

Report Title:	
Financial Position as at the end of September 2022	
Report to:	Date:
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For Decision	
The subject matter for this report deals with the following LFB strategic priorities:	
Delivering excellence	
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PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DECISION-MAKER	

Executive Summary

This report presents the London Fire Commissioner's (LFC) financial position as at the end of September 2022 and provides information on financial performance against revenue and capital budgets.

<p>Recommended decision(s)</p> <ol style="list-style-type: none"> Notes the financial position as at the end of 30 September 2022 (Quarter 2). Agrees the reserve movements set out in the revenue reserve summary. Agrees the revised capital for 2022/23 including the transfer of £18,284k profiled to future years.
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Introduction and Background

1. This report presents the forecast financial position as at the end of September 2022 (Qtr.2).
2. All departments review their actual income and expenditure on a monthly/quarterly basis and provide an updated forecasted outturn position and explanation of variances, against all their budgets. These returns then form the basis of reporting to the Investment and Finance Board and from there on to the Commissioner's Board.

Mayor's Final Draft Budget for 2022/23

3. The Mayor of London published his Budget Guidance for 2023/24 on 29 July 2022, which set out provisional funding levels for the LFC over a three year period which are for proposed funding levels for 2023/24 of £435.7m, 2024/25 of £452.9m, and 2025/26 of £470.2m. The LFC will provide a Budget Submission to the Mayor addressing the requirements set out in the Guidance by the deadline of 25 November 2022.

Draft Statement of Accounts

4. The draft Statement of Accounts was approved by the Chief Finance Officer (Director of Corporate Services) on 31 May 2022, and is now subject to external audit, with final audited accounts to be approved by the London Fire Commissioner (LFC) and published by 30 November 2022.

Revenue

5. The forecast revenue outturn variance position at the end of September 2022 is for an overspend of £4,841k, which is 1.0% of the net revenue budget.
6. The forecast overspend is an increase of £696k since last reported at the end of June (LFC-0731) and made up of a combination of the following movements:

- £9,685k increase in the forecast overspend on operational staff due to impact of additional 2% pay award (£4,200k) that is offset by reserve and operational overtime (£3,219k), the impact of additional Bank Holiday and overtime due to Operation London Bridge (£670k), saving expected from the employers national insurance (£865k) following the government changes arising from the mini-budget, and reduction in average vacancies of 27, now a forecast average vacancy margin of 269 compared to budgeted of 296;
- £1,322k increase in the forecast overspend on FRS staff mainly due to impact of expected additional 2% pay award that is offset by reserve and saving expected from the employer's national insurance (£218k) following the government changes arising from the mini-budget;
- £703k mainly due to additional spend on compensation for two recently received high value mesothelioma (asbestos) cases;
- £573k on cleaning that is offset by the Covid reserve.

This is offset by:

- an additional application of reserve offsetting spends above £7,418k, including pay award (£5,200k), in-year saving reserve release (£1,600k) and Covid reserve release;
- in year saving relating to a revenue transfer to capital that will no longer be required £2,559k;
- as part of the ongoing review of approved growth for 2022/23, the learning and professional development

budgets have been reviewed and £856k has been offered as in-year saving;

- property rates (£470k) due to reduced liability following rating appeals;
- £326k on injury pensions with a reduction in overall injury pensioner numbers.

Operation London Bridge

7. Following the state funeral of Her Majesty, Queen Elizabeth II on Monday 19 September and our work supporting London and planning, an additional cost on Operational staff including pre-arranged overtime and overtime public holiday £670k and other costs including subsistence, training, and premises of £330k making a total of £1,000k that has been quantified in this report.

8. The forecast overspend of £4,841k could have been considerably more but mitigating measures arising from work done to date to address the overspend includes:

- in year saving relating to a revenue transfer to capital that will no longer be required £2,559k;
- use of the Budget Flexibility reserve (BFR) applied to meet inflationary costs £2,000k;
- £2,000k applied release of earmarked reserves no longer required, to help address the overspend position;
- £1,600k in-year saving reserve release to support our core budget for 2022/23;
- £1,083k relates to saving expected from national insurance following the government changes arising from the mini budget quantified in the staff forecast;
- As part of the ongoing review of approved growth for 2022/23, the learning and professional development

budgets have been reviewed and £865k offered as an in-year saving.

Fire Brigade Union (FBU) industrial Action

9. The Fire Brigades Union (FBU) conducted a consultative ballot which concluded in November on whether to accept or reject the five per cent pay offer for its members. The result of that ballot was to reject the pay offer. The FBU has now confirmed that a ballot for strike action will open on Monday, 5 December 2022 and close on Monday, 23 January 2023.

10. Any strike action will have financial implications for the LFB and require the use of its Operational Contingency Arrangements contract. This will result in set up costs and then additional expenditure for each period of strike action. This will then be offset by reduced staff payments for any strike period. Any resulting additional financial pressure would need to be met from the LFC's Budget Flexibility Reserve's, which will reduce its capability to deal with other arising pressures in the medium term.

Capital

11. The original budget for the 2022/23 capital programme was £44,996k, as per the Capital Strategy approved as part of the 2022/23 Budget report (LFC-0679). The budget was increased to £47,476k following the capital outturn position for 2021/22 reported as part of the Outturn Financial Position report (LFC-0713).

12. This report recommends that LFC approves a revised capital budget for 2022/23 of £29,192k, including the reprofiling of £18,284k to future years, to reflect project slippage identified at Qtr 1.

13. The forecast capital outturn variance position as at the end of September 2022 is for an underspend of £23,206k against the original budget, a movement of £5,986k since last reported at the end of Qtr.1 (LFC -0731) due to delays to the procurement process and the current global supply chain issues.

Section 1 London Fire Commissioner Financial Position

London Fire Commissioner Revenue Summary								
LFC Revenue (£000s)	Year to date Budget	Year to date Spend	Year to date Variance	Budget	Forecast Outturn 30 September 2022	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	136,812	144,391	7,579	273,057	293,878	20,821	11,164	9,657
Other staff	34,640	34,078	(562)	69,216	69,329	113	(1,190)	1,303
Employee related	23,042	22,948	(94)	27,090	27,439	349	(242)	591
Pensions - Injury and Ill Health	11,415	10,960	(455)	21,772	21,446	(326)	0	(326)
Premises	21,807	26,388	4,581	46,304	44,694	(1,610)	496	(2,105)
Transport	14,900	15,427	527	17,335	17,493	158	446	(288)
Supplies and services	21,282	23,355	2,073	31,697	33,024	1,326	287	1,039
Third party	1,054	780	(274)	1,413	1,670	257	(131)	388
Capital financing	411	193	(219)	9,624	9,624	0	0	0
Contingency	4,480	0	(4,480)	11,477	8,352	(3,125)	(2,244)	(882)
Income	(39,018)	(58,305)	(19,287)	(45,880)	(46,728)	(849)	699	(1,548)
Net revenue expenditure	230,824	220,214	(10,610)	463,106	480,221	17,115	9,285	7,829
Use of reserves	(180)	0	180	(1,985)	(13,800)	(11,815)	(4,397)	(7,418)
Financing Requirement	230,644	220,214	(10,430)	461,121	466,420	5,299	4,888	411
Financed by:								
Specific grants	(18,605)	(20,879)	(2,274)	(39,321)	(39,779)	(458)	(743)	285
GLA funding	(210,900)	(72,666)	0	(421,800)	(421,800)	0	0	0
Net Financial Position	1,139	126,669	(12,704)	(0)	4,841	4,841	4,145	696

London Fire Commissioner Capital Summary

LFC Capital (£000s)	Revised Budget reflecting Qtr.1 reprofiling	Forecast Outturn 30 September 2022	Forecast Outturn Variance (under)/Over	Comments
ICT	4,647	4,647	0	No movement between Q1 and Q2 Forecast Outturn position.
Property	9,664	10,308	644	<p>A total of £644k is proposed to be re-profiled into 22/23 from future years consisting of £513k for tendered works/contract awards for Privacy for all projects which are due for completion by end of March 2023 and an additional £300k forecast increase to the Plumstead refurbishment project following a revised cost plan received by the lead consultants.</p> <p>A reappraisal of project design fees payable in 22/23 has resulted in slippage to roofing replacement projects at Barking, Beckenham and Wennington fire stations (£87k) and windows replacement projects at Forest Hill, Park Royal, Bromley, Kensington, Deptford & Eltham Fire Stations (£31k) as these projects are split over 2 financial years.</p>
Communications	0	0	0	No movement between Q1 and Q2 Forecast Outturn position.
Fleet and Equipment	6,681	8,101	1,420	A previously reported delay on the Officers Pool cars has been reversed as we have been informed that the vehicles may start to be delivered as soon as November.
Operational Policy	8,200	150	(8,050)	The forecast spend of £8,200k for Respiratory Protective Equipment and Radio Equipment is proposed to be reprofiled to 2023/24 due to delays to the procurement process and the current global supply chain issues. Spend against Radio Repeaters is going ahead.
Total Capital Expenditure	29,192	23,206	(5,986)	

Reasons for the Revenue Position

The forecast revenue outturn position at the end of September 2022 is for an overspend of £4,841k, which is 1.0 per cent of the net revenue budget. The main reasons for the overspend position are explained in more detail below.

