



Report title

## **2014/15 Budget**

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Meeting

Resources Committee  
Authority

Date

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Report by

Director of Finance and Contractual Services  
7 March 2014

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### **Summary**

This report presents the Authority's final draft revenue and capital budget for 2014/15 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 2014/15 revenue budget of £389.2m be approved being made up of net expenditure of £386.1m with £0.9m funding from the earmarked reserves and a payment of £3.9m 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 Appendix 3 are approved;
4. the capital programme with gross expenditure in 2014/15 of £63.3m as set out in Appendix 5 be approved; and
5. the bids for the Transformation fund recently launched by DCLG be reported to Members for approval by way of the process outlined in Standing Order 64, to ensure they are submitted in accordance with the appropriate deadlines (paragraphs 30 and 31 of the report refer).

## Introduction/Background

6. The Mayors' final component budget agreed funding to LFEPA totalling £389.2m, consisting of £138.8m in Revenue Support Grant, £112.2m in Retained Business Rates and £138.2m in precept. This level of precept funding is £10.2m higher than that set out in LFEPA's January Budget report. This additional funding reflects a permanent increase to LFEPA's funding of £3m as a result of higher than anticipated tax revenues compared to the draft budget and an additional £7.1m that will be provided by the Mayor to meet the additional one off costs of voluntary severance and the impact of staffing levels being above establishment following the implementation of LSP5. The combined impact of the grant settlement and expected retained business rates receipts has also resulted in additional funding of £0.1m.
7. This budget report updates the budget proposals presented to Authority at its meetings in November and January. It proposes a balanced budget 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.
8. The agreed 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 £303 to £299 in 2014/15. 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 force. The council tax of £299 can therefore be broken down to £214.52 for the Metropolitan Police plus £84.48 for non-police services. LFEPA's element of this non police element would be £52.42 for a Band D council tax. This compares to a 2013/14 Band D rate of £49.87. This increase of £2.55 is in part due to the additional funding of £7.1m LFEPA is receiving in 2014/15 only, as discussed in paragraphs 10 and 11 below.

## Financial Context

9. In his Budget Guidance, the Mayor proposed funding for LFEPA of £379m for both 2014/15 and 2015/16. This level of funding in 2014/15 reflects that LFEPA's overall share of government grant and retained rates funding allocated by the Mayor to LFEPA is around £18.6 million lower than in the revised budget for 2013/14.
10. The December Budget Update Report (FEP2150) reported that a funding level of £379m would result in a saving requirement of £35.6m in 2014/15. That report then set out savings of £34.2m, which included £27.4m as a result of implementing the proposals included in LSP5 and £6.8m of new savings identified and presented in that report. This left a savings gap for LFEPA of £1.4m. The January Budget Update Report (FEP2194) then proposed additional savings to close that gap and achieve a small surplus against the budget requirement of £0.1m.
11. The January Budget Update Report also explained that staff levels were forecast to be 217 above establishment at the start of 2014/15 following a voluntary redundancy trawl. This resulted in a combined cost of £7.2m, which is broken down into the cost of the trawl in 2013/14 (£1.1m), which has been temporarily funded from the general reserve and the estimated cost of retaining staff over the establishment (£6.1m) until they leave as a result of natural wastage. GLA funding was then requested to meet this implementation cost.
12. In his component budget the Mayor responded to this request for additional funding by increasing his funding to LFEPA by £7.1m, from £379m to £386.1m. This is lower than requested due to pay in lieu of notice for some staff now being contained within the overall Authority budget in 2013/14. The Mayor has also stated that the £7.1m of funding will be reviewed in light of actual costs incurred.

13. The Mayor's component budget also includes additional funding of £3m for LFEPA as a result of higher than anticipated council tax revenues compared to the draft budget. The Mayor has stated in his Consolidated Budget that this additional funding is to offset the challenges currently included in LFEPA's medium term forecast and also the potential costs related to strike action. A list of current financial risks facing LFEPA can be found in Appendix 4 of this report. This additional funding of £3m in 2014/15 will therefore be transferred into the General Reserve and any required draws against it will be reported to Members for approval.
14. This increase of £3m to LFEPA's total funding represents a permanent increase, and has therefore reduced the savings requirement LFEPA was expecting to make in 2015/16 from £9.8m to £6.6m, after also accounting for the other budget adjustments contained in this report.
15. Table 1 below sets out the impact of these GLA funding adjustments on the 2014/15 and 2015/16 budget gaps.

**Table 1: Changes to the 2014/15 Budget Resulting from additional GLA funding**

Description	2014/15 £k	2015/16 £k	Notes
Additional GLA Funding	(10,075)	(3,000)	This increase to LFEPA's precept includes a permanent increase of £3m and a one-off increase of £7.1m.
Payment to General Reserve	3,940	0	This payment to the general reserve is to return the temporary draw made on this reserve in 2013/14 for firefighter voluntary redundancy costs (£940k) and to supplement general reserves levels (£3,000k) as set out in paragraph 12.
Increase to Operational Staff Budgets	6,135	0	This budget is to cover forecast expenditure above budget as a result of staff levels being higher than the establishment.
Final Impact of Grant and Retained Business Rates Settlement	(100)	100	This additional funding is a net one year only increase to LFEPA's funding position in 2014/15.
<b>Total Adjustments to Financial Position</b>	<b>(100)</b>	<b>(2,900)</b>	

16. In his component budget the Mayor also states that funding of £382m in 2015/16 provides additional support to LFEPA of £19.5 million to offset the impact of the expected additional cuts in revenue support grant in 2015/16, net of any inflationary uplift in retained business rates income. However this level of funding will still result in a budget gap of £6.6m in 2015/16.
17. The budget gap in 2016/17 is currently forecast to be £13.9m, with a significant element of this due to the removal of the national insurance rebate in that year, as a result of the removal of the option by government for staff to opt out of the second state pension. This has resulted in a forecast pressure of £5.9m. This budget gap also assumes that the Mayor continues to provide additional support to LFEPA to give LFEPA a continued funding level of £382m in that year. 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".

### Budget Update

18. The January Budget Update Report (FEP2194) included a number of changes to the forecast position which resulted in a budget surplus of £88k in 2014/15. These estimates have continued to be reviewed in the light of financial performance in the 2013/14 financial year. This has resulted in the identification of a number of additional budget adjustments as set out in Tables 2 and 3 below.

**Table 2: Additional Budget Savings**

Description	2014/15 £k	2015/16 £k	2016/17 £k	Notes
Firefighter Overtime	(220)	0	0	As reported in the Quarterly Financial Position Reports (FEP2151 and FEP 2228) firefighter overtime has been underspending in 2013/14. This reduction is based on the latest forecast impacts of this reduction for 2014/15 and this position will be kept under review.
Property Rates and Telecommunications Saving	(440)	240	0	Additional savings within property have been identified in order to offset the expected delay in receiving income from letting spare capacity at Union Street, as explained in table 3 below. These additional savings relate to rates expenditure (£200k) and income from telecommunications leases (£240k).
<b>Total Additional Budget Savings</b>	<b>(660)</b>	<b>240</b>	<b>0</b>	

**Table 3: Additional Budget Pressures**

Description	2014/15 £k	2015/16 £k	2016/17 £k	Notes
Local Government Pension Scheme	62	180	188	Past Service Deficit for the Local Government Pension Scheme (LGPS) as discussed in paragraph 18 below.
Legal Compensation Expenditure	276	0	0	Spend against legal compensation is currently funded from the earmarked Compensation Reserve. This is in order to protect the in year financial position against the impact of high value cases when they are incurred. However in light of continued high spend it is proposed that a budget is created to meet an element of these compensation costs that are more predictable in nature. Expenditure levels over the three preceding financial years have been reviewed and this budget has been set at a level to cover an estimated 80% of payments made.
Union Street Space Rental	510	(790)	(140)	This pressure in 2014/15 and the additional saving in the following years represents the latest forecast income levels from the lease of space at Union Street. This item remains a risk as set out in paragraph 28.
<b>Total Additional Budget Pressures</b>	<b>848</b>	<b>(610)</b>	<b>48</b>	

19. These pressures include the impact of a change in the way Local Government Pension Scheme (LGPS) costs are charged to LFEPA by the London Pensions Fund Authority (LPFA). The existing employer's contribution rate of 26.8% for LGPS members has reflected not only the cost of current members pensions, but also the past service deficit on the scheme resulting from decisions taken in previous years. These two items have now been separated into a 14.9% employer contribution rate to account for current employees pension costs and also a lump sum of £4m from 2014/15 to account for the past service deficit, which will increase at 4.5% a year.

