

# Final 2023/24 Budget

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**Report to:**

Investment & Finance Board.....  
Commissioner's Board.....  
Deputy Mayor's Fire and Resilience Board.....  
Audit Committee.....  
London Fire Commissioner.....

**Date:**

23 February 2023  
08 March 2023  
28 March 2023  
12 June 2023

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**Report by:**

Assistant Director, Finance

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**Report classification:**

For decision

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**For publication**

I agree the recommended decision below.



**Andy Roe**  
London Fire Commissioner

**Date** This decision was remotely  
signed on 31 March 2023

# PART ONE

## Non-confidential facts and advice to the decision-maker

### Executive Summary

This report presents the London Fire Commissioner's (LFC) final draft revenue and capital budget for 2023/24 for approval.

#### Recommended decisions

That the London Fire Commissioner agrees that:

1. Subject to the decisions below, a 2023/24 revenue budget of £445.8m be approved, being made up of net expenditure of £405.6m with £6.3m of funding from the Budget Flexibility Reserve and £33.9m funding from specific grants;
2. The revenue estimates, as set out in Appendices 1, 3 and 4, showing proposed savings, growth and budget movements, are approved;
3. The movements in reserves, as set out in table 7, are approved, including the proposed merger of the Transformation and Community Risk Management Plan reserves;
4. The establishment changes associated with the 2023/24 revenue budget, as summarised in Appendices 1, 3 and 4, are approved;
5. The capital programme with gross expenditure in 2023/24 of £35.4m, as set out in Table 8, be approved;
6. The capital strategy at Appendix 6 is approved for publication

### 1 Introduction and background

- 1.1** This report updates the budget proposals included in the Budget Submission to the Mayor in November 2022 (LFC-0766y). It proposes a balanced revenue budget for 2023/24 which is in line with the funding agreed for the LFC of £445.8m in the Mayor's Final Draft Consolidated Budget, which was considered at the meeting of the London Assembly on 23 February 2023.
- 1.2** The report also updates the Medium Term Forecast and savings and growth proposals as the estimates included in these have been refined as part of concluding the budget process.
- 1.3** The Capital Programme and Capital Strategy for the LFC have also been reviewed and updated proposals set out in this report.

## 2 The Mayor's Final Draft Consolidated Budget

- 2.1 The Mayor's final draft budget was approved without amendment by the London Assembly on 23 February 2023.
- 2.2 The Mayor is proposing to increase the fire element of his precept by £3.55 (Band D) in 2023-24 – equivalent to the monetary impact of a 2.99 per cent increase on the 2022-23 non police precept – which is below the maximum 3 per cent allowed before a referendum is required under the draft council tax referendum principles for 2023-24 for equivalent fire and rescue authorities in England.
- 2.3 For the reasons outlined above, the proposed precept is £1.19 higher than proposed in the Consultation Budget Document, raising an additional £3.7 million for LFC.
- 2.4 The Mayor has also reviewed his assumptions regarding business rates income and increased forecast levels in 2023/24. This also includes the funding provided to the LFC.

## 3 The Budget Development Process

- 3.1 The Mayor's Budget Guidance for 2023/24 for the Greater London Authority (GLA) and the functional bodies was issued on 29 July 2022. The Guidance sets out the Mayor's key policy priorities to be reflected in future years' budgets, the proposed funding levels he intends to provide for each functional body, the financial context and the planned timetable for budget preparation for the GLA Group.
- 3.2 In his Budget Guidance the Mayor has used indicative funding levels from retained business rates, council tax precept income and Group wide reserves to determine the total funding he plans to provide the LFC from the resources under his control.
- 3.3 The Mayor then set out funding totals for each functional body, which are all based on a "central scenario" assuming a 2 per cent increase in business rates in line with inflation, a 1.99 per cent increase in council tax precept and an increase in the council tax base of 1 per cent each year.
- 3.4 The LFC's Budget Submission to the Mayor was agreed and published on the LFC's website on 25 November 2022 to meet the requirements of the Guidance. In the submission the LFC proposed savings of £23.4m in addition to a £4.0m use of the budget flexibility reserve to achieve a balanced budget in 2023/24. The report then set out a £0.7m budget gap in 2024/25 and a £5.0m surplus in 2025/26.
- 3.5 The Mayor published his Consultation Budget and Draft Capital Spending Plan for 2023/24 for consultation on 16 December 2022. This consultation closed on Friday 13 January 2023. The Mayor proposed to provide funding of £435.7m for the London Fire Commissioner in that year, in line with the amount included in the LFC's Budget Submission to the Mayor, so there was no need to respond to the consultation.
- 3.6 Following the Mayor's consultation on his draft budget he published his Draft Consolidated Budget on the 18 January 2023. That report included updated funding amounts for the LFC with an additional £8.4m from 2023/24 to help support potential pay award pressures.
- 3.7 The Mayor then published his Final Draft Consolidated Budget 2023/24 on 15 February 2023 which included further increases to LFC funding allocations of £1.5m from 2023/24 onwards.
- 3.8 As set out in the section above the Mayor's Final Draft Consolidated Budget has now been agreed. Table 1 below sets out a summary of the funding proposed by the Mayor for the LFB over the three year planning period. This shows that the Mayor is indicating a total increase in LFB funding of £34.7m from 2023/24 levels to 2025/26.

Table 1: Funding Proposed by the Mayor

	2023/24 £m	2024/25 £m	2025/26 £m
<b>LFC's Budget Submission to the Mayor / Mayor's Consultation Letter to the LFC</b>	<b>435.7</b>	<b>452.9</b>	<b>470.2</b>
<b>Mayor's Final Consolidated Budget</b>			
Retained Business Rates	3.6	3.6	3.6
LFC Element of Precept	6.5	7.6	7.7
<b>Total Increase in Funding From Mayor's Consultation Letter</b>	<b>10.1</b>	<b>10.2</b>	<b>10.3</b>
<b>Total Revised GLA Funding</b>	<b>445.8</b>	<b>463.1</b>	<b>480.5</b>

3.9 The Home Office has now required that all standalone Fire and Rescue Authorities need to submit their efficiency & productivity plans for 2023/24 to the Home Office by 31 March 2023. Additional guidance on that request has now been received, including proforma that the LFC will need to complete.

## 4 Budget Update

4.1 The financial pressures and reductions within the LFCB's MTFP have been kept under review and the below table sets out the additional changes that have been identified following the publication of the LFC's budget submission to the Mayor. Additional detail on each item is set out after the table. This work will continue as part of the review and approval of each departmental budget, with any further updates included in the Final March Budget report.

4.2 If the changes in this table are agreed this will result in an additional budget pressure of £12.4m in 2023/24 increasing to £16.8m from 2024/25.

Table 2: Changes to Medium Term Assumptions

	2023/24 £m	2024/25 £m	2025/26 £m
Operational and Control Pay Award	11.9	14.0	14.0
FRS Pay Award	1.5	1.5	1.5
Top Management Group (TMG) and Directors Pay Awards	0.3	0.3	0.3
Coronation (Additional Public Holiday)	0.4	0.0	0.0
Income Review, including Interest Receipts and MFB Act Income	(1.8)	(1.8)	(1.8)
Maternity Provision (provisional estimate)	1.5	1.5	1.5
Inflation	0.9	0.9	0.9
Changes to Savings / Investment Proposals	0.5	0.4	0.3
Reduction in NI Expenditure Following Government Announcements	(2.6)	(2.6)	(2.6)
Reduced Grant to Cover NI Increase in 2022/23	2.6	2.6	2.6
Average Vacancy Margin	(2.8)	0.0	0.0
<b>Change to (Surplus) / Deficit</b>	<b>12.4</b>	<b>16.8</b>	<b>16.7</b>

## Pay

- 4.3** The expenditure of £11.9m in 2023/24 increasing to £14.0m from 2024/25 reflects the latest nationally agreed pay award offered to operational staff and control staff of 7 per cent in 2022/23 and 5 per cent in 2023/24. This is an increase of 2 per cent in 2023/24 and 3 per cent in 2024/25 from previous budget allocations. This will also result in an additional £2.1m cost in 2022/23 which will be met from the Budget Flexibility Reserve for that year only.
- 4.4** Within FRS staffing, the 2023/24 draft budget proposals uplifted the 3 per cent original assumptions by 2 per cent to a revised 5 per cent at a cost of £1m per annum. In addition to this, the 2023/24 budget proposal also includes a 5 per cent pay award assumption for 2023/24. This is an additional 3 per cent when compared with previous planning assumptions at 2 per cent. The total additional cost of £1.5m for the additional 3 per cent is highlighted above. These changes will result in a final position of sufficient funding to pay for a 5 per cent pay award and a 1 per cent salary progression increase for FRS staff in both 2022/23 and 2023/24. The cost of funding salary progression increases is forecast to be met through turnover of staff.
- 4.5** The ongoing expenditure of £0.3m from 2023/24 reflects a forecast pay award for TMG staff of 5 per cent plus 1% SPI (in line with FRS staff) and for Directors of 3 per cent in 2023/24. This amount also includes an amount to fund adjustments to some TMG pay scales.
- 4.6** The King's Coronation will be on the 6 May 2023 and will result in additional overtime costs to the brigade estimated at £430k.
- 4.7** There are currently new proposals in development to increase the maternity leave and other related provisions which will have cost pressures on both pay and arrangements for operational resilience. These proposals are currently at a draft stage, but it is expected that if approved the overall pressure would be in the region of £1.5m per annum.
- 4.8** There has been supplementary work to support the reduction of the budgeted Average Vacancy Margin (AVM) of 296 in 2022/23 down to 100 in 2023/24 (with the aim of getting to zero in 2024/25). Due to the current structure of training resourcing of new trainee Firefighters and the mechanisms to support this, then to facilitate a reduction to an AVM of 100, as put forward in the draft budget proposals, would require further investments to facilitate this reduction which did not fulfil business case criteria. There has therefore been a review as to what reduction would be feasible without a step increase in expenditure to facilitate this. Current modelling suggests a revised AVM of 153 during 2023/24 may be more realistic whilst at the same time continuing the downwards trajectory to fully removing the AVM by 2024/25. The Brigade is exploring ways to provide additional training courses using internal staff which could reduce the AVM further in 2023/24, taking into account the impact this will have on the frontline when staff are seconded from stations to provide the training.

## Income Review

- 4.9** Following a review of interest receipts and MFB Act Income additional income of £1.8m is forecast in 2023/24 and following years. This reflects increased interest rates and forecast balances available for investment and the current forecast outturn position for MFB Act income in 2022/23.

## Changes to Savings / Investment Proposals

- 4.10** The changes to saving and investment proposals includes £300k additional funding to implement National Operational Guidance. This proposal is to put the funding in place, and will be considered as part of the Investment and Finance Board's review of that Department and a business case. If agreed a proposal to implement this will be required in accordance with governance processes.

**4.11** The overall level of new investments is contained below as part of the continued development of proposals between the draft budget submission in November 2022 and the final budget report;

Directorate	Department	Budget Item	2023/24 £'000	2024/25 £'000	2025/26 £'000
Operational Delivery	Operational Resilience	Ballistic Protection, requirement for MTA project in 2023/24 only.	0	(146)	(146)
Operational Delivery	Operational Policy Assurance	National Operational Guidance. This growth should be considered in context of the wider Operational Policy and Assurance Deep Dive.	297	297	297
Operational Delivery	Operational Policy Assurance	Gas Detection Equipment replacement programme. One-off use of funding in 2024/25	0	65	(65)
Operational Delivery	Prevention and Protection	A reduction of Advisory services income.	54	54	54
Operational Delivery	Prevention and Protection	Youth Services Cadets Sponsorship, reduction in income levels due to LIFE project ending.	150	150	150
<b>Total</b>			<b>501</b>	<b>420</b>	<b>290</b>

**4.12** Once the new proposals to savings and investments since the draft budget submission in November are included, the revised Savings and Investments for 2023/24 total £2.3m and £4.6m respectively. The detail of which can be found in Appendix 3 and 4.

#### Inflation

**4.13** Inflationary pressures are continuing to be reviewed, particularly in relation to fuel costs. In 2020/21 there was an underspend of £604k due to the BP fuel credit, in 2021/22 there was an underspend of £341k due to the impact of Covid and in 2022/23 there is a forecast overspend of £400k due to inflation in relation to fuel prices.

#### Culture Review

**4.14** Privacy for All has been accelerated in the revised Capital Plan which will incur additional cost in 2023/24 of £921k as work in total is now in excess of £10,000k. This is reflected as part of the re-profiled Capital Strategy.

**4.15** The culture review has also resulted in expenditure for the Procurement of an Independent Advice and Investigation Service, a review of the People Services function and a project director to lead the culture review change process.

**4.16** The cost of the Independent Advice and Investigation Service is currently being funded from the CRMP reserve initially (approval was given in late November for spending up to £500k for up to 6 months). Future requirements for this service, including funding sources, are currently under consideration.

**4.17** There will be a pilot to supply body worn cameras. If this pilot is a success, it is expected to then be implemented across LFB. The financial commitment required for this is too early to be known until the pilot and subsequent review is undertaken.

**4.18** As part of the outcome of the culture review other financial costs may be identified. Any further costs that are identified will be contained within existing resources and prioritisation if possible, and reported on as part of the regular financial monitoring reports.

## 5 Staff Vacancy Assumptions

- 5.1 The staff budget estimates for the LFC include a usual element of assumed vacancy levels, as part of the normal turnover of staff. This has been increased in prior years with an increased assumption of 296 operational staff vacancies in 2022/23. As set out in the LFC's Budget Submission to the Mayor the strategic plan is to reduce this to 100 vacancies in 2023/24, and then to zero for the additional vacancy margin in subsequent years. However actual staff leaver and recruitment rates have continued to be reviewed in terms of what is achievable, and this has meant that vacancy rates are now likely to be higher than the 100 planned for 2023/24 as explained in para x above.
- 5.2 The budget figures in this report reflect this higher rate with potential for a further 53 operational vacancies in 2023/24, but it should be noted that work will continue to bring the number of vacancies back to planned levels earlier if possible in 2023/24, in consideration with the available budget.
- 5.3 The FRS staff vacancy margin has also been increased by an additional £2m in 2023/24, which reflects currently observed high vacancy rates alongside the introduction of additional recruitment controls to reduce expenditure.