The summary revenue position for operational staff also sets out a year to date variance at Qtr 2 of a £7.6m overspend, against a forecast outturn overspend of £20.8m. The forecast outturn reflects a higher rate of spend as a result of the additional cost of pay awards (£4.2m) and higher staffing levels expected in the second half of the year. This is partially offset by reductions in expenditure on overtime as a result of actions being taken to control expenditure.

Operational Staff

The forecast overspend on operational staff is £20,821k, a movement of £9,657k since last reported at the end of Qtr.1 (LFC-0731) due to the impact of expected additional 2% pay award (£4,200k) that is offset by reserve, additional operational pre-arranged overtime PAO (£3,219k), the impact of additional Bank Holiday and PAO following the state funeral of Her Majesty, Queen Elizabeth II is £670k and reduction in average vacancies of 27, now a forecast average vacancy margin of 269 compared to budgeted of 296.

The additional overspend on PAO relates to impact of the heatwave experienced in July and the consequent need to maintain resilience at the highest levels for the remainder of July and throughout August, adding significantly to the cost. Also, additional PAO leads to increased holiday pay and further 'hanging on' if staff are moving locations. Therefore, most of this increase is attributable to the aim of maximising the number of pumps to be 'on the run' during the exceptional temperatures.

Further work is continuing to be carried out to address the forecast overspend on PAO, and an action plan has now been developed to

address this. Reduced spend on PAO is more likely to start in Qtr.4, the forecast assumes small wins from Qtr.3.

Other staff

The FRS staff budgets are forecast overspend by £113k, a movement of £1,303k, since last reported at the end of Qtr.1 (LFC- 0731). This includes the impact of expected pay award that is offset by reserve (£1,000k) and saving expected from national insurance following the government changes arising from the mini budget (£218k). This is after the impact of vacancy margin of £1.3m for the year. At the end of September there were 174 FRS vacancies across all departments, with 107 agency staff mitigating the impact of this.

Employee related

There is forecast overspend of £349k on Employee related budgets, a movement of £590k since last reported at the end of Qtr.1 mainly due to the additional spend on compensation for two recently received high value mesothelioma (asbestos) cases.

As previously reported at the end of Qtr.1, the overspend on professional development is because of inflationary pressures on the training contract of £1,000k, offset by an underspend on the current estimates of spend on training courses (£242k) and £1,000k has been transferred from the Budget Flexibility Reserve (BFR) to meet the additional in-year inflationary costs.

Firefighter Pension Scheme

There is a forecast underspend of £326k on injury pensions with a reduction in overall injury pensioner numbers.

Premises

There is an underspend of £1,610k on Premises, a movement of £2,105k since last reported at the end Qtr.1 mainly due to the reduction in a planned revenue contribution to the capital programme (£2,559k) no longer required based on the latest capital forecast for 2022/23, property

rates (£470k) due to reduced liability following rating appeals, offset by £573k on cleaning and domestic that is offset by Covid reserve and £353k on Other Property Services mainly due to 2021/22 payment falling into this year due to the impact of liability limit of £5k which resulted in a number of smaller payments from 2021/22 being incurred in 2022/23.

Transport

Reduced expenditure of £288k on transport budgets is due to reduced demand for travel due to remote working.

Supplies and services

There is a forecast overspend on Supplies and Services £1,326k, a movement of £1,039k since last reported at the end of Qtr.1 mainly due to Professional Services on Grenfell Tower Investigation legal costs offset by income from insurer.

Third party

Additional expenditure of £388k on Third Party costs to the LFC's pensions administrator (LPPA), for work required on the Firefighter Pensions remedy as part of Immediate Detriment. This expenditure will be offset by use of reserves.

Contingency

As part of the ongoing review of approved growth for 2022/23, the learning and professional development budgets have been reviewed and £856k offered as an in-year saving.

Income

Income is forecast to over recover by £1,548k mainly due to additional income from insurer relating to Grenfell that offsets spend on professional services.

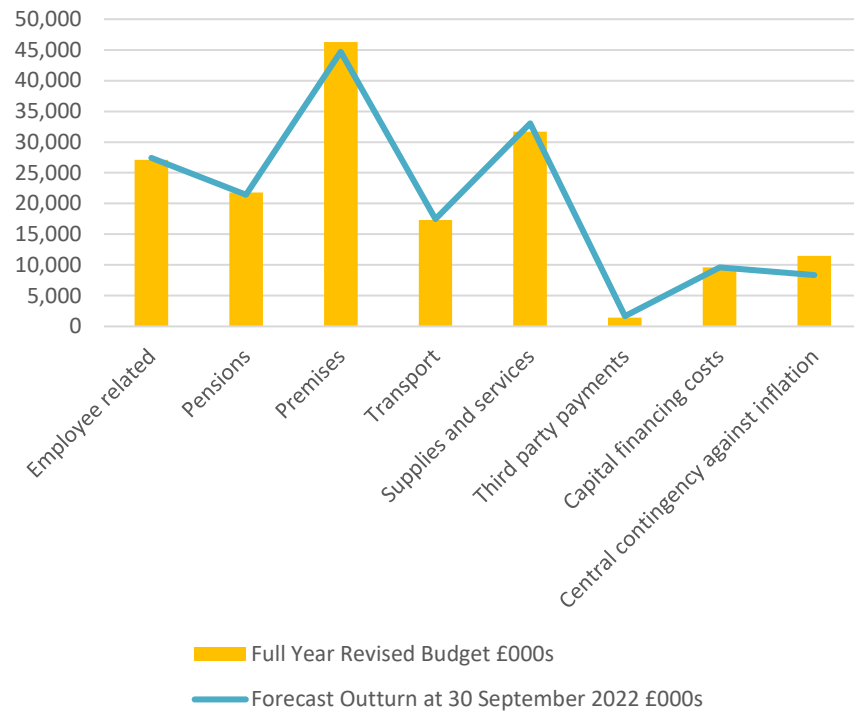
Specific grant

Reduced income of £285k on specific grants due to a forecast reduction in grant funded expenditure.

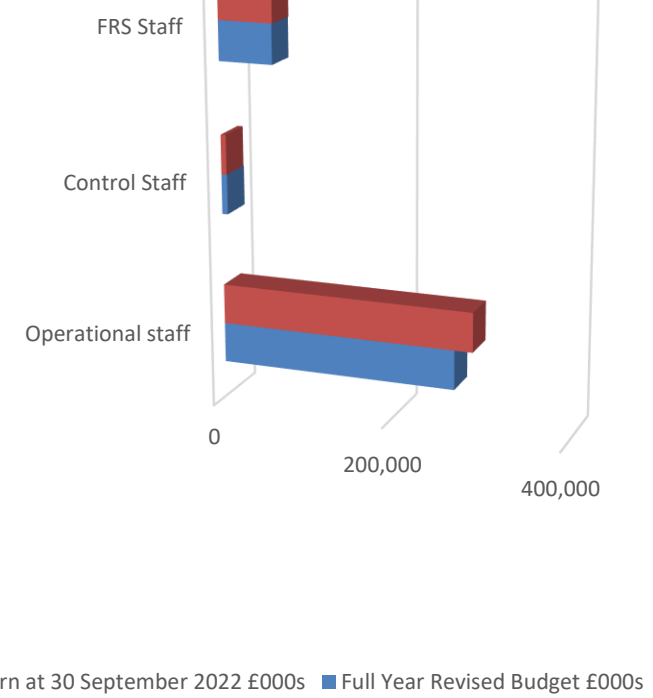
Capital

The original budget for the 2022/23 capital programme was £44,996k, as per the Capital Strategy approved as part of the 2022/23 Budget report (LFC-0679). The budget was increased to £47,476k following the capital outturn position for 2021/22 reported as part of the Outturn Financial Position report (LFC-0713), and following the underspend forecast at Qtr.1 (LFC-0731), £18,284k is being reprofiled to future years.

Annual budget vs Forecast - Non-staff (£000s)



Annual budget vs Forecast Staff (£000s)



2022/23 Approved Savings and Investments

2022/23 Approved Savings - The approved budget savings incorporated in the 2022/23 budget report was £4,149k.			
Directorate	Saving in 2022/23 £'000		
Operational Delivery	567	The saving includes restructuring within Fire Safety and deletion of posts offered as savings in 2022/23 and reduction in Control and Mobilising overtime budgets. Budget reduction has been contained within Fire Safety and Control and Mobilising and saving is on target.	
Corporate Services	2,938	<p>£1,088k saving is now fully implemented and Airwatch has been decommissioned and expenditure saving is on target;</p> <p>£1,400k Property income remains a challenge in the current climate and is unlikely to be fully achieved in this financial year. A shortfall of (£650k) specifically on Property income receipts is envisaged. This is due to reduced number of leases that are unlikely to be renewed with the Authority. Reason for this is directly linked to change in demand within the Commercial rental market (post Covid impact). This income pressure is noted within Qtr.2 budget forecast.</p> <p>£452k saving within Technical and Commercial mainly relates to reduction in modifications, protective equipment, telemetry maintenance budgets and one-off insurance saving offered as a result of reviewing previous expenditure and are on target to be fully achieved in 2022/23</p>	

2022/23 Approved Savings - The approved budget savings incorporated in the 2022/23 budget report was £4,149k.

