

Report title

Financial Position as at the end of June 2020

Report to

Corporate Services DB
Commissioner's Board

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Summary

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

The current forecast is for a substantial forecast overspend on the revenue budget at £10.1m. The report presents how the LFC will seek to address this overspend as well as the in year funding reduction for the LFB, as included in the Mayor's Budget Guidance.

Recommendation

That the London Fire Commissioner:

1. Notes the financial position as at the end of June 2020, which includes a forecast overspend of £10.1m.
2. Approves the reserve movements set out at Table 2.
3. Approves the capital budget slippage of £8.5m to future years budgets offset by the re-profiling of £5.3m from the 2021/22 capital budget to 2020/21.
4. Agrees the approach to addressing the in year savings required by the Mayor and the forecast overspend

Background

1. This report presents the current revenue and capital expenditure position for June 2020 and the forecast outturn position at March 2021. It includes a forecast overspend of £10,103k and an in-year savings requirement of £10m. Action is required to be taken to address both the overspend and the in-year savings requirement.
2. All departments review their actual income and expenditure on a month/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. This report presents substantial overspends and further work is being undertaken to identify both their cause and identify possible actions to address them. Key areas of overspend are on COVID-19 response costs, operational overtime and insurance premium costs. Further information is provided on these areas in the report.

3. This report also sets out how the LFC will seek to meet the in year funding reduction for the LFB of up to £10m, as included in the Mayor's Budget Guidance, as well as the forecast overspend.

Background to 2020/21 Budget

4. The 2020/21 budget was approved by the London Fire Commissioner (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.
5. 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

6. 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 requires the LFB to make in year savings of up to £10m in 2020/21. This report sets out options to address the in year savings.

Revenue

7. The forecast outturn position at the end of June 2020 on the revenue budget is for an overspend of £10,103k, which is 2.3% of the net revenue budget.
8. The variance is mainly due to:
 - Forecast costs of the response to Covid-19 pandemic (£6,795k) offset by expected £1,760k grant from the GLA. This includes £2,217k for station cleaning which also reflects the impact of the additional £1,196k proposed in the report on the Extension of Cleaning Provision across the London Fire Brigade Estate, also on today's agenda,
 - Insurance related budgets following the increase in renewal premiums, but with the cost increase reduced significantly following an accelerated tender process (£922k),
 - Operational staff overspend due to overtime (£4,029k),
 - Professional Services (£2,164k) due to the Grenfell Tower Investigation legal costs offset by income from the insurers,
 - Hardware and Software (£866k). This includes additional ICT Equipment for Covid-19, Grenfell Tower Investigation legal costs related spend for software purchase (£318k) which is offset by income from the insurers, and £121k relating to library software charges that are shared with GLA. This is also offset by income.
 - Building maintenance (£807k) due to a forecast by KBR on the integrator contracts for reactive Building Fabric and Mechanical, Electrical and Plumbing (MEP) services, based on current workload and average monthly spend during previous 12 months,
9. The above overspends are offset by:
 - Income from insurers (£2,693k) for Grenfell Tower Investigation legal costs.
 - Other income (£520k) including £239k from Training for National Interagency Liaison Officers (NILO) and Smoke Filled Environment (SFE) courses for 2020/21, £121k for

the software system shared with the GLA that offsets expenditure above, and £160k on secondment income offsetting staff salary costs.

- £150k on other property services 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.
- £333k on running costs due to BP free fuel for emergency services and reduced home visits due to the Covid-19 pandemic.

10. This forecast outturn position is before the impact of the in year funding reductions required in the Mayor's Budget Guidance, set out from paragraph 35 below.

11. The key variances are explained in more detail from paragraph 13 below.

Tables and Appendices to this report

12. 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 revised budget gap for 2020/21 and 2021/22;
- Table 3 provides the in year budget gap for 2020/21;
- Table 4 provides the budget gap for 2021/22;
- Table 5 provides the latest position on reserves;
- Table 6 provides the latest position on the capital programme;
- 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;

Table 1 - Summary Financial Position

| | Current Budget | Current Spend | Current Variance | Revised Budget | Outturn | Outturn Variance |
|---------------------------------------|----------------|---------------|------------------|----------------|---------|------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Operational staff | 68,177 | 69,199 | 1,022 | 278,384 | 283,440 | 5,056 |
| Other staff | 14,363 | 16,532 | 2,169 | 60,724 | 61,187 | 463 |
| Employee related | 19,294 | 15,883 | (3,410) | 23,959 | 24,282 | 324 |
| Pensions | 6,133 | 4,991 | (1,142) | 21,321 | 21,321 | 0 |
| Premises | 18,104 | 16,888 | (1,216) | 40,196 | 43,193 | 2,997 |
| Transport | 13,525 | 15,202 | 1,676 | 17,018 | 17,304 | 286 |
| Supplies and services | 14,413 | 22,048 | 7,635 | 27,870 | 32,864 | 4,994 |
| Third party payments | 863 | 892 | 29 | 1,386 | 1,503 | 116 |
| Capital financing costs | (59) | (98) | (38) | 8,050 | 8,552 | 502 |
| Central contingency against inflation | 11 | 0 | (11) | 70 | 74 | 3 |

| | Current Budget | Current Spend | Current Variance | Revised Budget | Outturn | Outturn Variance |
|----------------------------------|----------------|----------------|------------------|----------------|----------------|------------------|
| | £000s | £000s | £000s | £000s | £000s | £000s |
| Total revenue expenditure | 154,824 | 161,538 | 6,714 | 478,977 | 493,719 | 14,742 |
| Other income | (2,896) | (315) | 2,581 | (39,606) | (42,487) | (2,881) |
| Net revenue expenditure | 151,929 | 161,223 | 9,294 | 439,371 | 451,232 | 11,861 |
| Use of earmarked reserves | 0 | 0 | 0 | (4,535) | (4,550) | (15) |
| Financing Requirement | 151,929 | 161,223 | 9,294 | 434,836 | 446,682 | 11,846 |
| Financed by: | | | | | | |
| Specific grants | (8,334) | (22,883) | (14,549) | (33,336) | (35,079) | (1,743) |
| GLA funding | 0 | 0 | 0 | (401,500) | (401,500) | 0 |
| Net Financial Position | 143,595 | 138,340 | (5,255) | 0 | 10,103 | 10,103 |