## 6 Saving and Investment Proposals

- 6.1 In the LFC's November Budget Submission to the Mayor total budget savings of £23.4m were set out to support the 2023/24 budget position. As set out in table 2 above this position has been reviewed and updated, with an increased total level of budget savings of £28.0m now identified. These reductions are set out in Appendix 3.
- 6.2 As part of the scrutiny of budget proposals a number of items were put down for further work. In addition to this, departments have continued to review their proposals and update them as necessary. This additional scrutiny has resulted in amendments to both the savings and investment totals. The detail of which can be found in appendix 2.
- 6.3 An overall revised list of all the savings and investments can be found in appendix 2 and 3 respectively.
- 6.4 It should also be noted that as part of existing budget proposals for 2023/24 the LFC has committed to identifying further cost reductions including £300k for a targeted rolling reviewing of cost areas by the Investment and Finance Board, as well as a permanent increase to the vacancy margin of £1,000k which is expected to be achieved naturally through staff turnover and a temporary increase of a further £1,000k in 2023/24 only through enhanced recruitment controls. It is proposed that the latter will be held proportionately by each directorate and will require a delivery plan and monitoring within each directorate.

## 7 Budget Position

- 7.1 The changes set out in tables 1 and 2 above to the LFC's funding, medium term assumptions and saving/investment proposals have been summarised below, along with the resulting impact on the overall budget position.

Table 3: Summary Budget Position

	2023/24 £m	2024/25 £m	2025/26 £m
<b>LFC Budget Submission to the Mayor (Surplus) / Deficit</b>	<b>0.0</b>	<b>0.7</b>	<b>(5.0)</b>
Mayoral Funding	(10.1)	(10.2)	(10.3)
Medium Term Assumptions	12.4	16.8	16.7
<b>(Surplus) / Deficit</b>	<b>2.3</b>	<b>7.3</b>	<b>1.4</b>

- 7.2** Table 3 demonstrates that if all the proposals in this report are agreed, there would be a budget gap of £2.3m in 2023/24. The budget gap would then increase to £7.3m in 2024/25 before decreasing to a £1.4m deficit in 2025/26.
- 7.3** For short term and time limited pressures relating to inflation and Coronation it may be appropriate to use the budget flexibility reserve to fund these pressures as well as the additional cost of the coronation. The additional net cost as a result of the changes to the saving proposals would then need to be met through additional savings identified.
- 7.4** Table 4 below sets out how the individual cost pressures set out in this report could be managed to achieve a balanced budget for 2023/24. This would require an additional draw on reserves of £2.3m in 2023/24.

Table 4: Proposals to Manage Budget Increases

	2023/24 £m	2024/25 £m	2025/26 £m
<b>Revised (Surplus) / Deficit</b>	<b>2.3</b>	<b>7.3</b>	<b>1.4</b>
Additional Use of Reserve - Coronation and Inflation	(0.8)	0.0	0.0
Additional Use of Reserves – Residual Pay Award Pressures	(1.5)	0.0	0.0
Additional Savings to be identified	0.0	(7.3)	(1.4)
<b>(Surplus) / Deficit</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

- 7.5** Whilst the use of reserves creates a balanced budget in 2023/24, it must be noted that in future years the budget still has structural challenges that must be met with further savings. The draft budget submission included targeted savings of £0.3m in 2023/24, an additional £0.7m in 2024/25, rising to £2.0m cumulatively of baseline savings in 2024/25 using targeted reviews by the Investment and Finance Board. Table 4 above, identifies further savings requirements in future years in addition to this. The Investment & Finance Board will oversee work on delivering existing savings commitments and identifying further savings.

## Grants

- 7.6** The Budget for 2023/24 includes anticipated grant income of £33.9m, including a range of grants. Additional detail on the grants is set out in Table 5 below.



Table 5: Key Grant Receipts Projected

<b>Grant Name</b>	<b>Amount in 2023/24 £m</b>	<b>Expected length of Grant</b>
Pension Grant (2015 Firefighter Pension Actuarial Review)	21.7	Ongoing (Agreed annually)
Property PFI	3.7	Until 2039/40
New Dimensions	3.4	Ongoing (Agreed annually)
NFCC Corporate Portfolio Office	2.1	Under Review
Merton Regional Control Centre	1.9	Until 2034/35
Other Grants	1.1	
<b>Total</b>	<b>33.9</b>	

**7.7** As highlighted in the table, some grants will be agreed annually as part of the central government settlement process and one is under review. The current MTFS assumption is that the total of £33.9m will continue over the MTFS period..

**7.8** It should also be noted that these grant estimates do not include any additional funding for medium rise buildings. Funding for that grant is currently being negotiated with the Home Office.

## **8. Government Spending Review**

**8.1** The final Local Government Finance Settlement for 2023/24 was published on the 6 February 2023. The settlement allocated a total allocation of £59.7bn which included £17.1bn under Revenue Support Grant and Redistributed business rates revenue. This was an increase of 1.7% in cash terms.

## **9. Firefighter Pensions**

**9.1** In 2015, new laws introduced a new scheme for firefighters – the Firefighters Pension Scheme 2015 (FPS 2015). These laws included protections which meant that some members of the legacy schemes (FPS 1992 and FPS 2006) didn't join FPS 2015 either straight away or at all, depending on their age. After a legal challenge, the courts determined that these protections were age discriminatory

**9.2** Following consultation, the government has announced how the discrimination will be removed. The changes are being made into law through the Public Service Pensions and Judicial Offices Bill. The Bill came into force on 1 April 2022.

**9.3** The cost of any additional pension payments will in due course be refunded from the pension fund, but there could be cashflow implications for the LFB. There will also be administration costs that will be incurred in implementing the remedy.

**9.4** Discussions continue with the Local Government Association (LGA), fire sector, Home Office

and the LPPA (pensions administrators) on the arrangements to implement Immediate Detriment, ahead of the legislative changes coming into force on 1 October 2023.

## 10 Fire Safety Regulations

- 10.1** Following the introductions of the Fire Safety (England) Regs 2022, government grant for Protection Uplift Funding is being used to cover the implementation of the regs. However, ongoing workloads and costs are as yet to be determined as demand levels are not yet understood.
- 10.2** Government funding has been identified to support the implementation of the new Building Safety Regulator (BSR) and once processes and staffing are in place, a back-charging model has been developed. However, full clarity of the back-charging model and demand from the BSR is yet to be understood, so until there is clarity, there is a risk of under or over-resourcing this provision. There may also be additional consequential pressures on the LFB's enabling services such as ICT and administrative support.
- 10.3** The LFC is still seeking clarity regarding the flexibility/constraints for this fund and once a more accurate forecast of potential future cost will be provided for the LFB.

## 11 Risks and Opportunities

- 11.1** There are a range of risks and opportunities to the long-term financial position which are as yet unquantified in the estimates in this report. A full update on the LFC's financial risks are included in the Medium Term Financial Strategy (MTFS) at Appendix 1. The latest update to this strategy include the below items.
- 11.2** Inflationary pressures continue to form a financial risk across staff and non-staff expenditure and where possible these have been quantified and included as part of the updated budget report. However, due to the volatility within inflation this may still pose a risk or opportunity if inflation falls below the planning assumptions within 2023/24.
- 11.3** Table 4 identifies £7.4m of additional savings required to avoid the use of reserves in 2024/25, this is in addition to already identified savings targets through the use of targeted work of the Investment and Finance Board.
- 11.4** Additional costs on implementing the Culture Review may not be contained within existing budgets and therefore presents a future risk.
- 11.5** Pre-Arranged Overtime (PAO) and the impact on operational resilience will continue to present risks, though there are plans being developed to contain the use of PAO.
- 11.6** The LFC's Mobilising system contract is currently under review with the potential to extend the current contract. There may be financial costs as a result of this, including potential equipment refresh costs.
- 11.7** The MTFS includes a risk against the LFC's training, in particular on Urban Firefighting. The LFC's training requirement continues to be reviewed and this may result in further financial pressures in 2023/24 and beyond.

## 12 Financial Position

**12.1** The forecast outturn position as at the end of December 2022 (Q3) (LFC--23-016) shows an overspend of £3.8m for the 2022/23 financial year.

## **13 Reserves**

**13.1** The table below sets out the position on the financial reserves as at 31/3/23, resulting from the financial position reported above. The balance on the general reserve, following the forecasted outturn overspend position is £16.2m, and this is £0.6m above the minimum general position of 3.5% of the net revenue expenditure.

**13.2** The table also sets out a forecast closing balance on the Budget Flexibility Reserves of £13,581k as at the end of the 2022/23 financial year. This is £4,200k less than that included in the Quarter 3 financial position report, to reflect the latest pay offer of seven per cent in 2022/23 for operational staff (compared to the previous national offer of 5%).

**13.3** This report also recommends the merger of the Transformation Delivery Plan reserve into the Community Risk Management Plan (CRMP) reserve which have forecast balances of £3.2m and £2.6m respectively as at the end of the 2022/23 financial year. These will form a new CRMP reserve of £5.8m.

Table 6: Reserves Position for 2022/23 Financial Year

Reserve Description	Opening Balance at 01/04/22 £000s	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	0	1,000
Covid-19	3,092	(3,092)	0
Emergency Medical Response	294	0	294
Emergency Services Mobile Communication Programme	1,013	(125)	888
Fire Safety and Youth Engagement	6,612	0	6,612
Grenfell Infrastructure Reserve	749	(172)	577
Hydrants	247	(127)	120
ICT Development Reserve	1,586	1,077	2,663
In Year Savings Reserve	3,600	(1,600)	2,000
LFB Museum Project	197	(18)	179
LFC Control Centre	729	0	729
London Resilience	771	0	771
Community Risk Management Plan	5,925	(79)	5,846
Organisational Reviews	150	0	150
Pension Earmarked Reserve	845	719	1,564
Sustainability	179	0	179
Vehicle & Equipment Reserve	2,407	(193)	2,215
Leadership reserve	0	250	250
Marauding Terrorist Attack (MTA) project	0	619	619
Legal reserve	0	302	302
<b>Earmarked reserves total</b>	<b>41,467</b>	<b>(7,467)</b>	<b>34,000</b>
Budget Flexibility	30,532	(16,951)	13,581
General	20,428	(4,218)	16,210
<b>Total</b>	<b>92,427</b>	<b>(24,436)</b>	<b>67,991</b>

**13.4** The latest forecast position on reserves is set out in Table 7 below. This shows the forecast outturn position for 2022/23 as at the end of December 2022 and the forecast changes in the use of reserves from 2023/24 to 2025/26. Additional information on the purpose of these reserves can be found in the LFC Reserves Strategy Appendix in the November Budget Submission to the Mayor.

**13.5** The LFC will continue to regularly review all reserve balances and where possible release funds back into the general reserve.

Table 7: Forecast Use of General and Specific Reserves

	Anticipated Balance at 01/04/23	Use of Reserves in 2023/24	Use of Reserves in 2024/25	Use of Reserves in 2025/26	Anticipated Balance at 31/03/26
	£m	£m	£m	£m	£m
Capital Expenditure Reserve	7.0	-7.0	0.0	0.0	0.0
Grenfell Infrastructure Reserve	0.6	-0.6	0.0	0.0	0.0
Compensation	1.0	0.0	0.0	0.0	1.0
Pensions Earmarked Reserve	1.6	0.0	0.0	0.0	1.6
Emergency Medical Response	0.3	0.0	0.0	0.0	0.3
Emergency Services Mobile Communication Programme	0.9	0.0	0.0	0.0	0.9
Fire Safety and Youth Engagement	6.6	-2.1	-2.1	0.0	2.4
Community Risk Management Plan	5.8	-2.7	-1.5	-1	0.6
In Year Savings Reserve	2.0	-2.0	0.0	0.0	0.0
Hydrants	0.1	-0.1	0.0	0.0	0.0
ICT Development Reserve	2.7	-0.2	0.0	0.0	2.5
LFC Control Centre	0.7	0.0	0.0	0.0	0.7
LFC Museum Project	0.2	-0.1	0.0	0.0	0.1
London Resilience	0.8	-0.8	0.0	0.0	0.0
Organisational Reviews	0.1	0.0	0.0	0.0	0.1
Sustainability	0.2	0.0	0.0	0.0	0.2
Vehicle & Equipment Reserve	2.2	-1.3	0.0	0.0	0.9
Leadership Reserve	0.2	0.0	0.0	0.0	0.2
Marauding Terrorist Attack (MTA)	0.6	-0.6	0.0	0.0	0.0
Legal	0.2	-0.2	0.0	0.0	0.0
Budget Flexibility	13.6	-6.3	0.0	0.0	7.3
General	16.2	0.0	0.0	0.0	16.2
<b>Total</b>	<b>63.6</b>	<b>-24.0</b>	<b>-3.6</b>	<b>-1.0</b>	<b>35.0</b>

**13.6** The expected reserve draws set out in the table above includes draws on the In Year Saving Reserve of £2.0m to support the overall budget position in 2023/24. This reserve was set up in 2020/21 as required by the GLA. The table also includes a draw on the Capital Expenditure Reserve of £7.0m to fund the capital programme.

## 14 Fees and Charges

**14.1** The LFC receives income from a range of charges which are calculated on a cost recovery basis. Any changes to these are calculated by the Director of Corporate Services and advised to charging departments in line with delegations to officers in order to be applied from the start of the new financial year. This process includes updating the rate used for special service charges, which also covers charging for Shut in Lifts and Automatic Fire Alarm Call Outs. The Special Service charge is currently set at £364 for the 2022/23 financial year and will increase by £24 to

£388 for the 2023/24 financial year.

## 15. Capital Programme and Prudential Indicators

- 15.1** The CIPFA Prudential Code 2017 sets out a requirement for local authorities to produce a Capital Strategy, to form part of an authority's integrated revenue, capital and balance sheet planning. The Mayor's Budget Guidance requires that the Capital Strategy covers a 20 year period and forms part of the LFC's Budget Submission.
- 15.2** The Capital Programme has been subject to additional scrutiny in preparing these estimates for future years, to ensure they are robust and deliverable, recognizing 'over-optimism' in forecasts in previous years. Work will continue to further refine these as part of the ongoing review of the capital programme which will include additional scrutiny by the Investment and Finance Board. The strengthening of the business case processes, our approach to asset management (including estates conditions surveys), continuous improvement in procurement and project, programme and portfolio management are also expected to improve the delivery and value for money of our capital investment.
- 15.3** This report updates the draft capital programme included in the report setting out the Budget Submission to the Mayor in November (LFC-0766y) and provides an updated Capital Strategy at Appendix 7. A summary of the plan is set out in the table below, this includes funding of £7.0m for earmarked reserves in 2023/24, over the 2021/22 and 2022/23 financial years, with that funding then being returned in 2023/24.

Table 8: Capital Programme 2023/24 – 2026/27

Project	2023/24	2024/25	2025/26	2026/27
	£m	£m	£m	£m
<b>Capital Schemes</b>				
Properties	16.4	16.9	34.3	15.9
Fleet Replacement Plan	3.4	3.3	5.3	1.3
ICT Projects	10.0	15.5	4.4	3.2
Communications Project	0.0	0.1	0.3	0.3
Operational Policy Equipment	5.6	0.0	0.0	0.0
<b>Total Expenditure</b>	<b>35.4</b>	<b>35.8</b>	<b>44.3</b>	<b>20.7</b>

## 16 Risks to the Capital Programme

- 16.1** The capital budget is subject to risks and opportunities which are not quantified in the estimates in this report. These risks currently identified are set out in Appendix 6.

