

Report title

Financial Position as at the end of December 2020

Report to

Date

Commissioner's Board

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Assistant Director, Finance

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Executive Summary

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

The forecast at the end of December is for an overspend of £3,061k, a decrease of £2,516k since last reported at the end of September 2020 (LFC - 0426). This demonstrates the significant progress to date to identify further in year expenditure reductions to address the overspending position and reduce the impact on reserves.

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

Recommended decisions

That the London Fire Commissioner

1. Notes the financial position as at the end of December 2020, which includes a forecast overspend of £3.1m.
2. Approves the reserve movements set out at Table 2.
3. Approves the capital budget re-phasing of £11,135k from 2020/21 to future years, offset by the re-profiling of £212k from the 2021/22 capital budget to 2020/21 as detailed in this report.
4. Notes that short-term borrowing of £17.6m is planned to fund the capital programme in 2020/21, until the capital receipts from disposals in 2021/22 are realised.

5. Notes the planned draw of £3,061k from the Budget Flexibility Reserve to meet the overspending position in the current financial year and to maintain the general reserve at the stated minimum level.

Introduction and Background

1. This report presents the current revenue and capital expenditure position for December 2020 and the forecast outturn position at March 2021. It includes a forecast revenue overspend of £3,061k.
2. All departments review their actual income and expenditure on a monthly/quarterly basis and provide an updated forecast of outturn and explanation of variances, against all their budgets, to the Finance Department. These returns then form the basis of reporting to the Corporate Services Directorate Board and to the Commissioner's Board and from there on to the Greater London Authority, before publication by the London Fire Commissioner (LFC).

Background to 2020/21 Budget

3. The 2020/21 budget was approved by the LFC on 25 March 2020 (LFC-0324y-D) with a net revenue budget of £401.5m, being made up of net expenditure of £444.4m with £9.6m funding from earmarked reserves and £33.3m funding from specific grants.
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 2021/22

5. The Mayor of London published his Budget Guidance for 2021/22 on 26 June 2020. The Guidance sets out scenarios for reductions in funding sources available to the Mayor and reduces funding for the LFC in 2021/22 by up to £15m, and also includes an in year funding reduction of up to £10m in 2020/21. The £10m in year funding reduction from the Mayor is met in part by the use of GLA reserves at £5m and the remaining £5m is proposed to be met from the Budget Flexibility Reserve (BFR). The LFC is pursuing in year spending reductions, but these will be applied in the first instance to address the overspending position, which has now reduced from £10.1m at Q1, to £5.6m at Q2, and now to £3.1m at Q3.

Revenue

6. The forecast outturn position at the end of December 2020 on the revenue budget is for an overspend of £3,061k, which is 0.7% of the net revenue budget. The forecast overspend at Quarter 2 of £5,577k has decreased by £2,516k since last reported at the end of September (LFC- 0426). The main reasons for this movement are explained below.
7. The movement is mainly due to:
 - A forecast movement of £1,119k on FRS staff budgets increasing the underspend to £2,070k. This reflects the forecast impact of enhanced recruitment controls until the end of the financial year. The FRS budgets also include the impact of a £1,900k vacancy margin in 2020/21 based on the expected FRS vacancy levels when the budget was set.
 - Forecast over recovery of income is £1,124k mainly due to additional income for cost recovery on operational overtime and allowances for Ambulance Driver Assist from the London Ambulance Service as part of our Covid-19 response.

- Underspending of £501k on operational staff salaries and related costs following the allocation of pay award budgets to departments, reflecting actual staffing and experience profiles.
- Underspending on energy costs of £376k as the new supply contract let in 2020 includes a significant reduction in costs.
- Underspending of £207k on property rates due to savings at Union Street, a successful appeal for rates relief for empty property, and further successful appeal of rate valuation at the old Mitcham Fire Station.

8. The above overspends are offset by:

- Overspending of £853k on compensation budgets due to expected increased damages payments, and contribution towards costs, for current cases, and after the draw of £1,000k from the earmarked reserve in place to smooth the impact of compensation claims in any one year. The forecast includes a number of high value cases including two with damages payments in excess of £500k.

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

Table 1 - Summary Financial Position

	Current Budget	Current Spend	Current Variance	Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 2	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Operational staff	207,485	211,024	3,539	278,751	285,066	6,315	6,816	(501)
Other staff	45,286	47,448	2,163	62,957	60,861	(2,096)	(924)	(1,172)
Employee related	23,074	21,272	(1,802)	24,486	24,761	275	(438)	713
Pensions	16,208	15,984	(224)	21,321	21,166	(155)	(250)	95
Premises	34,500	33,281	(1,219)	39,583	41,053	1,470	2,155	(685)

	Current Budget	Current Spend	Current Variance	Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr. 2	Movement between variance figures
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Transport	16,162	17,269	1,107	17,012	17,031	19	2	17
Supplies and services	23,990	39,004	15,014	28,295	33,725	5,430	5,657	(227)
Third party payments	1,012	1,596	583	1,336	1,470	134	104	30
Capital financing costs	423	2,424	2,000	8,050	8,553	503	502	1
Central contingency against inflation	(5)	0	5	(372)	(0)	372	18	354
Total revenue expenditure	368,134	389,302	21,168	481,419	493,686	12,267	13,642	(1,375)
Other income	(37,289)	(41,994)	(4,705)	(39,662)	(47,171)	(7,509)	(6,351)	(1,158)
Net revenue expenditure	330,845	347,308	16,463	441,757	446,515	4,758	7,291	(2,533)
Use of General Reserves	(5,824)	0	5,824	(5,824)	(5,824)	0	0	0
Use of earmarked reserves	4,603	0	(4,603)	(1,086)	(1,051)	35	29	6
Financing Requirement	329,624	347,308	17,684	434,848	439,640	4,793	7,320	(2,528)
Financed by:								
Specific grants	(25,002)	(133,039)	(108,038)	(33,348)	(35,079)	(1,731)	(1,743)	12
GLA funding	0	0	0	(401,500)	(401,500)	0	0	0
Net Financial Position	304,622	214,269	(90,354)	0	3,061	3,061	5,577	(2,516)

Reasons for the Revenue Position

Staff

11. The budget for operational staff is forecast to have a substantial overspend at £6,315k, a decrease of £713k since reported at the end of September following the allocation of pay award budgets to departments, reflecting actual staffing and experience profiles offset by an overspend of £212k on firefighter trainees due to courses deferred due to Covid-19 from January to March and an increase in the number of candidates being re-coursed to meet additional support requirements.
12. The overspend is primarily due to additional costs on operational overtime for Ambulance Driver Assist (ADA) as part of the Brigade's Covid-19 response. Cost recovery from the London Ambulance Service (LAS) is offsetting the impact of the overspend on overtime (£2,437k), allowances (£1,283k) and travel (£558k) related to ADA support. Deducting the impact of expected income above leaves an overspend of £2,594k mainly due to Pre-Arranged Overtime (PAO).