Reasons for the Revenue Position

Staff

13. The budget for operational staff is forecast to have a substantial overspend at £5,056k. The key element of this overspend is operational overtime (£4,029k). Further work is being undertaken to understand the cause of this and the actions that can be taken to address it. The overspend is also due to allowances, overtime and expenses for frontline staff in supporting the London Ambulance Service (LAS) and Metropolitan Police Service (MPS) due to Covid-19 (£1,216k) and Firefighter trainees (£156k).
14. The overspending position is partly offset by vacancy levels, with an average vacancy of 68 forecast as at the end of June based upon a planned firefighter trainee intake of 300. This results in a forecast underspend of £497k.
15. The £4,028k overspend on operational overtime is based on a forward projection of the cost incurred in the year to date and represents a significant element of the Brigade wide position. In previous years spending on overtime has been contained within the operational staff budget as a whole, however this situation has changed in this financial year as a result of reducing vacancy levels. It had been anticipated that overtime spend would also reduce in line with this. As this is not yet being observed as at Quarter 1, a review is now being undertaken to assess the position in greater detail. Whilst only £100k of the above overspend relates to the response to the Covid-19 pandemic, the review will assess whether there are any indirect Covid-19 consequences.
16. FRS budgets are forecast to overspend by £437k, which is 0.8% of the total FRS budget. This overspend includes the impact of a £1,900k vacancy margin in 2020/21 based on expected FRS vacancy levels. At the end of June, there were 184 vacancies and 93 agency staff. This overspend therefore means that departments are currently not expecting to fully achieve the vacancy margin, based on departmental recruitment plans and leaver forecasts. This position will continue to be monitored through the year. This forecast overspend is also likely to reduce as a result of the recruitment control process that is being implemented as part of the in-year savings proposals.

17. Control staff budgets are forecast to overspend by £26k mainly on overtime.

Insurance related

18. Insurance related budgets were at risk of overspending due to the increase in renewal premiums as a result of the claims experience on Grenfell. The annual premiums were proposed to increase by £2,000k. In view of this proposed substantial increase in the premiums, an accelerated procurement process was undertaken to identify alternative options for fleet and liability covers, to reduce the overall insurance costs. The successful completion of this tender process has allowed the annual insurance premiums to be reduced by £1,001k, reducing the overspend in the current year to £922k.

Premises

19. The overspend on building maintenance £807k is mainly due to a forecast by KBR on the integrator contracts for reactive Building Fabric and Mechanical, Electrical and Plumbing services, based on current workload and average monthly spend during the previous 12 months. KBR and LFB staff are managing order requests from end users to ensure that work requests are justified.

20. A forecast overspend on rents of £127k is due to the estimated cost of dilapidations at Brigade Distribution Centre (BDC) when the lease ends in September 2020.

21. The Cleaning and Domestic Supplies overspend (£2,242k) relates to additional cleaning at LFB Properties due to Covid-19, including £1,196k additional spend to be considered as part of the Extension of Cleaning Provision report, also on today's agenda.

22. 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 planning application has been 'called in' by the Government and this is expected to delay the project for a further year. The funding will be transferred to an earmarked reserve.

Transport

23. Transport budgets are forecast to overspend on Travel (£464k) 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, as well as £72k on vehicle and lease car insurance due to the increase in the renewal premiums, mentioned at paragraph 18.

24. The above overspend is offset by £333k 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

25. There is a forecast overspend of £4,994k on Supplies and Services budgets mainly on Operational Equipment (£1,337k) for direct orders of additional Personal Protective Equipment (PPE), additional Face Masks and HML costs due to Covid-19.

26. Professional Services (£1,855k) are overspending mainly on the Grenfell Tower Investigation legal costs (£2,164k) offset by income from the insurers for the provisional settlement on reimbursement of disclosure costs in the current and previous years. This is also offset by £361k on professional services for the HR and Payroll System which is delayed due to Covid-19. It is planned that this underspend will be earmarked in the reserve for use next year.

27. Clothing and Laundry (£207k) is overspending mainly due to new recruits, but also Covid-19 related costs (£56k).
28. Communications budgets are also forecast to overspend by £250k in response to Covid-19 and enforced working from home. The uptake of the tele conferencing service has been significant, with both the number of calls and the participants on those calls being high. The costs are being investigated and alternative solutions promoted.
29. Hardware and Software (£866k) is forecast to overspend due to additional ICT Equipment for Covid-19 response (£308k), Grenfell Tower Investigation legal related software purchase (£319k), which will be offset by income from the insurers, and software system charges (£121k) that are shared with GLA and will be offset by income.
30. Staff Reimbursements (£291k) are overspent due to Covid-19 expenses for LAS and Pandemic Multi Agency Response Teams (PMART) volunteers.

Income

31. There is a forecast over recovery of income of £2,881k mainly due to income from insurers in respect of the Grenfell Tower Investigation (£2,693k) which offsets spend on professional services and hardware and software costs relating to Grenfell. There is also additional income from training for National Interagency Liaison Officers (NILO) and Smoke Filled Environment (SFE) courses for 2020/21 (£239k), on library software charges (£121k) that are shared with GLA and offset expenditure above, and on secondment income offsetting staff salary costs (£160k).
32. The above over recovery is offset by a reduction in income of £287k on sponsorship income.
33. Appendix 5 includes an update on the position on the key outstanding charges, on Shut in Lift debt.

Specific grants

34. This is over recovering mainly due to a forecast grant income of £1,760k expected from the GLA to partly offset costs of the response to Covid-19 pandemic. The LFC has also registered an intention to make a claim against the £6m Home Office Covid-19 response fund, with this to be submitted by the end of September.

Mayor's Budget Guidance for 2021/22

35. The Mayor of London published his Budget Guidance for 2021/22 on 26 June 2020. The Mayor's Budget Guidance report (LFC-0382) set out the main points from the Guidance along with the implications for the LFB. The Guidance reduces funding in 2021/22 by up to £15m, and also requires the LFB to make in year savings of up to £10m in 2020/21.
36. The £10m of in year savings would put the LFB in a £20.1m overspend position when considered alongside the existing forecast overspend of £10.1m. It is proposed to use a combination of reserves and in year spending reductions to address this.

Reserves and Grant Funding

37. As set out in the Mayor's Budget Guidance report (LFC-0382) the LFB is now forecasting a budget gap of £20.8m for the 2021/22 financial year, after a £25.1m draw from the budget flexibility reserve (BFR). Proposals to address the in year budget gap for 2020/21, as well as 2021/22, through the use of reserves and grant funding are considered below.
38. Following the local government funding announcement made by MHCLG on 2 July, it is now planned that the GLA will make use of its reserve balances to help meet the in year funding reductions for 2020/21. This GLA reserves allocation planned at £5.0m would offset part of the £10m funding reduction, and reduce this to £5m.
39. It may also be possible to secure additional funding this year, and therefore reduce the budget gap, by making a successful claim against the £6m of Home Office funding for Covid-19 related activities. The LFB has notified the Home Office of the intention to make a bid against this funding, which is to be submitted by 30 September.
40. The £20.1m in year funding gap in 2020/21, adjusted as necessary for the items above and any further spend reductions set out at paragraphs 46 to 49 below, could then be met through an earlier draw on the BFR noting that this would have a knock on impact of reducing the BFR funding available in 2021/22 and increasing the budget gap in that year to £40.9m, if the full £20.1m was required.
41. Whilst using the BFR in this way would materially increase the budget gap next year, it should be noted that this forecast budget gap does not include any additional pensions grant funding. One off grant of £21.7m has been received in 2019/20 and 2020/21. It was also previously announced that ongoing funding for this would be settled as part of the next spending review. The budget assumption to date has been that whilst additional funding for pensions was expected from the spending review, this would be offset by general reductions in funding to leave a net nil increase. In view of the Mayor's Budget Guidance now reflecting substantial reductions in funding, it is planned to also now consider including the £21.7m additional funding in the planning assumptions, which would represent about 85% of the additional pensions costs. This is also consistent with the approach adopted by a number of other Fire and Rescue Authorities that have assumed continuation of the additional pensions funding.
42. Table 2 below shows the forecast budget gaps for the LFC of £24.9m in 2020/21 and £45.9m in 2021/22 before any use of the BFR in those years. It should be noted that the figure for 2020/21 reflects the forecast underspend and funding reduction in this year, but not the other potential mitigations discussed in this section of the report. The table then shows the impact of an accelerated use of the BFR in 2020/21 and the impact that the assumption of additional pensions funding in 2021/22 will have. Using the BFR in this way allows the budget gap to be met in 2020/21, but increases the budget gap in 2021/22 to £39.9m. An assumption of the ongoing pension funding continuing would then reduce this to £18.2m if funding at the current £21.7m level was included.