### Sustainable Development Strategy

- 16.2** LFB is drafting it's fourth Sustainable Development Strategy 2023-25, which reflects on progress to date, and the emerging issues that provide both challenges and opportunities for how London Fire Brigade deliver a more sustainable fire and rescue service. This strategy outlines how Sustainable Development is already integrated into the current strategies, plans and policies in the London Fire Brigade.

**16.3** The Sustainable Development Impact Assessment (SDIA) process has been integrated into the annual budget guidance, ensuring staff are taking into account sustainability considerations for all saving or growth proposals.

**16.4** LFB submitted the new climate budget, which sets out our approach to achieving our net zero by 2030 target. It highlights possible measures and estimated costs relating to achieving net zero across our estate and fleet and demonstrates the importance of acting quickly to reduce emissions.

## **17 Financial Management Code of Practice**

**17.1** The CIPFA Financial Management Code has been "designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability". Authorities are required to demonstrate that they are complying with the Code.

**17.2** The LFC has implemented a range of actions to improve financial management within the LFC in 2022/23, these include an efficiencies review as part of the budget process of strategic level proposals for saving and efficiencies. The LFC is also implementing annual budget delegation letters for the 2023/24 agreed budget to Directors and cascaded down to Heads of Service budget holders and enhanced recruitment controls.

**17.3** The LFC is now working on further improvements including enhanced collaboration with the GLA and FRS sector, as well as a new Business Case Process and staff recognition schemes.

## **18. Other Considerations**

### Equality comments

**18.1** The LFC and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (section 149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.

**18.2** 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.

**18.3** 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.

**18.4** The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:

- eliminate discrimination, harassment and victimisation and other prohibited conduct
- advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it

- foster good relations between people who share a relevant protected characteristic and persons who do not share it.

**18.5** 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:

- remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic
- 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
- 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.

**18.6** The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include steps to take account of disabled persons' disabilities.

**18.7** 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:

- tackle prejudice
- promote understanding.

**18.8** The requirement for each proposal which has a potential impact to undergo an Equality Impact Assessment was communicated to all Heads of Department as part of the budget guidance. This included specific instruction setting 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.

**18.9** In addition, an EIA has been undertaken on the proposals which have a direct impact on staff who are in positions which are at risk of deletion. Although this staff group is small (fewer than 10), there is an adverse impact on race and gender, given the demographic makeup of the staff group affected. This impact, including mitigations agreed to minimise the impact, is outlined in the Equality Impact Assessment (agreed staffing proposals) which is attached as an Appendix 9 to this report.

**18.10** This is particularly relevant given the 2020 Mayor's budget guidance which explicitly stated, at 5.3 and 5.4:

(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.

- 18.11** The Inclusion Team has been consulted, and an Equality Impact Assessment has been included in this report at Appendix 5.

Workforce comments

- 18.12** LFB's recognised trade unions are being consulted on the savings and investment proposals for 2023/24, and any comments received will be responded to and reported to Commissioner's Board as appropriate. It is noted that there are very few occupied FRS posts which are being deleted, and the staff reductions are expected to be achieved voluntarily. It is also noted that there are a number of growth FRS posts which should be welcomed by the trade unions. The deletion of operational posts will not require any staffing reductions as operational staff who are currently occupying such posts will be posted to alternative positions at similar rank.

Sustainability and Procurement comments

- 18.13** The LFC has signed up to be an Anchor Institution in London and as such will put plans in place to address the following Mayoral priorities:

- Procurement from small and diverse London businesses, to spread the benefits of the GLA Group's purchasing power across London's communities;
- Recruiting, retaining, promoting and upskilling Londoners from underrepresented backgrounds, with a focus on good work;
- Working with young people to ensure they have access to quality mentoring support; and Retrofit and energy efficiency on your estates, to speed up London's progress to Net Zero by 2030, including a committed pipeline of buildings to retrofit by 2024.

- 18.14** Section 6 of the Mayor's budget guidance set out expectations regarding the role of the GLA Group to play a key role in delivering a green recovery from COVID-19, and noted budget proposals would need to ensure sufficient resourcing to continue the efficient and effective delivery of the London Environment Strategy (LES), with the environment at the heart of all recovery activities. Procurement from SMEs will also play a key role in the recovery post COVID-19. Further detail on funding allocated to support delivery of the LES is set out in the Sustainability Analysis at Appendix 8.

- 18.15** Savings proposals identified in Appendix 3 include a number of in-year savings as a result of reduced consumption due to COVID-19 such as stationary, paper, printing equipment, travel and accommodation. Although too early to determine the impact on future years, the introduction of new technology to support remote working and meetings is expected to deliver some longer lasting benefits in reduced consumption. The removal of the internal catering service may lead to an increase in disposable packaging. Performance in this area will be monitored by the Sustainable Development Team and supporting campaigns included in their behaviour change programme as appropriate.

- 18.16** Savings items related to the Carbon Reduction Strategy (LFC 0256) and carbon targets are expected to have limited impact on achieving the carbon reduction target of 60 per cent by 2025. The programme of stations switch off controls has been dropped on a value for money assessment, following indications that the benefits identified at the first trial station, quickly tailed off.

**18.17** The reduced budget for the Zero Carbon Feasibility study will deliver a higher level review of options to inform future years work towards the longer term carbon targets, with no impact on the 2025 target. The reduction in the BMW i3 car fleet and the removal of the Scientific Support Units, is expected to have limited impact on overall carbon emissions, as mileage is unlikely to reduce, however increasing the mileage per vehicle, is likely to improve the whole life cost basis for the use of electric vehicles.

**18.18** The post reductions identified as savings are predominately vacancies and therefore are unlikely to have any impact on reduced energy consumption and related card emissions

**18.19** Growth proposals include an increase in the cleaning services as a result of COVID-19. The cleaning contract requires the payment of the London Living Wage (LLW) as a minimum for all staff. This is likely to result in an increase in contractors staff benefitting from the LLW identified in future years performance reporting. They also include an increase for utility costs for the new Operational Support Centre, although this is expected to have limited impact on overall carbon emissions, which has a photovoltaic array and electric vehicle charging points at the site.

**18.20** The capital programme includes funding for the Zero Emission Pumping Appliance project and carbon reduction measures on buildings, with the noted risk of additional building cost for infrastructure to support the vehicle.

Financial comments

**18.21** This report is by the Assistant Director, Finance and there are no additional comments.

Legal comments

**18.22** Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office. Under section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.

**18.23** Section 1 of the Fire and Rescue Services Act 2004 states that the Commissioner is the fire and rescue authority for Greater London. The Commissioner is also a 'best value' authority under the Local Government Act 1999 and must make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

**18.24** The statutory provisions relating to the setting of the Commissioner's budget are contained in the Greater London Authority Act 1999. Schedule 6 of the Act sets out the process for the development and approval of the GLA's consolidated budget and the various component budgets of the functional bodies such as the Commissioner. Paragraph 2 of Schedule 6 requires the Mayor to prepare a draft component budget for the Commissioner and for each of the other constituent bodies which make up the GLA's consolidated budget. The Mayor must consult the Commissioner before preparing the component budget and the London Assembly before producing a consolidated budget. In

preparing the draft he must have regard to representations which he has received as a result of the consultation process.

**18.25** This report also confirms the Capital Strategy has been prepared in accordance with best practice and guidance set out in the CIPFA Prudential Code 2017. The Capital Strategy assists with the budget setting process, ensures capital assets are used to support corporate priorities and aims to improve overall service delivery, thereby ensuring economy, efficiency and effectiveness is achieved.

**18.26** Part 6 of the London Fire Commissioners Scheme of Governance (Financial Regulations) requires the Director of Corporate Services to prepare the medium-term capital programme and annual capital estimate for approval by the Commissioner as part of the final budget report.

**18.27** This report complies with the legislative and Scheme of Governance requirements set out above.

### List of Appendices

<b>Appendix</b>	<b>Title</b>	<b>Protective Marking</b>
1.	Medium Term Financial Strategy	None
2.	Changes to Savings/Investment Proposals	None
3.	Revised Savings	None
4.	Revised Investments	None
5.	Equality Analysis	None
6.	Capital Strategy	None

# Appendix 1 – Medium Term Financial Strategy

## 1 Introduction

This report sets out the Medium Term Financial Strategy (MTFS) for the London Fire Commissioner (LFC) covering the period 2023/24 and 2025/26.

The MTFS is a key part of the LFC's financial management framework and helps to ensure that resources are managed into the medium term, and supports better alignment of those resources to strategic priorities. It improves financial planning and strategic financial management and provides the financial context within which budgets are set.

The MTFS must set out the financial plans for multiple years, have regard to affordability and take into account the interdependencies of both revenue and capital income and expenditure.

Under the CIPFA Prudential Code for Capital Finance, the LFC is also required to produce an annual Capital Strategy which sets out the investment plans, considering the affordability of those plans.

## 2 Economic context

Over the last three years the UK economy has been hard hit by the impacts of the Covid-19 pandemic, as well as the impact of the UK leaving the European Union. This has then been further impacted by the Russian invasion of Ukraine and the cost of living crisis. This presents a challenging economic context for the current and future budget processes.

Inflation has risen considerably above the Government's two per cent target, to a 40 year high of over 10%. This is impacting on the LFC not only in the higher costs it has to meet for contractual expenditure, but also in staff pay expectations driven by the increasing cost of living. The costs of living crisis has led to industrial relations tensions across many sectors and pay increases above previously planned levels, to meet these staff expectations, risk further inflationary pressure in the LFC's contractual expenditure. The uncertainty caused by the current economic context also impacts on the LFC's funding expectations. The majority of the LFC's funding comes from the Mayor, from resources available to him from government grants, the council tax and business rates. The Mayor's Budget Guidance 2023/24 considers these risks to funding, and presents a number of scenarios on the impact on the resources that may be available.

The Bank of England, like other Central Banks, has been raising interest rates to counter inflation and the fall in Sterling relative to the US dollar. The changes in Government have added to uncertainty in the market.

The rise in interest rates impacts on the LFC in particular through the borrowing to support the capital programme. The LFC has been able to make use of capital receipts to fund the capital programme for a number of years, however these are now largely exhausted and so borrowing will now be required. As interest rates increase, this new borrowing will be at rates that are higher than previously assumed, and will add further pressure to the medium term financial position as resources are set aside to repay the debt and meet the interest charges.

### **3 Background**

On 29 July 2022 the Mayor issued his latest Budget Guidance setting out the GLA's estimates of the Group budgets for each functional body, covering the period to 31 March 2026 and has been issued to underpin the process of setting the 2023/24 annual budgets. This Guidance highlights the significant funding uncertainty which the Mayor currently faces, given the impact of Covid-19, Brexit and the lack of certainty within the Government's plans to address the impact on the economy of the cost of living crisis.

This Mayoral Budget Guidance includes estimates of business rates and council tax revenue and certain assumptions have been made in those estimates. The LFC is predominantly reliant on funding from the Mayor, and his decisions on distribution of business rates and council tax.

The Budget Guidance provides three scenarios of estimates of funding and requires functional bodies to use the "central scenario" in setting their budgets for 2023/24.

The Mayor takes decisions on the distribution of the GLA business rates and council tax income and it is therefore important that the LFC can demonstrate a strategic approach to its finances enabling the achievement of strategic objectives whilst at the same time delivering real efficiencies.

### **4 London Fire Commissioner strategic priorities**

In April 2022, the Brigade produced a new Delivery Plan which set out the Brigade's priorities ahead of the next Community Risk Management Plan (CRMP) which was subsequently agreed and come into effect on 1 January 2023. This superseded the Transformation Delivery Plan (TDP) from 2020, in which the Commissioner set out the purpose, vision and priorities for the Brigade. The CRMP will build on this and set out the Brigade's ambitions for the next six years.

The Delivery Plan incorporates the outstanding actions arising from the TDP along with those from the first full inspection by Her Majesty's Inspectorate of Constabulary, Fire and Rescue Services (HMICFRS) in 2019 and the recommendations from Phase One of the Grenfell Tower Inquiry.

As at the end of quarter two, 2022/23, the Brigade has completed 50 of the 59 actions from the TDP; 19 of the 26 actions arising from the first inspection and 26 of the 29 recommendations directed at the organisation specifically or at emergency services more broadly from the Grenfell Tower Inquiry.

On 27 July 2022, HMICFRS published the findings from its second inspection of the Brigade. The overall conclusion identified that the Brigade still 'requires improvement', whilst the Inspector noted "I do not underestimate the significant work which is required to make the improvements identified".

He went on to state in his summary: "Overall, the brigade leadership have demonstrated a clear intent to addressing the problems identified during our previous inspection; however, we are yet to see any clear indication that this has translated into the improvements required". A new action plan has been developed to address the findings from the second inspection and has been submitted to HMICFRS, following approval by the London Fire Commissioner and the Deputy Mayor for Fire and Resilience.

Progress against the Delivery Plan is monitored at the LFC Portfolio Board, chaired by the Director for Transformation, and reported to stakeholders. Key changes so far include the items set out below:

- Since the 2019 inspection there have been significant changes in the governance and top management team structure, including the appointment of a new Commissioner, creation of the Transformation and People Services directorates and directors to lead these newly established structures.
- There has been an ongoing review of the LFC's governance arrangements. Significant changes to the Board structures have been introduced including the establishment of a new Finance & Investment Board and the Scheme of Delegation revised to improve the division of respective roles and responsibilities.
- We have developed a Business Assurance Framework (BAF) utilising the 'three lines of defence' model. This directly links assurance activity to the management of risk focusing on

organisational objectives and priorities. The design of the BAF is supported by a refresh and relaunch of our risk management approach and the ongoing development of performance management metrics.

- We have established an independent Audit Committee who review and triangulate all relevant information to provide assurance of the LFC's risk controls. We have appointed an independent Operational Assurance Advisor, who provides assurance on the effectiveness of operational service delivery and supporting areas, such as training, policy and operational learning.
- We are implementing a portfolio approach to enable us to prioritise change and improvement activities against business as usual, focusing on an outcome and benefits-based approach, through the adherence to programme and change management principles.

The CRMP sets out a range of commitments that could result in additional resource requirements within the Brigade. As with previous plans, the CRMP is not fully funded in advance; funding settlements for future years are uncertain and costs cannot be identified until detailed business cases have been developed. Any additional resource requirements identified as part of these commitments will be considered as part of subsequent reporting in line with LFB's governance requirements. Any financial pressures identified will then need to be considered as part of LFB's budget process for future years. These additional resources will include the financial impact of the work to achieve carbon net-zero by 2030. The GLA has also required that LFB clearly sets out the financial impact of achieving that in its budget submission.