13. FRS budgets are forecast to underspend by £2,070k, which is 3.6% of the total FRS budget. This underspend includes the impact of enhanced recruitment controls till the end of the financial year and also, a £1,900k vacancy margin in 2020/21 based on expected FRS vacancy levels. At the end of December, there were 192 vacancies and 97 agency staff.
14. Control staff budgets are forecast to underspend by £26k, 0.5% of the total Control budget due to vacancy.

Insurance Related

15. As previously reported at the end of September (LFC - 0426), insurance related budgets were under pressure due to a substantial increase in renewal premiums as a result of the claims experience on Grenfell. This was addressed by a procurement process to identify alternative options for fleet and liability covers, which allowed the renewal premiums increase of £2,000k to be reduced to £1,276k. A reduction of £421k for fleet vehicles and contract hire and operating leases, has been achieved because the premium with the new insurer is lower, offset by £184k on employee related insurance, reducing the overspend in the current year to £724k.

Employee Related

16. There is an underspend of £836k on Professional Development budgets, an increase of £184k since last reported. This is made up of £1,376k on training due to the delay in the implementation of the independent review of training due to Covid-19, as well as the decision to keep design and production with Babcock because of their capability to invest funds and undertake design and development trials. Retaining this service with Babcock was necessary as it became evident that virtual technology training solutions will be required going forward. This underspending is offset by additional Covid-19 related spend for cancelled training courses and other training related costs (£744k).
17. The budgets for medical and welfare expenses are forecast to underspend by £195k, an increase of £85k since last reported at the end of September, due to lower childcare claims and fewer medical appeals.

Firefighter Pensions

18. The Firefighter pensions budget includes expenditure on injury pensions, ill health top ups and sanction charges. There is a forecast underspend of £250k on injury pensions from a reduction in overall injury pensioner numbers as well as following medical reviews, offset by a s£95k increase in pension sanction charges due to higher numbers of operational staff leavers commuting their pension lump sum above the HMRC limits.

Premises

19. There is a forecast overspend of £1,470k on Premises budgets, a decrease of £685k since last reported at the end of September (LFC - 0426). There is a reduction of £376k on energy costs as the new contract in 2020 includes a significant reduction in costs, £207k on property rates due to savings at Union Street and a successful appeal for empty property rates relief, and further successful appeal of rate valuation at the old Mitcham Fire Station, and £102k due to delays on 8 Albert Embankment redevelopment due to developers planning application being 'called in' by the Government, resulting in a proposed lease for new accommodation for Rapid Response Team's vehicles being postponed pending decision.

20. As previously reported at the end of September, the main reason for the forecast Premises overspend of £2,272k is in relation to Cleaning and Domestic Supplies (£2,217k), relating to additional cleaning at LFB Properties as part of the Covid-19 response, including £1,196k on the extension of this through the second wave of the pandemic. This is offset by an underspend on Other Property Services (£150k) due to funding specifically approved for the provision of expert property advice on the 8 Albert Embankment project, where no spend is now forecast during 2020/21, as the developers planning application has been 'called in' by the Government which is expected to delay the project for a further year. The funding is planned to be transferred to an earmarked reserve at the end of the financial year.

Transport

21. As previously reported at the end of September (LFC – 0426), the vehicle and equipment contract is forecast to overspend by £254k. This is due to the costs of parallel running new aerials with more complex training required than originally envisaged along with the challenges presented by Covid-19, as well as lower levels of abatements on the contract than prior years due to Babcock's improving performance. There is an inflationary increase of £334k incorporated in the 2021/22 budget report. There is also a forecast overspend on vehicle passthroughs of £121k due to an anticipated increase in spend on accidents due to major damage caused by a recent accident.
22. Transport budgets are forecast to overspend on Travel (£403k) mainly due to Covid-19 related spend for Ultra Low Emission Zone (ULEZ) and congestion charge expenses, mileage costs for LAS volunteers and travel to Covid-19 tests.
23. The above overspends are offset by £729k underspending on running costs due to BP free fuel for emergency services, and reduced home visits due to the Covid-19 pandemic.

Supplies and Services

24. There is a forecast overspend of £5,430k on Supplies and Services budgets, a decrease of £227k since last reported at the end of September (LFC - 0426) due to a decrease in the forecast spend on Professional Services (£183k) mainly on the Grenfell Tower Investigation legal costs, that will be offset by a revised income from the insurers, and a revision to the forecast additional spend on hardware and software budgets (£155k) offset by additional spend on operational equipment,
25. As previously reported at the end of September (LFC - 0426), the rest of the overspends are mainly on:

Operational Equipment (£1,449k), for direct orders of additional Personal Protective Equipment (PPE), including additional Face Masks and HML costs due to Covid-19;

Professional Services (£2,347k), mainly on the Grenfell Tower Investigation legal costs, offset by £361k for the HR and Payroll System which is delayed due to Covid-19, and is planned to be transferred to an earmarked reserve at year end;

Communications budgets (£102k), due to the withdrawal of teleconferencing, now replaced with an alternative web based solution to support increased home working as part of the response to Covid-19;

Hardware and Software due to additional ICT equipment for Covid-19 response (£308k), and Grenfell Tower Investigation legal related software purchase (£400k); and

Staff Reimbursements (£237k), on expenses for ADA and Pandemic Multi Agency Response Teams (PMART) volunteers.

Income

26. The forecast over recovery of income is £7,873k an increase of £1,124k since last reported at the end of September. This is mainly due to additional income for cost recovery on operational overtime and allowances for ADA as part of our Covid-19 response (£1,030k) and income from insurers in respect of Grenfell Tower Investigation which offsets spend on professional services
27. As previously reported at the end of September (LFC- 0426), the remainder of the over recovery relates to income from insurers in respect of Grenfell Tower Investigation (£3,250k) which offsets spend on professional services and hardware and software costs relating to Grenfell. Other areas include Training (£299k) for National Interagency Liaison Officers (NILO) and Smoke Filled Environment (SFE) courses for 2020/21, IDOX library software charges (£121k) that are shared with GLA, and on secondment income offsetting staff salary costs (£97k).
28. Appendix 5 includes an update on the position on the key outstanding charges, relating to Shut in Lift debt.

Specific Grants

29. There is an over recovery on specific grants mainly due to a grant income of £1,760k from the GLA to partly offset costs of the response to Covid-19 pandemic. The LFC also submitted a claim against the £6m Home Office Covid-19 response fund and LFC has been allocated £1,650k by the Home Office following the decision on the Covid-19 costs claim, however much of this is to be repaid following successful cost recovery from the LAS, with £252k to be retained and used to offset Covid-19 costs.

Funding Reductions

30. The Mayor's Budget Guidance 2021/22 included reductions in funding in 2021/22 of up to £15m, and in year funding reductions of up to £10m in 2020/21.
31. The £10m in year funding reduction from the Mayor is met in part by the use of GLA reserves at £5m with the remaining £5m to be met from the Budget Flexibility Reserve (BFR). The LFC is pursuing in year spending reductions, but these will be applied in the first instance to address the overspending position, which has now reduced from £10.1m at Q1 to £5.6m at Q2 and further to £3.1m at Q3.
32. The forecast outturn at the end of December is for an overspend of £3,061k. It is intended that overspending in the current financial year will be met from the BFR, to maintain the general reserve at the stated minimum level. The in year spending continues to be reviewed, as well as opportunities for additional funding pursued, in order to further reduce the forecast overspend and consequent draw on the BFR. This review will also include earmarked reserves to identify whether any balances can be repurposed to help address the overspending. The LFC has also received additional funding from the Home Office to address the Grenfell Tower Inquiry recommendations, of £1.3m, and Fire Safety/Protection funding, of £5.5m, which is provided to address specific criteria and may be used beyond the current financial year.