Table 2 – Revised Budget Gap 2020/21 and 2021/22

| | 2020/21 £m | 2021/22 £m |
|----------------------------|-----------------------|-----------------------|
| Forecast Budget Gap | (24.9) | (45.9) |

| | 2020/21 £m | 2021/22 £m |
|--|---------------|---------------|
| Planned Draw on Budget Flexibility Reserve | 4.8 | 25.1 |
| Budget Gap - Revised | (20.1) | (20.8) |
| Update to MTF (Insurance) | | 1.0 |
| Accelerated Use of BFR | 20.1 | (20.1) |
| Revised Budget Gap – After BFR | 0.0 | (39.9) |
| Ongoing Pension Grant Received | | 21.7 |
| Revised Budget Gap – with Pension Grant | 0.0 | (18.2) |

43. The Government has now announced that the next spending review will cover a three year period from 2021/22 to 2023/24 and as a result a decision on the ongoing nature of this pensions grant is now expected this financial year. This will then clarify the position on the ongoing pensions funding.
44. If an assumption is made on ongoing pension funding before allocations are confirmed from 2021/22 , it will also be necessary to include a material new risk to the budget position, to recognise that pensions grant funding may not be provided in the spending review.
45. Finally it is also possible to consider the use of a further reserve, the Capital Expenditure Reserve (CER) at £11.7m. The financial position and the ongoing delays to the sale of the 8 Albert Embankment site mean that it also appropriate to review how this is used. This was created following the sale of the site of the former Southwark Training Centre (STC). The GLA made a payment of £11.7m to the LFC to offset the lower than budgeted receipt from that sale. This was on the basis that the funding should be returned to the GLA following the sale of the former HQ at 8 Albert Embankment. The planning application for that site has now been 'called in' by the Secretary of State for MHCLG. It therefore now seems appropriate to review the use of this reserve. This will be considered as part of the Budget 2021/22, and possible use to fund the capital programme, in order to reduce capital financing costs.

In Year Spend Reductions

46. Departments are currently developing budget proposals for 2021/22, and have also been asked to highlight where any savings can be achieved earlier in 2020/21. This may identify some savings, but is unlikely to generate these at the level required to meet the budget reduction and/or the in-year overspend.
47. Whilst the current forecast overspend of £10.1m is the first formal forecast outturn position for the year, and has been prepared in the exceptional circumstances presented by the Covid-19 pandemic, its scale, coupled with the in-year funding reduction, requires Brigade wide measures to be taken to address it. Expenditure plans for 2020/21 are therefore being reviewed to identify where reductions could be made and the risks, and possible mitigating actions, that would result from this. The key ones identified for action include

- Overtime – as explained earlier in this report analysis is being undertaken to underspend the cause of the current overspend and develop plans to reduce it.
- Recruitment – both operational and FRS recruitment is to be reviewed, with additional scrutiny in the form of an 'establishment control process' already introduced for FRS recruitment.
- Property – further work will be undertaken to identify if the overspending on property works can be offset by reducing spend in other property expenditure.
- Transformation reserve – the forecast underspending on the reserve in the current year could be re-purposed to support the funding gap.

48. The above areas will also be considered in light of proposals that may be included in the LFC budget submission for 2021/22, particularly around recruitment.
49. The proposals to be pursued as part of this option could of course have a potentially significant impact on service delivery, and whilst initial risks and mitigation have been identified, further work will be undertaken as part of pursuing these proposals.
50. The review of expenditure will also include the Covid-19 response, and in particular the Home Office funding to help meet the costs. The LFC's Covid-19 costs at £6.7m are to be partly met by funding from the GLA, forecast at £1.8m. The LFC has registered an intention to, and will submit by the deadline of 30 September, a claim against the Home Office £6m Covid-19 fund. This has criteria to be met including restrictions in the types of costs to be reimbursed, as well an expectation of having exhausted other sources of specific Covid-19 funding. No forecast is yet included for this funding, but this will be reviewed at Q2 following the submission of the claim to the Home Office.

Summary

51. It is therefore proposed to meet the 2020/21 in year budget gap as set out in Table 3 below.

Table 3 – In Year Budget Gap 2020/21

| In year Budget Gap 2020/21 | 2020/21 £m |
|---|-----------------------|
| In year funding reduction | (10.0) |
| Forecast overspend | (10.1) |
| 2020/21 Budget Gap | (20.1) |
| Use of GLA reserves to reduce funding reduction | 5.0 |
| In year savings proposals | 3.0 |
| Use of BFR – funding reduction ¹ | 2.0 |
| Use of BFR – forecast overspend ¹ | 10.1 |
| Revised Budget Gap | 0.0 |

Note 1: The use of the BFR is the balancing figure and any additional savings/reductions in expenditure, or additional Home Office Covid funding, for 2020/21 would reduce the draw from the BFR.

Budget Gap 2021/22

52. The impact of the £15m funding reduction in 2021/22 is set out in Table 4 below. The action taken to address the budget gap in 2020/21 could have a significant impact on 2021/22. The accelerated use of the BFR to balance 2020/21, without the continuation of the pensions funding, would mean that less funding would be available from this source in 2021/22, with then greater budget savings required to be identified in that year. By contrast the assumption of ongoing pensions funding could reduce the budget gap by up to £21.7m. Table 4 below shows that the possible additional use of the BFR in 2020/21 of £12.1m, and therefore reducing to £13.0m the amount that would be available from the BFR in 2021/22, partly offset by a reduced insurance cost pressure of £1.0m, increases the budget gap in 2021/22 to £31.9m. However, if ongoing pensions funding is assumed, and is provided at the current £21.7m level, then this reduces the budget gap to £10.2m.

