Members of the London Fire & Emergency Planning Authority are hereby summoned to attend the meeting of the Authority, which will be held in G-01 - Ground Floor, 169 Union Street, London SE1 0LL, on Thursday 26 March 2015 at 2.00 pm to transact the business set out below.

This meeting is open to the press and public, except for where exempt information is being discussed as noted on the agenda. A guide for the press and public on attending and reporting meetings of local government bodies, including the use of film, photograph, social media and other means is available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/343182/140812_Openness_Guide.pdf

David Atkinson
Head of Legal and Democratic Services
Ground Floor,
169 Union Street
London, SE1 0LL
Wednesday, 18 March 2015

Membership
James Cleverly AM (Chairman) Councillor Sarah Hayward
Dr Fiona Twycross AM (Vice-Chair) Councillor Maurice Heaster OBE
Councillor Liaquat Ali MBE, JP Councillor Jack Hopkins
Councillor Tony Arbou AM, AM Darren Johnson AM
Councillor Gareth Bacon AM Councillor Stephen Knight AM
Councillor David Cartwright QFSM Councillor Pauline Morrison
Andrew Dismore AM Valerie Shawcross CBE AM
Councillor Mike Fisher Councillor Martin Whelton
Councillor Susan Hall

1. Apologies for Absence
2. **Minutes** (Pages 1 - 24)

Minutes of the London Fire and Emergency Planning Authority meeting held on 29 January 2015.

3. **Minutes of Appointments and Urgency Committee** (Pages 25 - 34)

Minutes of the meetings of the Appointments and Urgency held on 25 February 2015 and 16 March 2015.

4. **Special Announcements by the Chairman and reports by the Chairman or the Clerk to the Authority of any Communications**

5. **Disclosures of Interests and Dispensations**

   *Clerk to the Authority* – known details of membership of the GLA, other functional bodies and London Boroughs are attached as an Appendix to this Agenda. The Appendix does not remove the need for a Member to declare at the meeting an interest (whether or not listed in the Appendix) in any relevant item on the agenda paper and to state also the nature of that interest.

6. **2015/16 Budget - FEP 2410** (Pages 35 - 88)

   *Director of Finance and Contractual Services* – presenting the Authority’s final draft revenue and capital budget for 2015/16.

7. **Review of Top Management Structure - FEP 2426** (Pages 89 - 120)

   *Commissioner* – setting out proposals for a revised top management structure.

8. **Treasury Management Strategy Statement for 2015/16 - FEP 2412** (Pages 121 - 166)

   *Director of Finance and Contractual Services* – reporting in accordance with Financial Regulations on the activities of the Authority’s treasury management operation.

9. **Pan-GLA Group Collaborative Procurement Team - FEP 2427** (Pages 167 - 174)

   *Director of Finance and Contractual Services* – seeking approval for the London Fire and Emergency Planning Authority to join the pan-GLA Collaborative Procurement Team.
10. **National Operational Guidance Programme - FEP 2428 (Pages 175 - 184)**

   *Head of Strategy and Performance* – setting out the achievements, funding arrangement and intentions for a second phase of the National Operational Guidance Programme.

11. **LFEPA Local Pay Policy - FEP 2420 (Pages 185 - 200)**

   *(A) Director of Operational Resilience and Training* – reporting on the Authority’s formal pay policy statement for 2015/16 in accordance with the requirements of the Localism Act 2011.

12. **Firefighters Pension Scheme 2015 - Scheme of Delegation of Functions to Officers, and Local Pension Board - FEP 2429 (Pages 201 - 220)**

   *(A) Director of Operational Resilience and Training* – recommending the delegation to officers of most of the discretions under the Firefighters Pension Scheme 2015 and establishing a Local Pension Board.

13. **Property Services Review - FEP 2430 (Pages 221 - 250)**

   *Assistant Commissioner, Technical and Service Support* – reporting on the outcome of the Property Services Review.

14. **Employment Tribunal Judgement in the case of Messrs Norris, Hearn and Rowson - FEP 2415 (Pages 251 - 254)**

   *Commissioner* – report referred from Resources Committee and supplementary report to follow.

15. **Appointments and Urgency Committee - Appointment of Chair - FEP 2431 (Pages 255 - 258)**

   *Clerk to the Authority* – presenting the proposed appointment of Gareth Bacon AM as Chairman of the Authority’s Appointments and Urgency Committee.

16. **Draft Programme of Authority and Committee Meetings for 2015/16 - FEP 2432 (Pages 259 - 264)**

   *Clerk to the Authority* - presenting the proposed programme of Authority and committee meetings for the forthcoming municipal year (2015-16) for confirmation, and requesting formal approval for the proposal by which those meetings would be held at City Hall.
17. **Honours, Awards and Long Service - FEP 2433** (Pages 265 - 268)

   Head of Legal and Democratic Services – providing an update on honours and awards and long service in connection with former and serving employees of the Authority and letters of congratulations presented to other individuals.

18. **Authority - Summary List of Actions - FEP 2434** (Pages 269 - 272)

   Clerk to the Authority – setting out actions arising from previous meetings of the Authority.

19. **Questions from Members (in accordance with Standing Order 20) – 26 March 2015 – FEP 2435** (Pages 273 - 274)

   Clerk to the Authority – presenting questions received from Members to be answered by the Chairman of the Authority or the Commissioner of the London Fire Brigade.

20. **Urgent Business**

    Any other items which the Chairman considers urgent.

21. **Exclusion of Press and Public**

    The Authority is recommended to agree to exclude the public and press from the meeting, in accordance with paragraphs 3 and 5 of Schedule 12A of the Local Government Act 1972 (as amended), in order to consider the following items of business:

**AGENDA PART II**

The meeting is not likely to be open to the press and public during consideration of the following items

22. **Property Services Review - FEP 2430X** (Pages 275 - 278)

   Assistant Commissioner, Technical and Service Support – reporting additional information as part of the Property Services Review.

23. **Employment Tribunal Judgement in the case of Messrs Norris, Hearn and Rowson - FEP 2415X** (Pages 279 - 316)

   Commissioner – report referred from Resources Committee and supplementary report to follow.
24. **Urgent Exempt Business**

Any other exempt items which the Chairman considers urgent.

*The next meeting of the London Fire & Emergency Planning Authority is scheduled to be held on 25 June 2015 at 2pm.*

Ed Williams,
Ground Floor, 169 Union Street, London, SE1 0LL;
telephone: 020 8 555 1200 (ext: 30081);
e-mail: ed.williams@london-fire.gov.uk
Clerk to LONDON FIRE & EMERGENCY PLANNING AUTHORITY
APPENDIX - DISCLOSURES OF INTERESTS AND DISPENSATIONS

INTERESTS
The following declarations of offices held at the GLA, other functional bodies and London borough councils have been received from Members of the Authority.

*Members are asked to declare at the meeting any further relevant interests in any item on the agenda paper and to state the nature of the interest(s) declared.*

<table>
<thead>
<tr>
<th>Member</th>
<th>Interest</th>
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<tbody>
<tr>
<td>Councillor Liaquat Ali MBE, JP</td>
<td>Member, LB Waltham Forest</td>
</tr>
<tr>
<td>Councillor Tony Arbour, JP</td>
<td>Assembly Member for South West London Constituency</td>
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<td></td>
<td>Member, LB Richmond upon Thames</td>
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<tr>
<td>Councillor Gareth Bacon</td>
<td>Assembly Member; Member, LB Bexley</td>
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<tr>
<td>Councillor David Cartwright QFSM</td>
<td>Mayoral Appointee; Member, LB Bromley; Family members who are serving officers of the London Fire Brigade</td>
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<tr>
<td>James Cleverly</td>
<td>Assembly Member for Bexley and Bromley Constituency</td>
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<tr>
<td>Andrew Dismore</td>
<td>Assembly Member for Barnet and Camden Constituency</td>
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<tr>
<td>Councillor Mike Fisher</td>
<td>Member, LB Croydon</td>
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<td>Councillor Susan Hall</td>
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<td>Councillor Sarah Hayward</td>
<td>Member, LB Camden</td>
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<td>Councillor Maurice Heaster OBE</td>
<td>Mayoral Appointee; Member, LB Wandsworth</td>
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<tr>
<td>Councillor Jack Hopkins</td>
<td>Member, LB Lambeth</td>
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<tr>
<td>Darren Johnson</td>
<td>Assembly Member</td>
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<tr>
<td>Councillor Stephen Knight</td>
<td>Assembly Member; Member, LB Richmond upon Thames</td>
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<tr>
<td>Councillor Pauline Morrison</td>
<td>Member, LB Lewisham</td>
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<tr>
<td>Valerie Shawcross CBE</td>
<td>Assembly Member for Lambeth and Southwark</td>
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<tr>
<td>Dr Fiona Twycross</td>
<td>Assembly Member</td>
</tr>
<tr>
<td>Councillor Martin Whelton</td>
<td>Member, LB Merton</td>
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</tbody>
</table>
1. **Apologies for Absence**

No apologies for absence were received.

2. **Minutes**

   The motion was made by the Chairman – that the minutes of the Authority meetings held on 27 November 2014 and 3 December 2014 be signed as a correct record.

   The motion was seconded by Councillor David Cartwright QFSM, put and agreed.

   **Resolved** – accordingly.

   The minutes were thereupon signed by the Chairman.

3. **Minutes of Appointments and Urgency Committee**

   The motion was made by the Chairman – that the minutes of the Appointments and Urgency Committee meetings held on 27 November 2014, 15 December 2014 and 12 January 2015 be signed as a correct record.

   The motion was seconded by Councillor David Cartwright QFSM, put and agreed.
Resolved – accordingly.

The minutes were thereupon signed by the Chairman.

4. **Special Announcements by the Chairman and reports by the Chairman or the Clerk to the Authority of any Communications**

The Chairman announced that on Monday 17 November 2014 at 03:55 hours the Brigade received a call to smoke issuing at Stanlake Road, Shepherds Bush; appliances were initially dispatched from Hammersmith and Kensington Fire Stations. Whilst en route crews were informed that Fire Survival Guidance calls were in progress, and that three persons were trapped in the rear bedrooms of a ground floor flat. On arrival, crews were confronted with heavy smoke coming from all windows of a large terraced house converted into four flats, with fire visible through the upper ground floor front window. It was quickly apparent that there was also a person at first floor level in need of rescue, as well as three people trapped in the rear bedrooms. Crews pitched a ladder to recue the person from the front first floor window, and were then informed of a fifth person at second floor level on a flat roof at the rear of the building. A crew was sent to the rear of the property. They pitched a short extension ladder to the first floor flat roof, then hauled the ladder up and re-pitched it from the first floor flat roof to the second floor in heavy smoke. The crew were then able to carry out the rescue. A crew in breathing apparatus, which had been committed to fight the fire, were given an update on the location of the people in the rear bedroom, and as a result removed them to safety to the front of the building. Two further people were also removed from the building. The fire was confined to the upper ground floor flat and was quickly extinguished, with a total of seven people being rescued without serious injury.

The Chairman noted that on Thursday 1 January 2015 at 21:58 hours the Brigade received a call to a smell of chemicals at Boulter House, New Cross; appliances were initially dispatched from Lewisham, Deptford and New Cross Fire Stations. On arrival, the Incident Commander was informed that two men were in a flat and had suffered an electric shock; one was not breathing and the other had lapsed into cardiac arrest. The power supply was isolated and two firefighters assisted the London Ambulance Service (LAS) in treating the two casualties. Crews also conducted a Detection, Identification and Monitoring sweep to confirm whether chemicals were involved. Dangerous levels of Hydrogen Sulphide were detected, so approximately 100 residents were evacuated from the building as a precaution. In total three adults and three children were removed to hospital by the LAS, although one man was pronounced dead at the scene as a result of his injuries.

The Chairman commended officers from the Community Safety Section who successfully launched two new Fire Cadet programmes this month in Lewisham and Greenwich, making a total of 10 boroughs in which the fire cadet programme is currently operating.

The Chairman noted that officers from the Fire Safety Department had successfully prosecuted a Marylebone pub landlord, who was fined £35,000 and ordered to pay £9,000 costs for breaking fire safety laws and potentially putting her customers and tenants at risk. Also, a Clapham landlord who let tenants carry on living in his property, despite fire safety inspectors issuing a prohibition notice to prevent its use due to serious fire safety concerns, was fined £10,000 after pleading guilty to breaking fire safety regulations.
The Chairman commended the work of Fire Brigade officers for their hard work be it on the front line or elsewhere.

Finally, the Chairman announced that he had written to the Mayor and to the Clerk of the Authority to inform them of his intention to stand down as Chairman of the Authority immediately after the full Authority meeting on the 26 March 2015.

He said it had been an honour to have served as Chairman of the Authority. As he had been selected as a parliamentary candidate he felt it right to stand down ahead of the election period.

The Chairman thanked all Brigade officers, Authority officers and Members of the Authority for their support over the period of his time as Chairman.

On behalf of the Labour Group, Dr Twycross AM thanked the Chairman for his hard work on behalf of the Authority during the last three years. She noted that he had brought a new approach to the role, one which had been appreciated by the Brigade and the Authority.

5. Disclosures of Interests and Dispensations


Resolved – That the details of membership of the GLA, other functional bodies and London Boroughs, as attached as an appendix to the agenda, and declared by Members, be noted.

The Chairman then noted that Mr Gordon Fielden, Fire Brigades Union (FBU), had made a request to speak to the following items on the agenda: the Budget Update; the Top Management Review; Statement of Assurance 2013/14; and LGA Fire Peer Challenge: Self Assessment.

The Chairman stated that under Standing Order 15 the FBU could make a presentation to the Authority on these reports, with the exception of the Top Management Review, to which no staff side consultations had been carried out. As such, that item was outside of the scope of the provisions of Standing Order 15.

Following discussion, Dr Twycross AM moved a motion to suspend Standing Order 15 in order to allow the FBU to make representations to the Authority in relation to the Top Management Review item.

The motion was seconded by Andrew Dismore AM, and put to the vote. There were 8 (eight) votes in favour and 9 (nine) votes against.

The motion was declared to be lost.
6. **Budget Update - FEP 2377**

Report by Director of Finance and Contractual Services and memorandum from the Resources Committee, arising from its meeting held on 16 January 2015.

The Director of Finance and Contractual Services introduced the report and, along with the Commissioner, answered questions from Members.

Mr Gordon Fielden, FBU, made an oral presentation to the Authority.

After discussion, the motion was made by the Chairman - That the Authority:

1. Notes the contents of this report;
2. Agrees in principle that LFEPA will join the pan-GLA Group Collaborative Procurement Team as set out from paragraph 43 of the report;
3. Agrees capital expenditure of £400k in 2014/15 for works to enable further potential lettings at Union Street, as set out in paragraph 66 of the report; and
4. Notes that it is anticipated that the operational staffing establishment will be achieved by 31 August 2015 and that a voluntary severance trawl for operational staff is therefore not required.

The motion was seconded by Andrew Dismore AM, put and agreed.

**Resolved** – accordingly.

7. **Top Management Review - FEP 2382**

Report by the Commissioner.

The Commissioner introduced the report, and confirmed that he had received a letter from Sir Edward Lister, the Mayor’s Chief of Staff, which indicated that the GLA would provide funding for the proposed additional senior Resilience post contained within the proposals set out in the report. The Commissioner stated that he would discuss those issues further with the GLA and report back to the Authority with final proposals.

The Commissioner then answered questions from Members, during which he stated that he believed that the proposals for the future management structure contained the right balance between operational and managerial requirements and that, whilst he had to take account of the fact that there had, in recent years, already been reductions in Assistant Commissioner and Deputy Assistant Commissioner capacity within the Brigade which meant that there was already a challenge in ensuring full cover at all times for the operational rota, he understood that some Members and the FBU were of the view that further reductions could be made in this area of the management structure and he would carefully consider responses received through the consultation process on this issue.
Following discussion, the motion was made by the Chairman:

1. That the Authority agrees:
   
   (a) To approve the proposed new top management structure, as set out in Appendix C, subject to consultation with Prospect, the trade union recognised for collective bargaining purposes for the Top Management Group, and with individuals affected;
   
   (b) To receive a report back, with an update of that consultation including comments received;
   
   (c) That the Commissioner, in consultation with the (Acting) Director of Operational Resilience and Training, will apply the Authority’s Redundancy and Redeployment Procedure as appropriate during the period of consultation;
   
   (d) That the current interim arrangements remain in place until the implementation of the proposed new structure; and
   
   (e) That the Commissioner be authorised to make any further internal interim arrangements pending implementation of the proposed new structure.

2. That all powers currently delegated to the Head of Human Resources and Development shall be transferred and delegated to the (Acting) Director of Operational Resilience and Training; and

3. That the Authority undertakes a pay and reward review for the Top Management Group, to be concluded before the end of 2015.

The motion was seconded by Councillor Bacon AM.

After debate, an amendment was proposed by Dr Twycross AM to:

Revise part 1(a) of the motion so that it read:

That the Authority agrees:

(i) “That the Commissioner undertakes consultation on the proposed new top management structure, as set out in Appendix C, with Prospect, the trade union recognised for collective bargaining purposes for the Top Management Group, and with individuals affected, and dialogue with other Trade Unions, Lead Members as well as Mr Johnson AM and Cllr Knight AM.”; and to

Revise part 1(d) so that it read:

(ii) “That the current interim arrangements be reviewed on the report back following the consultation.”

Upon being put to the vote, the amendment was carried by general consensus. The amendment was declared to be carried.

The substantive motion, as amended, was put and agreed.

It was therefore:
Resolved –

1. That the Authority agrees:

(a) That the Commissioner undertakes consultation on the proposed new top management structure, as set out in Appendix C, for consultation with Prospect, the trade union recognised for collective bargaining purposes for the Top Management Group, and with individuals affected, and dialogue with other Trade Unions, Lead Members as well as Mr Johnson AM and Cllr Knight AM;

(b) To receive a report back, with an update of that consultation including comments received;

(c) That the Commissioner, in consultation with the (Acting) Director of Operational Resilience and Training will apply the Authority’s Redundancy and Redeployment Procedure as appropriate during the period of consultation;

(d) That the current interim arrangements be reviewed on the report back following the consultation; and

(e) That the Commissioner be authorised to make any further internal interim arrangements pending implementation of the proposed new structure.

2. That all powers currently delegated to the Head of Human Resources and Development shall be transferred and delegated to the (Acting) Director of Operational Resilience and Training; and

3. That the Authority undertakes a pay and reward review for the Top Management Group, to be reviewed on the report back following the consultation.

8. Disposal of Former Fire Stations - FEP 2383

Report by the Head of Legal and Democratic Services and supplementary report (FEP 2383A)

The Head of Legal and Democratic Services introduced the report.

Following discussion, the Chairman moved the motion - That the Authority:

1. Authorises officers to send to the Mayor a copy of the part of its disposal strategy attached as an appendix to the part 2 report on the agenda for this meeting.

2. Authorises officers:

   (i) To inform the Mayor that it has legal concerns about any direction to dispose of the former fire station sites for educational purposes at an undervalue but is willing to enter into discussions with the Mayor with a view to attempting to resolve those legal concerns; and
(ii) To enter into discussions with the Mayor’s advisers setting out the grounds for the Authority’s legal concerns.

The motion was seconded by Councillor Bacon AM.

After debate, an amendment was moved by Dr Twycross AM to delete part 2 and replace it with the following revised text:

“2. Notes that LFEPA would have preferred to have seen the former fire stations used for public good, but has a clearly defined statutory duty to obtain the best price reasonably obtainable.

3. Has legal concerns about the proposals the Mayor has made and has serious concerns about the interference by the Mayor and his office with the disposal process that risks the fairness of the process including concerns about the reputational risks arising from disruption to the disposal process.

4. Has grave concerns about the admission by the Mayor’s chief of staff that commercially sensitive information in the view of the Authority has been disclosed to selected bidders.

5. Asks the Chairman to write to inform the Mayor that, while LFEPA reserves the right to resist any direction it considers unlawful, it is willing to enter into discussions with the Mayor and his advisers, with a view to resolving the legal, financial and procedural issues and any other issues that might arise as a result of these discussions.

6. To instruct the Commissioner to respond to the Deputy Mayor’s letter in accordance with the advice contained in paragraphs 8 to 10 of the supplementary report.

7. Instructs the Commissioner to report back on the discussions to an Appointments and Urgency Committee no later than 28 days from today."

The amendment was seconded by Andrew Dismore AM.

The amendment was put and agreed, with the exception of parts 3 and 4 which were put to a vote.

Part 3 was put to a vote and there were 10 (ten) votes in favour and 7 (seven) votes against and declared to be carried.

Part 4 of the amendment was put to a vote, and there were 10 (ten) votes in favour and 7 (seven) votes against and declared to be carried.

The motion, as amended, was put and agreed with the exception of parts 3 and 4 which were put to a vote.

Part 3 of the motion, as amended, was put to a vote, and there were 10 (ten) votes in favour and 7 (seven) votes against and declared to be carried.

Part 4 of the motion, as amended, was put to a vote, and there were 10 (ten) votes in favour and 7 (seven) votes against and declared to be carried.

The motion, as amended, was declared to be carried.
Resolved – That the Authority:

1. Authorises officers to send to the Mayor a copy of the part of its disposal strategy attached as an appendix to the part 2 report on the agenda for this meeting;

2. Notes that LFEPA would have preferred to have seen the former fire stations used for public good, but has a clearly defined statutory duty to obtain the best price reasonably obtainable;

3. Has legal concerns about the proposals the Mayor has made and has serious concerns about the interference by the Mayor and his office with the disposal process that risks the fairness of the process including concerns about the reputational risks arising from disruption to the disposal process;

4. Has grave concerns about the admission by the Mayor’s chief of staff that commercially sensitive information in the view of the Authority has been disclosed to selected bidders;

5. Asks the Chairman to write to inform the Mayor that, while LFEPA reserves the right to resist any direction it considers unlawful, it is willing to enter into discussions with the Mayor and his advisers, with a view to resolving the legal, financial and procedural issues and any other issues that might arise as a result of these discussions;

6. Instructs the Commissioner to respond to the Deputy Mayor’s letter in accordance with the advice contained in paragraphs 8 to 10 of the supplementary report;

7. Instructs the Commissioner to report back on the discussions to an Appointments and Urgency Committee no later than 28 days from today.

9. LFEPA Trading Company - FEP 2384

Report by the Director of Finance and Contractual Services.

The Director of Finance and Contractual Services introduced the report and answered questions from Members.

Following the discussion, the Chairman moved the motion - That the Authority:

1. Notes the contents of this report;

2. Confirms that it considers that it is appropriate for the commercial strategy outlined in this report to be pursued for a commercial purpose through the trading company in line with the criteria set out at Appendix A;
3. Approves the appointment of the Director of Finance and Contractual Services as shareholder representative and agrees that the functions of the shareholder will be delegated to the shareholder representative;

4. Agrees that the indemnity and insurance previously approved at recommendation 4 of FEP 2254 be provided to the revised list of directors set out in this report, and that appropriate training and support be provided to the directors to ensure they can undertake their duties as directors; and

5. Agrees that a letter (as referred to in paragraph 27) be provided to employee directors stating that so long as the company remains a subsidiary of the Authority, the authority shall continue to make sufficient money available to pay its debts as they fall due.

The motion was seconded by Councillor Cartwright QFSM, put and agreed,

Resolved – accordingly.

10. Statement of Assurance 2013/14 - FEP 2385

Report by the Commissioner.

The Commissioner introduced the report.

Mr Gordon Fielden, FBU, made an oral presentation to the Authority.

Following discussion, the Chairman moved the motion - That the Authority:

1) Notes the additional data, requested in November 2014, set out in the report; and


The motion was seconded by Councillor Heaster OBE.

Following debate, Councillor Morrison moved an amendment that the following words be added to the end of part 2:

“and guarantees at the conclusion of the current industrial unrest the return of the 13 appliances which have been 'off the run' for the duration of the recent industrial action over the Government's pension reforms. The Authority believes that returning these appliances may address some of the concerns about the increased attendance times.”

The amendment was put and agreed.

The motion, as amended, was declared to be carried.

It was therefore:

Resolved – That the Authority:

1) Notes the additional data, requested in November 2014, set out in the report; and
2) Approves the Statement of Assurance 2013/14, and guarantees at the conclusion of the current industrial unrest the return of the 13 appliances which have been 'off the run' for the duration of the recent industrial action over the Government's pension reforms. The Authority believes that returning these appliances may address some of the concerns about the increased attendance times.

11. LGA Fire Peer Challenge: Self-Assessment - FEP 2386

Report by the Deputy Commissioner.

The Deputy Commissioner introduced the report.

Mr Gordon Fielden, FBU, made an oral presentation to the Authority.

Following discussion, the Chairman moved the motion - That the Authority approves the self-assessment and that it be provided to the peer challenge team to inform the challenge.

The motion was seconded by Councillor Bacon AM, put and agreed.

**Resolved** – accordingly.

12. Authority - Summary List of Actions - FEP 2387

Report by the Clerk to the Authority.

The Chairman moved the motion that - The Authority notes:

1) The ongoing and completed actions; and

2) The report in the supplementary agenda, which confirms that the Authority is now formally released from the obligations set out in the Mayor's direction of 16 June 2014 regarding 8 Albert Embankment.

The motion was seconded by Councillor Cartwright QFSM, put and agreed.

**Resolved** – accordingly.

13. Questions from Members (in accordance with Standing Order 20) – 29 January 2015 – FEP 2388

Questions from Members for the meeting on 29 January 2015, published in the order received in accordance with standing Order 20, are set out below with supplementary questions and the Chairman’s or Commissioner’s replies:

Questions received:
<table>
<thead>
<tr>
<th>Question 401</th>
<th>From Darren Johnson AM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Given repeated concerns about major overcrowding problems at London Bridge station recently, are you concerned about the fire safety implications of this and can you update members on any action that is being undertaken by London Fire Brigade?</td>
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</tbody>
</table>

**Commissioner’s written response**

London Fire Brigade fire safety regulation department has a dedicated transport inspection team. The transport team was established following the Fennell report on the King’s Cross fire and has a robust business relationship with both London Underground Ltd (LUL) and Network Rail. As part of this relationship, regular meetings are held to discuss fire safety issues, major changes and new projects. LFB had been consulted on the changes to London Bridge and been satisfied that these would not impact on the fire safety measures required.

After the recent issues at London Bridge Station were identified, officers from LFB transport team were tasked to carry out visits on 7 January 2015 at morning and evening rush hour.

Network Rail explained that the issues had been caused by significant signalling problems which resulted in cancelled and severely delayed train services, affecting platform allocation. Unfortunately this coincided with the change in timetable for services which further presented problems to staff due to the alteration of platforms. Network Rail explained they have a detailed plan to assist with overcrowding specifically for Platforms 10-15 which is managed through a queue type system set up outside the concourse area of the station.

This plan is utilised to assist with the direction of travel required for the majority of passengers during peak hours. However, despite the claims in the media, Network Rail did not feel the concourse was at a point to fully implement the plan. LFB officers who visited stated that although the concourse appeared busy, this can be caused because of the positioning of the travel information boards. The repositioning of this is to happen as part of the station refurbishment. It was also noted that there is a lot more space in front of the boards on the concourse which the press photos did not show.

LFB Officers were satisfied that Network Rail had plans in place for these events.

Due to further changes happening to platforms and a new timetable being introduced over the weekend 10/11 January 2015, LFB Officers again attended London Bridge Station during morning and evening rush hour on Monday 12 January 2015 and reported no problems of overcrowding.

LFB are satisfied that the procedures in place are adequate to deal with overcrowding but will continue to monitor and review as part of the normal business relationship with Network rail.

**Darren Johnson AM:** Thank you to the Commissioner for this comprehensive reply. May I ask that, if there are any significant incidents of concern that are part of the normal review process, could you keep Members informed? This is something on which we have had a lot of emails from members of the public and it continues to be a matter of concern.

**Commissioner:** I am happy to confirm that, Chairman.
Question 402 From Councillor Gareth Bacon AM

On 9 January 2014 this Authority closed 10 fire stations and removed 14 appliances from service under the proposals encompassed within the 5th London Safety Plan (LSP5). Throughout the entirety of the twelve months that followed the Brigade was also forced to remove a further 13 appliances from service to provide contingency cover during the Fire Brigades Union’s protracted industrial dispute with Government.

Given the fears regarding the Brigade’s ability to continue to drive down the number of fires and fire deaths after the changes encompassed within LSP5, I believe it would be helpful at this juncture to review our performance for 2014 given that we operated with 27 fewer appliances than the year before; nearly double the reduction in resource to which we had initially planned and modelled.

Noting of course that one year’s data should be treated with caution when assessing long term trends in fires and fire deaths, please could you provide a comparison for the calendar years 2013 and 2014 for the pan-London metrics included below:

1. All incidents attended
2. All fires
3. Primary fires
4. Secondary fires
5. All fire deaths
6. Number of Home Fire Safety Visits
7. Average first appliance attendance time
8. Average second appliance attendance time

Chairman’s written response

Data for 2014 is provisional at this stage, and is subject to completion/checking, with some fire deaths to be confirmed by a Coroner’s inquest, although the final outturn is not expected to be significantly different. The data requested are as follows:

<table>
<thead>
<tr>
<th>Metric</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. All incidents attended</td>
<td>103,605</td>
<td>96,599</td>
</tr>
<tr>
<td>2. All fires</td>
<td>21,158</td>
<td>19,605</td>
</tr>
<tr>
<td>3. Primary fires</td>
<td>11,277</td>
<td>10,650</td>
</tr>
<tr>
<td>4. Secondary fires</td>
<td>9,791</td>
<td>8,895</td>
</tr>
<tr>
<td>5. All fire deaths</td>
<td>49</td>
<td>30</td>
</tr>
<tr>
<td>6. Number of Home Fire Safety Visits</td>
<td>83,940</td>
<td>85,149</td>
</tr>
</tbody>
</table>
7. Average first appliance attendance time | 05:19 | 05:31
8. Average second appliance attendance time | 06:39 | 06:55

Councillor Gareth Bacon: Can I thank you for your answer, Chairman.

During the LSP5 process there were fears raised as to the level of preventative work that would be possible after the implementation of LSP5. Do you feel that the results that have been released today vindicate the decisions made by yourself, the Mayor and the Commissioner?

Chairman: I, along with some other Members, saw a lot of the process that was put into the production of LSP5 and I would like to put on record my thanks to the Commissioner, the Deputy Commissioner and the team I know were very heavily involved in this.

I always had confidence in this plan. I know that through the protracted consultation period Members quite understandably, quite rightly, expressed their concerns. They had every right to do so. I personally always had complete confidence in this plan because I saw how much professional work went in by officers of the London Fire Brigade who produced it.

I will caveat these figures the same way I caveat all figures, which is that any one year’s figures are subject to a degree of variance, which is why we always take a multi-year rolling average. These figures, of course, will bring that multi-year rolling average down. I am very pleased they have done. The thing that I am most pleased about is that, despite the unfortunate requirement to reduce the number of operational firefighters within the Brigade, despite the fact that we’ve had a large number of periods of industrial action, we are still beating our previous year in terms of home fire safety visits and I thank the firefighters themselves, and the managers within the Fire Brigade, for continuing the pressure to get this done, because that is really where we get the good news on saving lives.

I am very pleased with all the figures. I am particularly pleased with the increased number of home fire safety visits.
<table>
<thead>
<tr>
<th>Question 403</th>
<th>From Councillor Jack Hopkins</th>
</tr>
</thead>
<tbody>
<tr>
<td>Why does the Carr Review list a London Fire Brigade Presentation as part of the information received when no formal response was agreed or submitted by the Authority?</td>
<td></td>
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</tbody>
</table>

**Commissioner’s written response**

The London Fire Brigade presentation listed in the Carr review is a presentation that was provided at a seminar hosted by LFB for other Fire and Rescue Authorities on 21 July 2011. This seminar was held to share the experiences and lessons learned by LFB during the industrial action which took place during 2010. A copy of the presentation was requested by Bruce Carr QC during his meeting with the Commissioner on 15 July 2014 and, due to the fact that it had already been made publicly available, it was provided.

**Councillor Jack Hopkins:** Thank you. I just wanted to get to the heart of this submission and the evidence that was submitted. There had been quite a strong steer from here and from colleagues that there wasn’t going to be a submission. When the request was made, how did that request come about for that specific piece of information and was there any consultation with Members of LFEPA having given that steer about non-submission.

**Commissioner:** To be clear, I did have conversations with Members when the consultation was out and I was very clear that Members were not keen on submitting an Authority response. Bruce Carr QC wanted to speak to me. My view was that given that we had been through a very significant period of industrial action in 2010 it was important that they at least had my professional view. I was absolutely clear with Bruce Carr QC during the conversation that I had with him that the views expressed or comments I was making were entirely mine and not on behalf of the Authority because the Authority was not submitting a response. Bruce Carr QC was already aware of the presentation that had taken place in 2011 following the industrial action, and given that that presentation was given to a wide number of brigades, I felt it was in the public domain and I did agree to give him a copy of it.

The meeting with me was at my volition because I felt it was important that at least the Authority’s experiences were put into the review, but I was very clear it was not the Authority’s response it was a professional response on behalf of myself only.
Question 404  From Andrew Dismore AM

What discussions have you had with the Mayor over the disposal of redundant fire stations?

Chairman’s written response

I have had a number of discussions with the Mayor regarding the disposal of redundant fire stations during the course of my regular meetings with him. Most recently I have discussed his ambitions for the Bow, Silvertown and Southwark sites as laid out in his letter to me on 22 December 2015.

Andrew Dismore AM: Thank you Chair.

Could you confirm what was the last date that you discussed this with the Mayor? Did you, at any stage, remind the Mayor of the need for confidentiality of the detailed bids? When did you become aware that the Mayor had given details of the bids to the Education Funding Agency (EFA)? Was that before the 21 January 2015? If it was before 21 January 2015, did you intend to inform the Authority of that information having been provided to the EFA and if so when did you intend to inform us, and if not, why not?

Chairman: You might need to remind me of some of those questions, there was quite a list there.

The first time that I was aware that details of the bids were in the public domain was when I was approached by Karl Mercer [BBC London Political Correspondent] who was filming outside Union Street, and he seemed to have quite detailed figures. I refused either to confirm or deny the figures that he had, so that was the first time I was aware that figures were in the public domain. I have not had direct conversations with the Mayor at all about who figures had been shared with or, at what point. It is not something I have discussed directly with the Mayor and I can’t give a precise date as to when I became aware that bid figures were in circulation, off the top of my head. It is not something I have discussed directly either with the Mayor or with Sir Edward.

Andrew Dismore AM: So you were aware of this before 21 January 2015 from your answer, because that is the date of the letter from Sir Edward. If that was the case, why didn’t you bring to the attention of the Authority at an earlier stage that this information had been leaked, or disclosed? Obviously it was intentional. Don’t you think that was a matter of great importance that we should know about?

Chairman: As I say, the first time that I became aware that detailed figures around the bids were in circulation was when I was approached by the media, by Karl Mercer, saying ‘are these figures accurate?’, and I said I was unwilling to discuss them. That would have been after one of our meetings where we discussed that, so I can double check the date on that. It was after the A&U meeting on 12 January 2015. Frankly, I take it as read that information creeps out of here. I was disappointed but it seemed from the tone of Karl Mercer’s conversation with me that he took it as read that
everybody was aware of these figures. He certainly didn’t give any indication that the figures had come from City Hall, here, or wherever. The first time I had particular reference to the Mayor’s Office sharing details was on the receipt of the letter.

Andrew Dismore AM: Didn’t you think it was important to ask the Mayor if he was the source of this information? Didn’t you think it was important to ask the Mayor how this came about at that time and report back?

Chairman: The letter covered all the details as far as I was concerned.
<table>
<thead>
<tr>
<th>Question 405</th>
<th>From Fiona Twycross AM</th>
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</table>
| There were three Mayoral Directions in the last year. What conversations have you had with the Mayor or his office about forthcoming directions? | Chairman's written response

I have not specifically discussed individual directions with the Mayor but have, during the course of my regular meetings with him, talked generally about the timescales for his decisions. I am expecting progress soon.

Fiona Twycross AM: Thank you. The main question I really had was whether we are likely to receive any more directions in the future, maybe while you are still chairman? Clearly it does disrupt the business of the Authority to have to deal them and it might be nice if rather than continually giving us, or hinting at, directions they actually had a more positive approach to dialogue.

Chairman: This reflects a question which was discussed during the Assembly Plenary session where I was quizzed by the London Assembly - I am conscious that not all Members are on the Assembly. The view that I have taken is that the Mayor directs as he sees fit. As I say, I have not had any specific discussions, and I genuinely don’t have any insight as to what he may or may not issue a direction about, the educated guess work that I think any Member around the Authority could make.

I think that when the Mayor was forced into making a direction over LSP5, the genie was out of the bottle; I said so at the time. I remember saying to Members at the time if we invite the Mayor to intervene directly into our business, as we pretty much did through the decision, or indecision, depending on how you want to define it, of certain Members of the time, then that would set a tone. Regularly through the LSP5 process and in the period subsequent to the LSP5 process, many Members, typically on the London Assembly, demanded the Mayor’s opinion on this or that, with regard to the Fire Brigade, asking ‘what are you intending to do’. I think it is inevitable that when the Mayor keeps being invited by Members to think about and intervene in the actions of the Fire Authority that he will continue to do so. So whilst I don’t have any specific indication of when Mayoral Directions may come, I would not be at all surprised if there are more in the future.

As I say, the Mayor has basically been invited because of what happened through LSP5 to manage quite directly the affairs of the Fire Authority and I would suggest we shouldn’t be surprised if he chooses to do so.
What has been the total cost to date of the tender process for the disposal of fire stations closed under LSP5?

The total cost to date of the tender process for the disposal of the fire stations closed under LSP5 is £197,483.07.

Additional Information:

- This cost includes marketing, estates agents costs, planning and heritage audits;
- Total anticipated costs were reported in FEP 2158 (11 November 2013) of £463,500 which included an estimated cost of £165,000 for legal work which has now mostly been provided in house (excluding for example Counsel’s recent advice on the Mayoral Direction);
- Final costs will depend on the detail of each transaction up until completion and further Mayoral correspondence in relation to the Bow, Silvertown and the Southwark Sites.

Councillor Martin Whelton: Thank you. Can the cost implications to the Authority be outlined if we were to have to enter a re-tendering process as a result of the recent Mayoral actions on the disposal of fire stations? Furthermore, can the risk of legal action to the Authority if we were to repeat the tender process from those who bid in the first stage of this also be outlined?

I am concerned that we have been through a whole tender process, already almost £200,000 has been spent by the Authority and that we do have to go through that process, potentially, again.

Commissioner: I am afraid I can’t give an actual amount now, but I would be happy to write to the Member with an estimate, if Councillor Whelton would be happy with that.

Councillor Martin Whelton: Thank you. Furthermore, if we have to go through the process the GLA should actually reimburse us the cost because it hasn’t been due to the actions of the Fire Authority, it has been due to the actions of the Mayor of London.

Chairman: I know conversations about reimbursement kick around. The thing you have to remember is who pays all our bills. Every penny we spend comes through the Mayor’s office. Members have got to get their heads around the fact that we are not a precepting authority. The Mayor is our single source of funding. Everything we spend comes through the Mayor’s office, and the Mayor has a moral and statutory responsibility to make sure the London Fire Brigade is able to discharge its duty effectively. So saying that the Mayor should reimburse us for this, is tautologous. The Mayor pays all our bills. Whatever we spend comes through the Mayor’s payment of our bills and he chooses whether he gives us more, or less, or the same.
What conversations have you had about the worrying number of recent fire deaths?

The Brigade takes every fire fatality incredibly seriously.

Whilst there were seven deaths reported at fires over the 2014 Christmas and New Year period, only five deaths were due to fire and three of these are still subject to a final confirmation by the Coroner that fire was the cause of death. For the 2014 calendar year there were 30 fire deaths; a third lower than in 2013 when there was 46 fire deaths. The 2014 figure is the lowest ever number of fire deaths experienced in London in any year. [There were four fire deaths in December 2014 and five in January 2015 so far; these numbers are within the normal range that can be expected in any month. There were six fire deaths in July 2014 and five in March 2014.]

However, Officers continue to work with local authorities and the Met Police to raise awareness of fire prevention. Borough Commanders sit on a number of local partnership Boards including Adult and Children’s Safeguarding Boards (and their sub-groups), Crime and Disorder Reduction Partnership, MARAC (Multi Agency Risk Assessment Conferences), Troubled Families and Health and Wellbeing (and their respective sub groups) etc… to ensure partners are aware of any fire deaths and potential prevention activities that could help reduce the risk. Where there are particular issues around the state of care for a resident that has died in a fatal fire, officers push for a Serious Case Review so that partners can understand all the events leading up and learn lessons from the fatality to reduce future risk. Following any type of residential fire, crews carry out a ‘hot strike’ to surrounding properties to carry out a Home Fire Safety Visit, where smoke alarms are fitted and escape plans developed with the resident. Crews carry out over 80,000 Home Fire Safety Visits annually across London in addition to delivering a wide range of community safety activities and projects to reduce the risk of fire; and spend over 13% of their time on community safety activities. Where our fatal Fire Review process identifies opportunities for risk reduction work with partners we support our partners to educate their staff to the risk that fire presents, especially to the vulnerable. An example of work generated by this process includes the production of a fire awareness training package for carers.

Councillor Liaquat Ali: Thank you for the detailed answer. Obviously it is serious, looking at 9 fire deaths in the last couple of months and I wonder whether there are any lessons to be learnt, whether we are keeping our eye on the ball on this?

Commissioner: We certainly are keeping our eye on the ball on this, Councillor Ali. We take every fire death very seriously, and the answer details the process we go through in terms of looking at each fire death individually and taking whatever steps we can to ensure it would be prevented in the future.

Just as an item of information, it was confirmed yesterday by the coroner that one death that took place on 17 December 2014 was from natural causes as well, so that
reduces the number of deaths over that period due to fire anyway. Which obviously I am pleased about in terms of the cause, but we do take it very seriously and every fire death is very carefully considered.
<table>
<thead>
<tr>
<th><strong>Question 408</strong> From Councillor Pauline Morrison</th>
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</thead>
<tbody>
<tr>
<td>Forest Hill Station has had an appliance 'off the run' for over a year now. What conversations have you had with the Mayor, his office or others about the future of the 13 appliances which are currently being used to support the contingency arrangements?</td>
</tr>
<tr>
<td><strong>Chairman’s written response</strong></td>
</tr>
<tr>
<td>I have not specifically discussed the future of the 13 appliances with the Mayor, but have, during the course of my regular meetings with him, talked generally about the excellent performance of the Brigade last year, despite their removal. No decisions have been taken at this stage.</td>
</tr>
</tbody>
</table>
What is the Brigade doing to address the rise in RIDDOR reportable incidents?

The rise in injuries reportable to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) has been noted by the health and safety team and formally reported through the existing governance processes to both Corporate Management Board and Resources Committee in quarters 1 and 2.

As reported to Resources Committee on 13 November 2014 the increase in RIDDOR injuries in the first two quarters of 2014/15 has been monitored closely by the health and safety team. The increase in injuries is specific to operational staff. No clear reason has been identified to explain the increase in RIDDOR injuries, although it has been noted that the increases in RIDDOR injuries are NOT associated with the following:

- There has been no significant change in the number of injuries or near misses overall that would account for the large increase in RIDDOR injuries;
- There has been no significant change in the number of operational events that have been attended;
- When the severity of injuries are reviewed there does not appear to be a trend toward more serious injuries occurring;
- Staff are taking more time off work following injury;
- There have been no changes in policies, procedures or safe systems of work that have been linked to accident causation and/or injury; and
- There have been no changes to operational or protective equipment that have been linked to accident causation and/or injury.

The health and safety team meet regularly with the Area DACs to discuss health and safety management, including the accidents that have occurred in their area of control and more generally across the Brigade.

RIDDOR injury figures (the previous months figures) are provided to the staff side members of the monthly Brigade Health, Safety and Welfare (BJCHSW) Committee.

The health and safety team have also had discussions with health and safety colleagues in other Fire and Rescue Services and it has been noted that there has been an increase in RIDDOR injuries in a number of FRS’s through Q1 and Q2 2014/15. As such this increase in RIDDOR injuries is not isolated to LFB.

It should be noted that while there was a large increase in RIDDOR injuries in Q1 2014/15 the trend appears to be decreasing and returning to expected levels. There was a reduction in RIDDOR injuries from 46 RIDDOR injuries in Q1 2014/15 to 37 RIDDOR injuries in Q2 2014/15. This has reduced further to 28 RIDDOR injuries in Q3 2014/15, which represents a return to the targeted level of approximately 10 RIDDOR injuries per month.
14. **Exclusion of Press and Public**

Following discussion, it was agreed to exclude the press and public for consideration of the following items, in accordance with paragraphs 3 and 5 of Schedule 12A to the Local Government Act 1972 (as amended).

15. **Minutes of Appointment and Urgency Committee - Exempt**

The motion was made by the Chairman – That the exempt minutes of the Appointments and Urgency Committee held on 27 November 2014 be signed as a correct record.

The motion was seconded by Councillor David Cartwright QFSM, put and agreed.

**Resolved** – accordingly.

16. **Disposal of Former Fire Stations - FEP 2383X**

Report of the Head of Legal and Democratic Services.

The motion was made by the Chairman - That the report be noted.

The motion was seconded by Councillor David Cartwright QFSM, put and agreed.

**Resolved** – accordingly.

The meeting ended at 16:23

Signed By:  ..................................................................................................................
Chairman

Ed Williams, Ground Floor, 169 Union Street, London, SE1 OLL; telephone: 020 8555 1200 ext 30081; e-mail: ed.williams@london-fire.gov.uk
Clerk to LONDON FIRE & EMERGENCY PLANNING AUTHORITY
1. **Apologies for Absence**

   Apologies for absence were received from Dr Fiona Twycross AM, for whom Councillor Whelton attended as substitute, and from Valerie Shawcross AM for whom Andrew Dismore AM attended as substitute.

   In accordance with Standing Order 44(b), it was agreed that Councillor Bacon AM could attend the meeting and participate in discussion as necessary and with the consent of the Chairman, as a non-voting observer.

2. **Disclosures of Interests and Dispensations**

   **Resolved:** That the details of membership of the GLA, other functional bodies and London boroughs, as attached as an appendix to the agenda, be noted.

3. **Minutes**

   The public minutes of the meeting of the Committee held on Monday 12 January 2015, which were to be presented to the meeting of the Authority on 29 January 2015 for approval, were noted.

4. **Appointment of Commissioner – FEP 2389**

   Report by the Acting Director of Operational Training and Resilience.

   The Acting Director of Operational Training and Resilience introduced the report. Following discussion, the Chairman moved the motion:

   That -
5. Disposal of Former Fire Stations – FEP 2390

Report by the Commissioner.

The Chairman had agreed, in accordance with section 100B(4) of the Local Government Act 1972, to receive the report, which had been circulated by way of a supplementary agenda, as an urgent item of business as the Authority, at its meeting on 29 January 2015, had instructed that a report be brought back to a meeting of the Appointments and Urgency Committee no later than 28 days from the date of the Authority meeting, and noting that the relevant letter from the Mayor was received on 20 February 2015.

The Commissioner introduced the report.

Following discussion, the Chairman moved the motion:

That the Committee agrees:

(a) To inform the Mayor that the Authority will comply with a direction to dispose of the Bow and Silvertown sites to the Education Funding Agency (EFA) at a price which it is advised by its valuation advisers represents the best consideration reasonably obtainable, subject to receipt of an indemnity which, to the satisfaction of officers, protects the Authority...
from the costs of defending any legal action arising from a sale to the EFA and the costs of any damages or compensation payable by the Authority as a result of a successful legal action;

(b) To defer a decision on the disposal of the Southwark site until the Mayor has responded to the Authority’s legal concerns about a possible direction to sell to the Mayor’s preferred bidder at an undervalue, and to request the Mayor to respond urgently to those legal concerns;

(c) To instruct the Commissioner to respond to the letter dated 19 February 2015 from the Mayor’s Chief of Staff, informing him of the Committee’s decisions in respect of (a) and (b) above and of such of the comments on that letter in paragraphs 11 to 24 of the part 2 report as are endorsed by the Committee; and

(d) To note the progress on the sales of the other former fire stations and to highlight to the Mayor the associated costs arising from the delay to these cases and the overall disposals programme.

Councillor Cartwright seconded the motion, which was put to the vote and unanimously agreed.

Resolved: accordingly.

6. Industrial Action – Partial Performance – FEP 2391

Report by the Commissioner.

The Commissioner introduced the report.

Following discussion, the Chairman moved the motion: That the report be noted.

Councillor Cartwright seconded the motion.

Andrew Dismore AM then moved the following amendment to the motion:

"Insert, after "That the report be noted" –

...and that the Authority:

1. Expresses grave concerns about the Mayor’s proposed change of policy and its impact both on public safety and industrial relations in London and the possible national impact;

2. Instructs officers, in light of the above, to continue with the current policy to accept partial performance; and

3. Instructs the Chairman to write to the Mayor’s Chief of Staff asking what has prompted this change of policy at this time; whether the Mayor or his team have been in touch with other Fire Authorities or the Government about the possible national impact; and how the Mayor and his team envisage that the possible withdrawal from the recall to duty agreement will affect fire cover periods during when firefighters may be locked out."
Councillor Whelton seconded the amendment.

Following debate, and upon being put to a vote, there were four (4) votes in favour of the amendment and two (2) votes against. The amendment was declared to be carried.

Upon being put to a vote, the substantive motion – namely:

That the report be noted and that the Authority:

1. Expresses grave concerns about the Mayor’s proposed change of policy and its impact both on public safety and industrial relations in London and the possible national impact;

2. Instructs officers, in light of the above, to continue with the current policy to accept partial performance; and

3. Instructs the Chairman to write to the Mayor’s Chief of Staff asking what has prompted this change of policy at this time; whether the Mayor or his team have been in touch with other Fire Authorities or the Government about the possible national impact; and how the Mayor and his team envisage that the possible withdrawal from the recall to duty agreement will affect fire cover periods during when firefighters may be locked out.

Was carried with four (4) votes in favour of the amendment and two (2) votes against.

Resolved: accordingly.

7. Governance Performance and Audit Committee – meeting on 9 March 2015 – FEP 2392

Report by the Clerk.

The Chairman moved the motion:

That the meeting of the Governance, Performance and Audit Committee on Monday 9 March 2015 be rescheduled to start at 10.00am on that day.

Councillor Cartwright seconded the motion, which was put to the vote and unanimously agreed.

Resolved: accordingly.

8. Standing Order 20 – Question Time – FEP 2393

Report by the Clerk.

The Chairman moved the motion:

That no further action be taken on the review of Standing Order 20 (Question Time) at this time.
Councillor Cartwright seconded the motion, which was put to the vote and unanimously agreed.

**Resolved:** accordingly.

9. **Urgent Business**

With the consent of the Chairman, Andrew Dismore AM raised the matter of the Employment Tribunal Judgement in Norris, Hearn and Rowson v LFEPA, as reported to the Committee at its meeting on 15 December 2014 (FEP 2372X).

Following discussion, Andrew Dismore AM proposed the motion:

(a) That the recent correspondence between the Authority and the claimants’ solicitors be provided to leading Members for information;

(b) That the Authority’s Resources Committee be granted authority to deal with any future matters relating to the Employment Tribunal Judgement in Norris, Hearn and Rowson v LFEPA on behalf of the Authority; and

(c) That a report on this matter be presented to the next meeting of the Authority’s Resources Committee.

Councillor Whelton seconded the motion, which was put to the vote and unanimously agreed.

**Resolved:** accordingly.

10. **Exclusion of Press and Public**

**Resolved** – That in accordance with section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they would be likely to involve the disclosure of exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

11. **Disposal of former fire stations – FEP 2390X**

Report by the Commissioner.

The Chairman moved the motion: That the report be noted.

The motion was seconded by Councillor Cartwright, put and agreed.

**Resolved:** accordingly.

12. **Urgent Exempt Business**

There was no urgent exempt business.
The meeting ended at 10.41am.

Signed By: .................................................................................................................. Chairman

Ed Williams, Ground Floor, 169 Union Street, London, SE1 OLL; telephone: 30081;
e-mail: ED.WILLIAMS@london-fire.gov.uk
Clerk to APPOINTMENTS AND URGENCY COMMITTEE
Minutes of the proceedings of the meeting of Appointments and Urgency Committee held in G-04 - Ground Floor, 169 Union Street, London SE1 0LL, on Monday 16 March 2015.

Present:

James Cleverly AM (Chairman) Councillor David Cartwright Darren Johnson AM
Councillor Gareth Bacon AM QFSM Councillor Jack Hopkins
(observer) Andrew Dismore AM

1. Apologies for Absence

Apologies for absence were received from Dr Fiona Twycross AM, for whom Andrew Dismore AM attended as substitute, from Valerie Shawcross AM for whom Councillor Hopkins attended as substitute, and from Councillor Stephen Knight AM.

In accordance with Standing Order 44(a), the Chairman confirmed that Councillor Bacon AM could participate in discussion as necessary with the consent of the Chairman, as a non-voting observer.

2. Disclosures of Interests and Dispensations

Resolved: That the details of membership of the GLA, other functional bodies and London boroughs, as attached as an appendix to the agenda, be noted. No further disclosures were made.

3. Minutes

The public minutes of the meeting of the Committee held on Wednesday 25 February 2015, which were to be presented to the meeting of the Authority on 26 March 2015 for approval, were noted.
4. **Disposal of Fire Stations – FEP 2425**

Report by the Commissioner.

The Director of Finance and Contractual Services introduced the report, and drew Members’ attention to the letter received by the Authority dated 12 March 2015 from Philip Ross Solicitors, attached as Appendix F to the report that had been circulated in advance of the meeting under cover of a supplementary agenda.

Mr Dismore AM expressed concern that the letter of comfort provided by the Mayor, as attached as Appendix E to the report, did not provide a legally-binding indemnity for the Authority in relation to any costs arising from proceedings undertaken against it in relation to the disposals process for these sites. It was also suggested that any future Mayor would not be bound by the terms of the letter from the current Mayor. The Head of Legal and Democratic Services confirmed that he considered that the letter of comfort did not provide a legally-binding indemnity and stated that it was not clear to him why the Mayor of London had not provided a legally-binding indemnity. The Head of Legal and Democratic Services also stated that the advice to the Authority was that in the particular circumstances of this matter, the Authority could lawfully decide either to comply with, or resist, the Mayor’s Direction.

The Chairman noted that the letter of comfort included an explicit commitment by the Mayor to cover the relevant costs falling to the Authority as necessary, and that any future Mayor could always seek to vary the funding levels for the Authority if they were so minded, so that even an indemnity could never provide a comprehensive guarantee. It was also noted that it was possible that further delay could have implications for the organisation that was seeking to purchase the sites.

The Chairman proposed the motion: That the report be noted and that the Committee proceeds to consider the Part 2 report (FEP 2425X) on this matter.

Councillor Cartwright QFSM seconded the motion, which was put to the vote and agreed.

**Resolved:** accordingly.

5. **Urgent Business**

There was no urgent business.

6. **Exclusion of Press and Public**

**Resolved** – That, in accordance with section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they would be likely to involve the disclosure of exempt information as defined in paragraphs 3 and 5 of Part 1 of Schedule 12A of the Act.
7. **Disposal of former fire stations – FEP 2425X**

Report by the Commissioner.

During discussion on this item, a Member proposed that the Committee should agree that it would be minded to comply with the Mayor’s Direction to the Authority on this matter, with officers being authorised to continue discussions with relevant parties in the interim, but that such compliance would be made subject to the provision by the Mayor of a legally-binding indemnity to the Authority in respect of any costs falling to it as a result of any legal challenges and proceedings associated with the Mayor’s intervention in the disposals process for the Bow and Silvertown sites.

It was also suggested that the Chairman should seek to clarify whether the Mayor would be willing to provide a legally-binding indemnity, in addition to the letter of comfort, prior to the deadline of 18 March 2015, as set by the Mayor in his Direction to the Authority on this matter.

The Chairman adjourned the meeting at 12.50pm, for the period of 20 minutes. The meeting was reconvened at 1.10pm.

The Chairman confirmed that it was his understanding that the letter of comfort represented the Mayor’s final position on the matter of any costs to the Authority. Members suggested that, as such and noting the previous decision not to resist a Direction, the Committee should, on behalf of the Authority, agree to comply with the Direction but that it should also ask the Mayor for a legally-binding indemnity on this matter.

Following discussion, the Chairman moved the motion: That -

(a) The Authority will comply with the Mayoral Direction to dispose of the former fire stations at Bow and Silvertown to the Education Funding Agency at a price matching the highest bids;

(b) The Commissioner be authorised to undertake all necessary actions that fall to the Authority in order to execute the disposals of the former fire stations at Bow and Silvertown under the terms of the Mayoral Direction;

(c) The Commissioner be authorised to write to the Mayor to request, on behalf of the Authority, the provision of a legally-binding indemnity to the Authority in respect of any costs, damages or compensation falling to be borne by it as a result of any legal challenges and proceedings associated with the Mayor’s intervention in the disposals process for the Bow and Silvertown sites;

(d) The Commissioner be authorised to write to the Mayor, on behalf of the Authority, to press for an urgent response on the Southwark site in accordance with paragraph 3(b) of the report (FEP 2425); and

(e) The decision of the Committee on this item be recorded in the public minutes of the meeting.

Councillor Cartwright QFSM seconded the motion, which was put to the vote and agreed, with three (3) votes in favour and two (2) abstentions.
Resolved: accordingly.

8. Urgent Exempt Business

There was no urgent exempt business.

The meeting ended at 1.17pm.

Signed By:  

Chairman

Ed Williams, Ground Floor, 169 Union Street, London, SE1 OLL; telephone: 30081; e-mail: ED.WILLIAMS@london-fire.gov.uk
Clerk to APPOINTMENTS AND URGENCY COMMITTEE
Summary
This report presents the Authority’s final draft revenue and capital budget for 2015/16 for approval. It is presented to the Resources Committee for consideration/recommendation and to the Authority for decision.