20. The combined impact of these additional savings and pressures is for a net additional cost of £0.2m to LFEPA in 2014/15. The impact of this in combination with the net budget surplus reported in January and the additional £0.1 of funding received from the GLA results in a balanced budget for LFEPA for 2014/15. Table 4 below summarises the impacts of these movements on the Medium Term Financial Strategy.

**Table 4: Summary of Budget Movements**

	2014/15 £k	2015/16 £k	2016/17 £k
<b>Budget Savings Surplus/ (Gap) reported in the January Budget Update Report (FEP 2194)</b>	<b>88</b>	<b>(9,754)</b>	<b>(13,811)</b>
Additional Funding From the GLA for LSP5 Implementation	7,075	0	0
Cost of Firefighter Voluntary Redundancy Trawl	(6,135)	0	0
Additional Precept Funding from the GLA	3,000	3,000	0
RSG and RBR Settlement	100	(100)	0
Additional Savings Identified	660	(240)	0
Additional Pressures Identified	(848)	610	(48)
Changes to Medium Term Forecasts	0	(165)	0
Additional Payments into General Reserves	(3,940)	0	0
<b>Revised Savings Surplus/(Gap)</b>	<b>0</b>	<b>(6,649)</b>	<b>(13,859)</b>

21. The full three year revenue forecast is set out at Appendix 1 and a summary of that forecast is set out below.

**Table 5: Summary of Medium term Forecast**

Description	2014/15 £k	2015/16 £k	2016/17 £k
<b>Revenue Support Grant, Retained Business Rates and Council Tax Funding</b>	<b>389,175</b>	<b>382,000</b>	<b>382,000</b>
Contribution to the General Reserve	(3,940)	0	0
Draw on Earmarked Reserves	852	0	0
<b>Proposed Net Revenue Expenditure</b>	<b>386,087</b>	<b>382,000</b>	<b>382,000</b>
<b>Previous Years Net Revenue Expenditure</b>	<b>403,214</b>	<b>379,843</b>	<b>379,000</b>
Central Contingency for Inflation in January Update Report	4,507	5,574	5,685
Budget Pressures and Reductions identified in January Update Report (excluding LSP5 Implementation Costs)	6,587	2,496	8,126
LSP5 Savings	(27,761)	(143)	0
Total Savings Identified in the January Budget Update	(6,784)	976	0
January Report Net Revenue Expenditure	379,852	388,754	392,811
<b>January Budget Update Savings Gap / (Surplus)</b>	<b>(88)</b>	<b>9,754</b>	<b>13,811</b>
Additional Savings Identified in this Report	(660)	240	0
Additional Pressures Identified in this Report	848	(610)	48
Changes to Medium Term Position	0	165	0
Changes to the 2014/15 Budget resulting from additional GLA funding	(100)	(2,900)	0
<b>Revised Budget Update Savings Gap / (Surplus)</b>	<b>0</b>	<b>6,649</b>	<b>13,859</b>

22. As set out in the December Budget Update (FEP 2150), the total pressures and savings included in the 2014/15 budget position include projected savings of £850k as a result of a voluntary redundancy trawl for FRS staff. This followed the report on Voluntary Severance Trawls (FEP 2023) to the January 2013 meeting of the Authority.

### Financial Position

23. The Financial Position as at the end of December report (FEP 2228) reports that the Authority is forecasting to underspend by £0.1m for the 2013/14 financial year. Although this represents a tight financial position, it should be noted that this forecast includes net additional spend of £3.2m due to strike action.

### Reserves

24. The latest forecast position on reserves is set out in Table 6 below. This reflects the latest financial position as reported to the Resources Committee on 17 March 2014 with a forecast underspend of £0.1m. The table also includes a forecast draw on the general reserve in 2013/14 of £0.9m, for the cost of the operational redundancy trawl. This increases the existing draw on the reserve of

£0.5m to £1.5m. This funding from the general reserve will then be returned in the 2014/15 financial year from additional funding supplied by the GLA, as set out in paragraph 11 above.

**Table 6: LFEPA Reserves for the 2013/14 Financial Year**

£000s	Opening Balance at 01/04/13	Transfer between Reserves	Underspend in 2013/14	Use of Reserves in 2013/14	Anticipated Balance at 31/03/14
Compensation	0	1,500		(1,500)	0
Firefighters' Pension	652			(192)	460
General	13,540	(2,747)	70	(1,463)	9,400
Hazardous Material Protection	435			(25)	410
Hydrants	282	500		(475)	307
London Resilience	1,496			(52)	1,444
National Operational Guidance Programme	4,283			(907)	3,376
Pension Early Release Costs	514			(514)	0
Property PFI	245			(100)	145
Review of Property Services	118	250		(133)	235
Review of Workwear	0	128		(128)	0
Salix	114				114
Sustainability	235				235
Vehicle & Equipment Contract	631	369			1,000
<b>Total</b>	<b>22,547</b>	<b>0</b>	<b>70</b>	<b>(5,489)</b>	<b>17,128</b>

25. Based on these forecasts the balance on the general reserve will be £9.4m at the end of 2013/14. This is £0.7m below the stated minimum general reserve position of £10.1m which is 2.5% of the 2013/14 annual budget. This is a temporary reduction below minimum levels and has been incurred as a result of the redundancy costs (£0.9m) related to the operational voluntary severance trawl. The GLA is providing funding to meet this cost in the 2014/15 financial year, at which point this funding will be returned and general reserve levels will increase to back above the stated minimum amount.
26. Work on the national operational guidance project is continuing and current forecasts are for a draw on the reserve of £0.9m. Table 7 below sets out the impact of these movements to the 2014/15 forecast reserves position.



