance Bay Doors (Phase 3)	981	21	0	(290)	712		704	0	400	n/a	n/a	n/a
Brigade wide Survey for Asbestos & Removal	50	0	(20)	0	30		50	50	50	n/a	n/a	n/a
West Hampstead Single Person's Accommodation Refurbishment	705	(42)	0	(100)	563		100	0	0	57	720	720
Improve Security at all Fire Stations, Offices & HQ	100	0	0	(100)	0		1,350	1,255	0	0	2,605	TBA
New Training Centre	300	81	0	658	1,039		8,049	6,046	0	366	8,846	15,500
Operations Support Centre Project (IELP)	3,196	(116)	0	900	3,980		0	0	0	342	4,322	4,322
Lambeth River Station Redevelopment	0	0	0	50	50		1,050	1,200	0	0	1,100	TBA
ESTATE PROJECTS	10,734	(33)	(20)	314	10,995		19,038	14,696	7,393			
FLEET & EQUIPMENT PROJECTS												
Replacement of Fleet and Operational Equipment	20,094	(1,871)	(254)	(1,746)	16,223		14,000	8,796	2,276	19,979	61,746	TBA
Respiratory Protective Equipment (BARRIE)	2,300	0	0	(2,300)	0		2,300	0	0	0	2,300	TBA
Breathing Apparatus (Standard duration)	0	0	0	0	0		5,000	0	0	0	5,000	TBA

Appendix 2 - Capital Programme

FUTURE CAPITAL PROGRAMME BUDGET, Quarter 1 2019-20 FORECAST	2019/20 Capital Strategy LFC - 0134	2018/19 Outturn Slippage	New Projects/ Savings	Slippage to 2020/21	2019/20 Revised Budget		2020/21 Budget	2021/22 Budget	2022/23 Budget	Previous Years Spend	Total Projected Spend	Approved Budget
ICT Projects	£'000s	£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Early Replacement of ALP & HP	1,800	0	0	1,646	3,446		1,834	0	0	0	5,280	5,280
CCTV on Pumping Appliances	100	0	(1)	0	99		0	0	0	137	248	501
Early Replacement of Fire Boat	500	0	0	0	500		1,750	250	0	20	2,520	2,500
22mm Water Hose and Reel for Appliances	507	0	(507)	0	0		0	0	0	582	582	1,500
Vehicle Security *	45	0	(45)	0	0		0	0	0	101	101	1,389
Portable Hygiene Units	0	91	0	0	91		0	0	0	0	91	91
FLEET & EQUIPMENT PROJECTS	25,346	(1,780)	(807)	(2,400)	20,359		24,884	9,046	2,276	21,128	77,868	11,261
CAPITAL EXPENDITURE TOTAL	40,876	(1,723)	(827)	(4,061)	34,265		50,381	27,017	14,408			

Appendix 3 shows the anticipated balance on reserves on 31st March 2020 in the March Budget, and the revised forecast balance included in this report. The total amount of reserves has increased from £51,637k to £69,680k, an increase of £18,044k.

£000s	Anticipated Balance March 2020 (March Budget)	Anticipated Balance March 2020 (Q1 Report)	Movement from Previous Report	Comments
Additional Resilience Requirements	0	498	498	Funds set aside for USAR equipment and wicking t-shirts. Amount to be spent in 2019/20 TBC - some will be carried forward to 2020/21.
Capital Expenditure Reserve	0	11,745	11,745	Reserve created after finalising accounting treatment of the funding from GLA following the sale of Southwark Training Centre.
Central Programme Office	0	792	792	Underspend on programme
Compensation	750	750	0	
Emergency Services Mobile Communication Programme	1,725	2,174	449	Additional grant and spend has been re-profiled.
Emergency Medical Response	0	294	294	Carried forward to 2020/21
Fire Safety and Youth Engagement	731	1,031	300	Additional contribution receipts
HMICFRS inspection regime	0	22	22	Underspend in 2018/19
Hydrants	367	367	0	
ICT Development Reserve	891	1,793	902	Delay in NOG implementation
LFC Control Centre	729	750	21	
LFB Museum Project	140	140	0	
London Resilience	0	903	903	Planned spend against Command Unit replacement and MCR equipment not forecast in 2019/20
London Safety Plan Initiatives	2,755	3,755	1,000	Spend on new firefighter technology delayed to 2020/21 (£773k) and funding for IPMO (£132k) and Blue Light Secondary School project (£237k) yet to be established.