Funding figures as set out by the Mayor represent increases in funding in each year, with an additional £24.0m provided in 2023/24, a further £17.3m in 2024/25 and a further £17.4m in 2025/26. In order to achieve the requirement for a balanced budget in 2023/24 the LFC has carried out a budget setting exercise to identify the savings required as set out in its Budget Submission to the Mayor.

## **5 The Strategy**

Given the wider economic context and the significant transformation journey which the LFC is on, the Medium Term Financial Strategy is based on the following key principles:

- The number of fire stations, appliances and firefighters are not reduced
- Delivery of the Community Risk Management Plan
- Appropriate investment continues to be made in transformation activity
- Resources are available to meet the recommendations arising from both the Grenfell Tower and Manchester Arena Inquiries and also the improvement plan from the HMICRFS inspection
- Adequate investment in core infrastructure is maintained
- Appropriate resources set aside to deliver key strategies
- Resources are allocated to key priorities
- Opportunities for innovative and modern ways working will be adopted as far as possible.
- Earmarked reserves will be maintained for specific purposes which are consistent with achieving its key priorities. The use and level of earmarked reserves will be reviewed at least annually.
- The LFC will ensure that it operates within its approved budget.

- General Fund balance will be maintained at a sustainable level.

## 6 Assumptions

The main assumptions in the MTFS are:

- 5% per annum pay award is applied to all staff groups in 2023/24.
- Each post has pay progression until the top of the grade/operational competence is reached.
- Energy and utility cost increases of £1.3m within 2023/24 contained within MTFS updates to reflect the current volatility in the market.
- Inflation is applied to other areas based on contractual requirements, linked to CPI, RPI and Average Weekly Earnings (AWE) as appropriate
- Any financial impacts of the pension remedy have not yet been included.

## 7 Medium Term Financial Strategy 2023-2026

The Medium Term Financial Strategy sets out the proposed revenue budget for the next financial year (2023/24) and financial forecasts for a further two financial years. The table below sets out a summary of the financial position in each of those years.

	2023/24	2024/25	2025/26
	£m	£m	£m
Operational Staff	307.6	313.7	317.8
Other Staff	67.6	68.9	70.7
Staff Related	28.9	30.6	31.4
Firefighter Pension Scheme	22.0	20.2	19.3
Premises	50.3	51.4	52.2
Transport	17.9	18.0	18.4
Supplies and Services	32.7	32.1	30.4
Third Party	1.4	1.5	1.5
Financing	7.7	17.2	18.6
Income	-48.1	-49.3	-49.5
Surplus (+) / Savings (-) still to be achieved	0.0	-7.3	-1.4
<b>Net Revenue Expenditure Total</b>	<b>488.0</b>	<b>497.0</b>	<b>509.4</b>
<u>Funding</u>			
Reserves (excl. BFR)	-2.0	0.0	5.0
Budget Flexibility Reserve	-6.3	0.0	0.0
<b>Total – Reserves</b>	<b>-8.3</b>	<b>0.0</b>	<b>5.0</b>
Specific Grants	-33.9	-33.9	-33.9
<b>Budget – Mayoral Funding</b>	<b>445.8</b>	<b>463.1</b>	<b>480.5</b>

As can be seen from the table, the brigade will have a net use of reserves of £3.3m across the MTFS. It is anticipated that the development of the new target operating model will form the basis

for service redesign and to help deliver this to the brigade the Budget Flexibility Reserve will be used to smooth the delivery of these future savings plans.

## **8 Efficiency Plan**

The Fire and Rescue Service National Framework for England provides for certain documents to be produced and this includes an Efficiency Plan.

The LFC published its first efficiency plan under the London Fire and Emergency Planning Authority (LFEPA) in 2016 covering four years to 2020.

In order to meet the ongoing requirement, the proposals set out in the LFC Budget Submission to the Mayor should be considered as the Efficiency Plan for the LFC covering the financial year 2023/24.

The LFC has a Value for Money (VFM) Principles Framework in place that will be used to underpin the strategic priorities, and inform future efficiency plans and budget setting.

These VFM principles have been adopted by the LFC's Investment & Finance Board. The latest framework includes:

- An outcomes-based approach to service delivery models to be adopted in line with the CRMP (Community Risk Management Plan) and the Target Operating Model.
- A Priority budgeting approach will be adopted in future budget setting processes to ensure resources are aligned with key priorities and strategic objectives.
- Organisational structures will be reviewed to ensure they are fit-for-purpose in meeting statutory obligations but lean and efficient.
- Business processes and related systems will be reviewed to ensure that they are aligned with modern, best practice and seek to maximise the use of digital solutions.
- Maximisation of procurement benefits to drive out value-for-money in commercial contracts.
- Opportunities for collaboration with the GLA, the fire and rescue sector and other public sector bodies will be proactively sought.
- Early and proactive engagement with the unions will be undertaken on any potential pay awards.

This is not an exhaustive list but gives an indication of the LFC's approach to delivering value for-money and efficiency savings. These VFM principles will be updated to reflect the further proposals to strengthen financial controls and efficiencies set out in this Budget submission.

## **9 Reserves**

As part of our statutory obligations, the LFC Chief Finance Officer (currently Director of Corporate Services) must consider the level of reserves needed to meet estimated future expenditure when calculating the budget requirement.

As part of the budget setting process, the CFO must provide a statement on the adequacy of reserves that is subject to an external audit review to assess value for money and a going concern opinion. This will be form part of the final February budget submission.

- The LFC's policy on reserves is contained within the MTFs principles highlighted above and are as follows:
- Due to the large number of risks regarding cost inflation the requirement to maintain its general reserve at a minimum of 3.5% of net revenue has been reviewed by the CFO (Director of Corporate Services). It has been deemed appropriate to keep it at this rate,



given the pressures already included within the MTFs planning assumptions and the reserves positions held within Budget Flexibility Reserves.

- The LFC will aim to balance its revenue budget over the period of the MTFs without reliance on the use of the general reserve.
- The LFC will maintain earmarked reserves for specific purposes which are consistent with achieving its key priorities.
- A specific Budget Flexibility Reserve will be earmarked and maintained to smooth the delivery of efficiencies.
- The use and level of earmarked reserves will be reviewed annually by the CFO who will give an opinion on their adequacy.

## 10 Financial Risks

### *Firefighter and Local Government Pension Schemes*

The pensions schemes provided by the LFC present significant financial challenges.

The pensions remedy that impacts all public sector pensions has a particularly significant impact of the Firefighter Pension Scheme, with the remedy to address the unlawful transitional protection impacting significant numbers of LFC staff. Managing the remedy and its implementation is expected to have significant financial impact for the LFC, with the impact on future employer pension contribution rates expected to be much clearer following the next scheme valuation.

### *Pay and Inflation*

The MTFs includes an assumption of a 5 per cent pay award for 2023/24 for all staff. 5 per cent has been agreed for operational staff but is still under discussion with all other staff groups. The pay award assumption in all subsequent years remains at the standard 2 per cent level. This assumption will be reviewed as part of the 2023/24 pay award considerations as part of the normal process to take into account inflation, affordability and other factors.

### *Urban Firefighting Course*

A report setting out plans and costs in order to implement and Urban Firefighting course has been reviewed by IFB. The pilot costs for this can be met from the CRMP reserve, however other ongoing costs are not included in the current 2023/24 budget and will be subject to a business case.

### *Fire Safety additional grant receipts.*

Additional Fire Safety Grant of £13.4m in 2023/24 has been awarded to FRAs to provide assistant to the work of the new Building Safety Regulator, with a large part of that applicable to the LFC. The implications of this along with any potential impact on 2023/24 are being assessed.

### *Pre-Arranged Overtime*

The budget for 2023/24 assumes that overtime expenditure is reduced to budgeted levels, with no increase in funding from 2022/23. If the planned reductions do not result in the decreases in expenditure forecast this will be at risk of overspending in the 2023/24 financial year.

### *Property and equipment costs*

The current economic climate has led to significant economic uncertainty. The impact of this is currently unclear, and so preparing longer term forecasts for increases in general inflation remains difficult. This is a particular risk in the Property Department.

The volatility surrounding utility costs has resulted in further cost pressures being included within this year's MTFs update. Inflationary cost pressures will be funded through the one off use of the Budget flexibility Reserve.

There is also a risk with the costs of property rents, particularly in central London, that could impact on future lease agreements/reviews. On the income budget, it has also become more challenging finding tenants and therefore a potential risk for the brigade.

There is a developing impact of the pandemic and EU exit on the supply chain and this may result further pressure on the supply of certain items including building supplies, vehicle components and IT equipment. This may result in further cost pressure.

#### *Capital Expenditure and Financing*

The capital budget can be subject to change during the year and any re-phasing or deferral due can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

The capital programme is currently proposed to be funded by a mixture of capital receipts and borrowing and the associated debt costs have been calculated using the current forecast Public Works Loans Board (PWLB) rates. Actual borrowing rates and resulting costs may be different.

A risk exists in relation to meeting the emission reduction targets for 2030 (Ultra Low Emission Fleet (ULEF) programme) for the replacement vehicles and associated equipment in that the technology and infrastructure, if available at all, may be more costly than existing vehicle technology, leading to additional capital financing costs. Existing vehicles may need to be replaced earlier than their expected replacement date, bringing forward capital expenditure.

#### *Funding from the Mayor and Central Government*

This report includes the Mayor's indicative funding allocations for LFC for planning purposes covering the next three financial years. However there is significant uncertainty about the level of funding for future years due to a number of risks on the funding available to the Mayor, through retained business rates and the council tax, as well Government decisions on funding, including the spending/fair funding reviews.

#### *Key operational systems*

The Home Office will replace the existing Airwave contracts as part of the delivery of the Emergency Services Network (ESN). Existing contracts are subsidised, and the Home Office has provided assurance this subsidy will remain for the term of the Airwave Contract.

There could be significant financial pressures to LFC under any new contract provision for ESN as the Home Office may be unwilling to continue to subsidise a future system. LFC budget plans include a saving for disbanding the ESN project team and whilst Emergency Services Mobile Communications Programme (ESMCP) have not yet issued a revised project timeline to deliver ESN, from what is known it will be a few years before the LFC can transition to the new system. Once a credible date is available from the Home Office for the LFCs transition, the budget plans will be updated accordingly. The LFC currently holds an earmarked reserve against any anticipated costs of this work.

The LFC's Mobilising system contract is currently under review with the potential to extend the current contract. There may be financial costs as a result of this, including potential equipment refresh costs.

#### *Other risks*

Significant demand continues to be placed on the Information and Communications Technology Department to meet new requirements and aid in the development of smarter systems for the LFC. This is at a time where resources are limited and as a result there is a risk that development of information technology solutions may be constrained.

Price increases are being considered by Thames Water which could affect the Water Team budget in Procurement. It is still subject to further discussions with the supplier and the cost impact is currently being refined.

Telecommunications income in respect of radio masts may be reduced in the future due to a reduction in the number of operators in the industry, as well potential change to legislation impacting on the ability to raise income.

The saving proposals include material savings for income generated through the (Metropolitan Fire Brigade) MFB Act. This budget has recovered increased budgets approved in recent years, however uncertainty remains on the extent to which increase in this income may continue.

#### *Legal costs*

Whilst the LFC has insurance to cover legal costs in relation to legal claims, there is always the risk that there are legal costs which are not covered by the existing policies and/or insured amounts.

#### 11 Conclusion

The review of the MTFS has been undertaken against a backdrop of significant funding uncertainty and during a period of national and global economic instability.

The LFC has been through a period of significant external scrutiny which has resulted in a significant transformation journey. It is important, therefore, that the Medium Term Financial Strategy can support not only business-as-usual activity but also investment in its transformation activity.

The MTFS and plans as presented demonstrate that the LFC is financial sustainable although will need to continue to focus on efficiency in its service delivery.

## Appendix 2 - Changes to Proposals

Changes to Savings and Investment proposals presented as part of the November Draft Budget Submission

Directorate	Department	Budget Item	2023/ 24 £'000	2024/ 25 £'000	2025/ 26 £'000	Comments
<b>Amendments to Investments</b>						
Operational Delivery	Operational Resilience	Ballistic Protection	0	(146)	(146)	This has been updated to a one year requirement only.
Operational Delivery	Operational Policy Assurance	National Operational Guidance (This growth should be considered in context of the wider Operational Policy and Assurance Deep Dive)	297	297	297	1 x GC 1 X SC 1 x LFF 1 x FRS D
Operational Delivery	Operational Policy Assurance	Gas Detection Equipment – replacement programme.	0	65	(65)	Purchase and replace the existing Gas Detection Monitors which are coming to end of life on all front-line pumping appliances with the same instrument for the next two years.
Operational Delivery	Prevention and Protection	Advisory services - reduce expected income	54	54	54	Reduce the income budget for advisory services for Primary Authority Business Group from £196,845 to £143,000.
Operational Delivery	Prevention and Protection	Youth Services Cadets - Sponsorship - reduce income line	150	150	150	Following the end of LIFE project, sponsorship income needs to come down.
<b>Total Amendments to Investments</b>			<b>501</b>	<b>420</b>	<b>290</b>	
<b>Amendments to Savings</b>						
Operational Delivery	Prevention and Protection	Reduce saving from two Station Commander posts to one post.	(86)	(86)	(86)	Reduce Station Commander cadet down from 16 to 14 – delete 2 SC posts. 1 SC post was offered as part of savings in 22/23 meaning one post will be offered as savings for 23/24

<b>Directorate</b>	<b>Department</b>	<b>Budget Item</b>	<b>2023/ 24 £'000</b>	<b>2024/ 25 £'000</b>	<b>2025/ 26 £'000</b>	<b>Comments</b>
Operational Delivery	Operational Resilience	Grants - MTA Responding to New Risks Grant	178	178	178	Grant that should be received annually
Operational Delivery	London Resilience	London Situational Awareness System - (reverses previous saving)	(17)	(17)	(17)	London Situational Awareness System, partnership based automated information collation tool.
Operational Delivery	London Resilience	London Local Authority Coordination Centre - (reverses previous saving)	(22)	(45)	(45)	FRS London Local Authority Coordination Centre (LLACC) volunteers.
People Services	Health and Safety	Restatement of Health and Safety SERD saving	(32)	(32)	(32)	This reduces the saving from £67k to £35k and represents 1 x FRSB post.
Corporate Services	Property	Equipment Management Systems from 2024/25	0	69	69	This saving was included in the report reviewed by the Fire and Resilience Board on 31 January 2022.
<b>Total Amendm ents to Savings</b>			<b>21</b>	<b>67</b>	<b>67</b>	
<b>Net Amendm ents Overall</b>	<b>Total</b>		<b>480</b>	<b>353</b>	<b>223</b>	

## Appendix 3 - Savings

### Total LFC Savings, Efficiencies and Income Increases

	2023/24	2024/25	2025/26
	£m	£m	£m
Departmental Savings Proposed	-2.3	-4.5	-5.4
Planned Operational Vacancy Margin	-4.9	0.0	0.0
Additional Estimated Forecast Operational Vacancy Margin	-2.8	0.0	0.0
Additional FRS Vacancy Margin	-1.0	-1.0	-1.0
Efficiency Review - Reforms to Operational Support Units	-1.5	-1.5	-1.5
Efficiency Review - Further Savings	0.0	-1.5	-3.0
Targeted Rolling Review of all business areas by the Investment & Finance Board	-0.3	-1.0	-2.0
Review of Insurer Income under the MFB Act	-2.1	-3.1	-3.1
Review of Capital Financing Costs	-4.0	-2.0	-2.0
Actuarial re-valuation of required contributions to LGPS for FRS Staff	-4.3	-4.3	-4.3
FRS Recruitment Controls	-1.0	0.0	0.0
Review of Earmarked Reserves	-2.0	0.0	0.0
Income Review, including Interest Receipts and MFB Act Income	-1.8	-1.8	-1.8
<b>Total Savings Identified</b>	<b>-28.0</b>	<b>-20.7</b>	<b>-24.1</b>

**Revised Departmental Savings – Inclusive of Amendments in Appendix 2**

	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>
Commissioner & Directors	0	0	0
Corporate Services	1,356	2,672	3,288
Communications	44	44	44
People Services	467	775	1,075
Operational Delivery	457	1,033	1,033
Transformation	0	0	0
<b>Total</b>	<b>2,324</b>	<b>4,524</b>	<b>5,440</b>

The detailed savings for each directorate can be seen below.