**Table 7: Proposed Reserve Position for the 2014/15 Financial Year**

£000s	Opening Balance at 01/04/14	Payments into Reserve	Transfer between Reserves	Use of Reserves in 2014/15	Anticipated Balance at 31/03/15
Firefighters' Pension	460				460
General	9,400	3,940	(200)		13,140
Hazardous Material Protection	410				410
Hydrants	307				307
London Resilience	1,444				1,444
National Operational Guidance Programme	3,376			(852)	2,525
Pension Early Release Costs	0		200		200
Property PFI	145				145
Review of Property Services	235				235
Salix	114				114
Sustainability	235				235
Vehicle & Equipment Contract	1,000				1,000
<b>Total</b>	<b>17,128</b>	<b>3,940</b>	<b>0</b>	<b>(852)</b>	<b>20,216</b>

27. 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. Levels of reserves have been kept under review in light of an updated assessment of financial risks and this report includes a contribution to the general reserve of £3m, to mitigate their impact to the Authority.
28. There are four changes to the risks attached as Appendix 4 from the position reported in the January Budget Update Report. The first updates the risk on pensions to remove mention of the LGPS, as this risk has now been quantified as discussed in paragraph 18. The second updates on the space utilisation review at Union Street. The third change is to the risk around LSP5 implementation costs in 2014/15. As discussed in paragraph 10 of this report the forecast pressure from this is proposed to be met via a payment from the GLA, however there remains a risk around the assumed lever rates in 2014/15 that could impact on the overall financial position in that year. The final change is to add a new risk to reflect the ongoing industrial action been taken by the FBU.
29. The four revised risks are set out below:
- The potential impact on employers pensions contribution that may increase depending on the outcome of the valuation for the firefighters' pension schemes.
  - A review of space utilisation at Union Street has been carried out with a saving proposed of £780k in 2014/15. However the three prospective GLA tenants for the space identified in the review have now indicated that their occupation would commence from September 2014. If terms can be agreed the estimated income based on this timing and allowing for a rent free period is £270k for 2014/15, £1.06m in 2015/16 and with a full rental of £1.2m in 2016/17 onwards. If these are not agreed, officers will be making a recommendation to seek a tenant externally to the GLA. The position will be updated in future financial position and budget reports.

- As a result of the implementation of LSP5, staff numbers are forecast to be above establishment in the 2014/15 financial year. The estimated financial impact of this is £6.1m and is being met by additional funding from the GLA. However, if leaver rates are higher or lower than forecast over the next 12 months this could cause an underspend or overspend, which will be reported in the quarterly financial position reports to Resources Committee.
- The FBU has been taking industrial action during the 2013/14 financial year following a disagreement with Central Government over pensions. If this continues for the 2014/15 financial year the cost to LFEPA in maintaining preparedness would be £1.6m. This would exclude any additional costs that would be incurred if strike action is called by the FBU. There is no budget for this expenditure (noting that it has been met from within existing budgets to date in the current year).

### **Bids for DCLG Transformation Funding**

30. The January Budget Update report explained that the government has announced that £30m of resource funding and £45m of capital funding will be made available to the fire sector for 2015/16. DCLG formally invited bids on the 5 March 2014, giving a deadline for responses of 4 June 2014 for single bids by one authority or for joint bids by two authorities. A second deadline was set of 17 June for syndicated bids, involving more than two authorities.

31. Officers are working on potential bids. However, there are no scheduled meetings of the Resources Committee or the Authority within the time period required to meet the deadlines set by DCLG. Approval for these bids before submission will therefore be sought from the Chairman of the Authority and the Leaders of the other political groups via Standing Order 64.

### **Capital Programme and Prudential Indicators**

32. 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 2014. (FEP 2194). This represents spend (detailed in Appendix 5) of £63.3m for 2014/15, £45.7m for 2015/16 and £19.2m for 2016/17. The changes to the programme since the budget submission are set out in Table 8 below:

**Table 8. Future Capital Budget Requirements**

	<b>2014/15 Budget £k</b>	<b>2015/16 Budget £k</b>	<b>2016/17 Budget £k</b>
January Budget Update Report (FEP2194)	<b>62,949</b>	<b>44,998</b>	<b>18,184</b>
Internal Alterations at Feltham Fire Station	(870)	0	0
New Scheme – Acton Fire Station Refurbishment	150	900	850
Additional Heating scheme budgets at various stations	400	0	0
Building Energy Efficiency Programme	500	200	200
New West Norwood Fire Station Project (slippage from 2013/14)	93	0	0
ICT Building Control Electronic System (slippage from 2013/14)	50	0	0
Plumstead Refurbishment (reduction in schemes budget requirement - March 2014 Resources Committee)	0	(390)	0
Other savings/ costs identified	14	(47)	0
<b>Revised Capital Budget/ Forecast</b>	<b>63,286</b>	<b>45,661</b>	<b>19,234</b>

33. The capital programme is monitored on a monthly basis. The current projected forecast for 2013/14 is £14.2m compared to the original approved budget of £25.9m. The reason for this reduction relates to the leasing arrangements for the new training venues. The leases were initially classified as finance leases which meant they qualified as capital expenditure. However, on review, the leases were classified as operational leases which meant they were revenue not capital expenditure. This reduction does not therefore represent a reduction in work but is purely presentational. It has been assumed that £6.1m will be funded by external borrowing and £8.1m from grant funding and capital receipts. A report detailing the 2013/14 capital spend forecast is included separately on the Resources Committee agenda as part of the quarterly financial position report.
34. Since the January Budget Update report, slippage/savings from 2013/14 to 2014/15 has been identified (£157k). This mainly relates to the project for the new fire station at West Norwood and also the ICT project to facilitate electronic working in the Building Control section. These projects are planned to complete in the Autumn 2014. In addition, the planned works at Feltham Fire Station (£870k) have now been deferred as Acton Fire Station refurbishment is deemed to be a higher priority after the vacation of London Ambulance Service and the relocation of the fire investigation team. These movements have created surplus space at the station which will be reconfigured and rented out as single persons quarters, thereby providing additional income to the authority. The new refurbishment project has been factored in with the £870k budget savings in 2014/15 being relocated to support additional heating and building efficiency projects. Additional budgets of £200k for 2015/16 and 2017/18 for energy efficiency works have been established to meet the Mayor's goals on climate change and the Mayoral commitment of retrofitting over 100 GLA buildings by 2015. A report proposing how this funding will be used will be presented to the Committee later in the year.
35. The separate report on the vehicle and equipment re-procurement process highlights that any contract awarded for this service in future will not be let as under the PFI. This means the

Authority will take ownership of the fleet. A one off payment required to purchase the existing fleet from the bank at the end of the interim period (£16.5m) plus the replacement of a number of specialist vehicles (£5.1m) is factored into 2014/15. An annual fleet replacement requirement of £4.5m is also factored in for 2015/16 and £13.4m for 2016/17. Discussions have been held with DCLG regarding the future grant funding for the fleet and it has been agreed that DCLG would provide a one off grant of £12.8m in settlement of future PFI grant funding liabilities.

36. The planned capital programme requires external borrowing of £21.1m for 2014/15 together with £17.5m for 2015/16 and £19.2m for 2016/17. The borrowing requirement for 2015/16 and 2016/17 has increased by £5.6m and £6.0m respectively as it is now not envisaged that LFB will receive any capital grant from DCLG for these years as a new capital grant allocation process has been adopted. The new arrangements will only support capital projects which satisfy the DCLG 'Transformation' grant requirements, which is discussed separately on today's agenda.
37. The proposed disposal strategy for the stations that will close as a result of LSP5 was agreed by the Resources Committee in November (FEP 2158). A separate report on the Resources Committee agenda today sets out a proposed new disposal process for 8 Albert Embankment. To date no potential capital receipts from these disposals have been included in the draft capital plan. However the Resources Committee agreed that the prevailing cost of borrowing should be used as a benchmark against which options for their future use should be measured (FEP 2195). This is in light of the diminishing capital support from central Government for Fire Authorities. The current capital grant allocation ends in 2014/15 (£4.9m). It is expected that following this there will no longer be direct support for capital expenditure and that the £45m grant that is currently projected to be available will be the subject of a national bidding process in a format that could well see the Authority without any future capital funding support from Central Government. If this were the case future capital expenditure would either need to be funded from external borrowing or realised capital receipts.
38. The capital programme set out in this report sets out a borrowing requirement of £57.8m over the next three years. Using the capital receipts expected as a result of the current disposal strategies to fund this currently offers the best return on their use as it results in the highest annual revenue saving from the options presented in FEP 2195. Using the money in this way will allow important station refurbishments such as those planned for East Ham, Plumstead and Acton to be completed in the next three years as well as funding the fleet and equipment replacement programme. These receipts will therefore start to be factored into the capital programme for members to consider as part of the budget process for next year.
39. Included in the capital programme is the finance lease liability for the nine new fire stations that are to be provided through the PFI arrangements. Under accounting requirements, the leases for the new stations are classed as finance leases and therefore need to be included within the long-term liabilities of the authority.
40. Long term liabilities and borrowing must not exceed the limits approved by the Mayor as part of the suite of prudential indicators. The Authorised and Operational limits set by the Mayor for 2013/14 are both set at £232m. The financing of the draft capital programme will require adjustment to the existing limits for external borrowing and long-term liabilities. Following the variation to the 2013/14 programme and the profile of fleet and PFI property procurement the current approved limits for 2014/15 are to be revised downwards. This is shown in table 9 below along with forecast limits for 2015/16 and 2016/17 for mayoral approval.