Table 4 – Budget Gap 2021/22

| Budget Gap 2021/22 | 2020/21 £m |
|--|-----------------------|
| Budget Gap Revised | (20.8) |
| Update to MTF (Insurance) | 1.0 |
| Accelerated Use of BFR (Table 3) | (12.1) |
| Revised Budget Gap – after BFR | 31.9 |
| Ongoing Pension Grant | 21.7 |
| Revised Budget Gap – with Pension Grant | 10.2 |

53. Work will continue on the proposals to meet the in year savings requirement and progress will be reported in future financial position reports. Work to address the funding reductions in 2021/22 will be finalised as part of the budget process and presented in the LFC's budget submission to the Mayor in November 2020.

COVID-19 forecasts

54. The total forecast of the LFC's response to the Covid-19 pandemic is £6,795k for 2020/21 and will be offset by expected funding for the GLA of £1,760k resulting in a net expenditure of £5,035k.
55. Central government has provided additional funding for local authorities, including fire, towards the cost of the response to the coronavirus. The GLA group received £9.3m in each of the first two tranches. Discussions on the allocations to the LFC from this £18.6m are ongoing but it is anticipated that £1.8m will be received. The second tranche also included £6m allocated to the Home Office for further allocation to FRSSs. The LFC has registered an intention to make a claim against this funding, with this required to be submitted by 30 September. No forecast is currently included for this, but the position will be reviewed at Q2 following the submission of the claim.

56. The Home Office have also requested that FRSs provide a record of expenditure, so they can monitor the spend on the Covid-19 response across the sector. The NFCC is collating these returns from each FRS.

Capital

57. The original budget for the 2020/21 capital programme was £35,690k, as per the Capital Strategy (LFC-0134) report. The budget was increased to £36,181k following on from the capital outturn position report for 2019/20 financial year (LFC-0355-D), which saw £491k brought into 2020/21 from 2019/20.
58. The forecasted capital outturn for 2020/21 as at Quarter 1 is £33,037k which is £3,144k less than the revised budget position at outturn 2019/20. This is mainly due to a budget slippage to future years of £8,452k offset by budget re-profiling from 2021/22 of £5,285k. £23k was also added to the Capital Programme in 2020/21 as contingency which was agreed in the Fleet Specialist Vehicle report LFC-0284y.
59. The key variances are explained in more detail from paragraph 67 and in Appendix 2.

Position on Reserves

60. 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, is £5,472k, and this is £9,906k below the minimum general reserve position of 3.5% of the net revenue expenditure.
61. This report includes options to address in-year spending and funding, with the expectation that this will reduce the overspend position, and consequent draw on reserves, ensuring that the general reserve returns to the minimum level. The impact of the increased draw on reserves will be addressed as part of the budget process 2021/22.
62. Table 5 below sets out the position on the financial reserves.

Table 5 - Position on Reserves

| £000s | Opening Balance at 01/04/20 | Approved Movements in Q4 19/20 | Approved Movement to Q1 | Transfer Between Reserves | Proposed Use of Reserves | Anticipated Balance at 31/03/20 |
|---|-----------------------------|--------------------------------|-------------------------|---------------------------|--------------------------|---------------------------------|
| Additional Resilience Requirements | 568 | | | | (44) | 524 |
| Capital Expenditure Reserve | 11,745 | | | | | 11,745 |
| Central Programme Office | 645 | | | | | 645 |
| Community Safety Investment Fund | 0 | | | | | 0 |
| Compensation | 676 | 324 | | | (439) | 561 |
| Emergency Services Mobile Communication Programme | 2,172 | | | | (64) | 2,108 |
| Emergency Medical Response | 294 | | | | | 294 |
| Fire Safety and Youth Engagement | 1,007 | | | | (674) | 333 |
| Transformation Plan | 0 | 5,500 | | | | 5,500 |
| Hydrants | 462 | | | | | 462 |
| ICT Development Reserve | 1,953 | | | | | 1,953 |
| LFC Control Centre | 729 | | | | | 729 |
| LFB Museum Project | 201 | | | | (38) | 163 |

| £000s | Opening Balance at 01/04/20 | Approved Movements in Q4 19/20 | Approved Movement to Q1 | Transfer Between Reserves | Proposed Use of Reserves | Anticipated Balance at 31/03/20 |
|--------------------------------|-----------------------------|--------------------------------|-------------------------|---------------------------|--------------------------|---------------------------------|
| London Resilience | 771 | | | | | 771 |
| London Safety Plan Initiatives | 3,162 | | | | (439) | 2,723 |
| New Governance Arrangements | 0 | | | | | 0 |
| Organisational Reviews | 327 | | | | (89) | 239 |
| Recruitment/ Outreach | 250 | | | | | 250 |
| Sustainability | 235 | | | | | 235 |
| Vehicle & Equipment Reserve | 2,697 | | | | (59) | 2,638 |
| Budget Flexibility | 29,930 | | | | (4,904) | 25,027 |
| General | 21,399 | (5,824) | | | (10,103) | 5,472 |
| Total | 79,224 | 0 | 0 | 0 | (16,853) | 62,371 |

63. The Final Outturn Financial Position report (LFC 0355) approves the transfer of £5,500k into a new Transformation reserve to fund the Transformation Delivery Plan and £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.
64. The use of reserves mainly includes £439k on Compensation reserve to fund personal injury claims, £439k from the London Safety Plan initiatives and £674k to fund Fire Safety and Youth Engagement.
65. It is proposed to transfer to the earmarked reserve the expected underspend on Other Property Services of £150k detailed in paragraph 22 above and £361k on professional service for the HR and Payroll System delayed due to Covid-19 detailed in paragraph 26. It is planned that this underspends will be earmarked in the reserve for use next year.
66. The forecast movement on the reserves in 2019/20 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 2020 presented in the March Budget, and the revised forecast balance included in this report. The forecast balance in reserves has decreased from £79,224k to £62,611k, a decrease of £16,613k mainly as a result of the forecast overspending position on the general reserve.

Capital

67. The forecast capital outturn position at the end of June 2020 is £33,037k, a reduction of £3,144k compared to the position reported at 2019/20 Outturn, £36,181k (LFC-0355-D). The main changes in the programme are outlined below:

| | |
|--------------------------------------|------------------|
| • Budgets brought forward to 2020/21 | £5,285k |
| • Budget slippage to future years | (£8,452k) |
| • New budget (agreed LFC-0284y) | £23k |
| Total | (£3,144k) |

68. The budgets brought forward to 2020/21 of £5,285k primarily relate to Fleet and Property, with key movements occurring from the Fire boats replacement (£3,148k), Plumstead Fire Station redevelopment (£768k) Heating at various stations (£522k) and Roofing replacement (£357k) schemes.