Directorate	Saving in 2022/23 £'000		
Directorate of People	36	This saving relates to recruitment advertising budget and is on target.	
Transformation	608	Saving is related to the restructuring of the Transformation Directorate, including the removal of the Grenfell Investigation Team, and is on target.	
Total	4,149		

2022/23 Approved Investments - The approved budget investments incorporated in the 2022/23 budget report was £11,766k.

Directorate	Investment in 2022/23 £'000		
Operational Delivery	1,925	Growth includes £1,035k relating to one-off equipment costs to support the Marauding Terrorist Attack (MTA) project and staff costs. £607k has now been committed and staff posts established.	
Corporate Services	6,321	<p>Investment across the four departments is on track except for £2,559k deferred revenue contribution towards 2022/23 capital investment incorporated in the forecast outturn</p> <p>General Counsel – £1,393k investment to manage legal cost increases associated with compensations and Grenfell cases.</p> <p>Finance service - £3,025k of which £2,500k was for a revenue contribution towards capital investment which has now been reviewed and offered as a saving. The remaining £525k was for a review of the Finance Department structure which was agreed on the 6 October 2022. The saving from the delay in implementation is offset by the cost of interim/agency staff.</p> <p>ICT – £1,228k systems investment are on-going.</p> <p>Property service £675k fully committed to support energy cost rise.</p>	
Directorate of People	1,632	Implementation of growth strategy is delayed due to the delay in permanent recruitment, particularly into the People Partner roles. However, underspend is being used for temporary cover as well as training and development.	
Transformation	1,488	Investment is related to the restructuring of the Transformation Directorate, including the removal of the Grenfell Investigation Team. The funding for the restructure has been approved and recruitment is currently taking place. Vacancies are expected to be filled over the Qtr.3 and Qtr.4 periods.	

2022/23 Approved Investments - The approved budget investments incorporated in the 2022/23 budget report was £11,766k.

Directorate	Investment in 2022/23 £'000		
Communications	400	This is mainly for the Director of Communications position and the Fundraising and Partnership team and is on target.	
Total	11,766		

Commissioner's Directorate

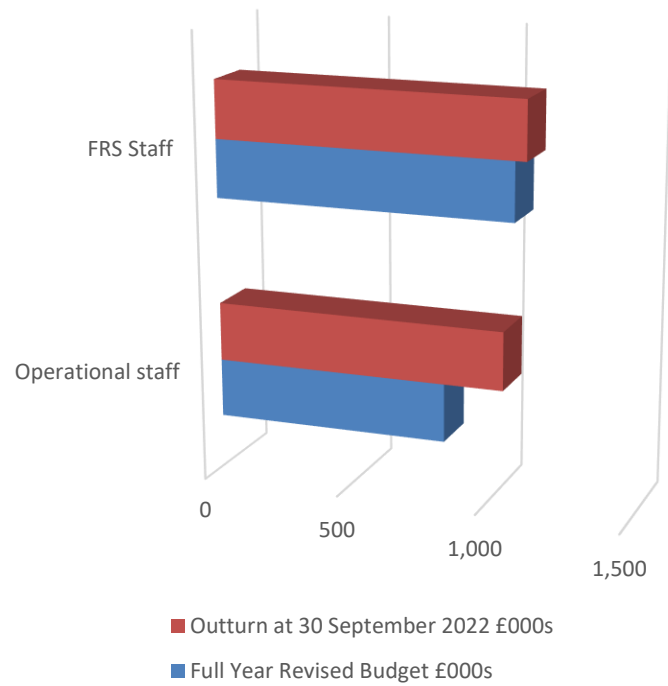
LFC Revenue (£000s)	Budget	Forecast Outturn 30 September 2022	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	834	1,044	210	180	30
Other staff	1,080	1,120	40	40	0
Employee related	24	24	0	0	0
Pensions	0	0	0	0	0
Premises	0	0	0	0	0
Transport	8	8	0	0	0
Supplies	14	143	129	129	0
Third party	0	0	0	0	0
Capital financing	0	0	0	0	0
Contingency	(25)	0	25	25	0
Income	0	0	0	0	0
Net revenue expenditure	1,934	2,339	405	374	30
Use of reserves	(49)	0	49	49	0
Financing Requirement	1,885	2,339	454	424	30
Financed by:					
Specific grants	0	0	0	0	0
Net Financial Position	1,885	2,339	454	424	30

The Commissioner's Directorate is responsible for the management of London Fire Brigade (LFB). The London Fire Commissioner (LFC) is responsible for providing London's fire and rescue service, ensuring that it is effective and efficient. All formal decisions about LFB are approved by LFC, though some decisions may need to be consulted on with the Deputy Mayor for Fire and Resilience or the Mayor of London.

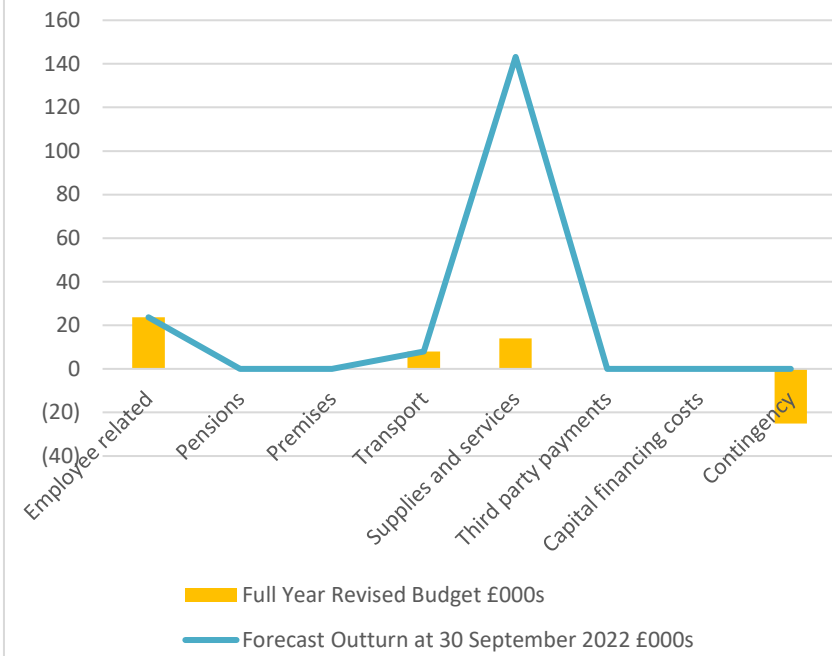
Key variance

There is an overspend of £424k on Commissioner's Directorate, an increase of £30k since last reported at the end of June mainly relating to operational staff due to two supernumery staff to the Commissioner working on Grenfell and on additional workload in the Commissioners Secretariat relating to Module 8 of the Grenfell Tower Inquiry expected to fulfil the function of an inquest.

Annual budget vs Forecast Staff (£000s)



Annual budget vs Forecast - Non-staff (£000s)



Directorate of Operational Delivery

LFC Revenue (£000s)	Budget	Forecast Outturn 30 September 2022	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	273,139	293,028	19,889	10,131	9,758
Other staff	28,291	27,042	(1,249)	(1,702)	453
Employee related	220	232	12	224	(212)
Pensions	0	0	0	0	0
Premises	140	84	(56)	(56)	0
Transport	2,250	2,331	81	154	(73)
Supplies and services	3,775	3,538	(237)	38	(275)
Third party	53	53	0	0	0
Capital financing	0	0	0	0	0
Contingency	(31)	(1)	30	58	(27)
Income	(2,261)	(1,709)	552	72	480
Net revenue expenditure	305,576	324,599	19,023	8,919	10,104
Use of reserves	(233)	(4,372)	(4,139)	0	(4,139)
Financing Requirement	305,343	320,227	14,884	8,919	5,965
Financed by:					
Specific grants	(2,740)	(3,456)	(716)	(829)	113
Net Financial Position	302,603	316,771	14,168	8,090	6,078

The Directorate of Operational Delivery is the largest directorate of the London Fire Brigade, and its main role is to make London safer. The directorate incorporates all Fire Stations, Control and Mobilising, Fire Safety, Operational Policy, Operational Resilience and Special Operations Group.

Key variance

Operational Staff

The movement of £9,758k since last reported at the end of Qtr.1 (LFC-0731) is due to the impact of additional 2% pay award (£4,200k) that is offset by reserve, additional operational pre-arranged overtime PAO (£3,219k), the impact of additional Bank Holiday and PAO due to Operation London Bridge £670k and reduction in average vacancies of 27, now a forecast average vacancy margin of 269 compared to budgeted of 296.