Covid-19 forecasts

33. The total forecast cost of LFC's response to the Covid-19 pandemic is currently £9,800k for 2020/21 and will be offset by funding from the GLA of £1,760k and £160k for London Resilience Group, forecast additional income for cost recovery from the LAS of £4,278k on operational overtime, allowances and travel for ADA support, and £252k in additional funding from the Home Office, resulting in a forecast net expenditure of £3,350k.
34. The LFC has been allocated additional funding of £1,650k by the Home Office following the decision on the Covid-19 costs claim. However much of this is to be repaid following successful cost recovery from the LAS, with £252k, mainly on Pandemic Multi Agency Response Team (PMART) costs, to be retained and used to offset Covid-19 costs.
35. The Home Office has now announced a second opportunity for claims against the balance remaining on the Covid-19 fund. The LFC will submit a claim against the funding, to meet the deadline of 14 February 2021.
36. The Home Office has also requested that FRSs provide a record of expenditure on the Covid-19 response, so they can monitor the spend across the sector. The NFCC is collating these returns from each FRS on a monthly basis.

Capital

37. The forecast outturn capital position for 2020/21 is £20,971k which is £10,904k less than the revised budget of £31,875k reported as part of the Quarter 2 Financial Position (LFC-0426). The main changes in the programme are detailed below and set out from paragraph 45. The detailed capital programme is provided in Appendix 2.
38. Expenditure against the capital programme in 2020/21 will be partly funded through the use of capital receipts (£1,529k) and third-party contributions (£1,865k). The remaining budget requirements will need to be financed through borrowing (£17,577k), with arrangements to be finalised with GLA Group Treasury to secure short-term borrowing for the period, expected to be one year, to address the delay in realising capital receipts.
39. Table 3 below shows the summary capital forecast position as at the end of December 2020.

Table 2 - Forecast Changes to Capital Programme 2020/21

Department	2020/21 Budget Outturn	2020/21 Budget Q2	2020/21 Forecast Q3	Movement Q2 to Q3	Budget Variance year to date
	£k	£k	£k	£k	£k
ICT	2,488	1,802	1,621	(181)	(867)
Property Services	14,153	10,423	7,206	(3,217)	(6,947)
Communications	110	119	119	(0)	9
Fleet and Equipment	16,230	19,531	12,025	(7,506)	(4,205)
Operational Policy	3,200	0	0	0	(3,200)
Total	36,181	31,875	20,971	(10,904)	(15,210)

Position on Reserves

40. The table below sets out the position on the financial reserves, resulting from the financial position reported above. The balance on the general reserve, following the forecast outturn overspend position of £3,061k is £15,462k, the stated minimum reserve position of 3.5% of the net revenue expenditure. It is intended that overspending in the current financial year will be met from the BFR, to maintain the general reserve at the stated minimum level.

Table 3 - Position on Reserves

£000s	Opening Balance at 01/04/20	Approved Movement at Outturn 2019/20	Approved Use of Reserves Q2	Use of Reserves Q3	Current Anticipated Balance	Forecast Use of Reserves	Anticipated Balance at 31/03/21
Additional Resilience Requirements	568			(44)	524		524
Capital Expenditure Reserve	11,745				11,745		11,745
Central Programme Office	645				645		645
In Year Savings Reserve	0				5,000		5,000
Compensation	676	324		(1,000)	0		0
Emergency Services Mobile Communication Programme	2,172			(217)	1,956		1,956
Emergency Medical Response	294				294		294
Fire Safety and Youth Engagement	1,007			(672)	335		335
Transformation Reserve	0	5,500	2,200	(1,509)	6,191	(1,802)	4,389
Hydrants	462				462		462
ICT Development Reserve	1,953			(31)	2,035		2,035
LFC Control Centre	729				729		729
LFB Museum Project	201			(62)	139		139
London Resilience	771				771		771
London Safety Plan Initiatives	3,162			(446)	2,716		2,716
New Governance Arrangements	0				0		0
Organisational Reviews	327			(89)	239		239
Recruitment/ Outreach	250				250		250
Sustainability	235				235		235
Vehicle & Equipment Reserve	2,697			(59)	2,638		2,638
Budget Flexibility	29,930		(8,061)	(4,946)	16,924		16,924
General	21,399	(5,824)	2,948	(3,061)	15,462		15,462
Total	79,224	0	2,200	(12,136)	69,288	(1,802)	67,486

41. The Draft Outturn 2019/20 report (LFC 0355) approved the transfer of £324k to the Compensation reserve to allow this earmarked reserve to be maintained at a level of £1m to meet any additional spend on compensation costs in future years and £5,500k into a new Transformation reserve to fund the Transformation Delivery Plan. The transformation reserve includes additional grant income from the GLA of £2.2m bringing the transformation reserve total to £7.7m.

42. The use of reserves includes £1,509k to fund delivery of the Transformation Delivery Plan with a further forecast draw of £1,809k resulting in an expected draw of £3,318k from the transformation reserve by the end of this financial year. Other use of reserves includes £1,000k from the Compensation reserve to fund personal injury claims and contribution towards costs and damages, a draw of £446k for London Safety Plan initiatives and £672k to fund Fire Safety and Youth Engagement.
43. The Budget Flexibility Reserve is to be used to meet the in-year funding shortfall, both resulting from the forecast overspend (£3,061k) and the balance on the funding reductions (£5,000k). This is in addition to a £4.9m planned draw on the reserve to support the budget position in 2020/21 as set out in the 2020/21 Budget Report.
44. As previously reported at the end of September (LFC-0426), it is proposed to transfer to the earmarked reserve the expected underspend on Other Property Services of £150k, and £361k on professional service for the HR and Payroll System delayed due to Covid-19 (£113k of this to be transferred to ICT Development Reserve). This will be further reviewed as part of the outturn reporting at the end of the financial year.
45. The forecast movement on the reserves was included as part of the Budget Report 2020/21, and the movements set out above are compared to the original forecast in a table provided at Appendix 3. This shows the anticipated balance on reserves at 31st March 2021 presented in the Final Budget 2020/21, and the revised forecast balance included in this report. The forecast balance in reserves has decreased from £79,224k to £69,288k, a decrease of £9,936k mainly as a result of the forecast overspending position, the in year funding reduction, and the draw on the general reserve to meet the funds for the Transformation reserve and Compensation reserve.

Capital

46. The forecast capital outturn for 2020/21 as at December is £20,971k which is £10,904k less than the revised budget position of £31,875k reported as part of the Quarter 2 Financial Position (LFC-0426). The main changes in the programme are detailed below with the detailed capital programme shown in Appendix 2.