Changes in Use of Reserve from March Budget Report

Appendix 3

£000s	Anticipated Balance March 2020 (March Budget)	Anticipated Balance March 2020 (Q1 Report)	Movement from Previous Report	Comments
New Governance Arrangements	0	148	148	Underspend in 2018/19
Organisational Reviews	0	466	466	Spend plans for Building Safety Programme, Training and Property Reviews to be confirmed.
Recruitment/ Outreach	0	370	370	Spend plans for Recruitment Review Outreach to be confirmed
Vehicle & Equipment Reserve	759	1,143	385	Spend plans on Ultra Low Emissions Fleet (ULEF) to be reviewed.
Budget Flexibility	19,532	29,930	10,398	£7,287k payment from 2018/19 underspend and £3,111k from additional firefighter pension grant
General	23,257	12,608	(10,649)	Transfer to budget flexibility (£7,287k), reduction in 18/19 underspend (£1,887k) and 2019/20 overspend (£1,325k) and transfer for the property services review (£150k)
Total	51,637	69,680	18,044	

1. Firefighter and Local Government Pension Schemes

- 1.1. The results of the 2016 valuation of the firefighters pension scheme have now been implemented with new **pension contribution rates** from 2019/20. This also shows that there are significant additional financial pressures in future years which will be reviewed as part of the budget setting process for 2020/21. The Home Office have agreed a one year grant of £115m for all Fire and Rescue Authorities in respect of the additional employer pension contributions in 2019/20. In addition, the Chancellor announced in his 2018 Budget that the additional pension costs would be settled as part of the upcoming spending review. This may mean that this pressure is materially reduced in subsequent financial years.
- 1.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities, 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 Fire and Rescue Services sought permission from the Supreme Court to appeal the Court of Appeal's decision, however this has now been denied, with the case backed to the Employment Tribunal for a remedy to be determined. The potential cost implications for the LFC are not possible to forecast at present, but may lead to a material budget pressure. The remedy is potentially made more complex as it will need to address the issue on a range public sector pensions, including the LGPS.
- 1.3. The LFC completed a **pensions auto re-enrolment** exercise on 1st June 2019. There were 475 staff (404 operational and 71 FRS) that were not in a pension scheme and were enrolled into one. It is currently assumed that 40% of staff who are enrolled in this way will remain in the scheme, with additional employer pension contributions of £1,069k. Any variation to this forecast may have a budget impact for LFC. The re-enrolled members are entitled to reimbursement of their contributions if they opt out again within three months, so it is expected that the impact on the LFC will be confirmed in Q2.

2. London Pensions Fund Authority (LPFA) Pensions Administration

- 2.1. The strategic partnership between the London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund established in April 2016, and that created the **Local Pensions Partnership** (LPP), to manage pension fund investments and pensions administration services, continues to develop. It was agreed (FEP2644) that the LFC should continue the current shared service arrangement with the LPFA for the administration of the FPS but with the LPFA then sub-contracting to the LPP. The LPP implemented its new operating model from April 2018 which saw the service move from a dedicated LFB pension team to a generic team for all their clients. Officers have been reviewing this arrangement, and this will include meeting the newly appointed LPP Pensions Director in Q2. It is planned to reach conclusions on the best long term administration solution for the administration of LFC's pension schemes by the end of this financial year. This could lead to change in the cost of the service. The LFC currently pays the LPP £293k pa under a shared service arrangement to provide administration services for the firefighter pension scheme.

3. GT Legal Investigation Costs

- 3.1. The position on the legal costs continues to develop as more information becomes available, and these will be updated as required. It is expected that £1,895k of costs related to Grenfell Investigation would be recovered under LFC's insurance. Any variation to this forecast may further increase the current overspending position.
- 3.2. The disclosure costs are an area of particular attention with further upward cost pressure. Discussions are ongoing with insurers to confirm what costs will be recovered through this route. Work is continuing in this area.