**Table 9: Prudential Indicators**

	<b>2014/15 £ Current Approved</b>	<b>2014/15 £ Revised</b>	<b>2015/16 £ Forecast</b>	<b>2016/17 £ Forecast</b>
Operational limit	228m	190m	221m	232m
Authorised Limit	232m	195m	226m	237m

### **Fees and Charges, Income Generation and Sponsorship**

41. LFEPA receives income from a range of charges which are calculated on a cost recovery basis. Any changes needed for charges have been recalculated 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 2014.
42. The proposals included within LSP5 included a revised process for the calculation of cost recovery for special services, which includes attendance at automatic fire alarms and shut in lift incidents. This revised process resulted in a figure of £290 per appliance. This figure has now been updated to arrive at a revised charge of £295 per appliance from 01 April 2014.

### **Vehicle and Equipment Contract**

43. The PFI contract for vehicles and equipment that was held with Premier FireServe was terminated on 13 November 2012, and the company was then placed into administration. An interim contract then came into place with Babcock Critical Services Limited until a longer term solution could be procured.
44. A separate report on today's agenda (FEP 2237/2237X) provides an update on this process and includes a recommendation to award a contract for vehicles and equipment. The report also recommends that the Protective Equipment Group (PEG) services remain in house and that a business plan is developed which will include further improvements and efficiencies within PEG.
45. The recommended option for award of the contract is within the budget available. The impact of this has not been included within the budget estimates contained in this report however, as there are also a number of factors that will affect the final position in 2014/15. Those factors are set out in the vehicle and equipment contract update report.

### **Head of Legal and Democratic Services comments**

46. The Mayor of London is responsible for the preparation of the consolidated budget for the Greater London Authority and the functional bodies, including LFEPA. Sections 85 to 87 and Schedule 6 of The Greater London Authority Act 1999 set out the procedure for calculating the component and consolidated budgets and determining the GLA's consolidated council tax requirement. The process includes a requirement on the Mayor to consult LFEPA and prepare a draft component budget for LFEPA as part of his draft consolidated budget for the GLA and functional bodies. Following consultation with the functional bodies, including LFEPA, the Mayor must present his draft consolidated budget to the London Assembly. The draft consolidated budget was considered by the London Assembly on 29 January 2014. The Mayor's final draft consolidated budget was presented to the London Assembly on 14 February 2014. At that meeting the Assembly approved the Mayor's final draft budget without amendment and therefore the budget for LFEPA for 2014/15 is as proposed by the Mayor in his final draft consolidated budget.

## Director of Finance and Contractual Services comments

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

## Sustainability Implications

48. As previously reported, the existing savings proposals for 2013/14 were reviewed for sustainability and environmental implications with consideration of the Mayor's strategies to promote improvement of the environment.

49. Amendments to the capital programme identified in Table 8 (para 30) of this report include:

- additional budget for heating and energy efficiency that will support the Authority's carbon reduction targets; and
- the reduction in budget required for Plumstead which is due to lower than anticipated cost and will not affect the energy efficiency improvements planned.

## Staff Side Consultations Undertaken

50. As previously reported, consultation with the unions about potential redundancies started on 4 September 2013 and will continue during the budget process. FEP 2143 sets out the consultation that has been undertaken with staff side in respect of LSP 5 and FEP 2199 sets out the consultation in respect of the operational voluntary severance trawl.

## Equalities Implications

51. The December Budget Update report (FEP 2150) included an equality analysis on the savings proposed in that report. That equality analysis has been updated to reflect the latest position and is attached as Appendix 6 to this report.

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## List of Appendices to this report:

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

<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>List of background documents</b>	
1. FEP 2194 – Budget Update (January Report)	
2. FEP 2150 – Budget Update(December Report)	
3. FEP 2133 – Budget Update 2014/15 (September Report)	
4. FEP 2091 – Fifth London Safety Plan	
5. FEP 2089 – The Mayor's Budget Guidance for 2014/15	
Proper officer	<b>Director of Finance and Contractual Services</b>
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### Three Year Revenue Forecast

### Appendix 1

Description	2014/15	2015/16	2016/17	Comments
	£k	£k	£k	
<b>2013/14 Net Revenue Expenditure</b>	<b>403,214</b>	<b>386,087</b>	<b>382,000</b>	
Central Contingency for Inflation	4,507	5,574	5,685	Inflationary pressures will be kept under review.
<b>Other budget pressures</b>				
Operational Overtime	(220)	0	0	As reported in the Quarterly Financial Position Reports in 2013/14 firefighter overtime has been underspending in 2013/14. This reduction is based on the latest forecast impacts of this reduction for 2014/15.
Changes to Staff on Development Rates of Pay	1,483	(632)	(2,252)	This pressure in 2014/15 represents changes to numbers of staff receiving a development rate of pay due to the recruitment freeze. This pressure will reduce once recruitment recommences. This is currently assumed to start in 2014/15 with the first FFs being posted onto Development in 2015/16.
Volunteer Reductions	(850)	0	0	These are further post reductions that will be actioned under officers delegated authority in 2014/15.
National Operational Guidance	(289)	2,148	0	This is a reversal of the spend from 2013/14, which was funded from an earmarked reserve.
Removal of National Insurance Rebate	0	0	5,905	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.
Amendment to Local Government Pension Scheme	134	0	0	From April 2014 FRS Overtime will be pensionable, creating a pressure of £134k in 2014/15.
Revaluation of Local Government Pensions Scheme	62	180	188	The existing employers contribution rate of 26.8% for LGPS members has reflected not only the cost of current members pensions, but also the past service deficit on the scheme resulting from decisions taken in previous years. These two items have now been separated into a 14.9% employer contribution rate to account for current employees pension costs and also a lump sum of £4m from 2014/15 to account for the past service deficit, which will increase at 4.5% a year.

### Three Year Revenue Forecast

### Appendix 1

Description	2014/15	2015/16	2016/17	Comments
	£k	£k	£k	
Control and Mobilising Services Project Team	0	165	0	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.
FRS Overtime within the Protective Equipment Group	25	0	0	It was forecast that when the new BA set was introduced, the level of repairs would be reduced and the overtime budget was reduced in 11/12 in anticipation of these forecast savings. However, the level of repairs original forecast has not achieved and to meet the operational demand, overtime is still required. An increase of £25k is requested.
Firefighter Recruitment Costs	35	0	0	This is the expected spend on advertising for a firefighter recruitment campaign in 2014/15.
Legal Compensation Expenditure	277	0	0	Spend against legal compensation is currently funded from the earmarked Compensation Reserve. This is in order to protect the in year financial position against the impact of high value cases potentially incurred. However in light of continued high spend it is proposed that a budget is created to meet an element of these compensation costs that are more predictable in nature. Expenditure levels over the three preceding financial years have been reviewed and this budget has been set at a level to cover an estimated 80% of payments made.
Firefighters' Pensions	581	565	544	This relates to inflation increase on injury pensions.
Energy Costs	(75)	86	178	The forecast is based on savings following through from the installation of energy saving devices and renewable technology installations.
Salix Energy Efficiency Programme	(200)	200	0	This saving reflects the return of the Authority's funding for the Salix Scheme. This funding was to match a corresponding loan from the Salix energy efficiency programme (FEP 1165). This loan is now being part repaid from the savings achieved along with LFEPA's contribution.
Business Rates - other	244	272	279	A revaluation of business rates is expected in 2017 which could have a substantial impact on rate valuations/costs.
Savings on Business Rates	(200)	0	0	Additional savings within property have been identified in order offset the expected delay in receiving income from letting spare capacity at Union Street.
Occupation of Merton Regional Control Centre	601	0	0	This reflects the additional costs after relocation as set out in FEP 1665.