• Budget re-phased to future years	(£11,135k)
• Budget re-profiled from 2021/22	£212k
• Forecast Overspend within Programme	£19k
• Total	(£10,904k)

Budget re-phased to future years

47. The main reason for the budget rephasing to future years relates to the continued effect of the pandemic, in particular in Fleet on the production of specialist heavy vehicles and final payments on the aerial appliances, and in various work in Property.
48. There have been delays in the production of some elements of the fleet replacement programme. This has meant that budgets for Specialist Heavy Vehicles (£3,420k) and Light Vehicles (£64k) have been reprofiled to 2021/22. The budget for the Command Support Units has been deferred to 2021/22 due to delays from COVID-19, in the first phase on the pandemic, and the carrying out of due diligence for both the prospective vehicle solutions and the Incident Command Operating System (ICOS). The budgets for the Detection Identification & Monitoring vehicles, and Bulk Foam Units has also been deferred to 2021/22 £687k of the budget for the Fireboats has been moved into 2021/22 although the final delivery date for these is unaffected. The final payments for the 64m and 32m Pump Ladders will be completed in the current financial

year, but the contingency element of the budget (£3,459k) has been reprofiled into 2021/22 and will be reviewed once any final modifications are agreed and the vehicles operational.

49. The replacement of the Hose Layer Units (HLU) is also now planned to be deferred until 2025/26 to allow for a review of requirements. It is proposed to carry out elective Catalytic Reduction exhaust modifications in the meantime in order to ensure ULEZ compliance. This is expected to achieve a saving of about £750k after allowing for the costs of modifications to existing HLUs
50. Within the Property Department, various project re-phasing has been undertaken where there was risk that planned works would either not commence or complete by the end of March 2021, due to existing government restrictions on social distancing as a result of the ongoing Covid pandemic, delays have meant that projects are unlikely to be completed by the end of March 2021. The affected schemes are Heating works at Fire Stations (£867), Roofing replacement (£281k), the Minor Improvements programme (£704k), Appliance Bay Doors (£137k), the Lambeth river station (£96k) and the Biggin Hill extension (£50k). Additional project re-phasing to the Lift Refurbishment works (£620k) was undertaken due to challenges in the early days post Brexit, as the lift cars are manufactured and transported from mainland Europe, and the position will be kept under review to clarify whether these are just 'teething' issues. Project design work is currently on hold for the new Training Centre (£548k) pending a decision on the future direction and viability of the project.
51. The planned changes to the Control & Mobilisation System (CAMS), to accommodate developments in other systems that interact with this, have been delayed due to the evolving business requirement of these other systems, primarily due to prioritising the Fire Safety Guidance (FSG) system. As a result of this the budget allocation (£200k) has been reprofiled to 2021/22, and with costs of the FSG integration with CAMS now expected to be met from the Grenfell infrastructure funding.

Budget re-profiled from 2021/22

52. There are a couple of small items where projects are progressing ahead of schedule, these are the Window replacement project within Property where £86k of budget has been brought forward from 2021/22, and £120k has been brought forward due to the early purchase of Fleet operational equipment.

Forecast Overspend within Programme

53. The Farnor replacement project within the capital programme, has a contract in place with works almost complete, this total value of the contract is £19k more than the £71k of budget allocated to this project.
54. The changes from the 2020/21 Q2 position are summarised by department in Table 4 below, and a more detailed summary table in Appendix 2.

Table 4 - Capital Budget Changes by Department

Department	2020/21 Revised Budget - Q2 £000s	2020/21 Forecast - Q3 £000s	Variance £000s		Slippage (to)/ from later years £000s	Forecast Overspend
ICT	1,802	1,621	(181)		(200)	19
Property	10,423	7,206	(3,217)		(3,217)	0
Communications	119	119	0		0	0
Fleet and Equipment	19,531	12,025	(7,506)		(7,506)	0
Operational Policy	0	0	0		0	0
Total	31,875	20,971	(10,904)		(10,923)	19

Debtors

55. An analysis of debtors relating to Shut in Lift is provided in Appendix 5. This includes a chart that shows the amount of outstanding LIFT debts, with £225k outstanding at the end of December 2020. The level of outstanding debt has been increasing due to an increase in the level of charges raised. The Shut in Lift board has been re-established and the debt recovering processes reviewed to support managing the increasing volumes of invoices.

Procurement and Sustainability

56. There are no direct procurement and sustainability implications arising from this report.

Strategic Drivers

57. Transformation Plan Strategic Pillar.

Workforce Impact

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

Finance comments

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

Legal comments

60. 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.
61. 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.
62. The Director of Corporate Services has responsibility for the administration of the LFC's financial affairs under section 127 of the Greater London Authority Act 1999, and is required to ensure arrangements for all financial and accounting matters, the security of money, and other assets are economic, efficient and effective.

Equalities impact

63. 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.
64. 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.
65. 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.
66. 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.
67. 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.
68. 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.
69. Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—
 - (a) tackle prejudice, and
 - (b) promote understanding.
70. Paragraphs 5.3 and 5.4 of the Mayor's Budget Guidance stipulate that:

- 5.3 It will be a key objective for London's recovery to address the social and economic inequalities that have driven differences in the impact of Covid-19 across London's communities, as well as the inequalities created as a result of the crisis itself. In reviewing and repurposing their budgets to support London's recovery all members of the GLA Group must consider what steps they can take to address these inequalities.

- 5.4 All members of the GLA Group must also assess their wider budget proposals to consider both their potential impact on different groups of Londoners (including, but not limited to, those protected by equalities legislation), and are encouraged to consider how they can broaden their activities to further address poverty, economic inequality and social integration in London.

71. The LFB budget guidance includes the LFB's obligations under the Equality Act and Public Sector Equality Duty, with guidance to support departments to complete Equality Impact Assessments (EIAs) on relevant budget proposals.
72. The Inclusion Team has been consulted throughout the process and will support any departments undertaking EIAs on their proposals.