Recommendations
That the Resources Committee recommends the Authority to agree that -

1. Subject to decisions below, a 2015/16 revenue budget of £382.4m be approved being made up of net expenditure of £390.4m with £0.3m funding from the earmarked reserves, £8.9m funding from specific grants and a payment of £1.2m to the general reserve;

2. The revenue estimates, as set out in Appendices 1 to 3, showing proposed savings and budget movements, are approved;

3. The establishment changes associated with the revenue budget, as set out in Appendices 1 and 3, are approved;

4. The capital programme with gross expenditure in 2015/16 of £56.7m, as set out in Appendix 5, be approved;

5. The Brigade continues to act as the delivery body for the production and review of National Operational Guidance, noting the new funding arrangements set out in paragraphs 37 to 45 and closure of the earmarked reserve with effect from 1 April 2015; and

6. A draw on the London Resilience Reserve of £59k be approved in 2015/16. This will enable the purchase of improved replacements to the existing Special Operations Group’s vehicles, as set out in paragraph 35.
Background

1. This budget report updates the budget proposals presented to Authority at its meetings in November and January. It proposes a balanced budget for 2015/16 in line with the funding agreed for LFEPA in the Mayor’s Final Draft Consolidated budget, which was approved at the meeting of the London Assembly on 14 February. That report included funding for LFEPA of £382.3m in 2015/16, which is consistent with the level of funding the Mayor proposed in his consultation budget and subsequently reported to members in the January Budget Update report (FEP 2377).

2. This funding level of £382.3m was an increase of £0.3m from the figure included in the Mayor’s Budget Guidance in July and the November Budget Update report (FEP2337), which formed LFEPA’s budget submission to the Mayor. This increase was as a result of the transfer of the London Resilience Team (LRT) from the GLA to LFEPA as reported to members in the January Budget Update report. The Mayor has now proposed an additional increase to this funding level of £0.1m in order to further support London Resilience activities. This brings the overall funding level for LFEPA up to £382.4m. An update on the transfer of the LRT and this additional funding along with other Resilience Funding items is discussed in paragraphs 29 to 36.

The Mayors’ Final Draft Consolidated Budget

3. The Mayors’ Draft Consolidated Budget determines the level of precept levied by the GLA in Londoners’ Council Tax bills, which are administered by the London Boroughs and the Corporation of London. The Mayor is proposing a reduction in the Band D council tax of 1.3 per cent from £299 to £295 in 2015/16.

4. There are two sets of Council Tax calculations because the Metropolitan Police District does not include the City of London, which has its own police service. The council tax of £295 can therefore be broken down to £208.87 for the Metropolitan Police plus £86.13 for non-police services. LFEPA’s element of this non police element would be £50.85 for a Band D property. This compares to a 2014/15 Band D rate of £52.42. This decrease of £1.57 is in part due to the removal of the one off additional funding of £7.1m LFEPA received in 2014/15, which was to support LSP5 implementation costs.

5. The Mayor’s Draft Consolidated Budget also set out an updated proposal to transfer the London Resilience Team from the GLA to LFEPA in 2015. This proposal included the transfer of an additional £0.4m in 2015/16 and future years to LFEPA. The report stated that this will be funded via a reallocation of the revenue support grant receivable by LFEPA combined with a small increase in LFEPA’s council tax requirement. This transfer of £0.4m is £0.1m higher than had previously been set out by the Mayor in his Consultation Budget

Financial Context

6. In his Budget Guidance, the Mayor proposed funding for LFEPA of £382m for both 2015/16 and 2016/17. This level of funding in 2015/16 is provided despite LFEPA’s overall share of government grant and retained rates funding allocated by the Mayor to LFEPA being around £19.5 million lower than in the revised budget for 2014/15. This reflects the Mayor’s comments in his background statement to his Draft Consolidated Budget for 2014/15, where he committed to provide funding to LFEPA to avoid the need for any further major frontline realignment “over the lifetime of LSP5 from 2013-17”.

7. The November Budget Update Report (FEP2337) reported that a funding level of £382m would result in a saving requirement of £7.4m in 2015/16. That report then set out savings of £4.3m, leaving a savings gap for LFEPA of £3.2m. The January Budget Update Report (FEP2194) then
proposed additional adjustments to reduce that gap to £2.1m. The report also stated that it may be possible to close that remaining budget gap of £2.1m if sufficient capital receipts are received to avoid borrowing.

8. In his component budget the Mayor also states that funding of £382m in 2016/17 provides additional support to LFEPA to offset the impact of the expected additional cuts in revenue support grant in 2016/17 net of any inflationary uplift in retained business rates income. However the November Budget Update Report also stated that this level of funding would still result in a budget gap of £14m in 2016/17.

9. A significant element of the budget gap in 2016/17 is due to the removal of the national insurance rebate in that year, as a result of the changes to state pension arrangements leading to the removal of the option for staff to opt out of the second state pension. This has resulted in a forecast pressure of £5.7m.

10. As reported in the November Budget Update, the Mayor increased LFEPA funding to £382.3m, to meet the full costs, of £300k, of the London Resilience Team transferred to the Authority. The funding has been increased by a further £100k to £382.4m to meet the costs of an additional senior post on London Resilience, as outlined in paragraph 5 above.

Budget Update

11. The January Budget Update Report (FEP2194) included a number of changes to the forecast position, in order to present proposals to achieve a balanced budget in 2015/16. These estimates have continued to be reviewed in the light of financial performance in the 2014/15 financial year and to provide options to close the budget gap of £2.1m if sufficient capital receipts are not available to offset the cost of borrowing in 2015/16. This process has resulted in the identification of a number of additional budget adjustments as set out in Table 1 below.

Table 1: Additional Budget Savings and Pressures

<table>
<thead>
<tr>
<th>Additional Savings / Pressures Identified</th>
<th>2015/16 £k</th>
<th>2016/17 £k</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training Costs</td>
<td>(1,635)</td>
<td>989</td>
<td>This is the cost of Trainee Firefighter staff, based on the current forecast for numbers joining the Authority.</td>
</tr>
<tr>
<td>Changes to Staff on Development Rates of Pay</td>
<td>745</td>
<td>636</td>
<td>There are now expected to be lower numbers of staff receiving a development rate of pay than previously forecast. This is as a result of the reduced trainee intake above.</td>
</tr>
<tr>
<td>USAR Review</td>
<td>(372)</td>
<td>0</td>
<td>This saving has been identified following a review of the USAR capability. This can be achieved through the removal of six WM staff and five personnel carriers.</td>
</tr>
<tr>
<td>Senior Lawyer Bid</td>
<td>(54)</td>
<td>54</td>
<td>This reduction reduces the growth included in the Medium Term Forecast from £72k to £18k.</td>
</tr>
<tr>
<td>Additional Savings / Pressures Identified</td>
<td>2015/16 £k</td>
<td>2016/17 £k</td>
<td>Notes</td>
</tr>
<tr>
<td>-----------------------------------------</td>
<td>------------</td>
<td>------------</td>
<td>-------</td>
</tr>
<tr>
<td>Property Rates</td>
<td>(99)</td>
<td>170</td>
<td>This pressure reflects the revised completion dates for the PFI Properties.</td>
</tr>
<tr>
<td>Top Management Review</td>
<td>(350)</td>
<td>(136)</td>
<td>This saving was considered by Authority on 29 January (FEP 2382).</td>
</tr>
<tr>
<td>PFI Project Costs</td>
<td>0</td>
<td>466</td>
<td>This reflects the latest forecast for PFI budget requirements in 2016/17.</td>
</tr>
<tr>
<td>Local Government Association (LGA) Pension Post</td>
<td>10</td>
<td>0</td>
<td>This is LFEPA’s contribution to a subscription service to ‘pool’ funding from FRAs in order to fund a technical post at the LGA. The post will support FRAs in respect of the administration of the Firefighters’ Pension Schemes.</td>
</tr>
<tr>
<td>Special Operations Group (SOG) Vehicles</td>
<td>9</td>
<td>0</td>
<td>This reflects the ongoing revenue costs of the improved replacement of Vehicles within SOG. This is discussed in paragraph 35 below.</td>
</tr>
<tr>
<td>Additional 30 car parking places at the Beckton Training Facility</td>
<td>7</td>
<td>0</td>
<td>As set out in FEP2422 on the performance of the training contract at quarter 3, 2014/15.</td>
</tr>
<tr>
<td><strong>Total Additional Savings / Pressures</strong></td>
<td><strong>(1,739)</strong></td>
<td><strong>2,179</strong></td>
<td><strong>0</strong></td>
</tr>
<tr>
<td><strong>Net Change to 2016/17 Position</strong></td>
<td>0</td>
<td>440</td>
<td></td>
</tr>
</tbody>
</table>

12. The impact of the above adjustments is for a net improvement to the 2015/16 budget position of £1.7m and a net additional pressure to the 2016/17 position of £440k.

13. The largest change included above is based on the latest forecast of the number of trainee firefighters in 2015/16 and the impact this then has on the number of staff on development rates of pay, which are lower than staff who have progressed to a competent rate of pay. The number of trainees now assumed in 2015/16 is 124, with 312 trainees in 2016/17. This therefore sees cost increases deferred from 2015/16 into 2016/17. This change then impacts on the numbers of firefighters on development rates of pay. The reduction in the number of recruits in 2015/16 and with firefighters normally spending about two years on development rates of pay, means savings assumed for 2015/16 and 2016/17 are now deferred into 2017/18 and 2019/20.

14. The below table sets out the budget gap as presented in the November Budget Update Report and then includes a summary of the savings made and other changes identified both in the January Budget Update Report and in this report.
Table 2: Summary of Budget Movements

<table>
<thead>
<tr>
<th>Budget Movement</th>
<th>2015/16 £m</th>
<th>2016/17 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budget Gap Identified in the November Budget Update Report</td>
<td>7.4</td>
<td>14.0</td>
</tr>
<tr>
<td>Savings Included in the November Budget Update Report</td>
<td>(4.3)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Budget Gap After Savings Identified in the November Budget Update Report</strong></td>
<td>3.2</td>
<td>14.0</td>
</tr>
<tr>
<td>Adjustments Identified in the January Budget Update Report</td>
<td>(1.1)</td>
<td>1.1</td>
</tr>
<tr>
<td><strong>Budget Gap After Items Identified in the January Budget Update Report</strong></td>
<td>2.1</td>
<td>15.1</td>
</tr>
<tr>
<td>Adjustments Identified in this Budget Update Report</td>
<td>(1.7)</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Budget Gap Before Any Reduction in Borrowing Costs</strong></td>
<td>0.4</td>
<td>17.3</td>
</tr>
<tr>
<td>Reduction in Borrowing Costs if Capital Receipts are used to Offset Borrowing</td>
<td>(2.1)</td>
<td>(3.9)</td>
</tr>
<tr>
<td><strong>Budget Gap</strong></td>
<td>(1.7)</td>
<td>13.4</td>
</tr>
<tr>
<td><strong>Savings in 2015/16 applied to 2016/17</strong></td>
<td></td>
<td>(1.7)</td>
</tr>
<tr>
<td>Transfer to Property PFI Reserve</td>
<td>0.5</td>
<td></td>
</tr>
<tr>
<td>Transfer to General Reserve</td>
<td>1.2</td>
<td></td>
</tr>
<tr>
<td><strong>Net Budget Gap</strong></td>
<td>0.0</td>
<td>11.7</td>
</tr>
</tbody>
</table>

15. As can be seen from the above table, if there is no reduction in borrowing costs as a result of the disposal of the LSP5 properties there would be a budget gap of £0.4m in 2015/16 and a budget gap of £17.3m in 2016/17.

16. However, as discussed in paragraph 19 below, officers consider that the required capital receipts will be received in order for these savings to be achieved. The position will be closely monitored. After including those savings there would be a budget surplus of £1.7m in 2015/16 and a budget gap of 13.4m in 2016/17. However as no other additional items of expenditure have been identified in 2015/16 this saving can be carried forward to 2016/17, resulting in a budget gap of £11.7m in that year.

17. These additional savings identified in 2015/16 will allow LFEPA to transfer additional funding into its reserves, in order to offset the risks discussed in Appendix 4 of this report. This will include a transfer of £500k into the Property PFI reserve, to address the risk of compensation payments being due to the contractor in particular in relation to asbestos as experienced in the phase 1 PFI stations, and a transfer of £1.2m into the general reserve.

18. The full three year revenue forecast is set out at Appendix 1 and a summary of that forecast is set out in Table 3 below.
Table 3: Summary of two year revenue forecast

<table>
<thead>
<tr>
<th>Description</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td><strong>Mayoral Funding in Previous Year</strong></td>
<td>389.2</td>
<td>382.4</td>
</tr>
<tr>
<td>Payments (into) / out off Reserves in Previous Year</td>
<td>(3.1)</td>
<td>(0.9)</td>
</tr>
<tr>
<td>Specific Grants in Previous Year</td>
<td>14.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Previous Year’s Net Revenue Expenditure</td>
<td>400.1</td>
<td>390.4</td>
</tr>
<tr>
<td>Central Contingency for Inflation</td>
<td>4.2</td>
<td>5.1</td>
</tr>
<tr>
<td>Reduction in LSP5 Implementation Costs</td>
<td>(6.1)</td>
<td>0.0</td>
</tr>
<tr>
<td>Total Other Pressures and Savings Identified</td>
<td>1.6</td>
<td>8.3</td>
</tr>
<tr>
<td>Change in Expenditure funded from Earmarked Reserves</td>
<td>0.0</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Change in Expenditure funded from Specific Grants</td>
<td>(4.6)</td>
<td>0.0</td>
</tr>
<tr>
<td><strong>Revised Net Revenue Expenditure</strong></td>
<td>395.1</td>
<td>403.1</td>
</tr>
<tr>
<td>Savings Proposed in November Budget Update</td>
<td>(4.3)</td>
<td>0.0</td>
</tr>
<tr>
<td>Adjustment to Pension Contribution Saving</td>
<td>(0.4)</td>
<td>0.0</td>
</tr>
<tr>
<td>Savings Gap</td>
<td>0.0</td>
<td>(11.7)</td>
</tr>
<tr>
<td><strong>Proposed Net Revenue Expenditure</strong></td>
<td>390.4</td>
<td>391.4</td>
</tr>
<tr>
<td>Payment into General Reserve</td>
<td>1.2</td>
<td>0.0</td>
</tr>
<tr>
<td>Use of Earmarked Reserves</td>
<td>(0.3)</td>
<td>(0.1)</td>
</tr>
<tr>
<td><strong>Financing Requirement</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>391.3</td>
<td>391.3</td>
</tr>
<tr>
<td>Specific Grants</td>
<td>8.9</td>
<td>8.9</td>
</tr>
<tr>
<td><strong>Financing Requirement after use of Specific Grants</strong></td>
<td>382.4</td>
<td>382.4</td>
</tr>
</tbody>
</table>

Disposal of Fire Stations Closed Under LSP5
19. As set out above the budget includes a saving of £2.1m in 2015/16 and £3.9m in 2016/17 based on a reduction in forecast borrowing costs as a result of using the sale proceeds from the sales of the sites closed as part of LSP5. The Mayor has approved the disposal of six of those sites along side the proposed sale of Knightsbridge back to the landlord. The reports considered by the meeting of the Appointments and Urgency Committee at its meeting on 25th January (FEP2374 and FEP2375) provided an update on progress with these sales. Whilst there are delays anticipated on a number of these the expected total receipt from the sales that are due to complete before the 31st March should be sufficient to achieve the savings set out in this report. Receipts for the remaining sites are expected early in the new financial year.

20. Dialogue is ongoing with the Mayor over the disposal of the three remaining sites, as set out in the Disposal of Former Fire Stations report (FEP 2383) and in the reports considered by the Appointments and Urgency Committee at its meeting on 25th January and to be considered at its meeting on 16th March.
Risks and Opportunities
21. 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, and these are attached as Appendix 4.

22. These risks have been reviewed and updated. The material changes from the position reported in the January Budget Update Report have been summarised below.

23. A new risk has been created regarding the implementation of the new mobilising system, which has a go live date of 14 July 2015. That risk explains that the existing mobilising contract will end on the 31 August 2015. As a result if there is a delay to this implementation date, due to LFEPA decisions or requirements, it may be necessary to extend the existing contract. This could result in an additional financial cost to LFEPA of £400k in 2015/16.

24. The risk that staff numbers would remain above establishment has now been removed from the list of risks. Based on current forecasts staff levels are expected to be at establishment on average over the 2015/16 financial year.

25. The January Budget Update report included a risk that the saving of £2.1m from reduced borrowing costs in 2015/16 would not be achieved if sufficient properties were not disposed of before the end of the 2014/15 financial year. This item has been updated to reflect the latest position as set out in paragraph 19 above, and remains as a potential risk to the 2015/16 budget in Appendix 4.

Financial Position
26. The Financial Position as at the end of December report (FEP2411) reports that the Authority is forecasting to overspend by £1.8m for the 2014/15 financial year. It should be noted that this forecast includes net additional spend of £5.3m due to strike action.

Reserves
27. The latest forecast position on reserves is set out in Table 4 below. This shows the forecast outturn position for 2014/15 as at the end of December 2014 and the forecast changes in the use of reserves for 2015/16 and 2016/17.

Table 4. Forecast Use of General and Specific Reserves

<table>
<thead>
<tr>
<th></th>
<th>£000s</th>
<th>Anticipated Balance at 31/03/15</th>
<th>Use of Reserves in 2015/16</th>
<th>Anticipated Balance at 31/03/16</th>
<th>Use of Reserves in 2016/17</th>
<th>Anticipated Balance at 31/03/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation</td>
<td>1,000</td>
<td>1,000</td>
<td></td>
<td>1,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firefighters’ Pension</td>
<td>652</td>
<td>652</td>
<td></td>
<td>652</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hazardous Material</td>
<td>344</td>
<td>(344)</td>
<td>0</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Protection</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hydrants</td>
<td>237</td>
<td>(37)</td>
<td>200</td>
<td></td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>London Resilience</td>
<td>1,496</td>
<td>(59)</td>
<td>1,437</td>
<td></td>
<td>1,437</td>
<td></td>
</tr>
<tr>
<td>National</td>
<td>970</td>
<td>(970)</td>
<td>0</td>
<td></td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Operational</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Guidance Programme</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Early Release</td>
<td>400</td>
<td></td>
<td>400</td>
<td></td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property PFI</td>
<td>218</td>
<td>500</td>
<td>718</td>
<td></td>
<td>718</td>
<td></td>
</tr>
</tbody>
</table>
28. Based on the forecast overspend of £1.8m, the balance on the general reserve will be £11.8m at the end of 2014/15. This is £1.8m above the stated minimum general reserve position of £10.0m which is 2.5% of the revised 2014/15 net revenue budget.

Operational Resilience

29. LFEPA has been carrying out significant work across a range of workstreams relating to London resilience and emergency planning to ensure the organisation continues to be prepared and equipped to carry out its functions. Where possible LFEPA has sought additional funding for this work, and progress made is set out below.

30. LFEPA has an existing Emergency Planning function that discharges a number of responsibilities placed upon LFEPA by the Civil Contingencies Act 2004 and other Regulations, on behalf and in support of London’s 33 local authorities. Originally funding was received for this through a specific grant, however in 2011/12 it was rolled into the organisation’s core funding. This funding has subsequently been reduced over recent years, in line with LFEPA’s overall Revenue Support Grant. In order to ensure that this important function continues to be fully funded, the Emergency Planning team has been in discussion with London Boroughs to identify an alternative funding source. An update will be reported in the quarterly financial position report to the Resources Committee.

31. Following the successful bid to DCLG for Fire Transformation Funding, as set out in the November Budget Report Update (FEP 2337), LFEPA was awarded funding of £763k to enable two projects to be delivered. These projects are forecast to achieve non cashable savings of £182k once they are implemented.

32. As set out in the report on the transfer of operational responsibility for the London Resilience Function to LFEPA (FEP2362) the London Resilience Team (LRT) was transferred to LFEPA on 1 February 2015. This team is fully funded by the GLA through an increase to LFEPA’s overall funding of £300k per year. That team has now been successfully incorporated within the Operational Resilience department within LFEPA.

33. As set out in paragraph 10, the GLA has now approved additional funding of £100k for LFEPA to allow for the creation of a Senior Resilience position, in addition to the £300k discussed above for the LRT. Requirements for the post are being assessed and a suitable post will be established following that review for the start of the 2015/16 financial year.

34. LFEPA has also received funding of £212k from the DCLG to enable the development of a Smoke Filled Environments capability. This will be ongoing funding from the 2015/16 financial year and budgets will be established to monitor that expenditure as part of the quarterly financial position reports.
35. The Operational Resilience team have identified a pressure of £68k in 2015/16 for replacement vehicles for the Special Operations Group. The current vehicles have reached the end of their useful life. Their replacement will be to a new specification that provides vehicles that better meet the current operational requirement. This includes a one off capital spend of £59k and an ongoing revenue cost of £9k. This report recommends that the one off cost is met from the London Resilience reserve and that the ongoing cost is funded as set out in table 1. These costs can be funded from the budget released as a result of the revised Emergency Planning funding arrangements.

36. The January Budget Update Report explained that LFEPA has been successful in its bid to coordinate a Unified Response Exercise, to be delivered towards the end of the 2015/16 financial year, with a number of partners across Europe. The total project expenditure is forecast at €1.8m (£1.4m), with total funding provided by the EU of €1m (£0.8m). The remainder will be provided by LFEPA and its four partners in the bid from within existing resources, and largely reflects the cost of staff time for those working on delivering and actually carrying out the exercise.

National Operational Guidance Project
37. In November 2011 (FEP1830), the Authority approved the resources and a mandate to enable the establishment of the National Operational Guidance Programme. The programme replaced a long-standing governmental programme which produced operational guidance for the fire and rescue service as a whole, run by DCLG and its predecessors.

38. The programme has been successful and is on track to deliver all planned projects, as well as two unforeseen projects arising from new national resilience capabilities. These will be delivered on time, to budget and to a much higher quality standard than that of previous guidance, based on the feedback received for completed guidance to-date.

39. In light of the constraints and announcements on public sector spending since the approval of the National Operational Guidance reserve, the programme has focused on achieving value for money. The outturn for 2012/13 and 2013/14 was £0.6m and £0.9m respectively. The projected outturn for 2014/15 is forecast at £1.6m. The three-year spending profile reflects the gearing and phasing of the work programme, and is expected to deliver a total forecast spend of £3m over the three-year period—half of the original budget.

40. A funding partnership has now been agreed for a second three-year phase that includes the devolved administrations, fire and rescue services and DCLG. This may result in total funding of £2.2m annually from 2015/16.

41. DCLG have committed funding of £1 million for April 2015 to March 2016 and intend to continue funding at this level for 2016/17 and 2017/18, although no commitment beyond the 2012 – 2015 Comprehensive Spending Review window can currently be made.

42. Chief Officers, fire authority chairs (or responsible cabinet members) and the devolved administrations have also indicated that they will support the programme with match funding. However as these are voluntary contributions, the actual amount received may be lower than this. A summary of the income streams is set out below.

- £25k per fire authority with a population of 1.2 million or more per year;
- £20k per fire authority with a population of 750k or more per year;
• £15k per fire authority with a population of less than 750k per year; and
• £300k from devolved administrations in Scotland and Wales

43. The size of the NOG project in each financial year will be adjusted so that actual expenditure does not exceed the income level received. This will ensure that the project does not have a detrimental financial impact on LFEPA as a whole. If additional income is received in any year above that required, then the excess funds will either be returned to funding authorities or put into an earmarked NOG reserve to smooth the impact of any fluctuations in income from year to year.

44. This additional funding will also allow the existing earmarked reserve to be closed from 1 April 2015. This will release the remaining funds originally put forward by LFEPA to support the general reserve.

45. The programme will aim to use the funding streams set out above to produce over 40 areas of guidance between 2015 and 2018, replacing the catalogue of extant and out-of-date government guidance, whilst working with partners in other services to align that emerging catalogue with police and ambulance policy. This report therefore recommends that the Brigade continues to act as the delivery body for the production and review of National Operational Guidance.

Income Generation
46. LFEPA receives income from a range of charges which are calculated on a cost recovery basis. Any changes needed for charges have been calculated by the Director of Finance and Contractual Services and advised to charging departments in line with delegations to officers in order to be applied from 1 April 2015. This process includes updating the figure used for special service charges, which also covers charging for Shut in Lift and Automatic Fire Alarm call outs. This figure has now been updated to arrive at a charge of £298 per appliance from 01 April 2015, an increase of £3 from the charge of £295 per appliance for 2014/15.

LFEPA Trading Company Update
47. On the 29 January 2015 Authority approved the commercial strategy for LFEPA’s trading company (FEP 2384). The report also provided an update on the work to establish the company and appoint board members. The report noted that any profits arising from the activity of the company could be used to fund additional training for LFB staff or used to fund Community Fire Safety activities.

Capital Programme and Prudential Indicators
48. The Mayor is required to prepare a Capital Spending Plan every year for each of the GLA’s functional bodies. This report updates the draft capital programme that was last reported to the Authority in January 2015. This includes spend of £56.7m for 2015/16 and £17.2m for 2016/17. The changes to the programme since the last reported position are set out below. This shows a £3.7m reduction in forecast outturn for 2014/15, with a small reduction in the 2015/16 programme of £0.03m, and the 2016/17 programme increasing by £2.3m:

<table>
<thead>
<tr>
<th>Notes</th>
<th>Budget 2014/15 £k</th>
<th>Budget 2015/16 £k</th>
<th>Budget 2016/17 £k</th>
</tr>
</thead>
<tbody>
<tr>
<td>January Budget Update Report (FEP2377)</td>
<td>58,144</td>
<td>56,654</td>
<td>17,206</td>
</tr>
</tbody>
</table>
### Budget 2014/15

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Budget 2014/15 £k</th>
<th>Budget 2015/16 £k</th>
<th>Budget 2016/17 £k</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plumstead Project (decision to be made to either relocate or undertake major refurbishment)</td>
<td>(498)</td>
<td>(1,779)</td>
<td>2,236</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Building Energy Efficiency Programme</td>
<td>(520)</td>
<td>520</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Energy Conservation Programme</td>
<td>(80)</td>
<td>80</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>New West Norwood Fire Station</td>
<td>236</td>
<td>(76)</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Acton Fire Station Refurbishment</td>
<td>(120)</td>
<td>0</td>
<td>50</td>
<td>£70k to 2017/18</td>
</tr>
<tr>
<td>Forrest Hill Fire Station – Electrical Works</td>
<td>(103)</td>
<td>103</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Window Replacement Budget</td>
<td>(82)</td>
<td>82</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Appliance Bay Doors Budget</td>
<td>(160)</td>
<td>160</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Minor Works</td>
<td>(160)</td>
<td>160</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>PFI Property - ICT requirements</td>
<td>(69)</td>
<td>69</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>Fleet Replacement</td>
<td>(238)</td>
<td>238</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>CAMS Project</td>
<td>(890)</td>
<td>890</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>ICT - Personal Radio replacement</td>
<td>(200)</td>
<td>(1,100)</td>
<td>0</td>
<td>Budget re-phased to 2017/18</td>
</tr>
<tr>
<td>ICT – Data Warehouse</td>
<td>(600)</td>
<td>600</td>
<td>0</td>
<td>Budget re-phased</td>
</tr>
<tr>
<td>ICT – Blade Farm Server Infrastructure</td>
<td>0</td>
<td>500</td>
<td>0</td>
<td>New requirement</td>
</tr>
<tr>
<td>Development Budget</td>
<td>(119)</td>
<td>0</td>
<td>0</td>
<td>Budget savings</td>
</tr>
<tr>
<td>Various budget savings</td>
<td>(114)</td>
<td>82</td>
<td>0</td>
<td>Budget savings</td>
</tr>
<tr>
<td>Replacement of laptops</td>
<td>0</td>
<td>450</td>
<td>0</td>
<td>New requirement</td>
</tr>
<tr>
<td>Replacement of screen monitors at all fire stations</td>
<td>0</td>
<td>250</td>
<td>0</td>
<td>New requirement</td>
</tr>
<tr>
<td>Gas Tight Suits</td>
<td>0</td>
<td>(700)</td>
<td>0</td>
<td>Scheme deferred</td>
</tr>
<tr>
<td>Reduction to Contingency</td>
<td>0</td>
<td>(500)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>March 2015 Budget</strong></td>
<td><strong>54,427</strong></td>
<td><strong>56,683</strong></td>
<td><strong>19,492</strong></td>
<td></td>
</tr>
</tbody>
</table>

49. Project priority is based on a combination of statutory requirements, operational needs and spend to save initiatives. The capital requirements for the forthcoming years is as follows:

<table>
<thead>
<tr>
<th>Area</th>
<th>July 2014 2014/15 Budget</th>
<th>Current Forecast Qtr 3</th>
<th>Variance</th>
<th>Capital Budget 2015/16</th>
<th>Capital Budget 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property PFI</td>
<td>24,542</td>
<td>24,542</td>
<td>0</td>
<td>28,187</td>
<td>0</td>
</tr>
<tr>
<td>Property Non-PFI</td>
<td>10,202</td>
<td>7,911</td>
<td>(2,291)</td>
<td>9,344</td>
<td>7,250</td>
</tr>
<tr>
<td>ICT Projects</td>
<td>6,162</td>
<td>4,540</td>
<td>(1,622)</td>
<td>10,335</td>
<td>787</td>
</tr>
<tr>
<td>Fleet Replacement &amp; Equipment</td>
<td>19,656</td>
<td>17,434</td>
<td>(2,222)</td>
<td>8,317</td>
<td>10,455</td>
</tr>
<tr>
<td>Contingency</td>
<td>1,360</td>
<td>0</td>
<td>(1,360)</td>
<td>500</td>
<td>1,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>61,922</strong></td>
<td><strong>54,427</strong></td>
<td><strong>(7,495)</strong></td>
<td><strong>56,683</strong></td>
<td><strong>19,492</strong></td>
</tr>
</tbody>
</table>
Capital Financing

50. Recommendations for the use of any capital receipts were considered in the report Disposal of Fire Stations Closed Under LSP5 report (FEP2341) and in a report to Resources Committee in January 2014, on the options for the use of capital receipts (FEP2195). That report outlined that the most beneficial use of capital receipts for the Authority was to fund future capital programmes. Members therefore agreed that the prevailing cost of borrowing should be used as a benchmark against which options for the future use of capital receipts should be measured and that any specific use of any receipts received should be presented to the Committee for approval. As such any capital investment that provides greater financial benefit than the benchmark and/or improves operational performance is to be approved by members.

51. The Budget Update report (FEP2337) explained that should Members choose to use the Authority’s capital receipts to replace borrowing, then potential savings of £2.1m could be achieved in 2015/16 and a further £3.9m in 2016/17. This was on the basis that this would require total capital receipts of £13.7m to be received and applied by the 31 March 2015 and a further £28.5m by 31 March 2016. These figures have now been updated in light of the current forecast capital programme to £7.3m by 31 March 2015 and £28.4m by 31 March 2016. It is currently expected that sufficient capital receipts will be received before 31st March 2015 to fund the capital programme, accordingly the capital financing has been revised to reflect these changes.

52. Also, as reported in the November 2014 Budget Update (FEP 2337), the value of the capital receipts also allows consideration of invest to save ideas alongside using the receipts to fund the existing capital programme. Some possible areas identified in that report included additional refurbishment of fire stations, further energy savings schemes, alternative accommodation for the Brigade’s headquarters, the future development of the Protective Equipment Group (PEG), including the possibility of relocating to alternative premises, and a third training centre located in south London. The report also considered reducing the Authority’s overall debt position. The options, and others to be identified, will be considered alongside the Authority’s updated Asset Management Plan which will be reported in the new financial year along with the business plan for PEG and an update on the disposal of 8 Albert Embankment.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Grants</td>
<td>18,771</td>
<td>19,363</td>
<td>592</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Contributions</td>
<td>0</td>
<td>198</td>
<td>198</td>
<td>59</td>
<td>0</td>
</tr>
<tr>
<td>External Borrowings</td>
<td>18,609</td>
<td>3,000</td>
<td>(15,609)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital Receipts</td>
<td>0</td>
<td>7,324</td>
<td>7,324</td>
<td>28,437</td>
<td>19,492</td>
</tr>
<tr>
<td>Finance Lease</td>
<td>24,542</td>
<td>24,542</td>
<td>0</td>
<td>28,187</td>
<td>0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>61,922</td>
<td>54,427</td>
<td>(7,495)</td>
<td>56,683</td>
<td>19,492</td>
</tr>
</tbody>
</table>
Risks to Capital Programme

53. The capital budget is subject to risks and opportunities which are not quantified in the estimates in this report. As a result three additional risks have been added to Appendix 4, which contains the existing revenue budget risks and opportunities. These capital items have been added as items (o), (p) and (q).

54. The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.

Prudential Limits

<table>
<thead>
<tr>
<th>CAPITAL PROGRAMME</th>
<th>2014/15 Approved Limits</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Limit for External Debt</td>
<td>190m</td>
<td>215m</td>
<td>220m</td>
</tr>
<tr>
<td>Authorised Limit for External Debt</td>
<td>195m</td>
<td>220m</td>
<td>225m</td>
</tr>
<tr>
<td>External Borrowings</td>
<td>99m</td>
<td>85m</td>
<td>79m</td>
</tr>
<tr>
<td>Other Long term Liabilities</td>
<td>43m</td>
<td>71m</td>
<td>71m</td>
</tr>
<tr>
<td>TOTAL External Debt</td>
<td>142m</td>
<td>156m</td>
<td>150m</td>
</tr>
</tbody>
</table>

Head of Legal and Democratic Services comments

55. The Mayor of London is responsible for the preparation of the consolidated budget for the Greater London Authority and the functional bodies. Sections 85 to 87 and Schedule 6 of The Greater London Authority Act 1999 sets out the procedure for calculating the component and consolidated budget and determining the GLA’s council tax requirement. The process includes a requirement on the Mayor to consult the Authority and to prepare a draft component budget for the Authority as part of his draft consolidated budget for the GLA and the functional bodies. Following consultation with the functional bodies (including the Authority), the Mayor must present his draft consolidated budget to the London Assembly. The draft consolidated budget was considered by the London Assembly on 28 January 2015. The Mayor’s draft consolidated budget was approved without amendment by the London Assembly on 23 February 2015.

Director of Finance and Contractual Services comments

56. This report is by the Director of Finance and Contractual Services and there are no additional comments.

Sustainable development implications

57. The removal of five USAR personnel carriers as an additional saving, will result in a reduction in fleet vehicle numbers, fuel usage and carbon emission reduction. The replacement of vehicles for SOG will not result in any change to fleet numbers, however the new vehicles are expected to be considerably more efficient and therefore lower on emissions given the 12 year life of the vehicles being replaced.

58. There are no further new sustainability implications for the 2015/16 Budget. Comments on all other sustainability implications have been provided in previous draft reports.
Staff Side consultations undertaken
59. As previously reported, consultation with the unions about potential redundancies started on 10 September 2014 and will continue during the budget process.

Equalities implications
60. The November Budget Update report (FEP 2225) included an equality analysis on the savings proposed in that report. That equality analysis will be updated to reflect any comments received and is attached as Appendix 6 to this report.

List of Appendices to this report:

1. Three Year Revenue Forecast
2. Budget Analysis
3. Proposed Savings
4. Risks and Opportunities to the Financial Position
5. Capital Programme
6. Equality Impact Assessment

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents

1. Budget Update – FEP 2377
2. Budget Update – FEP 2337
3. The Mayor’s Budget Guidance for 2015/16 – FEP 2280

Proper officer  Director of Finance and Contractual Services

Contact officer  Adrian Bloomfield

Telephone  020 8555 1200 Ext. 31376

Email  adrian.bloomfield@london-fire.gov.uk
<table>
<thead>
<tr>
<th>Description</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Previous Years Funding from the GLA</td>
<td>389,175</td>
<td>382,400</td>
<td></td>
</tr>
<tr>
<td>Previous Years Specific Grants Received</td>
<td>13,984</td>
<td>8,942</td>
<td></td>
</tr>
<tr>
<td>Previous Years Budget Requirement</td>
<td>403,159</td>
<td>391,342</td>
<td></td>
</tr>
<tr>
<td>Previous Years Use of / (Payments Into) Reserve</td>
<td>(3,088)</td>
<td>(1,381)</td>
<td></td>
</tr>
<tr>
<td>Previous Years Net Expenditure</td>
<td>400,070</td>
<td>389,961</td>
<td></td>
</tr>
<tr>
<td>1 Central Contingency for Inflation</td>
<td>4,207</td>
<td>5,066</td>
<td>Inflationary pressures will be kept under review.</td>
</tr>
<tr>
<td>Other budget pressures</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 Changes to Staff on Development Rates of Pay</td>
<td>(69)</td>
<td>(1,980)</td>
<td>This reduction reflects the anticipated change in the profile of the operational workforce, which will shift in 2015/16 to include more less experienced staff on lower pay rates.</td>
</tr>
<tr>
<td>3 Removal of National Insurance Rebate</td>
<td>0</td>
<td>5,674</td>
<td>From April 2016 the state second pension will be closed and everyone will have access to a single tier pension system. As a result there will be no State Second Pension to opt out of and no rebate either for employees or employers.</td>
</tr>
<tr>
<td>4 Revaluation of Local Government Pensions Scheme</td>
<td>180</td>
<td>188</td>
<td>This is the forecast increase in cost to LFEPA as a result of the past service deficit on the Local Government Pension Scheme.</td>
</tr>
<tr>
<td>5 Firefighter Trainees</td>
<td>(1,635)</td>
<td>989</td>
<td>This is the cost of Trainee Firefighter staff, based on the current forecast for numbers joining the Authority.</td>
</tr>
<tr>
<td>6 Deputy Assistant Commissioner (DAC) Post</td>
<td>100</td>
<td>0</td>
<td>The approved savings proposal (SAV26) from the 2014/15 budget report would reduce the total number of DAC posts by 1 in 2015/16 within Technical and Service Support. This saving was originally proposed on the basis that the Authority would enter into a like for like PFI contract for fleet and equipment. It is now considered essential that this post is retained to oversee the management of the fleet replacement programme and the review of Protective Equipment Group.</td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>7 Transfer of London Resilience Staff to LFEPA</td>
<td>400</td>
<td>0</td>
<td>In his Consultation Budget the Mayor states that he is intending to provide an additional £0.3m to LFEPA in addition to his earlier estimate of £382m. This additional funding is to cover the cost of the London Resilience Team which is transferring from the GLA to LFEPA, as agreed by members in the report to Authority in November (FEP 2362). This additional funding is sufficient to cover all the teams costs and will therefore have no impact on LFEPA’s budget position.</td>
</tr>
<tr>
<td>8 LFEPA Commissioner Appointment</td>
<td>83</td>
<td>73</td>
<td>This item reflects the additional funding required for the salary and recruitment costs for the Commissioner of LFEPA position.</td>
</tr>
<tr>
<td>9 Changes to Station and Group Managers terms and conditions</td>
<td>186</td>
<td>0</td>
<td>This change will underpin and enhance the operational rota for station and group managers, as well as giving the Brigade improved security for operational rota cover at the middle manager level.</td>
</tr>
<tr>
<td>10 Control and Mobilising Services (CAMS) Project Team</td>
<td>165</td>
<td>0</td>
<td>This pressure is to fund the continuation of the CAMS project team to deal with the Emergency Services Mobile Communications Programme and also to cover any outstanding CAMS product issues. This also includes additional funding from DCLG, reducing the total costs to LFEPA.</td>
</tr>
<tr>
<td>11 Firefighters’ Injury Pensions</td>
<td>0</td>
<td>398</td>
<td>This relates to inflation increases on injury pensions.</td>
</tr>
<tr>
<td>12 Firefighters’ Ill Health Pensions</td>
<td>0</td>
<td>174</td>
<td>This is based on forecast ill health retirements.</td>
</tr>
<tr>
<td>13 Information and Communications Technology (ICT) Capacity</td>
<td>123</td>
<td>0</td>
<td>The increased use of technology to drive efficiency and savings throughout the Authority has meant that more and more demands are being placed upon ICT to deliver projects. In addition ICT have had to accommodate the requirements of a multi-sourced approach for support and maintenance of the Authority’s server, network and desktop environment. To meet these pressures an additional FRS F technical project manager (£67k) and a FRS E Desktop support manager (£56k) are required.</td>
</tr>
</tbody>
</table>

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Page 50
<table>
<thead>
<tr>
<th>Description</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>14 Internal Communications Capacity</td>
<td>38</td>
<td>0</td>
<td>The business demand for internal communications cannot be met by the current level of resource (1 x officer). It was not possible to meet Brigade internal communication requirements in 2012/13 and also there is no contingency for the absence of the current single officer. Officers see improved internal communications as a priority in the context of working towards the improvement of industrial relations and morale within the Brigade.</td>
</tr>
<tr>
<td>15 Prosecution Lawyers</td>
<td>102</td>
<td>0</td>
<td>The current structure in Legal Services provides for the Head of Legal and Democratic Services to manage six established posts (currently occupied by 4.8 permanent employees). These six posts are intended to be responsible for all fire safety prosecution work; for all employment work (including tribunals); for all personal injury claims; for all inquest related work and for other matters within their professional competence, as they arise. Over the past three to four years, the workload of the team has been at a level which has meant that the services of locums and a supernumerary member of staff has been required. At the present time, that amounts to the equivalent of 3.4 full time equivalent staff. The retention of the two unfunded members of staff would enable Legal to cope with present prosecution activity.</td>
</tr>
<tr>
<td>16 Funding for Senior Lawyer</td>
<td>18</td>
<td>(18)</td>
<td>An agency lawyer with significant senior local government experience has been engaged in Legal Services (on three days a week) to provide high level advice on a range of complex and sensitive issues and to manage employment tribunal cases. His advice work concentrates on questions of statutory powers, constitutional matters and governance (including the principles of good decision-making). Legal Services is short of expertise in these areas. In the absence of this capacity insufficient assurance could be given of the integrity of the Authority’s decision-making leading to the unnecessary risk of successful legal challenge in the case of decisions affecting the safety of Londoners.</td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>17 Top Management Review</td>
<td>(350)</td>
<td>(136)</td>
<td>This saving was agreed by Authority on 29 January (FEP 2382).</td>
</tr>
<tr>
<td>18 USAR review</td>
<td>(372)</td>
<td>0</td>
<td>This saving has been identified following a review of the USAR capability. This can be achieved through the removal of six WM staff and five personnel carriers.</td>
</tr>
<tr>
<td>19 Strategy and Performance Restructure</td>
<td>119</td>
<td>0</td>
<td>The 2014/15 Budget Report (FEP 2225) included a reduction of one Station Manager within the Strategy and Performance Department, along with a proposed restructure. It was anticipated that these proposals would deliver a forecast saving of £196k for the 2015/16 financial year. This saving was originally proposed in the expectation that efficiencies could be achieved in the planning and delivery functions of the department. However, given the need to begin development of the next London Safety Plan, it is now considered essential to maintain an appropriate level of support for that work.</td>
</tr>
<tr>
<td>20 Firefighter Recruitment</td>
<td>0</td>
<td>35</td>
<td>This cost reflects the timing of proposed firefighter recruitment campaigns.</td>
</tr>
<tr>
<td>21 Legal Compensation Expenditure</td>
<td>279</td>
<td>0</td>
<td>The increase to the compensation budget has been set at a level that would have been sufficient to pay for an average of all claims under £100k, over the last 4 years.</td>
</tr>
<tr>
<td>22 Asbestos Medicals</td>
<td>270</td>
<td>0</td>
<td>Provision of two yearly medicals to ensure legal compliance. The cost is based on the procurement estimate from our current Occupational Health provider.</td>
</tr>
<tr>
<td>23 Childcare Expenses</td>
<td>25</td>
<td>0</td>
<td>This pressure reflects the higher usage now being seen by this scheme, which is focused for lower paid members of staff.</td>
</tr>
<tr>
<td>24 Business Rates</td>
<td>173</td>
<td>279</td>
<td>This pressure is based on a forecast annual increase in business rates of 3% in 2015/16 and 2016/17.</td>
</tr>
<tr>
<td>25 Energy Costs</td>
<td>(314)</td>
<td>178</td>
<td>The forecast increases are based on 3.15% in 2015/16 and 6.3% in 2016/17.</td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>-----------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>26 Merton Regional Control Centre - Rent review</td>
<td>112</td>
<td>0</td>
<td>A rent review is scheduled for Feb 2015 when the rent is due to increase from £2,583,161 to £2,922,609. The additional LFEPA contribution is £112,018 per annum with the remaining increase in costs covered by the Department for Communities and Local Government grant.</td>
</tr>
<tr>
<td>27 Public Performance Licences</td>
<td>38</td>
<td>1</td>
<td>Operations have recently agreed with the appropriate collecting society that a licence is required at each fire station for the use of sound recordings (for recorded music played in mess and gym areas). The annual cost for this new licence is £37,180 in 14/15 and is expected to increase by 3% each year.</td>
</tr>
<tr>
<td>28 Performing Rights Society Licence</td>
<td>40</td>
<td>0</td>
<td>Property have recently been notified that a Performing Rights Society licence is required for the playing of music at all Authority sites. The current estimated cost is £40k per year.</td>
</tr>
<tr>
<td>29 Motion Picture Licensing Company Licence</td>
<td>11</td>
<td>0</td>
<td>A licence from Motion Picture Licensing Company is required each year for LFEPA.</td>
</tr>
<tr>
<td>30 Grounds Maintenance</td>
<td>69</td>
<td>0</td>
<td>The savings proposal (SAV33) from the 2014/15 budget report to stop ground maintenance at fire stations cannot be implemented. The proposal was included subject to understanding the practicality of its implementation and any associated costs. This has concluded that the cost of providing the necessary training and equipment and its associated maintenance would out way any saving that might be achieved as a result of ceasing to provide this service via a third party.</td>
</tr>
<tr>
<td>31 Property PFI - Business Rates</td>
<td>384</td>
<td>473</td>
<td>The nine new PFI stations will be larger buildings that are expected to have a higher rateable value. The estates management consultant has updated the forecast for rates demand at the new sites based on the latest data. The current provisional projection is that four stations will be completed during 2014/15 and five during 2015/16.</td>
</tr>
<tr>
<td>32 Property PFI - Project costs</td>
<td>(29)</td>
<td>(278)</td>
<td>Once all of the stations are operational the team is expected to reduce in 2016/17. This reflects the estimated revenue costs as set out in FEP 1662 for Business Continuity Arrangements.</td>
</tr>
<tr>
<td>33 Property PFI - Unitary Payment and Credit</td>
<td>753</td>
<td>2,036</td>
<td>The figures shown here reflect the payments required for the Property PFI properties as they are completed.</td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>--------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>34 Salix Energy Efficiency Programme</td>
<td>200</td>
<td>0</td>
<td>The 2014/15 budget included a one off saving of £200k for the Salix Scheme, which this item reverses. The savings generated though the Salix scheme are continuing to be reinvested in further energy efficiency projects and to repay the original loan from Salix.</td>
</tr>
<tr>
<td>35 Hydrants Repair Permits</td>
<td>200</td>
<td>0</td>
<td>Reflects cost of road work permits charged by London Boroughs to water companies, and then recharged to LFEPA.</td>
</tr>
<tr>
<td>36 Rent Review at Union Street</td>
<td>480</td>
<td>1,298</td>
<td>A rent review for 169 Union Street is due in December 2015, and the resulting increase in cost may be significant. This potential increase reflects the fact that the Authority is currently paying considerably below market rent for 169 Union Street. This rent review may bring the Authority rent into line with the market rate. The increase shown here is provisional and the actual pressure will be dependant both on prevailing market conditions in December 2015 and negotiations with the landlord.</td>
</tr>
<tr>
<td>37 Temporary rent for West Norwood Fire Station</td>
<td>0</td>
<td>(50)</td>
<td>This follows on from the Build of West Norwood Fire Station report (FEP 1933). This is the £50k annual rental cost which was payable from completion of the sale of the old station until relocation to the new station. This will therefore no longer be required from 2016/17.</td>
</tr>
<tr>
<td>38 Additional 30 car parking places at the Beckton Training Facility</td>
<td>7</td>
<td>0</td>
<td>As set out in FEP2422 on the performance of the training contract at quarter 3, 2014/15.</td>
</tr>
</tbody>
</table>

**TRANSPORT BUDGETS**
<table>
<thead>
<tr>
<th>Description</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>39 Vehicle and Lease Car Insurance</td>
<td>113</td>
<td>TBC</td>
<td>The Authority’s vehicle fleet, lease car and airside insurance contracts were subject to renewal, as part of a three year contract, with effect from 1 July 2014. These insurance contracts cover all of the Authority’s vehicles, the majority of which are required to travel under emergency response or blue light conditions. The Authority went to the insurance market in 2013. Only one insurer bid for the fleet and lease car contracts, with a separate specialist insurer bidding to provide cover at airside locations, where appliances have to go to assist at airports. The bids received resulted an additional budget requirement of £135k. This also reflected the fact that the Authority has now taken over responsibility from central government for 41 new dimensions vehicles, along with their insurance requirements. This pressure has been partly offset by additional grant income from DCLG of £22k.</td>
</tr>
<tr>
<td>40 Emergency Fire Crew Capability Training Vehicles and Equipment</td>
<td>116</td>
<td>4</td>
<td>As set out in the Vehicles and Equipment Contract and Emergency Fire Crews Contract Update report (FEP 2289), there is an annual service charge for the maintenance of 5 Emergency Fire Crew training vehicles. This increase is in respect of those costs and expected equipment maintenance costs.</td>
</tr>
<tr>
<td>41 Special Operations Group (SOG) Vehicles</td>
<td>9</td>
<td>0</td>
<td>This reflects the ongoing revenue costs of the improved replacement of Vehicles within SOG.</td>
</tr>
</tbody>
</table>

**SUPPLIES AND SERVICES BUDGETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>42 ICT Equipment Replacement Holiday</td>
<td>330</td>
<td>0</td>
<td>Savings were made from taking a ‘holiday’ from the ongoing replacement programme in 2012/13, as set out in the Budget Update Report (FEP 1742). This funding is now being returned.</td>
</tr>
<tr>
<td>43 Mobile Data Terminal Refresh Project</td>
<td>346</td>
<td>0</td>
<td>As approved by Resources Committee (FEP 2314), the provision of new Windows tablets with 4G connectivity will result in a new revenue pressure to cover the costs of the 4G provision.</td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td><strong>44 Introduction of the New Mobilising System</strong></td>
<td>295</td>
<td>0</td>
<td>The introduction of the new mobilising system places additional burdens on the infrastructure required to support the new ways of working this will bring with it. This includes components to ensure the integrity of the network and remote management of devices associated with the mobilising solution. It also includes a more resilient and flexible solution for the management of emergency calls into the control room and a resilient link for the support of the newly deployed solution.</td>
</tr>
<tr>
<td><strong>45 Emergency Fire Crew Capability (EFCC) Contract</strong></td>
<td>2,286</td>
<td>0</td>
<td>This growth is required for the EFCC Contract as reported to by the Authority in October (FEP 2321).</td>
</tr>
<tr>
<td><strong>46 Replacement of Hose</strong></td>
<td>(30)</td>
<td>0</td>
<td>The 2014/15 Budget included an increase of £30k to replace hose that was reaching the end of initial design life. This adjustment removes that one off budget increase.</td>
</tr>
<tr>
<td><strong>47 National Operational Guidance Programme</strong></td>
<td>25</td>
<td>0</td>
<td>Funding for has now been secured for a second phase of the programme which will continue to be hosted by LFEPA. London's financial commitment will fall in line with the nationally agreed arrangements for the match funding being provided by fire and rescue services. This will see fire and rescue services making a contribution based on their size, with LFEPA falling into the highest cost bracket and paying £25k each year.</td>
</tr>
<tr>
<td><strong>48 Local Government Association (LGA) Pension Post</strong></td>
<td>10</td>
<td>0</td>
<td>This is LFEPA’s contribution to a subscription service to 'pool' funding from FRAs in order to fund a technical post at the LGA. The post will support FRAs in respect of the administration of the Firefighters' Pension Schemes.</td>
</tr>
<tr>
<td><strong>49 CFOA Subscription</strong></td>
<td>9</td>
<td>0</td>
<td>The Authority had its subscriptions to CFOA waived for the period that it funded the NOG programme. Under the new arrangements these CFOA subscriptions will now become payable.</td>
</tr>
</tbody>
</table>

**CAPITAL FINANCING BUDGETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2015/16</th>
<th>2016/17</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>50 Borrowing Costs</strong></td>
<td>(3,240)</td>
<td>(219)</td>
<td>This estimate is based on no additional capital receipts being applied to the capital programme from the sale of the LSP5 properties.</td>
</tr>
<tr>
<td><strong>Total other budget pressures</strong></td>
<td>2,056</td>
<td>9,119</td>
<td></td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>-------------</td>
<td>---------</td>
<td>---------</td>
<td>----------</td>
</tr>
<tr>
<td><strong>INCOME BUDGETS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>51 Insurance Company Income</td>
<td>£(725)</td>
<td>£(725)</td>
<td>These increases assume growth of 3.5% per annum going forward.</td>
</tr>
<tr>
<td>52 Shut in Lift income</td>
<td>£100</td>
<td>£0</td>
<td>Decrease in the number of shut in lift incidents being attended.</td>
</tr>
<tr>
<td>53 Rental Income at Clapham Fire Station</td>
<td>£(70)</td>
<td>£0</td>
<td>Rental income for single person quarters at Clapham Fire Station.</td>
</tr>
<tr>
<td>54 Rental Income at Plaistow Fire Station</td>
<td>£(146)</td>
<td>£0</td>
<td>A rental agreement is being negotiated with Babcock for space at Plaistow Fire Station. This additional saving is subject to the completion of the rental agreement.</td>
</tr>
<tr>
<td>55 Rental income at Southwark Training Centre and satellite sites</td>
<td>£869</td>
<td>£0</td>
<td>Southwark Training Centre is currently occupied by the training contractor (Babcock) and this adjustment reflects the budget income that would cease after the site is vacated.</td>
</tr>
<tr>
<td>56 Savings on Telecommunications Income</td>
<td>£240</td>
<td>£0</td>
<td>This is for the removal of the one-off telecommunications saving identified within property.</td>
</tr>
<tr>
<td>57 Union Street Space Rental</td>
<td>£(1,551)</td>
<td>£(69)</td>
<td>This represents the latest forecast income levels from the lease of space at Union Street.</td>
</tr>
<tr>
<td><strong>Total income</strong></td>
<td>£(1,283)</td>
<td>£(794)</td>
<td></td>
</tr>
<tr>
<td>58 LSP 5 Savings</td>
<td>£(143)</td>
<td>£0</td>
<td></td>
</tr>
<tr>
<td>59 Total Additional Savings Identified</td>
<td>£976</td>
<td>£0</td>
<td></td>
</tr>
<tr>
<td><strong>Total changes to savings and unavoidable pressures identified in previous years budget reports</strong></td>
<td>£833</td>
<td>£0</td>
<td>This reflects changes to savings and pressures identified in previous years budget reports, and how they impact on 2015/16. This includes £143k of additional savings from LSP5 offset by the reversal of the one-year firefighter trainee savings in 2014/15. Where these savings are based on establishment changes the savings have been revised in line with updated unit costs.</td>
</tr>
<tr>
<td>60 Reduction in LSP5 Implementation Costs</td>
<td>£(6,135)</td>
<td>£0</td>
<td>This reduction reflects that the expenditure on LSP5 implementation costs in 2014/15 will not be required in future years. The Mayor also supplied £940k to meet firefighter voluntary redundancy costs, which was paid into reserves to return the costs incurred in 2013/14. This resulted in total additional Mayoral funding of £7,075k.</td>
</tr>
<tr>
<td>Description</td>
<td>2015/16</td>
<td>2016/17</td>
<td>Comments</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------</td>
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<tr>
<td></td>
<td>£k</td>
<td>£k</td>
<td></td>
</tr>
<tr>
<td><strong>Total Unavoidable Pressures and Savings identified</strong></td>
<td>(323)</td>
<td>13,391</td>
<td></td>
</tr>
<tr>
<td><strong>61 Change in Expenditure funded from Reserves and Specific Grants</strong></td>
<td>(4,680)</td>
<td>(702)</td>
<td></td>
</tr>
<tr>
<td><strong>Revised Net Revenue Expenditure</strong></td>
<td>395,067</td>
<td>403,094</td>
<td></td>
</tr>
<tr>
<td><strong>Savings Identified as part of 2015/16 Budget Process</strong></td>
<td>(4,261)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustment to Pension Contribution Saving</strong></td>
<td>(400)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Savings Gap</strong></td>
<td>0</td>
<td>(11,652)</td>
<td></td>
</tr>
<tr>
<td><strong>Proposed Net Revenue Expenditure</strong></td>
<td>390,406</td>
<td>391,442</td>
<td></td>
</tr>
<tr>
<td><strong>Less Use of Reserves</strong></td>
<td>1,239</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td><strong>Less Use of Earmarked Reserve</strong></td>
<td>(302)</td>
<td>(100)</td>
<td></td>
</tr>
<tr>
<td><strong>Financing Requirement</strong></td>
<td>391,342</td>
<td>391,342</td>
<td></td>
</tr>
<tr>
<td><strong>Specific Grants</strong></td>
<td>8,942</td>
<td>8,942</td>
<td></td>
</tr>
<tr>
<td><strong>Financing Requirement after use of Specific Grants</strong></td>
<td>382,400</td>
<td>382,400</td>
<td></td>
</tr>
<tr>
<td><strong>Revenue Support Grant</strong></td>
<td>129,420</td>
<td>129,420</td>
<td></td>
</tr>
<tr>
<td><strong>Retained Business Rates</strong></td>
<td>114,742</td>
<td>114,742</td>
<td></td>
</tr>
<tr>
<td><strong>LFEPA Element of Precept</strong></td>
<td>138,238</td>
<td>138,238</td>
<td></td>
</tr>
</tbody>
</table>
## Service Analysis