The further overspend on PAO relates to impact of the heatwave experienced in July and the consequent need to maintain resilience at the highest levels for the remainder of July and throughout August, adding significantly to the cost. Also, additional PAO leads to increased holiday pay and further 'hanging on' if staff are moving locations. Therefore, most of this increase is attributable to the aim of maximising the number of pumps to be 'on the run' during the exceptional temperatures.

Further work is continuing to be carried out to address the forecast overspend on PAO, and an action plan has now been developed to address this.

Forecast to March 2023 recognises cost savings that reflect the predictions to have fire stations' appliances activity based on known/historic demand activity levels. Reduced spend on PAO is

more likely to start in Qtr.4, the forecast assumes small wins from Qtr.3.

Other staff

The FRS staff budgets are forecast to underspend by £1,249k, a movement of £453k since last reported at the end of Qtr.1. This is mainly due underspends within Fire Safety. At the end of September, there were 43 FRS vacancies and, with 14 agency staff to help mitigate the impact of this.

Employee related

The previously reported overspend on employee related due to professional development cost within Fire Safety has now been revised to offset reduction in Protection Board Uplift grant income.

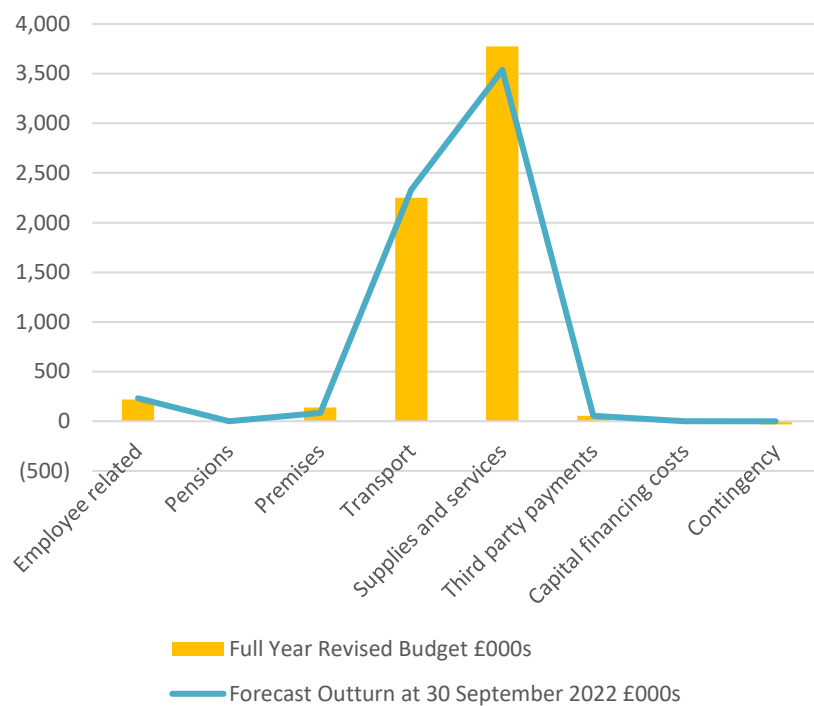
Use of reserves

The use of reserves offsets the impact of additional 2% pay award.

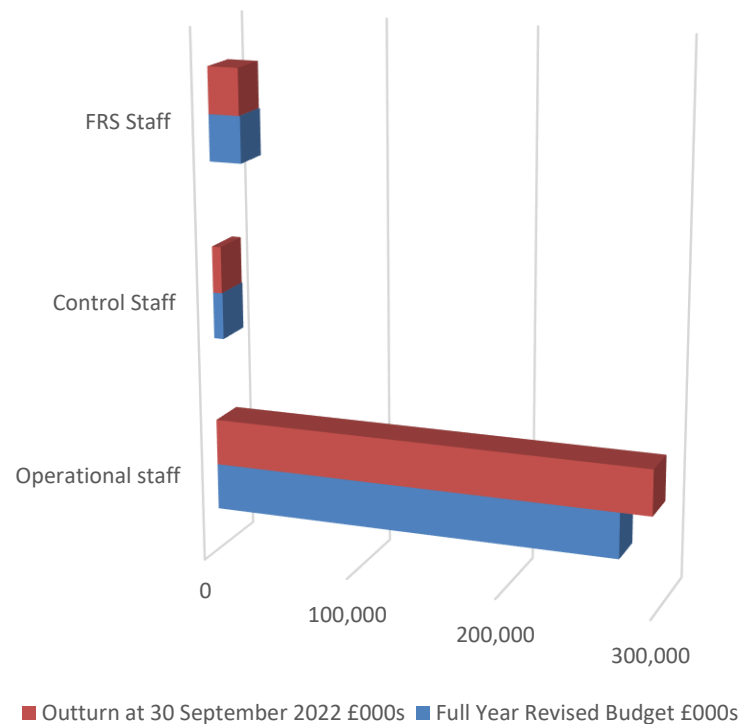
Specific grant income

The forecast under recovery on specific grants relates to Protection Board Uplift grant offsetting spend reduction.

Annual Budget vs Forecast - Non-staff
(£000s)



Annual Budget vs Forecast Staff (£000s)



Directorate of Corporate Services

LFC Revenue (£000s)	Budget	Forecast Outturn 30 September 2022	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	(6,006)	(5,940)	65	12	54
Other staff	25,871	26,694	823	198	625
Employee related	4,899	4,703	(196)	(999)	803
Pensions - Injury and Ill Health	21,772	21,446	(326)	0	(326)
Premises	46,142	44,588	(1,554)	552	(2,105)
Transport	15,014	14,937	(77)	141	(218)
Supplies	27,205	28,416	1,212	(64)	1,275
Third party	1,201	1,589	388	0	388
Capital financing	9,624	9,624	0	0	0
Contingency	10,247	7,923	(2,324)	(2,326)	2
Income	(43,037)	(44,530)	(1,493)	698	(2,190)
Net revenue expenditure	112,933	109,451	(3,481)	(1,789)	(1,692)
Use of reserves	(486)	(6,650)	(6,165)	(3,447)	(2,718)
Financing Requirement	112,447	102,801	(9,646)	(5,236)	(4,410)
Financed by:					
Specific grants	(34,393)	(34,307)	86	86	0
Net Financial Position	78,054	68,494	(9,560)	(5,150)	(4,410)

The Corporate Services Directorate exists to support the LFC's Mission by providing coordinated enabling services and advice in the areas of Finance, Information and Communications Technology, General Counsel, Procurement & Commercial, Property Services and Technical & Service Support.

Key variance

Other staff

Other staff is forecast to overspend by 823k due to the impact of expected pay award that is offset by reserve of £1,000k and also by the saving expected from national insurance following the government changes arising from the mini-budget (£218k).

Employee Related

The underspend of £196k is due to reduced forecast spend on agreed compensation. This is based on current position with known number of cases. It assumes an improved position by year end when compared against prior years but will continue to be closely monitored considering this service can be impacted by a small number of high value cases during the financial year.

Pensions – Injury and Ill health

£326k on injury pensions with a reduction in overall injury pensioner numbers.

Premises

There is an underspend of £1,554k on Premises, a movement of £2,105k since last reported at the end Qtr.1 mainly due to the reduction in

planned revenue contribution to the capital programme (£2,559k) no longer required based on the latest capital forecast for 2022/23, property rates (£470k) due to reduced liability following rating appeals, offset by £573k on cleaning and domestic that is offset by Covid reserve and £353k on Other Property Services mainly due to 2021/22 payment falling into this year due to the impact of liability limit of £5k, which resulted in a number of smaller payments from 2021/22 being incurred in 2022/23.

Supplies

There is a forecast overspend on Supplies and Services £1,212k, a movement of £1,275k since last reported at the end of Qtr.1 mainly due to Professional Services on Grenfell Tower Investigation legal costs offset by income from insurer.

Contingency

As previously reported at Qtr.1, £2,326k underspend is expected on Contingency based on forecast requirements.

Income

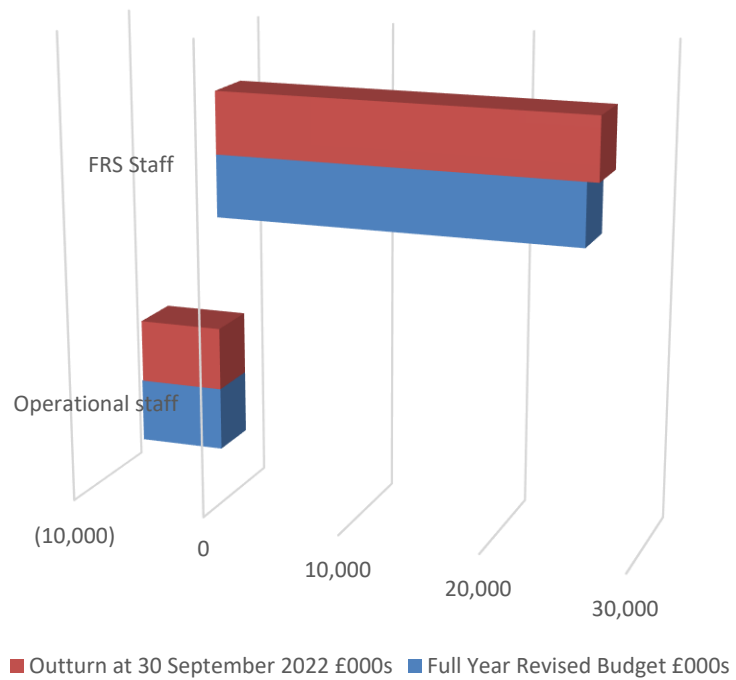
Additional income from insurer £1,493k relating to Grenfell that offsets spend on professional services.