69. The budget slippage of £8,452k to future years includes New Audio and Vision Equipment for Stations (£500k), Property projects on the Lambeth River Station redevelopment (£2,947k) and Croydon Training Centre (£828k) along with the Respiratory Protective Equipment and Fireground Radio projects where the operational requirement is addressing developing needs post Grenfell, and responding to market changes (£3,200k).
70. The capital budgets include the impact of reports recently approved for Fleet (LFB Specialist Heavy Fleet Vehicles Replacement LFC-0284y) Property Services (Premises Asset Replacement Works for Projects in 2020/21 and 2021/22– London Fire Brigade Estate LFC-0354y).
71. The changes from the 2019/20 outturn position are summarised by department in Table 5 below, and a more detailed explanation of the changes is provided in Appendix 2

Table 6 - Capital Budget Changes by Department

| Budget Year | 2020/21 Budget Outturn 2019/20 £000s | 2020/21 Revised Budget Qtr. 1 £000s | Variance £000s | Slippage (to)/ from later years £000s | Budget Increases/ (decreases) £000s |
|--------------------------|--|---|-------------------|--|--|
| ICT | 2,488 | 1,793 | (695) | (695) | 0 |
| Property | 14,153 | 11,901 | (2,252) | (2,252) | 0 |
| Communications | 110 | 110 | 0 | 0 | 0 |
| Fleet | 16,230 | 19,233 | 3,003 | 2,980 | 23 |
| Operational Policy | 3,200 | 0 | (3,200) | (3,200) | 0 |
| Capital Programme | 36,181 | 33,037 | (3,144) | (3,167) | 23 |

Debtors

72. An analysis of debtors relating to Shut in Lift is provided in Appendix 5. This includes a chart that shows the level of Shut in Lift debts. The total number of Shut in Lift debts had been falling gradually, with the overall balance reduced from £300k at the end of September 2015 to £98k at the end of June 2019. As at the end of June 2020, the total outstanding debt on Shut in Lift is £186k with this increase due to the increasing level of charges raised, with further work being undertaken to confirm if this is an ongoing trend.

Finance comments

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

Workforce comments

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

Legal comments

75. 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.

76. 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.
77. 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

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

Equalities implications

79. 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.
80. 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.
81. 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.
82. 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.
83. 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.

84. 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.
85. 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.
86. 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.
87. On 30 June 2020 the LFB Head of Strategic Finance wrote to all Heads of Department with budget packs to request their saving/growth proposals. As part of this communication a specific instruction was included which set out the LFB's obligations under the Equality Act and Public Sector Equality Duty, with guidance to support them to complete Equality Impact Assessments (EIAs) on relevant proposals.
88. The Inclusion Team has been consulted throughout the process and will support any departments undertaking EIAs on their proposals.

List of Appendices to this report

1. Detailed Financial Position
2. Capital Programme 2020/21
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

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 | Outturn | Outturn Variance | |
|--------------------------------|----------------|---------------|------------------|----------|-----------------|----------------|-------------|------------------|--------|
| | £ | £ | £ | % | £ | £ | £ | £ | % |
| Operational Staff | 67,643,835 | 68,685,602 | 1,041,766 | 1.5% | 277,944,490 | 276,250,137 | 281,150,645 | 4,900,509 | 1.8% |
| Trainee Firefighters | 533,350 | 513,277 | (20,073) | (3.8%) | 2,133,401 | 2,133,401 | 2,289,298 | 155,897 | 7.3% |
| Total Operational Staff | 68,177,186 | 69,198,879 | 1,021,693 | 1.5% | 280,077,891 | 278,383,538 | 283,439,943 | 5,056,406 | 1.8% |
| | | | | | | | | | |
| FRS Staff | 13,025,601 | 15,101,691 | 2,076,089 | 15.9% | 56,413,189 | 55,187,936 | 55,624,658 | 436,721 | 0.8% |
| Control Staff | 1,337,319 | 1,430,573 | 93,254 | 7.0% | 5,536,277 | 5,536,277 | 5,562,431 | 26,154 | 0.5% |
| Total Other Staff | 14,362,921 | 16,532,264 | 2,169,343 | 15.1% | 61,949,466 | 60,724,213 | 61,187,089 | 462,876 | 0.8% |
| | | | | | | | | | |
| Other Pension Payments | 212,500 | 7,032 | (205,468) | (96.7%) | 850,000 | 850,000 | 850,000 | 0 | 0.0% |
| Severance | 0 | 3,461 | 3,461 | 0.0% | 0 | 0 | 0 | 0 | 0.0% |
| Professional Development | 18,336,625 | 16,826,571 | (1,510,053) | (8.2%) | 20,072,924 | 19,652,125 | 19,671,532 | 19,407 | 0.1% |
| Recruitment | 41,235 | 7,140 | (34,095) | (82.7%) | 414,941 | 164,941 | 167,391 | 2,450 | 1.5% |
| Employee Related Insurance | 0 | 68,458 | 68,458 | 0.0% | 304,020 | 304,020 | 626,720 | 322,700 | 106.1% |
| Compensation | 201,453 | (1,577,369) | (1,778,823) | (883.0%) | 805,814 | 980,605 | 995,149 | 14,544 | 1.5% |
| Medical and Welfare Expenses | 501,770 | 548,059 | 46,289 | 9.2% | 2,301,081 | 2,007,081 | 1,971,525 | (35,556) | (1.8%) |
| Total Employee Related | 19,293,584 | 15,883,352 | (3,410,232) | (17.7%) | 24,748,780 | 23,958,772 | 24,282,316 | 323,545 | 1.4% |
| | | | | | | | | | |
| Firefighter Pension Scheme | 6,133,117 | 4,991,283 | (1,141,834) | (18.6%) | 21,320,692 | 21,320,692 | 21,320,692 | 0 | 0.0% |
| | | | | | | | | | |
| Building Maintenance | 3,123,439 | 906,079 | (2,217,359) | (71.0%) | 9,418,556 | 9,416,556 | 10,223,556 | 807,000 | 8.6% |
| Grounds Maintenance | 24,238 | 21,671 | (2,566) | (10.6%) | 120,984 | 120,984 | 120,984 | 0 | 0.0% |
| Premises Security | 580,752 | 377,144 | (203,608) | (35.1%) | 630,271 | 670,271 | 670,271 | 0 | 0.0% |
| Energy Costs | 396,817 | 592,488 | 195,671 | 49.3% | 2,463,430 | 2,463,430 | 2,463,430 | 0 | 0.0% |
| Rents | 4,039,277 | 4,116,628 | 77,351 | 1.9% | 8,360,856 | 8,448,856 | 8,575,518 | 126,662 | 1.5% |
| Property PFI Contract | 5,646,428 | 5,706,167 | 59,739 | 1.1% | 5,680,104 | 5,680,104 | 5,680,104 | 0 | 0.0% |
| Property Rates | 2,317,000 | 2,376,412 | 59,412 | 2.6% | 7,622,967 | 7,638,967 | 7,610,167 | (28,800) | (0.4%) |
| Water & Sewerage Rates | 47,943 | 61,007 | 13,065 | 27.3% | 279,117 | 279,117 | 279,117 | 0 | 0.0% |
| Fixtures & Fittings | 21,992 | 14,258 | (7,734) | (35.2%) | 87,969 | 87,969 | 87,969 | 0 | 0.0% |
| Cleaning and Domestic Supplies | 360,541 | 961,926 | 601,385 | 166.8% | 2,065,597 | 2,123,597 | 4,365,763 | 2,242,166 | 105.6% |
| Premises Insurance | 0 | 100,581 | 100,581 | 0.0% | 331,016 | 331,016 | 331,016 | 0 | 0.0% |
| Other Property Services | 1,545,812 | 1,653,926 | 108,114 | 7.0% | 3,073,683 | 2,934,683 | 2,784,683 | (150,000) | (5.1%) |