<table>
<thead>
<tr>
<th></th>
<th>2013/14 Outturn&lt;sup&gt;1&lt;/sup&gt; £000s</th>
<th>2014/15 Budget&lt;sup&gt;2&lt;/sup&gt; £000s</th>
<th>2014/15 Forecast Outturn £000s</th>
<th>2015/16 Budget £000s</th>
<th>2016/17 Budget £000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community safety</td>
<td>34,944</td>
<td>33,504</td>
<td>32,621</td>
<td>32,513</td>
<td>33,657</td>
</tr>
<tr>
<td>Firefighting</td>
<td>349,357</td>
<td>331,173</td>
<td>333,008</td>
<td>325,413</td>
<td>336,605</td>
</tr>
<tr>
<td>Pensions</td>
<td>19,991</td>
<td>21,978</td>
<td>21,478</td>
<td>21,881</td>
<td>22,453</td>
</tr>
<tr>
<td>Emergency Planning</td>
<td>781</td>
<td>847</td>
<td>825</td>
<td>832</td>
<td>845</td>
</tr>
<tr>
<td>Central services</td>
<td>430</td>
<td>441</td>
<td>441</td>
<td>277</td>
<td>277</td>
</tr>
<tr>
<td>Savings to be agreed</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(11,652)</td>
</tr>
<tr>
<td><strong>Net Service Expenditure</strong></td>
<td><strong>405,504</strong></td>
<td><strong>387,942</strong></td>
<td><strong>388,372</strong></td>
<td><strong>380,915</strong></td>
<td><strong>382,185</strong></td>
</tr>
<tr>
<td>Capital Financing</td>
<td>10,556</td>
<td>10,633</td>
<td>10,296</td>
<td>9,978</td>
<td>9,759</td>
</tr>
<tr>
<td>Interest Receipts</td>
<td>(609)</td>
<td>(501)</td>
<td>(349)</td>
<td>(501)</td>
<td>(501)</td>
</tr>
<tr>
<td><strong>Net Revenue Expenditure</strong></td>
<td><strong>415,451</strong></td>
<td><strong>398,074</strong></td>
<td><strong>398,320</strong></td>
<td><strong>390,393</strong></td>
<td><strong>391,443</strong></td>
</tr>
<tr>
<td>Use of Reserves</td>
<td>(3,073)</td>
<td>382</td>
<td>(1,388)</td>
<td>950</td>
<td>(100)</td>
</tr>
<tr>
<td><strong>Financing Requirement</strong></td>
<td><strong>412,378</strong></td>
<td><strong>398,456</strong></td>
<td><strong>396,931</strong></td>
<td><strong>391,343</strong></td>
<td><strong>391,343</strong></td>
</tr>
<tr>
<td>Specific Grants</td>
<td>(11,607)</td>
<td>(9,281)</td>
<td>(7,756)</td>
<td>(8,943)</td>
<td>(8,943)</td>
</tr>
<tr>
<td><strong>GLA Funding</strong></td>
<td><strong>400,771</strong></td>
<td><strong>389,175</strong></td>
<td><strong>389,175</strong></td>
<td><strong>382,400</strong></td>
<td><strong>382,400</strong></td>
</tr>
</tbody>
</table>

<sup>1</sup> From Review of Financial Outturn (FEP 2282)

<sup>2</sup> From Quarter 3 Financial Position (FEP 2411)
## Subjective Analysis

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>£000s</td>
<td>£000s</td>
<td>£000s</td>
<td>£000s</td>
<td>£000s</td>
</tr>
<tr>
<td>Operational Staff</td>
<td>263,909</td>
<td>247,646</td>
<td>252,557</td>
<td>242,598</td>
<td>250,566</td>
</tr>
<tr>
<td>Other Staff</td>
<td>48,777</td>
<td>48,822</td>
<td>48,447</td>
<td>48,119</td>
<td>47,464</td>
</tr>
<tr>
<td>Employee Related</td>
<td>7,569</td>
<td>22,825</td>
<td>23,861</td>
<td>23,306</td>
<td>23,382</td>
</tr>
<tr>
<td>Firefighter’s Pension Expenditure</td>
<td>19,735</td>
<td>21,701</td>
<td>21,201</td>
<td>21,601</td>
<td>22,173</td>
</tr>
<tr>
<td>Premises</td>
<td>29,012</td>
<td>30,343</td>
<td>28,435</td>
<td>32,094</td>
<td>36,232</td>
</tr>
<tr>
<td>Transport</td>
<td>22,200</td>
<td>20,065</td>
<td>19,370</td>
<td>17,243</td>
<td>17,847</td>
</tr>
<tr>
<td>Supplies and Services</td>
<td>41,798</td>
<td>23,370</td>
<td>23,077</td>
<td>25,338</td>
<td>26,346</td>
</tr>
<tr>
<td>Third Party Payments</td>
<td>1,452</td>
<td>1,622</td>
<td>1,620</td>
<td>1,493</td>
<td>1,496</td>
</tr>
<tr>
<td>Authority savings to be achieved</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>(11,652)</td>
</tr>
<tr>
<td>Capital Financing Costs</td>
<td>10,556</td>
<td>10,633</td>
<td>10,296</td>
<td>9,978</td>
<td>9,759</td>
</tr>
<tr>
<td>Central Contingency Against Inflation</td>
<td>0</td>
<td>958</td>
<td>237</td>
<td>1,822</td>
<td>1,822</td>
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<tr>
<td><strong>Total Revenue Expenditure</strong></td>
<td><strong>445,008</strong></td>
<td><strong>427,984</strong></td>
<td><strong>429,100</strong></td>
<td><strong>423,591</strong></td>
<td><strong>425,435</strong></td>
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<tr>
<td>Income</td>
<td>(29,557)</td>
<td>(29,910)</td>
<td>(30,780)</td>
<td>(33,199)</td>
<td>(33,993)</td>
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<td><strong>Net Revenue Expenditure</strong></td>
<td><strong>415,451</strong></td>
<td><strong>398,074</strong></td>
<td><strong>398,320</strong></td>
<td><strong>390,392</strong></td>
<td><strong>391,443</strong></td>
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<tr>
<td>General Reserve</td>
<td>(471)</td>
<td>3,940</td>
<td>2,170</td>
<td>1,252</td>
<td>0</td>
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<tr>
<td>Earmarked Reserve</td>
<td>(2,602)</td>
<td>(3,558)</td>
<td>(3,558)</td>
<td>(302)</td>
<td>(100)</td>
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<td><strong>Financing Requirement</strong></td>
<td><strong>412,378</strong></td>
<td><strong>398,456</strong></td>
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<td><strong>391,343</strong></td>
<td><strong>391,343</strong></td>
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<tr>
<td>Specific Grants</td>
<td>(11,607)</td>
<td>(9,281)</td>
<td>(7,756)</td>
<td>(8,943)</td>
<td>(8,943)</td>
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<td><strong>GLA Funding</strong></td>
<td><strong>400,771</strong></td>
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<td><strong>389,175</strong></td>
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<td><strong>382,400</strong></td>
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## Operational Staff

<table>
<thead>
<tr>
<th>Base Budget</th>
<th>Inflation and Medium Term Growth/ (Savings)</th>
<th>Savings and Efficiencies</th>
<th>Budget Movements</th>
<th>2015/16 Budget</th>
<th>Medium Term Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operational Staff</td>
<td>247,348</td>
<td>(5,026)</td>
<td>(1,474)</td>
<td>1,765</td>
<td>242,613</td>
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</table>

## Other Staff

- **Fire & Rescue Staff**
  - 41,113
  - 330
  - (415)
  - 1,635
  - 42,662
  - 4, 13, 14, 15, 16, 17, 19, 59

- **Control Staff**
  - 5,895
  - 0
  - 0
  - (438)
  - 5,456

## Other Staff Total

| Other Staff Total | 47,008 | 330 | (415) | 1,196 | 48,119 |

## Employee Related

- **Compensation**
  - 277
  - 279
  - 0
  - 0
  - 556
  - 1, 21

- **Employee Capitalised Costs**
  - (245)
  - 0
  - 0
  - 0
  - (245)

- **Employee Related Insurance**
  - 190
  - 0
  - 0
  - (30)
  - 160

- **Medical & Welfare Expenses**
  - 1,793
  - 324
  - 0
  - 0
  - 2,117
  - 22, 23

- **Other Pension Payments**
  - 990
  - 0
  - 0
  - 0
  - 990

- **Recruitment**
  - 153
  - 44
  - (35)
  - 30
  - 191
  - 8

- **Severance Payments**
  - 200
  - (200)
  - 0
  - 0
  - 0
  - 59

- **Training Expenses**
  - 454
  - 0
  - (21)
  - 19,104
  - 19,537

## Employee Related Total

| Employee Related Total | 3,812 | 447 | (56) | 19,104 | 23,306 |

## Firefighter's Pension Expenditure

| Firefighter's Pension Expenditure | 21,701 | 0 | (100) | 0 | 21,601 |
## LFEPA Budget Analysis

### Appendix 2

<table>
<thead>
<tr>
<th></th>
<th>Base Budget</th>
<th>Inflation and Medium Term Growth/ (Savings)</th>
<th>Savings and Efficiencies</th>
<th>Budget Movements</th>
<th>2015/16 Budget</th>
<th>Medium Term Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Premises</strong></td>
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<td></td>
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<tr>
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<td>Cleaning &amp; Domestic Supplies</td>
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<td>(100)</td>
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<td>0</td>
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<td>117</td>
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<td>(14)</td>
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<td>(70)</td>
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<td><strong>2,176</strong></td>
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<td><strong>234</strong></td>
<td><strong>2,094</strong></td>
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<td><strong>Transport</strong></td>
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<td>Contract Hire &amp; Operating Lease</td>
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<td>Repairs/PFI Passthroughs</td>
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<td>(7,580)</td>
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<td>(81)</td>
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<td><strong>Transport Total</strong></td>
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<td><strong>(7,663)</strong></td>
<td><strong>17,243</strong></td>
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<td>Supplies and Services</td>
<td>Base Budget</td>
<td>Inflation and Medium Term Growth/ (Savings)</td>
<td>Savings and Efficiencies</td>
<td>Budget Movements</td>
<td>2015/16 Budget</td>
<td>Medium Term Reference</td>
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<td>-----------------------------------------------</td>
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<td>---------------------------------------------</td>
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<td>0</td>
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<td>(18,935)</td>
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<td><strong>(636)</strong></td>
<td><strong>(19,046)</strong></td>
<td><strong>25,338</strong></td>
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<td>Third Party Payments</td>
<td>Base Budget</td>
<td>Inflation and Medium Term Growth/ (Savings)</td>
<td>Savings and Efficiencies</td>
<td>Budget Movements</td>
<td>2015/16 Budget</td>
<td>Medium Term Reference</td>
</tr>
<tr>
<td>------------------------------</td>
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<td>--------------------------------------------</td>
<td>--------------------------</td>
<td>-----------------</td>
<td>---------------</td>
<td>----------------------</td>
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<td>Audit &amp; Bank Charges</td>
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<td>0</td>
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<td>22</td>
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<tr>
<td>Capital Financing Costs</td>
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<td>(3,240)</td>
<td>(200)</td>
<td>2,785</td>
<td>9,978</td>
<td>50</td>
</tr>
<tr>
<td>Central Contingency Against Inflation</td>
<td>3,032</td>
<td>2,126</td>
<td>(253)</td>
<td>(3,091)</td>
<td>1,815</td>
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<td>Customer &amp; Client Receipts</td>
<td>(8,420)</td>
<td>(1,831)</td>
<td>(164)</td>
<td>67</td>
<td>(10,348)</td>
<td>52, 53, 54, 55, 56, 57, 58</td>
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<td>Insurance Companies</td>
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<td>(725)</td>
<td>(250)</td>
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<td>(22,350)</td>
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<tr>
<td>Interest</td>
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<td>0</td>
<td>0</td>
<td>(501)</td>
<td></td>
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<tr>
<td><strong>Income Total</strong></td>
<td>(30,296)</td>
<td>(2,556)</td>
<td>(414)</td>
<td>67</td>
<td>(33,199)</td>
<td></td>
</tr>
<tr>
<td>General Reserve</td>
<td>3,940</td>
<td>(2,243)</td>
<td>0</td>
<td>0</td>
<td>1,252</td>
<td>61</td>
</tr>
<tr>
<td>Earmarked Reserve</td>
<td>(852)</td>
<td>549</td>
<td>0</td>
<td>0</td>
<td>(302)</td>
<td>61</td>
</tr>
<tr>
<td>Specific Grants</td>
<td>(13,984)</td>
<td>638</td>
<td>0</td>
<td>4,627</td>
<td>(8,943)</td>
<td>39, 61</td>
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<td></td>
<td>Base Budget</td>
<td>Inflation and Medium Term Growth/(Savings)</td>
<td>Savings and Efficiencies</td>
<td>Budget Movements</td>
<td>2015/16 Budget</td>
<td>Medium Term Reference</td>
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<tr>
<td>----------------------</td>
<td>-------------</td>
<td>--------------------------------------------</td>
<td>--------------------------</td>
<td>-----------------</td>
<td>----------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>2015/16 Base Budget</td>
<td>389,175</td>
<td>(2,114)</td>
<td>(4,661)</td>
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<td>382,400</td>
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</tr>
<tr>
<td>Ref</td>
<td>Department</td>
<td>Saving Title</td>
<td>Saving Description</td>
<td>Saving in 2015/16 £s</td>
<td>Staff Impact</td>
<td>GLA Savings Category</td>
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<tr>
<td>-----</td>
<td>------------------</td>
<td>---------------------------------------------------</td>
<td>------------------------------------------------------------------------------------------------------</td>
<td>----------------------</td>
<td>---------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>1</td>
<td>Operations</td>
<td>Running Costs (including fuel)</td>
<td>Savings from a range of underspending budgets including £80k on fuel, £80k on operational equipment,</td>
<td>305,000</td>
<td>None</td>
<td>Efficiency</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>£80k on equipment, furniture and materials, £45k on staff reimbursements and £20k on catering equipment.</td>
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<td></td>
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<td>2</td>
<td>Operations</td>
<td>Overtime Budget</td>
<td>This saving reflects the underspend reported in the Review of Financial Outturn for 2013/14 report (FEP 2282).</td>
<td>410,000</td>
<td>None</td>
<td>Efficiency</td>
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<tr>
<td>3</td>
<td>Operations</td>
<td>Establishment and Performance Team</td>
<td>This saving is achievable following a restructure of the team.</td>
<td>46,000</td>
<td>None - Achieved</td>
<td>Savings</td>
</tr>
<tr>
<td>4</td>
<td>LIFE</td>
<td>Professional Services</td>
<td>This was a capacity building budget set up to support the LIFE programme and is no longer required</td>
<td>72,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>5</td>
<td>Fire Safety Regulation</td>
<td>Staffing Reduction</td>
<td>Fire Safety Regulation is the second largest &quot;pool&quot; of staff, by far, outside of fire stations. The annual budget currently is in excess of £14m and the vast majority of this is on staff. The department has a current establishment of 298 posts, 187 of whom are inspecting officers. The inspecting officer cadre includes a combination of operational (81) and non-operational (106) officers. The latest report to Governance, Performance and Audit Committee provides information about some of the main activity areas of the department. It reports that around 14,000 audits/inspections are undertaken annually. The number of desktop audits has recently increased to around 7,000 annually. And around 20,000 consultative items are dealt with annually. Some of the goodwill</td>
<td>385,412</td>
<td>Reduction of 8 inspecting officer posts</td>
<td>Savings</td>
</tr>
</tbody>
</table>
advice (which could be as high as 25% of the overall total) may have the potential to be chargeable and officers will examine this in more detail. 

The saving proposal for 2015/16 is to delete 8 inspecting officer posts, with a value of £385k. A further 7 are projected as likely to be deleted in 2016/17, alongside other potential savings which have yet to be worked through in detail. 

The issue to be considered is the impact upon the inspection programme. Officers are currently working on new performance reports which will enable more detailed scrutiny of workloads at a local level. But trend data in recent years does not seem to indicate that reducing the number of inspection officers necessarily has an adverse affect, in a completely linear fashion, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of inspecting officers</th>
<th>Number of audits and inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/11</td>
<td>218</td>
<td>16,009</td>
</tr>
<tr>
<td>2011/12</td>
<td>198</td>
<td>15,151</td>
</tr>
<tr>
<td>2012/13</td>
<td>187</td>
<td>13,853</td>
</tr>
<tr>
<td>2013/14</td>
<td>187</td>
<td>14,985</td>
</tr>
</tbody>
</table>

One reason for the increase in inspections in 2013/14, compared with the year before, is that more rigorous performance management has been applied. In order to support this continual rise in inspections, greater collaboration is being planned between the Fire Safety
<table>
<thead>
<tr>
<th>Ref</th>
<th>Department</th>
<th>Saving Title</th>
<th>Saving Description</th>
<th>Saving in 2015/16 £s</th>
<th>Staff Impact</th>
<th>GLA Savings Category</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Regulation department and fire station staff, to assist with lower level fire safety inspections. At the present time, a new inspection plan for 2015/16 is being prepared and it is at least possible that we can maintain inspection rates and, at the same time, improve risk targeting. However, not yet properly assessed is whether it might be worth investing more time in the inspection of some high risk premises. Officers are currently considering the basis on which we might argue that the provisions of the Regulatory Reform Order (RRO) should extend into individual units in sheltered housing and if the outcome of that consideration is that it could be justified, then this could impact on how we use our available resources.</td>
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<tr>
<td>6</td>
<td>Operational Resilience</td>
<td>Staff Saving</td>
<td>1 x FRS C post reduction in the Water Team.</td>
<td>38,123</td>
<td>None - Vacant</td>
<td>Savings</td>
</tr>
<tr>
<td>7</td>
<td>Operational Resilience</td>
<td>Staff Secondment Income</td>
<td>A FRS F secondment to Cabinet Office has been agreed on an 80% repayment basis, with the remaining 20% of the staff member’s time providing LFEPA duties.</td>
<td>37,877</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>8</td>
<td>Operational Resilience</td>
<td>Control of major accident hazards (COMAH) Income</td>
<td>Next year Emergency Planning will provide additional COMAH training for partners. This will generate additional income.</td>
<td>18,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
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| 9   | Operational Procedures | Staff Costs                  | Deletion of one Watch Manager B post from Incident Communications policy team. The loss of this post will have some impact on the capacity of the team’s capability to undertake routine support functions for


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<td>incident communications and to produce and maintain operational policy in this area. However, it is believed this can be mitigated by the department taking a more flexible approach to workloads across the four functional teams and by covering this workload with the staff capacity allocated to other teams within Operational Procedures.</td>
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<tr>
<td>10</td>
<td>Procurement</td>
<td>New Vehicles &amp; Equipment Contract</td>
<td>As reported in FEP 2289, the retender of the vehicles and equipment contract resulted in savings of £930k. The 2013/14 budget report included a saving of £700k from a range of fleet and equipment budgets subject to the outcome of the retendering process for the fleet and equipment contract. This process has now concluded with a total saving of £930k per year. This is made up of £700k saving realised in 2014/15 and £230k that will be realised in 2015/16.</td>
<td>230,000</td>
<td>None</td>
<td>Efficiencies</td>
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<tr>
<td>11</td>
<td>Procurement</td>
<td>Pass Through Costs (including modifications)</td>
<td>The budgets for the cost of modifications, non fair wear and tear, and losses which are ‘passed through’ the fleet and equipment contract were reduced by 20% in 2012/13. A review of their utilisation since then, and in the run up to the implementation of the new contract, has indicated that they can be reduced by a further 10% resulting in a revenue saving of £84,810 per year. This reflects experience over the last 19 months and on the basis that demand led budgets for modifications are managed via a combination of pre-planning and controlling the spend on priorities as requirements emerge throughout the year. This saving is therefore considered to be manageable whilst noting that a</td>
<td>84,810</td>
<td>None</td>
<td>Efficiencies</td>
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<td>significant accident, for example, could consume a large portion of the budget thus increasing the financial pressure in other areas.</td>
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<td>12</td>
<td>ICT</td>
<td>Desktop Support Contract</td>
<td>As reported to members at Resources Committee 20 January 2014, the utilisation of new software tools allowed the department to develop new capabilities in relation to the monitoring of the ICT infrastructure. This task had until now been undertaken as part of an existing outsource contract for which a significant premium was paid. The re-procurement of this contract allowed ICT to re-specify the requirements, remove on-site staff provided by the outsourcer and undertake additional monitoring activities in-house. The saving will have no operational impact.</td>
<td>114,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>13</td>
<td>ICT</td>
<td>Microsoft Desktop Licensing</td>
<td>This saving is achievable following the completion of the move to a subscription model for desktop licensing and will have no impact.</td>
<td>53,000</td>
<td>None</td>
<td>Efficiencies</td>
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<tr>
<td>14</td>
<td>ICT</td>
<td>System Centre Implementation</td>
<td>As a direct result of the re-procurement of the desktop support contract (referred to above), ICT were able to transfer some core infrastructure support elements such as mail filtering software to an in house system. This saving will have no impact.</td>
<td>25,000</td>
<td>None</td>
<td>Efficiencies</td>
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<tr>
<td>15</td>
<td>ICT</td>
<td>Deletion of 1 x FRS F (including shift allowance)</td>
<td>The role heads up the operational support engineers at Merton (London Operations Centre) but has in fact been working exclusively on the Control and Mobilising Systems (CAMS) project for the last 12 months. The intention is for this post to be seconded to the CAMS team until the new mobilising system is live. During the</td>
<td>51,000</td>
<td>1 x FRS F - Redundancy</td>
<td>Efficiencies</td>
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<tr>
<td>16</td>
<td>ICT</td>
<td>Quick Address System Replacement</td>
<td>The implementation of the gazetteer will replace the address lookup facility currently provided by the Quick Address System in a number of systems. As a consequence we will not be required to licence these systems for the use of this product, which will deliver a saving to the Authority.</td>
<td>36,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>17</td>
<td>Technical And Service Support</td>
<td>Energy Consumption Reduction (Electricity/Gas)</td>
<td>An actual budget reduction of £75k was approved in the 14/15 budget report resulting from completed energy saving projects. Additional budget savings have been identified through further analysis of the control of appliance bay temperatures and the REFIT Phase 3 Project (FEP 2135 - to retrofit premises with energy control measures to achieve new GLA targets) and energy capital works planned over the next three years. Gas budget- These savings are based upon the appliance bay temperature being maintained at 5 degrees with a boost facility to 8 degrees if the external temperature falls to 0 degrees. Electricity budget - additional savings will be achieved through improved management of REFIT tranche 1 and 2a and b, and 3, this will ensure that contracted savings are made. This will be coupled with the completion of further</td>
<td>100,000</td>
<td>None</td>
<td>Efficiencies</td>
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<td>installations of combined heat and power systems, increasing LED lighting installations and ensuring all are maintained to achieve self generation of approximately 10% to achieve the sustained savings. Energy efficiencies made through the Salix revolving scheme have also contributed to this proposed reduction. These savings are based upon estimated future energy prices which could vary. The saving also assumes that the stations closed as a result of LSP5 are sold.</td>
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<tr>
<td>18</td>
<td>Technical And Service Support</td>
<td>Southwark Training Centre Security Costs</td>
<td>To remove dedicated security (which includes reception service) from Southwark Training Centre when Babcock vacate the site (currently scheduled for 31 March 2015). The site will then be secured by an enhanced caretaker service to that currently provided to Southwark fire station following station closure in the Fifth London Safety Plan (LSP5). No reception service will be provided. The estimated net saving is £70k pa. The museum does not currently use the reception service but if this proposal is agreed signage will be reviewed to ensure that it remains adequate. It also assumes that any proposals to use this site in the future (e.g. short term lets) would need to include the cost of any dedicated security/reception requirements.</td>
<td>70,000</td>
<td>None</td>
<td>Savings</td>
</tr>
<tr>
<td>19</td>
<td>Technical And Service Support</td>
<td>Southwark Training Centre - Business Rates</td>
<td>Southwark Training Centre should be unoccupied (excluding museum) from April 15 when Babcock have vacated the site. It is proposed to request exempt status for business rates and this should save an estimated £300k per year. The actual saving will be confirmed by the Valuation Office. Any future proposal to re-use this site or sub-let this site will need to include the full cost of</td>
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<td>20</td>
<td>Technical And Service Support</td>
<td>Property PFI Consultants</td>
<td>A review of the funding requirements for Property PFI project has resulted in a forecast reduction in the funding requirement for consultancy services in 15/16. This reduction is possible mainly because the need for consultancy services has been considerably less than originally envisaged before contract award. Part of this reduction is occurring earlier than previously forecast. A £150k reduction had been reported for 16/17, which has now been amended to £100k.</td>
<td>200,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>21</td>
<td>Communications</td>
<td>Communications department</td>
<td>To achieve this saving 1 x FRS F post (business support manager) would be deleted. Some of his workload would be redistributed within the team and capacity maintained to ensure that the Department can progress any future recommendation in respect of the Museum.</td>
<td>40,000</td>
<td>1 x FRS F</td>
<td>Savings</td>
</tr>
<tr>
<td>22</td>
<td>Human Resources &amp; Development</td>
<td>Targeted Development</td>
<td>This is a proposal to delete the Targeted Development Programme budget and devolve the budget to budget holders.</td>
<td>200,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>23</td>
<td>Human Resources &amp; Development</td>
<td>Staff Savings</td>
<td>This saving reflects the outcome from the department restructuring that was implemented in April 2014.</td>
<td>27,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>24</td>
<td>Human Resources &amp; Development</td>
<td>Firefighter Recruitment</td>
<td>This is a proposal to delete the budget for Firefighter recruitment for one year only in 2015/16, if there is no need for a recruitment campaign. A pressure is included in the Medium Term Forecast for 2017/18.</td>
<td>35,000</td>
<td>None</td>
<td>Savings</td>
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<td>25</td>
<td>Legal &amp; Democratic Services</td>
<td>Reduction in Members Allowances Budget</td>
<td>Based on expenditure over the past three years this budget has proved to be more than is necessary. Therefore the proposal is to reduce the budget to an appropriate level. This saving has minimal impact on the current members allowances expenditure. However the outcome of the Department of Communities and Local Government consultation on LFEPA membership may result in the need for this budget to be increased for the payment of an additional three basic allowances.</td>
<td>19,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>26</td>
<td>Finance Services</td>
<td>Finance Savings</td>
<td>A review of the Finance Department will be carried out to deliver the target savings for the department. This will look at, and challenge, the provision of the Finance function with a view to seeking improvements and efficiencies, that also deliver cashable savings. Areas to be considered include: Departmental budget support The review will consider the staffing structure, roles and responsibilities of the departmental Finance Contacts. This should deliver more resilience, better cover arrangements, and more efficient financial management to stakeholders, whilst costing less to provide. Automation of operational overtime This will allow on-line input and approval, and save staff time in the payroll team.</td>
<td>56,000</td>
<td>1 X FRS D 1 X Vacant FRS B</td>
<td>Efficiencies</td>
</tr>
<tr>
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<tr>
<td>27</td>
<td>Central Finance</td>
<td>Operational Salaries</td>
<td>This saving can be made as a result of the average rate of employers pensions contributions being lower than budgeted, due to operational staff either moving to the new pension scheme, or opting out / retiring / not joining the pension scheme. There would be minimal impact with this saving.</td>
<td>400,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>28</td>
<td>Central Finance</td>
<td>Pension Sanction Charge</td>
<td>The budget reduction of £100k is due to ongoing underspends on the sanction charge budget. The current commutation factors allows firefighter retirees to generate lump sums in excess of Her Majesty’s Revenue and Customs (HMRC) limits, giving rise to unauthorised payments. The Authority is required to pay a 15% sanction charge on the unauthorised payments. Due to low take up, this budget can be reduced by £100k. There would be minimal impact with this saving.</td>
<td>100,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>29</td>
<td>Central Finance</td>
<td>Debt Charges</td>
<td>Debt charges are the interest and principal loan repayments that the Authority makes on money it borrows to fund its capital programme. The planned 2015/16 budget for debt charges are based on a capital programme of £63.3m for 2014/15 and £45.7m for 2015/16. Major projects include the Operational Fleet Vehicle Replacement programme and the Control and Mobilising System project. Any capital receipts from the disposal of the stations closed under the fifth London Safety Plan and 8 Albert Embankment, would potentially reduce the need for borrowing, which could lead to revenue savings.</td>
<td>200,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>30</td>
<td>Central Finance</td>
<td>Metropolitan Fire Brigade (MFB) Additional</td>
<td>There is currently a 3.5% (£725k) year-on-year inflationary increase factored into the medium term forecast for increases in MFB income. The current</td>
<td>100,000</td>
<td>None</td>
<td>Efficiencies</td>
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<td>Income</td>
<td>2014/15 budget is £21,375k. It is felt that in addition to this increase, it is feasible to increase the estimated income by an additional £100k to contribute to the savings targets. There are planned audit inspections of a number of insurance companies which, from previous experience, can result in additional income. It should be noted that audit visits may identify overpayments that will need to be refunded, as well as any underpayments.</td>
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<tr>
<td>31</td>
<td>Operational Directorates Support Group</td>
<td>Review of Function</td>
<td>A review is ongoing and is currently expected to achieve these savings in addition to the £109k saving included in the 2014/15 budget round.</td>
<td>24,000</td>
<td>TBC</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>32</td>
<td>Authority Wide</td>
<td>Analysis of Underspends</td>
<td>Savings identified as part of an analysis of underspends in previous financial years.</td>
<td>291,000</td>
<td>None</td>
<td>Efficiencies</td>
</tr>
<tr>
<td>33</td>
<td>Authority Wide</td>
<td>Sundries savings</td>
<td>This proposal is a manageable reduction in a range of non staff budgets across the authority.</td>
<td>136,370</td>
<td>None</td>
<td>Multiple categories</td>
</tr>
<tr>
<td>34</td>
<td>Legal &amp; Democratic Services</td>
<td>Refreshments at Member Meetings</td>
<td>This proposal is to remove the budget for refreshments at Member level meetings. This saving will result in no refreshments (tea, coffees, sandwiches etc.) for member level meetings including meetings of the Authority and its Committees.</td>
<td>3,600</td>
<td>None</td>
<td>Efficiencies</td>
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<td></td>
<td><strong>Total Saving Included in November Budget Report (FEP 2337)</strong> 4,260,911</td>
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<tr>
<td>27b</td>
<td>Central Finance</td>
<td>Operational Salaries</td>
<td>Lower average employer pension contribution rates for operational staff. This is an increase to saving ref 27</td>
<td>400,000</td>
<td>None</td>
<td>Efficiencies</td>
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<td>above. This budget will be kept under review in future years following the outcome of the pension valuation for the firefighter’s pension schemes. Note this assumes no unexpected changes resulting from the 2015 scheme.</td>
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<tr>
<td><strong>Total Savings</strong></td>
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<td>4,660,911</td>
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a) The potential impact on employers pensions contribution that may increase depending on the outcome pensions valuation for the firefighters’ pension schemes.

b) The recommendations arising from the Hazardous Materials Protection Project.

c) 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 and a potential change to legislation on access to land by operators.

d) The review of space utilisation at Union Street has been carried out and has identified potential sub-letting opportunities with estimated income of £0.4m for 2014/15, £1.8m in 2015/16 and a full rental income of £1.9m in 2016/17 onwards. Three tenants have now taken up occupation and the it is proposed that the 4th tenant (projected income £552,000 in 15/16 and £552,000 in 16/17 which are included in the above) will be in occupation early in the 15/16 financial year. It is possible that the proposed income from the 4th tenant may not be achieved if there is a delay in them taking up occupation. The figures assume that the tenants do not give notice to vacate early and that two of them that they remain in occupation beyond their current proposed expiry date.

e) DCLG will replace the existing Airwave contracts, which expire between 2016 and 2020 as part of the Emergency Services Mobile Communications Programme. There could be significant financial pressures to LFEPA under any new contract provision. The current contract is subsidised and DCLG have notified LFEPA that its share of this will be £0.8m in 2014/15. DCLG may be unwilling to continue to subsidise any future system.

f) The Property PFI project – Financial Close and Contract Award Report (FEP 2042) noted that the Authority retains the risk of unforeseen ground conditions, contamination and archaeological finds beneath the existing buildings. The Authority also retains the risk for asbestos within the existing buildings not identified in the contract surveys. This risk of expenditure applies throughout the construction phase. During the first phase of the construction programme asbestos has been discovered at three of the stations during demolition and claims for compensation have been submitted by Blue3 as a result. These claims are currently being discussed with Blue3 and the project team is considering options to mitigate this risk for the phase 2 stations.

g) The FBU has been taking industrial action as part of the dispute with Government over pensions. The total forecast expenditure on business continuity in relation to this dispute is £13.7m. Further strike action could see reserve levels fall and therefore additional savings required in future years in order to restore them.

h) The 2015/16 budget currently assumes that the disposal of the 9 sites identified as part of the LSP5 will be completed by the start of the financial year. If the properties are not disposed of additional security costs will be incurred at those sites.

i) A report on the Wide Area Network and Internet Service Provider (FEP 2313) was put before Resources Committee on 18 September 2014. That report states that while the proposals will result in an increase to revenue costs, these may be offset by a reduction in network costs. Any net pressure, if identified, will be included in the quarterly financial position reports to the Resources Committee.
This report proposes that a saving of £2.1m in borrowing costs could be achievable in 2015/16 if sufficient capital receipts are received and applied in the 2014/15 financial year. As set out in paragraph 19 of this report, whilst there are delays anticipated on a number of the property disposals, the expected total receipt from the sales that are due to complete before the 31st March should be sufficient to achieve this saving. However any further delays to these disposals may pose a risk in achieving the required reduction in borrowing costs.

A rent review for 169 Union Street is due in December 2015, and the resulting increase in cost may be significant. This potential increase reflects the fact that the Authority is currently paying considerably below market rent for 169 Union Street. This rent review may bring the Authority rent into line with the market rate. A forecast pressure has been included in this report of £1.8m, however the actual pressure will be dependant both on prevailing market conditions in December 2015 and negotiations with the landlord. In the meantime options are being considered for alternative accommodation for the Headquarters functions.

LFEPA has made a budget provision for a 1% pay award for all staff in 2014/15. Discussions regarding the London Weighting Allowance award for 2014/15 are still ongoing with the FBU, who have requested a 3.1% increase from 01 July 2014. An offer of 2% with effect from 01 April 2015 until 30 June 2016 was made on 03 December 2014, but this has been rejected, and so a settlement remains outstanding. In addition the National Joint Council for Local Government Services has recently agreed a two-year pay deal covering 2014-16 for Local Government staff which involves a 2.2% increase effective from 1 January 2015. This could result in a claim at a similar level for LFEPA FRS staff, although our staff are in a different position as they were awarded a 1%/£400 pay rise effective from 01 April 2014.

The London Pensions Fund Authority (LPFA) has notified the Authority that it has shifted its strategic focus to eliminating its pension fund deficit, by taking greater ownership of asset liability management. This means the LPFA will, over time, be moving away from the provision of administration services. The LPFA will however remain responsible for the administration of its own pension fund, and may offer solutions to its current administration clients through asset liability management partnerships. Officers will continue to meet with LPFA officers to discuss the developing position. The Authority currently pays the LFPA £261k pa under a shared service arrangement to provide administration services for the firefighter pension scheme.

The existing mobilising contract with Motorola will end on the 31 August 2015. As a result if there is a delay to the implementation date for the new contract with Capita of 14 July 2015, it may be required to extend the Motorola contract. This could result in an additional financial cost to LFEPA of £400k in 2015/16.

The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However even a well managed project can be subject to re-phasing or deferral due to a number of unforeseen issues, such as failure or default on the part of the contractor or exceptionally adverse weather conditions. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.

All capital projects will require third party collaboration to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements.
The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.

q) The debt charges arising from the capital programme have been calculated using the current forecast PWLB rates. Headway has been included in the revenue budget for future debt charges should interest rates rise at a rate higher than today’s projections. No allowance has been made in the capital programme for potential future capital grants or contributions and LFEPA will bid for any available capital resources as and when such opportunities arise.
## Capital Programme

### ICT PROJECTS

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### ESTATE PROJECTS

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Page 81
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**Sustainability Projects**

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Budget Savings 2015/16
Equality Analysis

Prepared by the Corporate Management Team

March 2015
1. Name of Report and Reference Number (if available)

Budget Savings 2015/16

2. Purpose of Report

The statutory provision relating to setting the LFEPA 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 consolidated budget and the various component budgets of the functional bodies including LFEPA.

The Equality and Human Rights Commission has provided guidance stating that organisations subject to the Equality Duty must ensure that the impact financial proposals could have on the performance of the general equality duty is properly considered as part of the decision making process.

This analysis considers the savings proposals put forward in the first place to Corporate Management Board on 12th November 2014 before consideration by the Authority. Proposed savings will be implemented from April 2015 in order to meet the spending target for the 2015/16 financial year.

The strategic management of the Authority’s budget is the responsibility of the Corporate Management Board. The equality analysis has been prepared by the Corporate Management Team.

3. What is the anticipated impact (negative, positive or neutral) on people who share protected characteristics?

**Staff Savings**

Staff savings proposed for the 15/16 year are 4 operational staff, who will be assimilated into other operational roles, and 11 FRS posts. 7 of the 11 FRS posts are currently vacant, and so savings will have no direct impact on specific staff in these cases.

Of the 4 other FRS posts, all are individual posts where the incumbents have opted for severance (3 x White Male, 1 x BME Male).
The FRS posts identified for savings are:

- 2 x FRS F
- 1 x FRS D
- 4 x FRS C/D
- 3 x FRS C
- 1 x FRS B

The restructure of Establishment and Performance Team (saving ref 3) was undertaken to enable better ways of working rather than as a vehicle to save money, and any savings have already been achieved.

The staffing reduction in Fire Safety Regulation (FSR) (saving ref 5) will be offset by greater collaboration by FSR staff with fire station staff to assist with lower level fire safety inspections. It is anticipated that inspection rates can be maintained, and risk targeting can be improved. There should therefore be no negative differential impact on any service users with protected characteristics.

The review of function (saving ref 31) of the Operational Directorates Support Group has been completed and savings have been realised.

**Individual savings**

There are also some savings other than the reduction in staff numbers that could potentially have a negative differential impact on staff or service users who share protected characteristics, which are commented on individually below.

The comments highlight only those individual savings proposals where it is considered that there is a potential negative or disproportionate impact on staff or service users who share a protected characteristic as defined by the Equality Act 2010.

**Southwark Training Centre Security Costs (saving ref 18).** This saving would be realised when Babcock vacate the STC site and the security requirements are changed. There may be possible redundancies, however the staff are employed by contractors, and will be considered under their employer’s redundancy and redeployment procedures.

**Targeted Development Programme (saving ref 22).** This saving is realised by subsuming the separately held budget which pays for the staff on the Targeted Development Programme into the general staffing budget, and realising savings on the underspend. This should have no impact on staff currently part of the Programme.

**Firefighter Campaign (saving ref 24).** This saving will only be realised if there is no firefighter recruitment campaign in the 15/16 year. Recruitment for firefighters is always targeted at communities who share protected characteristics; the budget would be available to continue this work.

---

**4. What is the evidence or other information in support of this?**

The Authority holds data on staff with regard to sex, race, disability, age, sexual orientation and...
Specific data is not collected on the remaining protected characteristics of gender reassignment, marital/civil partnership status and maternity. The data held is supplied both at recruitment and on employment, and staff are periodically reminded to review and update the information held on them according to the requirements of the Data Protection Act.

Service delivery data is collected by departments.

<table>
<thead>
<tr>
<th>5. Who did you consult, and what was their response?</th>
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<tbody>
<tr>
<td>The savings identified as part of these budget proposals do not affect the way service users access Brigade services, therefore no external consultation was undertaken.</td>
</tr>
<tr>
<td>All trade unions representing Authority staff have been consulted on an on-going basis with regard to the savings proposals including severance and redundancy issues. Staff members affected by the proposals have been sent individual letters.</td>
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<table>
<thead>
<tr>
<th>6. What actions are proposed that could mitigate any negative impact?</th>
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<tr>
<td>The voluntary redundancy package on enhanced terms made initially to FRS staff in October 2012 has now been agreed on a permanent basis.</td>
</tr>
<tr>
<td>Line managers will then discuss with HR and any other relevant department whether there are any actions that might be taken to mitigate individual impact on individuals affected.</td>
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# Review of Top Management Structure

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<tr>
<td>Commissioner</td>
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Public

## Summary
At the Authority meeting held on 29 January 2015, Members considered a report FEP 2382, Review of Top Management Structure, and agreed that the proposed structure should be issued for consultation. This report sets out the outcome of that consultation and proposes that the Authority now agrees a new top management structure. The report also addresses concerns raised in regard to the number of operational roles in the top manager group and updates Members on progress on the pay and grading review.

The proposals will produce savings of £486k in a full year and it is anticipated that £350k savings will be achieved in 2015/16 rising to the full amount in 2016/17.

## Recommendations
1. That the Authority notes the consultation comments received, which are attached at appendices A to C, and the Commissioner’s responses to those issues, which are included in the body of the report;
2. That the proposed new top management structure, as set out in appendices D to G, be approved;
3. That the Commissioner, in consultation with the Acting Director of Operational Resilience and Training and Director of Finance and Contractual Services, apply the Authority’s redundancy and redeployment procedure as appropriate, including the issuing of notice to the postholders affected;
4. That the current acting arrangements, as previously approved by the Authority, continue until the new structure is implemented;

5. That the Authority approves the operational requirements for ACs and DACs and above as set out in paragraphs 18 to 28 of the report;

6. That the Authority notes the proposed structure below the top management level, which includes both operational and non-operational 3rd tier posts;

7. That the Authority notes the work undertaken to date on a pay and grading review for the Top Management Group, and approves the approach set out in paragraph 58 of the report; and

8. That the Authority agrees the assimilation of officers to the identified posts in the new structure as set out in Appendix H.

Introduction/Background

1. At the Authority meeting held on 29 January 2015, Members considered my proposals for a revised Top Management Structure. At that meeting it was agreed that I should undertake consultation on the proposed structure with Prospect (the trade union recognised for collective bargaining purposes for the Top Management Group), the individuals affected and have dialogue with the other trade unions recognised by the Authority, Lead Members as well as Darren Johnson AM and Cllr. Knight AM. Comments were received from Prospect, the Fire Officers Association (FOA) and the Labour Group on LFEPA. The matters raised and my response to them are set out in this report.

2. In addition, Members and the FBU expressed at the meeting a view that the number of senior operational officers at Assistant and Deputy Assistant Commissioner (AC & DAC) could be further reduced. I undertook to consider any responses to the consultation received on this matter and to address them in this report. I have discussed the issue further with the Leaders of all the political parties and this report sets out my professional consideration on these matters.

Consultation

3. I met with Prospect on 3 February 2015 and immediately after that meeting I wrote to the three staff who were potentially redundant advising them of the decision of the Authority, that they would have redeployee status with immediate effect, and that I would be consulting with Prospect and also with them individually during the consultation process. In addition I invited comments from the other trades unions and have discussed the proposals with Lead Members as requested. I have reflected on those discussions and sought to address the issues raised within this report.

4. I held a follow up meeting with Prospect on 6 March and they wrote to me with their considered views on 16 March 2015. Prospects’ consultation response is attached as Appendix A.

5. Set out in Appendices B & C are the other consultation responses which have been received. These have all been considered and the issues pertaining to the structure are addressed in this report. I have received no comments from any of the affected employees nor have I received any comments from any of the other trades unions.
6. Prospect have understandably expressed their concern as a trade union at the job losses set out in these proposals, but they have also made it clear that they are supportive of the proposed structure which they see as the best way forward for the Brigade. In particular they have supported the creation of a Directorate of Safety and Assurance with the focus on firefighter competence and safety that this will bring. Overall Prospect are supportive of the proposed structure and have made clear they understand the reasons for change.

7. Prospect have also expressed strong reservations on any proposal to reduce the overall number of operational staff within the Top Management Group. They point out that in September 2007 there were 23 substantive Area Managers in the Brigade who were invited to become Deputy Assistant Commissioners. The decision to move former Area manager role into the Top Management Group was based on the fact that this was defined nationally as the strategic management level within the Fire and Rescue Service and it was, therefore, logical that this group was aligned with the Brigade’s top managers and recognised the closer organisational affinity with Brigade Managers at Assistant Commissioner level and above.

8. Today the establishment has reduced to 12 and, as Prospect have further pointed out, the DAC rota has been reduced from 16 to 12 as recently as January this year thus realigning the rota with the establishment. There are, therefore, nearly 50 per cent fewer staff substantively employed at this level than 7 years ago. Overall since I was appointed as Commissioner at the end of September 2007 I have reduced the operational top management cadre by over 30 per cent and I consider that further reductions would jeopardise our safe systems of work and are therefore not appropriate.

9. Prospect have also welcomed the additional focus on equality and diversity. Since 2001 there has been a significant movement in the numbers of operational staff within the Top Management Group who have protected characteristics. There are now 16.61% BME and 16.67% women within the TMG operational cadre, both these figures are in excess of the proportion of BME and women in the overall operational workforce and in 2001 there were none.

10. Prospect have expressed concern over the proposed changes to the Human Resources and Development Department but have acknowledged that the proposed revised structures effectively reflect the structure that existed before the outsourcing of training and worked effectively at that time.

11. Prospect have raised separate issues in regard to the pay and grading review and in regard to the status of non-Heads of Service, both of these issues are addressed within the report in paragraphs 57 to 60.

12. At the time of publishing this report the only other response from a trade union was from FOA and their observations are attached at Appendix C. FOA have expressed concern at any reduction in the number of operational posts within the TMG. My consideration as to the FOA comments are set out in the sections dealing with the operational rota and the number of ACs and DACs.

13. I have also received correspondence from the Leader of the Labour Group on behalf of the Labour Group which is attached as Appendix B. That correspondence asked me to consider redesigning the number of ACs and DACs, suggested that the three principal operational Brigade Managers should join a combined DAC and AC rota and sought delegation of decision making further down the organisation. I will address these issues in the paragraphs below.
14. I am satisfied that there are no outstanding issues awaiting a response from me in regard to the formal consultation and therefore the formal consultation period is closed.

**The Brigades Operational Command System**

15. The Brigades operational command system is based upon the guidance document from the Health and Safety Executive entitled ‘Successful Health and Safety Management’ (HSG65) and the National Incident Command guidance issued by the Department for Communities and Local Government. As stated in HSG65, monitoring systems should be in place to provide information to individuals, line managers and system owners in order to feedback and influence decision making processes. An important component in any system is active monitoring of activities to make sure that plans, objectives and performance standards are met.

16. The Brigade fulfil that requirement at an emergency incident by using a monitoring officer of the next role above that of the incident commander i.e. an AC will monitor a DAC, and when the AC is in charge, s/he will be monitored by either the Commissioner, Director of Operational Resilience and Training or the Third Officer.

17. The primary duties of a monitoring officer are to undertake remote monitoring of an incident, and then attend incidents either as ordered or following a risk assessment. Upon arrival, the monitoring officer will gather evidence of operational performance, which will include observations on behaviour, attitude and any other relevant interactions. The monitoring officer will also make sure safe systems of work are in place, and provide support and guidance to the incident commander. Ultimately the monitoring officer will take command of an incident either if required, or as necessary. Finally, the monitoring officer will report findings to improve service delivery and to record good practices.

**Assistant Commissioners and Deputy Assistant Commissioners**

18. The management of emergencies has become more demanding and complex since 2001. This is a result of the introduction of the Civil Contingencies Act 2004, the introduction of Local Resilience Fora, the designation of a wider range of agencies as Category 1 and 2 responders and the requirement upon emergency services to operate more collaboratively both in the preparation and planning for emergencies and during the response to them.

19. To ensure that we are able to meet the demands placed upon us by these new and more demanding roles we have introduced the Brigade’s Strategic Response Arrangements. These arrangements are designed to ensure that we can effectively and safely manage the demands of major operational incidents, other emergencies and business continuity events all of which have implications for the provision of key Brigade services. ACs and DACs are a key part of these arrangements and to ensure that there are sufficient AC’s and DAC’s available at all times to achieve this they are arranged into specific operational rota’s.

20. As Heads of Service with duty officer and operational responsibilities, the Assistant Commissioners also have a range of operational and managerial responsibilities that commit them to more than one role at any one point in time. This may include, but will not be limited to, operational roles (i.e. Brigade Manager, duty Assistant Commissioner, Gold Commander fire) which could involve them directly managing an incident at the scene; monitoring officer at the incident; monitoring the incident remotely; providing support from Brigade Control; advising the Commissioner’s Group and attending meetings of the Corporate Management Team.
21. Below are some examples of incidents requiring sustained multiple commitments that have occurred during the past few years. During these periods of intense activity a high utilisation of officers is required and it is common for ACs and DACs to work in addition to their normal rota pattern for sustained periods:

- The 7/7 bombings in 2005 were multi-sited and required strategic level officers to attend each location. In addition, the Brigade Co-ordination Centre was staffed by the Duty DAC; a command team worked in the Metropolitan Police Special Operations Room; and a Gold Team consisting of an AC and DAC worked at the Strategic Co-ordination Centre. The Brigade’s involvement in these incidents lasted for several days and the heightened threat level was still being managed up to and after the 21/7 failed attacks. One AC and one DAC in addition to the normal rota provision were required to work 12 hour shifts throughout most of this period.

- The civil disturbances in 2011 placed significant demands on AC and DAC availability throughout the whole of August 2011. As a result, one AC and five DACs in addition to the normal rota provision were permanently required using an interim 12 hour shift pattern.

- Between December 2013 and February 2014, the UK experienced wide-scale flooding caused by unusual weather conditions. This prompted a national response from the UK’s Fire and Rescue Services, resulting in the provision of cross-border support and mobilisation of national assets by the Brigade. The impact on the Brigade required ACs and DACs to work with national government and affected FRSs on a daily basis. The Brigade’s greatest commitment was the flooding’s in Kenley and Somerset which involved 26 days of continuous cover (5 February to 3 March). This provided a significant challenge to operational resilience at a principal officer level with the requirement for the Duty AC to liaise frequently with the FRS national co-ordination centre, central government, and attending the London strategic co-ordination group meetings. The Duty DAC ran the Brigade co-ordinating group and balanced the support to other FRSs whilst ensuring London was ready to respond to other incidents. In addition for many of those days a DAC and an AC attended the Kenley incident in command roles.

- The 49 FBU strikes since Sept 2013 has required officers at AC and DAC level to work over and above their normal rota requirements to meet the demands of normal operational cover; to attend the Commissioner’s Group and to staff the Joint Operations Control Centre (JOCC). As a result, an additional AC is required to manage the JOCC, supported by a DAC; plus extra further DAC at Gold Command. This requires one AC and two DACs above the normal rota provision.

- A typical large fire involving 20 or more appliances would most likely require significant resources over a four day period. This would include a substantial commitment from principle management, the cumulative effect of which would be four separate DACs, three ACs and a Brigade Manager. Incidents of this size occur on average twice each year.

22. As well as considering past incidents and events, I have also had regard to current and foreseeable levels of risk in London when proposing the number of ACs and DACs that are required to provide operational cover. In contrast to the reducing number of fires, the risk associated with some other types of incident, such as terrorist attack and wide-area flooding, has increased and it is reasonable to predict that this will remain at current levels or increase further in the future. These new and significant risks must be taken into account when determining the
number of ACs and DACs, both in total and with regard to how many are required to be available at any given time.

23. It is important to recognise that staff groups as small as those of the ACs and DACs are particularly affected by seasonal variations in availability (Summer holidays, Christmas period or school holidays). Consequently, operational demands occurring during these periods inevitably require officers to perform additional duties beyond those required by the normal rota availability. At present we have been able to achieve sufficient availability of ACs and DACs to meet all operational demands. However, due to the reductions made to the number of ACs and DACs described above, this has been in large part due to the flexibility and cooperation of these officers to frequently make themselves available to cover operational demands when they would otherwise have been off duty.

24. Should there be further reductions in the number of ACs and DACs, the need for officers to provide further availability when they would otherwise have been off duty would increase still further and I believe there is a risk that we would not be able to meet all of the operational demands that the Brigade will face in the future. I would also have concerns that an operational rota of less than five ACs and 12 DACs would not enable officers to maintain a suitable work/life balance.

25. As I stated in the previous report (FEP 2382), I have given consideration to a combination of rotas, i.e. myself and the Directors with the ACs, or the ACs with the DACs. I have considered this as a way to provide additional resilience, either permanently or during times of significant operational demand, but have concluded that it is impractical and would unacceptably compromise the safe system of work provided by our command and control procedures and would therefore unacceptably increase risk.

26. In the previous report, I stated that the current number of eight operational officers in Brigade Manager roles in London, of which five are at AC level, compares favourably with the other metropolitan fire and rescue services. I have since looked in more detail at this comparison.

27. The only other single Brigade that is of comparable size to London is Scotland, which currently has 49 principal managers (14 Brigade Managers (BMs) and 35 Area Managers (AMs – which is the DAC role in LFB) compared to London’s 20 (8 BMs and 12 DACs). The size of the London Fire Brigade is also comparable to the combined total of the other six English metropolitan brigades (West Midlands, Greater Manchester, West Yorkshire, Merseyside, Tyne & Wear and South Yorkshire), but when comparing the numbers of principle managers it is a similar story to that of Scotland in that the other metropolitan brigades have a total of 49 principal managers (20 BMs and 29 AMs) compared to London’s 20. I believe that both these comparisons illustrate that the ratio of Brigade Managers to other operational staff in London (one Brigade manager for every 250 staff) compares favourably with 1:84 in Scotland and 1:132 in the combined total of the other six English metropolitan brigades.

Finally on the issue of the numbers of principal operational officers, it is worthy of note that recent reductions in numbers and changes to rota requirements have been negotiated and introduced within existing contracts of employment. However, any further reductions or changes are likely to impact so significantly on the balance between officers’ on and off duty time that negotiations would almost inevitably require contractual changes. In addition, I want to ensure that there will be a cadre of suitably qualified staff who will be promotable to the most senior positions into the future and ensure that the structure of the organisation not only has greater resilience but also a greater choice for the Authority in terms of internal talent.
New Organisational Arrangements

28. The proposed new structure will result in the establishment of three Directorates and a number of functions that will report directly to the Commissioner. The sections below set out the details of these arrangements and reflect the comments set out in FEP 2382 but are set out again here for clarity.

Commissioner

29. Reporting directly to the Commissioner will be Legal and Democratic Services, Strategy and Performance and Communications. As I stated in FEP 2382, I consider that the services provided by these functions are crucial to supporting the role of the Commissioner and as such should report directly to myself and any successor.

30. The functions of Legal and Democratic Services, and Strategy and Performance will continue to be managed by their existing Heads of Department. Communications is currently managed by the Head of Media and Internal Communications an acting TMG 3 and has been since the departure of the former Head of Communications, I am proposing that this post be assimilated into the Head of Communications at TMG 3.

The Directorate of Operations

31. The operational response function within the Brigade is currently managed on a day to day basis by the Third Officer, along with the mobilising function and the delivery of Community Safety. This is a large area of responsibility and my proposal recognises this by giving it the status of a Directorate in its own right. I also propose to join the responsibilities for the delivery of Regulatory Fire Safety and Community Fire Safety under the role of one Assistant Commissioner within this directorate. This would strengthen the links between these two preventative responsibilities and by being in the same directorate as the management of fire stations it would improve the links between the prevention and response functions of the Brigade. This embraces the largest set of functions within the current Deputy Commissioner’s Directorate.

32. The existing geographical four area structure will remain as it is with each area being managed by a DAC. This provides a strong structure for managing through to station level.

33. The title of Third Officer is one that has been used within the fire service periodically but has little meaning outside of the fire service. It had some significance within this organisation when considered alongside the post of Deputy Commissioner, but has less significance within the new structure. I therefore propose the deletion of that post and recommend that the current Third Officer be assimilated into the new post of Director of Operations within the same grade in accordance with the Authority's Redundancy and Redeployment Procedure.

Director of Finance and Contractual Services

34. As proposed in FEP 2382 the Directorate of Finance and Contractual Services would continue with some additional responsibilities. For example, I propose to move the Business Intelligence and Systems Improvements functions which currently sit within the Deputy Commissioner’s Directorate in the Strategy and Performance Department to ICT, bringing together information technology and information management. The Authority benefits from a complex, integrated, modern information technology and communications infrastructure. This infrastructure
underpins all front and back office functions, with high levels of availability and security ensuring that information required for both tactical and strategic planning activities, is available to authorised users when required. It may be appropriate to rename the ICT Department following this move. This will be considered as part of the wider implementation of the proposed structure.

35. I propose to move the functions associated with HR management which currently reside in the Directorate of Operational Resilience and Training including industrial and employee relations into this Directorate. There are already clear synergies between HR and finance transactional services and the employment of people remains by far the largest element of revenue expenditure. The functions work closely on a number of key areas such as pensions and workforce planning and bringing these functions together within the Directorate has clear benefits.

36. All of the functions within this directorate have the potential to be delivered in house, through shared services or fully outsourced. Containing these functions within a single directorate would allow the Director to consider all aspects of how these services are delivered into the future. The 2010 Review made it a requirement that the post holder be the Authority’s statutory finance officer and that is not proposed to change. I propose, therefore, to assimilate the current post holder into this post given that it would be broadly similar to the old post and requires the post holder to be a qualified accountant. This is in accordance with the Authority’s Redundancy and Redeployment Procedure.

37. The Head of Technical Service and Support will continue to be headed by an AC supported by a DAC. Procurement and ICT are both managed by Heads of Service and will continue to be so.

38. The departments of Finance and HR Management both have TMG 3s at their head. I propose that this continues for the present but that these arrangements are considered along with all other changes in roles and responsibilities arising from this report within the pay and reward review.

**Director of Safety and Assurance**

39. This new post will be advertised in accordance with the Commissioner’s implementation strategy. This new post would put a greater emphasis on the safety of our staff, especially operational staff. It will ensure that there is a balance between the drive to deliver our services and the need to do so safely. Members will be aware of the importance of the Dynamic Intelligent Operational Training process to the effective delivery of operational assurance and safety. This new post would take responsibility for all elements of that process, from compliance assessment, monitoring, investigation and evaluation through to the identification and delivery of training and for this reason the Health and Safety and Operational Review teams would also sit within this directorate.

40. Development of our staff is key to delivering competence and, although the development function encompasses both operational and non-operational training and development, the risk critical focus needs to be on operations, which is why it belongs within this directorate. The intention is that this directorate would also have responsibility for operational policies and procedures as this area is integral to the delivery of safe systems of work.

41. This Directorate would be responsible for the departments of Operational Policy and Operational Resilience, each led by an AC and assisted by one and two DACs respectively. The Operations Review Team would continue to be managed by a DAC which reflects its operational monitoring
function. The Development and Training function and the Health & Safety function will both continue to be managed by TMGs 3 and 4 respectively.

Implementation

42. If the structure set out in Appendices D-G is approved I would propose to commence implementation with effect from 1 April 2015 and to roll out the implementation over the next six months. There are practical considerations related to the filling of vacancies, systems changes and accommodation which will dictate when actual changes take place.