Three Year Revenue Forecast

Appendix 1

Description	2014/15	2015/16	2016/17	Comments
	£k	£k	£k	
Property PFI Credit	(1,317)	753	2,036	The figures shown here assume no sinking fund is created for Property PFI in 2014/15.
PFI Business Rates	208	280	214	The 9 new PFI stations will be larger buildings that are expected to have a higher rateable value. The additional cost is estimated at £702k pa based on 2010 rateable values. The average cost is £78k per site. The current provisional projection is that 4 stations will be completed during 2014/15 and 5 during 2015/16.
PFI - Revenue work packages	14	40	(216)	This reflects the estimated revenue costs as set out in FEP 1662 for Business Continuity Arrangements.
Property PFI - New contract management team. (Resources/Consultancy costs)	0	0	(150)	Once all of the stations are operational the team is expected to reduce in scale and mass. The originally forecast £150k reduction in 2015/16 should now be realised in 2016/17 due to project delay.
City Forum rent reduction	(443)	0	0	As previously reported (FEP 1990 – Financial Position at the end of September 2012) this saving has been rephased and this adjustment reflects the latest position.
Temporary rent for West Norwood Fire Station	50	0	(50)	FEP1933 Sale and Leaseback option. £50k annual rental cost, from completion of sale for old station until relocation to new station, with construction scheduled to be completed by 16/17.
Southwark Training Centre	0	764	0	Southwark Training Centre is currently occupied by the training contractor (Babcock) and it is expected that Babcock would vacate March 2015. This reflects the budget income that would cease.
Lease Cars - Staff Car Scheme Charges	131	140	148	The emissions based contribution scheme which came into effect in November 2011 has caused a decrease in the amount of income being recovered from officers. In addition the number of cars on the scheme is also steadily declining which is further contributing to the under-recovery of income.
Review of Workwear	(128)	0	0	This is a reversal of the £128k spend from 2013/14, which was funded from an earmarked reserve.
Increase in Operational Equipment Repairs/Maintenance	35	0	0	Increase in Operational Equipment Repairs/Maintenance due to purchase cost of replacement spares increasing by 11% over previous year and no inflation bids being submitted during the past two years. This additional expenditure cannot be contained within approved budget.

Three Year Revenue Forecast

Appendix 1

Description	2014/15	2015/16	2016/17	Comments
	£k	£k	£k	
Maintenance and Repairs of additional BA Sets	8	0	0	To fund the Maintenance and Repairs of additional BA Sets purchased by the former Training Department. Previously, a sum of £8k was transferred to PEG from the Training Dept each year to cover the cost of repair and maintenance for these additional sets. With the implementation of FOFT the annual transfer of funds has ceased and this additional expenditure cannot be contained within approved budget.
Replacement of Hose	30	(30)	0	Due to 70mm and 45mm Lay Flat Hose reaching the end of initial design life an additional £30K is required to fund the replacement.
Safe working at heights kit	15	0	0	There has been an increase in the service cost for these kits. Formerly, these kits were tested/serviced annually, but are now required to be maintained on a 6 month schedule in accordance with HSE regulations.
Change in use of General Reserve	0	(3,000)	0	This reduction reflects the impact of the additional £3m of GLA funding in 2015/16, that is being used to fund the general reserve in 2014/15.
Borrowing Costs	(267)	1,634	2,215	This is based on the latest estimates.
<b>Total other budget pressures</b>	<b>(56)</b>	<b>3,566</b>	<b>9,039</b>	
<b>Income</b>				
Insurance Company Income	(700)	(725)	(725)	These increases assume growth of 3.5% per annum going forward.
Interest Receivable	208	0	0	The forecast interest rate is lower than expected and nationalised banks are due to be privatised and this requires greater diversification with investments counterparts.
Shut in Lift Cost Recovery	(50)	0	0	This additional income reflects current levels.
Union Street Space Rental	510	(790)	(140)	This pressure in 2014/15 and the additional saving in the following years represents the latest forecast income levels from the lease of space at Union Street.
Savings on Telecommunications Income	(240)	240	0	Additional savings within property have been identified in order to offset the expected delay in receiving income from letting spare capacity at Union Street.
Automatic Fire Alarms Cost Recovery	(750)	0	0	This additional income would come from cost recovery for attendance at automatic fire alarms.
<b>Total income</b>	<b>(1,022)</b>	<b>(1,275)</b>	<b>(865)</b>	

Three Year Revenue Forecast

Appendix 1

Description	2014/15	2015/16	2016/17	Comments
	£k	£k	£k	
Total changes to savings and unavoidable pressures identified in previous years budget reports	7,854	0	0	This reflects changes between years of the savings and pressures for previous financial years and how they impact on 2014/15. Mainly include reversal one year only savings on operational vacancy margin £5,200 and Firefighter Trainees £2,408k
LSP5 through natural wastage	6,135	(6,135)	0	
<b>Total Unavoidable Pressures and Savings identified</b>	<b>17,418</b>	<b>1,730</b>	<b>13,859</b>	
<b>Revised Net Revenue Expenditure</b>	<b>420,632</b>	<b>387,816</b>	<b>395,859</b>	
LSP 5 Savings	(27,761)	(143)	0	
Total Additional Savings Identified	(6,784)	976	0	
Savings Gap	0	(6,649)	(13,859)	
<b>Proposed Net Revenue Expenditure</b>	<b>386,087</b>	<b>382,000</b>	<b>382,000</b>	
Less Use of Reserves	3,940	0	0	
Less Use of Earmarked Reserve	(852)	0	0	
<b>Council Tax Requirement and Formula Grant</b>	<b>389,175</b>	<b>382,000</b>	<b>382,000</b>	
Revenue Support Grant	138,838	138,838	138,838	
Retained Business Rates	112,162	112,162	112,162	
LFEP A Element of Precept	138,175	131,000	131,000	