As previously reported at Qtr.1, £698k under recovery is forecast on rental income due to leases that expired in 2021/22 and those ending in 2022/23. The revised forecast is based on guaranteed 2022/23 income.

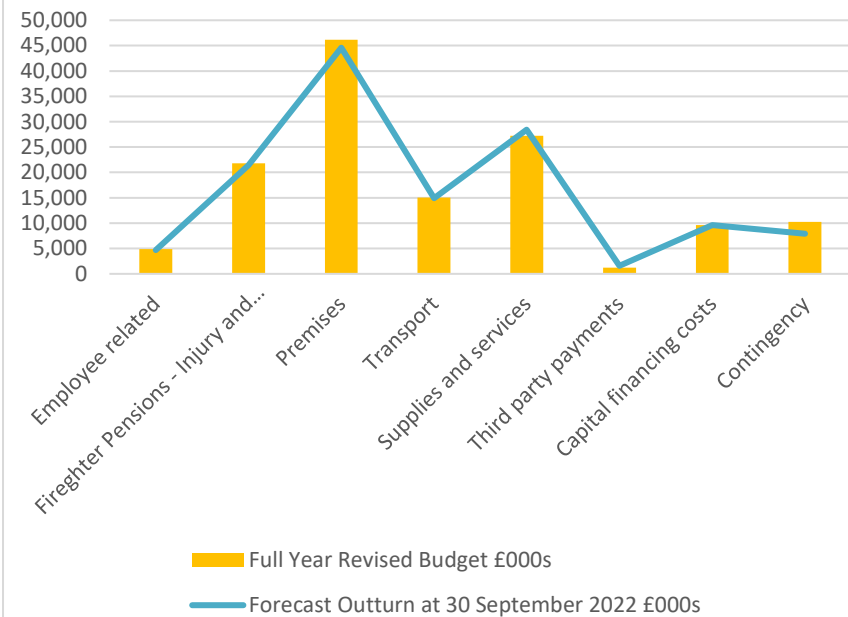
Use of reserves

The use of reserves mainly includes £2,000k drawn from reserves to help address the overspend position: £1,600k in-year saving reserve release to support our core budget for 2022/23; £1,000k offsets the impact of expected additional 2% FRS pay award and the release of other earmarked reserves including ICT development reserves and Covid reserves.

Annual budget vs Forecast Staff (£000s)



Annual budget vs Forecast - Non-staff (£000s)



Directorate of People

LFC Revenue (£000s)	Budget	Forecast Outturn 30 September 2022	Forecast Variance (under)/over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	4,403	5,042	639	827	(188)
Other staff	8,281	8,398	117	86	31
Employee related	21,947	22,480	533	533	0
Pensions	0	0	0	0	0
Premises	22	22	0	0	0
Transport	50	204	154	151	3
Supplies	286	373	87	93	(6)
Third party	0	19	19	19	0
Capital financing	0	0	0	0	0
Contingency	1,442	430	(1,012)	(0)	(1,012)
Income	(564)	(472)	92	(70)	162
Net revenue expenditure	35,867	36,496	628	1,638	(1,010)
Use of reserves	(1,200)	(2,200)	(1,000)	(1,000)	0
Financing Requirement	34,667	34,296	(372)	638	(1,010)
Financed by:					
Specific grants	0	0	0	0	0
Net Financial Position	34,667	34,296	(372)	638	(1,010)

The Directorate of People oversee every aspect of the people who work with the Brigade; how we develop and the wellbeing of everyone in the workplace. The directorate incorporates the following departments: People Services, Training and Professional Development, Health & Safety.

Key variances

Operational Staff

The operational staff overspend relates mainly to Babcock secondments, at £639k, that is partly offset by income from Babcock with balance funded by the LFC.

Other Staff

Other staff is forecast to overspend by 117k due to vacancy margin that cannot be met.

Employee related

The overspend on professional development is due to inflationary pressure met from approved draw from the Budget Flexibility Reserve.

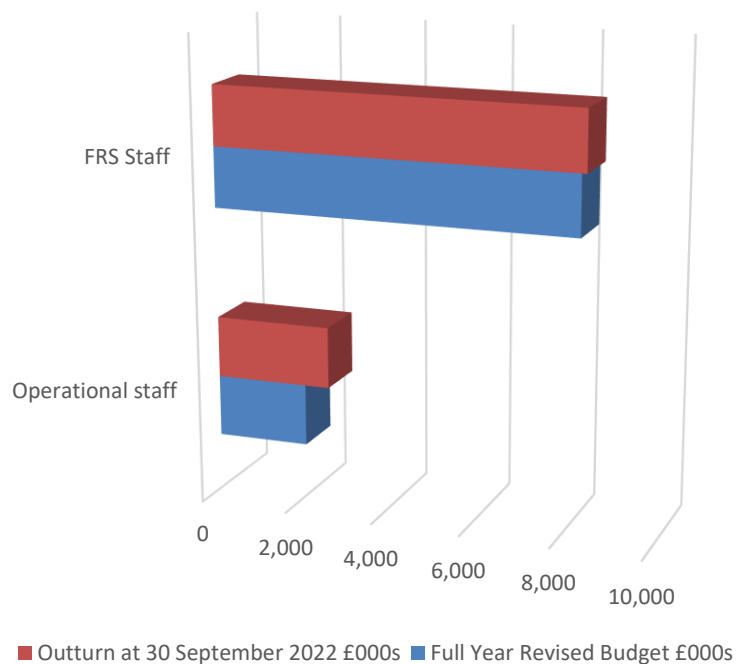
Transport

The overspend on transport is mainly due to additional training cost required to cover the 3Dual Pump Ladders training slots within Training Operations Department and Accommodation and Travel related cost within Training Performance Department.

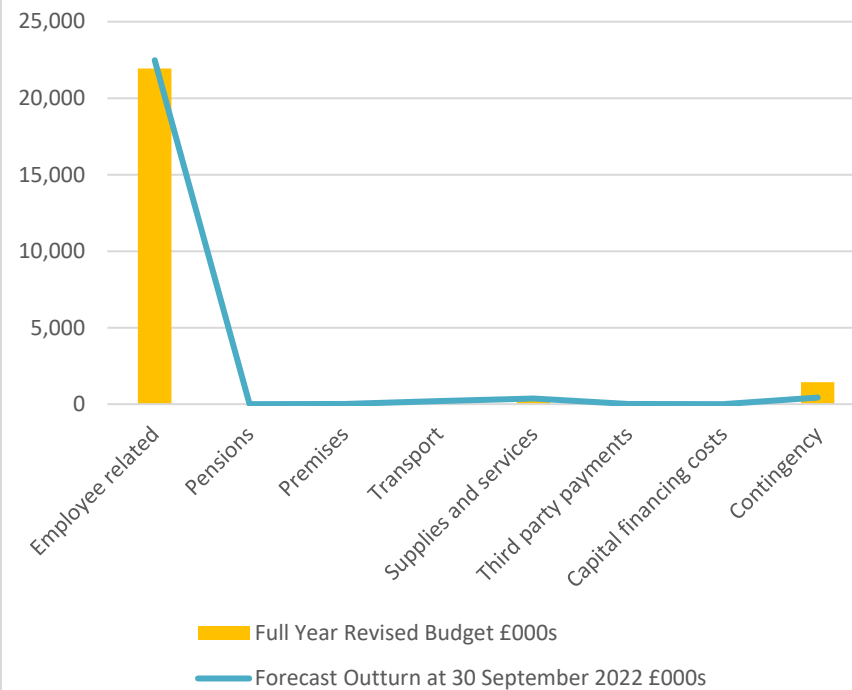
Contingency

As part of the ongoing review of approved growth for 2022/23, the learning and professional development budgets have been reviewed and offered as in-year saving.

Annual budget vs Forecast Staff (£000s)



Annual budget vs Forecast - Non-staff (£000s)



Directorate of Transformation

LFC Revenue (£000s)	Budget	Forecast Outturn 30 September 2022	Forecast Variance (under)/Over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	687	704	17	14	3
Other staff	3,524	3,601	77	46	31
Employee related	0	0	0	0	0
Pensions	0	0	0	0	0
Premises	0	0	0	0	0
Transport	12	12	0	0	0
Supplies	109	109	0	0	0
Third party	0	0	0	0	0
Capital financing	0	0	0	0	0
Contingency	(156)	0	156	(0)	156
Income	0	0	0	0	0
Net revenue expenditure	4,176	4,425	250	60	190
Use of reserves	0	(328)	(328)	0	(328)
Financing Requirement	4,176	4,097	(78)	60	(138)
Financed by:					
Specific grants	(2,188)	(2,016)	172	(0)	172
Net Financial Position	1,988	2,081	93	60	34

The Directorate of Transformation was created in 2020 and directly responds to Grenfell Tower Investigation and HMICFRS Inspection (2019) recommendations. The Directorate's objective is to manage the transformation process as the London Fire Brigade adapts in a more agile and rapid way. It includes key strategic areas such as Portfolio, Programme, Project, and Business Change; Risk Management; Assurance; Business Continuity; Strategic Planning; and Performance.