43. Officers have considered whether or not there is suitable alternative employment for each of the three post holders who are potentially redundant under these proposals and have concluded that there is not. The only two substantive vacancies that arise in the new structure are both operational one of which is currently covered on a temporary basis. That does not preclude anyone from applying and being considered for any vacancy that may arise for which they were eligible to apply which will include the role of Commissioner when advertised.

44. Officers have also undertaken an assimilation exercise in regard to all the posts in the new structure. I set out in Appendix H the proposed assimilations which would arise from adoption of the proposed new structure.

45. The consequence would be that there would be at least two vacant posts to be filled, which will be that of Director of Safety and Assurance. There will be a need for a meeting of the Appointments and Urgency Committee to agree the arrangements to fill these posts. There may also be additional vacancies which arise from the consequences of filling my post and that of any Director post if the posts are filled internally.

46. The Brigade’s redundancy and redeployment procedure has been followed for non-operational posts and the principle of the procedure applied to the post of the Third Officer. Posts at Assistant Commissioner and Deputy Assistant Commissioner level are generic and, therefore, the post-holders may be moved between posts to meet the requirements of the service.

47. In order to be assimilated into a post in the new structure the new post needs to be broadly similar to the post in the old structure. Given that, for the most part, TMG graded posts have not changed to any great degree it has been possible to assimilate the current post holders into the new structure and where assimilation has been identified this is shown on the structure chart.

48. The most significant changes relate to the posts of Head of Information and Communication Technology (ICT), which gains Information Management and Business Systems (IM) and Strategy and Performance (S&P) which loses Information Management and Performance but gains Equalities. The current Head of Information Management and Performance is unaffected save that the function moves from one Department to another so the post holder is assimilated into that post. The Head of ICT post will be larger in the new structure, but the post is regarded as broadly similar hence the proposed assimilation to that post. The job size of the Head of S&P’s post is reduced as a consequence, but gains Equalities. It is again considered that nevertheless the new post is broadly similar and assimilation is proposed here. It is proposed to transfer the administrative functions of the Strategic Adviser to the Commissioner (SATC) to the Head of Human Resources Management. This encompasses the staff who support the corporate management team and it seems logical that this function transfers into the core HR Department. The small size of the two teams are such that this has little impact on the job size of the Head of HR Management and it is proposed that assimilation should apply to this post.
49. My proposals include the re-establishment of the post of Head of Communications. Since the deletion of the post in 2013 the Department has been managed on a temporary basis by the Head of Media and Internal Communications. Having reviewed the operation of the function it seems more sensible to reinstate the title of the former function at TMG 3 and to delete the post of Head of Media and Internal Communications, an FRS G post. As the substantive post holder has been, in effect, carrying out the role for two years and would otherwise be potentially redundant it is proposed to assimilate him into that post.

50. The Legal and Democratic Services Department has been managed on by a temporary Head since the retirement of the former Head of Department in 2010. I propose that the current post holder be assimilated into the position.

51. I would propose that the three departments which will report to the Commissioner would do so with effect from 1 April 2015. In so far as the other changes are concerned I would expect the equalities brief to move to Strategy and Performance when the Strategic Adviser to the Commissioner leaves the Authority, and on a similar basis the division of the current Human Resources and Development Department will take place when the current posts holder leaves.

52. I will be working with Directors to implement the remaining moves which arise from adoption of the proposed structure.

**Interim Arrangements**

53. The proposed new top management structure is such that its ultimate success is dependant upon having all posts filled by suitably qualified and selected officers. This being the case it is important that all vacancies are filled as soon as possible but that in the interim there are officers acting into the vacant posts who have the skills and experience to cover the roles. Given that the Director of Safety and Assurance post will be vacant and the new Directorate will be in many respects similar to the current Directorate of Operational Resilience and Training, I propose that the current acting arrangements should continue until that appointment is made.

54. Similarly, as there is the potential for the need for a further Assistant Commissioner recruitment round later in the year I am proposing that the current Acting Assistant Commissioner arrangements are retained pending a decision on the timing of the next recruitment round.

**Pay and Reward Review**

55. Subsequent to the agreement of the Authority to undertake this review and with a report back to Members at the conclusion of the consultation, the commencement of the appointment process for a new Commissioner has required a review of the Commissioner’s salary range by Hay. As a consequence the Appointments and Urgency Committee agreed at its meeting on 25 February (FEP 2389) to a revised range of £180k – £220k compared to a current range of £153,207 – £216,679 and to receiving a further report with a proposed performance based system of pay progression.

56. There has been an initial discussion with Hay in regard to the review and they have been tasked to undertake further research in order to produce draft proposals which could be tasked with developing proposals for discussion with lead Members prior to formal proposals, if there are any, being considered by the Authority. Hay have undertaken some initial modelling and are the organisation which undertook the last review in 2005/06. Their knowledge of the Authority and the Fire Service nationally means that they are best placed to undertake this work.
57. Prospect have made it clear that they support the review and are seeking an active involvement in it. Hay will be ensuring that Prospect are fully engaged throughout the review.

58. Part of the review is to examine the current distinction between 3rd tier posts which are identified as Head of Service posts and those that are not. The current arrangements which are historically based have resulted in some posts at the same grade being regarded as Heads of Service and others not, even though they also have departmental responsibilities. This is an issue which has been raised by Prospect as part of their consultation response and the review provides the opportunity to address the issue.

Head of Legal and Democratic Services comments
59. This report has been reviewed by TfL Legal on behalf of the Authority and they have no further comments.

Director of Finance and Contractual Services comments
60. This report reviews the Authority’s top management structure and sets out proposals for a new structure. If agreed the new structure will result in a saving of £350k in 2015/16, increasing to £486k in 2016/17. This saving has been included in the 2015/16 Budget Report (FEP 2410) which is also on today’s agenda. It is proposed that £30k of the proposed savings be reallocated to the assimilation of The Head of Media and Internal Communications to the post of Head of Communications.

61. These savings do not include the costs of redundancy, which would apply to three of the posts to be deleted. These costs will be reported separately and included as part of the Review of Financial Outturn for 2014/15 that will be reported to the Resources Committee in July 2015. The savings also do not take account of the pay and reward review considered at paragraphs 57 – 60.

Sustainable Development implications
62. There are no sustainable development implications arising from this report.

Staff Side Consultations undertaken
63. All comments received and responses to them are included within the body of the report and attached appendices.

Equalities implications
64. An equalities assessment is attached at Appendix I.

List of Appendices to this report:
A - Comments from Prospect
B - Comments from the Labour Group
C - Comments from Fire Officers Association
D – G Proposed Top Management Structure
H – Assimilation Table
I – Equalities Assessment
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Top Management Review 2015

Submission by Prospect to the London Fire and Emergency Planning Authority

16 March 2015

www.prospect.org.uk
Capacity and resilience

1. Prospect welcomes the principle of a review of the top management structure. We recognise that there have been significant changes introduced to the rest of the organisation and that top management has not been comprehensively reviewed since 2010. However, it is worth noting that this group has been streamlined resulting in the deletion of several posts as part of budget savings over a number of years. For example, there were 23 substantive Area Manager posts in September 2007 when Area Managers transferred to become Deputy Assistant Commissioners and as recently as January this year, the Deputy Assistant Commissioner (DAC) operational rota was reduced from 16 to 12 which has increased the number of days individual members of the group are now required to be available for duty. It is worth noting that positive agreement to reduce from 16 to 12 was achieved with the full co-operation of the DAC group following positive communication and dialogue with the Commissioner based on recognition of the organisational benefits. The Assistant Commissioner (AC) operational group has reduced from 6 to 5 and non-uniformed posts in the Top Management Group (TMG) reduced from 26 in December 2010 (after the previous TMR) to 23 posts by February 2015. The current TMR will reduce this number by a further 3 posts.

Structure

2. Prospect considers that the streamlined new structure with the proposed three directorates will support the future direction of the organisation and will assist in delivering clarity around the London Fire Brigade’s current and planned priorities. We particularly welcome the introduction of the new Directorate of Safety and Assurance. We believe this will continue to focus the organisation on the key areas of firefighter safety and operational competence. We are also pleased to see that the Strategy and Performance, Legal and Democratic Services and Communications departments are reporting directly to the Commissioner, which will provide corporate independence in relation to these key areas.

3. Nonetheless we think that there will be a noticeable loss of capacity and experience at senior level, which will be very hard to replace or replicate in the short-term. Deletion of any posts is disappointing, for example removal of the post of Head of HRD is a retrograde step, however, it is accepted that the revised arrangements will be in line with those that existed pre-2012. We have noted the commentary around the deletion of the role of Strategic Adviser to the Commissioner and whilst we support the concept, we are keen to ensure that the equalities and diversity agenda continues to be a priority for the London Fire Brigade. We are pleased that the Commissioner will be the equalities champion which demonstrates the level of commitment to this key area, and we support the concept of the strategic management of equalities and diversity sitting within the Strategy and Performance department. We are keen to work closely with the Commissioner to ensure that equalities and diversity are clearly visible and that all staff have a clear responsibility to support and progress these agendas.

Influencing the future direction of the organisation

4. Prospect members are particularly keen to ensure that the whole TMG can contribute to the future direction of the organisation. It is felt that too often this contribution is overlooked by focusing only on designated Heads of Service. We believe that the wider TMG (including TMG 3/4 staff and DACs who are not Heads of Service) could be usefully involved in strategy setting and key decision-making. We would welcome a further dialogue about how the Heads of Service group and the wider TMG could actively
contribute to the future plans of the London Fire Brigade. Notwithstanding this, we believe that the situation where some TMG 3 and 4 officers are involved in decision-making as Heads of Service whereas others at the same level are excluded, does not make sense and needs to be resolved. It will become even more important to fully utilise the talent of the entire TMG to manage and shape the organisation.

**Assistant Commissioner /Deputy Assistant Commissioner posts**

5. We were very disappointed to hear the suggestion at the Authority meeting that a further AC post should be removed, and that the Commissioner was tasked with revisiting the number of AC and DAC posts. There is an evidence base and clear rationale to support the continuation of 5 AC posts. The need to maintain effective oversight and co-ordination in order to deliver safe systems of work at major incidents combined with the foreseeable risks of multiple simultaneous incidents means that 5 ACs, with two on duty at any one time, is the minimum necessary to manage and mitigate risk to a tolerable level. Prospect is satisfied that the correct balance has been achieved in relation to the number of AC and DAC posts. As mentioned, these two groups have already been subject to significant reductions in size in the recent past and we would be very concerned if any further reductions were to occur.

6. The need to maintain operational and managerial resilience of the group cannot be underestimated, nor can the impact of the additional workload and operational rota cover on the health and well-being of these staff. Additionally if there were any further reductions in these posts, this could have a significant impact on our ability to attract and retain diversity in these groups. Not only would there be a reduction in the availability of posts for progression, but any increase in the operational rota requirements would have an impact on people with caring responsibilities, and would therefore disproportionately affect women.

**Pay review**

7. Prospect is pleased to note the agreement to a pay review, however we were very disappointed that this was subject to challenge when the paper was presented to the Authority. We believe that this is an essential part of an organisational review that will impact on job roles and responsibilities. We welcome ongoing discussions with the Commissioner in relation to the terms and reference and conduct of the review. It should be noted that no member of the TMG has had a cost of living pay award since 2010.
Dear Ron,

I write on behalf of the LFEPA Labour Group, in response to the consultation on the Top Management Review (TMR).

We welcome the TMR in light of the recent changes to the Brigade and the need to ensure further efficiencies in the light of ongoing budget pressures. However, we believe that there is scope to go beyond the proposals and look further at the number of Assistant Commissioners (ACs) and Deputy Assistant Commissioners (DACs). As such, we believe that there is further need to look at the operational rota.

Your paper states that you believe it is a ‘sustainable position to continue with five ACs in the future with the requirement for a minimum of 2 to be available for operational and managerial purposes’. However, we believe that there is scope to look again at this and possibly reduce the number of ACs further. We also believe that there is scope for the Commissioner and Third Officer to be included in the operational rota.

We also believe that too many decisions in the current structure are taken too far up the management chain. As such, we would ask that this is also reviewed as part of the changes to the top management group to ensure that the decisions are being taken at the right level.

It is important that all parts of the Brigade play their role in meeting the challenges that we face over the coming years, and we hope that you will take this into account.

Best wishes

Fiona Twycross AM
Labour Group Lead - LFEPA
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Comments from Fire Officers Association 23 February 2015

Our view is that the reductions in operational posts at Deputy Assistant Commissioner level are already having a number of effects on middle managers and any further reduction to the number of Assistant Commissioners will further exacerbate this situation.

The opportunity for middle managers to progress through the organisation and develop the necessary skills to reach the highest levels in the organisation has been severely reduced with the reduction of DAC posts from 16 to 12. While in the short term the effects of changes to taxation regulations has meant principal managers leaving as soon as their circumstances permit, the changes to the Pension scheme will have the opposite effect and incumbents will remain in post for longer periods and have the incentive to reach the highest level as quickly as possible. Reductions in the number of posts at the higher levels will stifle new talent progressing through the organisation and slow the rate of beneficial change in the organisation.

The reduction in DAC posts has already caused the responsibility for safeguarding issues to be devolved to Borough Commanders. While it is true to say that the bulk of the practical work is already carried out at that level, the immediate referral to Social Services has up until now been conducted by a smaller group who carry much of the organisations' authority, giving a consistent level of response and an effective impetus to partner agencies who are already overwhelmed by their responsibilities. I understand that discussions are also underway to devolve responsibility for Article 31 prohibitions to Borough Commanders which would raise the same issues – both are vitally important matters that immediately affect the safety of the public; devolving these matters to Borough Commanders to deal with when they can or to others who are deputising for them can only weaken the impetus that is placed on Local Authorities.

Any reduction in AC posts would cause a further trickle down of responsibility in day to day issues to middle managers and hamper the organisation's resilience through critical incidents. Of course, it is possible to get through periods of high demand, but the ongoing effect is that normal business does not get done; the opportunity cost of staff reduction at this level is felt most keenly by the staff at the lowest level who will only see this negatively.

The challenges for the future will involve competition for reduced resources and allocation of those resources to the tasks that continue to promote the safety of the public in the most effective way. In order to make the best decisions, those charged with that responsibility need to have the opportunity to appreciate the whole context of the situation they are faced with. That cannot be done by running DAC and AC rotas at a level where those individuals do not have the time and space to gain that picture.

Overall, it is FOAs position that the proposed top management structure would provide a balanced response to operational need and day to day management responsibility.
Appendix D

Key
AC – Assistant commissioner
DAC – Deputy Assistant Commissioner
TMG – Member of Top Management Group
POM – Principle Operations Manager (Control)
(V) – Vacant post
(A) – Current postholder to be assimilated into post
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TMG – Member of Top Management Group
POM – Principle Operations Manager (Control)
(V) – Vacant post
(A) – Current postholder to be assimilated into post
Appendix H

London Fire Brigade

Top Management Review 2015

Assimilation table for posts of Director, and posts reporting to a Director (or to the Commissioner) in the new structure

(Note: this table does not include Assistant Commissioners and Deputy Assistant Commissioners as they are in generic posts)

<table>
<thead>
<tr>
<th>Current post</th>
<th>Post assimilated to under TMR</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Directors:</strong></td>
<td></td>
</tr>
<tr>
<td>Director of Finance and Contractual Services</td>
<td>Director of Finance and Contractual Services</td>
</tr>
<tr>
<td>Third Officer; Head of Operations, Prevention and Response</td>
<td>Director of Operations</td>
</tr>
<tr>
<td><strong>Directorate of Finance and Contractual Services:</strong></td>
<td></td>
</tr>
<tr>
<td>Head of Finance (TMG3)</td>
<td>Head of Finance (TMG3)</td>
</tr>
<tr>
<td>Head of Information &amp; Communications Technology (TMG2)</td>
<td>Head of Information &amp; Communications Technology (TMG2)</td>
</tr>
<tr>
<td>Head of Procurement (TMG2)</td>
<td>Head of Procurement (TMG2)</td>
</tr>
<tr>
<td>Head of Human Resource Management (TMG3)</td>
<td>Head of Human Resource Management (TMG3)</td>
</tr>
<tr>
<td><strong>Directorate of Operations:</strong></td>
<td></td>
</tr>
<tr>
<td>Principal Operations Manager (Control)</td>
<td>Principal Operations Manager (Control)</td>
</tr>
<tr>
<td><strong>Directorate of Safety and Assurance:</strong></td>
<td></td>
</tr>
<tr>
<td>Head of Learning and Development and HR Strategy (TMG3)</td>
<td>Head of Learning and Development and HR Strategy (TMG3)</td>
</tr>
<tr>
<td>Head of Health and Safety (TMG4)</td>
<td>Head of Health and Safety (TMG4)</td>
</tr>
<tr>
<td><strong>Departments reporting directly to the Commissioner:</strong></td>
<td></td>
</tr>
<tr>
<td>Head of Strategy and Performance (TMG2)</td>
<td>Head of Strategy and Performance (TMG2)</td>
</tr>
<tr>
<td>Head of Legal and Democratic Services (TMG1)</td>
<td>Head of Legal and Democratic Services (TMG1)</td>
</tr>
<tr>
<td>Head of Media and Internal Communications (TMG 3)*</td>
<td>Head of Communications (TMG3)</td>
</tr>
</tbody>
</table>

*post is graded TMG 3 temporarily to cover the management of the Communications Department

Posts reporting to the Commissioner or to a Director in the current structure who are unable to be assimilated

<table>
<thead>
<tr>
<th>Post</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Commissioner</td>
</tr>
<tr>
<td>Head of Human Resources and Development (TMG1)</td>
</tr>
<tr>
<td>Strategic Advisor to the Commissioner (TMG3)</td>
</tr>
</tbody>
</table>
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Review of Top Management Structure Equality Analysis

Prepared by the Corporate Management Team

March 2015
Equality Analysis

<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>Page No.</th>
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</thead>
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<td>1. Name of Report and Reference Number</td>
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<td>2. Purpose of Report</td>
<td>3</td>
</tr>
<tr>
<td>3. Anticipated impact on people who share protected characteristics</td>
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<td>4. Evidence or information in support</td>
<td>5</td>
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<tr>
<td>5. Consultation</td>
<td>5</td>
</tr>
<tr>
<td>6. Actions proposed that could mitigate any impact</td>
<td>5</td>
</tr>
</tbody>
</table>

1. Name of Report and Reference Number (if available)

Review of the top management structure (report for Authority FEP XXXX)

2. Purpose of Report

The review of the top management structure sets out a proposal that takes into account changes to the organisation since the last review in 2010, and aims to address the organisational challenges for the future. The purpose of the review if implemented would be to provide a flatter structure to:

- maintain effective operational and corporate resilience;
- provide improved opportunities for development;
- improve the internal talent pool for succession planning for senior operational posts; and
- to make a contribution to corporate savings and efficiency.

This analysis considers the potential equality impact of the proposed changes to the top management structure if they were implemented as proposed.

The strategic management of the Authority is the responsibility of the Corporate Management Board. The equality analysis has been prepared by the Corporate Management Team.
3. What is the anticipated impact (negative, positive or neutral) on people who share protected characteristics?

**Staff**

The current top management team, defined by Member-level appointment, consists currently of 16 officers, seven operational and nine non-operational posts. Of the operational officers in post one has a protected characteristic, and of the non-operational officers, four have protected characteristics.

The report proposes the deletion of 3 non-uniformed posts: the Deputy Commissioner, The Head of Human Resources and Development, and the Strategic Adviser to the Commissioner. Two of the three post holders have protected characteristics.

The report proposes a change to the structure of the director roles, to two operational and one non-operational directors. The report argues that the addition of an operational director would strengthen the operational cadre, provide resilience and a safer system of work.

The report proposes that two of the three director posts would be filled by assimilation and one post would be externally advertised. Currently the potential internal candidate pool may come from ACs and DACs and approximately 30% of the pool are officers with protected characteristics (5 out of 17) Data collected by Devon and Somerset FRS in 2014 indicates that there are nine women nationally who could apply for the Director position. No data is available on BME potential candidates. However only 3.2% of operational staff in England are women and 3.4% are BME, therefore it would be reasonable to assume that the vast majority of the pool of potential applicants would be white men.

The report proposes a rota of 12 DACs and 5 ACs, and argues that any decrease in these numbers would be likely to have an adverse impact on work life balance.

The report proposal to reposition equality services within the Strategy and Performance Department changes the management of the service but not the function; the ultimate responsibility for the progression of the equality agenda stays with the Commissioner, who would also take over the role of Equality Champion.

**Service Delivery**

As there are no proposed changes to the Brigade’s functions or the way in which it delivers its services, the impact of this report would be neutral.

---

4. What is the evidence or other information in support of this?

The Authority holds a comprehensive suite of data on staff with regard to protected characteristics. A
Appendix I

limited amount of data is available on the national workforce profile.

Data quoted from the Devon and Somerset Fire Service report was collated as part of a project, and data was requested from and provided by all FRSs. National statistics were taken from the CLG Operational Statistics Bulletin 2013-14.

5. Who did you consult, and what was their response?

Initial discussions were held with Prospect, the trade union recognised for collective bargaining purposes for the Top Management Group and directly with Heads of Service. Both were encouraged to share their views on possible structures and the potential movement of functions. At the Authority meeting held on 29 January 2015, Members agreed that consultation should be undertaken with Prospect and the individuals affected by the proposals. It was further agreed that a dialogue with other trade unions recognised by the Authority, Lead Conservative and Labour Members as well as Assembly Members Cllr. Johnson and Cllr. Knight should take place. Comments were received from Prospect and from FOA and the Labour Group on the Authority. Only Prospect commented directly on the issue of diversity stating that 'We have noted the commentary around the deletion of the role of Strategic Adviser to the Commissioner and whilst we support the concept, we are keen to ensure that the equalities and diversity agenda continues to be a priority for the London Fire Brigade. We are pleased that the Commissioner will be the equalities champion which demonstrates the level of commitment to this key area, and we support the concept of the strategic management of equalities and diversity sitting within the Strategy and Performance department. We are keen to work closely with the Commissioner to ensure that equalities and diversity are clearly visible and that all staff have a clear responsibility to support and progress these agendas'.

6. What actions are proposed that could mitigate any negative impact?

The proposals for a flatter structure has the potential to create opportunities for operational staff to move into strategic positions at a faster rate.
Report title

Treasury Management Strategy Statement for 2015/16

Meeting Date
Resources Committee 16 March 2015
Authority 26 March 2015

Report by Document Number
Director of Finance and Contractual Services FEP 2412

Public

Summary
Under Authority Financial Regulations, the Director of Finance and Contractual Services, being the Authority’s statutory finance officer, is required to report to the Authority on the Treasury Management Strategy Statement and Annual Investment Strategy it is proposed to adopt in the coming financial year. It is presented to the Resources Committee for review and to the Authority for decision.

In addition, the Authority is required by statutory regulation to have regard to the Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code for Capital Finance in Local Authorities, when carrying out its duties under Part 1 of the Local Government Act 2003. The Prudential Code requires the Authority to approve a range of specific Treasury Management indicators. The Authority meets the first prudential indicator in respect of treasury management by having adopted CIPFA’s Treasury Management in the Public Services Code of Practice (the TM Code) and Cross-Sectoral Guidance Notes 2011 edition. The additional indicators are shown in the recommendations below.

The TM Code emphasises that responsibility for risk management and control lies within the Authority and cannot be delegated to any outside organisation. It also highlights that those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

The proposed Annual Investment Strategy continues to take a risk averse approach to investment which gives priority to the security of funds over the rate of return. The TM Code advises that
Authorities should have regard to all ratings issued by the three main rating agencies considered alongside market and media information. It is proposed that the Authority continue to use the current creditworthiness service from Capita treasury solutions, which uses ratings from all three agencies, which are based on past performance, but by using a scoring system incorporating credit default swap rates provides a forward looking market view. Officers will, as before, monitor market and media intelligence to further inform their assessment of investment counterparties.

The Authority’s Investment Strategy authorises the participation in the GLA Group Investment Strategy (GIS), operating under the GLA’s substantively similar Investment Strategy. The proposals in this report align the investment strategies of LFEPA and the other member bodies of the GIS in a common approach to treasury management, so far as is possible within individual requirements. This maximises the efficiency available through the Treasury Management service shared with the GLA.

Guidance issued by the Secretary of State under section 21 (1A) of the Local Government Act 2003 requires the Authority to approve the proposed Minimum Revenue Provision Policy Statement for 2015/16 in advance of the year.

Recommendations

For Resources Committee

1. That the Resources Committee agree that the Authority be recommended to approve the contents of the Treasury Management Strategy Statement.

For Authority

1. That the Authority approves the Treasury Management Strategy Statement for 2015/16, including the

   i. Treasury Management Policy Statement (Appendix 1),
   ii. Minimum Revenue Provision Policy Statement (Appendix 2),
   iii. Prudential Code Indicators and Treasury Management Limits (Appendix 3),
   iv. Group Investment Syndicate Investment Strategy (Appendix 4)
   v. Treasury Management Practices: Main Principles (Appendix 5)
   vi. Short Term Borrowing Limit of £28m (at 31 below)

Introduction/Background

1. The Treasury Management Strategy Statement (TMSS) sets out the Treasury management activities of the London Fire and Emergency Planning Authority (the Authority) for the year 2015/16.

2. This TMSS has been prepared with regard to the following legislation and guidance:
• The Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (The Code) and associated Guidance Notes
• The CIPFA Prudential Code for Capital Finance in Local Authorities and associated Guidance Notes
• The Local Government Act 2003
• The Department for Communities and Local Government (DCLG) Guidance on Local Government Investments
• The DCLG Capital Finance Guidance on Minimum Revenue Provision

3. The Code defines treasury management activities as:

‘The management of the organisation’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.’

4. This TMSS therefore takes into account the impact of the Authority’s Revenue Budget, Medium Term Capital Programme and the Balance Sheet position and covers the following areas:

• Economic Background
• Prospects for Interest Rates
• Forecast Treasury Management Position
• Borrowing Strategy
• Policy on Borrowing in Advance of Need
• Debt Rescheduling
• Investment Strategy
• Use of External Service Providers
• Treasury Training
• Treasury Management Policy Statement (Appendix 1)
• Minimum Revenue Provision (MRP) Policy Statement (Appendix 2)
• Prudential Code Indicators and Treasury Management Limits (Appendix 3)
• Group Investment Syndicate (GIS) Investment Strategy (Appendix 4)
• Treasury Management Practices: Main Principles (Appendix 5)

5. In covering the above areas, as per its Treasury Management Policy Statement (Appendix 1), the Authority regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Responsibility for risk management and control lies within the Authority and cannot be delegated to any outside organisation.

6. The Treasury Management risks the Authority is exposed to are:

• Credit and counterparty risk (security of investments)
• Liquidity risk (inadequate cash resources)
• Interest and market risk (fluctuations in interest rate levels and thereby in the value of investments)
• Refinancing risks (impact of debt maturing in future years) and
• Legal and regulatory and fraud risk (non-compliance with statutory and regulatory requirements, risk of fraud)

7. These risks are further discussed in Appendix 5 (Treasury Management Practices: Main Principles)

8. The Authority formally adopts The TM Code through the following provisions

   i. The Authority will create and maintain as the cornerstones for effective treasury management:

      • a Treasury Management Policy Statement stating the policies, objectives and approach to risk management of its treasury management activities and

      • suitable Treasury Management Practices (TMPs), setting out the manner in which the Authority will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

      The content of the proposed policy statement and TMPs follow the recommendations contained in Sections 6 and 7 of The TM Code, subject only to amendment where necessary to reflect the particular circumstances of the Authority. Such amendments do not result in the Authority materially deviating from the Code’s key principles.

   ii. The Authority will receive reports on its treasury management policies, practices and activities, including, as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs.

   iii. The Authority delegation responsibility for the implementation and regular monitoring of its treasury management policies and practices to the Resources Committee, and for the execution and administration of treasury management decisions to the Director of Finance and Contractual Services, who will act in accordance with the organisation’s policy statement, TMPs and CIPFA’s Standard of Professional Practice on Treasury Management.

   iv. The Authority nominates the Resources Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies. All reports will be scrutinised by the Resources Committee prior to submission to the Authority.

   v. Quarterly reports on the Authority’s treasury management practices and activities will be submitted to the Resources Committee for scrutiny, who may then advise the Authority where necessary.

   vi. Should there be a need to revise the Treasury Management Strategy; the Treasury Management Policy Statement; the Minimum Revenue Provision Policy Statement; the Prudential Code Indicators and Treasury Management Limits; the GIS Investment Strategy and the Treasury Management Practices at times other than those stated above, then these updates will be submitted to the Resources Committee for scrutiny and then submitted to the Authority for approval.
vii. Should the Director of Finance and Contractual Services wish to depart in any material respect from the main principles of the TM Code, the reason should be disclosed, in advance, in a report to the Authority.

9. The main changes in the TMSS 2015/16 as compared to the TMSS 2014/15 are:
   - Updated Economic Background (at 10 below)
   - Updated interest rate forecasts (at 15 below)
   - Revised Prudential Indicators and Treasury Management Limits (Appendix 3)
   - Changes to the GIS Investment Strategy (at below 46)

**Economic Background** provided by GLA Treasury Group

10. After a five year recessionary period starting in 2008, the UK economy is starting to grow. In its Bank of England Inflation report February 2015, the Bank forecast economic growth at 2.9%, 0.5% higher than the 2.4% forecast in the Government 2014 Autumn Statement.

11. This UK growth forecast is largely based on the recent rapid fall in oil prices, which, it is argued, by producing good 'low' inflation, 0.3% as at January 2015, should boost real disposable incomes and in turn generate increased consumption, from which growth can occur. The continuing decline in unemployment should also help.

12. However, this UK growth is by no means certain: if non–oil businesses choose to sit on their cash rather than invest and employers use the opportunity of zero inflation to dampen the rate at which pay increases, the real income boost to demand could be adversely impacted. Also, as the revenues of oil producing countries fall, UK exports to oil producing countries are likely to fall, again having a negative impact on UK growth. Finally, the uncertainty around a May general election, with a possible change of government, could also adversely affect UK growth.

13. Globally, the economic picture is also mixed. The USA has become stronger, so that policy action, for the first time in several years, has moved away from Quantitative Easing (QE) and associated low interest rates to the expectation that there will be an interest rate rise, possibly towards the end of 2015. However, the Eurozone is entering a period of deflation. As a result, a full programme of QE will commence in March 2015, with the aim of trying to boost the stagnant Eurozone economy. However, further instability has since been introduced, by the election of a Greek anti-austerity/anti bail out government, at the end of January 2015.

14. This mixed and uncertain outlook has several key treasury management implications:
   - Higher quality counterparties for shorter time periods should continue to be preferred, especially against a possible backdrop of government debt to GDP ratios rising in some countries.
   - Investment returns are likely to remain relatively low during 2015/16. In the UK, a rise in the base rate from its six year low of 0.5% has been further put back, with a rate rise now forecast no earlier than the first quarter of 2016, and only an increase of 0.25% to 0.75%.
   - Borrowing interest rates have been and continue to be volatile, as alternating bouts of good and bad news have promoted optimism and then pessimism, in financial markets. The policy of avoiding new borrowing by running down spare cash balances has served well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in later times, when authorities will not be able to avoid new borrowing to finance new capital expenditure and/or to refinance maturing debt.
There will remain a cost of carry to any new borrowing, which causes an increase in investments, as this will incur a revenue loss between borrowing and investment returns.

Prospects for Interest Rates

15. The effective management of risk around borrowing and investments and cash flow management decisions includes understanding interest rate and inflation rate movements.

16. The Authority has appointed Capita Asset Services – Treasury Solutions, as its treasury advisor and part of its service is to assist the Authority to formulate a view on interest rates. Below is a central view for short term interest rates (Bank Rate) and longer term fixed interest rates, as provided by Capita Asset Services, as at January 2015. The PWLB Rates shown are net of the 0.2% 'certainty rate' discount.

Forecast Treasury Management Position

17. The Authority’s forward treasury portfolio position is summarised below. The table shows the actual external borrowing (the treasury management operations) against the capital borrowing need (the Capital Financing Requirement – CFR), highlighting any over or under borrowing.
18. Forecast Treasury Position -

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External Borrowing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing at 1 April</td>
<td>141.692</td>
<td>155.879</td>
<td>149.879</td>
</tr>
<tr>
<td>Change in borrowing</td>
<td>14.187</td>
<td>(6.000)</td>
<td>(6.000)</td>
</tr>
<tr>
<td>Borrowing at 31 March (A)</td>
<td>155.879</td>
<td>149.879</td>
<td>143.879</td>
</tr>
<tr>
<td>CFR - the borrowing need</td>
<td>169.191</td>
<td>161.058</td>
<td>152.917</td>
</tr>
<tr>
<td>Under/(over) borrowing</td>
<td>13.312</td>
<td>11.179</td>
<td>9.038</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments at 31 March (B)</td>
<td>(136.800)</td>
<td>(120.300)</td>
<td>(96.600)</td>
</tr>
<tr>
<td>Change in investments</td>
<td>(42.408)</td>
<td>16.500</td>
<td>23.700</td>
</tr>
<tr>
<td><strong>Net Borrowing (A-B)</strong></td>
<td>19.079</td>
<td>29.579</td>
<td>47.279</td>
</tr>
</tbody>
</table>

19. Within the set of prudential indicators there are a number of key indicators to ensure that the Authority operates its activities within well defined limits. One of these is that the Authority needs to ensure that its gross borrowing does not, except in the short term, exceed the total of the Capital Financing Requirement (CFR) in the preceding year plus the estimates of any additional CFR for the current year and the next two financial years. This key prudential indicator is referred to as ‘gross debt and the capital financing requirement. It allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes, except to cover short term cash flows. In making this comparison between gross debt and the CFR, CIPFA guidance provides that, if in any of these years, there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with the gross external debt.

20. The Director of Finance and Contractual Services reports that the Authority complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans and the proposals in the Authority’s budget report (FEP2410).

**Borrowing Strategy**

**Delegation/Authorisation**

21. The arrangements for borrowing, including the selection and the type and structure of debt instruments, are delegated to the Director of Finance and Contractual Services, provided no decision contravenes the limits set out in the prevailing TMSS.

22. On the basis of the above, the Director of Finance and Contractual Services is

- authorised to approve borrowing by the Authority, for the purposes of financing capital expenditure and subject to the necessary statutory provisions, provided that the Authorised Limit, determined by the Mayor for the Authority, is not exceeded.
• authorised to make use of cash balances to fund internal borrowing when it is considered advantageous, provided the Authorised Limit, determined by the Mayor for the Authority, is not exceeded.

• authorised to borrow temporarily within the Authorised Limit, where this represents prudent management of the Authority’s affairs. As an example, where a cash flow requirement is short-lived, the opportunity cost of withdrawing or otherwise liquidating investments may exceed that of temporary borrowing. In such circumstances, borrowing may be the prudent action. The Resources Committee should be informed at quarterly intervals of any temporary borrowing.

• authorised to borrow temporarily above the Authorised Limit where, and only where the amount of the increased limit represents the amount of any delayed payment which is due to the Authority and has not been received on the due date, and such delay has not already been provided for in the Authorised Limit, under the provisions of Section 5 of the Local Government Act 2003. The Resources Committee should be informed at quarterly intervals of any temporary borrowing.

23. All borrowing decisions should be reported to the Resources Committee at the first opportunity within the Treasury Management cycle.

**Borrowing Approach and Risk**

24. It is proposed that the Authority’s approach to Treasury Management continues to be risk adverse; borrowings will be taken on fixed rates from the Public Works Loan Board (PWLB) or from other approved sources of financing. Variable rate long term borrowing may only be undertaken where there are proportionate, dedicated income streams which would vary in accordance to any proposed variable rate instruments.

25. Officers will consider the use of Finance Leases where it is demonstrated to be advantageous to the Authority to use such arrangements, for planned acquisition of non-fixed plant, equipment and/or machinery.

**Borrowing Approach and Interest Rates**

26. Against the background and the risks within economic forecast, caution will be adopted with the 2015/16 treasury operations. The Director of Finance and Contractual Services will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:

*If it was felt that there was significant risk of a sharp FALL in long and short term rates, e.g. due to a marked increase of risks around relapse into recession or of risks of deflation, then long term borrowings will be postponed, and potential rescheduling from fixed rate funding into short term borrowing will be considered.*

*If it was felt that there was a significant risk of a much sharper RISE in long and short term rates than currently forecast, then the debt position will be re-appraised with the likely action that fixed rate funding will be drawn whilst interest rates are still relatively cheap.*
Internal Borrowing Approach

27. When using cash balances to fund internal borrowing, the Authority acknowledges that this may reduce credit risk and short term net financing costs. However, any decision to undertake internal borrowing will be tempered by the following considerations:

- The Authority must maintain sufficient liquidity to be certain of meeting existing borrowing and other obligations
- The measures set out in the investment strategy below substantially control credit risk
- The materiality of such risks should be considered in the light of the long term financial consequences of sub-optimal borrowing decisions
- Agreements with central government specifying particular levels of borrowing

28. The Authority is currently maintaining an under-borrowed position. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loan debt, as cash supporting the Authority’s reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is relatively higher.

Short Term Borrowing Approach

29. A short-term loan is defined as any borrowing for periods up to and including 364 days. However, the loans can be renewed, so that in aggregate terms loans may extend to more than the initial time limit.

30. In practice, any short-term needs have been met by maturing short term investments for a period of up to one year, or by drawing from funds placed in call accounts where funds are available on demand. The Authority also has an overdraft facility with its bankers, at present RBS Plc, to meet unpredicted items of expenditure or cash flow shortfalls. At the time of this report the authorised overdraft limit is £3m and this is subject to annual review by the RBS Plc.

31. Short-term borrowing to cover unforeseen urgent cash flow needs should be available and to this end in previous years limits have been set in place under the auspices of the Prudential Code. Under Section 5 of the Local Government Act 2003 this is not required. However, it is good practice to have a formal limit in place and this should be approved by Members. Following a risk assessment of short-term borrowing requirements, the overall short-term borrowing limit for 2015/16 has been assessed as £28m (2014-15 £28m). This represents the maximum assessed cash requirement in the event that funds are not available to meet a payroll, and payments run and/or failure of a counterparty to repay investments on any given day. This figure should not be regarded as the overdraft limit, which remains at £3m (subject to the continuing approval of the Authority’s bankers).

Future of the Public Works Loans Board (PWLB)

32. The Government informed Local Authorities on 24 December 2014 that they have tabled an amendment to the National Infrastructure Bill, which is currently going through the House of Lords. Initially it was thought that the amendment would enable the Government to abolish the PWLB and transfer its lending functions to another body using the process set out in the Public Bodies Act 2011. However, the understanding of the current PWLB secretary is that it is the role of the PWLB Commissioners that will be removed and the PWLB will be renamed, and not abolished.
33. There is an expectation that the current lending arrangements will remain in place going forward and that it is the governance arrangements that will change. Officers will monitor the progress of the Bill and any consultation issued related to the PWLB and its functions.

**Policy on Borrowing in Advance of Need**

34. The Authority will not borrow more than or in advance of need purely to profit from the investment of the surplus borrowed. Any decision to borrow in advance will be considered carefully to ensure value for money can be demonstrated and that the Authority can ensure the security of such funds.

35. In determining whether borrowing will be undertaken in advance of need the Authority will:

   i. Ensure the ongoing revenue liabilities created, and the implications for the future plans and budgets are considered to be affordable and are within the forward approved Capital financing requirement estimate
   
   ii. Evaluate the economic and market factors that might influence the manner and timing of any decision to borrow
   
   iii. Consider the merits and demerits of alternative forms of funding, including funding from revenue, leasing and private partnerships and
   
   iv. Consider the alternative interest rates bases available, the most appropriate periods to fund and repayment profiles to use.

36. Over the next 12 months the economic consensus is that investment rates are expected to remain significantly below borrowing rates. However, short-term avoidance of costs by postponing borrowing in 2015/16 will also be weighed against the potential for incurring additional long-term costs by having to enter into new external borrowing in later years, when long-term rates are expected to be higher.

**Debt Rescheduling**

37. Given short term borrowing rates are likely to be cheaper than longer term fixed interest rates, decisions may be taken to restructure the debt portfolio, by switching from long term debt to short term debt through the early redemption or replacement of loans, so as to either increase long term affordability or adjust maturity profiles for the purposes of managing liquidity and interest rate risks. Such rescheduling decisions will be reported to the Resources Committee at the first opportunity within the treasury management reporting cycle.

38. Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

39. Recent changes to PWLB pricing has been to exaggerate the spread between the rate of new loans and the rate used to calculate premiums or discounts on early redemption. This means that there are far fewer opportunities for restructuring than was historically the case, due to prohibitively expensive premia in relation to achievable savings. This emphasises the importance of attempting to optimise maturity profiles at the point of entering into borrowings.
Investment Strategy

40. The Authority maintains a low risk appetite consistent with good stewardship of public funds. At the forefront of its thinking is the principle of Security before Liquidity and Liquidity before Yield (SLY). Cash flow forecasts and prevailing market conditions determine the maximum possible prudent maturities for investments and credit considerations are used to select counterparties with whom to transact. Investments are managed in such a way as to make losses at the portfolio level extremely unlikely, while capturing the optimum return within these constraints.

41. The Authority will continually develop its investment risk methodologies with regard to advice from external advisors, relevant developments in the market and academia, benchmarking techniques and approaches employed by the Credit Ratings Agencies. These Agencies are currently Fitch, Moodys and Standard and Poor's and their credit ratings will be monitored on a daily basis with appropriate action taken when these ratings change.

42. The borrowing of monies purely to invest or on-lend and make a return is unlawful and the Authority will not engage in such activity.

43. The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decision to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end investment balances.

<table>
<thead>
<tr>
<th>Core Funds and Expected Investment Balances</th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balances/reserves/capital receipts reserve</td>
<td>(121.9)</td>
<td>(102.6)</td>
<td>(77.6)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(6.5)</td>
<td>(6.9)</td>
<td>(6.0)</td>
</tr>
<tr>
<td><strong>Total Core Funds</strong></td>
<td>(128.4)</td>
<td>(109.5)</td>
<td>(83.6)</td>
</tr>
<tr>
<td>Working Capital Surplus</td>
<td>(21.7)</td>
<td>(22.0)</td>
<td>(22.0)</td>
</tr>
<tr>
<td>Under/(over) borrowing</td>
<td>13.3</td>
<td>11.2</td>
<td>9.0</td>
</tr>
<tr>
<td><strong>Expected Investments</strong></td>
<td>(136.8)</td>
<td>(120.3)</td>
<td>(96.6)</td>
</tr>
</tbody>
</table>

44. The Authority’s short-term cash balances are invested through the GLA Group Investment Syndicate (GIS). The Authority is a participant of the GIS and the nature of the GIS and the GIS Investment Strategy, including creditworthiness policy and permitted instruments, as agreed between the Syndics, (The Director of Finance and Contractual Services is the Syndic for LFEPA) is attached at Appendix 4. This Strategy effectively constitutes the Authority’s Annual Investment Strategy, which should be prepared and approved before the start of each financial year, with approval by the Authority. This GIS Investment Strategy is currently under review by all the current participants of the GIS and the Committee is presented with the latest version.

45. The changes intended to be incorporated into the GIS Investment Strategy to further strengthen the GIS Investment Strategy’s aim of achieving a good return within the constraints of security first and liquidity second are provided below. Minimisation of risk is further achieved through the
maintenance of a list of highly creditworthy and diversified counterparties. These changes will not come into force until all participants have had their 2015/16 TMSS’s approved and the Chief Finance Officer of each participant has signed a copy of the 2015/16 GIS Investment Strategy.

**2015/16 GIS Investment Strategy Changes.**

46. The GIS Investment Strategy is considered and agreed by participants. A common approach permits maximum efficiency of the shared group service.

47. This shared strategy is subject to on-going development and review, with the result that the following changes and additions have been incorporated into the 2015/16 Strategy.

i. The investment strategy has been reviewed for robustness against the consequences of a tighter regulatory framework and possible removal of implied sovereign support levels by Rating Agencies in 2015. (Appendix 4, Section 3.10.4 and 5 and 6)

ii. The approach in relation to Lloyds Bank and RBS investments has been updated to reflect latest Government intentions regarding the sale of its shareholding in these counterparties. (Appendix 4, Section 3.10.7)

iii. The Credit Worthiness Policy has been updated to reflect the June 2014 change in Capita Asset Services creditworthiness methodology. Capita Asset Services made changes to its credit methodology, in response to the main rating agencies indicating that they are considering removing implied sovereign support levels, originally introduced in response to the 2008 financial crisis, but now no longer considered in keeping with regulations either in force or being imposed through 2015 and beyond. (Appendix 4, Section 3.10.1)

iv. The Credit Worthiness Policy has been updated to reflect the latest criteria for the award of a "blue" banding to a counterparty. The blue banding of 1 year investment duration still only applies to nationalised or semi-nationalised UK Banks, but there is no longer a requirement that the Government stake is greater than 20%. Rather the requirement is based on the Government’s ‘intentions’ regarding its stake. Therefore, a 15% stake and no intention to further sell in the near future could result in the retention of the blue banding, while a larger stake with an intention by the Government to reduce its holding to nil in the near future, could result in the removal of the blue banding from a counterparty. (Appendix 4, Section 3.10.1)

v. The deposit protection scheme offered by German banks has been removed from the Strategy, following an adverse legal opinion about enforceability.

vi. The sovereign national Government rating has been changed from ‘AA+ or above’ to ‘AA or above’ for Term deposits, Call Accounts and Certificates of Deposit – Institutions not meeting general criteria but instruments explicitly guaranteed by sovereign national Government (Specified Investments) to achieve consistency across ratings for instruments. (Appendix 4, Section 3.8)

vii. Specified and Non-Specified Investments definitions have been refreshed to reaffirm the GIS Investment Strategy’s commitment to high security and high liquidity. (Appendix 4, Section 3.6 and 3.7)
viii. **Corporate Bonds investment duration** has been increased from 13 months to **24 months**. This will give the opportunity to take advantage of higher yields through longer term investments, without significantly increasing the overall risk taken by the GIS. Under the Credit Risk Factors table adopted for corporate bond investment decisions, only the highest quality counterparties rated by Fitch as ‘AAA’ or ‘AA+’ or ‘AA/F1+’ (or the equivalent from other Rating Agencies) will be involved in corporate bond investment decisions between 13 months and 24 months. (Appendix 4, Section 3.9)

ix. The percentage for Cash Exposure limits for investments greater than one day are to be applied to the forecast average cash balance over the **term of the proposed investment** instead of to the forecast **annual average cash balance**. This change will reduce the impact of cash flow characteristics outside the relevant investment horizon. (Appendix 4, Section 3.15.1)

48. Where funds are placed in pooled vehicles such as Money Market Funds (MMFs), each MMF is only an approved counterparty while the underlying investments are instruments of the kinds listed in Appendix 4. Variation between a MMF’s list of approved counterparties and the approved counterparties of the LFEPA is permissible, at the discretion of the Director of Finance and Contractual Services, providing the MMF’s own rating meets the criteria of Appendix 4.

49. Additionally, the Director of Finance and Contractual Services may from time to time instruct the GLA Treasury team to invest sums independently of the GIS, for instance, if the Authority identifies balances which are available for longer term investment, after proper consideration of expected future cashflows, as at the time of investment. It is proposed that the Authority adopt an identical set of parameters for such investments as those detailed in Appendix 4, except that there shall be no requirement to maintain a weighted average maturity of no greater than three months. However, regard must always be given to the Treasury Management Limit ‘Limits for Principal Sums Invested for Periods Longer than 364 Days’ (Appendix 3 section 6.3).

50. At the time of writing, there are no plans to invest for periods longer than one year in the Authority’s own name, because the Authority does not expect to have core cash balances which permit such investment durations. The Treasury Management Limit ‘Limits for Principal Sums Invested for Periods Longer than 364 Days’ is therefore set at zero. However in light of potential capital receipts this position will be kept under review and any move to invest funds long-term will be put to members for consideration. (This limit does not apply to externally managed funds or to pooled monies within the Group Investment Syndicate, providing the weighted average maturity of investments does not exceed 3 months): See Appendix 3 Section 6.3.

51. Whilst the Authority sets its Annual Investment Strategy at the start of each financial year, this need not be a once-a-year event, and the initial investment strategy may be replaced by a revised Strategy, at any time during the year, on one or more occasions, subject to the approval of the Authority. All Investment Strategies approved by the Authority will be made available to the public free of charge, on print or online.

**Treasury Management Budget**

52. The Table below provides a breakdown of the treasury management budget
Treasury Management Budget –

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest payable</td>
<td>4.1</td>
<td>3.9</td>
<td>3.6</td>
</tr>
<tr>
<td>Interest Receivable</td>
<td>(0.5)</td>
<td>(0.7)</td>
<td>(0.7)</td>
</tr>
<tr>
<td>Minimum Revenue Provision</td>
<td>5.9</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Total</td>
<td>9.5</td>
<td>9.1</td>
<td>8.8</td>
</tr>
</tbody>
</table>

53. Assumptions behind the 2015/16 Budget are:

- Average rates achievable on investments will be 0.6%
- New borrowing to fund the capital programme will be financed by long term borrowing at a rate of 4%
- Replacement borrowing will be taken out at the long term borrowing rate of 4%
- The MRP charge is in line with the Authority’s MRP Policy

Use of External Service Providers

54. The LFEPA uses Capita Asset Services – Treasury Solutions as its external treasury management advisor under a joint arrangement with the Greater London Authority. Whilst recognising the specialist skills and resources such advisors can provide, the LFEPA recognises that responsibility for treasury management decisions remains wholly with the organisation and will ensure that undue reliance is not placed upon external service providers. LFEPA monitors and maintains the quality of this service by regular review and assessment.

55. Capita Treasury Services currently provide

- consultancy services to support the Authority’s treasury operation
- attend two strategy meetings per annum to review the Authority’s financial position having regard to its objectives, strategy, current financial circumstances, assets and liabilities.
- interest rate forecast and advise on the formulation of suitable borrowing and investment strategies
- forecasts of movements in PWLB rates which affect the timing of funding with fixed rate debt, conversion of variable rate debt to fixed and the conversion of fixed rate debt to variable
- regular updates on economic and political changes which may impact on and require modification to borrowing and investment strategies
- advice on debt rescheduling, funding policy, volatility and maturity profile analysis
- advice and weekly reports on counterparty creditworthiness, including provision of prudent parameters established in the light of information from the UK’s leading credit rating agencies, the credit default swaps market and various other analyst and associations
- reporting templates
LFEPA does not currently employ any external fund managers, however in the event of such an appointment, appointees will comply with this and subsequent Treasury Strategies. In addition, before any appointment is made, a fully costed appraisal would be performed and approval from the Authority obtained.

56. RBS Plc are LFEPA’s bankers and continue to provide a competitive service under an annual rolling contract.

57. The GLA Investment Manager, under the GIS Investment Strategy, uses King and Shaxson Limited as a custodian of the Authority’s tradeable instruments (such as Treasury Bills) with HSBC as the sub-custodian. The GLA’s policy is that any custodian (or, instead, sub-custodian) shall meet the GLA’s credit criteria for 12 month investments (prior to Credit Default Swaps Market or other temporary adjustments).

**Treasury Training**

58. The TM Code requires that members with responsibility for treasury management receive adequate training in treasury management. Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

59. The Syndics of the GIS Investment Strategy will collectively receive investment training on the 23rd March 2015.

60. Capita Asset Services-Treasury Solutions run training events regularly which are attended by Treasury officers. In addition, Treasury officers attend national forums and practitioner user groups.

61. Notwithstanding the above, the training needs of Treasury officers and committee Members are periodically reviewed.

**Head of Legal and Democratic Services comments**

62. The relevant legal powers and requirements are set out in the body of the report. Section 127 of the Greater London Authority Act 1999 provides that the Authority is to make arrangements for the proper administration of its financial affairs and shall secure that one of its officers (its “chief finance officer”) has responsibility for the administration of those affairs. This report sets out the strategy and arrangements by which the Director of Finance and Contractual Services as the chief finance officer proposes to address the Authority’s responsibilities in relation to its Treasury functions.

**Director of Finance and Contractual Services comments**

63. This report is presented by the Director of Finance and Contractual services and there are no further comments.

**Sustainable development implications**

64. There are no sustainable development implications

**Staff Side Consultations undertaken**

65. There are no direct implications associated with the contents of this report requiring consultation.
Equalities implications
66. There are no direct equalities implication associated with the contents of this report.

List of Appendices to this report:
1. Treasury Management Policy Statement (Appendix 1)
2. Minimum Revenue Provision (MRP) Policy Statement (Appendix 2)
3. Prudential Code Indicators and Treasury Management Limits (Appendix 3)
4. Group Investment Syndicate (GIS) Investment Strategy (Appendix 4)
5. Treasury Management Practices: Main Principles (Appendix 5)

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents
1. Local Government Act 2003
2. The Prudential Code (Revised 2011)
3. The Prudential Code Guidance Notes (Revised 2013)
5. Authority Financial Regulations
8. PWLB Circular no. 149, 4 January 2011 Methodology for Calculating Interest Rates On PWLB Fixed Rate and Variable rate Loans
10. The Department for Communities and Local Government (DCLG) Guidance on Local Government Investment
11. The DCLG Capital Finance Guidance on Minimum Revenue Provision

Proper officer Director Finance and Contractual Services
Contact officer Steve Knight
Telephone 0208555 1200 x31368
Email stephen.knight@london-fire.gov.uk
Appendix 1: Treasury Management Policy Statement

1. Policy Statement

1.1 This policy statement is in the form recommended by the CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes, Section 6.

1. The LFEPA defines its treasury management activities as:

“The management of the Authority’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”.

2. The LFEPA regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the LFEPA, and any financial instruments entered into to manage those risks.

3. The LFEPA acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.
Appendix 2: Minimum Revenue Provision (MRP) Policy Statement

1. Policy Statement

1.1 MRP is the amount out of revenue funding set aside each year as a provision for debt i.e. the provision in respect of capital expenditure financed by borrowing or credit arrangements.

1.2 Regulation 28 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) provides that for the financial year 2007/08 and subsequent financial years, the detailed MRP calculation is to be replaced with the requirement that:

1.3 ‘A Local Authority shall determine for the current financial year an amount of minimum revenue provision that it considers to be prudent’

1.4 The guidance also recommends that the annual MRP Policy is presented to the Authority for approval before the start of the financial year to which it relates. Any in-year changes must also be submitted to the Authority for approval.

1.5 The recommended statement for LFEPA is set out below:

1. The major proportion of the MRP for 2015/16 will relate to the more historic debt liability that will continue to be charged at the rate of 4%, in accordance with option 1 of the guidance. Certain expenditure reflected within the debt liability as at 31 March 2015 will under delegated powers be subject to MRP under option 3, which will be charged over a period which is reasonably commensurate with the estimated useful life applicable to the nature of expenditure, using the equal annual instalment method. For example, capital expenditure on a new building, or on the refurbishment of a building, will be related to the estimated life of that building.

2. Estimated life periods will be determined under delegated powers. To the extent that expenditure is not on the creation of an asset and is of a type that is subject to estimated life periods that are referred to in the guidance, these periods will generally be adopted by the Authority. However, the Authority reserves the right to determine useful life periods and prudent MRP in exceptional circumstances where the recommendations of the guidance would not be appropriate.

3. As some types of capital expenditure incurred by the Authority are not capable of being related to an individual asset, asset lives will be assessed on a basis which most reasonably reflects the anticipated period of benefit that arises from the expenditure. Also, whatever type of expenditure is involved, it will be grouped together in a manner which reflects the nature of the main component of expenditure and will only be divided up in cases where there are two or more major components with substantially different useful economic lives.
Appendix 3 CIPFA Prudential Code Indicators and Treasury Management Limits

1.0  Background

1.1  The Prudential Code has been developed by the Chartered Institute of Public Finance and Accountancy (CIPFA). The Prudential Code has a central role in capital finance decisions, including borrowing for capital investment. Its key objectives are to provide a framework for local authority capital finance that will ensure for individual local authorities that capital expenditure plans are affordable; all external borrowing and other long-term liabilities are within prudent and sustainable levels and that treasury management decisions are taken in accordance with good professional practice.

1.2  The Prudential Code also has the objective of being consistent with and supporting local strategic planning, local asset management planning and proper option appraisal.

1.3  Any such framework for the internal control and self management of capital finance must therefore deal with all three of the following elements:

- Capital expenditure plans
- External debt
- Treasury Management

1.4  To ensure compliance with the Prudential Code in relation to the above elements, the Authority is required to set and monitor a number of Prudential Indicators. The setting of these Prudential Indicators is a circular rather than a linear process. For example, the level of external debt will follow on from the Authority’s capital plans, revenue forecasts and treasury management strategy. However, if initial estimates would result in outcomes that would not be affordable or prudent, then plans for capital and/or revenue are reconsidered.

1.5  Prudential Indicators and Treasury Management Limits must be approved by the Authority and any subsequent changes to these Indicators and Limits must also be approved by the Authority.

1.6  These Prudential Indicators are set out below and reviewed for compliance.

2.  Capital Expenditure

2.1  Capital Expenditure

2.1.1  Capital expenditure results from the approved capital spending plan and proposed borrowing limits. It is the key driver of Treasury Management activity.

2.1.2  All capital expenditure is stated, not just that covered by borrowing.
Capital Expenditure

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Capital Expenditure</strong></td>
<td>56.683</td>
<td>19.492</td>
<td>25.000*</td>
</tr>
<tr>
<td><strong>Financed by:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital receipts</td>
<td>28.496</td>
<td>19.492</td>
<td>25.000*</td>
</tr>
<tr>
<td>Capital grants</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Capital reserves</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Revenue</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net financing need for the year</strong></td>
<td>28.187</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

* The capital programme for future years and use of capital receipts is addressed in the budget report on the same agenda.

2.2. Capital Financing Requirement

2.2.1 The capital financing requirement is an indication of the underlying need to borrow for capital purposes. It is the total historical outstanding capital expenditure which has not yet been paid for from either revenue or capital resource.