Detailed Estimates and Notes to Detailed Estimates

Appendix 2

		Base 2013/14 Budget	MTFS Growth/ Savings 2014/15	Budget Movements	Savings Proposals 2014/15	Savings From LSP5	2014/15 Base Budget	
Staff	Operational Staff	260,320,582	15,002,295	2,512,263	(3,589,433)	(26,897,660)	247,348,047	1
	Fire & Rescue Staff	40,991,349	(288,709)	516,119	(361,892)	256,146	41,113,013	2
	Control Staff	6,285,811	63,105	(290,498)	(163,673)	0	5,894,745	3
Staff Total		307,597,742	14,776,690	2,737,884	(4,114,998)	(26,641,514)	294,355,805	
Firefighter's Pension Expenditure		21,119,880	581,000	0	0	0	21,700,880	4
Staff Related	Compensation	1,400	275,413	0	0	0	276,813	5
	Employee Capitalised Costs	(245,400)	0	0	0	0	(245,400)	
	Employee Related Insurance	190,000	0	0	0	0	190,000	
	Medical & Welfare Expenses	1,773,466	19,695	0	0	0	1,793,161	6
	Other Pension Payments	990,000	0	0	0	0	990,000	
	Professional Development	521,539	(31,000)	(3,493)	(32,900)	0	454,146	7
	Recruitment	62,500	100,300	0	(10,000)	0	152,800	8
	Severance Payments	400,000	0	0	(200,000)	0	200,000	
Staff Related Total		3,693,505	364,408	(3,493)	(242,900)	0	3,811,521	
Premises	Building Maintenance	7,365,363	597,000	0	0	(521,139)	7,441,224	9
	Cleaning & Domestic Supplies	2,334,618	(12,000)	0	0	(171,307)	2,151,311	10
	Energy Costs	2,961,924	(282,000)	0	0	(127,719)	2,552,205	11
	Fixtures & Fittings	327,175	0	0	0	(16,904)	310,271	
	Grounds	121,317	0	0	0	(6,504)	114,813	
	Insurances	432,000	0	0	0	0	432,000	
	Other Property Services	1,302,107	14,000	0	(381,000)	0	935,107	12
	Property Rates	8,993,793	129,400	0	0	(268,117)	8,855,076	13
	Rents	6,156,216	365,000	0	0	0	6,521,216	14
	Security	503,752	0	0	(70,000)	368,000	801,752	
	Water Rates	262,794	(3,000)	0	0	(21,279)	238,515	15

Detailed Estimates and Notes to Detailed Estimates

Appendix 2

		Base 2013/14 Budget	MTFS Growth/ Savings 2014/15	Budget Movements	Savings Proposals 2014/15	Savings From LSP5	2014/15 Base Budget	
Premises Total		30,761,059	808,400	0	(451,000)	(764,970)	30,353,489	
Transport	Contract Hire & Operating Lease	1,301,300	0	(7,000)	0	0	1,294,300	
	Repairs/PFI Passthroughs	19,597,393	475,754	3,490	(700,000)	(72,448)	19,304,189	16
	Running Costs	1,804,912	0	(1,033)	0	(102,388)	1,701,491	
	Travel	1,393,815	(20,592)	(3,423)	(26,413)	(79,621)	1,263,766	17
	Vehicle Insurance	1,073,307	0	(43,414)	0	0	1,029,893	
Transport Total		25,170,727	455,162	(51,380)	(726,413)	(254,457)	24,593,639	
Supplies and Services	Advertising	50,205	0	0	0	0	50,205	
	Catering	152,254	0	0	0	(11,900)	140,354	
	Clothing & Laundry	3,513,601	132,233	0	(268,300)	(67,191)	3,310,343	18
	Computing	5,464,165	198,271	(737,040)	(197,830)	0	4,727,566	19
	Expenses	713,309	3,050	0	(5,350)	(23,589)	687,420	20
	General Office Expenses	490,271	1,643	0	(54,643)	(12,250)	425,021	21
	Grants & Subscriptions	175,565	0	4,000	(1,000)	0	178,565	
	Hydrants	681,400	0	0	(170,000)	0	511,400	
	Operational Equipment	1,158,540	95,536	41,410	(18,036)	(67,971)	1,209,479	22
	Operational Equipment - PFI	111,896	0	3,510	0	0	115,406	
	Other Equipment, Furniture & Materials	702,975	6,807	(3,500)	(2,807)	(25,685)	677,790	23
	Other Insurance	195,000	0	0	0	0	195,000	
	Other supplies and services	193,118	0	0	0	0	193,118	
	Postal Services	88,730	0	4,500	0	0	93,230	
	Professional Services	22,406,953	879,816	1,268,220	(424,692)	0	24,130,297	24
	Smoke Detectors	743,000	0	0	(40,000)	0	703,000	
	Telecommunications & Radio	3,337,684	0	0	0	(80,000)	3,257,684	
Supplies and Services Total		40,178,666	1,317,356	581,100	(1,182,658)	(288,586)	40,605,878	

## Detailed Estimates and Notes to Detailed Estimates

## Appendix 2

		Base 2013/14 Budget	MTFS Growth/ Savings 2014/15	Budget Movements	Savings Proposals 2014/15	Savings From LSP5	2014/15 Base Budget	
Third Party Payments	Audit & Bank Charges	148,600	0	0	(30,000)	0	118,600	
	Other Agencies	275,700	1,000	0	0	0	276,700	25
	Other Local Authorities	1,022,619	(123,019)	(15,000)	0	0	884,600	26
Third Party Payments Total		1,446,919	(122,019)	(15,000)	(30,000)	0	1,279,900	
Capital Financing Costs	External Interest	4,796,358	0	0	0	0	4,796,358	
	Provision For Debt Repayment	6,103,500	(267,000)	0	0	0	5,836,500	27
Capital Financing Costs Total		10,899,858	(267,000)	0	0	0	10,632,858	
Income	Customer & Client Receipts	(7,740,295)	(801,000)	(41,926)	(26,000)	188,778	(8,420,443)	28
	Government Grants	(12,449,869)	(1,567,000)	33,026	0	0	(13,983,844)	29
	Insurance Companies	(20,675,000)	(700,000)	0	0	0	(21,375,000)	30
	Interest	(708,600)	208,000	0	0	0	(500,600)	31
Income Total		(41,573,764)	(2,860,000)	(8,901)	(26,000)	188,778	(44,279,887)	
Central Contingency Against Inflation		3,919,101	2,363,977	(3,240,210)	(10,381)	0	3,032,487	32
<b>Net Revenue Expenditure</b>		<b>403,213,693</b>	<b>17,417,975</b>	<b>0</b>	<b>(6,784,350)</b>	<b>(27,760,749)</b>	<b>386,086,569</b>	
General Reserve		(522,835)	3,462,835	0	0	0	3,940,000	33
Earmarked Reserve		(1,919,858)	1,068,289	0	0	0	(851,569)	34
<b>2014/15 Base Budget</b>		<b>400,771,000</b>	<b>22,949,099</b>	<b>0</b>	<b>(6,784,350)</b>	<b>(27,760,749)</b>	<b>389,175,000</b>	

Note	Service Expenditure	MTF Items & Approved Growth/ Savings £
1	<b>Operational Staff</b>	
	FEP 2032 2013/14 Budget Report - OS05 Operational Assurance	(9,300)
	FEP 2032 2013/14 Budget Report - OS09 Firefighter Trainees	2,407,700
	FEP 2032 2013/14 Budget Report - OS10 Operational Staff Vacancy Margin	5,200,000
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	5,788
	This pressure in 2014/15 represents changes to numbers of staff receiving a development rate of pay due to the recruitment freeze. This pressure will reduce once recruitment recommences. This is currently assumed to start in 2014/15 with the first FFs being posted onto Development in 2015/16	1,483,107
	LSP5 through natural wastage	6,135,000
	As reported in the Quarterly Financial Position Reports in 2013/14 firefighter overtime has been underspending in 2013/14. This reduction is based on the latest forecast impacts of this reduction for 2014/15.	(220,000)
	<b>Total Included in the MTF</b>	<b>15,002,295</b>
2	<b>Fire &amp; Rescue Staff (FRS)</b>	
	Amendment to Local Government Pension Scheme: FRS overtime is now pensionable	71,196
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	55,477
	It was forecast that when the new BA set was introduced, the level of breakages and repairs would be reduced and the overtime budget was reduced in 11/12 in anticipation of these forecast savings. However, the level of breakages/repairs original forecast has not achieved and to meet the operational demand, overtime is still required. An increase of £25k is requested.	25,000
	The existing employers contribution rate of 26.8% for LGPS members has reflected not only the cost of current members pensions, but also the past service deficit on the scheme resulting from decisions taken in previous years. These two items have now been separated into a 14.9% employer contribution rate to account for current employees pension costs and also a lump sum of £4m from 2014/15 to account for the past service deficit, which will increase at 4.5% a year.	62,000
	Volunteer Reductions - These are further post reductions that will be actioned under officers delegated authority in 2014/15.	(502,383)
	<b>Total Included in the MTF</b>	<b>(288,709)</b>