4. Pay and Inflation

- 4.1. In March 2019, the national employers made a three-stage offer to the FBU totalling 13.57% up to June 2022, based on broadening the firefighter role, but also contingent on securing additional Government funding. The FBU rejected this offer following a consultation with their membership, but are also expecting an increase in pay to be applied from 1 July (both the 2017/18 and 2018/19 pay settlements were 'interim' pending agreement on broadening the firefighter role). These national negotiations on broadening the firefighter role have been paused, with this possibly being considered as part of the Government's Spending Review. Both sides are still committed to the principles of broadening the firefighter role.
- 4.2. The London Region FBU Executive and Regional Committee have endorsed the latest offer from the Brigade, which includes consolidation of London Weighting in return for a lump sum payment. This will be going out to a ballot of London Region FBU members, and the outcome of this is expected in Q2.
- 4.3. The protracted **Brexit** process continues to cause significant economic uncertainty. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult.

5. Premises Budgets

- 5.1. The security budget is likely to overspend if the disposal of Clerkenwell fire station is not completed during 2019/20. The budget available to fund this services will be exhausted by the end of September. It has also been assumed that disposal of 8 Albert Embankment will not be completed in 2019/20, so any disposal before March 2020 will have a positive impact on the security spend.
- 5.2. There is £100k included in 2019/20 budget for potential dilapidation costs at the Brigade Distribution Centre. This is an estimate advised by the Estates Consultant. The actual cost will be subject to negotiations with the landlord which cannot commence until the landlord has been given formal notice to terminate the lease. This is currently not scheduled to happen until later in the year and is dependant on the Operations Support Centre (OSC) project.

6. POTENTIAL RISKS/CHANGES TO THE CAPITAL PROGRAMME

- 6.1. The capital budget is an evolving entity which is subject to change throughout 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 will invariably result in additional costs. However even the best managed projects can be subject to re-phasing or deferral due to a number of unforeseen issues, such as contractor capacity/failure, bad weather and revised operational need. This can also impact on funding requirements that in turn have a debt charge (cost of borrowing) revenue impact.
- 6.2. All capital projects will require third party collaboration to varying degrees over the project life. The following major projects that make up about 80% of the programme depend heavily on external parties actions and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. Specific risks:

Vehicle Replacement Programme

- 6.3. 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 2019/20 and future years is based on the current assessment of the stage payment requirements for the pump replacement programme and other vehicle replacements which represents 80% of the forecast Vehicles and Equipment expenditure. Any delay in the programme and delivery timings for the fleet replacement items, may effect the actual spend position and be a variance against the approved budget for the year.

Command Units

- 6.4. The initial specification for the Command Unit vehicles was for a standard box lorry which resulted in a budget provision of £3.24m to replace the nine vehicles. It is now proposed that a fully electric solution be implemented which will result in additional costs. Until prices are obtained for the new electric vehicle it is not possible to assess what the increase would be. In addition, there will be a new budget requirement for the ICT equipment for the vehicles circa £1m. The additional budget requirement could be around £1.8m-£2m.

Fireboats

- 6.5. The tenders have now been received by Babcock for the two new fireboats. Initial indications are that the cost of replacing the fireboats will be higher than the existing budget provision of £2.5m. The budget and phasing of the spend will be amended once the tender assessments have been completed and the final contract prices are known.

Control and Mobilising Solution (CAMS)

- 6.6. The current mobilising solution (Vision) was implemented in November 2015, however a number of other work streams within the project are still to be delivered. Update releases have been implemented in the period since go-live and other functionality will continue to be deployed during 2019/20 (e.g. BOSS mobile), hence the continuing capital requirement. This budget line is separate from any project to replace the current mobilising solution, as it comes to the end of its 10 year useful life, which will kick off later in 2019/20, following governance approvals.

Replacement of the Fire Safety ICT System

- 6.7. The start of the replacement fire safety system project has been delayed as it is prudent to await, following the Grenfell Tower fire, (a) the government's response to recommendations of the independent Review of Building Regulations and Fire Safety made by Dame Judith Hackitt; and (b) the recommendations from phase 1 of the Grenfell Tower Inquiry. The government has recently consulted on its proposals to respond to the Hackitt recommendations and this consultation ended on 31 July 2019. The phase 1 recommendations from the Grenfell Tower Inquiry are now expected in Autumn 2019. Plans are progressing develop this project into a 'One Risk System' that would embrace the whole range of building related risks, including fire safety and operational risks.