Appendix 1 – Detailed Financial Position

| | Current Budget | Current Spend | Current Variance | | Original Budget | Revised Budget | Outturn | Outturn Variance | |
|-----------------------------------|----------------|---------------|------------------|----------|-----------------|----------------|------------|------------------|---------|
| | £ | £ | £ | % | £ | £ | £ | £ | % |
| Total Premises | 18,104,238 | 16,888,288 | (1,215,950) | (6.7%) | 40,134,550 | 40,195,549 | 43,192,578 | 2,997,028 | 7.5% |
| | | | | | | | | | |
| Running Costs | 669,839 | 1,688,790 | 1,018,951 | 152.1% | 2,551,555 | 2,551,555 | 2,218,474 | (333,081) | (13.1%) |
| Vehicle and Equipment Contract | 11,680,946 | 11,916,278 | 235,332 | 2.0% | 11,713,196 | 11,713,196 | 11,774,586 | 61,390 | 0.5% |
| Vehicle Passthroughs | 647,154 | 604,077 | (43,077) | (6.7%) | 1,097,983 | 642,984 | 664,436 | 21,452 | 3.3% |
| Maintenance and Repairs | 0 | 0 | 0 | 0.0% | 1,262,086 | 0 | 0 | 0 | 0.0% |
| Contract Hire & Operating Leases | 316,503 | 317,476 | 972 | 0.3% | 1,266,013 | 1,266,014 | 1,338,164 | 72,150 | 5.7% |
| Travel | 211,006 | 674,903 | 463,897 | 219.9% | 821,521 | 844,021 | 1,308,171 | 464,150 | 55.0% |
| Total Transport | 13,525,448 | 15,201,524 | 1,676,076 | 12.4% | 18,712,354 | 17,017,770 | 17,303,831 | 286,061 | 1.7% |
| | | | | | | | | | |
| Hydrants | 105,001 | 1,273,136 | 1,168,135 | 1,112.5% | 445,004 | 420,004 | 420,004 | 0 | 0.0% |
| Operational Equipment | 335,977 | 2,404,546 | 2,068,569 | 615.7% | 2,739,061 | 1,491,294 | 2,828,657 | 1,337,363 | 89.7% |
| Smoke Alarms | 146,660 | 125,385 | (21,275) | (14.5%) | 586,638 | 586,638 | 531,569 | (55,069) | (9.4%) |
| Equipment Furniture and Materials | 89,808 | 339,592 | 249,784 | 278.1% | 359,235 | 403,235 | 303,931 | (99,304) | (24.6%) |
| Lost & NFWT Operational Equipment | 122,448 | 172,186 | 49,738 | 40.6% | 122,448 | 122,448 | 122,448 | 0 | 0.0% |
| Catering | 78,109 | 100,940 | 22,831 | 29.2% | 304,936 | 312,436 | 276,919 | (35,517) | (11.4%) |
| Clothing & Laundry | 2,687,766 | 3,359,974 | 672,208 | 25.0% | 3,563,096 | 3,437,897 | 3,644,676 | 206,780 | 6.0% |
| General Office Expenses | 189,093 | 200,931 | 11,838 | 6.3% | 572,464 | 579,964 | 538,964 | (41,000) | (7.1%) |
| Professional Services | 7,990,122 | 6,869,632 | (1,120,489) | (14.0%) | 9,086,878 | 8,950,899 | 10,805,848 | 1,854,949 | 20.7% |
| Postal Services | 60,717 | 42,912 | (17,806) | (29.3%) | 61,055 | 61,055 | 61,055 | 0 | 0.0% |
| Communications | 1,071,238 | 1,110,614 | 39,377 | 3.7% | 4,284,950 | 4,284,950 | 4,534,950 | 250,000 | 5.8% |
| Hardware and Software | 1,379,293 | 5,659,117 | 4,279,823 | 310.3% | 8,408,958 | 6,336,292 | 7,202,717 | 866,424 | 13.7% |
| Staff Reimbursements | 60,428 | 163,305 | 102,877 | 170.2% | 241,721 | 241,721 | 532,560 | 290,839 | 120.3% |
| Grants and Subscriptions | 58,322 | 142,113 | 83,791 | 143.7% | 233,286 | 233,286 | 297,508 | 64,222 | 27.5% |
| Other Insurance | 0 | 63,886 | 63,886 | 0.0% | 257,000 | 257,000 | 625,800 | 368,800 | 143.5% |
| Advertising | 26,465 | 36,939 | 10,473 | 39.6% | 115,861 | 105,861 | 108,003 | 2,142 | 2.0% |
| Other Supplies and Services | 11,292 | (17,396) | (28,689) | (254.1%) | 45,170 | 45,170 | 28,397 | (16,773) | (37.1%) |
| Total Supplies and Services | 14,412,739 | 22,047,810 | 7,635,071 | 53.0% | 31,427,761 | 27,870,151 | 32,864,006 | 4,993,856 | 17.9% |
| | | | | | | | | | |
| Other Agencies | 345,134 | 339,710 | (5,424) | (1.6%) | 486,134 | 396,134 | 407,435 | 11,301 | 2.9% |