Key variances

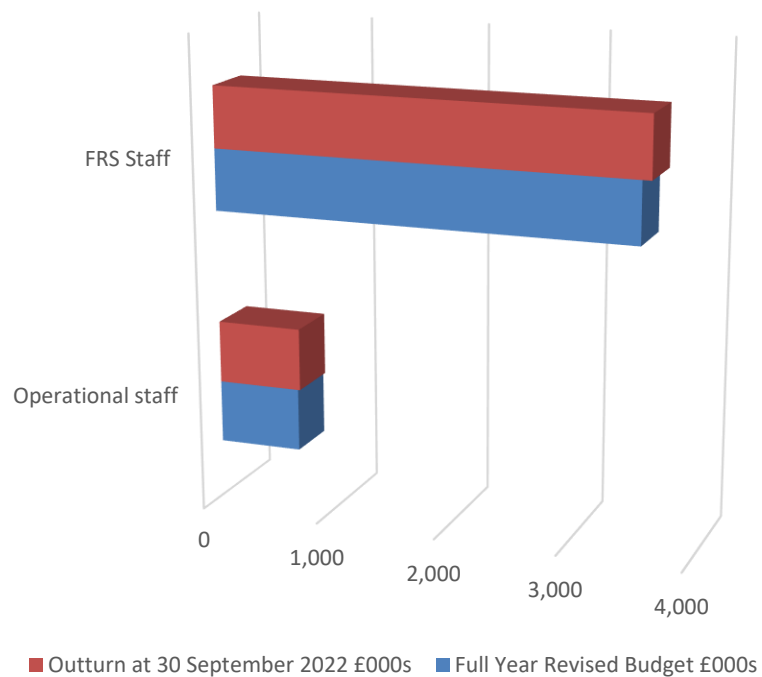
Other Staff

The forecast overspend of £93k is mainly due to the vacancy margin that cannot be met due to no vacancies alongside the current expectation on staffing levels.

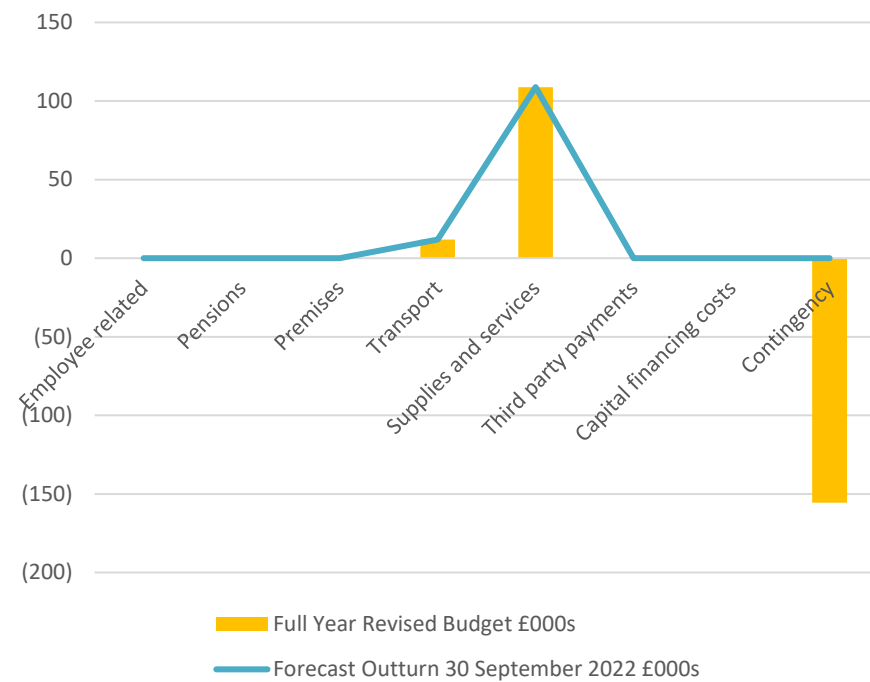
The directorate's restructure is currently in the implementation stage. The final approval to draw down the budget for the new roles was given on 21st June 2022. The Delegated Authority form has been submitted and being processed by Finance and People Services establishment accordingly. Vacancies are expected to be filled over the Qtr.3 and Qtr.4 periods.

It should be noted that the Transformation Directorate contains the budget for the National Fire Chiefs Council (NFCC) Central Programme Office. This will be transitioned out by the end of the 2022/23 financial year but creates a higher budget profile in the meantime.

Annual budget vs Forecast Staff (£000s)



Annual budget vs Forecast - Non-staff (£000s)



Directorate of Communications

LFC Revenue (£000s)	Budget	Forecast Outturn 31 September 2022	Forecast Outturn Variance (under)/Over	Forecast Outturn Variance at 30 June 2022	Movement between variance figures
Operational staff	0	0	0	0	0
Other staff	2,169	2,474	306	143	163
Employee related	0	0	0	0	0
Pensions	0	0	0	0	0
Premises	0	0	0	0	0
Transport	1	1	0	0	0
Supplies	309	444	135	90	45
Third party	158	8	(150)	(150)	0
Capital financing	0	0	0	0	0
Contingency	0	0	0	0	0
Income	(17)	(17)	0	0	0
Net revenue expenditure	2,621	2,911	291	83	208
Use of reserves	(17)	(250)	(233)	0	(233)
Financing Requirement	2,603	2,661	58	83	(25)
Financed by:					
Specific grants	0	0	0	0	0
Net Financial Position	2,603	2,661	58	83	(25)

The Directorate of Communications oversee Brand & Events; Media, Digital & Internal Communications; and Stakeholder and Community Engagement for the London Fire Commissioner.

Key variances

Other Staff

Other Staff costs is forecast to overspend by 306k, a movement of £163k since last reported due to additional funding approved within Public Affairs Department and approved drawdown on reserves.

Supplies and services

The movement of £45k since last reported on Supplies and Services costs is due to additional funding approved within Public Affairs Section for training, engagement, and evaluation activities. Supplies and Services costs overspend offset underspend on Third Party.

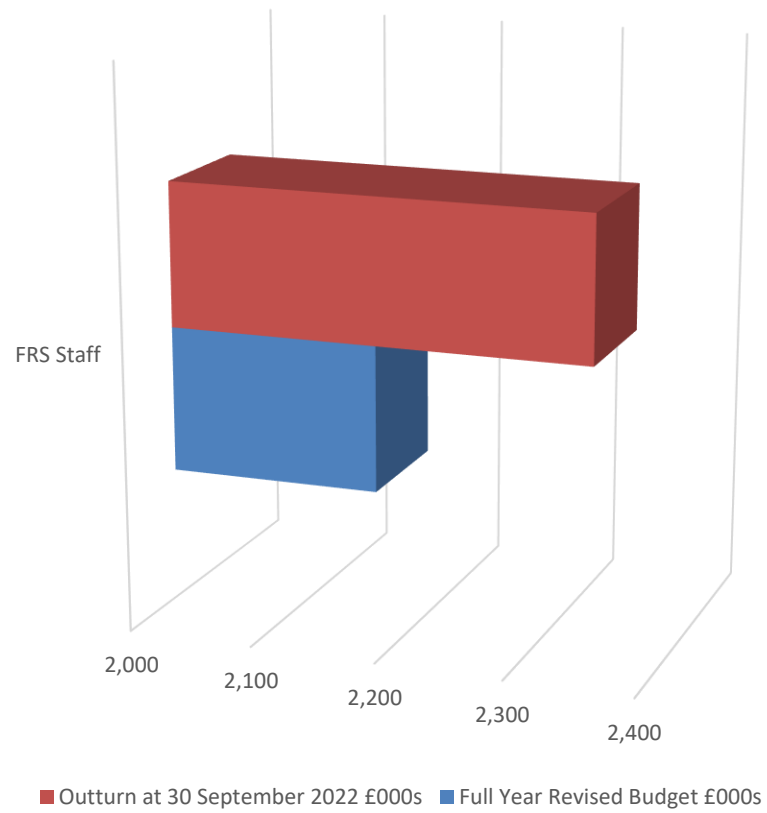
Third Party

150k is due to movement from the contingency to staff and non-staff costs.