List of Appendices

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

Consultation

Name/role	Method consulted
Heads of Department	Departmental finance returns

Appendix 1 – Detailed Financial Position

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr.2		Movement between previous and outturn variance
	£	£	£	%	£	£	£	%	£	£
Operational Staff	205,863,807	208,986,127	3,122,320	1.5%	276,586,039	282,453,229	5,867,190	2.1%	6,580,028	(712,838)
Trainee Firefighters	1,621,385	2,038,192	416,807	25.7%	2,165,402	2,612,962	447,560	20.7%	235,861	211,699
Total Operational Staff	207,485,192	211,024,319	3,539,127	1.7%	278,751,441	285,066,191	6,314,750	2.3%	6,815,889	(501,139)
FRS Staff	41,242,817	43,140,133	1,897,316	4.6%	57,390,006	55,320,331	(2,069,675)	(3.6%)	(950,512)	(1,119,162)
Control Staff	4,043,021	4,308,359	265,338	6.6%	5,567,340	5,541,122	(26,218)	(0.5%)	26,154	(52,372)
Total Other Staff	45,285,838	47,448,492	2,162,654	4.8%	62,957,346	60,861,453	(2,095,892)	(3.3%)	(924,358)	(1,171,534)
Other Pension Payments	637,500	731,895	94,395	14.8%	850,000	850,000	0	0.0%	0	0
Severance	0	23,332	23,332	0.0%	0	0	0	0.0%	0	0
Professional Development	18,999,532	18,380,179	(619,353)	(3.3%)	19,604,063	18,767,635	(836,429)	(4.3%)	(652,713)	(183,716)
Recruitment	123,706	25,474	(98,232)	(79.4%)	164,941	111,707	(53,234)	(32.3%)	2,450	(55,684)
Employee Related Insurance	304,020	999,941	695,921	228.9%	304,020	811,069	507,049	166.8%	322,700	184,349
Compensation	1,503,569	(156,072)	(1,659,641)	(110.4%)	1,555,814	2,408,745	852,931	54.8%	0	852,931
Medical and Welfare Expenses	1,505,311	1,267,199	(238,112)	(15.8%)	2,007,081	1,811,700	(195,381)	(9.7%)	(110,381)	(85,000)
Total Employee Related	23,073,638	21,271,948	(1,801,690)	(7.8%)	24,485,919	24,760,855	274,936	1.1%	(437,944)	712,880
Firefighter Pension Scheme	16,208,167	15,984,409	(223,758)	(1.4%)	21,320,692	21,165,692	(155,000)	(0.7%)	(250,000)	95,000
Building Maintenance	7,004,325	5,630,480	(1,373,845)	(19.6%)	9,403,556	9,363,556	(40,000)	(0.4%)	(40,000)	0
Grounds Maintenance	90,738	57,397	(33,341)	(36.7%)	120,984	120,984	0	0.0%	0	0
Premises Security	630,271	397,286	(232,985)	(37.0%)	670,271	671,056	785	0.1%	0	785
Energy Costs	1,628,532	1,620,674	(7,858)	(0.5%)	2,463,430	2,087,430	(376,000)	(15.3%)	0	(376,000)
Rents	8,025,705	8,128,634	102,929	1.3%	8,448,856	8,453,518	4,662	0.1%	106,662	(102,000)
Property PFI Contract	5,680,104	5,706,167	26,063	0.5%	5,680,104	5,680,104	0	0.0%	0	0
Property Rates	6,737,419	6,086,962	(650,457)	(9.7%)	7,638,967	7,396,634	(242,333)	(3.2%)	(35,333)	(207,000)
Water & Sewerage Rates	187,501	190,793	3,293	1.8%	279,117	279,117	0	0.0%	0	0

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr.2		Movement between previous and outturn variance
Fixtures & Fittings	65,977	50,120	(15,857)	(24.0%)	87,969	87,968	(1)	(0.0%)	(1)	0
Cleaning and Domestic Supplies	1,549,197	3,026,285	1,477,089	95.3%	2,123,597	4,395,763	2,272,166	107.0%	2,267,166	5,000
Premises Insurance	165,508	390,890	225,382	136.2%	331,016	323,724	(7,292)	(2.2%)	0	(7,292)
Other Property Services	2,734,271	1,995,098	(739,173)	(27.0%)	2,335,265	2,193,273	(141,992)	(6.1%)	(143,474)	1,482
Total Premises	34,499,547	33,280,786	(1,218,761)	(3.5%)	39,583,131	41,053,127	1,469,995	3.7%	2,155,020	(685,025)
Running Costs	2,160,913	2,248,893	87,980	4.1%	2,551,555	1,822,784	(728,771)	(28.6%)	(748,771)	20,000
Vehicle and Equipment Contract	11,702,446	12,015,762	313,316	2.7%	11,707,180	11,961,502	254,322	2.2%	248,306	6,016
Vehicle Passthroughs	644,374	651,980	7,606	1.2%	642,984	764,436	121,452	18.9%	121,452	0
Maintenance and Repairs	0	5,359	5,359	0.0%	0	0	0	0.0%	0	0
Contract Hire & Operating Leases	1,020,834	1,088,227	67,393	6.6%	1,266,014	1,235,159	(30,855)	(2.4%)	(29,295)	(1,560)
Travel	633,017	1,258,433	625,415	98.8%	844,021	1,246,659	402,637	47.7%	409,977	(7,340)
Total Transport	16,161,584	17,268,654	1,107,069	6.9%	17,011,754	17,030,540	18,786	0.1%	1,669	17,116
Hydrants	315,003	1,466,870	1,151,867	365.7%	420,004	425,000	4,996	1.2%	4,996	0
Operational Equipment	1,165,068	3,150,254	1,985,186	170.4%	1,504,294	3,052,842	1,548,548	102.9%	1,462,892	85,656
Smoke Alarms	439,979	302,912	(137,067)	(31.2%)	586,638	531,569	(55,069)	(9.4%)	(55,069)	0
Equipment Furniture and Materials	269,423	565,447	296,024	109.9%	403,235	556,677	153,442	38.1%	57,646	95,796
Lost & NFWT Operational Equipment	122,448	197,019	74,572	60.9%	122,448	178,448	56,000	45.7%	56,000	0
Catering	234,326	191,419	(42,908)	(18.3%)	312,436	240,715	(71,721)	(23.0%)	(50,473)	(21,248)
Clothing & Laundry	3,153,185	3,754,240	601,054	19.1%	3,437,897	3,520,174	82,278	2.4%	121,815	(39,537)
General Office Expenses	449,679	326,188	(123,491)	(27.5%)	579,964	520,852	(59,112)	(10.2%)	(59,839)	727
Professional Services	8,680,539	9,851,757	1,171,218	13.5%	9,005,324	11,352,623	2,347,300	26.1%	2,530,282	(182,982)
Postal Services	60,942	53,994	(6,949)	(11.4%)	61,055	61,061	6	0.0%	0	6
Communications	3,213,713	8,210,419	4,996,707	155.5%	4,284,950	4,386,950	102,000	2.4%	100,000	2,000
Hardware and Software	5,118,151	9,366,232	4,248,081	83.0%	6,652,920	7,332,594	679,673	10.2%	835,021	(155,348)
Staff Reimbursements	181,285	403,359	222,074	122.5%	241,721	478,582	236,861	98.0%	289,432	(52,571)
Grants and Subscriptions	215,965	216,698	734	0.3%	274,286	275,061	775	0.3%	4,762	(3,987)
Other Insurance	257,000	870,051	613,051	238.5%	257,000	653,107	396,107	154.1%	368,800	27,307
Advertising	79,396	75,018	(4,378)	(5.5%)	105,861	111,291	5,430	5.1%	7,142	(1,712)
Other Supplies and Services	33,877	1,954	(31,923)	(94.2%)	45,170	47,469	2,299	5.1%	(16,186)	18,485