Appendix 1 – Detailed Financial Position

| | Current Budget | Current Spend | Current Variance | | Original Budget | Revised Budget | Outturn | Outturn Variance | |
|----------------------------------|--------------------|--------------------|------------------|-------------|--------------------|--------------------|--------------------|-------------------|-------------|
| | £ | £ | £ | % | £ | £ | £ | £ | % |
| Other Local Authorities | 436,189 | 584,080 | 147,892 | 33.9% | 871,393 | 901,393 | 966,146 | 64,753 | 7.2% |
| Audit & Bank Charges | 81,400 | (31,669) | (113,069) | (138.9%) | 88,600 | 88,600 | 128,922 | 40,322 | 45.5% |
| Total Third Party Payments | 862,723 | 892,121 | 29,398 | 3.4% | 1,446,127 | 1,386,127 | 1,502,503 | 116,376 | 8.4% |
| | | | | | | | | | |
| Debt Repayment | (317,000) | 0 | 317,000 | (100.0%) | 6,417,000 | 5,817,000 | 5,817,000 | 0 | 0.0% |
| External Interest | 257,667 | (97,720) | (355,386) | (137.9%) | 2,233,000 | 2,233,000 | 2,735,430 | 502,430 | 22.5% |
| Total Capital Financing Costs | (59,333) | (97,720) | (38,386) | 64.7% | 8,650,000 | 8,050,000 | 8,552,430 | 502,430 | 6.2% |
| | | | | | | | | | |
| Budget for Non Staff Inflation | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0.0% |
| Central Contingency | 16,000 | 0 | (16,000) | (100.0%) | 16,119 | 64,465 | 76,129 | 11,665 | 18.1% |
| Savings to Be Achieved | (14,694) | 0 | 14,694 | (100.0%) | (157,329) | (157,329) | (157,329) | 0 | 0.0% |
| Savings done by DA | 10,161 | 0 | (10,161) | (100.0%) | 159,781 | 163,195 | 154,723 | (8,472) | (5.2%) |
| Contingency | 11,466 | 0 | (11,466) | (100.0%) | 18,571 | 70,330 | 73,523 | 3,193 | 4.5% |
| | | | | | | | | | |
| Total revenue expenditure | 154,824,088 | 161,537,801 | 6,713,713 | 4.3% | 488,486,192 | 478,977,141 | 493,718,911 | 14,741,769 | 3.1% |
| | | | | | | | | | |
| MFB Act Income | 0 | 0 | 0 | 0.0% | (30,577,291) | (30,577,291) | (30,577,291) | 0 | 0.0% |
| Customer and Client Receipts | (2,820,577) | (313,328) | 2,507,249 | (88.9%) | (8,389,928) | (8,228,828) | (11,109,593) | (2,880,766) | 35.0% |
| Interest Receivable | (75,000) | (1,471) | 73,529 | (98.0%) | (800,000) | (800,000) | (800,000) | 0 | 0.0% |
| Bad Debts | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | 0 | 0.0% |
| Total Other Income | (2,895,577) | (314,799) | 2,580,777 | (89.1%) | (39,767,219) | (39,606,118) | (42,486,884) | (2,880,766) | 7.3% |
| | | | | | | | | | |
| Net revenue expenditure | 151,928,511 | 161,223,001 | 9,294,490 | 6.1% | 448,718,973 | 439,371,023 | 451,232,027 | 11,861,004 | 2.7% |
| | | | | | | | | | |
| Use of Earmarked Reserves | 0 | 0 | 0 | 0.0% | (6,991,401) | (4,535,417) | (4,549,961) | (14,544) | 0.3% |
| | | | | | | | | | |
| Financing Requirement | 151,928,511 | 161,223,001 | 9,294,490 | 6.1% | 441,727,572 | 434,835,606 | 446,682,066 | 11,846,460 | 2.7% |
| | | | | | | | | | |
| Financed by: | | | | | | | | | |
| Specific grants | (8,333,901) | (22,883,396) | (14,549,495) | 174.6% | (33,335,606) | (33,335,606) | (35,078,875) | (1,743,269) | 5.2% |
| GLA Grant | 0 | 0 | 0 | 0.0% | (401,500,000) | (401,500,000) | (401,500,000) | 0 | 0.0% |

Appendix 1 – Detailed Financial Position

| | Current Budget | Current Spend | Current Variance | | Original Budget | Revised Budget | Outturn | Outturn Variance | |
|-------------------------------|--------------------|--------------------|--------------------|---------------|------------------|----------------|-------------------|-------------------|-------------|
| | £ | £ | £ | % | £ | £ | £ | £ | % |
| | | | | | | | | | |
| Net Financial Position | 143,594,610 | 138,339,605 | (5,255,004) | (3.7%) | 6,891,966 | 0 | 10,103,191 | 10,103,191 | 0.0% |

Appendix 2 - Capital Programme 2020/21

2020/21 Capital position – Quarter 1

The forecast capital outturn position at the end of June 2020 is **£33,037k**, this is a **£3,144k** reduction from the position reported at 2019/20 outturn of £36,181k (LFC-0355-D). The changes in the programme are detailed below.

| | |
|--|------------------|
| Budgets brought forward to 2020/21 from future years | £5,285k |
| Budget slippage to future year | (£8,452k) |
| New budgets | £23k |
| Total | (£3,144k) |

Budget brought forward to 2020/21 from future years – £5,285k

- Property - Appliance Bay Doors (£161k)
- Property – Plumstead Fire Station (£768k)
- Property – Minor Improvements Programme (£238k)
- Property – Lift refurbishment works (£91k)
- Property – Roofing replacement (£357k)
- Property – Heating at various stations (£522k)
- Fleet - Fire boat replacement (£3,148k)

Slippage to future years – £8,452k

- ICT - Multi Agency Incident Transfer (MAIT) (£195k)
- ICT – Audio and Visual Equipment at Stations (£500k)
- Respiratory Protective Equipment and Fireground Radios (£3,200k)
- Lambeth River Station Redevelopment (£2,947k)
- LFB Training Centre, Croydon (£828k)
- Biggin Hill FS – Extension (£173k)
- Chelsea/Clapham FS's – Accommodation improvement (£273k)
- Window replacement at various stations (£168k)
- Fleet – Operational equipment (£168k)

New Budget – £23k

- Fleet – Specialist Heavy Vehicles (£23k)

Appendix 2 - Capital Programme 2020/21

The table below sets out the impact of the capital project slippage from 2019/20 and the changes to capital schemes as part of 2020/21 quarter 1 position, and the revised capital budgets for future years.

| Capital Programme 2020/21 onwards - Outturn 2019/20 | 2020/21 Capital Strategy Budget £000 | Slippage from 2019/20 £000 | 2020/21 Qtr. 1 Changes £'000 | 2020/21 Revised Budget £000 | 2021/22 Revised Budget £000 | 2022/23 Revised Budget £000 | 2023/24 Revised Budget £000 | 2024/25 Revised Budget £000 |
|---|--------------------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| ICT Projects | 1,380 | 1,108 | (695) | 1,793 | 3,985 | 4,846 | 5,950 | 6,926 |
| Property Projects | 13,251 | 902 | (2,252) | 11,901 | 27,319 | 14,173 | 10,365 | 11,699 |
| Communication Project | 80 | 30 | 0 | 110 | 1,120 | 1,152 | 0 | 0 |
| Fleet Projects | 17,779 | (1,549) | 3,003 | 19,233 | 16,283 | 2,662 | 16 | 3,423 |
| Operational Policy Projects | 3,200 | 0 | (3,200) | 0 | 8,200 | 0 | 0 | 0 |
| CAPITAL EXPENDITURE TOTAL | 35,690 | 491 | (3,144) | 33,037 | 56,907 | 22,833 | 16,331 | 22,048 |

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 decreased from £79,224k to £62,371k, a decrease of £16,853k mainly as a result of the forecast overspending position on the general reserve.