2.2.2 This borrowing is not associated with particular items or types of capital expenditure.

Capital Financing Requirement (CFR)

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total CFR</strong></td>
<td>180.2</td>
<td>172.2</td>
<td>164.1</td>
</tr>
<tr>
<td><strong>Movement in CFR</strong></td>
<td>21.3</td>
<td>(8.0)</td>
<td>(8.1)</td>
</tr>
</tbody>
</table>

**Movement in CFR represented by**

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net financing need for the year (see Capital Expenditure table)</td>
<td>28.2</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less MRP and other financing movements</td>
<td>6.9</td>
<td>8.0</td>
<td>8.1</td>
</tr>
<tr>
<td><strong>Movement in CFR</strong></td>
<td>21.3</td>
<td>(8.0)</td>
<td>(8.1)</td>
</tr>
</tbody>
</table>
3. **External Debt Prudential Indicators**

3.1 **Authorised Limit for External Debt**

3.1.1 The Authorised limit is the expected maximum borrowing needed with some headroom for unexpected developments such as unusual cash movements.

3.1.2 For the purposes of the Prudential Code borrowing is distinguished from other long term liabilities.

3.1.3 The Authorised limit is the statutory limit that is determined, by the Mayor in consultation with the Assembly, under section 3 (1) of the Local Government Act 2003. It is intended to be an absolute ceiling which cannot be exceeded, except as provided under section 5 of the Local Government Act 2003, where payments expected but not yet received can temporarily result in the limit being exceeded, provided the original setting of the limit had not taken into account any delay in receipt of the payment.

Authorised Limit for External Debt

<table>
<thead>
<tr>
<th></th>
<th>2015-16 Estimate £m</th>
<th>2016-17 Estimate £m</th>
<th>2017-18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>145</td>
<td>150</td>
<td>150</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>220</td>
<td>225</td>
<td>225</td>
</tr>
</tbody>
</table>

3.1.4 This limit is consistent with the Authority's view on current and future affordability, as advised to the Mayor in the course of consultation.

3.2 **Operational Boundary for External Debt**

3.2.1 The operational boundary is based on the same estimates as the authorised limit. However, it reflects an estimate of the most likely prudent but not worst case scenario. It equates to the maximum level of external debt under the capital spending plans approved by the Mayor and excludes the headroom included within the authorised limit.

3.2.2 The Operational Boundary is set as a warning signal that external debt has reached a level nearing the Authorised limit and must be monitored carefully. It is probably not significant if the operational boundary is breached temporarily on occasions due to variations in cash flow. However, a sustained or regular trend above the operational boundary would be significant, requiring further investigation and action as appropriate.
Operational Boundary for External Debt

<table>
<thead>
<tr>
<th></th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrowing</td>
<td>140</td>
<td>145</td>
<td>145</td>
</tr>
<tr>
<td>Other long term liabilities</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
<tr>
<td>Total</td>
<td>215</td>
<td>220</td>
<td>220</td>
</tr>
</tbody>
</table>

3.2.3 This limit is consistent with the Authority's view on current and future affordability, as advised to the Mayor in the course of consultation.

3.2.4 Gross Debt and the Capital Financing Requirement

This is a key indicator of prudence seeking to identify whether or not a Local Authority's financial strategy is prudent and sustainable by measuring the extent to which a Local Authority is using borrowing to fund revenue expenditure in the short and medium term. Since financing costs have to be repaid from revenue, borrowing to fund revenue expenditure may be affordable in the short term, but not in the medium term. It therefore follows that in the medium term borrowing should only be funding capital expenditure and this indicator seeks to check that this is so, by identifying that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years. In making this comparison between gross debt and the CFR, CIPFA guidance provides that, if in any of these years, there is a reduction in the CFR, this reduction is ignored in estimating the cumulative increase in the CFR which is used for comparison with the gross external debt.

For the purposes of the Prudential Code, gross debt refers to the sum of borrowing and other long term liabilities.

Gross Debt and the Capital Financing Requirement

<table>
<thead>
<tr>
<th></th>
<th>2014/15 projected £m</th>
<th>2015/16 Estimate £m</th>
<th>2016/17 Estimate £m</th>
<th>2017/18 Estimate £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Borrowing as at 31 March</td>
<td>123.2</td>
<td>145.4</td>
<td>131.4</td>
<td>125.4</td>
</tr>
<tr>
<td>CFR the borrowing need</td>
<td>158.9</td>
<td>180.2</td>
<td>172.2</td>
<td>164.1</td>
</tr>
</tbody>
</table>
4. **Affordability Prudential Indicators**

4.1 **Ratio of Financing Costs to Net Revenue Stream**

4.1.1 This indicator compares the total principal and net interest payments on external debt to the overall revenue spending of the authority.

<table>
<thead>
<tr>
<th>Financing Costs to Net Revenue Stream</th>
<th>2015-16 Estimate %</th>
<th>2016-17 Estimate %</th>
<th>2017-18 Estimate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>2.8</td>
<td>3.1</td>
<td>3.1</td>
</tr>
</tbody>
</table>

4.2 **Incremental impact of capital investment decisions on the council tax**

4.2.1 This indicator measures the changes in the council tax as a result of incremental changes in capital investment decisions.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Council Tax Band D</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

5. **Treasury Management Prudential Indicator**

5.1 The Treasury Management Prudential Indicator requires the adoption of the latest version of the CIPFA Code of Practice for Treasury Management in the Public Services.

5.2 The Authority has adopted the CIPFA Code of Practice for Treasury Management in the Public Services.

6. **Treasury Management Limits on Activity**

6.1 **Net Borrowing Upper Limits to Fixed and Variable Rate Interest Rates Exposure**

6.1.1 The upper limit on interest rate exposure sets an upper limit to exposure to the effects of changes in interest rates. These limits are presented as a percentage of the net principal sum outstanding on the Local Authority’s borrowing. The calculation formula is therefore
Total Fixed (or Variable Rate) Borrowings less Total Fixed (or Variable Rate) Investments
Divided by
Total Borrowing less Total Investments

Fixed rate calculation:

\[(\text{Fixed rate borrowing}^* \text{ less Fixed rate investments}^*)\]
Divided by
Total Borrowing less Total Investments

*Defined as greater than 1 year to run to maturity

Variable rate calculation:

\[(\text{Variable rate borrowing}^{**} \text{ less Variable rate investments}^{**})\]
Divided by
Total Borrowing less Total Investments

**Defined as less than 1 year to run to maturity, or in the case of Lenders Option, Borrowers Option (LOBO) borrowing, the call date falling within the next 12 months.

Upper limit on interest rate exposure on net debt

<table>
<thead>
<tr>
<th></th>
<th>2015/16</th>
<th>2016/17</th>
<th>2017/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed rate</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Variable rate</td>
<td>75</td>
<td>75</td>
<td>75</td>
</tr>
</tbody>
</table>

6.1.2 These proposed limits will allow officers to move between fixed and variable rate deposits in response to changes in market conditions.

6.2 Limits for Maturity Structure of Borrowing

6.2.1 Local Authorities are exposed to the risk of having to refinance debt at a time in the future when interest rates may be volatile or uncertain. The maturity structure of borrowing indicator is designed to assist Authorities in avoiding large concentrations of debt that has the same maturity structure and would therefore need to be replaced at the same time. The indicator is calculated as the amount of projected borrowing that is maturing in each period expressed as a percentage of total projected borrowing. For each maturity period an upper and lower limit is set.
Limits for Maturity Structure of Borrowing for 2015/16

<table>
<thead>
<tr>
<th></th>
<th>Upper Limit</th>
<th>Lower Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 12 months</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>12 months and within 24 months</td>
<td>20%</td>
<td>0%</td>
</tr>
<tr>
<td>24 months and within 5 years</td>
<td>50%</td>
<td>0%</td>
</tr>
<tr>
<td>5 years and within 10 years</td>
<td>75%</td>
<td>0%</td>
</tr>
<tr>
<td>10 years and above</td>
<td>90%</td>
<td>25%</td>
</tr>
</tbody>
</table>

6.2.2 The maturity of borrowing should be determined by reference to the earliest date on which the lender can require payment. Where the lender has the right to increase the interest rate payable without limit, such as in a LOBO loan, the maturity date will be deemed to be the next call date.

6.3 Limits for Principal Sums Invested for Periods Longer than 364 Days

6.3.1 This indicator seeks to contain the risk inherent in the maturity structure of an Authority’s investment portfolio, since investing too much for too long could

- adversely impact on the Authorities liquidity and in turn its ability to meet its payment obligations and
- also lead to the loss of some of its principal if it is forced to seek early repayment or redemption of principal sums invested.

6.3.2 Under this indicator the Local Authority is therefore required to set an upper limit for each financial year period for the maturing of its long term investments

Limits for Principal Sums Invested for Periods Longer than 364 days

<table>
<thead>
<tr>
<th></th>
<th>Maximum principal sums invested &gt;364 days</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2015/16 £m</td>
</tr>
<tr>
<td>Principal sums invested &gt;364 days</td>
<td>0</td>
</tr>
</tbody>
</table>

6.3.3 This limit does not apply to externally managed funds or to pooled monies within the Group Investment Syndicate, providing the weighted average maturity of investments does not exceed 3 months.
Appendix 4: Group Investment Syndicate (GIS) Investment Strategy 2015/16

1.0 Introduction

1.1 The Authority has a Shared Service Agreement with the GLA, under which the GLA has delegated authority to manage the Authority’s investments.

1.2 A two fold approach applies to the management of the Authority’s investments under this Shared Service Agreement.

1.3 Cash balances can be invested independently of the GLA Group Investment Syndicate (GIS), in the Authority’s own name. This normally arises where the Authority identifies balances which are available for longer term investments

or

Cash balances can be invested through the GLA GIS, in the name of the GIS.

1.4 Cash balances invested in the Authority’s own name are subject to the GIS Investment Strategy, except that there is no requirement to maintain a weighted average maturity which does not exceed 3 months.

1.5 Cash balances invested in the name of the GIS are subject to the GIS Investment Strategy.

1.6 All Authority investments must therefore fully consider the GIS Investment Strategy. This Strategy is outlined below:

2.0 GIS Investment Strategy Introduction

2.1 The GIS is a vehicle for investing pooled short term cash balances belonging to ‘participants’, currently the Greater London Authority (GLA), the London Fire and Emergency Planning Authority (LFEPA), the London Legacy Development Corporation (LLDC), the London Pensions Fund Authority (LPFA) and the Mayor’s Office for Policing and Crime (MOPAC). The GLA acts as the Investment Manager under the supervision of the Syndics (the participants’ respective chief financial officers).

2.2 On an individual basis, shorter investments can give rise to additional transaction costs and lower returns; but by pooling resources the participants can achieve economies of scale through larger individual transactions; can exploit the greater stability of pooled cash flows to obtain better returns and can achieve greater levels of diversification.

2.3 A risk sharing agreement ensures risk and reward relating to each investment within the jointly controlled portfolio are shared in direct proportion to each participants’ investment.

2.4 The Investment Manager (the GLA) operates the GIS cash balances in accordance with the GIS Investment Strategy.
3.0 GIS Investment Strategy 2015/16 Detail

3.1 The Investment Manager (the GLA) will generally use call accounts and short-dated or highly liquid instruments in order to maintain liquidity and will maintain the weighted average maturity of the short term portfolio arising from investing GIS balances, so that the weighted average maturity does not exceed 3 months. The majority of investments will therefore be specified investments rather than non-specified investments.

3.2 Performance benchmarks may be set from time to time by unanimous agreement of the Syndics.

3.3 The Investment Manager may delegate the management of a portion, not exceeding the forecast minimum GIS balance for the next 12 months, of the GIS to external fund managers if this is deemed prudent. As a result of very large scale pooling, such managers may be able to engage in trading which is impractical for the GLA. Therefore, a slightly broader range of instruments are available to those managers. However, any delegation would be within the agreed investment strategy and would give a fund manager no greater discretion than the GLA treasury team presently have.

3.4 As well as seeking high liquidity, the Investment Manager will seek high security, adopting the prudent investment policy recommended in the Department for Communities and Local Government (DCLG) Guidance on Local Government Investments (revised 2010). This states that Security should come before Liquidity and Liquidity before Yield (SLY).

3.5 To identify investment options with relatively high security and liquidity, the GIS Investment Strategy adopts the concept of Specified and Non Specified Investments, as defined in the DCLG Guidance on Local Government Investments (revised 2010).

3.6 Specified Investments

3.6.1 An investment is a specified investment if all of the following apply:

i. The investment is denominated in sterling and any payments or repayments in respect of the investment are payable only in sterling;

ii. The investment is not a long-term investment (i.e. due or required to be repaid within 12 months);

iii. The making of the investment is not defined as capital expenditure by virtue of regulation 25(1)(d) of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (SI 3146 as amended) (i.e. the investment is not loan capital or share capital in a body corporate)

iv. The investment is made with a body or in an investment scheme of high credit quality (see below) or with one of the following public-sector bodies:

- The United Kingdom Government
- A local authority in England or Wales (as defined in section 23 of the 2003 Local Government Act) or a similar body in Scotland or Northern Ireland
• A parish council or community
• High credit quality is defined as a minimum credit rating as outlined in the table ‘Criteria for Specified Investments’ provided below

3.7 Non Specified Investments

3.7.1 Non-Specifed Investments are defined as those not meeting the definition of Specified Investments.

3.8 Criteria for Specified Investments

<table>
<thead>
<tr>
<th>Specified Investments</th>
<th>Minimum Credit Criteria (Expressed as Capita’s durational band or raw ratings)</th>
<th>Managed: Internally (I) or Externally (E)</th>
<th>Maximum percentage of total investment</th>
<th>Maximum Duration (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt Management Agency Deposit Facility (DMADF)</td>
<td>--</td>
<td>I</td>
<td>100%</td>
<td>6</td>
</tr>
<tr>
<td>Term Deposit – UK public body (e.g. Local, Police or Fire Authority)</td>
<td>Eligible for PWLB or National Loans Fund finance</td>
<td>I/E</td>
<td>100%</td>
<td>12</td>
</tr>
<tr>
<td>Term Deposits, Call Accounts and Certificates of Deposit – Rated Bank or Building Society</td>
<td>Green; domicile long term sovereign rating equivalent to Fitch AA or better</td>
<td>I/E</td>
<td>100%</td>
<td>12</td>
</tr>
<tr>
<td>Term Deposits, Call Accounts and Certificates of Deposit – Financial Institution in significant part owned by UK Government</td>
<td>Blue</td>
<td>I/E</td>
<td>100%</td>
<td>12</td>
</tr>
<tr>
<td>Term deposits, Call Accounts and Certificates of Deposit– Institutions not meeting general criteria but instruments explicitly guaranteed by sovereign national Government rated AA or above (Fitch long term)</td>
<td>None</td>
<td>I/E</td>
<td>100%</td>
<td>12</td>
</tr>
</tbody>
</table>

The subsequent definition of “bond” includes all transferable rated debt securities e.g. Medium Term Notes, Floating Rate Notes. Where a specific term is used it is to highlight a particular set of limits.
UK Government Gilts held to maturity  --  I/E  100%  12

UK Treasury Bills held to maturity  --  I/E  100%  12

Bonds issued by multilateral development banks (e.g. The European Investment Bank) held to maturity  Long term AAA (Fitch or S&P) or Aaa (Moodys)  I/E  100%  12

Corporate bonds explicitly guaranteed by UK Government held to maturity  Rating equivalent to UK Government  I/E  100%  12

Collective Investment Schemes structured as Open Ended Investment Companies (OEICs): -

Government Liquidity Funds  Fitch AAAmmf; or S&P AAAm; or Moody’s Aaa.  I/E  100%  12

Money Market Funds  Fitch AAAmmf; or S&P AAAm; or Moody’s Aaa.  I/E  100%  12

3.8.1 Forward term deposits may be negotiated with institutions meeting the criteria above with the sum of the forward period and duration of the deal subject to a maximum of 12 months. Total forward dealt exposure may not exceed 20% of the forecast average daily balance at the time. The GIS defines ‘forward’ as negotiated more than 4 banking days in advance of deposit. Shorter forward periods are viewed as normal cash management practice providing cash resources are certain. The Investment Manager may make exceptions to this limit where the counterparty is a member of the GLA Group.

3.9 Criteria for Non-Specified Investments

Non-Specified Investments

Aggregate exposure to non-specified investment shall not exceed 50% of total forecast daily average balances, as at the date of investment.

Non-Specified Investments highlighted in bold can only be entered into by external fund managers, appointed in accordance with the Authority’s TMSS.
<table>
<thead>
<tr>
<th>Investment</th>
<th>Minimum Credit Criteria (Expressed as Capita’s durational band or raw ratings)</th>
<th>Use: Internal (I) or Externally (E) managed</th>
<th>Maximum percentage of total investments</th>
<th>Maximum Duration (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term Deposits, Call Accounts and Certificates of Deposit – institutions eligible for specified investments</td>
<td>Defined as per specified investments</td>
<td>I/E</td>
<td>50%</td>
<td>24</td>
</tr>
<tr>
<td>Term Deposits, Call Accounts and Certificates of Deposit – unrated institutions covered by explicit and unconditional parental guarantee from institution meeting criteria as above.</td>
<td>For parental guarantor: Green; domicile long term sovereign rating, equivalent to Fitch AA or better.</td>
<td>I/E</td>
<td>50%</td>
<td>24</td>
</tr>
<tr>
<td>UK Government Gilts held to maturity</td>
<td>--</td>
<td>I/E</td>
<td>50%</td>
<td>240</td>
</tr>
<tr>
<td>UK Government Gilts held for trading</td>
<td>--</td>
<td>E</td>
<td>50%</td>
<td>600</td>
</tr>
<tr>
<td>UK Treasury Bills held for trading</td>
<td>--</td>
<td>E</td>
<td>50%</td>
<td>12</td>
</tr>
<tr>
<td>Corporate bonds explicitly guaranteed by UK Government held to maturity</td>
<td>Long term AAA (Fitch or S&amp;P) or Aaa (Moodys)</td>
<td>I/E</td>
<td>50%</td>
<td>240</td>
</tr>
<tr>
<td>Corporate bonds explicitly guaranteed by UK Government held for trading</td>
<td>Long term AAA (Fitch or S&amp;P) or Aaa (Moodys)</td>
<td>E</td>
<td>50%</td>
<td>300</td>
</tr>
<tr>
<td>Bonds issued by multilateral development banks held to maturity</td>
<td>Long term AAA (Fitch or S&amp;P) or Aaa (Moodys)</td>
<td>I/E</td>
<td>10%</td>
<td>120</td>
</tr>
<tr>
<td>Bonds issued by multilateral development banks held for trading</td>
<td>Long term AAA (Fitch or S&amp;P) or Aaa (Moodys)</td>
<td>E</td>
<td>10%</td>
<td>300</td>
</tr>
<tr>
<td>Floating Rate Notes (multilateral development banks issuances only)</td>
<td>Long term AAA (Fitch or S&amp;P) or Aaa (Moodys)</td>
<td>I/E</td>
<td>10%</td>
<td>120</td>
</tr>
</tbody>
</table>
Corporate Bonds or commercial paper held to maturity | Fitch credit Factor <10.0 | I/E | 20% | 24

3.10 Creditworthiness Policy: Rated Financial Institutions (Type A counterparties)

3.10.1 The Investment Manager shall, at a minimum, implement the sophisticated creditworthiness methodology developed and maintained by Capita Asset Services – Treasury Solutions. The methodology uses an average of the ranked ratings from all three of the Ratings Agencies to arrive at a score which places the institution into the following suggested maximum durational bands for investment:

<table>
<thead>
<tr>
<th>Colour</th>
<th>Duration</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow</td>
<td>5 years</td>
</tr>
<tr>
<td>Purple</td>
<td>2 years</td>
</tr>
<tr>
<td>Orange</td>
<td>1 year</td>
</tr>
<tr>
<td>Red</td>
<td>6 months</td>
</tr>
<tr>
<td>Green</td>
<td>100 days</td>
</tr>
<tr>
<td>No Colour</td>
<td>not to be used</td>
</tr>
</tbody>
</table>

An exception is made for those banks with significant share capital in UK public ownership.

Blue 1 year (This blue banding applies only to nationalised or semi-nationalised UK Banks. There is no pre-determined level of holding which will result automatically in a loss of this banding: A change in this banding will be triggered instead by Government ‘intention’. For example: A Government holding of 15% with a stated intention not to sell any more shares could result in the banding remaining blue, whilst a Government holding of 20% with a stated intention to sell the remaining holding within 6 months could result in the banding being removed and the semi-nationalised UK Bank falling to its stand-alone rating.)

3.10.2 Following this initial classification, the score (hence, potentially, the band) is adjusted downwards to account for negative rating watches or outlooks (i.e. indications by the Agencies that a downgrade is being considered). Scores are further adjusted downwards if Credit Default Swap (CDS) spreads exceed certain barrier levels. UK banks in the Blue band are excepted from these further steps due to the security offered by their nationalised or semi-nationalised status.

3.10.3 In addition to organisations placed in the Blue band under Capita Asset Services – Treasury Solution’s methodology, the Investment Manager may, in exceptional circumstances, include organisations that fall short of ratings criteria, but are backed by an explicit and credible sovereign guarantee.

3.10.4 It is possible that in 2015/16, counterparties will fall into a lower durational banding and even become ‘no colour’ as a result of Rating Agency action, such as removing implied sovereign support. However, this scenario is by no means certain. It is possible that Rating Agencies may decide to alleviate any negative impact on ratings by incorporating other factors, for
example Additional Loss Absorbing Capital (ALAC), such as equity bonds, in their methodologies for rating financial institutions. Capita Asset Services – Treasury Solutions have stress tested their methodology against potential worse case scenarios associated with the removal of implied levels of support and have concluded that a practical, workable counterparty list with security as the primary driving factor would still be available. With so much uncertainty, no change is therefore currently proposed to the GIS Investment Strategy as a result of possible future Rating Agency action, but, as always, the situation will continue to be closely monitored.

3.10.5 In response to the financial crisis of 2008, the financial regulatory framework will be tightened further in 2015, by such European Directives as the Bank Recovery and Resolution Directive (January 2015) and the recast Deposit Guarantee Scheme Directive (3 July 2015). These are part of a package of measures to impose more stringent capital, leverage and liquidity requirements on financial institutions, to try and ensure financial institutions can withstand financial shocks in the future and that a depositor 'bail-in' culture is fostered rather than a sovereign national government 'bail out' culture. As these measures actually strengthen counterparty quality, again there is no proposal to change the current GIS Investment Strategy: Under the auspices of Security, Liquidity and Yield (SLY), the Investment Manager will continue to use high quality counterparties, be mindful of Participant’s cash flow requirements and continue to seek diversification amongst the GIS investments.

3.10.6 However, it is expected that as financial institutions have to meet more stringent Leverage, Net Stable and Liquidity Coverage ratios in 2015, their appetite for very short dated maturities is likely to be severely reduced in 2015. This could have a significant adverse effect on returns under the GIS Investment Strategy, simply because its sole aim is to invest short term cash balances. There will therefore be a need to continue to monitor cash balances closely, including seeking to identify core cash balances which can be invested as participants’ ‘own name’ investments for longer terms, subject to compliance with the investment principles of SLY.

3.10.7 The participants consider the UK government as a zero-risk counterparty for practical treasury management purposes, since the participants’ individual viability, in common with all UK public bodies, depends on the ability of central government to meet its obligations. So long as the Royal Bank of Scotland (RBS) and Lloyds have significant share capital in public ownership, this viewpoint is extended to RBS and Lloyds. Since the 2014-15 GIS Investment Strategy was written, the Government’s intentions regarding its shareholdings in RBS and Lloyds have become clearer.

- With regard to RBS, it is the opinion of the participants that the Government is unlikely to seek to significantly reduce its investment in RBS over the next 12 months. The Government currently has a 80%+ stake in RBS.

- With regard to Lloyds, significant Government divestment in Lloyds is, however, very likely. The Chancellor in December 2014 announced it was the Government’s intention to resume the sell-off of its 24.9% stake in Lloyds Banking Group over the next six months. It is not expected that there will be a full sell off. Current thinking is that the Government will seek to reduce its stake in Lloyds to 20% in the run up to the May 2015 general election. On this basis, participants will therefore continue their approach of keeping Lloyds’ investment duration short. This should make it possible for the GIS to minimise any counterparty risk by being able to keep its Lloyds’
investments within any durational band changes, as the Government’s stake in Lloyds reduces.

- It should be noted that the above opinions may be subject to change after the forthcoming May 2015 election, particularly if there is a change of government.

3.11 Credit Worthiness Policy: Corporate Bonds and non-financial institutions (Type B counterparties)

3.11.1 Following regulatory change to the status of corporate bonds held by local authorities (previously such purchases constituted statutory capital expenditure) opportunity exists for exposure to corporate borrowers other than financial institutions. In the Participants’ view the overall use of corporate bonds will not increase the overall risk taken by the GIS. The use of corporate bonds increases the potential for diversification, liquidity and yield although there is additional risk arising from potentially less complete ratings information for certain bonds (for which reason these institutions do not appear in the ratings service from Capita Asset Services - Treasury Solutions). For this reason the overall exposure to instruments of this type is set at 20% (excluding guaranteed or Multi-lateral Development Bank (MLDB) issues). Exposure to counterparties not covered by the Capita Asset Services – Treasury Solutions methodology shall be governed as follows:

- Maximum exposure to single Type B (e.g. National Grid) counterparty (or group): 5%

- It is the rating of the bond that will be used in the credit factor assessment of the corporate bond investment decision, not the rating of the issuer of the corporate bond.

- Specifically, for all corporate bonds, excluding guaranteed or MLDB issues and including securities issued by Type A counterparties, but carrying a lower rating than the issuer’s individual rating, the following apply:

  Maximum duration: 730 days (24 months)
  Maximum credit factor of any single security: 10.00
  Maximum portfolio credit factor (PCF)\(^2\): 5

- Credit Factors are defined with reference to the approach suggested by Fitch for rated MMFs:

\(^2\) Average for all corporate bonds held, weighted by nominal value
### Credit Risk Factors by Security, Rating and Maturity

<table>
<thead>
<tr>
<th>Days</th>
<th>'AAA'</th>
<th>'AA+'</th>
<th>'AA/F1+'</th>
<th>'AA-'</th>
<th>'A+'</th>
<th>'A/F1'</th>
<th>'A-'</th>
<th>'BBB+'</th>
<th>'BBB'/'F2'</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overnight</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.01</td>
<td>0.02</td>
<td>0.03</td>
<td>0.04</td>
<td>0.07</td>
<td>0.10</td>
</tr>
<tr>
<td>2-7</td>
<td>0.02</td>
<td>0.04</td>
<td>0.06</td>
<td>0.10</td>
<td>0.15</td>
<td>0.20</td>
<td>0.30</td>
<td>0.50</td>
<td>0.80</td>
</tr>
<tr>
<td>8-30</td>
<td>0.10</td>
<td>0.15</td>
<td>0.25</td>
<td>0.40</td>
<td>0.60</td>
<td>0.75</td>
<td>1.30</td>
<td>2.10</td>
<td>3.50</td>
</tr>
<tr>
<td>31-60</td>
<td>0.20</td>
<td>0.30</td>
<td>0.50</td>
<td>0.80</td>
<td>1.20</td>
<td>1.50</td>
<td>2.60</td>
<td>4.20</td>
<td>7.00</td>
</tr>
<tr>
<td>61-90</td>
<td>0.25</td>
<td>0.50</td>
<td>0.75</td>
<td>1.25</td>
<td>1.50</td>
<td>2.50</td>
<td>5.00</td>
<td>7.50</td>
<td>10.00</td>
</tr>
<tr>
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<td>27.00</td>
<td>43.00</td>
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Where no Fitch ratings exist, the following mapping will be used:

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<th>Moodys</th>
<th>S&amp;P</th>
<th>Fitch</th>
<th>Moodys</th>
<th>S&amp;P</th>
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</tr>
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<td>AA</td>
<td>F1+</td>
<td>P-1</td>
<td>A-1+</td>
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<td>AA-</td>
<td>AA-</td>
<td>Aa3</td>
<td>AA-</td>
</tr>
<tr>
<td>A+</td>
<td>A1</td>
<td>A+</td>
<td>A+</td>
<td>A1</td>
<td>A+</td>
</tr>
<tr>
<td>A</td>
<td>A2</td>
<td>A</td>
<td>F1</td>
<td>P-1</td>
<td>A-1</td>
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<tr>
<td>A-</td>
<td>A3</td>
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<td>A-</td>
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<td>A-</td>
</tr>
<tr>
<td>BBB+</td>
<td>Baa1</td>
<td>BBB+</td>
<td>BBB+</td>
<td>Baa1</td>
<td>BBB+</td>
</tr>
<tr>
<td>BBB</td>
<td>Baa2</td>
<td>BBB</td>
<td>F2</td>
<td>P-2</td>
<td>A-2</td>
</tr>
</tbody>
</table>
3.11.2 Furthermore, securities issued by “blue” counterparties will be treated as ‘rating equivalent to UK government’ if, and only if, the Investment Manager and Capita Asset Services – Treasury Solutions believe the counterparty will remain in the Blue category until the instrument matures. All Local Authority bonds will be treated as ‘rating equivalent to UK Government’.

3.11.3 In addition to these high level principles, the Group Treasury team may apply a variety of additional market data and media due diligence measures prior to committing funds to a Type B Counterparty. These will be detailed in the Group Treasury Management Practices (TMPs).

3.12 Construction of Approved Lending Lists for Rated Organisations (Type A Counterparties)

3.12.1 The process by which the Investment Manager will construct the Approved Lending List of rated organisations will consist of:

• taking the range of organisations placed by Capita Asset Services – Treasury Solutions in the Green band and above, prior to outlook and CDS adjustments;

• excluding those domiciled in foreign countries with a Fitch long-term sovereign rating below AA (or equivalent from another agency); and

• including organisations backed by an explicit and credible sovereign guarantee.

3.12.2 The Approved Lending List will be monitored on a daily basis by the Investment Manager and maintained in a manner consistent with the Group Treasury Management Practices (TMPs).

3.13 Construction of Approved Lending Lists for Un-Rated Organisations (Type C Counterparties)

3.13.1 The Investment Manager may add organisations without credit ratings to the Approved Lending List in the following circumstances only:

• The organisation has an explicit, financially credible guarantee from a foreign sovereign state of at least Fitch AA (or equivalent) rating:

  o Treated in the Purple (AAA) or Orange (AA and AA+) band, subject to the duration of deals not exceeding the term of the guarantee;

• The organisation is explicitly guaranteed by a parent company meeting Approved List criteria:

  o Treated in the same band as its parent, subject to the duration of deals not exceeding the term of the guarantee; and

• The organisation is a UK Public Body meeting criteria for loans from the PWLB or National Loans Fund (e.g. Local Authorities, Police and Fire Authorities):

  o Treated as UK government securities. (This is on the basis that participants would not generally take an alternative view on the credit quality of another Public Body to that taken by HM Treasury acting through the PWLB. However, officers may ask of such bodies’ statutory chief finance officers whether their borrowing falls within their affordable limit as defined by the Local Government Act 2003 and
may restrict investments with individual counterparties where there may be a risk that any delay in repayment could disadvantage the participants’ operations)

3.14 Construction of the Operational Lending List of Approved Counterparties (Type A and Type C counterparties)

3.14.1 The Approved Lending List shall form the basis of the Operational Lending List used by the Investment Manager when making investments.

3.14.2 The process by which the Investment Manager will construct the Operational Lending List of rated organisations will consist of:

- taking the range of organisations placed by Capita Asset Services – Treasury Solutions in the Green band and above, after outlook and CDS adjustments;
- excluding those domiciled in foreign countries with a Fitch long-term sovereign rating below AA (or equivalent from another agency); and
- including organisations backed by an explicit and credible sovereign guarantee.

3.14.3 The Operational Lending List will consist of, as a minimum, those counterparties which appear on the Approved Lending List and in which there is a current investment.

3.14.4 It may also include those counterparties on the Approved Lending List which are currently operationally feasible, but in which there is currently no investment e.g. where the counterparty is currently looking for funding in the market, but not offering a sufficient yield to attract an investment. Counterparties currently not looking for funding in the market should normally not be included in the Operational Lending List.

3.14.5 At no time will the Operational Lending List include counterparties that are not already on the Approved Lending List.

3.14.6 For the further control of risk, the Operational Lending List may be subject to temporary restrictions to higher levels of credit worthiness or suspension of countries or individual counterparties on the basis of professional external advice or the due diligence of the Investment Manager.

3.14.7 The Operational Lending List will be monitored and maintained in exactly the same way as the Approved Lending List.

3.15 Counterparty Limits for Short Term Balances

3.15.1 The durational band after adjustment for outlook and CDS data, where available, determines the limits on acceptable exposure in terms of both total invested and duration as follows:
### Limits for Short Term Balances

<table>
<thead>
<tr>
<th>Band</th>
<th>Max. Tenor</th>
<th>Overnight</th>
<th>&gt; 1 day</th>
<th>&gt; 3 months</th>
<th>&gt; 6 months</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow</td>
<td>5 years</td>
<td>100%</td>
<td>30%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Purple</td>
<td>2 years</td>
<td>100%</td>
<td>20%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Blue</td>
<td>1 year</td>
<td>100%</td>
<td>50%</td>
<td>50%</td>
<td>25%</td>
</tr>
<tr>
<td>Orange</td>
<td>1 year</td>
<td>50%</td>
<td>15%</td>
<td>10%</td>
<td>5%</td>
</tr>
<tr>
<td>Red</td>
<td>6 months</td>
<td>25%</td>
<td>10%</td>
<td>5%</td>
<td>n/a</td>
</tr>
<tr>
<td>Green</td>
<td>3 months</td>
<td>10%</td>
<td>5%</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>UK Sovereign</td>
<td>5 years</td>
<td>100%</td>
<td>No more than 50% &gt;12 months</td>
<td>Percentages applied to daily balance Percentages are applied to forecast average balance over the term of the proposed investment as at the date of investment and are cumulative</td>
<td></td>
</tr>
</tbody>
</table>

3.15.2 The limits above are overlaid with the following considerations:

- Companies within the same group shall be subject to group limits, defined as the limits applying to the highest rated member of the group; and

- When placing new investments, other than overnight, exposure to organisations domiciled in any one state, excepting the United Kingdom, exposure relative to the forecast average balance shall not exceed 25% for AAA rated states, 15% for AA+ rated states or 5% for AA rated states.

- The 5 year limit for “Yellow” counterparties may be reduced depending on the type of instrument and the trading status. For term deposits, the maximum tenor is 2 years.

3.16 Deposit Facility of Last Resort

3.16.1 In the circumstance of being unable to place funds with counterparties on the Operational List within approved limits, the Investment Manager will attempt to place the surplus funds with the Debt Management Agency Deposit Facility (DMADF). This facility may, of course, also be used in other circumstances if it offers rates above equivalent market levels, though in past experience this is unlikely. Where the sums to be invested were large or durations significant, officers would investigate the use of UK government securities held to maturity (or MMFs investing solely in these instruments) and within the parameters of the overall strategy adopt the financially preferable course.
3.16.2 In the instance of technical failures or unexpected monies being received after the cut-off time for sending payments, the Investment Manager will have no choice but to leave the funds with the GLA’s bankers, RBS. In such circumstances, the funds will be moved to the GLA’s call account at RBS. At present, however, the quasi-governmental security of RBS arising from the high level public ownership means it ranks as a ‘blue’ counterparty and enjoys a 100% overnight limit.
Appendix 5: Treasury Management Practices: Main Principles

1. INTRODUCTION

1.1 The Treasury Management Practices (TMPs): Main Principles below set out the manner in which the Authority will seek to achieve its Treasury policies and objectives. These TMPs: Main Principles follow the wording recommended by the latest edition of the CIPFA Treasury Management Code.

1.2 TMPs: Main Principles are supported by TMPs: Schedules, which provide specific details of the systems and routines employed and the records to be maintained to deliver the TMPs: Main Principles. These Schedules are maintained and updated as necessary, being operational procedures and forming an integral part of the Authority’s treasury management manual.

1.3 Approval and monitoring of TMPs is a matter for local decision. As such the TMPs: Principles will be approved by the Authority and monitored by the Director of Finance and Contractual Services and annually reviewed by the Authority before the start of the year.

1.4 TMPs: Schedules will be approved, monitored and annually reviewed by the Director of Finance and Contractual Services.

1.5 Scrutiny of the approval and monitoring of TMPs will be performed by the Resources Committee following recommendations by the Director of Finance and Contractual Services.

2. TMP1 RISK MANAGEMENT

2.1 General statement

2.1.1 The Director of Finance and Contractual Services will design, implement and monitor all arrangements for the identification, management and control of treasury management risk, will report at least annually on the adequacy/suitability thereof, and will report, as a matter of urgency, the circumstances of any actual or likely difficulty in achieving the organisations objectives in this respect, all in accordance with the procedures set out in TMP6 ‘Reporting requirements and management information arrangements’.

2.1.2 In respect of each of the following risks, the arrangements which seek to ensure compliance with these objectives are set out in the TMPs: Schedules.

2.2 Credit and counterparty risk management

2.2.1 The Director of Finance and Contractual Services regards a key objective of the Authority’s treasury management activities to be the security of the principal sums it invests. Accordingly, he/she will ensure that its counterparty lists and limits reflect a prudent attitude towards organisations with whom funds may be deposited, and will limit investment activities to the instruments, methods and techniques referred to in the TMP4 Approved instruments, methods and techniques and listed in the TMPs: Schedules. The Director of Finance and Contractual Services also recognises the need to have, and will therefore maintain, a formal counterparty policy in respect of those organisations from which the Authority may borrow, or with whom it may enter into other financing arrangements.
2.3 **Liquidity risk management**

2.3.1 The Director of Finance and Contractual Services will ensure the Authority has adequate though not excessive cash resources, borrowing arrangements, overdraft or standby facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives.

2.3.2 The Director of Finance and Contractual Services will only borrow in advance of need where there is a clear business case for doing so and will only do so for the current capital programme or to finance future debt maturities.

2.4 **Interest rate risk management**

2.4.1 The Director of Finance and Contractual Services will manage Authority exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the amounts provided in its budgetary arrangements as amended in accordance with TMP6 ‘Reporting requirements and management information arrangements’.

2.4.2 The Director of Finance and Contractual Services will achieve this by the prudent use of Authority approved instruments, methods, and techniques, primarily to create stability and certainty of costs and revenues, but at the same time retaining a sufficient degree of flexibility to take advantage of unexpected, potentially advantageous changes in the level or structure of interest rates. This should be subject to the consideration and, if required, approval of any policy or budgetary implications.

2.5 **Exchange rate risk management**

2.5.1 The Director of Finance and Contractual Services will manage the Authority’s exposure to fluctuations in exchange rates, so as to minimise any detrimental impact on its budgeted income/expenditure levels.

2.6 **Refinancing risk management**

2.6.1 The Director of Finance and Contractual Services will ensure that Authority borrowing, private financing and partnership arrangements are negotiated, structured and documented, and the maturity profile of the monies so raised are managed, with a view to obtaining offer terms for renewal or refinancing, if required, which are competitive and as favourable to the Authority as can reasonably be achieved in the light of market conditions prevailing at the time.

2.6.2 The Director of Finance and Contractual Services will actively manage Authority relationships with its counterparties in these transactions in such a manner as to secure this objective, and will avoid overreliance on any one source of funding if this might jeopardise achievement of the above.
2.7 Legal and regulatory risk management

2.7.1 The Director of Finance and Contractual Services will ensure that all Authority treasury management activities comply with statutory powers and regulatory requirements. He/She will demonstrate such compliance, if required to do so, to all parties with whom the Authority deals in such activities. In framing its credit and counterparty policy under TMP[1] 'credit and counterparty risk management', he/she will ensure that there is evidence of counterparties' powers, authority and compliance in respect of the transactions they may effect with the Authority, particularly with regard to duty of care and fees charged.

2.7.2 The Director of Finance and Contractual Services recognises that future legislative or regulatory changes may impact on treasury management activities and, so far as it is reasonably able to do so, will seek to minimise the risk of these impacting adversely on the Authority.

2.8 Fraud, error and corruption, and contingency management

2.8.1 The Director of Finance and Contractual Services will ensure that he/she has identified the circumstances which may expose the Authority to the risk of loss through fraud, error, corruption or other eventualities in its treasury management dealings. Accordingly, he/she will maintain effective contingency management arrangements, to these ends.

2.9 Market risk management

2.9.1 The Director of Finance and Contractual Services will seek to ensure that the Authority's stated treasury management policies and objectives will not be compromised by adverse market fluctuations in the value of the principal sums it invests, and will accordingly seek to protect the Authority from the effects of such fluctuations.

3.0 TMP2 PERFORMANCE MEASUREMENT

3.1 The Director of Finance and Contractual Services is committed to the pursuit of value for money in the Authority’s treasury management activities, and to the use of performance methodology in support of that aim, within the framework set out in the Authority’s treasury management policy statement.

3.2 Accordingly, the treasury management function will be the subject of ongoing analysis of the value it adds in support of the organisation’s stated business or service objectives. It will be the subject of regular examination of alternative methods of service delivery, of the availability of fiscal or other grant or subsidy incentives, and of the scope for other potential improvements. The performance of the treasury management function will be measured using the criteria set out in the TMPs: Schedules.

4.0 TMP3 DECISION-MAKING AND ANALYSIS

4.1 The Director of Finance and Contractual Services will maintain full records of Authority treasury management decisions, and of the processes and practices applied in reaching those decisions, both for the purposes of learning from the past, and for demonstrating that reasonable steps were taken to ensure that all issues relevant to those decisions were taken into account at the time. The issues to be addressed and processes and practices to be pursued in reaching these decisions are detailed in the TMPs: Schedules.
5.0 TMP4 APPROVED INSTRUMENTS, METHODS AND TECHNIQUES

5.1 The Director of Finance and Contractual Services will undertake Authority treasury management activities by employing only those instruments, methods and techniques detailed in the schedule to this document, and within the limits and parameters defined in TMP1 ‘Risk management’.

6.0 TMP5 ORGANISATION, CLARITY AND SEGREGATION OF RESPONSIBILITIES, AND DEALING ARRANGEMENTS

6.1 The Director of Finance and Contractual Services considers it essential, for the purposes of the effective control and monitoring of the Authority’s treasury management activities, for the reduction of the risk of fraud or error, and for the pursuit of optimum performance, that these activities are structured and managed in a fully integrated manner, and that there is at all times a clarity of treasury management responsibilities.

6.2 The principal on which this will be based is a clear distinction between those charged with setting treasury management policies and those charged with implementing and controlling these policies, particularly with regard to the execution and transmission of funds, the recording and administering of treasury management decisions, and the audit and review of the treasury management function.

6.3 If and when the Authority intends, as a result of lack of resources or other circumstances, to depart from these principles, the Director of Finance and Contractual Services will ensure that the reasons are properly reported in accordance with TMP6 ‘Reporting requirements and management information arrangements’, and the implications properly considered and evaluated.

6.4 The Director of Finance and Contractual Services will ensure that there are clear written statements of the responsibilities for each post engaged in treasury management, and the arrangements for absence cover. The Director of Finance and Contractual Services will also ensure that at all times those engaged in treasury management will follow the policies and procedures. The present arrangements are detailed in the TMPs: Schedules.

6.5 The Director of Finance and Contractual Services will ensure there is proper documentation for all deals and transactions, and that procedures exist for the effective transmission of funds. The present arrangements are detailed in the TMPs: Schedules.

6.6 The delegations to the Director of Finance and Contractual Services in respect of treasury management are set out in the TMPs: Schedules. The Director of Finance and Contractual Services will fulfil all such responsibilities in accordance with the Authority’s policy statement and TMPs and if a CIPFA member, the ‘Standard of Professional Practice on Treasury Management’.

7.0 TMP6 REPORTING REQUIREMENTS AND MANAGEMENT INFORMATION ARRANGEMENTS.

7.1 The Director of Finance and Contractual Services will ensure that regular reports are prepared and considered on the implementation of Authority treasury management policies; on the effects of decisions taken and transactions executed in pursuit of those policies; on the implications of changes, particularly budgetary, resulting from regulatory, economic, market
or other factors affecting its treasury management activities; and on the performance of the
treasury management function.

7.2 As a minimum:

The Authority will receive

- an annual report on the proposed strategy and plan to be pursued in the coming year
- a mid-year review
- an annual report on the performance of the treasury management function, on the effects
  of the decisions taken and the transactions executed in the past year, and on any
  circumstances of non-compliance with the organisation's treasury management policy
  statement and TMPs.

7.3 The Resources Committee, as the body with responsibility for the scrutiny of treasury
management policies and practices, will receive regular monitoring reports on treasury
management activities and risks.

7.4 The Resources Committee responsible for scrutiny, such as an audit or scrutiny committee,
will have responsibility for the scrutiny of treasury management policies and practices.

7.5 Local authorities should report the treasury management indicators as detailed in their sector-
specific guidance notes.

7.6 The present arrangements and the form of these reports are detailed in the TMPs: Schedules.

8.0 TMP7 BUDGETING, ACCOUNTING AND AUDIT ARRANGEMENTS

8.1 The Director of Finance and Contractual Services will prepare, and the Authority will approve
and, if necessary, from time to time will amend, an annual budget for treasury management,
which will bring together all of the costs involved in running the treasury management
function, together with associated income. The matters to be included in the budget will at
minimum be those required by statute or regulation, together with such information as will
demonstrate compliance with TMP1 'Risk management', TMP2 'Performance measurement',
and TMP4 'Approved instruments, methods and techniques'.

8.2 The Director of Finance and Contractual Services will exercise effective controls over this
budget, and will report upon and recommend any changes required in accordance with
TMP6 'Reporting requirements and management information arrangements'.

8.3 The Director of Finance and Contractual Services will account for the Authority's treasury
management activities, for decisions made and transactions executed, in accordance with
appropriate accounting practices and standards, and with statutory requirements in force for
the time being.

9.0 TMP8 CASH AND CASH FLOW MANAGEMENT

9.1 Unless statutory or regulatory requirements demand otherwise, all monies in the hands of this
Authority will be under the control of the Director of Finance and Contractual Services, and
will be aggregated for cash flow and investment management purposes. Cash flow projections will be prepared on a regular and timely basis, and the Director of Finance and Contractual Services will ensure that these are adequate for the purposes of monitoring compliance with TMP1 (1.3) ‘liquidity risk management’. The present arrangements for preparing cash flow projections, and their form are set out in the TMPs: Schedules.

10  TMP9 MONEY LAUNDERING

10.1 The Director of Finance and Contractual Services is alert to the possibility that the Authority may become the subject of an attempt to involve it in a transaction involving the laundering of money. Accordingly, it will maintain procedures for verifying and recording the identity of counterparties and reporting suspicions, and will ensure that staff involved in this are properly trained. The present arrangements, including the name of the officer to whom reports should be made, are detailed in the TMPs: Schedules.

11.  TMP10 TRAINING AND QUALIFICATIONS

11.1 The Director of Finance and Contractual Services recognises the importance of ensuring that all staff involved in the treasury management function are fully equipped to undertake the duties and responsibilities allocated to them. He/She will therefore seek to appoint individuals who are both capable and experienced and will provide training for staff to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. The Director of Finance and Contractual Services will recommend and implement the necessary arrangements.

11.2 The Director of Finance and Contractual Services will ensure that Authority members tasked with treasury management responsibilities, including those responsible for scrutiny, have access to training relevant to their needs and those responsibilities.

11.3 Those charged with governance recognise their individual responsibility to ensure that they have the necessary skills to complete their role effectively.

11.4 The present arrangements are detailed in the TMPs: Schedules.

12.0 TMP11 USE OF EXTERNAL SERVICE PROVIDERS

12.1 The Authority recognises that responsibility for the treasury management decisions remains with the Authority at all times. It recognises that there may be potential value in employing external providers of treasury management services, in order to acquire access to specialist skills and resources. When it employs such service providers, it will ensure it does so for reasons which have been submitted to a full evaluation of the costs and benefits. It will also ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review. And it will ensure, where feasible and necessary, that a spread of service providers is used, to avoid overreliance on one or a small number of companies. Where services are subject to formal tender or re-tender arrangements, legislative requirements will always be observed. The monitoring of such arrangements rests with the Director of Finance and Contractual Services, and details of the current arrangements are set out in the TMPs: Schedules.
13.0 TMP12 CORPORATE GOVERNANCE

13.1 The Authority is committed to the pursuit of proper corporate governance throughout its businesses and services, and to establishing the principals and practices by which this can be achieved. Accordingly, the treasury management function and its activities will be undertaken with openness and transparency, honesty, integrity and accountability.

13.2 This Authority has adopted and implemented the key principles of the TM Code. This, together with the other arrangements detailed in the TMPs; Schedules, are considered vital to the achievement of proper corporate governance in treasury management, and the Director of Finance and Contractual Services will monitor and, if and when necessary, report upon the effectiveness of these arrangements.
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Summary

The Authority agreed in principle at its meeting in January that LFEPA would join the pan-GLA Collaborative Procurement Team (FEP 2377). This was on the basis that its creation is approved in time for the 2015/16 financial year. Officers explained that further information on the operation of the new team, the proposed governance structure and the savings that would be factored into the budget for 2015/16 would be provided once the formal consultation process, led by the Greater London Authority (GLA), was complete.

This report sets out the work that has been undertaken on the creation of the new team since January. It addresses the requirements for the discharge of certain procurement functions by the proposed pan-GLA Collaborative Procurement Team (“Team”), under the direction of a joint committee to be known as the GLA Group Procurement Board, the expectations of the LFEPA representative on the board and seeks approval for the actions required to formalise LFEPA’s membership of the GLA Group Procurement Board.

Recommendations

The Authority is asked to:

1. Note that the GLA Oversight Committee considered the proposal to establish a pan-GLA Group collaborative procurement function at their meeting on 27 January 2015, confirmed their support for the project and expectation that issues raised at the meeting would be addressed.
2. Confirm agreement to LFEPA jointly forming and participating in the GLA Group Procurement Board with the GLA; Transport for London (TfL); London Legacy Development Corporation (LLDC); the Mayors Office for Policing and Crime (MOPAC) and the Metropolitan Police Service (MPS) ("Parties") pursuant to Section 401A(4) of the Greater London Authority Act 1999.

3. Approve in the delegation to the GLA Group Procurement Board of the discharge of specified functions related to the establishment, execution and operation of framework arrangements pursuant to Section 401A(2) and (3) of the Greater London Authority Act 1999 and Sections 5A and 16 of the Fire and Rescue Services Act 2004. These functions ("Specified Functions") are set out in para 7 below.

4. Approve a contribution by LFEPA of £38K towards the staff costs of the joint procurement team.

5. Appoint the Director of Financial and Contractual Services as LFEPA's representative on the GLA Group Procurement Board.

6. Instruct officers to take all necessary action and to complete and execute all documentation required to implement LFEPA's participation in the GLA Group Procurement Board.

7. Note that the Director of Financial and Contractual Services will include updates on decisions taken and activities overseen by the GLA Group Procurement Board in the quarterly financial position reports presented to the Resources Committee.

Background

1. The Budget Update report presented to the Resources Committee and to the Authority at their respective meetings in January 2015 set out the following with regard to a proposed Pan-GLA Group collaborative procurement team:—

"As set out in the briefing note from the Head of Procurement dated 3 December 2014, work has been undertaken with other GLA representative bodies to evaluate the feasibility of establishing a pan-GLA group collaborative procurement team. A pan-GLA steering group was formed to support a review of the potential to collaborate and deliver a viable business case for savings and efficiencies. The evaluation has indicated that such a procurement team could deliver £5.7m of third party cost reductions across the GLA group annually and achieve a more efficient and streamlined operation.

This was set out in the Appendix F of the Mayor’s draft consultation budget which explained that the review of current procurement spend across the GLA group indicated the potential for a pan-GLA team to manage procurement expenditure of common and low complexity categories for each of the functional bodies, with the potential in the future to explore shared management expenditure that falls in the common and high complexity category. The draft budget explained that it is proposed that a joint board with functional body representation, chaired by the Mayor’s Chief of Staff, will oversee the governance of the team that is to be established.

The draft budget also explained that in addition to the cost reductions the possibility of achieving other benefits from supply chain collaboration will be evaluated by the joint board. Some examples include:
• whether more common and complex categories of spend can be procured by the collaborative team (once the collaborative team is well established and delivering procurement services across the GLA group);

• supply chain effectiveness and distribution and logistics improvement which could deliver fewer vehicles and lower emissions on London’s roads; and

• expansion into the wider public sector to offer enhanced commercial deals for others.

The current expectation is that the costs of the function will be re-charged to each body according to the proportion of its spend that is to be managed (TFL = 74.9%, MPS = 17.9%, LLDC = 5.1%, LFB = 2%). The cost to LFEPA in the first year is anticipated to be £38k which is a reduction in the current cost of this provision of £54k. The suggested overall saving through the addition of collaborative procurement efficiencies would see the saving increase to £87k in 2015/16 and £211k in 2016/17.

As explained in the briefing note of 3 December 2014 the creation of this team will not require the secondment of any staff from LFEPA. This is on the basis that, in common with the LLDC, there is no individual post leading on this work for the Brigade who could be offered the opportunity to second into the new team. However there will be an opportunity for suitable members of staff from any of the GLA bodies to apply to manage the team as part of the recruitment process for that new post.

Formal consultation of the GLA Oversight Committee on these proposals is due to take place on 27 January 2015. In the meantime approval is sought in principle for LFEPA to join the team on the basis that its creation is approved in time for the 2015/16 financial year. Further information on the operation of the new team, the proposed governance structure and the anticipated savings that can be factored into the budget for 2015/16 will be provided once the formal consultation process is complete.”

2 The GLA Oversight Committee considered the proposals at their meeting on 27 January, 2015. They agreed that their comments be noted prior to the Mayor’s Decision under Section 401A of the Greater London Authority Act 1999 (Act). The Chair summarised the comments as follows:-

“The Assembly wished the project to go ahead without delay, but expected the issues raised during the meeting to be addressed, in particular:

- Named individuals in each organisation to be held to account;
- Clearly set out milestones showing what would be achieved in the first two years;
- More ambitious, but achievable targets for savings over a reasonable timescale, with clarity about what savings were being made;
- The planned approach to ethical and fair trade procurement; and
- A focus on ensuring that TfL’s approach to efficiency would be closely monitored.”

3. The Committee asked for an update at one of its meetings during autumn 2015.
Governance and Documentation.

4 The detailed governance arrangements are still being finalised. The core overarching document for setting up the joint committee will be one titled “Joint Committee Arrangements for the GLA Group Procurement Board” (“Arrangements”). The Arrangements reference the “Working Arrangement Document” (“WAD”) which sets out the specific arrangements for discharging the Specified Functions. All of the participating bodies will be party to the Arrangements and the WAD. The Arrangements are being entered into under Section 401A of the Act by which any “relevant London authority” may enter into arrangements for the provision of administrative, professional or technical services by any one of them to any one or more of them or by a joint committee whether for monetary value or otherwise. LFEPA, the other participating bodies and the GLA Group Procurement Board (“Board”) are “relevant London authorities” for the purposes of the Act.

5 The draft Arrangements document sets out the agreement of the parties to establish the Board and confirmation that the Board will operate and discharge specified procurement functions in accordance with the WAD, a further item of the governance matrix. The delegation to and empowerment of the Board to discharge the specified procurement functions is confirmed by the parties in the draft Arrangements document. The Board will have discretion to make binding decisions relating to the day to day discharge of the Specified Functions and to authorise officers of the Parties to do so. The Board will discharge those functions from the commencement of the Arrangements and will have discretion to make decisions relating to the day to day discharge of the functions.

6 It is proposed that the Director of Finance and Contractual Services shall serve as the LFEPA representative on the GLA Group Procurement Board. They will be required to attend each Board meeting to represent the procurement and contracting interests of the Authority relating to all in-scope categories. The operational functions for delegation will be outlined in full detail in the Working Arrangements Document (WAD) but are outlined in principle in para 7 below. The WAD will be signed by an authorised officer of each Functional Body in order to bring the GLA group Collaborative Procurement Team into being. The Procurement Board will approve Commercial decisions on behalf of all Functional Bodies such as Framework award decisions, high value mini-competition award (if appropriate) and overarching procurement strategies. In addition there is an expectation that the LFEPA Board member will review and report back to Authority members the Team performance based on delivery of savings and compliance to ensure the collaborative arrangements let are adhered to and meeting the requirements of LFEPA. Any Party demonstrating non-compliance and ‘maverick’ spending will be expected to put measures in place to avoid future instances of this within their organisation.

7 The Specified functions are;

- Strategy and planning of procurement activities – which involves the design of the overarching procurement strategy in each category including setting the overall business case and ongoing delivery plan.
- Sourcing – the development of the requirements specification through the full procurement process to framework award and contract development.
- Commercial contract management – ensuring the frameworks and other arrangements comply with all regulatory and policy requirements whilst setting
commercially astute performance measures for suppliers including financial recompense for poor performance.

- Supplier performance management – this will ensure full supplier relationship management is in place including auditing, risk management and issue resolution and dispute management.

- Supplier and market development – this incorporates any strategic planning for future procurement strategy development and any engagement with the supplier market that arises as a consequence.

- Procurement performance management – the controls required to allow for the monitoring of the performance and benefits management of the Team.

- Procurement reporting, insight and knowledge – any research, benchmarking, data collation and analysis required for intelligent reporting to the procurement board.

- Customer relationship management – this includes all the tools required to enable the Team to manage the needs of all the Parties serviced by the collaborative team such as a helpdesk, demand and customer reporting and management of the procurement portal facilitating electronic exchange throughout the procurement process.

8 The draft “Arrangements” document confirms that the Board will discharge the functions on a cost recovery and not-for-profit basis and that the budget will be calculated in accordance with a charging formula set out in the WAD. It also confirms that the parties agree to act in relation to a discharge of the specified functions as though it is transferred under the TUPE regulations, but also that there are no proposals to transfer any staff so neither the TUPE Regulations 2006 nor the Cabinet Office Statement on Practice on Staff Transfers apply.

9 Each party shall be solely responsible for any loss incurred by it in relation to the Arrangements and no party shall entitled to take legal action in respect of any breach by one other parties to the Arrangement.

10 The purpose of the WAD is stated to be to define the scope of functions to be discharged by the Board on behalf of the Parties. It will set out the processes and procedures by which the Board will deliver the Specified Functions; identify the representatives of the Parties; confirm the budget and the contribution of each Party calculated in accordance with a specified formula; set out the performance expectations and deal with conflicts of interest, confidentiality, key contact meetings, Freedom of Information Act requests and insurance.

Savings for 2015/16 and procurement team details

11 As set out in the January budget update the Team will manage common procurement expenditure of low complexity for each of the Parties. The categories are as follows: Professional Services; recruitment; marketing; utilities; office supplies and equipment; travel; print; uniform; fuel and post.