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr.2		Movement between previous and outturn variance
Total Supplies and Services	23,989,980	39,003,831	15,013,852	62.6%	28,295,203	33,725,015	5,429,811	19.2%	5,657,220	(227,409)
Other Agencies	379,134	343,117	(36,017)	(9.5%)	396,134	407,435	11,301	2.9%	11,301	0
Other Local Authorities	546,908	1,281,293	734,386	134.3%	851,369	933,698	82,328	9.7%	52,353	29,975
Audit & Bank Charges	86,200	(28,845)	(115,045)	(133.5%)	88,600	128,922	40,322	45.5%	40,322	0
Total Third Party Payments	1,012,242	1,595,566	583,324	57.6%	1,336,103	1,470,055	133,951	10.0%	103,976	29,975
Debt Repayment	(951,000)	0	951,000	(100.0%)	5,817,000	5,818,000	1,000	0.0%	0	1,000
External Interest	1,374,167	2,423,605	1,049,439	76.4%	2,233,000	2,735,430	502,430	22.5%	502,430	0
Total Capital Financing Costs	423,167	2,423,605	2,000,439	472.7%	8,050,000	8,553,430	503,430	6.3%	502,430	1,000
Budget for Non Staff Inflation	0	0	0	0.0%	0	0	0	0.0%	0	0
Central Contingency	48,000	0	(48,000)	(100.0%)	55,439	0	(55,439)	(100.0%)	20,690	(76,129)
Savings to Be Achieved	(55,542)	0	55,542	(100.0%)	(614,437)	1	614,438	(100.0%)	0	614,438
Savings done by DA	2,173	0	(2,173)	(100.0%)	186,774	(1)	(186,775)	(100.0%)	(2,436)	(184,339)
Contingency	(5,369)	0	5,369	(100.0%)	(372,224)	(0)	372,224	(100.0%)	18,254	353,970
Total revenue expenditure	368,133,986	389,301,611	21,167,625	5.7%	481,419,366	493,686,357	12,266,991	2.5%	13,642,156	(1,375,165)
MFB Act Income	(30,619,312)	(30,459,872)	159,439	(0.5%)	(30,633,319)	(30,467,291)	166,028	(0.5%)	110,000	56,028
Customer and Client Receipts	(6,194,994)	(11,243,459)	(5,048,465)	81.5%	(8,228,828)	(16,102,048)	(7,873,221)	95.7%	(6,748,869)	(1,124,352)
Interest Receivable	(475,000)	(310,109)	164,891	(34.7%)	(800,000)	(602,000)	198,000	(24.8%)	288,000	(90,000)
Bad Debts	0	19,579	19,579	0.0%	0	0	0	0.0%	0	0
Total Other Income	(37,289,306)	(41,993,863)	(4,704,556)	12.6%	(39,662,146)	(47,171,339)	(7,509,193)	18.9%	(6,350,869)	(1,158,324)
Net revenue expenditure	330,844,680	347,307,748	16,463,069	5.0%	441,757,219	446,515,018	4,757,799	1.1%	7,291,288	(2,533,489)
Use of General Reserves	(5,824,000)	0	5,824,000	(100.0%)	(5,824,000)	(5,824,000)	0	0.0%	0	0
Use of Earmarked Reserves	4,603,260	0	(4,603,260)	(100.0%)	(1,085,543)	(1,050,832)	34,711	(3.2%)	29,023	5,688
Financing Requirement	329,623,940	347,307,748	17,683,808	5.4%	434,847,676	439,640,186	4,792,510	1.1%	7,320,311	(2,527,801)

	Current Budget	Current Spend	Current Variance		Revised Budget	Outturn	Outturn Variance	Forecast Outturn Variance at Qtr.2		Movement between previous and outturn variance
Financed by:										
Specific grants	(25,001,704)	(133,039,220)	(108,037,516)	432.1%	(33,347,676)	(35,078,875)	(1,731,198)	5.2%	(1,743,269)	12,070
GLA Grant	0	0	0	0.0%	(401,500,000)	(401,500,000)	0	0.0%	0	0
Net Financial Position	304,622,236	214,268,528	(90,353,708)	(29.7%)	0	3,061,311	3,061,311	0.0%	5,577,042	(2,515,731)

Appendix 2 - Capital Programme 2020/21

Department	2020/21 Budget Outturn 2019/20	2020/21 Revised Budget Q1	Movement Outturn to Q1	2020/21 Revised Budget Q2	Movement Q1 to Q2	2020/21 Forecast Q3	Movement Q2 to Q3
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
ICT Projects							
Upgrade Operating System	98	98	0	98	0	98	0
Control & Mobilisation System (CAMS)	200	200	0	200	0	0	(200)
Mobile Data Terminals Replacement	56	56	0	65	9	65	0
ICT – Virtual Desktop Technology	250	250	0	250	0	250	0
New telephone system equipment	10	10	0	10	0	10	0
Wireless Access Points	808	808	0	808	0	808	0
Replacement of laptops	300	300	0	300	0	300	0
New audio visual equips for Stations	500	0	(500)	0	0	0	0
Data transfer system for Joint Emergency Services Interoperability Programme	195	0	(195)	0	0	0	0
Farynor Replacement (linked to ICT Home Fire Safety Database Project)	71	71	0	71	0	90	19
ICT PROJECTS	2,488	1,793	(695)	1,802	9	1,621	(181)
PROPERTY PROJECTS							
Plumstead Fire Station Redevelopment	460	1,228	768	351	(877)	351	0
Heating at various stations	881	1,403	522	1,403	0	536	(867)
Window replacement at various stations	699	531	(168)	488	(43)	564	76
Rewiring of property at various fire stations	38	38	0	38	0	45	7
Roofing replacements	1,019	1,376	357	1,376	0	1,088	(288)
Minor Improvement Programme	2,021	2,259	238	2,259	0	1,555	(704)
Appliance Bay Doors (Phase 3)	814	975	161	975	0	838	(137)
Brigade wide Survey for Asbestos & Removal	20	20	0	20	0	30	10
West Hampstead Cottages Refurb (FEP2776)	344	344	0	344	0	344	0
New Training Centre *	1,428	600	(828)	568	(32)	20	(548)
Operational Support Centre (PEG/BDC Development)	394	394	0	394	0	394	0
Lambeth river station (growth bid)	3,197	250	(2,947)	250	0	154	(96)
Lift Refurbishment Works	600	691	91	692	1	72	(620)
Chelsea/Clapham FS's – Accommodation improvement	1,130	857	(273)	857	0	857	0
Biggin Hill FS Extension	400	227	(173)	100	(127)	50	(50)
Carbon Strategy Estate Works	708	708	0	308	(400)	308	0
Development costs	0	0	0	0	0	0	0