Reference	Department	Saving Title	Saving Description	Saving 2023/24	Saving 2024/25	Saving 2025/26
Current	Property	Office Supplies	Saving in Office Equipment, Printing and Catering Supplies based on current usage levels.	17	17	17
	Property		Equipment Management Systems from 2024/2	0	69	69
Fin3P	Finance	Efficiencies	There are two projects underway to replace the LFC's HR and Payroll System and also the Finance System. It is anticipated that the implementation of the new systems will likely deliver efficiencies which will be identified in a review of the staffing resources and work processes.	0	40	80
Fin 1C	Finance	MFB Act Income	Increased income from the MFB Act following higher than expected increase in the building costs indices which is a major factor in determining gross sums insured and therefore contributions. In addition the increase in new building in and around central London may lead to increases in terms of insured business. Previous years outturns provided positive indications on the buoyancy in sums insured, therefore it is proposed to increase the 3.5% year on year increases already included in the Medium Term Forecast. There are risks going forward following Brexit, Covid19 and the current economic situation with uncertainty leading to possible change in building projects and costs including that people may leave the London property market or choose not to insure which could lead to a potential reduction in MFB income. Increasing premium costs may have an impact on insurance business with people choosing not to insure, or taking more risk to reduce the cost of insurance premiums.	500	1031	1562
ICT - S15C	ICT	Staffing	HR Replacement Project Manager.	70	0	0
ICT - S06P	ICT	Data Platform	Elimination of the budget to support the development of the Data Platform established as part of the overall Business Intelligence solution project.	180	180	180
ICT - S10P	ICT	Incident Command Operating System	Incident command operating system annual support contract costs. This saving follows a successful tendering exercise, which resulted in increased costs at the start of the contract then ongoing savings in subsequent years.	125	135	135



Reference	Department	Saving Title	Saving Description	Saving 2023/24	Saving 2024/25	Saving 2025/26
ICT - S11P	ICT	Staffing	Deletion of temporary posts within Business Intelligence ;FRS E x 1, FRS D x 4, FRS C x 1	299	299	299
ICT - S15P	ICT	Staffing	This is the reversal of a one year extension to this post so is only available if the extension is granted as part of the growth items from ICT.	70	70	70

Reference	Department	Saving Title	Saving Description	Saving 2023/24	Saving 2024/25	Saving 2025/26
ICT - S16P	ICT	Finance System Replacement	This is entered as a marker for the changes expected to arise from the project along with the full examination of the options for collaboration with partners.	0	113	113
5P	Procurement and Commercial	Main Contractors	Write to our main contractors and ask for savings proposals. In lieu of current proposals. This could result in a change to the operating model of performance regime. We would ask the contractors to provide ideas where minor changes to the operating model could lead to additional savings. The savings proposed are 2.5% of the annual service charge. These targets could be flexed but it was felt this represent an achievable target without fundamentally changing the service provision.	0	292	292
11P	Procurement and Commercial	Insurance Claim Settlements	There is an excess of more than £150k in the reserve for claims settlements which will not be needed. This can be offered up as a one off saving for 2022/23. (Note, given that the £150k saving is a one off lump sum, not a saving every year going forwards, it has been entered in 2022/23 and then entered as a minus in the following year to prevent it from being processed as a continuing saving in the base budget)	-150	-150	-150
Proc1C	Procurement and Commercial	Personal Protective Equipment (PPE) Contract	2.5% saving from the Bristol Uniforms PPE contract. Contract Managers to write to the relevant contractor to establish efficiencies on under-used services which if removed can reduced the service charge by at least 2.5%	61	61	61
Proc2C	Procurement and Commercial	Scientific Services Contract	2.5% saving from the BV Scientific Services contract. Contract Managers to write to the relevant contractor to establish efficiencies on under used services which if removed can reduced the service charge by at least 2.5%	34	34	34

Reference	Department	Saving Title	Saving Description	Saving 2023/24	Saving 2024/25	Saving 2025/26
Proc5C	Procurement and Commercial	Undress Uniforms	Saving from allocating undress uniforms to Senior Officers only.	150	150	150
Proc3C	Procurement and Commercial	Lease Car Scheme	Replace the Lease car scheme with the Essential Car users Scheme	0	92	127
Proc4C	Procurement and Commercial	Water Team	Extend the Water Team Function to offer a hydrant inspection service to private landlords (new income source).	0	10	20

Reference	Department	Saving Title	Saving Description	Saving 2023/24	Saving 2024/25	Saving 2025/26
Proc6C	Procurement and Commercial	Accident Cost Recovery Income	Third Party Accident Cost Recovery (income)	0	40	40
Current	General Counsel	Grenfell Legal Team	Proposal to reduce the Grenfell Legal Team from April 2024.	0	189	189
<b>TOTAL</b>	<b>Corporate</b>			<b>1,356</b>	<b>2,672</b>	<b>3,288</b>
Current	Communications	Internal Communications	Remove Internal Communications Officer - FRS C	44	44	44
<b>TOTAL</b>	<b>Communications</b>			<b>44</b>	<b>44</b>	<b>44</b>
PS2P	People Services	Staffing	Unused hours 1xFRS B and 1xFRS C; remaining hours to be deducted 2023/24	54	54	54
PS3P	People Services	Recruitment Advertising	Saving on Budget for recruitment advertising	8	16	16
Current	People Services	Staffing	Reduction of 0.8 x FRS C Post.	18	18	18

Reference	Department	Saving Title	Saving Description	Saving 2023/24	Saving 2024/25	Saving 2025/26
Current	People Services	Cross Departmental Savings following People Restructure	This saving includes an additional £400k in 2026/27 for a total reduction of £1m. This updates the previous saving proposal of £300k in 2023/24 and £700k in 2024/25 included in the 2022/23 budget report.	0	300	600
LaPD1&2C	Learning and Professional Development	Miscellaneous	This reflects current expenditure levels.	2	2	2
LaPD3C	Learning and Professional Development	The Organisational Learning and Professional	The Organisational Learning and Professional Development Strategy was approved at Commissioner's Board in March 2022. The strategy referenced an existing growth fund of circa £1.3m, and explained that the transformation of the department and its activities - via implementation of the strategy - would be funded using this pot. Officers have now determined the	350	350	350

		Development Strategy	funding required to implement the strategy. This result in: a one-off £800k in-year saving in 2022/23 a permanent £350k saving with effect from 2023/24			
H&S 1P & H&S 1C	Health and Safety	Staffing	The Health and Safety department have introduced a new Safety Event Reporting Database (SERD). Following the full integration of the system, it is anticipated that further automation could be introduced and staff reductions made. This will be reviewed as the system is embedded.	35	35	35
<b>TOTAL</b>	<b>People Services</b>			<b>467</b>	<b>775</b>	<b>1,075</b>
OPA 2:1C, OPA 3:1C, OPA 3:2C, OPA 1C to 6C	Operational Policy	RPE Team	Planned removal of Respiratory Protection Equipment Team following completion of project. Previous savings proposal for 2023/34. Due to slippage of the project the anticipated saving can no longer be realised in 2023/24. It is now expected to be achieved in 2024/25.	0	355	355

	Operational Resilience	Grants	Grants - MTA Responding to New Risks Grant	178	178	178
LRG4P	London Resilience	Recruitment Advertising	Removal of recruitment advertising budget with a move to online digital.	4	4	4
FS1	Fire Safety	Review of budgets across the dept	Reduction in core budgets in transport/travel following a post-Covid review.	166	176	176
FS2P	Fire Safety	Policy Teams Review	Reduce number of posts and core budgets once review complete.	23	23	23
FS11P	Fire Safety	Staffing	Delete the Apprentice posts (once returned to establishment).	0	121	121
FS15P	Fire Safety	Reduce Team Leader cadet down from 16 to 14 – delete 2 SC	Delivery - this is dependent on growth bid for Centre of Learning & Excellence being agreed.	86	86	86
FS16P	Fire Safety	Convert up to 3 SC TL posts to FRS E	Delivery - this is dependent on Officer Review.	0	90	90
<b>TOTAL</b>	<b>Operational Delivery</b>			<b>457</b>	<b>1,033</b>	<b>1,033</b>

## Appendix 4 - Investments

### Revised Investments - – Inclusive of Amendments in Appendix 2

	2023/24	2024/25	2025/26
	£000s	£000s	£000s
Commissioner & Directors	305	305	305
Corporate Services	1,326	1,311	1,311
Communications	546	546	546
People Services	842	653	583
Operational Delivery	1,558	1,477	1,347
Transformation	0	0	0
<b>Total</b>	<b>4,577</b>	<b>4,292</b>	<b>4,092</b>

The detailed investments for each directorate can be seen below;

Ref	Department	Investment Title	Investment Description	Investment 2023/24	Investment 2024/25	Investment 2025/26
LFC – 0738 (section 5.1)C	Commissioners Secretariat	Reintroduction of a second Operational Director post	Re-introduction of one additional Deputy Commissioner role at an additional cost to the LFC of £240,000 including employer on-costs and sets out the responsibilities that will sit under the posts. This will ensure the LFC is equipped with the necessary capacity and capability within the Executive Team to deliver the scale of transformation required including the commitments set out in the Brigade's Community Risk Management Plan.	240	240	240
LPB	Commissioners Secretariat	Local Pensions Board	Establish an Independent Chair for the Local Pensions Board.	15	15	15
<b>TOTAL</b>	<b>Commissioners Secretariat</b>			<b>255</b>	<b>255</b>	<b>255</b>
Current	Finance	Training	Temporary funding for staff training.	15	0	0
Current	General Counsel	Supplies	To increase Legal Professional Fees Budget to meet inflationary costs of external legal advice.	25	25	25
Current	General Counsel	Supplies	The proposal is to create a budget for the external management of the LFC Whistleblowing arrangements.	6	6	6
ICT001C	ICT	Supplies	The proposal is to extend the coverage of the Cyber defence system to cover the M365 environment.	40	40	40

Previous	ICT	Data Platform	The aim of the project is to provide the capability to transform reporting from being a system-centric, department siloed, individual requirement driven,	281	281	281
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Ref	Department	Investment Title	Investment Description	Investment 2023/24	Investment 2024/25	Investment 2025/26
			transactional level effort into an enterprise-wide , event focused approach, with the data organised for improved analysis and decision making. This allows a high degree of reuse, is scalable, extendable, repeatable and future proofed. Supports CRMP aim of using data-driven insights to create an evidence base for action, and collective understanding of value and outcomes.			
Previous	ICT	Protection against a denial of service attack	Protection against a denial of service attack - Azure Services	30	30	30
Previous	ICT	Business Intelligence Solution	<p>This will establish capacity within Information Management to deliver a “BI (Business Intelligence) Competency Unit” that would work alongside individual teams across the Brigade to understand their data needs, create bespoke reports for regular tasks and activities, and build a simplified view of their data (via the data platform) from which local ad-hoc analysis can take place by upskilling the subject matter experts within that team (in each user department) in BI.</p> <p>The growth bid is to make permanent the following which were funded on a temporary basis:  1 x FRSE BI Relationship Manger  2 x FRSD Data Analysts</p>	157	157	157

Ref	Department	Investment Title	Investment Description	Investment 2023/24	Investment 2024/25	Investment 2025/26
Previous	ICT	Improving the use of location related data	<p>This bid is to extend the IM Business Intelligence Team so that location data analysis can become a staple focus of the team working towards aligning the various external datasets that provide (disjointed) information on building geography, height, use, addressing and extent; and matching the Brigade's location-based records, across multiple systems, to that information.</p> <p>This requires the addition of 2xFRSD Data Analysts 1xFRSC Research Analyst</p>	143	143	143
Proc3C	Procurement and Commercial	Provision of PPE at Real Fire Training Venues	<p>The provision of PPE at training locations will reduce the manual handling and transport difficulties currently experienced by LFB personnel attending these venues. It will also assist the LFB in their commitment to supporting the health and safety of their personnel and their wellbeing. The current arrangements do not allow for the safe transportation of this equipment and as a result, the requisite PPE is not always available, and the course cannot be completed.</p>	247	247	247
Current	Property	Enhanced cleaning proposals	<p>Permanent variation to soft Facilities Management contract to include for enhanced cleaning to protect against viruses. This will involve the inclusion of six monthly applications of an approved cleaning product to all high touch services to provide long term protection from viruses.</p>	329	329	329
Current	Property	Enhanced cleaning	<p>Permanent variation to PFI contract to include for enhanced cleaning to protect against viruses. This will involve the inclusion of six monthly applications of an</p>	53	53	53