12 The new Team is forecast to cost £576k in the first year. This is based on a Team of 26 FTEs and the current intention is for the Team to go live by 1 April 2015. It is estimated that there will then be a requirement of 3 months to transition into the new operating model and to build an effective Team and governance cycle. It will take approximately 15 months from go live to
achieve target savings levels at which point approximately £1.4 million per quarter will be
realised across the GLA group.

13 As explained in the January Budget Update report the savings attributable to LFEPA are £87k
in 2015/16 and £211k in 2016/17. This represents the partial non-cashable saving in the cost
of an FRS F, which although not an identifiable post, is the calculated cost of current
provision of this service within the Authority. This is supplemented by the expected
additional efficiency savings to be achieved through economies of scale in letting future
contracts.

14 The Team itself will be hosted and located in TfL premises. The GLA will be the contracting
authority for the purposes of the public contracts regulations with the responsibility of
facilitating and entering single framework contracts to which each Party will then have access
to utilise on a call off basis.

15 The Team will be staffed on a secondment basis as this allows for the initial set up of the Team
to be achieved at the lowest cost with the majority of staff (22) seconding in directly from TFL
with a further (4) from MPS. This model also reduces implementation and risk of change costs
to a minimum as the vast majority of staff in the new team are already based at TFL and as a
consequence are experienced in the procedures and working practices which will be
expected of the new Team. LFEPA and LLDC will not be seconding individuals into the Team,
and will pay a service charge of £38k which as detailed in paragraph 1 is a reduction in the
current cost of provision and as such will be met from budgets. This report therefore seeks
approval to pay this contribution to the GLA. This will allow LFEPA to retain all its current staff
allowing this to be recognised as a non-cashable operational efficiency and enabling the
resource to be utilised more tactically in the procurement and contract management of the
Authority’s major strategic contracts whilst receiving the service at a slightly lesser cost. It is
currently expected that this service charge will increase to £49K in 2016/17. The extra charge
is proportional across the Parties and helps repay capital set up costs back to the GLA. This
will be addressed in the 2016/17 budget process.

Head of Legal and Democratic Services comments

16 The Head of Legal and Democratic Services has read and incorporated comments into the
body of the report.

Director of Finance and Contractual Services comments

17 This report proposes that LFEPA jointly forms and participates in the GLA Procurement Board
with the GLA, TfL, LLDC, MOPAC and the MPS.

18 The cost of this due to LFEPA would be £38k in 2015/16 and £49k in 2016/17. It has been
forecast that this would enable savings within LEFPA of £87k in 2015/16 and £211k in
2016/17, of which cashable savings would be £33k and £157k respectively. These figures are
summarised below.

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<th>2015/16 £k</th>
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<td>Cashable Saving</td>
<td>33</td>
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19 The net budget pressure of £5k in 2015/16 will be contained within existing budgets and the savings achieved from 2016/17 onwards will be included as part of the budget setting process for 2016/17.

Sustainable Development implications

20 The London Assembly expects the project to address the planned approach to ethical and fair trade procurement. Policy statements in the GLA Group Responsible Procurement Policy cover these issues, however the approach to implementation of the policy continues to differ across functional bodies. The establishment of the new procurement structure provides the opportunity for a consistent approach and should draw upon the varied good practice across the functional bodies on implementation of responsible procurement. To meet the Assembly’s request, a refresh of the Responsible Procurement Policy should also be undertaken. It was last reviewed in 2008 and much experience has been gained since that time and a number of policy statements are now out of date or not applicable, whilst new areas such as the circular economy, picked up in the Mayor’s Infrastructure Plan need to be incorporated. The GLA Procurement Board would provide an appropriate mechanism to oversee this refresh.

21 Procurement performance management is to be included in the functions to be discharged. This will not affect the monitoring of Authority’s performance on areas such as spend with Small to Medium Sized Enterprises. This data will however help to measure the performance of implementing the Responsible Procurement Policy through the new pan GLA procurement group.

Staff Side consultations undertaken

22 A meeting to discuss the creation of this new team and the impact on the work carried out by staff at LFEPA was held with Unison, GMB and FBU, on the 8 January 2015.

Equalities implications

23 The GLA group is noted for its innovative work in progressing diversity aims through the allocation and management of framework contracts. The proposed collaborative team will further enable the group to share good practice and deliver efficiency savings.

List of Appendices to this report: None
**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**List of background documents**
- Briefing note of 3rd December
- Jan Budget Update report.

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Summary
In November 2011, the Authority agreed (report FEP 1830) the creation of an earmarked reserve to fund a budget of £2,000,000 per year for three years to 2014/15 to establish a new team to review existing and produce new national operational guidance. The Authority’s leadership has been instrumental in the success of the programme, which has been founded on an effective partnership with Chief Fire Officers’ Association (CFOA), the Local Government Association (LGA), and the Chief Fire and Rescue Adviser (CFRA).

Using the Brigade’s rigorous approach to programme and project management, the programme has achieved a number of significant objectives, amongst which are a review of the existing catalogue to confirm that which is still current; the creation of a policy framework that eradicates duplication and contradiction; the production of nine key pieces of guidance and all within anticipated outturn expenditure of just over half of the original budget.

This report also sets out new arrangements and intentions for a second phase of the programme starting in 2015/16.

Recommendation

That the Authority notes the report.
Background

1. National operational guidance is intended to develop and enhance safe systems of work, promote interoperability between brigades and promote effective operational deployment. By setting out good practice principles for planning and response, it is intended to inform local operational policies and procedures. It cannot altogether replace them, as responsibility for maintaining safe practices and effective operations lies with each Fire Authority and Chief Fire Officer who must ensure that all adopted policies and procedures provide for local circumstances and resources.

2. Therefore, whilst local operational policies and procedures are also necessary, the purpose of national guidance is to benchmark standards of operations and provide a common framework for all UK fire and rescue services against which to test compliance with legal responsibilities.

3. Between 2008 and 2012, the National Framework placed responsibility for the provision of national operational guidance with the Chief Fire and Rescue Advisor (CFRA), who established a new Operational Guidance Framework in March 2009 after taking over the responsibility from Her Majesty’s Fire Service Inspectorate. Following a review of the guidance documentation that was in existence at that time, which numbered over 8,000 documents, they began work to update the 20 or so pieces of guidance which were deemed to be risk critical. However, very few of those guides were published.

4. In addition, the Department for Communities and Local Government (DCLG) grant-funded individual initiatives to supplement that work with generic risk assessments and standard operational procedures with mixed success. The Department’s initial intention, to review and replace its guidance catalogue, was not fulfilled.

The need to update national guidance

5. Although an absence of national operational guidance on new risks and new methods of response would be a significant issue in itself, the issues surrounding outdated guidance should also not be underestimated. The existence of national guidance which is no longer recognised as good practice could be misleading or even significantly damaging to FRs. It is possible that any or all extant guidance may be deployed as “best practice” by Health and Safety Executive (HSE) inspectors, or by prosecutors in corporate or gross negligence manslaughter and personal injury cases, regardless of whether or not it is still viewed as such by the service itself. Where the actions or decisions of individuals or an authority are called into question in such circumstances, any significant difference between extant national guidance and the Brigade’s policies and procedures could be called into question and seen as material. It was therefore vital that the work was undertaken.

6. The Brigade was in the unique position of having the capacity and capability to provide this important function and in November 2011, the Authority approved FEP 1830, providing the resources and mandate to establish the National Operational Guidance Programme (NOGP) for a period of three years. The Brigade took this programme forward in partnership with the Chief Fire Officers’ Association (CFOA), the Local Government Association (LGA), and the Chief Fire and Rescue Adviser (CFRA) with three key aims:

- The review of the existing legacy guidance, produced by various government departments and their agents over 50 years;
- The development and implementation of a three-year rolling programme of guidance development; and
• The development of a rigorous project and programme management approach, to deliver high quality guidance in a cost-effective and timely fashion.

7. The national programme cannot replace the duty of each fire and rescue service to undertake full risk assessments of the activities they require their staff to undertake. However, the production of national guidance means that local resources can focus on risk assessments, tailoring national policy and procedure products to meet local needs, saving time and effort.

Delivering the aims of the programme
8. The programme has been extremely successful and is on track to deliver all planned projects, as well as two unforeseen projects arising from new national resilience capabilities, on time, to budget and to a much higher quality standard than that of previous guidance, based on the feedback received for completed guidance to-date.

9. This is due to a number of factors, including strong, streamlined governance; extensive stakeholder engagement; participation from the private sector, the Health and Safety Executive (HSE), fire services, and related professional bodies; close engagement with trades unions; an effective and well-resourced programme team; and leadership and involvement from Chief Fire Officers and their staff from across the country.

Reviewing existing guidance
10. FEP 1830 acknowledged the urgent need to review the existing catalogue of guidance, which was in a state of disrepair by 2012.

11. The programme established a legacy position project to review over 8000 pieces of guidance that had been produced by different government departments over 50 years. As there had been no consistent catalogue management prior to 2012, there were a number of guidance documents dating back decades that were still considered extant by the service, the courts and the service’s partners. There was also a considerable amount of duplication and conflict.

12. The Fire Service College agreed to support the work of the programme by offering the services of its college librarian to perform this review free-of-charge. Her personal knowledge of the material is unrivalled in the industry, and her contribution was considerable. For over a year, she worked with members of the programme team to build a definitive catalogue of less than 500 extant operational guidance documents. These have since been published on the website specifically designed and set-up to support the NOG programme. The strategic aim of the programme is to replace that catalogue, addressing gaps and obsolescence.

Developing a programme of work
13. Officers’ original intention was to create a new rolling three year programme of work which would be prioritised in relation to new emerging risks, legislative change, technical developments, outcomes of reviews/inquiries/inquests, research findings and safety events.

14. A number of different analyses were performed at the start of the programme to establish the best means of prioritising a schedule of work. The variables included the number of related firefighter injuries, injuries to members of the public, high-potential near misses recorded by the Health and Safety Executive, volumes of specific incidents, and the risks held on community risk registers. However, the structure of the catalogue of extant guidance itself meant that none of these approaches was able to usefully inform the order of work. For example, there was no ready means of distinguishing between the need to update the guidance on working in tunnels and on railways and the guidance on safe working at height.
15. At the same time, the programme considered a way to structure the catalogue to address problems of conflict and duplication within and between documents. Given the imperfections of performing a statistical analysis to prioritise work, and the issues with the extant catalogue, the programme opted to build a new catalogue.

16. The result was the creation of a tiered framework for guidance. Information relevant for all incidents forms the foundation guidance (for example, ‘Operations’ and ‘Incident Command’), which is supplemented as necessary with guidance for specific circumstances (for example ‘Firefighting in waste management complexes’). This eliminates duplication and ensures consistency across the catalogue, which is a critical feature for local brigades seeking to review policies and procedures against national standards. Specialist documents are, therefore, concise and specific. This means that the catalogue is greatly reduced in size and complexity and once complete, the new catalogue will replace all extant materials.

17. The strategic aim to develop a coherent and structured programme of work was accompanied by a need to retain flexibility to commission operationally urgent projects. This proved necessary on two separate occasions when national and international events escalated the urgency to commission resilience projects relating to terrorist attacks. Whilst London faces specific risks and threats relating to terrorism, national resilience capabilities are delivered in a borderless fashion requiring compatible operational policies between fire and rescue services.

**Project and programme management**

18. FEP 1830 discussed the need for rigorous project and programme management systems.

19. This has been a guiding principle for the programme, which has employed the Cabinet Office’s ‘Projects In a Controlled Environment’ (PRINCE2) and ‘Managing Successful Programmes’ (MSP) systems to develop guidance, in line with the existing approach within the Brigade. These rigorous approaches have helped reduce the average duration of a guidance development project to an average of 12 – 18 months. Urgent pieces of guidance have been produced in six to nine months. Prior to the programme, many guidance projects took three to five years or longer, to complete. This approach has not only improved the timeliness of guidance, but also enabled each guidance document to be presented alongside robust and independent statements of assurance—a key enabler for local brigades operational policy teams, that are seeking to adopt national guidance with the lightest possible local process.

20. Reducing the duration of guidance projects has a number of benefits:

   a. National resilience capabilities dependent on national guidance are able to be implemented earlier;

   b. Changes to ways of working that require an agreement with representative bodies nationally and then locally are able to be implemented earlier;

   c. Learnings from significant incidents that would improve firefighter safety—such as those from the review of the Lakanal House fire—are able to be assimilated and implemented earlier;

   d. Project costs are reduced; and

   e. Guidance reviews are able to occur at reasonable intervals. Operational policies and procedures for high-hazard industries throughout the world are often reviewed every
three years, to ensure that they remain fit for purpose. The reduced project lifespan delivered by the NOGP brings the fire and rescue service in-line with its peers.

**Achievements**

21. By March 2015, whilst maintaining a rigorous approach to value for money, the programme will have:

   a. Established representative and authoritative programme boards with senior representatives from across the fire and rescue service and wider sector that have delivered nine pieces of operational guidance covering the following areas:

      - Operations
      - Incident Command
      - Fires and Firefighting
      - Fires in the Built Environment
      - Performing Rescues
      - Water Rescue and Flooding
      - Environmental Protection
      - Initial Operational Response to a Chemical, Biological, Radiological or Nuclear Explosive (IOR CBRNe)
      - Marauding Terrorist Firearms Attack

   b. Delivered innovative research, such as the Building Research Establishment’s review of fire behaviours and building attributes, to support guidance for Fires in the Built Environment;

   c. Completed an 18-month review of 8000 government legacy guidance documents, which have been reconciled and catalogued, with extant guidance published in an easily searchable online library;

   d. Played a significant role in developing Government’s new Interoperability Framework. Approved by Secretaries of State, this framework brings together Government departments and over 100 emergency services, military and voluntary organisations, to co-ordinate the development of operational doctrine and training for the most dangerous incidents and events, whilst sharing incident ground learnings with each other. The interoperability arrangement recognises the National Operational Guidance Programme as the responsible body for national doctrine for the fire and rescue service;

   e. Worked with the police and ambulance services on police policy for the search of missing persons and the use of Urban Search and Rescue teams; NHS policy about the survivability of individuals during water rescues; police civil contingencies policy and ambulance command and control;

   f. Created the fire and rescue service’s first definitive online and searchable library of national operational guidance and a collaboration platform that enables real-time remote document collaboration, web conferencing, and other functionalities that reduce the need for project teams to meet in person—reducing costs and delay in development whilst being in line with government’s ‘Digital by Default’ approach

   g. Developed a new concept for hazard management by the fire and rescue service, that the Health and Safety Executive has held up as best practice for the emergency services.
h. The development of an expert policy, programme and project management team, which uses Cabinet Office ‘Best Management Practice’ ('MSP' and ‘PRINCE2’)

i. An assurance process to ensure the development of guidance is robust and transparent. This provides government, and principal officers giving testimony in judicial processes, confidence in the programme and its products.

The next steps

22. A funding partnership has now been agreed for the second three year phase of the programme that includes the devolved administrations in Scotland and Wales, fire and rescue services and DCLG. The success of the programme to-date has been instrumental in securing this full support from the service, leading to the service’s first agreement to contribute funding for a national work programme.

23. Chief fire officers, fire and rescue authority chairs (or responsible cabinet members), and the devolved administrations have indicated that they will support the programme, matching £1 million per year from DCLG from April 2015, with:

- £25k per fire authority with a population of 1.2 million or more (total of 12) per year;
- £20k per fire authority with a population of 750k or more (total of 16) per year;
- £15k per fire authority with a population of less than 750k (total of 18) per year; and
- circa £360 – 400k from devolved administrations (in total).

24. The programme recognises that a small number of very small services will struggle to commit funding. It also recognises that commitments might be subject to the annual agreement of each fire and rescue authority. However, a success rate of 90 per cent has been assumed. Funding, on a pro rata basis, from the devolved administrations has been agreed in principle.

25. The Fire Minister has approved £1 million funding for 2015/16. DCLG’s Investment Sub-Committee also noted their intention to fund the programme until March 2018. However, no commitments beyond the 2012 – 2015 Comprehensive Spending Review window can currently be made. The Committee recommended that:

- the funding is paid in two parts so that adjustments can be made according to actual spend;
- that funding for 2016/17 and 2017/18 will be considered in view of delivery in 2015/16, and to ensure fire and rescue services have committed funds as expected; and
- ongoing maintenance of the completed catalogue is on a sustainable financial footing after three years, requiring no ongoing funding from the Department.

26. The proposed funding arrangements for 2015 – 2018 are resilient. Through the maintenance of a strategic UK-wide funding partnership of local service delivery organisations, devolved administrations and government with shared interest in the products, the fragility of funding being removed by the changed circumstances of one organisation is mitigated.

27. The programme will aim to use these resources to produce over 40 areas of guidance between 2015 – 2018, entirely replacing the catalogue of extant and out-of-date government guidance, whilst working with partners in other services to align that emerging catalogue with police and ambulance policy. The scoping and preparation for that work begins in January 2015.
28. After the proposed 2015 – 2018 programme has completed the development of the guidance catalogue, the programme will switch from ‘development phase’ to ‘maintenance phase’, revisiting its funding and operating models appropriately. At that stage, the programme anticipates operating its central team without central government funding, which would be sought for the commissioning of new guidance projects in response to emerging government priorities (such as new national resilience capabilities) and interoperability commitments made by ministers or other emergency services through JESIP.

Cost of the programme
29. The agreed report (FEP 1830) recommended a total budget of £2m a year which would pay for staffing, technical guidance and research, workshops and publication costs.

30. A programme team was established to manage communications, IT, logistics, project management and governance support across the projects, at a cost of £800k in a full year. Investment in this team has been critical to the successful delivery of the programme. In addition, the programme seconded several officers from brigades across the UK, to contribute subject matter expertise to the projects themselves. This approach has had the added benefit of bringing a wider range of views and expertise into the programme, improving the quality of the actual guidance, and also benefitting the brigade and the development of a broader range of officers, through exposure to national policy development.

31. The programme has commissioned two important pieces of research over the three years. The Building Research Establishment review of fire behaviours and building attributes cost £83k while research into the decision making behaviours of incident commanders to support the guidance on Incident Command was funded through secondments.

32. The projects themselves have varied in complexity and many have benefitted from unfunded support from other brigades. Given the new funding arrangements, the programme anticipates that much of this support will be provided through secondments in the second stage of the programme.

33. The programme has taken a rigorous approach to spending constraint and achieving value for money. The outturn expenditure for 2012/13 and 2013/14 was £0.59m and £0.907m respectively; significantly less than the £2m a year forecast. The projected outturn for 2014/15 is £1.59m. The three-year spending profile reflects the gearing and phasing of the work programme, and should deliver a total forecast spend of £3.036m over the three-year period - half of the original budget.

The benefits for London
34. The team is working closely with colleagues in the Brigade’s Operational Procedures Department, to ensure that the Brigade is able to capitalise on the investment in the NOG programme, by building on the new, evidence-based catalogue of national best practice to inform and influence local operational materials. The benefits of aligning the Brigade’s operational protocols with fire and rescue services across the UK includes the reduction in the need for ad-hoc over-the-border or interoperability arrangements, which is a particular burden in London, with the number of neighbouring services it works with, and the significant role it plays in the delivery of National Resilience capabilities.
35. As the JESIP\(^1\) legacy arrangements are implemented from April 2015, it will be run from the Cabinet Office’s Civil Contingencies Secretariat, which will be commissioning capabilities to manage national risks through the Interoperability Framework.

36. This framework will be the commissioning point for national operational policies and procedures to manage threats identified in the National Risk Register, as well as everyday policies for compatible working between emergency services, and the programme will be integral to that delivery.

37. Whilst Government has not historically collected information relating to the impact of guidance upon operations, a tranche of work within the programme is to develop a national learning platform that is integrally linked with JESIP’s joint learning platform. That system will collect learnings from incident grounds (health and safety events, outputs from coroners’ inquiries, and more), review them against published guidance and implement reviews as necessary, ensuring that guidance remains up to date.

38. It is envisaged that within three years, there will be a complete suite of guidance for the fire and rescue service, replacing the entire out-dated and inconsistent catalogue. Thereafter, the funding model will change, as the focus of the programme will turn to maintenance and the production of guidance for new capabilities. The new approach adopted by the programme has made this possible by firstly providing a clear underlying framework which underpins the scope of the catalogue, and secondly by digitising all guidance making it more accessible and easier and less costly to update.

Head of Legal and Democratic Services comments


40. Warwickshire County Council, as Warwickshire Fire and Rescue Authority, pleaded guilty in February 2012 to a charge under Section 2(1) of the Health and Safety at Work etc. Act 1974 in that it failed to ensure the safety of its employees and, in December 2012, the Council was fined £30,000 for those offences.

41. The judge, Mr Justice Macduff, who imposed that sentence and who also presided at the trial and acquittal of three senior managers from the Warwickshire Fire and Rescue Service in relation to the same incident, made the following unfavourable comments regarding the guidance available to provide for safe systems of working for firefighters when attending a fire:-

“...It seems to me that one of the real difficulties here has been the proliferation of paper which has been generated in recent years both before and after the passing of the Fire and Rescue Services Act 2004. It has taken a lot of explanation from Mr Matthews QC, who has made himself an expert in the field of Health and Safety law, to educate me upon the statutory and regulatory framework which lies behind the huge volume of directives, advisory notices, operational procedures, and the many thousands of pages of other documents which we have had to consider in the course of this case. Little wonder that one of the witnesses in the case commented that he would like the fire fighters’ manual to be reduced to the size which it was a few years ago and to be made simpler. Can a fire fighter, attending a fire in an emergency situation, remember what the picture on page 138 of the manual was intending to

\(^1\) The Joint Emergency Services Interoperability Programme (JESIP) was been established to address the recommendations and finding from a number of major incident reports, and aimed to improve the ways in which police, fire and ambulance services work together at major and complex incidents.
convey, how and when he should conduct his dynamic risk assessment, and which of the elements of the flowchart he should move between before forming his decisions? There are many obvious deficiencies in the paper work. Many of the ever increasing numbers of directives and other papers are couched in language which borders on the impenetrable. We have found internal contradictions and entirely different flow charts purporting to show the same thing. In the course of the trial earlier this year, we spent much time debating what a particular directive or advisory note was intended to mean. There is no time for debate at the fire ground.

"I suspect that one of the difficulties in bringing this case to court expeditiously arose from the needs of the prosecution authorities to satisfy themselves of this underlying regulatory framework. It is not surprising that there is confusion as to what the duties are (for example about training) where the obligations lie and whether or not there were breaches. Even in the course of the hearing this week I have had submissions and counter submissions upon a host of issues where counsel have disagreed as to what the regulations (for example) were purporting to say.

"The short point is this. It just seems to me that the confetti of regulatory and other advisory papers intended to improve safe systems of working, is capable of being obfuscatory and counter productive. It has also contributed, I suspect, to the delay. It has certainly contributed to the length of court hearings."

42. The National Operational Guidance Programme is directed at remedying the deficiencies described by Mr Justice MacDuff.

**Director of Finance and Contractual Services comments**

43. This report explains that the total forecast spend on the NOG programme for the three year period to the end of 2014/15 is £3m. This is half of the total £6m originally put into the reserve to fund the project. The £3m not utilised over the three years has been returned to the general reserve, once it has been identified as no longer required. This includes a transfer of £0.8m in 2014/15 and a further £1m proposed for 2015/16, after which the reserve will close.

44. A funding partnership has now been agreed for a second three year phase that includes the devolved administrations, fire and rescue services and DCLG. This may result in total funding of £2.2m annually from 2015/16. However as this is a voluntary contribution from the English Fire Authorities the actual amount received may be lower than this.

45. The size of the NOG programme in each financial year will be adjusted so that actual expenditure does not exceed the income level received. This will ensure that the project does not have a detrimental financial impact on LEFPA as a whole. If additional income is received in any year above that required, then the excess funds will either be returned to funding authorities or put into an earmarked NOG reserve to smooth the impact of any fluctuations in income from year to year.

**Sustainable Development implications**

46. There are no sustainable development implications associated with this report.

**Staff Side Consultations undertaken**

47. Any issues which need input from staff side would be dealt with as part of the NOG programme.
Equalities implications
48. There are no equalities implications associated with this report.

List of Appendices to this report: There are none.

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Summary
This report sets out the Authority’s formal pay policy statement for 2015/16 in accordance with the requirements of the Localism Act 2011, section 38.

Recommendation
That the Authority:

1. Approves the Local Pay Policy set out in Appendix A to the report;

2. Agrees that the publication of information relating to the remuneration of chief officers within the Pay Policy is aligned to the Authority’s publication of information on senior salaries under the Local Government Transparency Code 2014 (paragraphs 25-26 refer); and

3. Agrees that its policy relating to the relationship between the remuneration of its chief officers and its employees who are not chief officers, which must be included within the Pay Policy, is illustrated by publication of the pay multiple required under the Local Government Transparency Code 2014 (paragraphs 27-31 refer).
Introduction/Background

1. The Localism Act 2011 (the Act) sets out an obligation on all Local Authorities and all Fire and Rescue Authorities, including LFEPA, to publish a formal pay policy statement. This statement must set out the Authority’s policies and approach to the remuneration of chief officers and its lowest paid staff and must be both reviewed annually and applied in practice. The first pay policy statement was set out in FEP 1906 and approved by the Authority in March 2012; this pay policy statement will be the fourth to be published by the Authority. There is a requirement under the Act for the Authority to approve its formal policy annually, and the changes to the policy statement this year are set out as track changes in Appendix A for ease of reference.

2. DCLG published final guidance (the ‘guidance’) in February 2012 and supplementary guidance in February 2013. The definition of “chief officers” used in the Act includes the Commissioner, Deputy Commissioner, Directors, Assistant Commissioners, and Heads of Service. The Authority agreed to extend this definition to cover Deputy Assistant Commissioners (DACs) and Level 4 FRS staff who constitute the Authority’s “Top Management Group” in March 2012. It is considered that this goes beyond the strict requirements of the Act but supports the recommendation, set out in Paragraph 17 of the guidance, that the Authority should consider whether it “would be appropriate to extend the scope of their pay policy statement to include high paid staff who would not come within the definition of chief officers”. All such posts are governed by the same policies applicable to pay and reward and the extension of the pay policy statement to cover these staff does not affect either their remuneration or conditions of service, nor does it alter the information within the public domain.

3. The attached proposed pay policy statement reflects the current organisational structure which may be affected by the outcome of the Top Management Review (TMR). The Pay Policy will be amended subject to the outcome of the TMR, in particular amendments may be required to paragraphs 3.1, 6.2 and 6.4 of Appendix A.

4. The Act (Section 38 (4)) requires the Authority to adopt a published pay policy statement covering the Authority’s policies on the following issues:

- The level and elements of remuneration for each chief officer,
- Remuneration of chief officers on recruitment,
- Increases and additions to remuneration for each chief officer,
- The use of performance related pay for chief officers,
- The use of bonuses for chief officers,
- The approach to the payment of chief officers on their ceasing to hold office under or to be employed by the Authority, and
- The publication of and access to information relating to remuneration of chief officers.
5. The Act (Section 38 (2)) also requires that the Authority sets out within its pay policy statement its policies relating to the remuneration of its chief officers, the remuneration of its lowest paid employees, and the relationship between the remuneration of its chief officers and the remuneration of its employees who are not chief officers.

6. The Authority has discretion in determining its definition of “lowest paid employees”.

7. The remuneration of chief officers including levels and elements of remuneration

   The current pay structure for chief officers was approved by the Authority in November 2005 (FEP 798). This structure was extended to incorporate DACs in September 2007 (FEP 1096) and former Grade H FRS staff (Level 4 Top Management Group posts) were transferred by collective agreement within the Joint Committee for Support Staff in August 2011.

8. The structure and grading of posts is covered by Hay who were responsible for the top management pay review in 2005. Each post is allocated to a grade within the structure based on its job size as recommended by Hay. The pay ranges were established on the upper quartile of the London public sector as set out in the Hay report (2005), with the salary maximum set at 15% above the upper quartile. Recently Hay recommended an uplift in the salary minimum and maximum of the Commissioner’s salary. Arising from this, the Appointments and Urgency Committee agreed a revision to the Commissioner’s salary range to £180,000-£220,000 on 25 February 2015 (FEP 2389).

9. Staff are appointed to a rate of pay within the salary range with recommended salary levels on appointment for Assistant Commissioners and Deputy Assistant Commissioners. Staff may, subject to the rules of the appropriate pension scheme, take an element of pay as non-pensionable subject to the pensionable pay not being below the salary range minimum and the combined pay not being above the recommended advertised appointment level.

10. Where the duties of a post change, the revised post will be evaluated by Hay and allocated to the appropriate grade.

11. Staff who undertake additional responsibilities are eligible to receive special responsibility allowances in accordance with Authority Policy 563.

12. Operational officers within the scope of this statement are required to have a suitable vehicle for the conduct of their operational duties. They are required to belong to either the essential user or the lease car scheme and will receive the benefits appropriate to the relevant car scheme. Details of the above schemes are covered in Authority Policy 770. Staff eligible for the LGPS may be members of the casual car users’ scheme the details of which are also set out in the above Policy.

13. The terms and conditions of all members of the top management group are negotiated with Prospect which is the trade union that has sole negotiating rights for the group.

Remuneration of chief officers on recruitment

14. All posts are allocated to a grade as referred to in paragraph 8 above. Vacant posts will be advertised within the salary range applicable to the post, and as appropriate with a recommended salary level on appointment. Those posts with a salary range maximum in
excess of £100k per annum are set out in the Pay Policy Statement, paragraph 6.4.

15. The Appointments and Urgency Committee is responsible for all matters related to the appointment of senior officers. This includes all posts at Assistant Commissioner/Head of Service and above. The Authority in reviewing the guidance dated 20 February 2013 in June 2013 (FEP 2073) was satisfied that its approach to Member involvement in appointment decisions complied with that guidance.

**Increases and additions to remuneration for each chief officer**

16. General pay reviews are covered by a formula agreed by the Authority in November 2005 (FEP 798) which provides that individual salaries and salary range minima and maxima are adjusted on 1 January each year in line with the general increase agreed for Local Authority Chief Executives for the preceding year. The last general pay rise or increase in the minima and maxima of the salary ranges occurred on 1 January 2010. The current review date is 1 January 2015 and any change will be dependent upon the outcome of pay negotiations for 2014/15 within the NJC for Local Government Chief Executives.

**Use of performance related pay and bonuses for chief officers**

17. All staff within the Top Management Group (TMG), with the exception of the Commissioner, are eligible for pay progression to the salary maximum of their salary range based on their individual performance in accordance with the scheme approved by the Authority in March 2010 (FEP 1552). There is a five point rating score out of which only those in the top two bands are eligible for pay progression. In addition to access to performance based pay progression there is a provision within the procedure for the award of performance bonuses for staff on their salary maximum. There are currently 9 staff at the maximum of their salary range out of 39 which is 2 less than last year.

18. In recommending an uplift to the Commissioner’s salary minimum and maximum, see paragraph 8 above, Hay also made recommendations on pay progression for the Commissioner role (FEP 2389). As reported to Appointments and Urgency Committee on 25 February 2015, a further report is now to be produced setting out a system of salary progression for the Commissioner role.

**The approach to the payment of chief officers on their ceasing to hold office under or to be employed by the Authority**

19. Staff eligible for the Local Government Pension Scheme (LGPS) are dealt with in accordance with the Authority’s redundancy and redeployment code (Authority Policy 562). In cases where their post is no longer required and in the event of being made redundant, eligible staff are dealt with in accordance with the Authority’s redundancy compensation scheme (FEP 1578). There is no equivalent compensation scheme currently available to uniformed officers and in such cases the statutory provisions would apply. The provisions for staff eligible for the LGPS were supplemented by FEP 2023 in January 2013. The main changes were (a) to apply an additional £10k to FRS staff who had applied for severance and who were made redundant up to 31 March 2014, a provision subsequently incorporated into standard redundancy terms in October 2014 (FEP 2280), and (b) to agree to the application of the FRS terms to operational staff should appropriate statutory regulations be implemented to enable such payments. The supplementary terms set out in FEP 2023/2280 apply to TMG staff eligible for the LGPS.
The Authority at its meeting in June 2013 (FEP 2073) agreed that officers should advise Members where there was a proposal to make redundant an employee whose termination payments might exceed £100k.

**Abatement of Pensions**

20. The Act does not require the Pay Policy Statement to refer to abatement, but the DCLG guidance states that Authorities should have an explicit policy in their pay statement on this issue.

21. The Authority does not have a policy on the retirement and re-engagement of staff. Staff who have retired are, however, entitled to apply for any openly advertised role on the same basis as any other potential candidate and will be offered appointment if they are the best candidate for the role.

22. The Authority will abate the pension of any employee where the scheme rules allow, where the employee is a pensioner of the Authority and where the total of pay and pension exceeds the total final salary on which the pension is calculated.

**Approach to Tax Avoidance Schemes**

23. The Act does not require the Pay Policy Statement to address questions of tax avoidance, but this is set out in the DCLG guidance. The purpose is to highlight the approach adopted by Authorities in regard to employing consultants who should, in accordance with HMRC guidelines, be employees.

24. There is no intention to use a non-directly employed person to cover any TMG post on a permanent basis or to use consultants to cover work which should be under a contract of employment. The Authority complies with all HMRC requirements.

**Publication of and access to information relating to remuneration of chief officers**

25. Under the Local Government Transparency Code 2014, the Authority must publish the following:

- The number of employees whose remuneration is at least £50,000 in brackets of £5,000;
- Details of remuneration and job title of ‘senior employees’ whose salary is at least £50,000 [i.e. the Heads of Service and above]; and
- The names of employees whose salaries are £150,000 or more.
- The pay multiple defined as the ratio between the highest paid taxable earnings for the given year and the median earnings figure of the whole of the authority’s workforce.

26. In accordance with the Transparency Code 2014, this information was published on the

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1 The Account and Audit (England) Regulations 2011 set out that a ‘senior employee’ is an employee whose salary is £150,000 or more per year, or an employee whose salary is £50,000 or more per year who is (i) a person who (a) has been designated as head of paid service; (b) is a statutory chief officer; or (c) is a non-statutory chief officer; (ii) a person who is the head of staff; or (iii) a person who has responsibility for the management of the relevant body to the extent that the person has power to direct or control the major activities of the body (in particular activities involving the expenditure of money), whether solely or collectively with other persons.
Authority’s website by 2 February 2015 and is accessed via the transparency web page. For this publication, the Authority relies on the pay multiple set out in its Pay Policy Statement. A report (FEP 2397) was submitted to the Governance, Performance and Audit Committee meeting on 9 March 2015 providing an update on compliance with the Transparency Code 2014.

The relationship between the remuneration of chief officers and the remuneration of employees who are not chief officers

27. The Act requires that the Authority sets out its policies relating to the relationship between the remuneration of chief officers and non-chief officers. The guidance under section 40 of the Act recommends that the pay multiple referred to in paragraph 25 above is included in pay policy statements as a way of illustrating the Authority’s approach to pay dispersion.

28. The Local Government Transparency Code 2014 has now made it a requirement to publish this pay multiple on the organisation’s website, and defines this as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind; previously only basic salary was included) and the median earnings figure of the whole of the authority’s workforce. Hence, a multiple based on this calculation is included in the Pay Policy (paragraphs 13.3 and 13.4), and the previously published multiple of the mean of chief officers remuneration and mean of non-chief officers, is proposed to be discontinued.

29. The Transparency Code says that the multiple must:

• cover all elements of remuneration that can be valued (e.g. all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind)
• use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year, and
• exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.

30. As the pay multiple must be based on reporting at the end of the financial year, the figures in the attached Pay Policy correspond to the 2013/14 financial year. The pay multiple will be recalculated as soon as practicable after the conclusion of the 2014/15 financial year, and the published Pay Policy will be amended accordingly.

31. The Authority’s previous pay policies have also included the multiple between the mean of chief officers remuneration and the mean of the lowest paid. There is no requirement to publish this multiple under the Localism Act 2011, the accompanying guidance, or the Local Transparency Code 2014, and therefore publication of this multiple is proposed to be discontinued.

32. A pay multiple figure for the GLA and each functional body is included in the Mayor’s annual report which is published in July each year and this reflects a requirement from the London Assembly. For the 2013/14 annual report, the multiple (published in July 2014) was the ratio between the lowest and highest paid in each organisation. However,
the GLA gave notice last year that the multiple to be included in the Mayor’s 2014/15 annual report (to be published in July 2015) would be changed to the ratio between the highest paid salary and the median salary of the whole of the workforce. This brings the published multiple in line with the requirements of the Transparency Code and the multiple to be published by the Authority.

Conclusion
34. The Pay Policy Statement for 2015/16 must be published on the Authority’s website by no later than 31 March 2015. The policy will be reviewed annually and a revised policy will be approved by the Authority for 2016/17 at its meeting in March 2016.

Head of Legal and Democratic Services comments
35. The Head of Legal and Democratic Services has reviewed this report and is satisfied that the proposed amendments to the 2015/16 pay policy statement fulfils the statutory requirements as well as the guidance set out by DCLG and in the Transparency Code 2014.

Director of Finance and Contractual Services comments
36. The Director of Finance and Contractual Services has reviewed this report and has no comments.

Sustainable development implications
37. There are no sustainability implications directly arising from this report.

Staff Side Consultations Undertaken
38. This report will be shared with the recognised trade unions in advance of the Authority meeting, and they will be given the opportunity to comment.

Equalities implications
39. There are no direct equalities implications arising from acceptance of this report.

List of Appendices to this report:
Appendix A – Pay Policy Statement
## Local Government (Access to Information) Act 1985

### List of background documents
1. Localism Act 2011
2. DCLG Guidance February 2012
3. DCLG Supplementary Guidance February 2013
4. Local Government Transparency Code 2014
5. Authority Standing Orders
6. Authority Policy 562
7. Authority Policy 563
8. Authority Policy 770
9. FEP 798 November 2005
10. FEP1096 September 2007
11. FEP 1552 March 2010
12. FEP1578 September 2010
13. FEP1311 January 2009
14. FEP1397 July 2009
15. FEP1856 January 2012
16. FEP 1906 March 2012
17. FEP 2023 January 2013
18. FEP2060 March 2013
19. FEP2073 June 2013
20. FEP2150 December 2013
21. FEP2231, March 2014
22. FEP2234, March 2014
23. FEP2280, October 2014
24. FEP 2397, March 2015

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Pay policy statement 2015

New policy number: 821
Old instruction number:
Issue date: 31 March 2015
Reviewed as current: 31 March 2015
Owner: Head of Human Resources and Development
Responsible work team: HRD Policy Team

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Document history ........................................................................................................
1 Introduction

1.1 This policy sets out the Authority’s pay policy statement in accordance with the Localism Act 2011 (the ‘act’) and DCLG’s guidance under section 40 of the Localism Act ‘openness and accountability in local pay’ (the ‘guidance’).

1.2 It brings together in one statement and supporting documents the policies regarding pay and core terms and conditions of both the Authority’s most senior managers and its lowest paid employees. It also sets out the pay multiples between the Authority’s chief officers, non-chief officers and its lowest paid employees.

1.3 Under the Local Government Transparency Code 2014, the provisions relating to senior salaries, the Authority already publishes the following:

- The number of employees whose remuneration is at least £50,000 in brackets of £5,000;
- Details of remuneration and job title of ‘senior employees’ whose salary is at least £50,000 [i.e. the Heads of Service and above]; and
- The names of employees whose salaries are £150,000 or more.

1.4 The Authority’s “chief officer” pay policy has been extended from those chief officers defined in the act to cover all of its top management group.

1.5 Links to all relevant Authority documents mentioned in this pay policy statement are set out below in the ‘related documents’ section of this statement.

2 Authority’s strategic objectives

2.1 The Authority is committed to transparency in regards to the employment of all its staff. This policy meets the statutory requirements in part 1, chapter 8 of the act to publish a pay policy statement.

3 Definitions

3.1 In this policy "chief officers" means:

- the Commissioner (1),
- the deputy commissioner (1),
- the directors (2),
- the third officer (1),
- the assistant commissioners (5),
- the heads of service (6).

3.2 In this policy "top management group" means the chief officers as defined above, plus:

- the deputy assistant commissioners (12),
- the top managers (excluding heads of service) (1314).

3.3 In this policy "lowest paid" means the definition set out in paragraph 12.1 below.

Note. Figures in brackets () in this paragraph represent the current number of staff establishment.
4  Top management pay determination

4.1  The top management group (TMG) pay structure was agreed by the Authority in November 2005 (FEP798). That pay structure was based on a recommended structure submitted by Hay consultants which established different tiers in the structure based on its job evaluation of senior roles in the Authority.

4.2  Subsequent to that decision the top management group has been extended by the inclusion of all Deputy Assistant Commissioners (in September 2007) and all level 4 top management group posts (in August 2011).

4.3  All new posts or changes to existing posts arising from changed responsibilities are submitted to Hay consultants for evaluation and allocated to the appropriate grade in the structure. Where staff within the grade group take on additional responsibilities they may receive a special responsibility allowance in accordance with the Authority’s Policy number 563 – Special responsibility allowances.

4.4  The pay structure was established using the London public sector upper quartile as the benchmark.

4.5  The only current exception to the above is the post of the current Commissioner who is employed on a permanent contract with a spot rate salary of £100,000 with no eligibility for pay progression. The Commissioner is in receipt of a Firefighter’s pension and his combined pay and pension is within the allocated pay band.

4.6  General pay reviews apply on 01 January each year and are linked to the pay award agreed by the National Joint Council (NJC) for local government chief executives for the preceding year. Any increase awarded by the above NJC in 2013-2014 will apply to individual salaries, and salary range minima and maxima with effect from 01 January 2014-2015.

5  Pay progression and performance related pay

5.1  Pay progression for all employees is determined by the Authority’s performance related pay progression scheme agreed by the Authority in March 2010 (FEP1552). All staff are appraised using the society of local authority chief executives (SOLACE) scheme. This is a five grade rating system and pay progression is only applied to those staff in the top two grades. The scheme provides for line manager appraisal and in the case of the Commissioner the appraisal is conducted by the Appointments Committee. There is, therefore, no automatic right to salary progression for this group of staff. There are no plans to introduce ‘earn-back’ pay or amend the performance related pay scheme in 2014/15.

5.2  Where staff have reached the salary maximum and have performed within the top two ratings on the SOLACE scheme they may be considered for a non-pensionable performance bonus.

6  Recruitment of top management group

6.1  All TMG vacant posts are advertised externally and filled through open competition. In the case of uniformed operational posts at Assistant Commissioner and Deputy Assistant Commissioner level successful candidates will normally be placed on a panel and offered positions as and when they become vacant. More senior operational posts and all non-operational posts are filled on an individual basis.

6.2  The following posts are appointments which are made by the Authority’s appointments and urgency committee:
6.3 All other posts are appointed by officers.

6.4 The posts with salary maxima in excess of £100,000 are set out in the Authority’s pay structure, but include all those marked by an * above plus the Third Officer and the CAMS Project Director. The only Head of Service post with a salary maximum of less than £100K is the Strategic Adviser to the Commissioner. Any additional posts would be submitted to the full Authority for agreement prior to advertising, but none are envisaged.

6.5 All staff are appointed at a salary within the range for the grade of the post, no person may be appointed to a salary outside the pay structure except by approval of the full Authority. Staff may, subject to the rules of the appropriate pension scheme, take an element of pay as non-pensionable subject to the pensionable pay not being below the salary range minimum and the combined pay not being above the recommended/advertised appointment level.

7 Changes to terms and conditions

7.1 The terms and conditions of staff within the top management group are determined through the Joint committee for top managers where the sole trade union recognised for collective bargaining purposes is Prospect.

8 Benefits and expenses

8.1 Operational officers within the scope of this statement are required to have a suitable vehicle for the conduct of their operational duties. They are contractually required to either use their own vehicle, in which case they will belong to the essential car user scheme or they will lease a car, in which case they will belong to the Authority’s lease car scheme. Non-operational officers who are required to use their vehicle on Authority business may belong to the Authority’s casual car scheme. The terms and conditions are as set out in the Authority’s car schemes Policy number 770 – Brigade car schemes and mileage rates.

8.2 All officers within the scope of this agreement are entitled to receive payment for membership of one professional association in accordance with the Authority’s professional associations membership Policy number 604 – Subscriptions to professional bodies/associations policy. Individual staff with a prior contractual agreement to the payment of more than one membership subscription will maintain this commitment on a personal basis.

8.3 Officers are entitled to recompense of receipted expenses in accordance with the Authority’s expenses Policy number 514 - Subsistence and public transport expenses policy.

9 Enhancement at termination

9.1 In cases of redundancy affecting non-operational staff within the scope of this policy statement, such staff are covered by the Authority’s redundancy compensation scheme (FEP 1578). That scheme provides that staff who agree to severance are entitled to receive redundancy pay based on their actual weekly rate of pay multiplied by the statutory multiplier. In cases where an employee does not agree to accept severance then they will receive statutory minimum redundancy pay. The Authority has published policies in regard to the exercise of discretion.
within the Local Government Pension Scheme (LGPS) which could be applied on request to members of the LGPS. The Authority agreed in January 2013 to offer an additional £10k to staff who had volunteered in the voluntary trawl exercise and who leave on the grounds of redundancy up to 31 March 2014 (FEP 2023). This additional sum has been extended to FRS staff who had not volunteered in 2012, but those posts were proposed for deletion by 31 March 2014 and to posts earmarked within the 2014/15 and 2015/16 budget proposals (FEP 2150). In October 2014 the Authority agreed to incorporate the additional £10,000 lump sum into the standard redundancy arrangements (FEP 2280).

9.2 Operational officers have no access to a redundancy compensation scheme and therefore statutory provisions would apply in the event of a redundancy. The Authority agreed to extend the scheme applicable to FRS staff to operational staff in the event that regulations were enacted enabling the Authority to pay enhanced terms (FEP 2023).

10 Abatement of pensions

10.1 The Authority’s policy is to abate an employee’s pension where the scheme rules provide for it, where the employee is a pensioner of the Authority and the combined remuneration from pay and pension exceeds the final pensionable salary of the employee.

10.2 In cases where the pensioner is not an ex-employee the Authority will seek to secure employment on terms whereby the rate of pay and pension received by the individual does not exceed their final pensionable salary.

11 Tax avoidance schemes

11.1 The Authority’s policy is to comply with all HM Revenue and Customs (HMRC) guidance and rules. No TMG post is or will be covered by a consultant. The Authority’s policy is not to employ consultants where the service that consultant has been hired to perform should, within HMRC guidance, be governed by a contract of employment.

12 Lowest paid staff

12.1 The lowest grade of non-operational permanent employees is FRS B which has an inclusive salary range of £22,888 to £27,327. The lowest role/grade of operational staff is Trainee Firefighter which has a spot rate salary of £25,642, inclusive of £3,843 London Weighting. In order to ensure that there is consistency in the application of the pay multiple, the mean average rate of pay for grade A has been chosen as the Authority’s definition. The Authority’s approach to the reward of its lowest paid has been to ensure that its lowest permanent rate of pay exceeds the London Living Wage and that all its non-operational staff are employed on single status conditions of service. It negotiates the remuneration of its lowest paid staff with its recognised trades unions – for non-operational staff this is the GMB and Unison; for operational staff this is the Fire Brigades Union (FBU). The Authority operates a business apprenticeship scheme and these apprentices are paid at the London Living Wage and the pay multiple has been extended to cover apprentices as well.

13 Pay multiples

13.1 Under the guidance, it is recommended that local authority pay policy statements should include the authority’s policy on pay dispersion – the relationship between remuneration of chief officers and the remuneration of other staff. The guidance recommends that the pay multiple is included in these statements as a way of illustrating the authority’s approach to pay dispersion.
13.2 Under the Local Government Transparency Code 2014, local authorities must publish this pay multiple, defined as the ratio between the highest paid taxable earnings for the given year (including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind) and the median earnings figure of the whole of the authority’s workforce. The measure must:

- cover all elements of remuneration that can be valued (e.g. all taxable earnings for the given year, including base salary, variable pay, bonuses, allowances and the cash value of any benefits-in-kind);
- use the median earnings figure as the denominator, which should be that of all employees of the local authority on a fixed date each year, coinciding with reporting at the end of the financial year; and
- exclude changes in pension benefits, which due to their variety and complexity cannot be accurately included in a pay multiple disclosure.

13.3 Based on the above, the pay multiple between the highest paid employee and median earnings for 2013/14 (i.e. coinciding with the end of the 2013/14 financial year) was: **4.69**.

13.4 In 2013/14, the highest paid employee was the Deputy Commissioner, given the current Commissioner’s pay arrangements set out at paragraph 4.5 above. If the Authority highest paid employee in 2013/14 had been a Commissioner paid at the maximum of their salary band, the above pay multiple would have been: **5.69**.

13.1 The definition of chief officers is as set out in paragraph 3, and the Authority’s pay multiple policy is based on the mean average rate of pay for all staff within that group.

- The multiplier between the mean of the chief officers and the mean of the lowest paid is **4.62**.
- The multiplier between the mean of the Chief Officers and Apprentices is **7.60**.
- The multiplier between the mean of the chief officers and mean of the non-chief officers is **3.36**.
- The multiplier between the highest earner in 2011/12 and the median earnings in the Authority is **5.83**.

13.5 The maximum multiplier in 2012/13, 2014/15 for the relationship between the highest paid employee and median earnings is set at **6.00**.

- **6.00** for the relationship between chief officers and the lowest paid.
- **4.00** for the relationship between chief officers and non-chief officers.
- **6.00** between the highest earner in 2011/12 and the median earnings in the Authority.

13.6 The Authority will seek to keep within these multipliers. This is regarded as sufficient to cover any changes which may naturally occur in regard to staff movements or pay awards which might affect the multiplier during the twelve months.

14 Review

This pay policy statement will be reviewed annually by the Authority in March each year, and the pay policy statement may be amended by the Authority at any time during the course of the year and will be updated to reflect any statutory changes between annual reviews.

15 Related documents

15.1 The following documents are referred to in this policy statement:

- FEP798 - top management pay structure.
• Top management group pay structure as at 01 April 2012/2014.
• Senior officer pay in salary bands.
• FEP1552 - performance related pay scheme for top managers.
• Policy number 563 - Special responsibility allowances.
• Standing orders of the Authority in regard to the appointments committee.
• FEP1578 - redundancy compensation scheme.
• Joint committee for the top management group.
• Policy number 770 - Brigade car schemes and mileage rates
• Policy number 514 - Subsistence and public transport expenses policy
• Policy number 604 - Subscriptions to professional bodies/associations policy
• Policy number 562 – Redundancy and Redeployment Code
• FEP1397/1311 - published scheme of delegations related to flexible retirement in the local government pension scheme.
• FEP 2234 - published scheme of delegations in the 2014 local government pension scheme.
• FEP1856 - published scheme of delegations covering all other discretions applicable within the Firefighters pension scheme (1992), the new firefighters pension scheme (2006) and the 2008 local government pension scheme.
• FEP XXXX - to include published scheme of delegations applicable within the 2015 firefighters pension scheme (report going to Authority meeting on 26/03/15)
• FEP2023-FEP2280 which sets out the one off additional voluntary severance payment over and beyond what is set out in now incorporated into the Redundancy Compensation Scheme
• FEP2150-FEP2377 – Budget update
Summary
This report recommends (a) the delegation to officers of most of the discretions under the Firefighters Pension Scheme 2015; and (b) the setting up of a Local Pension Board (LPB), in line with the firefighters pension scheme statutory governance arrangements. The report recommends that discussions continue with the recognised trade unions on the Terms of Reference of the LPB, and for these to be finalised at the Annual General Meeting of the Authority in June 2015. Lastly, the report puts forward options in respect of the appointment of the LPB employer representatives, to ensure compliance with the regulations which require that no Member or officer of an authority who is responsible for the discharge of any function under the Firefighters Pension Scheme 2015 regulations may be a member of the LPB of that authority.

Recommendation
That the Authority agrees:

1. That the discretions under the Firefighters Pension Scheme 2015 as set out in Appendix A of this report be delegated to the Acting Director of Operational Resilience and Training in consultation with the Director of Finance and Contractual Services, and that in reaching decisions they should take into account the cost to the Authority and the benefit to the individual and the Authority of the application of the discretion.
2. That the delegations already in place for stage 1 and 2 of the Internal Disputes Resolution Procedures (IDRP) for the 1992 Firefighters Pension Scheme and 2006 New Firefighters Pension Scheme are extended to the Firefighters Pension Scheme 2015.

3. That the Scheme of Delegation of Functions to Officers be updated in accordance with the proposals set out at recommendations 1 and 2.

4. To establish a Local Pension Board, as required under the Firefighters’ Pension Scheme (Amendment) (Governance) Regulations 2015.

5. That officers should continue discussing the Local Pension Board Terms of Reference with the recognised trade unions (Fire Brigades Union, Fire Officers Association, Prospect), to report back to the Annual General Meeting in June 2015 where the final Terms of Reference can be agreed.

6. To select from one of the options listed in paragraph 19 in respect of the appointment of the Local Pension Board employer representatives.

Introduction/Background

1. The Firefighters Pension Scheme 2015 comes into force on 1 April 2015. Legislation to provide the framework for the new scheme was provided for in the Public Service Pensions Act (2013). Regulations to implement the new scheme for firefighters in England, *The Firefighters’ Pension Scheme (England) Regulations 2014* (SI 2014/2848) were laid before Parliament on 28 October 2014. An Early Day Motion (454) praying against the regulations was debated in Parliament on 15 December 2014, but the House of Commons voted to keep the regulations.

2. Earlier this month the Government laid the final set of regulations required to ensure that the 2015 scheme can come fully into effect on 1 April 2015. These were *The Firefighters’ Pension Scheme (England) (Transitional and Consequential Provisions) Regulations 2015* (SI 2015/589), which describes how the benefits of firefighters who are moving from the 1992 and 2006 pension schemes into the 2015 Scheme, will be protected; *The Firefighters Compensation Scheme and Pension Scheme (England) (Amendment) Order 2015* (SI 2015/590), which updates the provisions relating to compensation for injury so that they also apply to members of the 2015 scheme; this Order also increases the pay bands that determine contribution rates under the 2006 scheme by 1 per cent each year to 1 April 2018, in line with the 2015 scheme; and *The Firefighters’ Pension Scheme (Amendment) (England) Order 2015* (SI 2015/579), which increases the pay bands that determine contribution rates under the 1992 scheme by 1 per cent each year to 1 April 2018, in line with the 2015 scheme.

3. Implementation of the Firefighters Pension Scheme 2015 has been controversial, and remains the subject of a trade dispute by the Fire Brigades Union (FBU). This Authority has contributed to the consultations on the new scheme as follows:

   • Letter from Acting Director of Operational Resilience and Training under Head of Department Action (February 2015) – Firefighters Pension Scheme 2015 Transitional Regulations.
• FEP 2378 (January 2015) - Firefighters’ Pension Scheme 2015 and the Annex to the National Framework on firefighter fitness.
• FEP 2368 (December 2014) - Firefighter Fitness Standards and Assessment - Consultation on Amendment to the Fire and Rescue National Framework.
• FEP 2343 (November 2014) - Firefighters’ Pension Scheme 2015: Proposals for New Governance Arrangements.
• FEP 2255 (June 2014) - Consultation on the regulations to introduce a new Firefighters Pension Scheme from April 2015.

4. Separate consultation processes have been taking place on the scheme regulations to cover Scotland, Wales and Northern Ireland.

5. Full protection and tapered protection arrangements exist for members of the Firefighters Pension Scheme (1992) who were aged 41 or over as at 1 April 2012, and for members of the New Firefighters Pension Scheme (2006) who were aged 46 or over (2006) as at 1 April 2012. The last date of tapered protection is 31 March 2022, but those with full protection would remain in their existing scheme beyond this date if they chose not to retire. The 1992 and 2006 schemes are therefore likely to continue to be in force at least until April 2022, and so the Authority’s existing scheme of delegation of discretions under these schemes as set out in FEP 1856 (January 2012) will continue to be applicable.

Discretions for ‘scheme managers’ within the 2015 scheme

6. Under the 2015 scheme, the functions for the Authority in relation to the management and administration of the scheme are described as functions for ‘scheme managers’. The discretions for scheme managers within the 2015 scheme are attached at Appendix A, section 1, and it is recommended that these are delegated to the Acting Director of Operational Resilience and Training in consultation with the Director of Finance and Contractual Services, and that in reaching decisions they should take into account the cost to the Authority and the benefit to the individual and the Authority of the application of the discretion. This is consistent with the delegation of discretions under the 1992 and 2006 schemes.

Internal Disputes Resolution Procedures (IDRP)

7. As with the 1992 and 2006 schemes, the IDRP will be available to members of the 2015 scheme and their dependants to appeal against non-medical decisions of the scheme manager. Under existing delegations for the 1992 and 2006 schemes, stage 1 IDRP appeals are determined by the Acting Director of Operational Resilience and Training and the Director of Finance and Contractual Services, in consultation with the Head of Legal and Democratic Services, or their nominated representatives. Stage 2 IDRP appeals are determined by Directors. It is recommended that these delegations are agreed for the 2015 scheme.

Discretions for scheme employers

8. In addition to the discretions for scheme managers, there are also discretions for scheme employers as follows:

• Employer-initiated retirement: Determination that termination of scheme employment by reason of business efficiency would assist the economical, effective and efficient management of the employer’s functions, having taken into
account the costs likely to be incurred in the particular case. (If this determination is made, the member’s pension is calculated without the early payment reduction.) (Part 5, chapter 2, rule 62 (1) and (2)).

This is the provision which has been at the centre of recent discussions involving the Fire Minister, the national employers and the Fire Brigades Union. It is not recommended that this discretion is delegated to officers.

- **Contribution during absence from work due to trade dispute**: Discretion to require an active member to pay the employer contribution if the member is absent on a trade dispute, and elects to pay contributions. (Part 8, chapter 1, rule 111 (3)).

  It is not recommended that this discretion is delegated to officers.

- **Contribution during absence from work due to illness, injury, or authorised absence**: Discretion to require an active member to pay the employer contribution if the member is on nil sick pay, or on authorised unpaid absence, and elects to pay contributions. (Part 8, chapter 1, rule 111 (2) and (4)).

  It is recommended that these discretions are delegated to the Acting Director of Operational Resilience and Training in consultation with the Director of Finance and Contractual Services, and that in reaching decisions they should take into account the cost to the Authority and the benefit to the individual and the Authority of the application of the discretion. These discretions are listed in Appendix A, section 2.