Department	2020/21 Budget Outturn 2019/20	2020/21 Revised Budget Q1	Movement Outturn to Q1	2020/21 Revised Budget Q2	Movement Q1 to Q2	2020/21 Forecast Q3	Movement Q2 to Q3
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
PROPERTY PROJECTS	14,153	11,901	(2,252)	10,423	(1,478)	7,206	(3,217)
COMMUNICATIONS							
LFB Museum – Fitout	110	110	0	119	9	119	0
COMMUNICATIONS PROJECTS	110	110	0	119	9	119	0
FLEET & EQUIPMENT PROJECTS							
Pumping Appliances	3,214	3,214	0	3,214	0	3,214	0
Aerial Appliances	8,420	8,420	0	8,420	0	5,089	(3,330)
Specialist Heavy Vehicles Total	3,105	3,128	23	3,420	292	0	(3,420)
CCTV on Pumping Appliances *	161	189	28	189	0	70	(119)
Light Vehicles and Vans	924	865	(59)	871	6	806	(65)
Vehicle Modifications	26	16	(10)	16	0	11	(5)
Fire Boats	(255)	2,893	3,148	2,893	0	2,207	(686)
Operational Equipment	636	508	(128)	508	0	628	120
ULEF Compliant			0		0		0
FLEET & EQUIPMENT PROJECTS	16,230	19,233	3,003	19,531	298	12,025	-7,506
OPERATIONAL POLICY							
Respiratory Protective Equipment	2,300	0	(2,300)	0	0	0	0
Fireground Radios	900	0	(900)	0	0	0	0
OPERATIONAL POLICY PROJECTS	3,200	0	(3,200)	0	0	0	0
TOTAL	36,181	33,037	(3,144)	31,875	(1,162)	20,971	(10,903)

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

Appendix 3 shows the anticipated balance on reserves at 31 March 2021 in the Final Budget 2020/21, and the revised forecast balance included in this report. The total amount of reserves has decreased from £79,224k to £69,288k, a decrease of £9,936k mainly as a result of the forecast overspending position and the £5,000k funding reduction to be met from the Budget flexibility Reserve. The impact on the reserves will continue be reviewed as the overspend position develops.

£000s	Anticipated Balance March 2021	Anticipated Balance (Q3 Report)	Movement
Additional Resilience Requirements	568	524	(44)
Capital Expenditure Reserve	11,745	11,745	0
Central Programme Office	645	645	0
In Year Savings Reserve	0	5,000	5,000
Compensation	676	0	(676)
Emergency Services Mobile Communication Programme	2,172	1,956	(217)
Emergency Medical Response	294	294	0
Fire Safety and Youth Engagement	1,007	335	(672)
Transformation Reserve	0	6,191	6,191
Hydrants	462	462	0
ICT Development Reserve	1,953	2,035	82
LFC Control Centre	729	729	0
LFB Museum Project	201	139	(62)
London Resilience	771	771	0
London Safety Plan Initiatives	3,162	2,716	(446)
New Governance Arrangements	0	0	0
Organisational Reviews	327	239	(89)
Recruitment/ Outreach	250	250	0
Sustainability	235	235	0
Vehicle & Equipment Reserve	2,697	2,638	(59)
Budget Flexibility	29,930	16,924	(13,007)
General	21,399	15,462	(5,937)
Total	79,224	69,288	(9,936)

Appendix 4 - Risks to the Revenue and Capital Position

1. Covid-19

- 1.1. The response to the **Covid-19 pandemic** is leading to additional costs. This is both in terms of the Brigade's own services, such as in PPE and additional cleaning, but also in support of the wider emergency services response, in particular supporting the London Ambulance Service.
- 1.2. Additional funding has been provided to help meet these additional costs. However, it is not yet clear what further funding will be made available, and the position continues to develop. This report includes funding from the GLA, and cost recovery from the LAS. Additional MHCLG funding also included £6m provided to the Home Office, and the LFC has received some funding from this and is now preparing a claim for a second round of funding.
- 1.3. The Brigade continues to support the LAS on **Ambulance Driver Assist** (ADA), and the costs to Q2 have been reimbursed by the LAS, the costs recovery for Q3 is being finalised, and with costs recovery assumed going forward. The position on LFB support to the pandemic continues to develop and further costs may be incurred, with cost recovery pursued where this is possible.
- 1.4. Covid-19 is having an impact on costs, not directly related to the pandemic response. This is being experienced in a number of areas but with the impact not necessarily clarified. This can impact on costs, and income, in terms of quantity, pricing and the timing of delivery.

2. Funding

- 2.1. The Covid-19 pandemic is not only leading to additional costs, but also impacting on future funding levels. The Mayor's Budget Guidance 2021/22 sets out revised indicative funding levels and included an **in-year saving requirement** for LFC in 2020/21 of up to £10m, which is being addressed, and is now met in part by £5m from GLA reserves. This funding impact is subject to further review as the position develops, and further Government announcements are made on funding.
- 2.2. Balances in earmarked reserves are also being reviewed to identify whether any amounts can be released to support the in year financial position.
- 2.3. The Brigade has received additional funding in 2020/21 on **Grenfell infrastructure** of £1.3m and for **Fire Safety/Protection** at £5.5m, which can be applied to relevant costs in the current and future financial years. Work is ongoing to allocate this funding.

3. Firefighter and Local Government Pension Schemes

- 3.1. There was a material increase in the cost of employer contributions for the existing firefighter pension schemes, following the **scheme valuation 2016**. That increase was assessed at £25m and is largely as a result of changes, by Government, to the discount rate used in valuing future liabilities. A grant of £22m was provided to offset this pressure in 2019/20 and in 2020/21.
- 3.2. The Fire Brigade Union notified LFC, along with 49 other Fire and Rescue Authorities (FRAs), of a **discrimination claim in connection with the transitional arrangements** applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. The tribunal ruled in favour of the claimants. The Government and FRAs sought permission from the Supreme Court to appeal the Court of Appeal's decision, however this was denied. In December 2019, the Employment Tribunal declared that firefighters are entitled to return to their pre 2015 pension scheme. The potential cost and staffing implications for the LFC are not possible to forecast at present but may lead to a material budget pressure. The remedy is potentially made more

complex as it may need to address the issue on a range public sector pensions, possibly including the LGPS. The Government is now consulting on the possible remedy, and the Brigade has submitted its response.

4. London Pensions Fund Authority (LPFA) Pensions Administration

- 4.1. The London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund have formed a strategic partnership and from April 2016 created a wholly owned company, **Local Pensions Partnership** (LPP), to manage pension fund investment activities (only on the Local Government Pension Scheme (LGPS)) and also to provide pensions administration services, including to third party clients on the LGPS and the Firefighters' Pension Scheme (FPS). It was agreed (FEP2644) that the LFC should continue the current shared service arrangement with the LPFA for the administration of the FPS but with the LPFA then sub-contracting to the LPP.
- 4.2. Possible alternative shared service options have been considered working with the Local Pensions Board and it has been agreed that the share service remain with the LPP, but that this be reviewed again in three year's time. A key reason for remaining with the LPP was the risk identified in changing administrators when the significant changes required from the **McCloud/Sargeant** case are yet to be confirmed and implemented.
- 4.3. The review identified potential cost savings in the administration, both in alternative shared service but also through re-structuring at LPP, which has now led to the establishment of a separate administration company LPPA. Costs savings will continue to be pursued with the LPP as well as re-visited when the position is reviewed again in three years.
- 4.4. The LPP forecast cost for 2020/21 is £333k.

5. Pay and Inflation

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

6. Transformation Delivery Plan (TDP)

- 6.1. As departments continue to deliver the items in the TDP this will sometimes result in additional financial pressures that are currently unfunded. Where these items are identified, it is proposed that they are reviewed to consider whether any flexibility in **the Transformation reserve** could be used to meet these costs. The way the transformation reserve is used to fund TDP actions is now being reviewed, to ensure resources are allocated to key priorities. As at the end of December 2020, a draw of £1,509k to fund the Transformation Delivery Plan has been made from the transformation reserve total of £7,700k.