Ref	Department	Investment Title	Investment Description	Investment 2023/24	Investment 2024/25	Investment 2025/26
		proposals - PFI stations	approved cleaning product to all high touch services to provide long term protection from viruses.			
<b>TOTAL</b>	<b>Corporate Services</b>			<b>1,326</b>	<b>1,311</b>	<b>1,311</b>
	Communications	Department Restructure	<p>The successful delivery of Your London Fire Brigade – our Community Risk Management Plan – is risk critical to the Brigade’s future and ensuring it is trusted to serve and protect London.</p> <p>Crucial to that delivery is a high performing and strategic communications function that can deliver integrated communications campaigns which are fully aligned to Your London Fire Brigade, with the voice of the community at its heart.</p> <p>Until recently communications have not been a standalone Directorate and it is only in the last year the role of Director of Communications was created and permanent Director has just been appointed.</p> <p>At present the Communications Directorate is not set up in the most effective way or making the best use of its resources. The department also carries a risk that is not have sufficient resource to meet the Brigade’s communication demands</p> <p>Work is not currently aligned with Your London Fire Brigade and the role of communications in delivering the plan is not properly understood or planned. There is no strategic function, so channels are managed but not the issues, which creates risks for the Brigade.</p>	281	281	281

Ref	Department	Investment Title	Investment Description	Investment 2023/24	Investment 2024/25	Investment 2025/26
	Communications	Community Engagement	Establishment of a Community Engagement Team and a programme of engagement activities directly with identified vulnerable, seldom heard or hard to reach communities to increase understanding of our services and how we can work with them. The continued roll out and development of the Community Forums. A series of focus groups and polling to understand community views on a range of issues including , building safety and regulation, fire safety, incident response and recovery. Establishing a programme of dedicated support to communities in the aftermath of an incident.	265	265	265
<b>TOTAL</b>	<b>Communications</b>			<b>546</b>	<b>546</b>	<b>546</b>
LaPD-PDR	Learning and Professional Development	Removal of PDR	Remove electronic Performance Development Reviews and focus entirely on the apprenticeship programme for achieving competence as a firefighter. This will enable a range of benefits including allowing for a more effective and efficient development. This cost primarily relates to Station and Group Commanders.	468	179	172
Current	People Services	Occupational Health	Enables LFC to meet terms of existing OHU contract and meets the costs of the new contract	412	412	412
Current	People Services	Staffing	Removal of temporary staffing investment in prior years to help implement new HR system	-38	-38	-101
Current	People Services	Leadership Programme	To increase the funds available for leadership programmes for middle and executive leaders. We have funding for middle leadership programme secured for	0	100	100

Ref	Department	Investment Title	Investment Description	Investment 2023/24	Investment 2024/25	Investment 2025/26
			three years (pending approval), but are reliant on general development funds for executive leadership programmes. Subject to business case.			
<b>TOTAL</b>	<b>People Services</b>			<b>842</b>	<b>653</b>	<b>583</b>
Previous	Fire Safety	Building Design & Consultation Hub	Permanently establish Building Design & Consultation Hub	126	126	126
Previous	Fire Safety	Centre of Learning & Excellence	Permanently establish Centre of Learning & Excellence	56	56	56
	Prevention Protection	& Advisory Services - Income	Reduce the income budget for advisory services for Primary Authority Business Group from £196,845 to £143,000.	54	54	54
	Prevention Protection	& Cadet Services – Income reduction	Funding needed - Following the end of LIFE project, sponsorship income needs to come down.	150	150	150

Current	Operational Resilience	Ballistic Protection	The increase is due to increased costs of ballistic protection. This will be reported back to FRB due to it being an unforeseen cost. We are waiting on the ballistic protection national framework which is being revised and will be available to order against in January 2023. This is a one-off growth as it is the initial roll out of MTA as detailed in the previous FRB report.	146	0	0
	Operational Policy		National Operational Guidance (This growth should be considered in context of the wider Operational Policy and Assurance Deep Dive) which will require 4 new posts	297	297	297
	Operational Policy		Purchase and replace the existing Gas Detection Monitors which are coming to end of life on all front-line pumping appliances with the same instrument for the next two years.	0	65	(65)
Current	Operational Resilience	Control Staff Shift System	This will change the shift system following the previous review and change in 2010 that saw the introduction of a 6 watch system which does not support the training requirement need for staff or deliver resilience in the control room after 20:00.	350	350	350
Current	Operational Resilience	Operational Contingency Arrangements Contract	Uplift in the new Operational Contingency Arrangements Contract arising from scope changes	379	379	379
<b>TOTAL</b>	<b>Operational Delivery</b>			<b>1,558</b>	<b>1,477</b>	<b>1,347</b>

Appendix 5 –



Equality Analysis

**Equality Impact Assessment (EIA) Form**

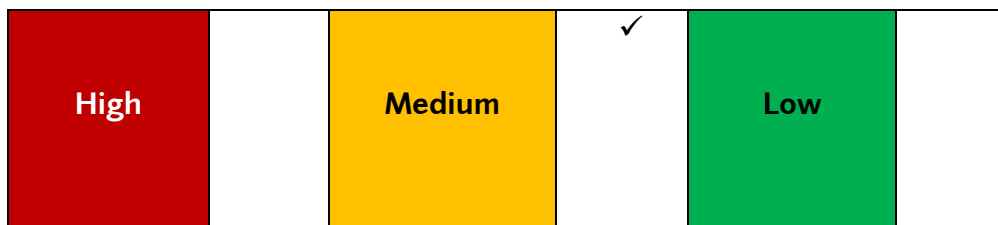
The **purpose** of an EIA is to give **as much information as possible** about potential equality impacts, to demonstrate we meet our **legal duties** under the Equality Act 2010.

**Please read the EIA Guidance [on Hotwire](#) before completing this form.**

**Once you open the template please save it on your OneDrive or SharePoint site. Do not open the template, fill it in and then click Save as this will override the template on Hotwire.**

<b>1. What is the name of the policy, project, decision or activity?</b>
<p><b>London Fire Brigade Budget Submission 2022/23</b></p>

*Overall Equality Impact of this policy, project, decision or activity (see instructions at end of EIA to complete):*



<b>2. Contact details</b>	
Name of EIA author	Tiffany Oarton
Department and Team	Belonging, Inclusion and Wellbeing Team
Date of EIA	22 Oct 2022

<b>3. Aim and Purpose</b>	
What is the aim and purpose of the policy, project, decision or activity?	The budget proposal 2022/23 aims to support the delivery of the London Fire Commissioner's priorities to serve and protect London through providing the appropriate financial and human

	resources.
Who is affected by this work (all staff, specific department, wider communities?)	<i>All staff across the Brigade are impacted by the budget proposal as are the communities we serve.</i>

**4. Equality considerations:** the EIA must be based on evidence and information.

What consultation has taken place to support you to predict the equality impacts of this work?	Consultation will be ongoing with RBs, ESGs and Belonging, Inclusion and Wellbeing team. Plus individual discussions with staff members who are affected by post-deletions will be had.
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## 5. Assessing Equality Impacts

**Use this section to record the impact this policy, project, decision or activity might have on people who have characteristics which are protected by the Equality Act.**

Protected Characteristic	Impact: positive, neutral or adverse	Reason for the impact
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*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 LFB functions and taking decisions.*

*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.*

*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.*

*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:*

- *Eliminate discrimination, harassment and victimisation and other prohibited conduct.*
- *Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.*
- *Foster good relations between people who share a relevant protected characteristic and persons who do not share it.*

*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:*

- *remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;*
- *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;*
- *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.*

*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.*

*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.*

*In October 2022, all Heads of Service received Budget Guidance from the Finance Department, outlining the requirements for budget setting. This document included specific guidance on when and how to undertake an Equality Impact Assessment on proposals. The guidance noted in particular:*

*"LFB has a legal duty under the Equality Act 2010 to show 'due regard' to the Public Sector Equality Duty every time we take a decision, begin a project or policy, or begin a proposal*



*which will affect our workforce, service users or wider communities. You must show this regard before and at the time a decision, including a growth or saving proposal, is under consideration. To 'have due regard' means that in making decisions and in our other day-to-day activities LFB must consciously consider the need to do the things set out in the general equality duty: eliminate discrimination, advance equality of opportunity and foster good relations.*

*"There are some principles for decision makers which we recommend you consider when preparing your budget submissions. You should:*

- consider this budget guidance you being made aware of your duty to have due regard*
- you must show due regard before and at the time a decision is taken and when it is under consideration;*
- you cannot satisfy the duty by justifying a decision after it has been taken;*
- this is not a box ticking exercise, you have to exercise the duty with rigour and with an open mind in such a way that it influences the final decision;*
- the duty is non-delegable. This means it remains the responsibility of LFB, even if we contract out some of our work to third parties. It's our responsibility to make sure LFB maintains proper supervision over that third party to ensure it carries out its 'due regard' duty;*
- the duty is a continuing one – it doesn't go away at the point you make a decision;*
- Equality Impact Assessments (EIAs) are our best way of demonstrating due regard and if there is a legal dispute, the EIA should demonstrate that we actually considered relevant questions that relate to that decision;*
- the duty is upon the decision maker personally - what matters is what you take into account and what you know; and,*
- LFB has to assess the risks and extent of any adverse impact of any decisions and the ways those risks may be eliminated before decisions are made. That does not, however, mean we can't move forward when there are adverse impacts."*

*The guidance made clear that an EIA should be undertaken if a saving or growth proposal:*

*Affects employees or service users directly; or*

*Will result in a major change in the way we deliver a function; or*

*Relates to functions that are important to a particular group; or*

*Could affect different groups in different ways; or*

*Relates to an area with known inequalities.*

*In addition, Heads of Service were reminded of the Mayor's Budget Guidance provided the following guidance in relation to equality impacts, at 7.5, 7.6 and 7.8:*

*7.5 In preparing their budgets to support London's recovery all members of the GLA Group must demonstrate how their plans will:*

- address inequalities identified in these strategies and/or support the actions in the Building A Fairer City plan*
- impact on different groups of Londoners; this includes those sharing characteristics protected by the Equality Act 2010 and low-income Londoners*
- strengthen activities to further address structural inequalities and social integration in London – particularly poverty and economic inequality.*

*7.6 Annex F sets out specific areas where work on equalities can be demonstrated through budget setting.*

*7.8 Actions taken, and progress made against EDI objectives will continue to be reported in the Mayor's Annual Equality Report. This allows us to meet the public sector equality duty under section 149 of the Equality Act 2010 and the Mayor's obligations under section 33 of the GLA Act 1999, as amended.*

*The Belonging, Inclusion and Wellbeing Team have been consulted on a number of equality impact assessments and equality implications for individual proposals, mainly those which have potential to impact on staff in a significant way or which have potential impacts on different groups, including:*

*Proposal to reduce the Grenfell team from 2024;*

*Savings made in the Learning and Development budget owing to the introduction of a new strategy;*

*Planned removal of RPE Team. Previous savings proposal for 2023/34. Due to slippage of the project the anticipated saving can no longer be realised in 2023/24. it is now expected to be achieved in 2024/25;*

*Recruitment controls in relation to FRS staff; and,*

*Reduction of 33 vacancies in operational staff, by the end of the year through recruitment of 240 trainees and 146 transferees from other brigades;*

*These impact assessments are living documents and will continually be updated to reflect the dynamic nature of staff's needs. Where adverse impacts have been identified, engagement and consultation will continue with trade unions, equality support groups and the Inclusion Team to determine actions to mitigate these.*

**Staffing Equality Impacts: Post Deletions and impact caused by reductions impacting on staff**

*The budget proposes a number of posts be deleted causing savings in the next financial year. Of this list the majority are for posts held by operational members of staff, who have been redeployed elsewhere, or, are being made by deleting a vacant post, or a post where a person was leaving (natural wastage). To date, there were three posts which are proposed to be deleted causing either a redundancy situation or a person to return to a more junior substantive post. Our current planning assumes that only one person will be made redundant and the others will be found alternative suitable employment.*

*The posts are:*

*Posts to be deleted in ICT Deletion of posts -FRS E x 1 D x 4 C x 1 Post ends 31/3/2023*

*Post to be deleted in general counsel – The Grenfell team, where there will be offers of redeployment and suitable training and development will be offered to support movement of staff*

*Post to be deleted in Operational Policy - Planned removal of RPE Team. Previous savings proposal for 2023/34. Due to slippage of the project the anticipated saving can no longer be realised in 2023/24. it is now expected to be achieved in 2024/25.*

*Individual equality impact assessments will outline the equality breakdown of the postholders of the deleted posts.*

*Consultation with the Industrial Relations Team and Employee Relations Team will identify key mitigations, as outlined above to reduce any potential adverse impact on employees. The Brigade will actively seek to identify vacant posts that they can be directly redeployed, or assimilated, into.*

*Additionally, savings made by the review of pre-arranged overtime will create significant*

*savings. However, considering the cost of living crisis, this is likely to impact staff, not least staff who are in the lowest ranks of the organisation, which is our most diverse operational staff group.*

<b>Example: Age</b>	<b>Adverse</b>	<b><i>Moving this service online will adversely affect older people, who are least likely to have access to a computer or smart phone and may not be able to use the new service.</i></b>
<b>Age</b> (younger, older or particular age group)	NEUTRAL	This proposals impact staff who are under 55, and it is unlikely there will be any implications as a result of proposals on older people. The 2021-22 budget proposals supported staff who wished to retire as opposed to redeploy, which is an approach that will be adopted for those older staff impacted by savings
<b>Disability</b> (physical, sensory, mental health, learning disability, long term illness, hidden)	NEUTRAL	<i>TBC</i>
<b>Gender reassignment</b> (someone proposing to/undergoing/ undergone a transition from one gender to another)	NEUTRAL	This proposal does not impact anyone who has undergone gender reassignment. Neutral impact.
<b>Marriage / Civil Partnership</b> (married as well as same-sex couples)	NEUTRAL	This proposal does not require information about people's marriage or civil partnership status.
<b>Pregnancy and Maternity</b>	NEUTRAL	<i>Staff on maternity leave should be included in all opportunities for new roles so they are not disadvantaged. This should be an action that falls to the line manager of staff who are on maternity leave.</i>
<b>Race</b> (including nationality, colour, national and/or ethnic origins)	NEUTRAL	This proposal affects staff at junior and middle management level. The proposal does not require any information about ethnicity, nationality, or race. The proposal does not affect any staff from ethnically diverse groups.