**Local Pension Board**

(a) **Introduction**

9. The Government’s proposals for new governance arrangements for the Firefighters Pensions Scheme 2015, and connected schemes, were the subject of a Department for Communities and Local Government consultation in October/November 2014, and a report (FEP 2343) submitted to the November 2014 Resources Committee and Authority meetings. The draft regulations were appended to FEP 2343 (Appendix B of that report).

10. The final regulations, *The Firefighters’ Pension Scheme (Amendment) (Governance) Regulations 2015* (SI 2015/465), were made on 3 March 2015, laid before Parliament on 5 March 2015, and come into force on 1 April 2015. These regulations amend the Firefighters’ Pension Scheme (England) Regulations 2014 to make provision in respect of the governance of the scheme and connected schemes through the establishment of Local Pension Boards and a national Scheme Advisory Board.

11. Under the regulations, each scheme manager, and hence this Authority, must establish a Local Pension Board (LPB) by no later than 1 April 2015. The LPB must comprise an equal number of employer representatives and [pension scheme] member representatives (henceforth ‘employee representatives’), of no less than 4 in total. It is for the scheme manager to determine the membership of the LPB, the manner in which it is selected, and the terms on which it operates.

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1 This is subject to paragraphs 18-19 below.
members of the LPB may be appointed and removed, and the terms of appointment of LPB members.

12. The LPB has no executive decision-making powers; these are reserved for the Authority. The role of the LPB is to assist the scheme manager to secure compliance with relevant legislation, and to ensure the effective and efficient governance and administration of the firefighter pension schemes.

(b) Draft Terms of Reference

(i) Consultation with the recognised trade unions

13. Draft Terms of Reference for the LPB are attached as Appendix B to this report. An earlier version of these draft Terms of Reference has been consulted on with those recognised trade unions who have members within the firefighters pension schemes, i.e. the Fire Brigades Union (FBU), the Fire Officers Association (FOA), and Prospect. Arising from this consultation, amendments have been made to the draft Terms of Reference, but there remain issues to be resolved, in particular the appointment of the employee representatives, see paragraph 14 below. It is therefore recommended that discussions continue with the trade unions on the Terms of Reference, and that the outcome of these discussions is reported to the Annual General Meeting in June 2015, where the Authority can agree the final Terms of Reference. The regulations are clear that ultimately it is for the ‘scheme manager’, i.e. the Authority in this case, to determine the membership of the LPB (both employer and employee representatives), including the manner in which members of the LPB are appointed and removed.

(ii) Employee representatives

14. The main issue where differences remain with the trade unions is the composition of the employee representatives. The FBU have proposed 3 employee representatives, all of which are appointed by the FBU, see Appendix C. The FBU have submitted that employee representatives appointed by FOA or Prospect would invoke a conflict of interest. This is not a view shared by officers, for the reasons outlined at paragraphs 15-16 below. FOA have proposed a maximum of 3 FBU members, plus one FOA member, see Appendix D. Prospect have proposed 4 employee representatives in total; one seat allocated for Prospect, one for FOA and two for the FBU, see Appendix E.

15. As stated above, paragraph 14, the FBU have submitted that employee representatives appointed by FOA or Prospect would invoke a conflict of interest on the basis that FOA and Prospect representatives would only serve to act in the interests of their own members, and hence would not represent all scheme members, see Appendix C. There is, however, no evidence to indicate this would be the case, and it would be wrong to assume that employee representatives will act in bad faith. The draft Terms of Reference make it clear the employee representatives “must have the capacity and understanding to represent all scheme members on the Board”, and to reinforce this point the Terms of Reference also state that “Board members must act at all times in the interests of the schemes, and not seek to promote the interests of any stakeholder group above another”. Officers are of the view that all three recognised trade unions should be able to appoint employee representatives, but recommend this is discussed further with the trade unions with a view to establishing as much consensus as possible before a final decision is reached on this at the Authority meeting in June 2015.
16. The FBU also argue that Prospect would not qualify for Board membership as they would not be representative of any 2015 scheme members, however, (a) Prospect will have 2015 scheme members from 1 April 2015; (b) the LPB is part of the governance arrangements for the 2015, 2006 and 1992 schemes, not just the 2015 scheme; and (c) there is no such disqualifying criterion within the regulations.

17. A number of other issues raised by the FBU and FOA in Appendixes C and D have been addressed within the draft Terms of Reference, as follows:

- The draft Terms of Reference now provide for the Chair to be rotated annually between the employer representative side and the employee representative side;
- The draft Terms of Reference now make it explicit that the annual term of office of LPB members is renewable; and
- The draft Terms of Reference now provide for three meetings per year.

(c) Employer representatives and options for governance

18. Officers are of the view that the employer representatives should be Members of the Authority as the Authority has ultimate accountability for managing and administering the firefighter pension schemes. This is, however, complicated by the fact that, under the regulations, ‘No member [or officer] of an authority who is responsible for the discharge of any function under these Regulations (apart from any function relating to a local pension board or the Firefighters Pension Scheme Advisory Board) may be a member of the local pension board of that authority.’ (Regulation 4B(4)). It will be recalled at paragraph 8 above, that it is recommended that two discretions for scheme employers within the Firefighters Pension Scheme 2015 remain vested with the Authority and are not delegated to officers. What would not be possible would be for Members who were Local Pension Board employer representatives to vote on these, or other, discretions at an Authority meeting. Arising from this, officers submit four options for governance which would ensure compliance with the regulations.

19. The options for governance submitted by officers are as follows:

Option 1: The Authority delegates the exercise of the discretions remaining with the Authority to a Committee of the Authority (e.g. Resources Committee), and nominates its employer representatives on the LPB from those Members who are not members of that Committee. Agreement to this option would not require any amendment to Appendix A, and would not require subsequent amendment to Appendix B.

Option 2: The full Authority retains the exercise of the discretions remaining with the Authority, but those Members who are nominated as LPB employer representatives are required not to vote on these discretions as and when they come before the Authority. Agreement to this option would also not require any amendment to either Appendix A or Appendix B.

Option 3: The Authority agrees to delegate all of the FPS 2015 discretions to officers, i.e. including those two that are recommended to remain with the Authority at paragraph 8 above, first two bullet points. This would enable any Member to be nominated as a LPB employer representative. Agreement to this option would not require any subsequent amendment to Appendix B, but would require Appendix A to be amended...
to include the two discretions recommended to remain with the Authority at paragraph 8 above.

**Option 4:** The Authority agrees to nominate officers, and not Members, to be the LPB employer representatives. Nominated officers would not be able to be those who have delegated functions under the firefighters pension schemes, in particular the Acting Director of Operational Resilience and Training and the Director of Finance and Contractual Services. Agreement to this option would not require any amendment to Appendix A but would require Appendix B to be amended accordingly.

20. Officers recommend one of Options 1-2 above. Both of these options entail Members being the LPB employer representatives, and these two options also entail the Authority retaining the two discretions referred to at paragraph 8 above.

**Budget**
21. It is believed that main expenditure involved in establishing the LPB will relate to servicing the Board (in particular photocopying and postage), re-imbursing out-of-pocket expenses for LPB members, and largely one-off costs in respect of training of LPB members. As such, it is expected that these costs will not be large, and can be contained within existing budgets. It is not therefore being recommended that the LPB is allocated a new budget. This will be kept under review, and if the position changes, this will be reported back to the Authority.

**Conclusion**
22. The following is therefore recommended:

That the Authority agrees:

- That the discretions under the Firefighters Pension Scheme 2015 as set out in Appendix A of this report be delegated to the Acting Director of Operational Resilience and Training in consultation with the Director of Finance and Contractual Services, and that in reaching decisions they should take into account the cost to the Authority and the benefit to the individual and the Authority of the application of the discretion.

- That the delegations already in place for stage 1 and 2 of the Internal Disputes Resolution Procedures (IDRP) for the 1992 Firefighters Pension Scheme and 2006 New Firefighters Pension Scheme are extended to the Firefighters Pension Scheme 2015.

- That the Scheme of Delegation of Functions to Officers be updated in accordance with the above two proposals.

- To establish a Local Pension Board, as required under the Firefighters’ Pension Scheme (Amendment) (Governance) Regulations 2015.

- That officers should continue discussing the Local Pension Board Terms of Reference with the recognised trade unions (Fire Brigades Union, Fire Officers Association, Prospect), to report back to the Annual General Meeting in June 2015 where the final Terms of Reference can be agreed.
• To select from one of the options listed in paragraph 19 in respect of the appointment of the LPB employer representatives.

Head of Legal and Democratic Services comments
23. The Head of Legal and Democratic Services has reviewed the report and has no further comments.

Director of Finance and Contractual Services comments
24. This report states that the establishment of a Local Pension Board may result in additional one-off training costs, as well as some ongoing costs for the re-imbursement of expenses and servicing the board. It is expected that these costs can be maintained within existing Authority budgets. However this position will be kept under review and any resulting pressure built into the 2016/17 budget process if required.

Sustainability Implications
25. There are no sustainability implications directly arising from this report.

Staff Side Consultations Undertaken
26. The recognised trade unions have been consulted on the contents of this report, in particular in relation to the establishment of the Local Pension Board and the proposed Terms of Reference.

Equalities Implications
27. There are no direct equalities implications arising from acceptance of this report.

List of Appendices to this report:
Appendix A – List of discretions under the 2015 Firefighters Pension Scheme
Appendix B – Local Pension Board – draft Terms of Reference
Appendix C – FBU comments on Local Pension Board Terms of Reference
Appendix D – FOA comments on Local Pension Board Terms of Reference
Appendix E – Prospect comments on Local Pension Board Terms of Reference
## LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

### List of background documents
- The Firefighters Pension Scheme (England) Regulations 2014
- The Firefighters Pension Scheme (Amendment) (Governance) Regulations 2015
- The Firefighters Compensation Scheme and Pension Scheme (England) (Amendment) Order 2015
- The Firefighters’ Pension Scheme (Amendment) (England) Order 2015
- New Firefighters Pension Scheme 2006
- Firefighters Pension Scheme 1992
- Public Service Pensions Act (2013)
- Letter from Acting Director of Operational Resilience and Training to CLG, 18/02/15
- FEP 2378
- FEP 2368
- FEP 2343
- FEP 2255
- FEP 1856
- Correspondence with the trade unions on the Local Pension Board

<table>
<thead>
<tr>
<th>Proper officer</th>
<th>Head of Human Resource Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contact officer</td>
<td>Dominic Johnson</td>
</tr>
<tr>
<td>Telephone</td>
<td>0208 555 1200 ext 30513</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:dominic.johnson@london-fire.gov.uk">dominic.johnson@london-fire.gov.uk</a></td>
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## Appendix A

**FIREFIGHTERS’ PENSION SCHEME 2015**

**Section 1 – Discretions for scheme managers, recommended to be delegated to officers**

<table>
<thead>
<tr>
<th>DISCRETION</th>
<th>REGULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Discretion to delegate functions under the scheme regulations</td>
<td>Part 2, rule 5(2)</td>
</tr>
<tr>
<td>2 – Discretion to determine the date a person opting into the scheme</td>
<td>Part 3, chapter 2, rule 12(5)</td>
</tr>
<tr>
<td>becomes an active member of the scheme</td>
<td></td>
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<tr>
<td>3 – Discretion to determine the date/pay period a person with three</td>
<td>Part 3, chapter 2, rule 16(2)(b)</td>
</tr>
<tr>
<td>months scheme membership opting out of the scheme ceases to be in</td>
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<tr>
<td>pensionable service under the scheme</td>
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<tr>
<td>4 – Discretion to treat an active member of the scheme as receiving</td>
<td>Part 3, chapter 3, rule 18(2)(f)</td>
</tr>
<tr>
<td>assumed pensionable pay whilst on unpaid leave for a period that does</td>
<td></td>
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<tr>
<td>not exceed 5 years</td>
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<tr>
<td>5 – Discretion to treat a person as an active member of the scheme if on</td>
<td>Part 3, chapter 4, rule 19(c)</td>
</tr>
<tr>
<td>unpaid authorised absence</td>
<td></td>
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<tr>
<td>6 – Discretion as to the form a pension account may be kept</td>
<td>Part 4, chapter 4, rule 28(2)(a)</td>
</tr>
<tr>
<td>7 – Discretion as to the manner an account which is not closed is adjusted</td>
<td>Part 4, chapter 4, rule 29(3)</td>
</tr>
<tr>
<td>to reflect the extinguishment of rights</td>
<td></td>
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<tr>
<td>8 – Discretion to choose which active account that the benefits from a</td>
<td>Part 4, chapter 5, rule 37(5)</td>
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<tr>
<td>closed account should be aggregated with, if the active member has</td>
<td></td>
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<tr>
<td>more than one active account and has not made a selection</td>
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<tr>
<td>9 – Discretion to select which deferred account is to be closed, if the</td>
<td>Part 4, chapter 7, rule 49(4)</td>
</tr>
<tr>
<td>deferred member has more than one deferred account and, within three</td>
<td></td>
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<tr>
<td>months of re-entering scheme employment, has not made a selection.</td>
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<tr>
<td>10 – Discretion to determine the date of partial retirement, to be agreed</td>
<td>Part 5, chapter 3, rule 63(5)</td>
</tr>
<tr>
<td>with the scheme member</td>
<td></td>
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<tr>
<td>11 – Discretion to determine the intervals for reconsideration of ill-health</td>
<td>Part 5, chapter 4, rule 68(1) and (2)</td>
</tr>
<tr>
<td>awards</td>
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<tr>
<td>12 – Discretion to determine the date the retirement pension is paid</td>
<td>Part 5, chapter 5, rule 70(2)</td>
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<tr>
<td>where an active member has not claimed payment of the pension before they</td>
<td></td>
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<tr>
<td>retire</td>
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<tr>
<td>13 – Discretion to determine the date the retirement pension is paid</td>
<td>Part 5, chapter 5, rule 70(8)</td>
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<tr>
<td>where the deferred member has requested to defer payment, or has</td>
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<tr>
<td>requested payment after the deduction of the early payment reduction</td>
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<tr>
<td>14 – Discretion to consent to the beneficiary of an allocation election</td>
<td>Part 5, chapter 6, rule 72(3)(b)/(4)</td>
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<tr>
<td>being any other person who is substantially dependent on the member,</td>
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<tr>
<td>and not to consent if not satisfied that the person is substantially</td>
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<td>dependent on the member</td>
<td></td>
</tr>
<tr>
<td>Requirement to be satisfied of good health and normal life expectancy for allocation purposes</td>
<td>Part 5, chapter 6, rule 73 (1)(a)</td>
</tr>
<tr>
<td>Discretion as to the manner the amount of allocated benefit to a beneficiary of an allocation election is adjusted if the member dies after age 75, and the allocated pension does not qualify as a dependant's scheme pension</td>
<td>Part 5, chapter 6, rule 75 (1)</td>
</tr>
<tr>
<td>Discretion to agree a period shorter than two years to satisfy the criteria of a 'long-term relationship', for the meaning of 'surviving partner'</td>
<td>Part 6, chapter 1, rule 76 (2)</td>
</tr>
<tr>
<td>Discretion to pay any lump sum death benefit payable to a nominee, representatives or relative</td>
<td>Part 6, chapter 4, rule 95</td>
</tr>
<tr>
<td>Discretion to determine who to pay an eligible child's pension in respect of a child under age 18</td>
<td>Part 6, chapter 5, rule 100(2)</td>
</tr>
<tr>
<td>In respect of survivors' pensions, if it later appears to the scheme manager that a false declaration has been made, or a material fact deliberately suppressed, discretion to cease paying pensions, to recover payments made, and to recover a payment or overpayment under any other provision if considered appropriate</td>
<td>Part 6, chapter 5, rule 101(1) (2) and (3)</td>
</tr>
<tr>
<td>Discretion to make adjustments in respect of eligible child's pensions where new facts emerge, and to recover a payment or overpayment in any case if considered appropriate</td>
<td>Part 6, chapter 5, rule 102 (2) and (3)</td>
</tr>
<tr>
<td>Where a member dies aged 75 or over, discretion to adjust death benefits so it qualifies as a dependant's scheme pension</td>
<td>Part 6, chapter 5, rule 104 (2)</td>
</tr>
<tr>
<td>When identifying the applicable contribution rate, discretion to specify circumstances in a particular case which are to be disregarded, where these lead to a reduction in pensionable pay</td>
<td>Part 8, chapter 1, rule 110 (7)(h)</td>
</tr>
<tr>
<td>Discretion to agree method of payment of pension contributions</td>
<td>Part 8, chapter 1, rule 114 (1) and (3)</td>
</tr>
<tr>
<td>Discretion to extend the guarantee date for a transfer payment from 3 months to 6 months</td>
<td>Part 10, chapter 2, rule 135 (4)</td>
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<tr>
<td>Discretion to extend the one year time limit for the acceptance of a transfer payment from a non-occupational pension scheme</td>
<td>Part 10, chapter 3, rule 141 (3)</td>
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<tr>
<td>Discretion to require a statement in relation to a transferred pension</td>
<td>Part 10, chapter 3, rule 142 (2) and 144 (2)</td>
</tr>
<tr>
<td>Discretion to determine a medical issue where a person fails to submit to medical examination by the IQMP and the IQMP is unable give an opinion</td>
<td>Part 12, chapter 1, rule 152 (7)</td>
</tr>
<tr>
<td>Discretion to agree with a member that the IQMP should be given the opportunity to review their opinion where new evidence is presented by the member</td>
<td>Part 12, chapter 1, rule 153 (1)(c)</td>
</tr>
<tr>
<td>Discretion to allow a period longer than 28 days for a person to submit an appeal on a medical issue</td>
<td>Part 12, chapter 2, rule 154 (4)(c) and 155(2)</td>
</tr>
<tr>
<td>Discretion to appoint persons to attend a medical board interview on behalf of the scheme manager</td>
<td>Part 12, chapter 2, rule 157 (6)</td>
</tr>
<tr>
<td>32 – Discretion to require an appellant to pay the costs of a medical appeal board when the appeal is found to be frivolous, vexatious or manifestly ill-founded, or where the appeal is withdrawn at short notice</td>
<td>Part 12, chapter 2, rule 161 (2) and (3)</td>
</tr>
<tr>
<td>33 – Discretion to pay a lump sum representing the cash value of a pension where the small pensions commutation maximum is not exceeded</td>
<td>Part 13, chapter 1, rule 167 (3)</td>
</tr>
<tr>
<td>34 – Discretion as to whom, and how, pension benefits are paid when a person is incapable of managing their own affairs</td>
<td>Part 13, chapter 1, rule 168</td>
</tr>
<tr>
<td>35 – Discretion to pay limited sums to a person’s representatives or estate on their death without probate</td>
<td>Part 13, chapter 1, rule 169 (2)</td>
</tr>
<tr>
<td>36 – Discretion to withhold pensions payable in the event of conviction for a relevant offence</td>
<td>Part 13, chapter 2, rule 171 (1) and (4), 172 (2)</td>
</tr>
<tr>
<td>37 - Discretion to re-instate lump sum death benefit in the event that a conviction for a relevant offence is quashed</td>
<td>Part 13, chapter 2, rule 173 (4)</td>
</tr>
<tr>
<td>38 - Discretion to withhold benefits where a member has a relevant monetary obligation or has caused a monetary loss</td>
<td>Part 13, chapter 2, rule 174 (1)</td>
</tr>
<tr>
<td>39 - Discretion to set-off a relevant monetary obligation against entitlement to benefits</td>
<td>Part 13, chapter 2, rule 175 (1)</td>
</tr>
<tr>
<td>40 – Determination of the appropriate information to provide a member to assist payment of the annual allowance charge</td>
<td>Part 13, chapter 3, rule 180 (2)</td>
</tr>
<tr>
<td>41 – Discretion to require evidence of entitlement and to withhold amounts if the required evidence is not provided</td>
<td>Part 13, chapter 4, rule 184 (1) and (3)</td>
</tr>
<tr>
<td>42 – Discretion to cancel periodical payments for added pension if it appears overall limit of extra pension will be exceed</td>
<td>Schedule 1, Part 1, rule 4 (2)</td>
</tr>
<tr>
<td>43 – Determination of the minimum amount of periodical payments for added pension</td>
<td>Schedule 1, Part 2, chapter 2, rule 7 (3)</td>
</tr>
<tr>
<td>44 – Discretion to agree a method of periodical payment other than deduction from pensionable pay</td>
<td>Schedule 1, Part 2, chapter 2, rule 8 (3)</td>
</tr>
<tr>
<td>45 – Discretion to allow a period longer than 6 months for a member to authorise deductions in respect of assumed pensionable pay</td>
<td>Schedule 1, Part 2, chapter 2, rule 10 (4)</td>
</tr>
<tr>
<td>46 – Determination of the tapered protection closing date for a member of the NFPS where paras. 9(5) or 21 apply</td>
<td>Schedule 2, Part 1, rule 3 (3)</td>
</tr>
</tbody>
</table>

**Section 2 – Discretions for scheme employers – recommended to be delegated to officers**

<table>
<thead>
<tr>
<th>DISCRETION</th>
<th>REGULATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – Discretion to require an active member to pay the employer contribution if the member is on nil sick pay, or on authorised unpaid absence, and elects to pay contributions.</td>
<td>Part 8, chapter 1, rule 111 (2) and (4)</td>
</tr>
</tbody>
</table>
Appendix B

Draft Terms of Reference for Local Pension Board

1. Purpose

1.1 The purpose of the Local Pension Board (‘the Board’) is to assist the London Fire and Emergency Planning Authority (‘the Authority’), in its role of scheme manager:

(a) To secure compliance with legislation relating to the governance and administration of the firefighters’ pension schemes, and any requirements imposed by the Pensions Regulator in relation to the firefighters’ pension schemes;
(b) To ensure the effective and efficient governance and administration of the firefighters’ pension schemes.

1.2 The Board shall have the power to do anything which is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions, e.g. (1) request relevant information from Authority officers responsible for the administration of the schemes; (2) make recommendations in respect of the administration of the schemes.

1.3 The Board has no executive authority in respect of the administration of the firefighters’ pension schemes.

2. Membership

2.1 The membership of the Board will be:

(a) [ ] employer representatives, comprising elected Members, appointed at the Annual General Meeting (AGM) of the Authority. Employer representatives must have the capacity and understanding to represent the employers on the Board.
(b) [ ] member representatives (henceforth ‘employee representatives’), comprising [ ] appointed by the Fire Brigades Union, [ ] appointed by the Fire Officers Association, and [ ] appointed by Prospect. Employee representatives must have the capacity and understanding to represent all scheme members on the Board.

2.2 Board members must act at all times in the interests of the schemes, and not seek to promote the interests of any stakeholder group above another.

2.3 In the first year, the Chair of the Board will be nominated from one of the employer representatives; in the second year the Chair will be nominated from one of the employee representatives; and the Chair will rotate annually in this manner thereafter.

2.4 The Director of Finance and Contractual Services, the Head of Human Resource Management, the Head of Legal and Democratic Services, and the Director of Pensions of the London Pensions Fund Authority, or their nominated representatives, will be standing advisers to the Board.

2.5 The term of office of Board members shall be one year which may be renewed. The Authority shall have the power to replace an employer representative between AGMs. The trade unions shall have the power to replace their appointed employee representative(s) mid-year. A Board member may be replaced as a result, for example,
of a conflict of interest, or no longer being available to carry out the functions of a Board member.

2.6 Board members are subject to, and must abide by, the relevant Authority codes of conduct. Board members must maintain appropriate confidentiality in respect of any matter related to their duties.

2.7 Board members will be entitled to claim reasonable out-of-pocket expenses incurred through discharging their Board responsibilities.

3. Knowledge and Understanding (including Training)

3.1 Knowledge and understanding must be considered in light of the role of the Board to assist the Authority as detailed above. The Board should establish and maintain a policy and framework to address the knowledge and understanding requirements that apply to Board members. The policy and framework shall set out the degree of knowledge and understanding required as well as how knowledge and understanding is acquired, reviewed, and updated.

3.2 Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Board’s knowledge and understanding policy and framework.

3.3 Board members shall participate in such personal training needs analysis or other processes that are put in place in order to ensure that they maintain the required level of knowledge and understanding to carry out their role on the Board.

4. Conflict of interest

4.1 No Board member shall have a conflict of interest, i.e. a financial or other interest which is likely to prejudice the member’s exercise of functions as a member of the board (but does not include a financial or other interest arising merely by virtue of membership of the scheme or any connected scheme).

4.2 All members of the Board must declare to the Authority on appointment and at any such time as their circumstances change any potential conflict of interest arising as a result of their position on the Board.

4.3 On appointments to the Board and following any subsequent declaration of potential conflict, the Authority shall ensure that any potential conflict is effectively managed in line with both the internal procedures of the Authority and the requirements of the pensions regulators codes of practice on conflict of interest for Board members.

5. Frequency and conduct of meetings

5.1 The Board will meet three times a year. The Chair may call other meetings as necessary.

5.2 The meeting will only be quorate when at least 50% of the employer representatives, and at least 50% of the member representatives are present.
5.3 The Board should aim to reach decisions by consensus. Where consensus is not achieved, this should be recorded by the Chair, reflecting the outcome of the debate.

6. Amendment to the Terms of Reference

6.1 These terms of reference may be amended by the Authority at any time.

[Ends]
Appendix C

FBU’s comments on Local Pension Board Terms of Reference

From: Ian Leahair
Sent: 11/03/2015 18:02
To: James Dalgleish (JAMES.DALGLEISH@london-fire.gov.uk)
Cc: Lrx (lrx@london.fbu.org.uk)
Subject: LPB TORs

James,

In respect of meeting to discuss the proposed Terms of Reference (TORs) for the London Pension Board, we committed to submit our comments on the paper provided, having now reviewed both the proposed TORs and the legislation/regulations that have come into force we make the following comments, which is submitted on the basis that an actual conflict of interest may exist within the TORs outlined by the brigade; therefore this is a without prejudice proposal.

Section 1 Purpose - agreed.

Section 2 Membership;

Given the potential conflict of interest (set out below) we propose for agreement the following;

The membership of the Board will be:

(a) 3 employer representatives, comprising elected members, appointed at the AGM of the Authority. Employer representatives must not have a conflict of interest and must have the capacity and understanding to represent all scheme members on the board.

(b) 3 employee representatives, comprising of 3 FBU member representatives appointed by the London Regional Committee, who must not have a conflict of interest and must have the capacity and understanding to represent all scheme members on the board.

(c) The Chair of the Board will be nominated by the board on an annual basis which will rotate annually between employer and employee representatives.

(d) The Director of Finance and Contractual services, the Head of Resource Management, the Head of Legal and Democratic Services, and the Director of Pensions of the London Pensions Fund Authority, or their nominated representatives, will be standing advisors to the board. (whilst we are happy with this, we do not accept that the advisors should be able to nominate substitutes to attend on their behalf, we further have concerns that as a result of the current review of top management the status of at least one director may change from temp non uniformed to a uniformed post, and the review also seeks to encompass HR & Training under the same director, that this may impact on this proposed TOR?)

(e) The term of office of Board members shall be a minimum of one year, which shall commence from the date of the introduction of the new scheme (April 2015).

(f) Board members cannot be replaced mid-term of office.

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(g) Board members are subject to, and must abide by, the relevant Authority codes of conduct. Board members must maintain appropriate confidentiality in respect of any matter related to their Board duties.

(h) Board members will be entitled to claim reasonable out-of-pocket expenses incurred through discharging their Board responsibilities. *(a more defined definition needs to be included, 'reasonable' is open to interpretation and could lead to claims that the board member would perceive reasonable e.g. taxi fares, loss of earnings, etc)*

We have considered the proposal by the brigade that the board should reflect all recognised trade unions who have pension scheme members, however, we would consider that such a board would invoke a conflict of interest (contrary to the highlighted section below), i.e. Prospect only represents GOLD book staff approx. 18/20 in London. We consider that this could be a conflict of interest because they only serve to act in the interests of this section of members. We believe that while potential conflicts of interests can be mitigated the scheme manager cannot appoint board members where there is an actual conflict of interest. In the case of prospect members we believe there is an actual conflict of interest. In addition to this, we would ask you to consider that of the members they have, a number of which are not members of any Firefighters pension scheme as they have already taken pensions, while others will not be required to join the new 2015 scheme and are protected 1992 scheme members. For these reasons Prospect would not qualify as a board member as they would not be representatives of any 2015 pension scheme members at all.

In respect of FOA representatives the concerns are similar, in that, whilst FOA members (not in great numbers) may transfer to the new 2015 scheme, either by having no or a period of tapering protection, an actual conflict of interest would be invoked as they will also only serve to act in the interests of a section of scheme members and do not represent all scheme members. We suggest that they could only be representing middle managers as they are not recognised for the purpose of other roles within the brigade industrial relations structures.

**We are willing to discuss and take legal opinion on potential conflicts and would ask that this is discussed further with us when the issue has been clarified.**

Definition of conflict of interest:

> In public service schemes a conflict of interest is a financial or other interest likely to prejudice the way in which someone carries out their role as a member of a pension board. It doesn't include a financial or other interest arising merely from them being a member of the scheme or any connected scheme. For example, an employer representative appointed to the pension board to represent employers generally could be conflicted if they only serve to act in the interests of a section of employers, rather than all participating employers. Actual conflicts of interest aren't allowed in public service schemes – they can’t be managed. Only potential conflicts can be managed. If you’re a pension board member you must provide information to the scheme manager when requested, so that they can be satisfied you don’t have a conflict of interest.

The underlined area is our emphasis and means that being a member of the scheme is not a conflict of interest.
Section 3 Knowledge and Understanding (including Training) - Agreed.

Section 4 Conflict of Interest

See above which outlines an actual conflict of interest that cannot be managed as only potential conflicts can be managed. Provided this conflict of interest is removed as proposed by 2 (a) & (b) above then section 4 can be agreed.

Section 5 Frequency and Conduct of meetings

(a) The Board shall meet no less than 3 times per year, (the first of which should take place in April 2015). The Chair may call other meetings as necessary.

(b) The meeting will only be quorate when at least two thirds of the employer representatives, and at least two thirds of the employee representatives are present.

(c) The board should aim to reach decisions by consensus, where consensus is not achieved, this should be recorded by the Chair, reflecting the outcome of the debate.

Section 6 Amendment to the Terms of Reference

These TORs can only be amended to reflect changes in legislation/regulation, or by agreement of the pension board.

In the absence of agreement to the above or similar by agreement, the FBU would consider alternative proposals having resolved the actual conflicts of interest outlined above and would need to consider issues relating to the number of employee reps and the chair of the board.
FOA's comments on Local Pension Board Terms of Reference

From: ROBINSON, CLIVE
Sent: 13 March 2015 15:33
To: JOHNSON, DOMINIC
Cc: TURNER, JOHN FRANCIS; WELCH, RICHARD; 'Chief Executive'
Subject: FW: Local Pensions Board - draft Terms of Reference

Dominic,

I had a meeting with Ian Leahair yesterday regarding the numbers on the LPB and their challenge re a possible conflict of interest. I have pursued this with FOA and our Pension expert and there does not appear to be any conflict of interest that will preclude FOA from sitting on the LPB. To this end, I would like the membership to be one FOA and a maximum of 3 FBU at the Scheme Managers discretion as per Section 4B(a) of The Firefighters Pension Scheme Regulations 2015. As the meeting promised for today did not take place, can we arrange this for immediately after the JCMM on Tuesday 17 March please.

With regard to the draft ToR, FOA offer the following comments:

2.1(b) Should say ‘a maximum of 3 FBU members plus 1 FOA member’.

2.2 We are not sure why there are standing advisors to the LPB, when the Regulations state that this only for the Scheme Advisory Board (Regs: 4f(4))

2.3 This section should be reworded to say that the term of office for Board members should be renewed on an annual basis at the AGM. There should be no stipulated minimum term for members, as they will receive training when appointed on to the board and to be VFM or cost effective and to build up knowledge and experience, they will need to serve for a longer period. We assume that the Authority’s option of replacing the Employer representative between AGMs, is to account for changes in Authority members or promotions/retirements only.

2.3 FOA feel that a section (c) should be added regarding the chair of the board and how it is to be determined who this will be. FOA feel the chair should alternate on an annual basis. Will the chair be a working chair or is there an arrangement for an additional member representative from the RB taking the role of chair for the year?

2.4 This should be changed to ‘employer representative’ and not ‘member’.

5.1 FOA feel that there should be 3 meetings per annum at four monthly periods.

Regards

Clive

Clive Robinson
FOA Vice President
and London Region Vice-Chair
Appendix E

Prospect's comments on Local Pension Board Terms of Reference

From: Sue Ferns [mailto:Sue.Ferns@prospect.org.uk]
Sent: 13 March 2015 16:20
To: JOHNSON, DOMINIC
Cc: COTTON, DANIELLE; DALY, DAN
Subject: Local Pensions Board

Dominic

You invited comments on the draft terms of reference for LFEPA’s local pensions board.

I am writing to confirm that, as a recognised union representing members in the Firefighters’ Pension Schemes, Prospect wishes to take up one of the seats for employees on the local pensions board.

As there are other organisations that similarly represent members of the relevant pension schemes and four seats for employee representatives are proposed, we would be content to have one seat allocated for Prospect, one for FOA and two for the FBU.

Regards

Sue

Sue Ferns
Deputy General Secretary
Prospect Head Office
New Prospect House
8 Leake Street
London
SE1 7NN
Summary
This report provides the Authority with an update on the Property Services Review. This follows on from the decision by the Authority in March 2013 that officers commence detailed negotiations with the Metropolitan Police Service (MPS) and associated contractors with a view to adopting a shared service referred to as the Integrator.

The report sets out the results of those negotiations and considers four options as follows:

- Continuing to deliver Facilities Management (FM) services as currently provided by Property Group (Status Quo)
- A further restructure of Property Group to enable it to function in the way that an Integrator would (In House Integrator)
- Developing a bespoke Integrator service solely for the Authority using the MPS Integrator, Kellogg Brown and Root (KBR)
- Using the Integrator service already in place by the MPS and delivered by KBR as a shared service

In considering these options, the report notes that property services functions are already significantly outsourced and that further savings beyond those delivered by the recent restructure cannot be achieved without a change in the way the service is delivered. Whilst maintaining the Status Quo allows the Authority to retain the current resourcing level, the expected increase in supply chain costs, as driven by the market, will result in an additional savings requirement in future years. Adopting the In House Integrator offers the opportunity for a range of improvements in the delivery of the property services functions, but the transformation will require significant set up costs and will not alter the fact that the Authority’s supply chain is too small to sustain market leverage (circa £10.6m per annum compared to MPS at circa £60m). The benefits of adopting an external Integrator option are that it takes full advantage of integration into a proven shared service with the
MPS and which has the potential to be rolled out across the GLA; it mitigates against forecasted FM and construction price increases; it provides cost certainty; further investment for service improvement is not required and the need for the Authority to conduct its own lengthy procurement to arrive at this point is avoided. The downside of this option is that there will be a potential headcount reduction and TUPE transfer of up to 14 staff. However as set out above the expectation of significant supply chain cost increases under the status quo and in house options means that it cannot be guaranteed that staff redundancies can be avoided in future.

The report therefore concludes that the external Integrator shared services option offers the best value of the four options considered as well as providing service improvement in the delivery of the facilities management and minor works functions. It is estimated that this option will result in a reduction of £17.03m in the expected cost of the supply chain and a net saving of £6.3m over a ten year period. This is subject to successful negotiations prior to entering into a formal agreement with KBR for a shared integrator service using the framework agreement developed by the Mayor’s Office of Policing and Crime.

Recommendation
That the Authority:

1. Notes the contents of this report;
2. Agrees that the External Integrator (shared services) option provides the best value to the Authority over 10 years;
3. If (2) is agreed, authorises the Assistant Commissioner Technical Service and Support in conjunction with the Heads of Procurement, Human Resources and Development and Legal and Democratic Services to enter into detailed contract negotiations with Kellogg Brown & Root, including all commercial terms and arrangements relating to the staff transferring and their pension arrangements, and agree or otherwise approve any issues necessary to complete the contract for the Integrator services with Kellogg Brown & Root and with the second tier suppliers;
4. That, subject to (3) above, delegated authority is given to the Assistant Commissioner Technical and Service Support to (a) appoint Kellogg Brown and Root as the Authority’s FM Services Integrator on condition that the costs of the Services do not exceed those set out in this report; and (b) appoint second tier contractors, on the terms of the framework agreements referred to in this report; and
5. Authorises the Head of Legal and Democratic Services (or his authorised representative) to enter into and execute a contract for the Integrator Services and the contracts with second tier suppliers together with all ancillary or additional documentation and agreements as necessary.

Introduction and Background
1. The Authority agreed in March 2012 (FEP 1901) that alternative ways in which the LFEP Property Services’ function can be delivered should be explored. An assessment of both the external markets’ ability to provide the service, as well as opportunities for collaboration and shared services within the GLA group were to be included in this review. This was informed by an assessment of the current service provision and the extent to which it is currently outsourced. This is summarised in Appendix 1 which shows that whilst the estate management function is fully outsourced, external providers are only used on a case by case basis for individual services and projects. Property Group staff are therefore responsible for sourcing and managing a wide variety of different contracts, with little current collaboration on this with other bodies within the GLA.
Group or the wider public sector. The purpose of the review was to see if there were alternatives ways of managing this that might offer better value.

2. The Resources Committee received a progress update on this in July 2012 (FEP 1931). This explained that since the report in March, the Mayor had expressed an intention to set up a Single Property Unit for the GLA Group. It was anticipated that this would offer the opportunity to consider options for shared property functions and services across the Group with the understanding that this would extend the time line for the overall review.

3. The Resources Committee received a further update at its meeting in March 2013 (FEP 2041). This report set out the outcome of the internal review of the structure of the Property Group which had resulted in the reduction of 10 posts and an overall full year financial saving of £490,663. This provided a larger saving than the £245,000 originally forecasted for the Property Services Review in the November Budget Update report to the Authority in November 2012 (FEP 1989).

4. That report also explained the procurement exercise underway by the Metropolitan Police Service (MPS) to procure a new facilities management arrangement known as the Integrator Model. It explained that at the time of writing the MPS were nearing the end of their procurement exercise to select a provider of the Integrator Model with a view to awarding a contract in April 2013, followed by a 12-month implementation phase. The procurement exercise and resulting contractual agreement specifically incorporated the ability of other members of the GLA family to participate if they wish.

5. The report recommended that it was strongly advantageous to the Authority to explore this option in more detail for a variety of reasons. Whilst the MPS is clearly a larger organisation than LFB, in property terms there are many parallels. Both services operate a mix of old and new properties in a Borough and Area based structure, with a mix of both standard and bespoke facilities. These facilities may require maintenance and availability requirements that range from traditional office accommodation through to critical 24 hour operational and specialist functions with associated business continuity needs. In addition to the similarities of the two organisations’ current estate, this approach would secure a major shared service agreement between the two organisations, and would negate the need for a lengthy and complex procurement for the Authority.

6. The report explained that in the current model for the Authority it is the in-house Property Group who currently operates as the client and integrator sitting between the supply chain. If the approach being explored by the MPS were to be adopted the expectation is that those staff operating as the ‘integrator’ would transfer to the new provider. A smaller in-house team would then be retained to operate as the intelligent client.

7. The Committee agreed the recommendation that officers commence detailed negotiations with the Metropolitan Police Service and associated contractors with a view to adopting a shared service from 2014. This report provides an update on this process and sets out the resulting options for the future operation of the Property Services Function for the Committee to consider.

8. As members will be aware from the quarterly updates on corporate projects provided to the Strategy Committee it has taken longer than anticipated to reach this point. This is due to a combination of factors. The MPS Integrator service commenced operation with effect from April 2014. It was felt important that data was available from this point in order to inform the options analysis in this report. Officers also wanted to understand how the outcome of the work led by PWC to consider options for future collaborative procurement across the GLA Group might impact upon this review. That did not reach a conclusion until January this year. The Authority has now agreed in principle to join the pan-GLA collaborative procurement team that is being set up
as a result of this review. Further information on the operation of this team is set out in a separate report to this meeting of the Authority. However this does not cover the property functions considered in this report. Officers also wanted to make sure they had considered the points raised by members at the presentation on the proposed integrator options that took place at the rising of the Authority meeting in November 2014.

FM Services Integrator

9. In determining exactly what an FM Services Integrator (the Integrator) does, a definition has been accepted as:

A single service provider responsible for offering the client a cohesive solution by integrating process, technology, reporting and performance measurement/management across all service providers.¹

10. In summary, the Integrator provides a single organisation that sits between the client and a series of specialist suppliers. The client therefore has one relationship with the integrating organisation, who in turn manages the supply chain which can include small and medium enterprises (SME).

11. The services that can be expected of an Integrator include:

- Procure the second tier supply chain and demobilise the incumbent supply chain as required. The Authority would then enter into a direct contractual relationship with the second tier supplier.
- Contract manage the second tier supply chain including enforcing appropriate sanctions, ensure problems are rectified and measures implemented to avoid their repetition
- Monitor and measure the performance against a performance indicator regime
- Monitor and review data and management information available and to anticipate problems and proactively provide solutions across the supply chain
- Report to the client and provide accurate analysis of performance and resolution of issues arising
- Provision of
  - Computer aided facilities management system (CAFM)
  - An intelligent contact centre (Help Desk)
  - Financial management, commercial audit & payment
  - Management information and reporting
  - Value for money and benchmarking
  - Audit of the second tier supply chain
  - Document management
  - Building environment management system (monitoring and management of systems, reacting to faults detected, analysing trends, reporting and recommending actions to be taken)

12. The CAFM system facilitates effective delivery of the Integrator Model, and is formed around these key objectives:

- Single source of information for the Estates Assets to measure the effectiveness of Asset performance data which can be used in benchmarking activities and also to ensure accuracy of information when procuring FM Services

¹ The Leader 2011 Mar/Apr The Integrator Model an Emerging Sourcing Strategy by (Christelle Bron, Derek Chanler-Berat & Brandon Forde)
- Management of Statutory Inspections to ensure Statutory compliance
- Management of Planned Preventative Maintenance as a means to reducing reactive maintenance costs
- Management of the supply chain to ensure work is placed with the correct organisation and associated with the correct contract terms
- Provision of a range of management information and reports to interrogate and use as a basis to make informed decisions and to support the performance management of the FM supply chain
- Ensuring that financial reporting is accurate and spend information and accruals reporting is timely and compliant
- Understanding and using building statistics (costs per square metre) to illustrate the performance of the property portfolio
- Management of Forward Works Plan to allow informed choices on maintenance/improvement work scopes.

13. The Integrator uses the CAFM system to directly manage the supply chain which delivers under contract to KPIs agreed by the client and set by the Integrator. KPI’s for the performance of the Integrator are monitored by the client. In this way the client has recourse to both the Integrator and the supply chain directly providing for a more robust management regime.

14. Research has indicated that an Integrator can, through their market leverage, achieve significant savings on extant FM supply chains. This is achieved through the Integrator’s knowledge of the local market and a range of measures which are summarised below:

- Competition to ensure that tenders will always drive initial benefits, sustain benefits and avoid cost creep over the contract duration.
- Self-delivery thereby avoiding additional supplier margins.
- Encouragement for SME’s to tender.
- Direct pricing i.e. tell the market what price is affordable
- Flexible tendering e.g. single or multi lot awards
- Transparent management structures in the supply chain and understanding who does what, when and where
- Managing demand. If something isn’t needed, then switch it off.

**MOPAC/MPS**

15. In March 2013, the Mayor’s Office for Policing & Crime (MOPAC) approved the award of a collaborative Framework & Agreement Call Off contract to Kellogg Brown and Root (KBR) for the delivery of FM Integrator Services to the MPS. KBR is recognised as one of the world’s premiere engineering, procurement, construction and services companies.

16. The contract was awarded in April 2013 for an eight year period (with one year for mobilisation) and the potential for 3 x 1year extensions. MPS advise that the duration of the contract is based on findings from market engagement and analysis which indicated that the market for the Integrator provision would prefer that contracts are long term, enabling the provider to make a return on the investment made in the first one to three years of the contract. It is envisaged that the second tier supply chain contracts may be more medium term in length to allow for agility and flexibility in delivery of Facilities Management (FM) Services. Accordingly, the subsequent options considered within this paper are based upon a similar period of duration whereupon retendering would be necessary or an alternative solution sought.

17. All contracts have been structured with all GLA functional bodies nominated as a Contracting Authority. This enables the specific bodies (participating body) to call off services from MOPAC’s
FM services supply chain. However, to do this and realise the full benefits of an Integrator, the participating body is required to contractually engage with MOPAC’s Integrator, KBR as follows:

- Firstly is the Framework for the FM Integrator Services Contract. This Framework Contract is between MOPAC (the contracting entity) and KBR. A participating body e.g. LFEPA (the contracting entity) is able to call off integrator services under the Framework Contract. The Contract between the participating body and KBR will be in the form of the Template Call-Off Contract in the schedule to the Framework Agreement. Therefore the participating body will enter into a direct contractual relationship with KBR. Once a participating body has entered into a call off arrangement with KBR under the Framework for FM Integrator Services that contract should not be affected if MPS (the user of the contract) decide to terminate the framework.

- Secondly is the procurement (via the Integrator under the terms of a call off contract entered into under the Integrator Framework described above) of a second tier of independent supplier contracts with the specialist providers. The second tier suppliers will be contracted directly to MOPAC to deliver services to the MPS or the other participating bodies like the Authority but managed directly by the Integrator. These will be on the standard terms set out in the contract documents.

18. In instances where the MOPAC supply chain does not provide any specialist service that a participating body may require, e.g., the maintenance of fire station appliance bay doors, the Integrator will procure such services independent of the MOPAC supply chain and manage them on behalf of the participating body.

19. Appendix 2 provides a graphic description of how a participating body (for example LFEPA) would procure services via the Integrator framework and the procurement of stand-alone specialist services.

20. Prior to adopting an Integrator Model, MPS FM services were delivered within a Total FM model. This involved one or more main contractors who, generally delivered their services through a series of sub-contracted suppliers. Such a model gives rise to layer upon layer of supplier mark-up (mark-up on mark-up).

21. MOPAC have advised that significant benefits have been realised through the appointment of KBR as their Integrator as follows:

- 20% savings in their supply chain compared to the 11% that was forecasted which was before the MPS reduced the size of their estate by 70 buildings.
- Greater contract transparency and the maintenance of clear management information
- Attracting a specialist supply chain which has provided opportunities for small-medium enterprises (SMEs)
- Improved performance levels and responsiveness
- Reduced mark-up on mark-up
- Encouraging contract management efficiencies allowing MOPAC officers to focus on core business objectives through a focused professional small in-house client unit
- Ensuring flexibility in contract terms to reflect changes to the estate size and profile
- Shared savings through volumetric discounts at Integrator and 2nd tier supply chain levels

22. Whilst the majority of feedback from the MPS has been extremely positive regarding the initial operation of the Integrator model there were some early reservations. Specifically, the more robust management of their 2nd tier supply chain, where contractors and suppliers were directed in their operations as opposed to being self-directed, resulted in higher levels of abatement than
had been previously experienced. MPS were concerned, wanting improved service from the supply chain and not increased abatement that might put disproportionate financial pressure on smaller second tier suppliers. However they have since advised that as the Integrator contract has rolled out, supplier performance has improved and, abatements have reduced as suppliers have adapted to the different delivery regime and the rigorous performance monitoring by KBR. In fact it has been noticed that the SME contractors are flourishing as they are now self delivering rather than being a sub contractor to another organisation avoiding mark-up on mark-up of costs.

**FM Integrator Services/KBR proposal**

23. Officers engaged with KBR to set out the Authority’s requirements for FM Integrator services following KBR’s go live with the MPS last year. Services including hard FM (maintenance), soft FM (i.e. premises cleaning, ground maintenance, security etc.), and reactive and planned works orders to the value of £150k were proposed. A series of meetings and workshops enabled development of a London Fire Brigade Client Brief to which KBR have proposed the scope of services summarised below:

- Procure on behalf of LFB a restructured FM supply chain and manage supply chain contracts. This includes developing a sourcing strategy, pricing models, evaluation of tenders and contract preparation. (Legal input will be the responsibility of LFB)
- Design and implement IT and Information Management (IM) Systems to support the delivery of the FM Integrator services as outlined (Maximo for FM information, SharePoint for document management) and produce reports. This is the provision of the CAFM system
- Develop a suite of performance measures, report and manage supply chain performance
- Carry out best value benchmarking on an annual basis of supply chain costs
- Carry out audits of the supply chain to confirm compliance and manage non conformances
- Provide an Intelligent Contact Centre to provide a fully equipped, resourced and managed single point of contact 24/7/365.
- Manage and schedule statutory inspection, planned maintenance and other recurring scheduled FM services works orders and remedial works
- Manage and maintain the asset register
- Manage condition surveys from the supply chain and produce 1, 5 and 10 year Forward Works Plans
- Project management of minor new works
- Verify costs of the supply chain
- Provide financial management and reporting
- Receive and manage customer complaints
- Provide Building Management System (BMS) alarm monitoring
- Provide overall management and delivery of Integrator Services, i.e. governance, relationship management, risk register, business continuity, exit plan, quality plan etc.
- Oversee the transfer process on behalf of LFB from incumbent, exiting supply chain to new supply chain.

24. The proposal by KBR offers a package that is aligned to the current service delivered by LFB complemented by appropriate systems, procedures and controls. This is described diagrammatically in Appendix 3. It provides the following advantages to the Authority:

- A reduction in the overall facilities management services costs due to the implementation of KBR’s effective procurement and supply chain management processes and the savings measures summarised at paragraph 14. Based on KBR’s supply chain review of a number of the Authority’s existing FM contracts and in light of the experience of the first “live” year of the MPS contract, this saving is expected to be in the region of 15% per annum based on the value of extant supply chain contracts.
• Improved work flow, cost control, information management, H&S management of all reactive maintenance requests due to the implementation of KBR’s efficient systems, process, procedures, integration of resources and effective use of management information.
• KBR will through their 24x7 helpdesk and Intelligent Contact Centre, provide a single contact point for reactive maintenance requests, the logging of these requests on a single CAFM system and management of the these requests to closure.
• Improved control of asset data by implementing a best in class Maximo CAFM system resulting in a single source of information for all the Authority’s estates assets. KBR will, through the new supply chain and over a 12 month period, validate the current assets and capture this on the KBR CAFM system.
• Improved asset change management through KBR proven processes.
• Coordinated approach to project works order management and Forward Works Plans.

25. As has been mentioned previously, the CAFM system facilitates management of the Forward Works Plan and allows informed choices on maintenance/improvement work scopes. This enables a more pro-active approach to maintaining the estate as opposed to the highly re-active approach which tends to be the case currently. Such an approach will allow managers to more effectively manage and address the backlog of property maintenance and free up time and resources to focus on other core and strategic issues such as delivery of the Capital Programme and opportunities which can release latent value in the estate.

26. Information & Communication Technology (ICT) have reviewed the detailed proposals for the CAFM system and are content that it will work within the Brigade’s existing IT infrastructure. However, as the system will process financial and other information e.g. personal data, likely to be classed as ‘Official Sensitive’ - under LFB’s Security Classification Scheme - the security controls around the system will need to be reviewed if the proposals are progressed. This will also involve proposed suppliers to the system. This approach has been endorsed by the Brigade’s Senior Information Risk Officer (SIRO) and the Information Governance Group.

27. ICT also reviewed the detailed costs provided by KBR for the proposed bespoke CAFM system. It was concluded that there were several areas where costs could be challenged but this would not reduce costs significantly.

28. As set out previously the MOPAC contract has been awarded for 8 years (includes 1 year mobilisation) with a potential 3 x 1 year extensions, giving a potential LFB contract period of up to 10 years. This is felt to be the minimum period that such a contract should be let since it allows for a reasonable period during which development and start-up costs can be amortised and, in KBR’s experience, affords best opportunity for appropriate pricing of 2nd tier supply chain as opposed to a series of smaller contract period awards.

MPS have advised that their current supply chain contracts are fixed for a four year period and have no inflationary clauses. In addition the MOPAC Integrator contract assumes a fixed price for the first three years (year 1 mobilisation/service development and first two years of full services). After which the Integrator can apply for price increases with the effect from 1 April 2016 at the end of each Contract Year by the amount of such increase in prices provided that any such adjustment shall be no greater than the change in RPI(X) during the Contract Year. The 1 April 2016 date is linked to the MOPAC Contract Start Date of 1st April 2013. The 1 April 2016 date is linked to the MOPAC Contract Start Date of 1st April 2013. For the Authority the contract commencement date will be 1 April 2016 (if approved). Similar conditions will be agreed such that the date of any increase for the Integrator to apply for increase will be 1 April 2019.
29. As set out in the next section of this report KBR have offered two options for the CAFM solution. These are to either provide a bespoke system solely for the Authority’s use or to allow the Authority to utilise the system and associated IT infrastructure currently in use by the MPS. The second option has been developed in light of the costs associated with the first and following further work with the MPS that was only possible once their contract had been in place for a number of months. Both options provide the full range of benefits set out here.

30. As first set out in the FEP 2041 and explained in more detail in this report, a decision to move to FM Integrator services provided by KBR will require the TUPE transfer of some of the LFB staff currently providing that service internally. KBR’s management of the MPS contract is facilitated from its offices at Swindon and Leatherhead with some roles working remotely in Greater London and reporting to a nominated base as necessary and it is anticipated that any LFB contract will be facilitated similarly. Whilst this position has the potential to change as their Integrator business grows this indicates that the transferred staff may be required to relocate.

31. KBR have confirmed that they are fully cognisant of their legal obligations in relation to the individual employment contract; the question of who is assigned to the undertaking being transferred; measures affecting employment terms and any social and economic considerations; the transfer of collective agreements and trade union recognition and negotiating rights; the treatment of occupational pension rights; and, finally; the duty on employers to inform and consult trade union/employee representatives in relation to a transfer of an undertaking.

32. As Transferee, KBR would take over the liability for all statutory rights, claims and liabilities arising from the contract of employment. This is a change from other outsourcing arrangements considered by the Authority where the terms and conditions of contract have meant that the Authority has given an indemnity in relation to matters arising prior to the transfer. They also confirm their understanding that TUPE will transfer rights and obligations relating to current employment terms and .KBR will honour all existing contractual terms at the point of transfer, including those covering:

- Pay and allowances;
- Hours and entitlements;
- Absence management including sick pay and injury at work procedures;
- Discipline/restoring efficiency and grievance procedures;
- Notice and probation periods;
- Employee welfare practices;
- Equal opportunities and diversity procedures;
- Medical retirement and death-in-service entitlements;
- Redundancy procedures and compensation
- Pensions

33. KBR is an equal opportunity employer and is committed to ensuring within the framework of the law that its workplaces are free from unlawful discrimination on the grounds of race, colour, age, sex (including gender reassignment), sexual orientation, marriage and civil partnership, pregnancy and maternity, disability, religion or belief or national origin.

34. All permanent KBR staff are issued with formal contracts of employment in accordance with current UK legislation. KBR neither use or support zero hour contracts. As it is their aim to be a preferred employer KBR staff are remunerated competitively in accordance with the markets they operate in which would be above the minimum wage or London Living Wage for London based staff.
Options

35. Officers have considered how the FM integrator services proposed by KBR compares to the current set up within the Property Group function (the status quo) and whether it might be possible to move towards an 'in house' integrator model similar to that provided by KBR without the element of transfer to the private sector that this involves. These options are compared to the two options open to the Authority if it wishes to utilise the MOPAC framework agreement to access the FM Integrator services either bespoke to LFEPA or shared with the MPS. Each of these four options is considered in turn below.

36. **Status Quo** – this option entails continuing to deliver services as currently provided by the Property Group. That is utilising the existing structure and establishment with the majority of services delivered by individual service providers under contract directly to the Authority. As explained at the beginning of this report and shown diagrammatically in Appendix 1, property services are already significantly outsourced in this way. Further savings beyond those delivered by the recent restructure cannot therefore be achieved without a change in the way the service is delivered.

37. The current team’s knowledge of the estate is very comprehensive and benefits the delivery of property services whilst maintaining standards. However, the systems used to support the process comprise, in the main, a series of spreadsheets which are not integrated. There is also a dependence on much of the extant supply chain managing itself and whilst its performance is monitored providing much of the information to support that process. This offers a much lower level of sophistication for performance management of the supply chain, interrogation of data and hence decision making for the forward works programme than an accredited CAFM system can provide. It is also the case that no matter how the internal property team is structured and developed, it will not have the same level of commercial expertise as an organisation such as KBR has, whose core function is that of procuring services utilising their in-depth knowledge of the relevant markets, over a large volume of business and therefore with significant market leverage. This distinction is of particular relevance given KBR’s successful work to date with the MPS over an estate that is circa 10 times larger but with the parallels to the Authority as set out in paragraph 5.

38. The Authority’s planned and reactive services for the maintenance, repair and replacement of defective fabric, mechanical and electrical items since 1st April 2012 is provided via two FM maintenance contractors referred to as Measured Term Contractors (MTC) at a joint cost of £1.8m per annum. The Authority has, for some time, had serious concerns regarding the performance of the MTC’s. Both contractors have found the KPI regime a challenge and have expressed concern that the numbers of assets under their respective management is much larger than that highlighted by their pre-contract assessment. This has had a direct impact upon their performance which can only be mitigated by the application of significant management time from Property Group. This has ensured that end user feedback remains high, however it diverts resources away from other core and strategic issues. Officers have been working closely with senior representatives from both suppliers on their plans for improvement. Further escalation of any action against them has been deferred whilst the Property Services Review is completed and pending consideration of the option for an external FM Integrator service which would cover these contracts.

39. From the Authority’s experience with the MTC and the evidence from the supply chain review undertaken by KBR, it is certain that the FM supply chain costs will increase in future. The MTC’s have made it clear that, in their opinion, the contracts are seriously undervalued and that future tendering for the same service (due in 2016/17) would attract an increase in the region of 20%
based on current claims. In addition to the projected increase in the MTC cost mentioned above, it is anticipated that general FM service costs are also likely to rise in the region of 3-5%\textsuperscript{2} and the minor works by up to 5% year on year (which reflects the general rise in construction costs).\textsuperscript{3} These costs have been included from year 2 to year 10.

40. This potential increase in the supply chain suggests a revised cost estimate for the current supply chain of £121.57m over a 10-year period which is an increase of £15.57m.

41. Appendix 4 estimates the total costs associated with this option as £148.98m over a 10-year period. This includes the anticipated increase in supply chain costs driven by the market as discussed above.