| £000s | Anticipated Balance March 2020 | Anticipated Balance (Q1 Report) | Movement |
|--|-----------------------------------|---------------------------------------|-----------------|
| Additional Resilience Requirements | 568 | 524 | (44) |
| Capital Expenditure Reserve | 11,745 | 11,745 | 0 |
| Central Programme Office | 645 | 645 | 0 |
| Community Safety Investment Fund | 0 | 0 | 0 |
| Compensation | 676 | 561 | (115) |
| Emergency Services Mobile Communication Programme | 2,172 | 2,108 | (64) |
| Emergency Medical Response | 294 | 294 | 0 |
| Fire Safety and Youth Engagement | 1,007 | 333 | (674) |
| HMICFRS inspection regime | 0 | 5,500 | 5,500 |
| Hydrants | 462 | 462 | 0 |
| ICT Development Reserve | 1,953 | 1,953 | 0 |
| LFC Control Centre | 729 | 729 | 0 |
| LFB Museum Project | 201 | 163 | (38) |
| London Resilience | 771 | 771 | 0 |
| London Safety Plan Initiatives | 3,162 | 2,723 | (439) |
| 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 | 25,027 | (4,904) |
| General | 21,399 | 5,472 | (15,927) |
| Total | 79,224 | 62,371 | (16,853) |

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 funding will be made available. This report includes funding from the GLA, but this is not yet agreed. The Brigade has also registered its intention to submit a claim to the Home Office £6m fund.
- 1.3. Whilst lockdown is now being eased there is a requirement to maintain caution with continuing requirements for social distancing, cleaning, and so on. There is also the risk of a second wave of the pandemic.

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. Plans to address this are considered in this report. This funding impact is subject to further review as the position develops, and further Government announcements are made on funding.

3. Firefighter and Local Government Pension Schemes

- 3.1. There has been 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. The figures in this report assume that no funding is received for this in subsequent financial years. As a result this £25m pressure forms a significant element of the forecast budget gap over the medium term.
- 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.

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 and it has been agreed that the share service remain with the LPP, but that this be reviewed again in three years 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 share service but also through re-structuring at LPP. 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.

6. Communications Budget

- 6.1. In response to the COVID-19 crisis and enforced working from home, ICT rolled out Tele conferencing services to strategic managers. The uptake of this service has been significant, with both the number of calls and the participants on those calls being high. The high call charges incurred continue to be reviewed with our service provider, and alternative options are now being used, primarily Microsoft Teams.

7. Transformation Delivery Plan (TDP)

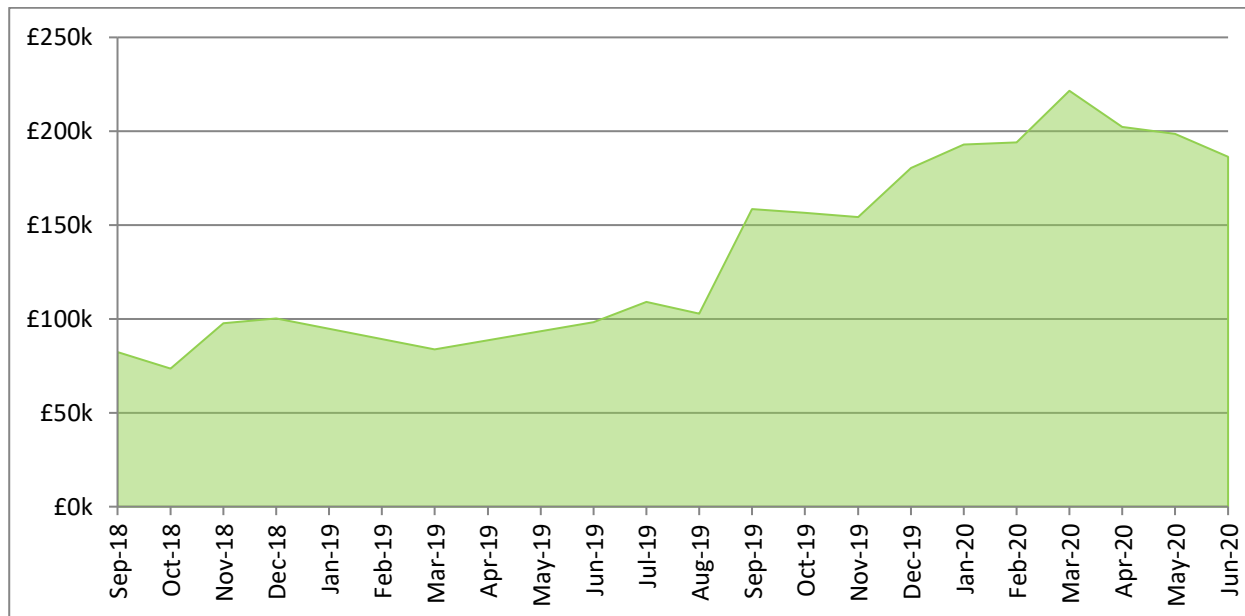
- 7.1. As departments continue to deliver the items in the TDP this will sometimes result in additional financial pressures that are currently unfunded. Where these items are identified, it is proposed that they are reviewed to consider whether any flexibility in the Transformation reserve could be used to meet these costs.

8. Risks to Capital Expenditure and Financing

- 8.1. 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.
- 8.2. 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.
- 8.3. 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.

- 8.4. 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.
- 8.5. The 2020/21 capital programme includes the **capital receipts** financing from the sale of the former fire station at Clerkenwell and the part disposal of 8 Albert Embankment. If the sales are delayed, it will impact on the financing of the capital programme and will result in additional borrowing and revenue costs than that currently envisaged. The level of required borrowing will be dependent on the timing of the capital receipts and the level of actual capital expenditure incurred during the year.
- 8.6. 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.
- 8.7. 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.
- 8.8. **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.
- 8.9. **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 is also likely to impact on the capital programme due to the lack of available funds to support the revenue costs arising from capital borrowing costs.
- 8.10. **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.

The chart below shows the amount of outstanding LIFT debts, with £186k outstanding at the end of June 2020. The level of outstanding debt has been increasing due to an increase in the level of charges raised. Further work is being undertaken to confirm if this is an ongoing trend.



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

| | £ outstanding | No of invoices |
|-----------------------------|------------------|-------------------|
| LONDON BOROUGH OF SOUTHWARK | 18,440 | 45 |
| PEABODY TRUST | 17,436 | 43 |
| A2 DOMINION HOMES LIMITED | 10,172 | 25 |
| NETWORK RAIL | 7,356 | 18 |
| AFFINITY SUTTON | 6,497 | 16 |
| Grand Total | 59,902 | 47 |

Review of the top five debtors

London Borough of Southwark:

Invoices outstanding are chased regularly and payment is expected. These invoices are just over 30 days old.

Peabody Trust:

Five of the outstanding invoices have been referred to General Counsel and the rest are chased up regularly and payment is envisaged.

A2 Dominion Homes Limited:

Three invoices have now been referred to General Counsel and further reminder letters sent out for the rest of the outstanding invoices. This would soon be referred to General Counsel for further action if payment is not received.

Network Rail:

Payment of the outstanding invoices is expected shortly.

Affinity Sutton:

Invoices outstanding are chased regularly and payment is expected.

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