Incident-ground radios

- 6.8. £1.8m was in the capital programme for 2019/20 for the replacement of incident-ground radios. The current radios are reaching the end of their useful life and repairs are becoming more frequent and costly. The supplier has also indicated that they may stop production of these radios. This project has dependencies on the RPE replacement project, with decisions required on compatibility with any new breathing apparatus (BA) sets. It is now not likely that the full provision in the capital programme will be spent, given normal procurement time-lines. An interim procurement, to provide a continuing stock of radios to replace those that fail, may need to be considered.

Modernisation of LFB Applications

- 6.9. Estimates have been provided for long term capital strategy for the replacement of a number of key business and back-office systems. These estimates were based on the expected life of the deployed systems, and the need to re-tender systems (e.g. finance/purchasing, payroll and human resources). However, these sums have not been included in the published strategy as the values are somewhat uncertain given the changing nature of the ICT environment and its

evolution (e.g. the move to cloud-based systems), the emergence of new technologies and ways of working.

LFB Training Centre

- 6.10. The LFB Training Centre project has a dependency on PEG moving out of Croydon and any delay to the Operations Support Centre (OSC) Project may have a knock on effect on the delivery of the Training Centre programme. The programme for OSC project is on track with PEG/BDC relocating to the new site in the first quarter of 2020, supporting the planned start date for the works for the Training Centre in March 2020.

Operations Support Centre Project (formally IELP)

- 6.11. The contractors are currently on site and the project is proceeding to plan. Discovery of unexpected ground conditions, which led to further works to install foundations has been contained within the budget contingency. The risk of further budget slippage has reduced and the forecast capital budget is expected to be achieved.

Plumstead Redevelopment

- 6.12. A decision has been made to undertake a new feasibility study into refurbishing the existing listed building and extending the fire station, due to lack of available and suitable alternative sites. It is possible that the costs advised by the feasibility report could exceed the current allocated budget of £5.45m.

Edmonton Fire Station

- 6.13. A feasibility study is being undertaken to look at potential options to re-build or refurbish the existing premises. A risk to the project is the recent local listing of the fire station by the London Borough of Enfield, without consultation with the LFC. This is currently being investigated.

Security at fire stations

- 6.14. This project is on hold pending the outcome of the Special Operations Group security policy. The business case for this project will need to be re-validated based on the new requirements.

West Hampstead Single Persons Accommodation Refurbishment

- 6.15. The project has reached a point of contract award, however the issue of listed planning consent is still in discussion with London Borough of Camden (LBC). Discussions are ongoing with LBC, Dron & Wright (project managers), Nexus and Heritage Consultants.

Redevelopment of 8 Albert Embankment

- 6.16. The re-provision of Lambeth fire station and new LFB museum - the costs associated with the provision of the museum remain unclear as the design and specification of the fit out remain uncertain. LFC is in the process of applying for National Lottery Heritage Grant to support the project, however until the outcome is known of both the grant funding and design/fit out costs, it remains unclear as to whether the current £2.4m capital budget allocation will be sufficient.