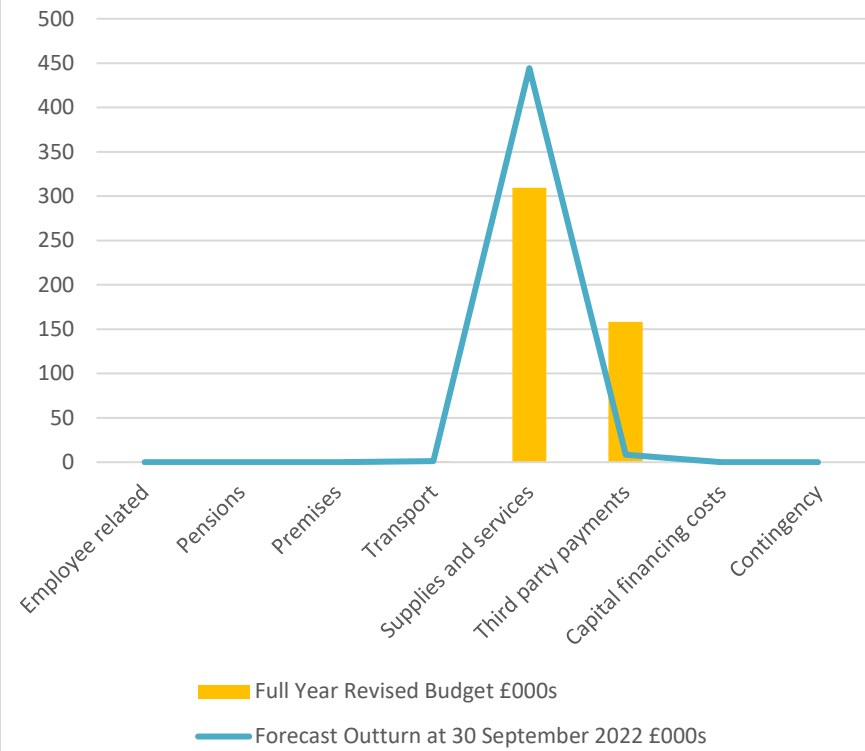
Use of Reserves

In line with funding approvals the directorate is now forecasting to draw down £250k of reserves within the 2022/23 financial year.

Annual budget vs Forecast Staff (£000s)



Annual budget vs Forecast - Non-staff (£000s)



Revenue Reserve Summary

The forecast year-end balance end balance at March 2023 on reserves is £60,559k and this is £31,869k lower than the £92,428k balance at March 2022 due to a movement of £4,219k on general reserve, £13,423k on Budget Flexibility Reserve (BFR) and £14,226k on Earmarked reserve.

General reserves

The balance on the general reserve, following the forecast outturn overspend position, is £16,209k, the minimum general reserve requirement of 3.5% of the net revenue expenditure after the transfer from BFR.

The forecast year end general reserve balance at March 2023 is £16,209k and this is £4,219k lower than the £20,428k balance at March 2022 due to the approved transfer of £4,282k from general reserve to earmarked reserve and the transfer of £4,905k from BFR to meet the forecast overspend position leaving the general reserve balance at the minimum general reserve level requirement.

Budget Flexibility reserves (BFR)

The forecast year-end balance at March 2023 on BFR is £17,109k and this is £13,423k lower than the £30,532k balance at March 2022 due to the following draw on BFR:

£4,905k to meet the forecast the forecast overspend position

£4,200k for operational pay award

£1,000k for pay award for other staff (FRS and Control)

£2,000k to meet non staff inflation

£1,200k for Training

118k Communications approved spend

Earmarked reserve

The forecast balance at March 2023 on earmarked reserves is £27,241k and this is £14,226k lower than the £41,467k balance at March 2022. This is due to:

£4,282k approved transfer from the general reserve to meet £1,100k on operational equipment relating to one-off equipment costs to support the Maurauding terrorist Attack (MTA) project; £1,000k due to forecast additional costs on Immediate Detriment for work required on the Firefighter Pensions remedy; £600k for the procurement of finance and payroll system; £430k for the Grenfell team closing to conclude Grenfell SAI work, Fire fighter study and GTI Module 8 support; £302k legal costs of RPE Challenge/Re-procurement and ICT; £350k for the leadership reserve; £300k to fund the establishment of staff project costs and other miscellaneous items totalling £202k relating to deferred one-off items of spend.

£13,227k draw on earmarked reserve including £4,700k on Capital Expenditure reserve, £2,661k from Covid reserves, £1,600k In-year saving reserve release to support our core budget for 2022/23, £328k on Central Programme Office (CPO), £193k on Vehicle and Equipment reserve to meet spend on Zero Emission programme (ZEPA), £172k on Grenfell Infrastructure reserves, £141k on Pensions Earmarked reserve, £127k on Hydrants maintenance and £83k on Communication reserve.

£8,527k forecast draw on earmarked reserve including £2,000k of Fire Safety and Youth Engagement to meet additional staff costs, £1,566k

on ICT Development reserve for finance and payroll systems, £1,000k Pensions Earmarked reserve for spend on Immediate Detriment, £1,219k on operational equipment relating to one-off equipment costs to support MTA, £773k from Community Risk Management plan for Fire Fighter Technology (FFT) project, £680k on Transformation Delivery Plan for Merton LOC project and training costs, £430k on Grenfell Infrastructure reserve for radio repeaters project and BA

trials, additional £430k on Covid reserve, £302k on Legal reserve for RPE legal case and £100k for middle leadership programme.

Reserve Description	Opening Balance at 01/04/22 £000s	Approved transfer	Planned Use of Reserve £000s	Closing Balance at 31/03/23 £000s
Capital Expenditure Reserve	11,745		(4,700)	7,045
Central Programme Office	328		(328)	0
Compensation	1,000			1,000
Covid-19	3,092		(3,091)	0
Emergency Medical Response	294			294
Emergency Services Mobile Communication Programme	1,013		(125)	888
Fire Safety and Youth Engagement	6,612		(2,000)	4,612
Grenfell Infrastructure Reserve	749	430	(602)	577
Hydrants	247		(127)	120
ICT Development Reserve	1,586	900	(1,369)	1,117
In Year Savings Reserve	3,600		(1,600)	2,000
LFB Museum Project	197		(17)	179
LFC Control Centre	729			729
London Resilience	771			771
Community Risk Management Plan	2,644		(773)	1,871
Organisational Reviews	150			150
Pension Earmarked Reserve	845	1,000	(1,141)	704
Sustainability	179		(27)	151
Transformation Delivery Plan	3,281		(712)	2,569

Reserve Description	Opening Balance at 01/04/22 £000s	Approved transfer	Planned Use of Reserve £000s	Closing Balance at 31/03/23 £000s
Vehicle & Equipment Reserve	2,407		(193)	2,215
Leadership reserve		350	(100)	250
Marauding Terrorist Attack (MTA) project		1,219	(1,219)	0
Communication Reserve		83	(83)	0
Legal reserve		302	(302)	0
Earmarked reserves total	41,467	4,283	(18,509)	27,241
Budget Flexibility	30,532		(13,423)	17,109
General	20,428	(4,284)	64	16,209
Total	92,428	(0)	(31,868)	60,559

Original vs Revised Budget

The approved budget is updated to reflect the reworking of staff costs based on actual staffing position, including for inflation, grant allocations and allocation of use of reserve incorporated as part of the quarterly reporting.