<b>Religion or Belief</b> (people of any religion, or no religion, or people who follow a particular belief (not political))	NEUTRAL	<i>The budget submission has a neutral impact on this protected characteristic</i>
<b>Sex</b> (men and women)	ADVERSE	The Grenfell team is entirely made up of female staff and so this proposal has an adverse affect on women. The LFB will seek to mitigate any adverse impact by offering opportunities to gain experience and develop skills by working on other projects in GCD and throughout the Brigade. We will seek to provide training opportunities for these staff so that they are best placed to secure roles elsewhere when the Grenfell related work comes to an end in 2024.
<b>Sexual Orientation</b> (straight, bi, gay and lesbian people)	NEUTRAL	<i>The budget submission has a neutral impact on this protected characteristic.</i>

## 6. Impacts outside the Equality Act 2010

### What other groups might be affected by this policy, project, decision or activity?

Consider the impact on: carers, parents, non-binary people, people with learning difficulties, neurodiverse people, care leavers, ex-offenders, people living in areas of disadvantage, homeless people, people on low income / in pov

The cost of living crisis and proposed revision of pay increase may present a real pay cut to staff, which disproportionate incomes. There are also different pay offers between staff groups; FRS being offered a lower percentage increase.

## 7. Legal duties under the Public Sector Equality Duty (s149 Equality Act 2010)

How does this work help LFB to:

<b>Eliminate discrimination?</b>	This proposal offers a growth proposal in communications, which supports anti-discrimination work, and directly positively impacts London communities in growth to the community engagement team.
<b>Advance equality of opportunity</b>	

<p><b>between different groups?</b></p>	<p>This proposal increases opportunities for positive action through growth in the community engagement team.</p> <p>Also, through the introduction of a programme of engagement activities directly with identified vulnerable, seldom heard or hard to reach communities to increase understanding of our services and how we can work with them. The continued roll out and development of the Community Forums. A series of focus groups and polling to understand community views on a range of issues including, building safety and regulation, fire safety, incident response and recovery. Establishing a programme of dedicated support to communities in the aftermath of an incident.</p>
<p><b>Foster good relations between different groups?</b></p>	<p>Engagement and consultation with equality support groups and regulatory bodies is required throughout the process</p>

<b>8. Mitigating and justifying impacts</b>		
Where an <b>adverse</b> impact has been identified, what steps are being taken to <b>mitigate</b> it? If you're unable to mitigate it, is it <b>justified</b> ?		
<b>Characteristic with potential adverse impact (e.g. age, disability)</b>	<b>Action being taken to mitigate or justify</b>	<b>Lead person responsible for action</b>
Sex	We will seek to identify and offer as many opportunities as possible for this team to develop and learn new skills during the remainder of this financial year and in 2023/24 to put them in the best position to secure other posts/ employment from April 2024.	General Counsel
Staff on maternity leave	Advertise the vacancies available coming up to all staff who are on maternity leave so they do not suffer disadvantage	Line Manager of staff
Race	<i>To undertake a positive action campaign (either internally or externally) for the appointment of these posts. This could include: using</i>	Outreach Manager

	<p><i>an external partner who specialises in recruiting diverse candidates to senior roles, or running awareness sessions internally for staff to explain the new roles before they are advertised.</i></p>	
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**Now complete the RAG rating at the top of page 1:**

**High:** as a result of this EIA there is evidence of significant adverse impact. This activity should be stopped until further work is done to mitigate the impact.

**Medium:** as a result of this EIA there is potential adverse impact against one or more groups. The risk of impact may be removed or reduced by implementing the actions identified in box 8 above.

**Low:** as a result of this EIA there are no adverse impacts predicted. No further actions are recommended at this stage.



## Document Control

Signed (lead for EIA / action plan)		Date	
Sign off by Inclusion Team		Date	
Stored by			
Links			
External publication	Are you happy for this EIA to be published externally?	Yes <input type="checkbox"/>	No <input type="checkbox"/>  If No state why:

# LFC Capital Strategy 2023/24 and beyond

## Description

1. Capital is defined as all expenditure not directly included in the annual revenue budget (General Fund) and generally results in a new or enhanced asset or investment held on London Fire Commissioner's (LFC) balance sheet.
2. All capital expenditure must comply with the Capital Strategy. The Capital Strategy brings together detailed policies, procedures and plans relating to existing land and building related assets and treasury management transactions and applies to the General Fund
3. The Capital Strategy forms an essential part of the LFC's integrated revenue, capital, and balance sheet planning. It aligns to the Medium-Term Financial Plan (MTFP), and the Annual Revenue Budget.
4. The Capital Strategy also provides a framework by which capital expenditure decisions are made as required by the CIPFA Prudential Code for Capital Finance in Local Authorities and LFC to provide good governance.
5. It should also be noted that whilst this is a capital strategy it also applies to all expenditure of a revenue nature relating to land and buildings, such as asset maintenance and planned asset development programmes where significant revenue expenditure is incurred in the revenue budgets.

## Introduction

6. The Capital Strategy has been developed in accordance with the CIPFA Prudential Code (2018 edition) to ensure that all amounts borrowed by London Fire Commissioner's (LFC) are affordable. The Capital Strategy outlines the LFC's approach to capital investment decisions and priorities, ensuring that it is in line with corporate priorities. These priorities are set out in the London Safety Plan (LSP), and Transformation Delivery Plan. The LFC is developing a Community Risk Management Plan (CRMP) and Target Operating Model (TOM) to be in place from 2023/24 as these will be key to informing the Capital Strategy going forward. The Capital Strategy supports the Brigade and it is intended to give a highlevel overview of how the capital expenditure and capital financing contribute to delivery of services and its purpose as an organisation trusted to serve and protect London, and delivery of the Mayor's priorities.
7. The LFC Capital Strategy and capital programme covers a more detailed outlook is set over a five-year timeframe. The Strategy does however include a longer-term vision, a forward look at those projects that are likely to run beyond the five-year strategy and programme period or be initiated subsequently. This covers a timeframe for the 15 years from 2027/28 to 2041/42. The format of the Capital Strategy reflects the latest Prudential and Treasury Management Codes issued by the Chartered Institute of Public Finance and Accountancy (CIPFA).
8. The Capital Strategy sets out a framework for the management of capital finance and along with the LFC Treasury Management Strategy covers the following areas:
  - a. Capital Expenditure and Investment Plans;

- b. Prudential Indicators;
  - c. External Debt; and
  - d. Treasury Management.
9. The Capital Strategy addresses the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code, which sets out a requirement for local authorities to produce a Capital Strategy to form part of its integrated revenue, capital and balance sheet planning. The Capital Strategy is updated annually to react to the changing LFC priorities, social and demographic changes and the financial climate.
10. The Capital Strategy has been prepared as part of the budget setting process and is to be submitted to the Mayor as part of the budget submission, approved by the LFC. The final Capital Strategy is approved by the LFC in March 2023. This is an annual requirement, and the Capital Strategy will be published in draft as part of the budget submission to the Mayor in November, and as a final Capital Strategy following approval by the LFC in March 2023.

## Benefits

11. The Capital Strategy demonstrates that the LFC takes capital expenditure and investment decisions in line with service objectives, and properly takes account of stewardship, value for money, prudence, sustainability, risk and affordability.
12. The key benefits of the Capital Strategy are to deliver a capital programme that;
- a. ensures the LFC's capital assets are used to support the delivery of services according to the priorities within the London Safety Plan and the Transformation Delivery Plan;
  - b. links to the LFC's Asset Management Plan and other LFC Strategies/Plans, such as the sustainability strategy;
  - c. is affordable, financially prudent and sustainable;
  - d. ensures the most cost effective use is made of the existing assets and new capital expenditure; and
  - e. supports delivery of the Mayoral policies and objectives.

## Approach

13. The Transformation Delivery Plan sets out the LFC's vision that "We will be a dynamic, forward-looking organisation of fully engaged people at the centre of the communities we serve, adapting to the changing needs of London".
14. The Strategy has been derived largely from the Asset Management Plan, the ICT Strategy, the Fleet Replacement Plan, the Sustainability Strategy and the Treasury Management Strategy. It has been developed to reflect the LFC's priorities, and will be reviewed for future years to deliver against the CRMP and TOM to be in place from 2023/24. It will also support addressing the recommendations from the Grenfell Tower Inquiry and the HM Inspectorate of Constabulary and Fire & Rescue Services.
15. The Asset Management Plan seeks to align the asset portfolio to best support service delivery by the Brigade. It reflects the requirements of the Transformation Delivery Plan, the London Safety Plan, the review undertaken by Anthony Mayer into the Brigade's resources, the terror preparedness review undertaken by Lord Harris, the LFC's inclusion strategy and the Mayor's Homes for Londoners agenda. A condition survey has been undertaken for all LFC properties, and the current condition and functional suitability of the property has been assessed against the LFC's requirements for a modern fire service.
16. The ICT Strategy seeks to ensure that the technologies available to the Brigade, via a range of ICT solutions, are fit for purpose, affordable and sustainable, that they are responsive to business need and valued by staff and stakeholders, and are delivered in a cost effective and efficient way, including collaboratively where appropriate.

17. The Fleet Replacement Plan will meet the Brigade's fleet requirements over the coming years and address the fleet commitments made under the Mayor's London Environment Strategy (LES). This requires LFC to achieve the following targets:
  - a. all cars in support fleets to be zero emission capable by 2025;
  - b. all new cars and vans (less than 3.5 tonnes), including response vehicles, being zero emission capable from 2025;
  - c. all heavy vehicles (greater than 3.5 tonnes) to be fossil fuel-free from 2030; and
  - d. zero emission fleet by 2050.
  
18. The Sustainability Strategy sets out ten objectives to achieve the Brigade's vision of being the leaders on sustainable development within the UK Fire and Rescue Service. The three main focus areas of this strategy are environment and climate change; economic value; and equality and inclusion.
  
19. The Treasury Management Strategy sets out the treasury management arrangements in place to manage the LFC's borrowing and cash balances and deliver best practice. It covers the management of LFC's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. This is delivered as part of the GLA Group Investment Syndicate (GIS).

## **Influences**

20. The main influences on the Capital Strategy are set out below.
  - The age of the estate - about a third of fire stations are over 60 years old and nearly a third are listed, locally listed and/or are in a conservation area.
  - The layout and design of the majority of fire stations creates challenges in meeting the needs of a modern service.
    - Changing operational requirements – developing response to changes in the type of incidents, including terrorism related, and fire safety particularly in the post Grenfell period.
  - Population growth and locating resources to address developing needs
  - New fleet requirements due to the changing needs of the service and the new ultra-low emission zone.
  - Current shortage of availability for zero emission capable HGVs and new technology regarding electric/hybrid vehicles.
  - The shortage of affordable new sites for new or re-located fire stations, together with the aim to ensure that future developments take account of both the Mayor's Homes for Londoners agenda and local planning policies.
  - Fire stations operating 24/7 making major refurbishments/extensions difficult to undertake as operational cover has to be maintained. This is coupled with a lack of suitable/affordable sites for fire stations to operate from on a temporary basis whilst the works are undertaken.
  - Ensuring that opportunities to benefit from developments in technology are maximised, including the ability to provide positive changes in the delivery of services such as cloud computing.
  - The reduction in the level of funding from capital receipts and grants and the ongoing affordability of funding capital expenditure through borrowing.

## Mayoral Policies

21. The Capital Strategy strives to address Mayoral policies as follows.

### Ensuring London is:

- a) A city that meets the challenges of economic and population growth in ways that ensure a sustainable, good and improving quality of life and sufficient high quality homes and neighbourhoods for all Londoners and help tackle the huge issue of deprivation and inequality among Londoners, including inequality in health outcomes.

The Capital Strategy will support this policy as follows.

- To ensure that our fire stations are well placed to meet the needs of Londoners, attending incidents effectively and to the attendance standards set.
  - Looking to open up fire stations so that they become community assets/hubs. Ensure that the design of new fire stations will enable them to be community hubs.
  - Identifying potential opportunities that the estates can offer to provide accommodation to further our prevention priorities with local authorities e.g. the health agenda and crime prevention (cadet training)
  - To contribute to the Mayor's Homes for Londoner's agenda so that where LFC land can be released for development, the requirements for affordable housing are considered.
- b) A city that becomes a world leader in improving the environment locally and globally, taking the lead in tackling climate change, reducing pollution, developing a low carbon economy, consuming fewer resources and using them more effectively.

The Capital Strategy will support this policy as follows:

- Upgrading our fleet to meet the Ultra-Low Emission Zone requirements and to assess and adopt new technologies as and when they become available.
- Aligning our estates strategy with other emergency services and using every opportunity to share buildings through co-location and integrating estate services.
- To improve the energy efficiency of our estates and to continue to take steps to reduce our carbon footprint through sustainable development.
- To continue to unlock the potential latent value in our estate, through engaging private sector developer partnerships on appropriate sites.

## 20 year Capital Ambition

22. The 20-year capital requirements are considered below, including investment and capital funding. This is based on the LFC's current capital programme plus the on-going future capital requirements and maintain operational effectiveness at current levels. A key review of the Capital Strategy and 20-year capital requirement will be undertaken once the CRMP and TOM are in place from 2023/24.

23. The LFC capital spending plans for the five years to 2026/27 are approved as part of the budget process and are funded with capital financing costs reflected in the revenue budget. The is set out in the table 1 below.

**Table 1: Capital budgets and financing 2022/23 to 2026/27**

Project	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	TOTAL £m
<b>Capital Schemes</b>						
Properties	10.3	16.4	16.9	34.3	15.9	93.8
Fleet Replacement Plan	8.1	3.4	3.3	5.3	1.3	21.4
ICT Projects	4.6	10.0	15.5	4.4	3.2	37.7
Communications Project	0.0	0.0	0.1	0.3	0.3	0.7
Ops Policy Equipment	0.2	5.6	0.0	0.0	0.0	5.8
<b>Total Expenditure</b>	<b>23.2</b>	<b>35.4</b>	<b>35.8</b>	<b>44.3</b>	<b>20.7</b>	<b>159.4</b>
Capital Receipts	0.0	0.0	12.3	0.0	0.0	12.3
Capital Grants	0.0	0.0	0.0	0.0	0.0	0.0
External Borrowing	23.2	35.4	23.5	44.3	20.7	147.1
<b>Total Financing</b>	<b>23.2</b>	<b>35.4</b>	<b>35.8</b>	<b>44.3</b>	<b>20.7</b>	<b>159.4</b>

### Revenue Funding of the Capital Programme for the first 5 years

24. In the medium term the total capital plan is £159.4m of which £12.3m of the plan is funded by the use of Capital Receipts (8AE less capital receipts re-payable) and the remaining balance is expected to be funded by £147.1m of external funding. The borrowing costs (MRP & Interest Charges) will be £7.7m for 23/24 (£11.7m in 22/23) and increasing in the following years to £17.3m in 24/25 and £18.8m in 25/26 and this is reflected in the revenue budget. As set out in the treasury management report LFC internally borrow a significant amount of funding which reduces the charge to revenue. However, there is a requirement in accordance to the Prudential code for LFB to set aside sufficient funds to fund the Capital Programme should the need arise.

25. Within the Interest charges, this is calculated on the basis of the current cost of PWLB loan interest which stands at 4.31% (5 year re-payment on maturity loan, also assuming the certainty discount rate applies). From 2027/28 onwards the interest rate assumptions are of a borrowing rate of 2.5%.