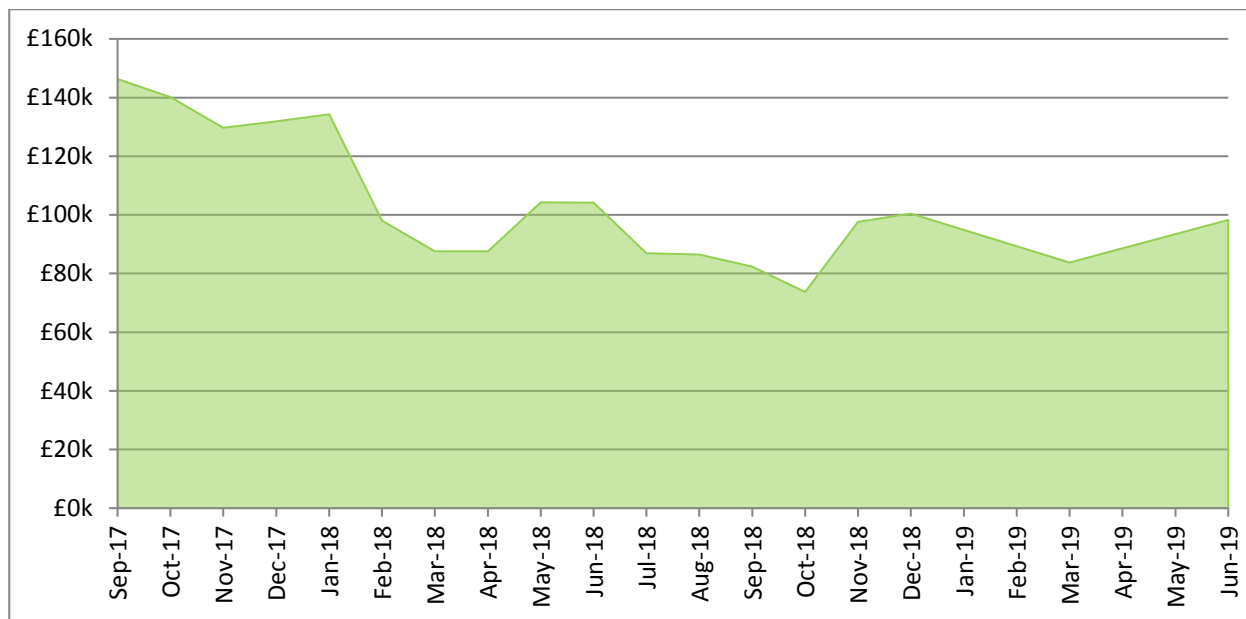
Refurbishment of Lambeth River Pontoon

- 6.17. A feasibility exercise is currently being undertaken for the refurbishment of the river station, until the outcome of a feasibility exercise is known, it is unclear whether the current budget allocation of £2.3m will be sufficient for this project.

Capital Receipts

- 6.18. The 2019/20 capital programme includes the sale of the former fire station at Clerkenwell. If this sale is delayed, it will impact on the financing of the capital programme and will result in additional borrowing and revenue costs. The level of required borrowing will be dependant on the timing of the capital receipts and the level of actual capital expenditure incurred during the year.

The chart below shows the amount of outstanding LIFT debts over the last 18 months, with £98k outstanding at the end of June 2019.



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

	£ outstanding	Average Age in days	No of invoices
PEABODY TRUST	6,436	147	16
METROPOLITAN	6,418	186	16
LB OF HACKNEY	5,288	4	13
BAXTER LAMBERT	4,772	304	12
LONDON & QUADRANT	4,469	64	11
Grand Total	27,374	144	68

Review of the top five debtors

Peabody Trust:

A final reminder letter has been sent to Peabody Trust and the debts are currently in the process of being referred to General Counsel.

Metropolitan:

These have been referred to General Counsel for further action

LB of Hackney:

Invoices are within 30days period and are not yet overdue for payment.

Baxter Lambert:

These have been referred to General Counsel for further action

London & Quadrant:

Payment of some invoices has been received, efforts are being made to assist L&Q with information so they can settle the remaining invoices.

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."

No transfers were processed in Quarter 1 that require reporting

Summary of changes from March 2019/20 Budget Report

Outturn	2019/20	2020/21	2021/22
Capital	600,000	5,963,000	0
Revenue	5,063,727	4,799,894	5,409,894
Reserve Funded	219,000	241,612	0
Total	5,882,727	11,004,506	5,409,894
Forecast Spend in March Report			
Capital	600,000	5,963,000	0
Revenue	5,241,894	5,181,394	5,409,894
Reserve Funded	562,000	0	0
Total	6,403,894	11,144,394	5,409,894
Movement from previous	(521,167)	(139,888)	0
Items that have changed			
R1 - Ongoing maintenance for capital items	(75,000)	(385,500)	0
R2 - USAR Items	(155,000)	4,000	0
R3 - Wicking T Shirts	(190,000)	190,000	0
R6 - Investigation Team	171,264	0	0
R7 - Legal Costs	245,569	0	0
R9 - Fire Safety Resources	(350,000)	0	0
R12 - Training	(168,000)	51,612	0
Total Movement	(521,167)	(139,888)	0

Key Movements from March Report

R1 – On-going maintenance for capital purchases has been delayed based on current profile of purchases.

R2 – reduction in forecast spend on half masks.

R3 – reprofiling of expenditure on wicking t-shirts.

R6 – Increase in forecast spend on investigation team that will be funded from the earmarked reserve

R7 – Legal Costs for 19/20, net of expected insurance income has increased by £171k. Disclosure costs are still in dispute but it is anticipated some of those costs will also be recovered from our insurers but these have not been included in the forecast in this report.

R9 – the majority of the additional Fire Safety support posts have now been filled, but due to recruitment occurring later in the year spend has reduced from the previous forecast. All posts are expected to be filled in Q2.