## Detailed Estimates and Notes to Detailed Estimates

<b>3</b>	<b>Control Staff</b>	
	Amendment to Local Government Pension Scheme: Control overtime is now pensionable	63,105
	<b>Total Included in the MTF</b>	<b>63,105</b>
<b>4</b>	<b>Firefighter's Pension Expenditure</b>	
	This relates to inflationary increase on injury pension.	581,000
	<b>Total Included in the MTF</b>	<b>581,000</b>
<b>5</b>	<b>Compensation</b>	
	Spend against legal compensation is currently funded from the earmarked Compensation Reserve. This is in order to protect the in year financial position against the impact of high value cases potentially incurred. However in light of continued high spend it is proposed that a budget is created to meet an element of these compensation costs that are more predictable in nature. Expenditure levels over the three preceding financial years have been reviewed and this budget has been set at a level to cover an estimated 80% of payments made.	276,113
	FEP1698, 2011/12 Budget Report – SN26 Compensation	(700)
	<b>Total Included in the MTF</b>	<b>275,413</b>
<b>6</b>	<b>Medical &amp; Welfare Expenses</b>	
	Occupational Health Contract - This is based on Average Weekly Earning Index inflation increase at 1.5%	19,695
	<b>Total Included in the MTF</b>	<b>19,695</b>
<b>7</b>	<b>Professional Development</b>	
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	(31,000)
	<b>Total Included in the MTF</b>	<b>(31,000)</b>
<b>8</b>	<b>Recruitment</b>	
	This is the expected spend on advertising for a firefighter recruitment campaign in 2014/15.	35,000
	FEP 2032 2013/14 Budget Report - NS38 Firefighter Advertising	65,300
	<b>Total Included in the MTF</b>	<b>100,300</b>



## Detailed Estimates and Notes to Detailed Estimates

9	<b>Building Maintenance</b>	
	FEP 2032 2013/14 Budget Report - NS10 Property Maintenance	460,000
	Anticipated increase for project work at 1.5%	50,000
	Reduction in costs at City Forum. As previously reported (FEP 1990) this saving has been rephased and this adjustment reflects the latest position.	(13,000)
	Average Weekly Earning Index inflation increase for Premises budgets at 1.5%	100,000
	<b>Total Included in the MTF</b>	<b>597,000</b>
10	<b>Cleaning and Domestic Supplies</b>	
	Reduction in costs at City Forum. As previously reported (FEP 1990 – Financial Position at the end of September 2012) this saving has been rephased and this adjustment reflects the latest position.	(12,000)
	<b>Total Included in the MTF</b>	<b>(12,000)</b>
11	<b>Energy Costs</b>	
	Reduction in costs at City Forum. As previously reported (FEP 1990 – Financial Position at the end of September 2012) this saving has been rephased and this adjustment reflects the latest position.	(7,000)
	This saving reflects the return of the Authority's funding for the Salix Scheme. This funding was to match a corresponding loan from the Salix energy efficiency programme (FEP 1165). This loan is now being part repaid from the savings achieved along with LFEPA's contribution.	(200,000)
	The forecast is based on savings following through from the installation of energy saving devices and renewable technology installations.	(75,000)
	<b>Total Included in the MTF</b>	<b>(282,000)</b>
12	<b>Other Property Services</b>	
	PFI - Revenue work packages. This reflects the estimated revenue costs as set out in FEP 1662 for Business Continuity Arrangements.	14,000
	<b>Total Included in the MTF</b>	<b>14,000</b>

## Detailed Estimates and Notes to Detailed Estimates

13	<b>Property Rates</b>	
	FEP1891, 2012/13 Budget Report – SAV033 - TSS property rates	(600)
	Increase in business rates across authority premises	244,000
	Reduction in costs at City Forum. As previously reported (FEP 1990 – Financial Position at the end of September 2012) this saving has been rephased and this adjustment reflects the latest position.	(122,000)
	The 9 new PFI stations will be larger buildings that are expected to have a higher rateable value. The additional cost is estimated at £702k pa based on 2010 rateable values. The average cost is £78k per site. The current provisional projection is that 4 stations will be completed during 2014/15 and 5 during 2015/16.	208,000
	Additional savings on Property Rates have been identified in order to offset the expected delay in receiving income from letting spare capacity at Union Street.	(200,000)
	<b>Total Included in the MTF</b>	<b>129,400</b>
14	<b>Rents</b>	
	As previously reported (FEP 1990 – Financial Position at the end of September 2012) this saving has been rephased and this adjustment reflects the latest position.	(286,000)
	Occupation of Merton Regional Control Centre - This reflects the additional costs after relocation as set out in FEP 1665.	601,000
	Temporary rent for West Norwood Fire Station - (FEP1933) Sale and Leaseback option. £50k annual rental cost, from completion of sale for old station until relocation to new station, with construction scheduled to be completed by 2016/17.	50,000
	<b>Total Included in the MTF</b>	<b>365,000</b>
15	<b>Water Rates</b>	
	Reduction in costs at City Forum. As previously reported (FEP 1990 – Financial Position at the end of September 2012) this saving has been rephased and this adjustment reflects the latest position.	(3,000)
	<b>Total Included in the MTF</b>	<b>(3,000)</b>
16	<b>Repairs/PFI Passthroughs</b>	
	Vehicles and Equipment contract – Passthroughs. Passthroughs are the non-Unitary Payment expenditure budget lines. This assumed inflation in line with Average Earnings per PFI contract.	22,544
	Vehicles and Equipment contract - Unitary Payment. This is increased in line with Retail Price Index (RPI) at 0.5% per PFI contract.	453,210
	<b>Total Included in the MTF</b>	<b>475,754</b>

## Detailed Estimates and Notes to Detailed Estimates

17	<b>Travel</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	5,000
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	(25,592)
	<b>Total Included in the MTF</b>	<b>(20,592)</b>
18	<b>Clothing &amp; Laundry</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	183,300
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	1,556
	Inflationary increase to the PPE contract - This contract is inflated in line with RPIX at 3.2%.	75,377
	This is a reversal of the £128k spend from 2013/14, which was funded from an earmarked reserve.	(128,000)
	<b>Total Included in the MTF</b>	<b>132,233</b>
19	<b>Computing</b>	
	FEP1698, 2011/12 Budget Report – UP04. The number of deployed devices continues to increase year on year with an increased user base of devices at stations, mobile working and mobile data terminals. This proposal is to fund software licenses and hardware support and renewal.	37,100
	Inflationary increase for ICT contracts	166,171
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	(5,000)
	<b>Total Included in the MTF</b>	<b>198,271</b>
20	<b>Expenses</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	550
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	2,500
	<b>Total Included in the MTF</b>	<b>3,050</b>
21	<b>General Office Expenses</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	1,643
	<b>Total Included in the MTF</b>	<b>1,643</b>