7. Risks to Capital Expenditure and Financing

- 7.1. The capital programme is regularly reviewed and the associated risks to the programme are assessed throughout the year. Some risks are generic such as contractor default whilst other risks are specific to individual projects. Mitigating actions are adopted to reduce the risk occurring and to limit the impact of the risk, should it occur.
- 7.2. The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However even a well-managed project can be subject to **re-phasing or deferral** due to a number of unforeseen issues, such as failure or default on the part of the contractor or exceptionally adverse weather conditions. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.
- 7.3. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.
- 7.4. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loans Board (PWLb) rates. No allowance has been made in the capital programme for potential future **capital grants or contributions** and the Brigade will bid for available capital resources as and when such opportunities arise.
- 7.5. The 2020/21 capital programme originally included the **capital receipts** financing from the sale of the former fire station at Clerkenwell and the part disposal of 8 Albert Embankment, however these sales have been delayed to next financial year which will mean borrowing will now be required in 2020/21 which will lead to borrowing and additional revenue costs that were not envisaged. The level of required borrowing will be dependent on the level of actual capital expenditure incurred during the year.
- 7.6. The **LFB Training Centre** project has a number of dependencies and challenges on maintaining costs within budget and with design in particular on the Real Fire Training Venue. This will need to be monitored on an ongoing basis, as well as the project now being reviewed.
- 7.7. A number of fire stations require major refurbishment/redevelopment which are not currently in the medium term capital programme. Should opportunities arise to relocate these fire stations funding may need to be requested/re-directed from other projects if deemed a priority.
- 7.8. **Replacement vehicles and equipment** - Key risks relate to the contractor sourcing appropriate vehicle build options within a timeframe that meets fleet replacement requirements, and which may in turn impact the LFC's cash flow. The forecast cash expenditure for 2020/21 and future years is based on the current assessment of the stage payment requirements for the pump replacement and aerial appliance replacement programme, which represents nearly 50% of the forecast Vehicles and Equipment expenditure in that period, and the delivery timings for the balance of the fleet replacement programme.
- 7.9. **Covid -19 and Funding** – The capital programme has been affected by the impact of Covid 19 in terms of delays on site works and equipment and vehicles deliveries. In addition, the impact on funding highlighted in paragraph 2.1 above may also impact on the capital

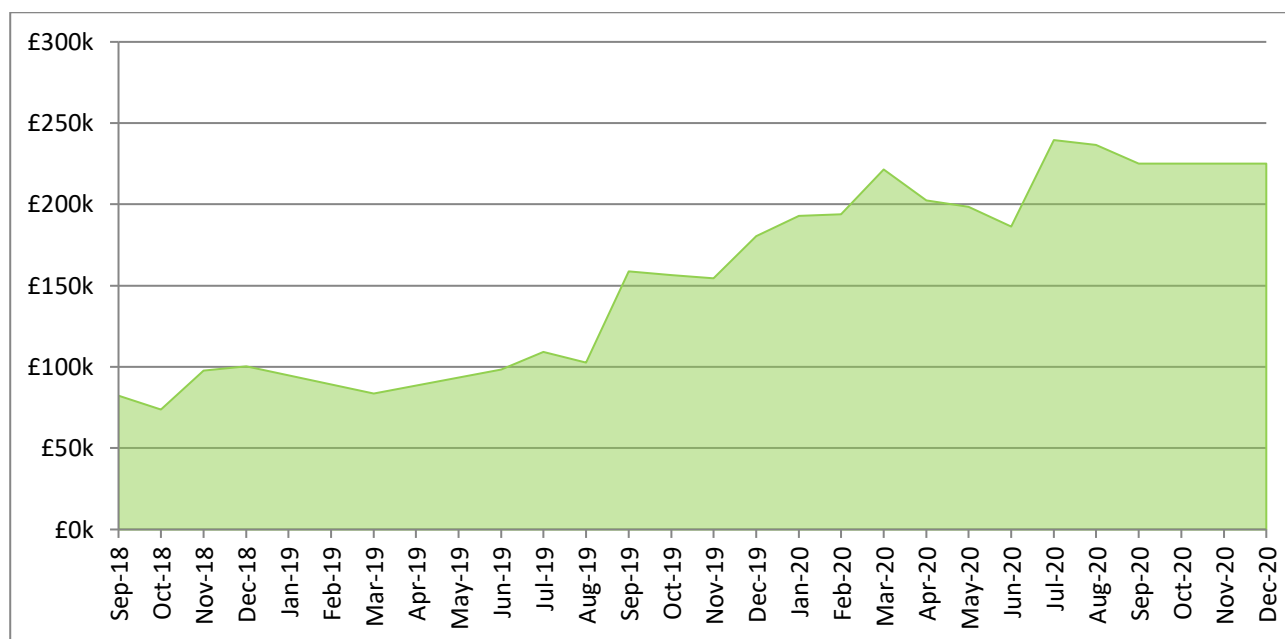
programme due to the lack of available funds to support the revenue costs arising from capital borrowing costs.

- 7.10. **Financial Markets Uncertainty** – This could impact on the interest costs of borrowing required to fund capital expenditure and on the cost of capital goods purchased from outside the UK.

Appendix 5 - Outstanding Lift Debtors

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

The largest debtor reported at Q2, the London Borough of Southwark, has now settled the majority of its outstanding invoices and no longer features within the top five worst debtors for Lift income.



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

Customer Name	Amount Outstanding (£)	No of Invoices Outstanding
PEABODY TRUST	22,157	54
A2 DOMINION HOMES LIMITED	12,679	31
LONDON BOROUGH OF ISLINGTON	11,525	28
LONDON BOROUGH OF HACKNEY	10,380	25
NETWORK RAIL	9,847	24
Grand Total	65,888	162

Review of the top five debtors

Peabody Trust:

Payment of twenty-one invoices is expected from Peabody by the end February and this would significantly reduce the current debt. Remaining invoices have been chased by email reminders and phone calls.

A2 Dominion Homes Limited:

Despite reminder letters sent out earlier for the outstanding invoices and further chasing via telephone calls, A2 are not giving a positive response with regards to payment of their outstanding debts. A final warning letter has now been issued and referral to the General Counsel for further action is now envisaged.

London Borough of Islington:

Reminder letters and follow up calls have been sent out for all outstanding invoices. Eight invoices were expected to be paid previously but no funds received. Further chasing has been followed up by area managers including preparation of debt referrals.

London Borough of Hackney:

Three invoices were paid in December 2020. Letters have been sent out to chase the remaining November invoices.

Network Rail:

Payment of the ten outstanding invoices have been received and it is expected that further payments would be made based on copies of invoices recently provided to the National Rail accounts payable team.

Appendix 6 - Scheme of Governance - Budget Virements

Financial Regulation 9:

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

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

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

Department from	Department to	Description	Date	Amount transferred
Property	Technical and Commercial (T&C)	A temporary virement from Property to T&C to pay for Agency costs.	06/10/2020	£48,900