42. **In-House Integrator** – this option proposes that the current Property Group be further restructured to enable it to function in the way that an Integrator would. This is an investment option that was not considered during the first stage of the Property Services Review which was focussed on and delivered cost savings within the existing set up.

43. The key component required for this option is the acquisition and management of an accredited CAFM system. In addition the current mode of operation for an in-house intelligent client (which procures FM services from external service providers and the contracts it manages) will need to change significantly.

44. The most significant cost associated with this option is the implementation of a CAFM system. A conservative estimate suggests this would be circa £5m over 10 years. These costs are derived from the development and management costs as set out in KBR’s proposals in Appendix 1 of the Part II report.

45. Based on information received from the MPS, who developed their own CAFM system some years ago within their previous FM delivery model, officers estimate that it will take up to two years to introduce an In-house Integrator function. During this time there will be a need to develop and roll out a sophisticated CAFM system whilst also developing the in-house team and equip them with the skills and knowledge necessary to operate within an in house integrator. This approach will require consultancy and project support over a 2-year development and mobilisation period with an estimated cost of £450k. There will also be a need for significant realignment of staff roles and responsibilities, within a further restructure to ensure the right mix of staff to develop, operate and maintain a new CAFM system. These skills are not currently available in the department and whilst every effort will be made to equip existing staff to meet the new requirements four additional staff are expected to be required. The costs for these staff have been included in the costs of this option.

\textsuperscript{2} Building Cost Information Service (BCIS) advises 3-5% increases in FM services. This is being driven by prices of materials and increased skilled labour costs

\textsuperscript{3} The RICS Building Cost Information Service publish a forecast titled All-in Tender Price (TPI) which forecasts the increases in tender prices to incorporate changes in market conditions. The TPI index forecasts 4.9% increase year on year to 2019.

\textsuperscript{4} Arcadis International Construction Costs Report What will it mean for 2015? High costs reflect the very high specification levels.....also the result of an acceleration of client demand in assets, such as prime residential, which are reaching capacity ceiling, and has lead to significant cost inflation over the past year.....London will potentially see price escalation between 5-7% growth for the coming 2-3 years.

EC Harris Research Winter 2013/14 6-7% escalation for 2105/16 before stabilising around 4% from 2017 The supply chain needs to increase margins, higher expectations for wage growth are being driven by house builders, and a wave of material price rises.
46. Whilst the introduction of the CAFM system and associated working practices may make the property function more effective it is unlikely to afford supply chain savings that are significant enough to offset the increases forecasted in paragraph 40 above, or the cost of the additional investment required. This is because the in house function will still not have access to the market leverage available to a much larger organisation operating across a range of suppliers. There are also a number of risks associated with adoption of this option. There is likely to be period of disruption to existing services as the new system and associated ways of working are implemented. However it is reasonable to assume that there will be some reduction in the cost of the supply chain as a result of moving to this new way of working. This has been estimated as £6.89m.

47. The total costs for this option including the estimated supply chain savings set out above is estimated at £153.7m over 10-years, an increase of £4.72m on the status quo option over the same period. Appendix 4 provides more detail in respect of this figure.

48. **External Integrator (Bespoke system)** – Within this option it is proposed that KBR will develop a system solely for the Authority’s use. The biggest advantage of this option is the supply chain savings estimated by KBR as 15% of the current FM supply chain and 5% of the minor works supply chain. This totals approximately £28.97m over the 10-year period and represents a saving of approximately 8.8% on current costs which will be achieved through a combination of supply chain savings and headcount reduction arising from the transfer by TUPE of up to 14 posts. However, it must be noted that this level of saving is not guaranteed and KBR will not underwrite the risk for achieving this level of saving.

49. Officers challenged this proposal and commissioned KBR to undertake a supply chain review of a sample of current FM contracts. KBR reviewed 5 LFB contracts including larger value contracts and some more specialised, smaller contracts. The result confirmed that some of the extant contracts are very well structured with seemingly little scope for savings. However, other contracts were not as well structured which suggested considerable scope for saving within the integrator model. It is from this work that KBR have confirmed their confidence that they could achieve the level of saving suggested of 15% for FM services and 5% for minor works. In addition to KBR’s projected supply chain savings, it is felt that this option will also provide some mitigation against the MTC increases mentioned at paragraph 40. For example the contracts will be structured differently to remove contract management away from the contractor as previously mentioned and as has proved successful within the MPS contract management. This will also included the removal of the arrangement in the current MTC’s for any repairs under £1k to be included within their fixed fee component. This will enable greater control of the work undertaken to ensure efficiencies and economies similar to those being achieved by MOPAC.

50. With regard to the position set out at paragraph 49, officers accept that the Integrator will be subject to supply chain market increases as the contract period rolls out. Liaison with MPS shows that the framework currently in place has prices fixed for a four-year period following which services will be re-procured. Officers feel it is reasonable to assume that, at the point of re-procuring services, the supply chain market will have increased. For this reason assumptions have been made that the Integrator procured supply chain will benefit from the current framework delivering 15% and 5% savings on current supply chain costs up to year 3. Services will then be re-procured in years 3 and 7 respectively and have been forecasted to deliver 15% and 5% savings of the supply chain costs set out in the Status Quo option. This process is expected to result in a reduction in the expected cost of the supply chain of £17.03m over the ten-year period.

51. Central to this proposal is the development of a bespoke CAFM system. The CAFM system will be owned, hosted and operated by the Integrator. This approach places the risk for hosting the
system, maintenance, back-up, upgrades, etc., with KBR and not the Authority. However, it also gives rise to the issue of ownership of the data at the end of any contract period. Clearly the Authority will require contractual undertakings that the data reverts to the Authority at the end of any contract. KBR have confirmed that this will be addressed in an Exit Plan if this option is agreed.

52. The costs of developing and running such a bespoke CAFM system are significant. KBR have quoted development and start-up costs of £850k and an annual running cost of £367k during the contract period.

53. Also of note is the size of the team being proposed by KBR, (32.56 FTE). KBR have confirmed that their staffing model is comparable to that developed for MOPAC and provides integrated project management services for reactive works and life cycle projects up to a value of £150k.

54. Should this option be adopted there will be a potential LFB headcount reduction of up to 14 staff. This has been based on these staff currently carrying out more than 50% of the activities which would be delivered by the Integrator as part of this option. Such activities include the Help Desk function, management of the MTC and other contracts and delivery of minor works up to £150k. The intention is that these staff will be transferred to the Integrator as set out in paragraphs 31 to 35 and 75 of this report.

55. To deliver this option project management & support will be required for a 12-month mobilisation period, with costs estimated at £100k.

56. The total cost for this option is estimated at £151.11m over the 10-year period, an increase of £2.12m on the status quo position over the 10-year period. Appendix 1 of the Part II report contains KBR’s detailed pricing for this option.

57. **External Integrator (shared system)** - Having established the costs for the bespoke system officers did further work with both the MPS and KBR to see if these might be reduced if the Authority has access to the integrator service already in place for the MPS. This option therefore proposes that KBR will utilise the CAFM system and structural design currently in use for the MPS integrator services. Clearly the Authority will require a term of the contract stating that the asset, service, buildings and any statutory data remains the property of the Authority and will be made available at the end of any contract. As for the bespoke External Integrator option, KBR have confirmed that this will be addressed in an Exit Plan if this option is agreed.

58. The development and start up costs for the CAFM solution for this option are reduced by over £250k to £600k which is significantly lower than the Bespoke option above. This is because key resources and the CAFM solution are shared between the MPS and any future Authority contract.

59. In addition the continuing cost of maintaining the systems and data management to support the CAFM system is reduced by 50% or £180k per annum compared to a bespoke solution.

60. The continuing Integrator team costed to the contract proposed for this option is reduced by over 35% to 20.7 FTE as opposed to 32.56 FTE for the Bespoke option, which again reflects the sharing of FM Integrator services functions.

61. Project management and support will still be required to develop and mobilise this option over a 12-month period with costs estimated at £100k.

62. Should this option be adopted there will also be a potential headcount reduction of up to 14 staff. This number is the same as the bespoke system in paragraph 51 above as the volume and nature
63. Unlike the option to develop an In House integrator model, or indeed the Bespoke option with KBR, this will not involve the design and management of a new internal service or the implementation of a new system. The management of the Authority’s estate will be integrated into the existing structures and approaches of the KBR/MPS arrangement. There are significant economies of scale involved, as the MPS requirements are between 9 and 10 times larger, e.g. the MPS supply chain is £60m. The Authority will maintain the direct contractual relationship with the service suppliers and will continue to have a direct contractual relationship with KBR. Integrating the Authority’s requirements into the existing structure, whilst retaining the focus to ensure specific needs are met, will significantly de-risk the process and reduce the timescale to full implementation. The Authority will benefit from the use of the MPS integrator services which are now proven without having to direct its property resources away from the core business to reinvent itself.

64. The total cost for this option is estimated at £142.68m over a 10-year period, a net saving of £6.31m on the status quo position over the 10 year period. It is the lowest of the alternative options considered as a result of headcount reductions and supply chain savings. It also includes an expected reduction in the forecast increase in supply chain and construction costs of £17.03m over the ten year period. Appendix 1 of the Part II report contains KBR’s detailed pricing for this option.

65. Table 1 below summarises the cost information contained in the commentary above. Each option is compared against the status quo. A positive value in the last column represents an increase whereas a negative value represents a saving.

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<th>Table 1: Options Cost Comparison</th>
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<tr>
<td>1. Status Quo</td>
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<td>2. In-House Integrator</td>
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<td>3. External Integrator (Bespoke System)</td>
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<td>4. External Integrator (Shared System)</td>
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Conclusions

66. Maintaining the status quo position allows the Authority to retain the current resourcing level and avoid any redundancy or TUPE transfer. However, there will be no opportunity for the improvement that is possible through the introduction of an accredited CAFM system; and the Authority will not realise the savings that are expected as a result of moving to the external Integrator model. There is also the expectation that the LFB supply chain costs will increase by approximately £15.57m during the 10-year period over which a contract may be awarded.

67. The in-house Integrator option provides for a range of improvements through the development of a fully integrated CAFM system. However there are significant costs associated with the development and management of such a system which will be a major transformation programme, in both a technical and a cultural sense. There will also be a need to recruit additional resources with the requisite skills and knowledge to develop and manage such a system. This approach may mitigate against some of the expected supply chain increases set out in this report but it is very unlikely to achieve the savings proposed from the External Integrator option. This is because an in house Integrator option will not have the benefit of the KBR/MPS market leverage. This therefore reduces the ability to offset the costs of adopting the in house Integrator model.
68. Whilst there is no guarantee about savings for any of the options set out in this report, the External Integrator supply chain savings have been demonstrated by KBR for the MPS contracts and tested on 5 of the LFB contracts as explained earlier in this report. The In House Integrator option cannot be tested in advance in the same way. It is also likely to result in a significant period of service disruption whilst it is implemented.

69. The External Integrator, through the development of a bespoke service, is expected to deliver the full range of benefits as detailed in this report. It is also proposed that supply chain savings of 15% (FM services) and 5% (minor works) can be achieved. However this option requires the development of a bespoke service and CAFM system requiring an Integrator team of 32.56 FTE. The increase in costs over the shared services Integrator option appear to offer no credible advantages to the Authority for this option. In addition this option requires a headcount reduction of up to 14 posts.

70. The External Integrator, delivered via shared functions with the MPS, will deliver the full range of Integrator benefits as detailed in this report. It is also proposed that supply chain savings of 15% (FM services) and 5% (minor works) can be achieved. With this option the Integrator’s costs are reduced through the sharing of the established CAFM system and associated resources with the MPS. It is on this basis that this option presents the best value to the Authority. However as for the bespoke option, a headcount reduction of up to 14 posts is required.

71. The options presented in this report are to maintain the status quo, transform the in house service or move to an externally provided integrator. The In-house Integrator represents a transformation of the current service. However that transformation will take both time and additional cost to deliver. The adoption of the external Integrator service is expected to provide service improvements not identified by other services delivery models investigated during the Property Services Review. It is also expected to deliver net savings of £6.3m and a reduction in the expected cost of the supply chain of £17.03m over the 10 year period if the external Integrator shared services option is chosen. It avoids the need for the Authority to conduct its own potentially lengthy procurement process to arrive at this point and takes full advantage of integration into the MPS existing process which has the potential to be rolled out across the GLA.

72. It is therefore recommended that the Authority agrees that the external Integrator shared services option provides the best value to the Authority over ten years and that the Assistant Commissioner Technical and Service Support in conjunction with the Heads of Procurement, Human Resources and Development (HRD) and Legal and Democratic Services conclude detailed contract negotiations (including all commercial terms and arrangements relating to the staff transferring), report and to appoint KBR on condition that the costs do not exceed those set out in this report and the supply chain contractors in accordance with the terms of the framework agreements referred to in this report.

**Next Steps**

73. The process that has been undertaken to reach this stage has not been a formal tender process. As explained earlier that was conducted by MOPAC with the resulting contract being available to the Authority to access. KBR have asked for formal commitment from the Authority that it is agreed in principle to enter into a contract for integrator services prior to drawing up detailed documentation and the formal pricing strategy. As with any contract negotiations there is the potential for pricing to change. However, officers’ expectation is that any price changes should be a reduction and not an increase. It is also the case that the more the Authority utilises the services already procured for the MPS the greater the potential to realise further savings. This will be explored as part of the detailed negotiations to follow should the Committee agree to this option.
Once this is successfully completed and on the basis that the costs do not exceed those set out in this report the process of mobilising the new service will commence. Appendix 5 summarises the headline tasks as proposed by KBR and the duration of the steps necessary to bring the Integrator into service. The indications are that the service could be introduced by 1st April 2016.

The transfer of staff and any redundancies will be managed by the Authority’s HRD department in conjunction with KBR. As soon as staff are formally identified for transfer appropriate meetings, with both HRD and KBR, will be arranged to explain the process. Individual members of staff and the representative bodies will be kept updated at every stage of the process.

Head of Legal and Democratic Services comments

MOPAC issued a Contract Notice for the business and management consultancy related services on 22 March 2012. The Notice stated that certain organisations were eligible to call off under the framework agreement. LFEPA is specifically named as one of these organisations.

The Framework Agreement between MOPAC and Kellogg Brown and Root (The Integrator) states that Participating Bodies, (which include LFEPA), have the right to call –off the Services from the Integrator under this Agreement.

The Framework Agreement states that where a Participating Body wishes to enter into a Call-off Contract that is substantially, but not necessarily, exactly in the form of the Call-Off contract the Participating Body can consult the Integrator with a view to agreeing an appropriately amended form of Call-Off Contract. This will mean that there may be scope for limited amendment, particularly in relation to the costs.

There will be a second tier of independent supplier contracts with specialist providers. The Authority will be a party to these contracts, but they will be on standard terms and managed by the Integrator on the Authority’s behalf.

There will need to be provisions in the contract documentation relating to the staff transfer under TUPE and pension provisions for the affected staff. The Government’s Fair Deal on Pensions, which LFEPA has voluntarily followed in the past, means that a broadly comparable pension needed to be provided on outsourcing. The rules are changing in April 2015. The new arrangements, if followed, will mean that staff have a right to continued membership of their public service pension scheme, subject to eligibility criteria of the relevant scheme.

Director of Finance and Contractual Services comments

This report recommends that the Authority appoints a Facilities Management Service Integrator, utilising shared services with the Metropolitan Police Service (MPS). The Part II report includes detailed financial comparisons setting out 4 different options.

In comparing the different options available to LFEPA the report notes that the Authority’s current expenditure would be very likely to incur significant additional supply chain costs from 2016/17, as some of its existing contracts may be seriously undervalued. This pressure has been assessed at an additional £15.6m over 10 years and is included in the status quo option figure of £149m. This would equate to an increase of £0.6m in 2016/17, which is not currently included in the Authority’s medium term plan. This would therefore increase LFEPA’s savings target in the 2015/16 Budget Report (FEP 2410) from £11.7m in 2016/17 to £12.3m.

The report proposes that the External Integrator shared services option is chosen at a cost of £142.7m over 10 years. This would reduce the £15.6m pressure against the supply chain above to a £9.3m pressure over the 10 years. In addition this would remove the increase of £0.6m in 2016/17 also mentioned above, with budget increases then required from 2017/18. If the
recommendations in this report are agreed then this revised pressure will be built into the Authority’s medium term plan.

84. If the recommendation is agreed, it would result in the transfer of some staff under TUPE to the Integrator. This may result in some redundancy costs to LFEPA, for which there is a current estimate of £100k. This situation will be reviewed and updated forecasts supplied when available. A restructuring of the Technical and Service Support department would also be required to realign staff roles and responsibilities.

85. As explained in paragraph 48 the Integrator has not guaranteed the level of savings that could be achieved under the recommended option, although the report notes that based on the organisation’s past performance with the MPS this looks achievable.

86. The recommended option would result in a fixed annual payment to the Integrator for their costs, however the supply chain costs will be dealt with through separate negotiation. This will ensure that the Authority maintains overall control of these budgets, in terms of setting the service requirement in future years.

Sustainable Development Implications
87. A Sustainable Development Impact Assessment (SDIA) is attached as appendix 6.

Staff Side Consultations Undertaken
88. Representative bodies have been briefed regularly on the progress of the Property Services Review, and a number of group and individual sessions have taken place to date with property staff directly affected. A copy of this report has been provided to the representative bodies and a meeting has been arranged to discuss it. Feedback from this will be provided to the Authority by way of a supplementary report as appropriate.

Equalities Implications
86. An Equalities Impact Assessment (EIA) is attached as appendix 7.

List of Appendices to this report:
1. Current Property Function Service Provision
2. Framework Model
3. LFB Integrator Model
4. Cost Analysis
5. Next Steps
6. Sustainable Development Impact Assessment
7. Equalities Impact Assessment

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents
1. FEP 1901 Market Testing of Property Services
2. FEP 1931 Market Testing of Property Services – progress update
3. FEP 739 Best Value Review Property Services – recommendations
4. FEP 2023 Voluntary Severance trawls – FRS/Non-Uniformed Staff & Uniformed Operational Staff
5. FEP 1831 Asset Management Plan
6. FEP 2041 Property Services Review – progress update

Proper officer Assistant Commissioner, Technical and Service Support

Contact officer Ben Cameron
Telephone 0208 555 1200 ext 31301
Email Ben.cameron@london-fire.gov.uk
## Appendix 4

### Cost Comparison

#### FM Services Provision - Status Quo

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1. Year 1 reflects the current year 2015/16
2. FM General Services Base £4.4m in Year 1
3. FM General Services Increases 3% per year (compounded) from year 2.
4. FM Works (MTC) Base £2m in year 1; reflects 2 x £0.9m + agreed additional payment of £0.2m to one MTC. Separate claim by their MTC for similar payment under review.
5. FM Works (MTC) from year 2 reflects £2.2m (see note 3) plus 3% increase.
6. Minor Works Base £4.20m at year 1
7. Minor Works Increases 5% per year (compounded) from year 2 to 5 inclusive. Years 6 to 10 as for year 5.
8. No assumptions are made in respect of inflation or wage rise

#### FM Services Provision - In-House Integrator

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1. Year 1 reflects the current year 2015/16
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8. No assumptions are made in respect of inflation or wage rise
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### Purpose of Policy/Project:

It was decided by the Authority in March 2013 that officers commence detailed negotiations with the Metropolitan Police Service and associated contractors with a view to adopting a shared service from 2014.

A report to the Authority (March 2015) sets out the results of those negotiations and proposes that the Authority agrees, subject to successful contract negotiations, to enter into an agreement with Kellogg Brown and Root for the provision of an integrator service that uses shared resources with the Mayor’s Office of Policing and Crime.

This is on the basis that this option offers the best value of the four options considered in the report as a result of the economies of scale offered by working closely with the Metropolitan Police Service (MPS) and service improvement and cost savings in the delivery of the facilities management and minor works functions.
<table>
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<tr>
<th>What are the potentially negative impacts or benefits against the 6 areas of LFB’s sustainability framework?</th>
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<tbody>
<tr>
<td><strong>Equalities and Social Inclusion</strong></td>
</tr>
<tr>
<td>Equalities Impact Assessment attached.</td>
</tr>
<tr>
<td>It is anticipated that 14 of 16 posts are eligible for TUPE transfer to a new undertaking should Authority agree the recommendation mentioned above.</td>
</tr>
<tr>
<td>19% are BME</td>
</tr>
<tr>
<td>31% are Female</td>
</tr>
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<td>The proposed supplier has confirmed their employment practices and these are detailed in the relevant FEP.</td>
</tr>
<tr>
<td>The proposed supplier will be required to submit a copy of their Equality Policy and details of any equality standards they have met.</td>
</tr>
<tr>
<td>During contract negotiations the supplier will be required to confirm to the Authority that it:</td>
</tr>
<tr>
<td>• is committed at all levels to delivering responsible procurement by addressing supplier diversity issues</td>
</tr>
<tr>
<td>• supports the Mayor of London’s agenda for encouraging the use of small and medium enterprise business by identifying methods to increase the accessibility of its contracting opportunities, including those within our supply chain.</td>
</tr>
<tr>
<td>The above mentioned areas will, where relevant, comprise contractual obligations which will be tested by key performance indicators and performance monitoring processes.</td>
</tr>
<tr>
<td>On the advice from the Head of Procurement, there will be a need for regular contract meetings with Tier 1 suppliers and it will be necessary for this to be developed as part of the Governance process and will include reporting to the Contract Oversight Board(COB).</td>
</tr>
<tr>
<td><strong>Climate Change</strong></td>
</tr>
<tr>
<td>CRC is not felt to be an area that can be fully outsourced and it is likely that only the data collection and report compilation would be a component of an outsourced solution. Responsibility to pay the relevant tax will remain with the Authority.</td>
</tr>
<tr>
<td>Contract negotiations will advise the supplier that the Authority wishes to engage with tier 2 contractors to explore ways of reducing potential damage to the environment and to ensure goods and services procured on its behalf are done so in a responsible fashion. Tier 2 tenderers are then required to submit a copy of their Environmental Policy with their Tender and detail how they will deliver, report on and, audit the policy to ensure they minimise climate change and environmental impact across all delivered services. Their ability to deliver the services to the Authority’s specification will be the subject of evaluation.</td>
</tr>
<tr>
<td>The relevant tender provisions will progress to a contractual obligation for the selected service provider and will include a performance target related to the Authority’s CO2 ambitions. Services will be the subject of relevant performance indicators and performance management processes. Again there will be a need for regular contract meetings and this will be developed as part of the Governance process.</td>
</tr>
</tbody>
</table>
If there are to be no negative impacts, there will be a need to require the wide range of responsible procurement criteria for each product category to be maintained. Several product categories that may be outsourced currently have specific criteria that is applied which is an extension of the RP policy.

A number of criteria will be used to evaluate any proposed solution, e.g. an ability to:

- Deliver backlog maintenance and enhance the property portfolio;
- Provide access to capital funds
- Provide flexibility to deliver the estate needs of an evolving fire service.

Providing the above criteria can be met the potential exists for there to be realisation of positive impacts in respect of Environmental requirements and target achievement.

The tender documents for any new/revised service provision will advise that the Authority:

- Encourages its contractors to increase the availability of environmentally friendly or sustainable products at competitive prices as defined by the Authority’s RP policy and GLA Responsible Food Commitment
- Advocates the provision of products with accredited eco-labels or demonstration that the equivalent characteristics of an eco-label can be achieved.
- Advocates the provision of products that meet the UK Government Buying Standards or that can demonstrate the equivalent characteristics of the Standards can be achieved.
- Advises that the Authority is committed to reducing waste, including the use of recycled materials wherever practicable and is supportive of methods or products that reduce waste production and improve recycling or reuse. There will be a requirement to comply with the Authority targets.
- Requires compliance with the Authority’s policies in respect of Environment & Hazardous Waste Procedures.
- Requires the successful tenderer to achieve ISO 14001 standard or an equivalent.
- Advocates a requirement for Capital Works and New Builds to achieve designated BREEAM ratings.

The tenderers ability to deliver the services to the Authority’s specification will be the subject of evaluation.

The relevant tender provisions will progress to a contractual obligation for the selected service provider. Services will be the subject of relevant performance indicators and performance management processes.
solution, e.g. an ability to:

- Deliver backlog maintenance and enhance the property portfolio;
- Provide access to capital funds
- Provide flexibility to deliver the estate needs of an evolving fire service.

| Health, Safety & Wellbeing | HSS have been consulted and have confirmed that, at the point of contract award, they would expect to audit the preferred supplier to confirm their compliance with H&S Legislation and to establish arrangements for monitoring the H&S performance of the contractor post-implementation of the contract.

The tender documents for any new/revised service provision will advise of the Authority’s requirements for contractors to comply with The Authority H&S policies. In addition there will be a requirement that the tenderer is compliant with ISO 18001 or equivalent.

The relevant tender provisions will progress to a contractual obligation for the selected service provider. Services will be the subject of relevant performance indicators and performance management processes. |

| Economic Sustainability | All tender documentation will advise tenderers that the Authority has a responsible procurement policy and expects contractors to work with the Authority on delivering the policy. Tenderers will also be advised that the Authority is committed at all levels to delivering responsible procurement by addressing:

- Equality
- supplier diversity
- fair employment
- workforce welfare
- skills and employment – to specifically include apprenticeships
- community benefits
- ethical sourcing
- the driving of environmental improvements
- SLNT (training, apprenticeships)
- London Living Wage
- GLA Responsible Food Commitment

Tenderers will be required to show, and will be evaluated against, how they, as a service provider/partner, will contribute to the Authority’s achievement of the above. |

| What evidence or information has helped to indicate what the potential impacts will be? Did you seek any further advice or guidance from any internal or external sources, and if so how have they contributed? |

Information gained to complete this SDIA was via consultation with:

- Procurement Department – tender & contract compilation; supply chain
- Sustainable Development – SDIA completion
- Consultants; Corporate Property Advisors (CPA) – supply chain
- HSS – HSS impacts
- Property Group – Energy management (CRC) |
Have any opportunities for improvement or reducing negative impacts been identified?

It is anticipated that effective application of the tender evaluation process will minimise the potential for negative impacts in respect of Sustainability. However, the progress of this project is "evolutional" with various phases being determined by Authority Members on the basis of consultant findings and officers’ recommendations.

In light of this it is recommended that the SDIA be reviewed at each Member-level update, the next one being March 2013.

How will these changes be implemented?

Any revision to the current Property Services provision will be managed as various phases of the PSR project and will be implemented in conjunction with relevant workstream practitioners, nominated by their HoS.

Contact

Ben Cameron (Principal Property Manager)

To be completed by the Sustainable Development Team

<table>
<thead>
<tr>
<th>Date Approved*</th>
<th>For policies only</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable Development Team Comments</td>
<td></td>
</tr>
</tbody>
</table>

Legal Compliance

There is expected to be a considerable number of areas of environmental legal compliance that need to be addressed. A comprehensive review will be required to ensure appropriate mechanisms are in place for compliance when it is known which option will be progressed.

General Comments

The integration of this project and its outcomes with the Brigades ISO 14,001 certification will need to be reviewed once the proposed option is confirmed and as the development and implementation of that option is undertaken. Whilst this SDIA sets out the key areas of consideration if any procurement is progressed, as noted, it will be key that this SDIA is updated at each Member-level update, in order that the risks identified relate specifically to the option that is being pursued. Key to this will be identifying how to report on SME spend within the supply chain, if contracts are consolidated.

Review Date

31 March 2015

Board Sign off date | For projects only
Purpose of Policy:
It was decided by the Authority in March 2013 that officers commence detailed negotiations with the Metropolitan Police Service and associated contractors with a view to adopting a shared service from 2014.

A report to the Authority (March 2015) sets out the results of those negotiations and proposes that the Authority agrees, subject to successful contract negotiations, to enter into an agreement with Kellogg Brown and Root (KBR) for the provision of an integrator service that uses shared resources with the Mayor’s Office of Policing and Crime.

This is on the basis that this option offers the best value of the four options considered in the report as a result of the economies of scale offered by working closely with the Metropolitan Police Service (MPS) and service improvement and cost savings in the delivery of the facilities management and minor works functions.

What is the impact (negative, positive or neutral) on the equality groups?
It is anticipated that 14 posts are eligible for TUPE transfer from a pool of 16 (15.5 FTE) to KBR should Authority agree the recommendation mentioned above. The Property Teams affected will be:
• Helpdesk
• Works
• Energy & Compliance
• Finance

The pool of 16 potential transferees comprise:
• 19% are BME
• 31% are Female

The pool of 16 potential transferees comprises the following grades:
• FRS D/E/F x 8.5
• FRSD x 1
• FRS C/D x 3
• FRSB x 3

As mentioned above, 16 posts are felt to eligible for transfer since more than 50% of their work comprises functions that would transfer to KBR. The question of who doesn’t transfer relates specifically to the Works Team where it is felt that 6 from 8.5 FTE posts would transfer. However, there will a be a residual resource requirement from the pool to ensure delivery of capital works which is not earmarked for transfer. Advice from LFB’s HRD is that a system will need to be developed to finalise who remains and who stays. This may comprise a recruitment round ring-fenced to TUPE affected Property Group staff only. Further work will be carried out on this matter in conjunction with both LFB HRD and KBR.

As far as officers are aware, TUPE affected staff will be based at the new undertakings offices at either Swindon (Wiltshire) or Leatherhead (Surrey). It is recognised that this may have a significant effect on individuals and LFB will work with KBR to mitigate the effects insofar as is possible.
**What is the evidence or other information in support of this?**

Officers completed an individual work analysis of all Property Staff against the functions that would be undertaken by a new supplier. This identified those currently applying in excess of 50% of their time on functions to be undertaken by a new supplier.

**Who did you consult, and what was their response?**

- Line managers have been consulted during the workload analysis mentioned above.
- HRD confirmed the threshold for TUPE transfer as being "greater than 50%" and have provided information to populate a TUPE template for use by the proposed new supplier.
- The proposed new supplier have confirmed their employment practices.
- Affected individuals have had the opportunity of 1-2-1 meetings with the Principal Property Manager (PPM) to discuss TUPE, the methodology used and impact.
- Meetings are planned for individuals with the new supplier should Authority agree officers’ recommendation.
- Staff sides have received briefings and copies of relevant papers. The PPM has also attended Joint Committees to update staff sides and to respond to questions.

**What changes have been identified as a result?**

At this time none of the above mentioned consultation has resulted in any change to officers’ recommendations. However, should the recommendation be accepted, there will be a need for a further internal restructure of the Property Group.

**How will these changes be implemented?**

A task analysis will be completed by line managers to determine the resource requirements of a revised Property Group. Staff will be consulted both individually and collectively if there is to be any impact on their current roles.

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**Date to be reviewed by:** 31 March 2015

**Signed:** AC Dominic Ellis  
**Date:** 18 March 2015
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Summary
The judgment of an Employment Tribunal (in the case of Messrs Norris, Hearn and Rowson) was received by the Authority on 24 November 2014 and considered by the Appointments and Urgency Committee at its meeting on 15 December 2014. This report, together with its accompanying part 2 report, outline the progress officers have made in seeking to settle the case in accordance with that Committee’s decision of 15 December 2014 and, following correspondence received from the claimants’ solicitors, seek a decision on how best to proceed.

Recommendation
That the report be noted and that consideration be given to the substantive recommendations set out in the part 2 report.

Introduction/Background
1. During the period of industrial action in 2010 operational staff who refused to carry out certain duties which were considered by officers to be contractually and operationally required were the subject of deductions from pay. A class action was commenced by 359 staff in the Employment Tribunal (ET) for unlawful deductions of pay but was dismissed because the ET had no jurisdiction to consider claims arising from industrial action. However 3 Crew Manager starred (CM*) staff, Messrs Norris, Hearn and Rowson, who had suffered deductions for refusing to act up as watch managers and who had continued that refusal after the industrial action had ended, took a claim to the ET in respect of deductions after the industrial action had ended. On 18 November 2014 an ET decided that the Authority had unlawfully deducted wages from those 3 CM* staff.
2. At its meeting on 15 December 2014 the Appointments and Urgency Committee decided as follows:

   a. Not to appeal the ET judgment;
   b. To seek to settle the case of the three claimants and the potential claims of all staff affected by deductions in respect of the CM* issue during the course of the industrial action in 2010;
   c. That each party bears their own legal costs in all proceedings to date;
   d. To compensate staff for the additional pension contributions payable, as the employee rates are higher than they were in 2010.

3. The Committee did not decide to settle any potential claims arising from other non CM* deductions made during the 2010 industrial action.

4. Officers wrote to the solicitors for the 3 claimants (Thompsons) notifying them of the Appointments and Urgency Committee’s decision taken on 15 December 2014. Thompsons responded to that letter on 13 February 2015 suggesting a counter proposal for settlement of additional potential claims in respect of other deductions which the Appointments and Urgency Committee had decided not to settle. A full set of the correspondence between Thompsons and the Authority is attached as an appendix to the part 2 report.

5. In summary, the other deductions broadly fell within 4 categories:

   a. **A failure to redeploy appliances**

      This mainly concerned a refusal by crew managers to take charge of an appliance and to redeploy it to another station in cases where there was no watch manager at the fire station which the appliance was departing from but there was a watch manager at the fire station where it was going to.

      This category of deductions amounts to £180k (made up of £146k in respect of class action staff and £34k in respect of non-class action staff). There were deductions in this category from 364 crew managers (of whom 259 were in the original class action).

   b. **Refusal to hang on**

      This concerned a refusal by staff to remain on duty normally for no more than one hour after the end of their shift to ensure that the number of firefighters available to staff an appliance or station met the minimum required.

      During the industrial action there were 13 members of staff (from the original class claimants and non-class claimants) who refused to hang on. These deductions amounted to £7k.

   c. **Pump ladder refusal**

      This concerned a refusal, on health and safety grounds, to keep an appliance on the run in the absence of a 9 metre ladder. Only two crews declined to place an appliance on the run for this purpose and they changed their minds before the end of the shift in which they first refused to do so. They were subjected to a reduction in pay for half a shift which amounted to £0.7k.
Other ad hoc deductions

This included one employee who deliberately arrived late to a training course because he refused to travel to the courses outside of his contracted working hours. Additionally the FBU allege that monies were deducted from employees who were sick. In the Authority’s schedule of deductions this category is not listed separately because employees only claimed to be sick after they had been given the management instruction to redeploy an appliance. These deductions were therefore recorded as a failure to redeploy an appliance. The total of ad hoc deductions came to £1k.

6. The total amount deducted by the Authority from all staff in respect of the categories of deductions in paragraph 5 above amounted to £189k. If they were reimbursed in full, the estimated gross outlay by the Authority would come to £255k once employers’ pension and national insurance contributions were added.

7. However, on 10 March 2015, Thompsons confirmed that they were seeking to recover deductions in respect of the failure to redeploy appliances category (category ‘a’ in paragraph 5 above) only, and only in respect of CM staff. The total of these deductions for class action and non-class action staff would come to £176k which, if reimbursed, would represent an estimated gross outlay by the Authority of £238k once employers’ pension and national insurance contributions were added.

8. A briefing note was sent to members on 20 February 2015 (attached to the part 2 report) which led to a decision of the Appointments and Urgency Committee on 25 February 2015, taken under urgent business, to:

   a. Provide members with a copy of recent correspondence between the Authority and the claimants’ solicitors;

   b. Authorise the Resources Committee to deal with any future matters relating to this case;

   c. To present a report to this meeting of the Resources Committee.

9. The main options for responding to Thompsons are set out in the part 2 report.

Head of Legal and Democratic Services comments

10. The Head of Legal and Democratic Services has been closely involved in the preparation of this report and has no comments to add.

Director of Finance and Contractual Services comments

11. Comments from the Director of Finance and Contractual Services are set out in the part 2 report.

Sustainable Development implications

12. None have been identified.

Staff Side Consultations undertaken

13. None have been undertaken.

Equalities implications

14. No specific equalities implications have been identified.
List of Appendices to this report: none.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents

1. Report FEP 2371 to the Appointments and Urgency Committee on 27 November 2014.
2. Report FEP 2372 to the Appointments and Urgency Committee on 15 December 2014.

Proper officer  Head of Legal and Democratic Services

<table>
<thead>
<tr>
<th>Contact officer</th>
<th>David Atkinson</th>
</tr>
</thead>
<tbody>
<tr>
<td>Telephone</td>
<td>020 8555 1200 x 30117</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:david.atkinson@london-fire.gov.uk">david.atkinson@london-fire.gov.uk</a></td>
</tr>
</tbody>
</table>
Summary
The Mayor has appointed Gareth Bacon AM as Chairman of the London Fire and Emergency Planning Authority, with effect from 27 March 2015. This report seeks approval for the proposed Chairman to be appointed Chairman of the Authority’s Appointments and Urgency Committee, with effect from 27 March 2015.

Recommendation
1. That Gareth Bacon AM be appointed Chairman of the Appointments and Urgency Committee with effect from 27 March 2015.

Background
2. At its meeting on 29 January 2015, the Chairman announced that he had written to the Mayor and the Clerk of the Authority to inform them of his intention to stand down as Chairman of the Authority immediately after the full Authority meeting on 26 March 2015.

3. On 3 February 2015, the Mayor wrote to the Chairman of the London Assembly to inform the Assembly of his decision to nominate Gareth Bacon AM as Chairman of LFEPA from 27 March 2015 to 16 June 2015. On 23 February, the London Assembly held a Confirmation Hearings Committee meeting to consider this appointment and to put questions to the nominated Chairman. At the rise of the meeting, the Chair of the Confirmation Hearings Committee wrote to the Mayor to confirm that Gareth Bacon AM should be appointed to the role. The Mayor confirmed on 2 March 2015 that he had appointed Gareth Bacon to the office of Chairman of the Authority, with effect from 27 March 2015.
4. In light of the nomination, the Authority is recommended to appoint Gareth Bacon AM as Chairman of the Appointments and Urgency Committee, noting that the Chairman of the Authority is traditionally also Chairman of the Committee with responsibility for considering any urgent business.

5. The full committee membership would be as follows:

**MEMBERSHIP – 6 Members (2 Labour, 2 Conservative, 1 Ungrouped Member and 1 Ungrouped Member)**

<table>
<thead>
<tr>
<th>Group</th>
<th>MEMBER</th>
<th>Alternates:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour</td>
<td>Dr Fiona Twycross AM</td>
<td>Cllr Liaquat Ali, Andrew Dismore AM, Cllr Sarah Hayward, Cllr Jack Hopkins, Cllr Pauline Morrison, Cllr Martin Whelton</td>
</tr>
<tr>
<td>Labour</td>
<td>Valerie Shawcross AM</td>
<td></td>
</tr>
<tr>
<td>Conservative</td>
<td>Cllr Gareth Bacon AM</td>
<td>Alternates:</td>
</tr>
<tr>
<td>Conservative</td>
<td>Cllr David Cartwright QFSM</td>
<td>Tony Arbour AM, James Cleverly AM, Cllr Mike Fisher, Cllr Susan Hall, Cllr Maurice Heaster OBE</td>
</tr>
<tr>
<td>Ungrouped Member</td>
<td>Cllr Stephen Knight AM</td>
<td></td>
</tr>
<tr>
<td>Ungrouped Member</td>
<td>Darren Johnson AM</td>
<td></td>
</tr>
</tbody>
</table>

Chairman: Councillor Gareth Bacon AM

Vice-Chairman: Dr Fiona Twycross AM

**Head of Legal and Democratic Services Comments**

6. The Head of Legal and Democratic Services' comments are incorporated within the report.

**Director of Finance and Contractual Services Comments**

7. The Director of Finance and Contractual Services has reviewed this report and has no comments.

**Sustainable Development implications**

8. There are no specific sustainability implications arising from this report.

**Staff Side Consultations Undertaken**

9. Consultation with staff-side representatives is not required on this report.

**Equalities Implications**

10. There are no equality implications arising from this report.

**List of Appendices to this report:**

None
<table>
<thead>
<tr>
<th><strong>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>List of background documents</strong></td>
</tr>
<tr>
<td>None.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Proper officer</strong></td>
</tr>
<tr>
<td><strong>Head of Legal and Democratic Services</strong></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Contact officer</strong></td>
</tr>
<tr>
<td>Ed Williams</td>
</tr>
<tr>
<td><strong>Telephone</strong></td>
</tr>
<tr>
<td>0208 555 1200 x 30081</td>
</tr>
<tr>
<td><strong>Email</strong></td>
</tr>
<tr>
<td><a href="mailto:ed.williams@london-fire.gov.uk">ed.williams@london-fire.gov.uk</a></td>
</tr>
</tbody>
</table>
Summary
This report proposes a provisional programme of meetings for the Authority and its committees for the forthcoming municipal year (2015-16).

Recommendations
The Authority is recommended to:

1. Agree, in principle, the programme of meetings for the Authority and its committees for the 2015-16 municipal year, as attached at Appendix 1 to the report, subject to confirmation at the Authority’s Annual Meeting in June 2015.

2. Agree that the Authority’s Annual Meeting in June 2015 and all subsequent Authority and Committee meetings should ordinarily be held at City Hall.

Background
1. This report is submitted in order to assist in forward planning and early reservation of dates in diaries and confirms the programme of meetings for the forthcoming municipal year (2015-16) that was agreed by the Authority at its meetings in June and December 2014. This programme is obviously subject to the Authority’s further decisions regarding the reconstitution of committees at the Annual Meetings of the Authority in June 2015, at which point the programme will be re-presented for final approval.

2. The proposed programme is based, generally, on a 6/7 weekly cycle of meetings and the principle that meetings are not ordinarily scheduled to be held during school holiday periods. Committee meetings – i.e. Resources, Governance Performance and Audit and Strategy committees are proposed to be held at the relevant points in the year in order to facilitate the reporting of quarterly monitoring information, the budget process and the audit cycle.
3. Officers work to ensure that there are no conflicts between the GLA’s schedule of meetings and LFEPA’s programme and also seek to avoid scheduling meetings during the period between the publication of papers for an Authority meeting and the Authority meeting itself, in order, as with the current year, to significantly reduce the number of late papers issued to Members in the period leading up to an Authority meeting. The programme takes account of the relevant pre-elections periods and also has regard to LGA and political party conference dates.

4. For forward planning purposes, the programme (as attached at Appendix 1) uses as its basis the current committee structure, as was agreed by the Authority at its meetings in December 2014. Obviously, if the Authority agreed to alter its committee structure, a revised programme of meetings would then be presented for approval.

5. Further to informal discussions with Groups and Members, and in order to increase the accessibility and openness of meetings (noting the facilities available at City Hall), from 2015/16 it is proposed that all future Authority and Committee meetings be ordinarily held at City Hall, commencing with the Authority’s Annual Meeting in June 2015. All informal meetings would continue to be held at Union Street, and the option to hold formal meetings at Union Street as and when necessary remains.

Head of Legal and Democratic Services Comments
6. The Head of Legal and Democratic Services has no comments on the report.

Director of Finance and Contractual Services Comments
7. The Director of Finance and Contractual Services has no comments on this report.

Sustainable Development Implications
8. There are no sustainable development implications arising from this report.

Equalities Implications
9. There are no equality implications arising from this report.

List of Appendices to this report:
1. Appendix 1 - Proposed Programme of Authority and Committee meeting dates for the 2015-16 municipal year

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

<table>
<thead>
<tr>
<th>List of background documents</th>
<th>None</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proper officer</td>
<td>Ed Williams, Clerk to the Authority</td>
</tr>
<tr>
<td>Contact officer</td>
<td>Laura Pelling</td>
</tr>
<tr>
<td>Telephone</td>
<td>020 8555 1200 (ext. 30084)</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:laura.pelling@london-fire.gov.uk">laura.pelling@london-fire.gov.uk</a></td>
</tr>
</tbody>
</table>
# Draft Programme of Authority and Committee Meetings Dates for the 2015/16 Year

<table>
<thead>
<tr>
<th>Meeting</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Authority – annual meeting</td>
<td>Thursday 25 June 2015 at 2.00pm</td>
<td></td>
</tr>
<tr>
<td>LGA conference</td>
<td>30 June - 2 July 2015 (estimated dates)</td>
<td></td>
</tr>
<tr>
<td>Resources Committee</td>
<td>Thursday 16 July 2015 at 2.00pm</td>
<td></td>
</tr>
<tr>
<td>Governance, Performance and Audit Committee</td>
<td>Monday 20 July 2015 at 10.30am</td>
<td></td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>Tuesday 21 July 2015 at 10.30am</td>
<td></td>
</tr>
<tr>
<td></td>
<td>School summer holidays</td>
<td></td>
</tr>
<tr>
<td>Governance, Performance and Audit Committee</td>
<td>Monday 14 September 2015 at 10.30am</td>
<td></td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>Tuesday 15 September 2015 at 10.30am</td>
<td></td>
</tr>
<tr>
<td>Resources Committee</td>
<td>Thursday 17 September 2015 at 10.30am</td>
<td></td>
</tr>
<tr>
<td>Green Party conference</td>
<td>11 -14 September 2015 (estimated dates)</td>
<td></td>
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<tr>
<td>Liberal Democrat party conference</td>
<td>19 -23 September 2015</td>
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<tr>
<td>Labour Party conference</td>
<td>27 - 30 September 2015</td>
<td></td>
</tr>
<tr>
<td>Authority</td>
<td>Thursday 1 October 2015 at 2.00pm</td>
<td></td>
</tr>
<tr>
<td>Meeting</td>
<td>Date</td>
<td>Notes</td>
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<tr>
<td>----------------------------------------------</td>
<td>-------------------------------------------</td>
<td>-------------------------------------------------</td>
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<tr>
<td>Conservative Party conference</td>
<td>4 – 7 October 2015</td>
<td></td>
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<tr>
<td>School autumn half-term holiday</td>
<td>26 October – 30 October 2015</td>
<td></td>
</tr>
<tr>
<td>Resources Committee</td>
<td>Thursday 12 November 2015 at 10.30am</td>
<td></td>
</tr>
<tr>
<td>Governance, Performance and Audit Committee</td>
<td>Monday 16 November 2015 at 10.30am</td>
<td></td>
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<tr>
<td>Strategy Committee</td>
<td>Tuesday 17 November 2015 at 10.30am</td>
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<tr>
<td>Authority</td>
<td>Thursday 26 November 2015 at 2.00pm</td>
<td>No meetings scheduled in December 2015</td>
</tr>
<tr>
<td>School Christmas holidays</td>
<td>21 December 2015 – 1 January 2016</td>
<td></td>
</tr>
<tr>
<td>Resources Committee</td>
<td>Thursday 14 January 2016 at 10.30am</td>
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<tr>
<td>Authority</td>
<td>Thursday 28 January 2016 at 2.00pm</td>
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<tr>
<td>School spring half-term holidays</td>
<td>22 – 26 February 2016</td>
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<tr>
<td>LGA Fire conference</td>
<td>March 2016 tbc</td>
<td></td>
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<tr>
<td>Governance, Performance and Audit Committee</td>
<td>Monday 7 March 2016 at 10.30am</td>
<td></td>
</tr>
<tr>
<td>Strategy Committee</td>
<td>Tuesday 8 March 2016 at 2.00pm</td>
<td></td>
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<tr>
<td>Resources Committee</td>
<td>Thursday 10 March 2016 at 10.30am</td>
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<tr>
<td>Meeting</td>
<td>Date</td>
<td>Notes</td>
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<tr>
<td>Authority</td>
<td>Thursday 17 March 2016 at 2.00pm</td>
<td>Originally proposed to be 24 March 2016</td>
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<tr>
<td>GLA Elections</td>
<td>5 May 2016</td>
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<tr>
<td>Authority – annual meeting</td>
<td>Thursday 23 June 2016 at 2.00pm</td>
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Honours, Awards and Long Service

Meeting Date
Authority 26 March 2015

Report by Document Number
Head of Legal and Democratic Services FEP 2433

Summary
This report details honours and other awards received by serving and former employees of the Authority and letters of congratulations presented to other individuals that have been notified to the Head of Legal and Democratic Services since the last report to the Authority.

Recommendation
That the Authority places on record its:

Congratulations to:

(a) The officers and members of the public mentioned in paragraphs 2 - 4 who received Commissioner’s Certificates of Commendation, Assistant Commissioner’s Certificates of Commendation and Borough Commander’s Letters of Congratulations; and

(b) Those officers who received the Long Service and Good Conduct Medal or Long Service Certificate (as set out in paragraph 5).

Introduction/Background
1. The Authority receives reports detailing honours and other awards conferred on employees and other items of interest relating to the service of employees.
Commissioner’s Certificate of Commendation
2. The members of staff detailed below (during the period 25 September 2014 to 31 December 2014) have each received a Commissioner’s Certificate of Commendation:

(a) Crew Manager Damien Magee from Whitechapel (Red Watch) received the Commissioner’s Certificate of Commendation presented by the Commissioner on Wednesday 1 October 2014 at Whitechapel Fire Station for meritorious actions at a fire on Bethnal Green Road on 20 July 2014.

(b) General Manager Andy Roe, General Manager Dave O’Neill and Watch Manager Phil Richards received Commissioner’s Certificates of Commendation presented by the Commissioner on Friday 21 November 2014 at Union Street, LFB HQ, for the planning and delivery of Exercise Teal from 26-28 April 2014.

Assistant Commissioner’s Certificate of Commendation
3. The members of staff and others detailed below (during the period 25 September 2014 to 31 December 2014) have each received an Assistant Commissioner’s Certificate of Commendation:

(a) Watch Manager Jon Scott from Bethnal Green (Green Watch), Firefighter Simon Piccirillo from North Kensington (White Watch), Firefighter Gary Cassettari from Tottenham (Red Watch), Crew Manager Craig Fenner from Homerton (Red Watch), Firefighter Dean Hughes from Hornchurch (Red Watch), Crew Manager Ian Thornton from Stratford (Red Watch), Firefighter Jon Summers from Whitechapel (Red Watch) and Firefighter Sharland received Assistant Commissioner’s Certificates of Commendation from Third Officer Dave Brown on Wednesday 1 October 2014 at Whitechapel Fire Station for meritorious actions at a fire on Bethnal Green Road on 20 July 2014.

(b) Watch Manager Alan Spowart, Watch Manager Simon Thomas, Watch Manager Alistair Hislop and Crew Manager Emma Carr received Assistant Commissioner’s Certificates of Commendation from Third Officer Dave Brown on Friday 21 November 2014 at Union Street, LFB HQ, for planning and delivery of Exercise Teal from 26-28 April 2014.

(c) Firefighter Stuart Cleverly from Homerton (Blue Watch) received an Assistant Commissioner’s Certificate of Commendation from Third Officer Dave Brown on Friday 21 November 2014 at Union Street, LFB HQ, for meritorious actions in administering CPR to a man who suffered a cardiac arrest on a train at Chadwell Heath Train Station on Friday 14 February 2014.

(d) Rebecca Cakebread received an Assistant Commissioner’s Certificate of Commendation from Third Officer Dave Brown on Friday 21 November 2014 at Union Street, LFB HQ, for meritorious actions in rescuing an elderly person from a nursing home after a gas leak on Sunday 30 March 2014.

(e) Firefighter Ross McLaren and Firefighter Richard Hall received an Assistant Commissioner’s Certificate of Commendation from Third Officer Dave Brown on Friday 21 November 2014 at Union Street, LFB HQ, for meritorious actions in helping to deliver a baby at a scene of a fire in Enfield on Wednesday 7 May 2014.
(f) Police Constable Matthew Chantry received an Assistant Commissioner’s Certificate of 
Commendation from Third Officer Dave Brown on Friday 21 November 2014 at Union 
Street, LFB HQ, for meritorious actions in entering a neighbour’s flat on fire and evacuating 
all the flats in the block in New Barnet on Thursday 15 May 2014.

(g) Alen Rendall received an Assistant Commissioner’s Certificate of Commendation from Third 
Officer Dave Brown on Friday 21 November 2014 at Union Street, LFB HQ, for meritorious 
actions in entering a property on fire and dragging his neighbour to a place of safety in 
Chessington on Sunday 27 July 2014.

(h) Gareth Salmon received an Assistant Commissioner’s Certificate of Commendation from Third 
Officer Dave Brown on Friday 21 November 2014 at Union Street, LFB HQ, for 
meritorious actions in rescuing an elderly woman from a fire in Chiswick on Tuesday 31 
December 2013.

Borough Commander’s Letter of Congratulations
4. The member of staff detailed below (during the period 25 September 2014 to 31 December 
2014) received a Borough Commander’s Letter of Congratulations:

   Siam Kee Yeoh, Fire Safety Regulation, received a letter of congratulations presented by General 
   Manager Daryll Stroud on Thursday 18 December 2013 at Soho Fire Station for improving 
   London Fire Brigade’s links with the Chinese community and businesses.

Long Service and Good Conduct Medals and Long Service Certificates
5. A total of 81 members of staff qualified for the London Fire Brigade Long Service and Good 
Conduct Medal (awarded to operational staff) or the Long Service Certificate (awarded to 
non-operational staff), both of which mark the completion of 20 years’ service, during the period 
1 July 2014 to 31 December 2014.

Head of Legal and Democratic Services comments
6. The Head of Legal and Democratic Services has no additional comments to make.

Director of Finance and Contractual Services comments
7. The Director of Finance and Contractual Services has reviewed this report and has no comments.

Sustainable Development Implications
8. There are no sustainable development implications arising from this report.

Staff Side Consultations Undertaken
9. None undertaken.

Equalities Implications
10. There are no equalities implications arising from this report for the Authority.
List of Appendices to this report: There are none.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985

List of background documents: None

<table>
<thead>
<tr>
<th>Proper officer</th>
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<tbody>
<tr>
<td>Contact officer</td>
<td>Laura Pelling</td>
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<td>Telephone</td>
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<td><a href="mailto:Laura.pelling@london-fire.gov.uk">Laura.pelling@london-fire.gov.uk</a></td>
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Summary
This report sets out actions arising from a previous meeting of the Authority.

Recommendation
That the Authority notes the on-going and completed actions arising from previous meetings of the Authority, as set out in this report.

Meeting of 29 January 2015

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<tr>
<th>Minute item/ FEP No</th>
<th>Subject</th>
<th>Action required</th>
<th>Status</th>
<th>Action by</th>
<th>Deadline</th>
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<tbody>
<tr>
<td>8 / FEP: 2383</td>
<td>Disposal of Former Fire Stations</td>
<td>The Commissioner to report back on discussions between LFEPA and the Mayor - held with the aim of resolving the legal, financial and procedural issues relating to the disposal of former fire stations - to an A&amp;U Committee meeting no later than 28 days from 29 January 2015.</td>
<td>The Appointments and Urgency Committee meeting was held on 25 February 2015. The minutes from that meeting are included on the agenda at Item 3 for formal agreement</td>
<td>Commissioner</td>
<td>Closed</td>
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### Meeting of 3 December 2014

<table>
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<tr>
<th>Minute item/ FEP No</th>
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<th>Deadline</th>
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<tr>
<td>6 / FEP: 2366</td>
<td>Reconstitution of Committees, Standing Orders, Allowances, Delegations and Related Matters</td>
<td>The Governance, Performance and Audit Committee to review the operation of Standing Order 20 (Question Time) and report with recommendations to the March 2015 Authority meeting.</td>
<td>At the A&amp;U Meeting on 25 February, Members agreed that no further action would take place on this review at this time, noting that the issue could be considered again as necessary at the Annual Meeting in June, when the Authority will be asked to confirm its Standing Orders.</td>
<td>Head of Legal and Democratic Services</td>
<td>Closed</td>
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### Meeting of 23 January 2014

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<tr>
<th>Minute item/ FEP No</th>
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<th>Deadline</th>
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<tr>
<td>10 / FEP: 2203</td>
<td>Questions from Members (in accordance with Standing Order 20)</td>
<td>To report to the Authority on the performance of the CapitalGuard arrangements at the conclusion of the industrial dispute (on pensions) with national Government.</td>
<td>A report on the performance of the CapitalGuard contingency provision arrangements will be produced at the conclusion of the current period of industrial action (on pensions). Information relating to the performance and resilience of the Authority’s contingency arrangements (Capitalguard) was detailed in the report to the Authority on 2 October 2014 (FEP 2322 Industrial Action – Partial Performance and related Issues). This report included a breakdown of incident types attended during periods of industrial action, attendance time data and the performance of the Emergency Fire Crew personnel, over the 46 periods of strike action from 25 September 2013 to 16 August 2014.</td>
<td>(Acting) Director of Operational Resilience &amp; Training</td>
<td>On-going</td>
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List of Appendices to this report:
None

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

List of background documents

Authority Committee minutes – 23 January 2014, 3 December 2014, 29 January 2015
Appointments and Urgency Committee minutes – 25 February 2015

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Introduction
In accordance with Standing Order 20, Questions from Members for the meeting on 26 March 2015 are listed in the order received, as set out below:

Questions received:

(i) **Question 410** From Valerie Shawcross AM (Labour Group)

Please illustrate, with reference to the following incidents, Battersea Arts Centre 2015, Camden Market Fire 2014, Vauxhall Helicopter Crash 2013, Dagenham Recycling Centre 2012, Camden Market Fire 2008 and Oxford Street 2007, how many Assistant Commissioners were deployed and what role they carried out?

(ii) **Question 411** From Andrew Dismore AM (Labour Group)

What has been the total cost to the Authority due to delays caused by the Mayor’s delay in agreeing to the disposal of the redundant fire stations, from the date we first agreed to their sale, including lost interest and the cost of security and maintenance?
(iii) **Question 412** From Dr Fiona Twycross AM (Labour Group)

What conversations have you had with the Mayor or his office about any forthcoming Mayoral Directions?

(iv) **Question 413** From Councillor Jack Hopkins (Labour Group)

What steps are you taking to address some of the concerns raised by the Thomas Review about a culture of bullying within fire service?

(v) **Question 414** From Councillor Pauline Morrison (Labour Group)

Given the recent scenes at London Bridge Station in the last few weeks, can you update Members on what action has been taken by the London Fire Brigade to ensure public safety?

(vi) **Question 415** From Councillor Liaquat Ali (Labour Group)

What has been the environmental impact of the failed smoxidisers and what has been done to address this?

(vii) **Question 416** From Councillor Martin Whelton (Labour Group)

Over the last year, the number of fire safety inspections in London has dropped from 15,422 to 11,195; how is this being addressed?

(viii) **Question 417** From Councillor Sarah Hayward (Labour Group)

What is being done to address the number of health and safety incidents during training?

**List of Appendices to this report:** None.

**LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

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