26. A further 15 years, from 2027/28 to 2041/2042, to complete the 20 year capital ambition has been prepared on the basis of maintaining the asset base at its current level, with updates/replacements as necessary. The further element has some funding identified, however there is a funding gap to be addressed. The element of the capital spending plans is set out in the table 2 below and is inclusive of 3% per annum inflationary cost pressures.

**Table 2: Capital Ambition 2027/28 to 2041/42 and Ambition Gap**

Project	Years 2027/2032	Years 2032/2037	Years 2037/2042
	£m	£m	£m
<b>Capital Schemes</b>			
Properties	65.7	76.3	86.8
Fleet Replacement Plan	77.1	65.0	9.2
ICT Projects	17.7	59.0	21.1
Communications Project	0.0	0.0	0.0
Operational Policy Equipment	19.1	0.0	6.7
<b>Total Capital Expenditure</b>	<b>179.6</b>	<b>200.3</b>	<b>123.8</b>
<b>Capital Financing</b>			
Capital Receipts	0.0	0.0	0.0
Capital Grants	0.0	0.0	0.0
3rd Party Contribution	0.0	0.0	0.0
External Borrowing	179.6	200.3	123.8
<b>Total Capital Financing</b>	<b>179.6</b>	<b>200.3</b>	<b>123.8</b>

27. The programme includes the capital investment requirements to ensure that the LFC's fleet meets the new ultra-low emissions zone requirements (ULEZ) and replacement of vehicles as they come to the end of their useful life. Ongoing capital expenditure on the LFC's estate is included to maintain the condition and functionality of fire stations. There are also estimates for spend on ICT replacement and upgrade. The programme does not include the additional costs in respect of the works to the LFC estate to enable the LFC fleet to be zero emission compliance by 2030 as it is not possible to predict the impact the level of additional infrastructure required at this time. The capital requirement for the LFC estate has been based on analysis that has been undertaken which assesses the condition and functional suitability for all existing fire stations.
28. The Ultra Low Emission Fleet (ULEF) Programme sets out the steps to be taken to plan, develop, test, procure and deploy new vehicle technologies within the LFC fleet to achieve the targets set out above. It focuses on the process for heavy frontline vehicles, given the current lack of low/zero emission capable HGVs and the technological challenges in developing them.

29. Government advocates a 'cloud first' approach when considering options for new ICT systems and infrastructure improvements. With this the funding model shifts from capital to revenue based expenditure, which presents challenges to LFC, due to the increasing pressure on revenue funding and budgets. At present the ICT Strategy does not plan a radical change to the ICT infrastructure in the short term as this would consume significant resources and generate risk in the transitional phase. Instead, a 'cloud' based approach to new systems will be adopted as and when current systems are being replaced which would allow the Brigade to explore new ways for ICT delivery, whilst minimising risk and disruption.

### Available Capital Funding

30. There is a variety of ways in which capital expenditure can be financed, but the main sources are often from a combination of revenue resources/reserves, capital grants, capital receipts and borrowing. A brief explanation for each of these options is described below.

31.

- a. **Prudential Borrowing** - The LFC ensures that the level of borrowing is affordable, prudent and cost effective. Borrowing is subject to the requirements of the Prudential Code and is managed through the Treasury Management Strategy. Borrowing has a longterm impact on the revenue budget, through the interest payable on the loan and the annual charge for the repayment of the sum borrowed (MRP). Loans are sourced in discussion with the GLA and from the Public Works Loan Board (PWLb).
- b. **External Capital Grants** - Grants are awarded to the LFC from Central Government and other third parties. Most grants are now policy specific and in some cases are awarded through a bidding process. The LFC bids for grant funding as and when opportunities arise
- c. **Capital Receipts** - The LFC is able to generate capital receipts through the sale of surplus assets. This is a limited resource as the majority of the LFC's assets are currently in operational use as part of front line service delivery and response. The programme includes the sale of the former Clerkenwell fire station and the former Headquarters at Albert Embankment but the timing and value of the receipts is yet to be finalised. There is the risk that some of the planned capital disposals will not complete. The timing and value of the capital receipts may also be further delayed or reduced due to planning requirements and changes in market conditions.

The LFC aim, wherever possible, is that all large developments are self-funding through the release of land/buildings for sale and the opportunity of sale and leaseback arrangements.

- d. **Revenue Funding** - LFC can use revenue resources to fund capital projects on a direct basis, however, current funding projections point to a revenue budget gap which means that the capacity for this is very limited. Invest to save projects that result in additional revenue savings in future years are the best option for funding by this method.
32. The LFC's level of borrowing is forecast to increase as the availability of capital receipts come to an end, and expenditure increases, such as on fleet with the LFC now owning its fire appliances, etc., resulting in additional revenue costs through MRP and the interest charged on outstanding loans. It is expected that the Capital Strategy will be entirely reliant on borrowing over the medium term, depending on the timing of the remaining capital receipts, with the additional capital financing costs adding to the pressure on the revenue budget
33. The table below summarises capital expenditure and debt charges (loan interest and annual MRP change) compared to the estimated debt charges budget from 2025/26 onwards. The future debt charge budgets have been based on the 2025/26 budget and increased by RPI estimated at 3% per annum. Maturing loans and the associated MRP charges reductions have been taken into account, to show the budget requirement and resulting budget pressure each year in the calculation of the required level of debt charges



**Table 3: Capital Expenditure Financed from borrowing and Forecast Revenue costs for Interest and MRP Charges 2027/28 to 2041/42**

Future Years	Capital Expenditure £m	Financed external borrowing £m	from Debt Charges* £m	Budget £m	Budget Pressure £m
2027/28	16.3	16.3	23.4	12.4	11.0
2028/29	31.5	31.5	23.9	12.8	11.1
2029/30	41.5	41.5	24.6	13.1	11.5
2030/31	42.8	42.8	26.4	13.5	12.9
2031/32	47.4	47.4	31.3	14.0	17.3
2032/33	25.2	25.2	35.0	14.4	20.6
2033/34	63.6	63.6	36.0	14.8	17.2
2034/35	45.8	45.8	39.8	15.2	24.6
2035/36	37.0	37.0	43.5	15.7	27.8
2036/37	28.5	28.5	42.9	16.2	26.7
2037/38	23.5	23.5	45.0	16.7	28.3
2038/39	29.5	29.5	45.5	17.2	28.3
2039/40	23.6	23.6	40.1	17.7	22.5
2040/41	23.6	23.6	43.2	18.2	25.0
2041/42	23.6	23.6	36.3	18.7	17.6

(Minimum Revenue Provision and interest has been calculated at 2.5% and MRP has been estimated on a 15 year asset life for the purposes of the above calculations)

34. Based on current estimates, the level of debt charges is expected to steadily increase over the period, resulting in a substantial increase in debt charges peaking at £45.5m by 2038/39 before starting to fall. Under current assumptions this would result in the need to increase the capital charges budget by an average of £20m, which would need to be funded by matching savings.
35. The projected budget pressure, of an average of £20m, is based on current capital spend projections which is based on inflation at 3.0% per annum and the current capital plan assumptions of total expenditure and the expectation of no capital receipts after the sale of 8AE in 2024/25. This figure will change with the following risk items.
- The level and timing of capital receipts.
  - The potential of future interest rate rises.

- The availability of resources to deliver the capital programme.
36. The level of capital spend is largely driven by the need to maintain and replace the fleet, fire stations and ICT that support the current level of service delivery and front- line response. It is therefore difficult to reduce spend without changes to front line service delivery.

### Options to bridge funding gap

37. The LFC will need to consider options on how to bridge the funding gap and ensure that future years capital expenditure is affordable, as part of the development of the next London Safety Plan (CRMP) from 2023/24. Possible options to consider are provided below.
- Provide a revenue contribution to fund the capital programme.
  - Pursue possible alternative funding/service delivery options.
  - Reduce the level of the capital programme.
  - Secure additional resources – GLA/Government.

### External Debt

38. All borrowings are from the Public Works Loan Board (PWLB) and LFC’s current and forecast outstanding debt, excluding the borrowing requirements of the capital strategy and current capital programme is as follows

**Table 4: External Debt**

As March	31 2023	2024	2025	2026	2027	2032	2037	2042
	£m	£m	£m	£m	£m	£m	£m	£m
PWLB Loans	48.7	46.7	43.2	38.2	23.5	23.5	23.5	14.5

39. Interest charges will be based on forecast PWLB interest rates. Obviously, the effects of the pandemic could change these rates significantly as well as the cost to replace of the LFC fleet.

40. Table 5 below sets out the prudential limits for 2022/23 to 2026/27

**Table 5: Prudential Limits**

Approved Borrowing Levels £m	2022/23	2023/24	2024/25	2025/26	2026/27
Operational Boundary	240.0	240.0	240.0	240.0	240.0
Authorised Boundary	245.0	245.0	245.0	245.0	245.0

### Other Long Term Liabilities

41. LFC has other long term liabilities which include PFI contracts for fire stations (until 2040/41) and a finance lease for the Merton Control centre (Until 2034/25) . The current and forecast outstanding long term liabilities are as follows.

**Table 6: Other Long Term Liabilities**

As 31 March	2023	2024	2025	2026	2027	2032	2037	2042
	£m	£m	£m	£m	£m	£m	£m	£m
PFI	41.5	39.9	38.3	36.7	35.1	26.4	13.60	0.0
Finance Lease	18.4	18.4	18.4	18.3	17.3	9.4	0.0	0.0
<b>Total</b>	<b>59.9</b>	<b>58.3</b>	<b>56.7</b>	<b>55.0</b>	<b>52.4</b>	<b>35.8</b>	<b>13.6</b>	<b>0.0</b>

(The repayment of the existing other long term liabilities is calculated through financial models – such as the PFI model which is audited each year)

42. There are no plans for any future finance leases/PFI arrangements at the current time. The contract register is regularly reviewed to ensure that no finance leases have been entered into without the Finance Department’s knowledge. This is also further managed by the Assistant Director - Finance reviewing all reports to LFC to include financial implications.
43. The above table does not take into account the effects of implementing the new accounting standard IFRS16, where all leases/contracts that conveys the right to use an asset will be brought onto the balance sheet and long term liabilities will be created for the future rentals under these leases. The new accounting standard has been delayed but is still likely is to come into effect from 1<sup>st</sup> April 2024. The Capital Strategy will be updated once the impact of the new accounting requirements has been assessed.

## Risk

44. The Capital Programme is subject to the following risks.
- A lack of affordable sites for new developments.
  - Increased cost in delivering the capital programme due to inflation pressures/Brexit/ limited number of suppliers that can provide specialist equipment/vehicles.
  - The potential requirement to fund the replacement of National New Dimensions Assets which currently has not been factored in the capital requirements.
  - Additional building costs required to support the deliver Zero Emission Pumping Appliances (ZEPA)
  - Difficulty in obtaining planning consent for new developments and refurbishments.
  - Third party collaboration and contractor capacity to deliver, as all capital projects will require varying collaboration with external parties over the project life.
  - The risk that the planned capital disposals will not realise the projected capital receipts income or may not come to fruition thus resulting in additional borrowing costs.
  - Additional revenue budget pressures resulting from increased revenue impact of borrowing.
  - Interest rate increases for borrowing.
  - Changes in government funding, policy and legislation.
  - Availability and speed of developments in technology.
  - Recruitment and retention of key skilled staff and significant staff resource to deliver the capital schemes.

45. The risks are being managed by as follows.

- Maximising, where possible, the redevelopment of existing sites through developers to reduce capital borrowing and to realise any potential capital receipts released through latent estate value.
- Investing in invest to save projects where the outcome of these projects will result in revenue savings to LFC.
- Ensuring the capital governance framework, including regular monitoring and review of the capital programme, is in place.
- Ensuring that all planning applications consider all relevant local/Mayoral planning and listed building requirements. Pre-discuss all planning applications prior to submission with the local planning officers to mitigate against planning refusals and completing public consultation in good time for those development projects that affect the public.
- Re-allocating key resources to development projects as required to meet the capital programme.
- Promoting collaboration with other emergency services and the GLA Group.
- Limit the risk of contract failure by effectively managing contracts and learning from past lessons in project delivery.
- The ability to flex the capital programme and re-phase capital expenditure so as not to result in additional external borrowing and the resulting increase in debt charges.

## **Appraisal - Governance and Monitoring**

46. An important part of the governance arrangements is the frequent monitoring of the agreed capital programme. The capital programme is reviewed regularly with budget holders and reported on a quarterly to senior management. The capital monitoring is reported alongside revenue monitoring in the quarterly financial position report, which is reported to the Directorate Board and Commissioner's Board. Quarterly monitoring reports are also presented to the Fire and Resilience Board and are published. The published reports are used to support scrutiny by the London Assembly's Fire, Resilience and Emergency Planning (FREP) and Budget and Performance Committees (BPC).
47. New, or changes to existing capital projects are dealt with as part of the capital monitoring process and budget holders are required to submit a request outlining the key scheme information, costs both capital and revenue and associated risks.
48. Where a new scheme or a budget change is required which is greater than £150k, a separate report is prepared, and additional governance arrangements are in place. The reports are considered by the Corporate Services Directorate Board and Commissioner's Board, and the Deputy Mayor through the Fire and Resilience Board, as required, before final approval by the London Fire Commissioner.
49. The Capital Programme is approved by the London Fire Commissioner before submission to the Mayor as part of the annual budget submission.
50. When proposing capital projects for inclusion into the programme, the responsible department will undertake an assessment/evaluation as to how the project:
- ensures LFC's capital assets are used to support the delivery of services according to the priorities within the London Safety Plan and Corporate Vision;
  - links to LFC's Asset Management Plan and other LFC Strategies/Plans;
  - is affordable, financially prudent and sustainable;
  - ensures the most cost effective use is made of the existing assets and new capital expenditure; and
  - supports the Mayor of London in meeting the approved objectives and strategic plans.

51. The LFC has overall responsibility for the Capital Strategy, with support from senior management with the strategic development and monitoring of the capital programme through Commissioner's Board and Directorate Boards. The Capital Strategy will also be subject to consultation with the Deputy Mayor, and submission to the Mayor as part of the budget submission. Wherever appropriate to do so, and more specifically for the larger projects, project boards are established, which consist of a wide range of professional expertise. These boards meet regularly to assess and monitor the progress of the projects to ensure the delivery of the defined capital investment.

### **Chief Finance Officer Sign Off**

52. The Chief Finance Officer is to report explicitly on the deliverability, affordability and risk associated with the Capital Strategy. A report presenting the Strategy will be presented to the Commissioner's Board, and the Fire and Resilience Board, alongside reports for approval of the Budget and Treasury Management Strategy.