R12 – The last report included £172k of one off funding from reserves for training costs in 2019/20. This has now been revised down to £4k in 2019/20 and increased to £52k in 2020/21.

Additional Resourcing Requirements

Appendix 7

Ref	Department	Expenditure Item	Actual Spend in 2017/18 £	Actual Spend in 2018/19 £	Forecast Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
C1	Procurement/ Technical & Service Support	Extended Height Aerial Appliances x3 Aerial appliances are used for a range of tasks at incidents which include providing a means of escape for firefighters working inside a building, as water towers, lighting and observation platforms and rescues, as just several examples. Greater height ladders have now become available on a similar size chassis to the Brigade's current fleet that could be effectively utilised at certain incidents within London. As part of the Brigade's existing plan to upgrade its aerial appliance fleet, there is a benefit to procuring such vehicles at this time.	0	0	600,000	3,150,000	0
C2	Procurement/ Technical & Service Support	Drones There is not expected to be any capital costs related to drones, and all costs are included in item R3 Improved USAR Kit below.	0	0	0	0	0
C3	Procurement/ Technical & Service Support	Extended Duration Breathing Apparatus Sets LFB Standard Duration BA has a working duration of 31 minutes. Extended Duration BA has a working duration of 45 minutes. A 'Prior information notice' has been sent out via the emergency services blue light portal letting the market know of our intention to replace our Respiratory Protective Equipment provision which includes both standard duration and extended duration breathing apparatus and inviting manufacturers to record an expression of interest. 6 companies registered their interest and preliminary meetings to outline our timescales and the outline of our requirements have been completed. We are continuing to research the market by meeting suppliers. This will be followed by the Project Initiation Document (PID) with the user requirement projected to be sent out to suppliers. Stakeholders for the working group are currently being identified and the first meeting of this group will be convened when we have a working draft of the PID. In the interim we are reviewing how we can deliver our current EDBA provision to incidents at an earlier stage via both Fire Rescue Units and EDBA support pumps as well as the Operational Support Units.	0	0	0	2,813,000	0
R1	Multiple	Ongoing Maintenance for Capital Items above	0	0	0	75,000	763,000

Additional Resourcing Requirements

Appendix 7

Ref	Department	Expenditure Item	Actual Spend in 2017/18 £	Actual Spend in 2018/19 £	Forecast Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
	Departments						
R2	Operational Policy	<p>Improved USAR Kit</p> <p>USAR specific drones: To map the area and conduct localised or wide area search/casualty search. Can also enter danger areas and structures to minimise risk to crews.</p> <p>WASPs: Early Warning safety device for structural stability. Can also be used for Trench rescue and confined space working.</p> <p>Pop-Up Tents: To provide welfare/shelter for crews/command team in both inclement or sunny weather.</p> <p>Half Masks: For crew welfare over long periods of use compared to full face, which can cause crews to overheat.</p>	0	22,600	74,000	24,000	24,000
R3	Operational Policy	<p>Wicking T-Shirts</p> <p>A shirt which has the ability to breathe and keep the user's skin dry from sweat. The initial cost is based on estimate of £10 per shirt and allocation of five each for all firefighter and crew manager roles.</p> <p>An appropriate wicking t-shirt has been identified and staff group entitlement now agreed for USAR teams. Further work is on-going for the remainder of station based staff.</p>	0	15,000	5,000	247,000	57,000
R4	People Services	<p>Additional resources - Counselling and Wellbeing Team</p> <p>Changes in the nature of the Brigade's work have increased the workload of the C&W Team. The unprecedented nature of the Grenfell Tower fire has increased workloads on a significant and sustained basis. In addition to supporting colleagues who were impacted by the fire in the immediate aftermath, the team are supporting the collection of witness statements by the police and will be required to support individuals for months and years to come, up to and including the Public Inquiry.</p>	68,836	244,894	244,894	244,894	244,894