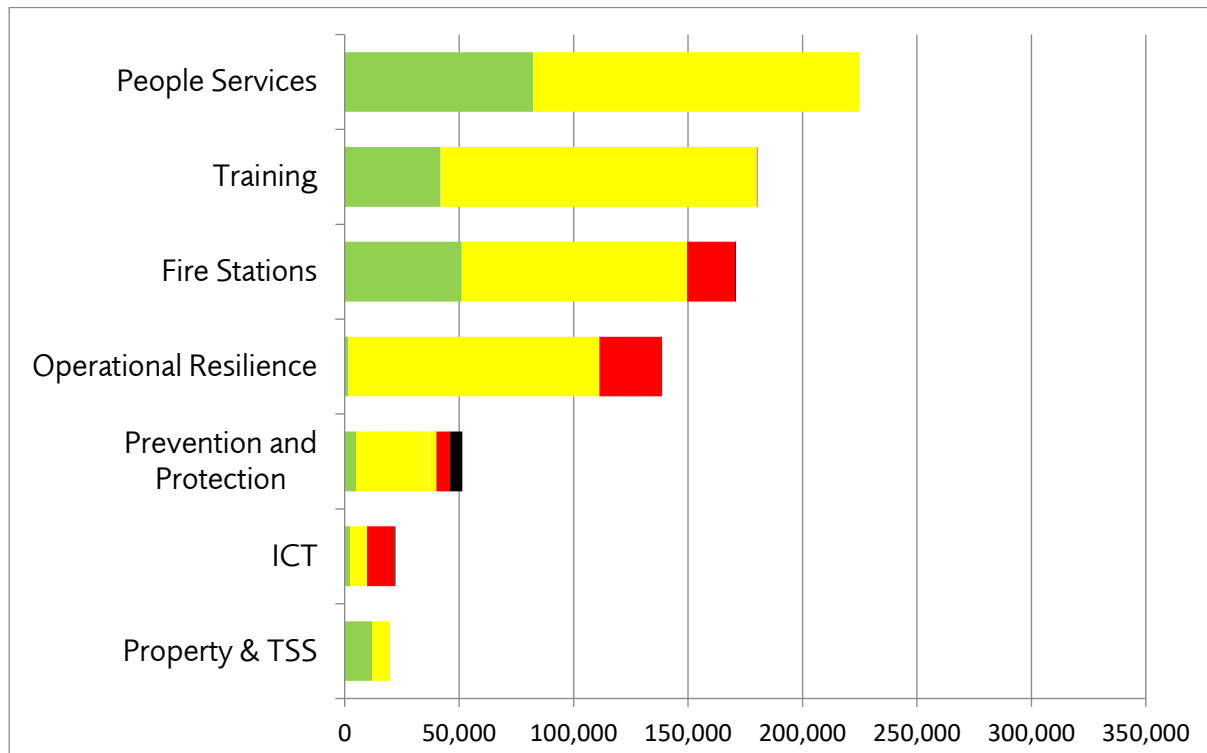
	Original budget	Full Year Revised Budget	Movement between variance figures	Comments
	£000s	£000s	£000s	
Operational staff	284,800	284,534	(266)	Movement of pay inflation from staff to contingency - It should be noted that the contingency for staff pay is included within the Operational Staff line below. For management information purpose this contingency is shown within a separate line on the directorate tables above.
Other staff	66,400	69,216	2,816	Allocations to reflect actual staffing position and additional grant income to meet staff costs.
Employee related	25,700	27,090	1,390	Additional training contract expenditure agreed in 2022/23 Budget Report.
Pensions	21,800	21,772	(28)	Reflect 2022/23 staff related saving.
Premises	42,400	46,304	3,904	Revenue contributions to capital agreed in 2022/23 Budget Report
Transport	17,700	17,335	(365)	Reflect 2022/23 savings and efficiencies.
Supplies and services	32,500	31,697	(803)	Reflect 2022/23 savings and efficiencies.
Third party payments	1,300	1,413	113	Reflect changes in 2022/23 budget.
Capital financing costs	12,200	9,624	(2,576)	Reduction in Capital Financing Costs agreed in 2022/23 Budget Report.
Central contingency against inflation	0	0	0	
Total revenue expenditure	504,800	508,986	4,186	
Other income	(44,600)	(45,880)	(1,280)	Additional income from insurers agreed in 2022/23 Budget Report.
Net revenue expenditure	460,200	463,106	2,906	
Use of General Reserves	0	(4,284)	(4,284)	Approved new reserves as part of year end closing.
Use of earmarked reserves	(1,900)	2,298	4,198	Additional training contract and other draw on earmarked reserve agreed in 2022/23 Budget Report.
Financing Requirement	458,300	461,121	2,821	
Financed by:				
Specific grants	(36,500)	(39,321)	(2,821)	Additional grant income to meet staff costs.
GLA funding	(421,800)	(421,800)	0	
Net Financial Position	0	0	0	

Key Performance Indicators

Debt Analysis

The balance of outstanding debt at the end of **September 2022** is £837k, with £640k (77% of the total outstanding) over 30 days old

The data presented below shows this debt broken down by department, with debt under 30 days shown as green, 30 days to 12 months old debt shown as yellow, 1 year to 6 years old debt shown as red and over 6 years old debt shown as black.



The table below provides further analysis and shows the top 5 departments from the above table with the highest outstanding debt at the end of **September 2022**, and the age of that debt.

Amount Outstanding (£)	Column Labels				
Row Labels	30 days to 6 months old	6 months to 1 year old	1 year to 6 years old	Over 6 years old	Grand Total
People Services	142,622				142,622
Training and Professional Development	137,927	165	330		138,422
Operational Resilience	109,558		27,458		137,016
Fire Stations	85,366	13,094	21,046	400	119,906
Prevention and Protection	31,600	3,490	6,024	5,301	46,415

People Services

These debts relate to the brigade secondment services provided to The National Fire Chiefs Council. The number of invoices has been issued at the end of August and become outstanding recently. The debt has been chased by the People Services team and payment is expected.

Training and Professional Development

These debts relate to seconded officers to Babcock. Invoices were issued in July and August and Training team have chased Babcock for immediate payment.

Operational Resilience

The invoice relates to seconded officer to Merseyside Fire & Rescue. The bill has been outstanding for over 30 days and has been chased for payment.

Fire Stations

This debt relates to shut in lift invoices. Finance credit control recorded a significant increase in debt collection in recent months. Since February there was a decrease in debt of £35k compared to January with further reduction of £40k in March, lowering total of debt from £186k to £146k. April to May recorded debt decrease of £2k. Summer increases of SiL incidents resulted in higher volume of invoices and impacted the total debts figure of £13k higher in June with additional £3k increase in July and further £9k in August. September report indicate £11k reduction in debts from August reducing it from £130,924 to £119,906.

Prevention and Protection

These debts relate to the brigade services provided in terms of environmental search. The additional invoices increased debt in comparison to July by additional £5k. The total debt had been addressed by Accounts Receivable team last month and in comparison, to August we saw a total decrease of debt of £58k, from £104,150 to £46,415.

Risk to the Financial Position

Likelihood	5					Operational Budget Volatility FBU Industrial Action
	4			Replacement Vehicles and Equipment	Pay Awards	Pensions Remedy
	3		Capital Rephasing, ESN, Command Support System, Systems Development, Water Hydrants, Capital Rephasing, HGV Driver Shortage	Covid Pandemic, Core Funding, Telecommunications Income, Cost of Borrowing	Capital Receipts	
	2		TDP, Legal Cost, Contractor Default, Third Party Collaboration, Debt Charges	Capital Programme - Covid 19	MFB Act Income, Fire Station Refurbishment	
	1					
		1	2	3	4	5
		Impact				

Risk	Likelihood	Impact
Operational Budget Volatility	5	5
FBU Industrial Action	5	5
Covid Pandemic	3	3
Pensions Remedy	4	5
Pay Awards	4	4
Inflation	5	4
Capital Rephasing	3	2
Core Funding	3	3
Emergency Services Network	3	2
Command Support System	3	2
Transformation Delivery Plan	2	2

Risk	Likelihood	Impact
Systems Development	3	2
Water Hydrants	3	2
Telecommunications Income	3	3
MFB Act Income	2	4
Legal Costs	2	2
Capital Programme, contractor default	2	2
Capital Programme, re-phasing	3	2
Third party collaboration	2	2
Debt Charges	2	2
Property Disposal	3	4
Fire Stations Refurbishment	2	4
Replacement Vehicles and Equipment	4	3
Capital Programme - Covid 19	2	3
Financial Markets, Cost of borrowing	3	3
HGV Driver Shortage	3	2

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.”

Change Type	Department from	Department to	Description	Date	Amount transferred
Virement	Property	Property	Permanent Transfer of budget from Rents to new subjective Service Charges.	21/06/2022	£76,126
Virement	Property	Property	Permanent Transfer of Consultants budget to Training.	21/06/2022	£38,284
Virement	Property	Property	A permanent budget is required to fund Property spend on Hire of Facilities in relation to the Fire Museum storage. This is to be funded from an underspending budget within Property, Estates Professional Services Reactive budget.	24/08/2022	£27,000
Virement	Prevention & Protection	Prevention & Protection	Life budget transferred to Youth Cadets.	01/09/2022	£19,100
Virement	Prevention & Protection	Prevention & Protection	FSD Permanent Transfer of budget from old areas (North West, North East, South West, South East) to new North, South cost centres	07/09/2022	£31,663
Virement	Property	Property	Corrections to items miscoded in the 2022/23 budget loading	13/10/2022	£33,000

Finance comments

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

Workforce comments

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

Legal comments

3. This report is submitted in accordance with Part 6 (Financial Regulations) of the London Fire Commissioner's Scheme of Governance that sets out detailed rules covering financial planning, monitoring, control, systems and procedures and insurance.
4. Specifically, this report fulfils the obligations of section 8 (f) of the Financial Regulations which stipulates, inter alia, that following consultation with the relevant Heads of Service, budget monitoring reports will be presented to the relevant Board regularly
5. The London Fire Commissioner's Scheme of Governance reserves the following decisions to the London Fire Commissioner personally:
 - Approve the budget.
 - To agree all matters that have a significant impact on the organisation or service delivery, as determined by a Director
6. Consequently, the decisions in this report fall to the London Fire Commissioner to make.

Sustainability implications

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

Equalities implications

8. 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.
9. 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.
10. 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.
11. 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.
12. 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.
 13. 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.
 14. 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.
 15. Consultation with the Inclusion Team has taken place with regard to this financial position. The outcomes have been considered when coming to the conclusions in this report. There are no direct equality impacts arising from this statement of financial position, however an equality impact assessment was undertaken on the 2021/22 budget proposals.

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES/NO

ORIGINATING OFFICER DECLARATION:

Drafting
officer to
confirm the
following
(✓)

Drafting officer

David O’Sullivan has drafted this report and confirms the following:

Assistant Director/Head of Service

Adrian Bloomfield has reviewed the documentation and is satisfied for it to be referred to Board for consideration.

Advice

The Finance and Legal teams have commented on this proposal;

Thomas Davies Legal Advisor, on behalf of General Counsel (Head of Law and Monitoring Officer)

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