Additional Resourcing Requirements

Appendix 7

Ref	Department	Expenditure Item	Actual Spend in 2017/18 £	Actual Spend in 2018/19 £	Forecast Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
		<p>Four additional Counsellor posts (FRS E) are now in place.</p> <p>Also, to operate effectively the expanded C&W team requires administrative support. A FRS B post to support the team and maintain critical and confidential records is now in place.</p>					
R5	Fire Stations	<p>Increase in officer levels</p> <p>An increase in the Deputy Assistant Commissioner (DAC) establishment from 12 to 16 is required to provide greater resilience within the operational top management group. DACs provide strategic support at incidents that require eight or more fire engines. They are also integral to the Brigade's wider strategic response arrangements including to Major Incidents. The additional posts will support the ongoing day to day resilience within existing departments and provide the necessary level of managerial responsibility to the Brigade's Grenfell Investigation Team.</p> <p>Four additional DAC posts are now in place.</p>	238,500	424,000	424,000	424,000	424,000
R6	Commissioner's & Directors'	<p>Costs of the Investigation Team</p> <p>The establishment of this team was set out in the report on the Grenfell Tower Inquiry – Proposed Terms of Reference (FEP 2747). The team is now in place to support work on the investigation. The number and make of the establishment is changing to meet organisational need.</p>	705,506	1,812,732	1,806,264	858,000	858,000
R7	General Counsel	<p>Grenfell - Legal Support (External Legal Advisors)</p> <p>The Grenfell fire has led to the instigation of a Public Inquiry of which the Authority is expected to be a core participant. Additionally, a parallel criminal investigation into the fire is being carried out by the Metropolitan Police with support from the Authority and HSE. The Authority may be required to play an extensive role in each. This growth bid is twofold. Firstly, the costs in backfilling posts of staff required to work on the Grenfell Tower case and secondly for external legal advice and representation. Secondly, this growth bid relates to the requirement of a dedicated IT solution to enable effective management of the review and disclosure of documents for the</p>	600,288	1,825,410	478,569	78,000	0

Additional Resourcing Requirements

Appendix 7

Ref	Department	Expenditure Item	Actual Spend in 2017/18 £	Actual Spend in 2018/19 £	Forecast Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
		purpose of disclosure in the legal proceedings noted above. The costs here represent the actual cost to LFC after reimbursement from the brigades insurers.					
R8	Fire Stations	Overtime Support for Specialist Teams This is based on a 30 per cent increase in operational overtime at FRU and FRU/USAR Stations alongside overtime costs for Regulatory Fire Safety in relation to cladding inspections.	0	103,000	103,000	103,000	103,000
R9	Fire Safety	Fire Safety resources to support and enhance the inspection programme The ongoing costs are for an additional resources to support the inspection programme. Recruitment process is on-going.	0	224,590	1,150,000	1,500,000	1,500,000
R10	Legal & Democratic Services	Review of staff support for Chair This was to consider whether additional support is required for the Deputy Mayor for Fire and Rescue. This has been assessed as no longer being required.	0	0	0	0	0
R11	Fire Stations	Potential cost of increased sickness It is anticipated that the aftermath of recent incidents will see an increase in sickness rates for operational staff, in particular. This sets out the overtime cost that will be expected to be incurred in covering the resulting gaps.	371,000	371,000	371,000	371,000	371,000
R12	Development and Training	Training This includes additional training requirements for: <ul style="list-style-type: none"> • Extended Height Appliances • Drone Piloting • Extended Duration Breathing Apparatus Sets • Improved USAR Kit • Smoke Evacuation Hoods 	0	7,000	441,000	488,612	437,000
R13	Finance Services	Additional Borrowing Costs Items funded through the capital programme will increase the overall level of external borrowing required over the current four year planning period and increase capital financing costs.	0	0	0	608,000	608,000

Additional Resourcing Requirements

Appendix 7

Ref	Department	Expenditure Item	Actual Spend in 2017/18 £	Actual Spend in 2018/19 £	Forecast Spend in 2019/20 £	Forecast Spend in 2020/21 £	Forecast Spend in 2021/22 £
R14	Operational Policy	Improved Communications for Breathing Apparatus A BA replacement project is underway to examine the next generation of BA and how this can be delivered to the LFB. Whilst telemetry is being identified as a consideration any additional communications requirements over an above the current (BARIE) sets can be included for consideration. Outline costs have yet to be determined. BA communications is now in scope of the Repertory Protective Equipment replacement project and will consider this requirement.	0	0	TBC	TBC	TBC
R15	Operational Policy	Fire Escape Hoods This budget was used to purchase smoke hoods for all front line appliances.	0	89,000	20,000	20,000	20,000
Total additional resilience requirements			1,984,130	5,139,226	5,882,727	11,004,506	5,409,894