## Detailed Estimates and Notes to Detailed Estimates

22	<b>Operational Equipment</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	8,036
	Increase in Operational Equipment Repairs/Maintenance due to purchase cost of replacement spares increasing by 11% over previous year and no inflation bids being submitted during the past two years. This additional expenditure cannot be contained within approved budget.	42,500
	Due to 70mm and 45mm Lay Flat Hose reaching the end of initial design life an additional £30K is required to fund the replacement.	30,000
	There has been an increase in the service cost for the 'safe working at heights' kits. Formerly, these kits were tested/serviced annually, but are now required to be maintained on a 6 month schedule in accordance with Health & Safety Executive (HSE) regulations.	15,000
	<b>Total Included in the MTF</b>	<b>95,536</b>
23	<b>Other Equipment, Furniture &amp; Materials</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	807
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	6,000
	<b>Total Included in the MTF</b>	<b>6,807</b>
24	<b>Professional Services</b>	
	FEP 2032 2013/14 Budget Report - NS41 Firefighter Trainee Non-Staff Budgets	131,839
	This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve	75,000
	CAMS contract service charges - This is based on Average Weekly Earning Index inflation increase at 1.5%	17,093
	Inflationary increase for the Emergency Fire Crew Capability (EFCC) contract - This contract is inflated in line with Average Earnings.	42,242
	Inflationary increase for the Scientific Services contract - This contract is inflated in line with Average Earnings at 2.7%	30,942
	Inflationary increase for the Training contract - This contract is inflated in line with RPIX annually. The increase for 2014/15 is estimated at 3.2%. The actual increase will be based upon the actual rate of RPIX in April. However this is subject to possible changes in the FFD course requirement going forward.	582,700
	<b>Total Included in the MTF</b>	<b>879,816</b>
25	<b>Other Agencies</b>	
	LPFA pension contract indexation	1,000
	<b>Total Included in the MTF</b>	<b>1,000</b>

## Detailed Estimates and Notes to Detailed Estimates

26	<p><b>Other Local Authorities</b></p> <p>This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve</p>	(123,019)
	<b>Total Included in the MTF</b>	<b>(123,019)</b>
27	<p><b>Provision for Debt Repayment</b></p> <p>This is based on the latest estimates.</p>	(267,000)
	<b>Total Included in the MTF</b>	<b>(267,000)</b>
28	<p><b>Customer &amp; Client Receipts</b></p> <p>FEP1698, 2011/12 Budget Report – IN003 Residential Rent</p> <p>FEP 2032 2013/14 Budget Report - NS18 Commercial Income</p> <p>Lease Cars - Staff Car Scheme Charges. The emissions based contribution scheme which came into effect in November 2011 has caused a decrease in the amount of income being recovered from officers. In addition the number of cars on the scheme is also steadily declining which is further contributing to the under-recovery of income.</p> <p>Additional savings on Telecom Income have been identified in order to offset the expected delay in receiving income from letting spare capacity at Union Street.</p> <p>This additional income reflects current levels on Shut in Lifts charges.</p> <p>This pressure in 2014/15 represents the latest forecast income levels from the lease of space at Union Street.</p> <p>This additional income would come from cost recovery for attendance at automatic fire alarms.</p>	<p>(2,000)</p> <p>(400,000)</p> <p>131,000</p> <p>(240,000)</p> <p>(50,000)</p> <p>510,000</p> <p>(750,000)</p>
	<b>Total Included in the MTF</b>	<b>(801,000)</b>
29	<p><b>Government Grants</b></p> <p>This budget increase is for the National Operational Guidance project and is fully funded from an earmarked reserve</p> <p>Property PFI Credit.</p>	<p>(250,000)</p> <p>(1,317,000)</p>
	<b>Total Included in the MTF</b>	<b>(1,567,000)</b>
30	<p><b>Insurance Companies</b></p> <p>These increases assume growth of 3.5% per annum going forward.</p>	(700,000)
	<b>Total Included in the MTF</b>	<b>(700,000)</b>
31	<p><b>Interest Receivable</b></p> <p>The forecast interest rate is lower than expected and nationalised banks are due to be privatised and this requires greater diversification with investments counterparts.</p>	208,000

## Detailed Estimates and Notes to Detailed Estimates

	<b>Total Included in the MTF</b>	<b>208,000</b>
32	<b>Central Contingency for Inflation</b>	
	Contingency for pay inflation - Inflationary pressures will be kept under review.	3,893,929
	Contingency for Inflation	(948,000)
	Volunteer Reductions achieved through Delegated Authority in 2013/14	(347,453)
	FEP 2032 2013/14 Budget Report - SF06 Technical & Service Support	(234,500)
	<b>Total Included in the MTF</b>	<b>2,363,977</b>
33	<b>General Reserve</b>	
	Reversal of use of general reserves included in 2013/14 budget (FEP 2032)	522,835
	General reserve contribution	3,000,000
	LSP5 through natural wastage	940,000
	<b>Total Included in the MTF</b>	<b>4,462,835</b>
34	<b>Earmarked Reserves</b>	
	Reversal of reserve draw on pensions included in 2013/14 budget (FEP 2032)	652,000
	National Operational Guidance project reserve draw	288,289
	Reversal of the draw on the workwear reserve as included in 2013/14 budget (FEP 2032)	128,000
	<b>Total Included in the MTF</b>	<b>1,068,289</b>

## Summary of Savings Proposals

<b>2014/15 Saving Stream</b>	<b>Value of Saving in 2014/15</b>
FRS Staff Post Reductions	£ 362 k
Operational Staff Post Reductions	£ 3,949 k
Non Staff Savings	£ 2,474 k
<b>Total Additional Savings Identified</b>	<b>£ 6,784 k</b>
Savings Gap to be Identified	£ 1,379 k
Revised LSP5 Savings	£ 27,457 k
<b>Total Savings Requirement</b>	<b>£ 35,620 k</b>

Savings Ref	Description	Staffing impact (Grade and Quantity)	Is post expected to be vacant?	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/Efficiency
SAV01	<b>ICT staffing change</b> This proposal deletes 1 x FRS E Transition Manager post. Currently there are two posts and this reduction will result in a loss of resilience in this area. Management will need to cover the role in times of leave / sickness.	-1 x FRS E	No	0	(59,732)	Savings
SAV02	<b>ICT Staffing change</b> This proposal is likely to significantly reduce support capability, particularly in the light of in sourcing some elements of service delivery and the increased workload that will be placed upon these roles.	- 1 x FRS C/D	Y	0	(52,085)	Savings
SAV03	<b>Operational Resilience Staffing change</b> This proposal deletes 2 x FRS B post. This proposal will reduce the team's capacity for checking hydrants repairs and will have to be reflected in the yearly hydrant maintenance cycle.	-2 x FRS B	Fixed term contract	(67,000)	0	Savings
SAV04	<b>Operational Directorates Support Group Restructure</b> This saving reflects a proposed restructure following a review of the Group after its establishment in April 2013.	TBC	TBC	0	(108,943)	Efficiency
SAV05	<b>Procurement Staffing change</b> This is staff reduction saving is as a result of developments to the POMS application.	-1 x FRS F -1 x FRS C -1 x FRS B	NO	(37,361)	(71,150)	Efficiency
SAV06	<b>Strategy and Performance Staffing change</b> This is a proposal for savings in 2015/16 as a result of a departmental restructure. The impact of the saving is difficult to determine prior to the review.	TBC	TBC	0	(124,334)	Savings



Savings Ref	Description	Staffing impact (Grade and Quantity)	Is post expected to be vacant?	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/Efficiency
SAV07	<b>HR Staffing change</b> This proposal deletes 1 x TMG 4 Head of HR Transformation. This is a saving already agreed as a result of the voluntary trawl.	-1 x TMG 4	N	(104,121)	0	Efficiency
SAV08	<b>HR Staffing change</b> This is a proposal to delete 1 x FRS E Job evaluation Manager. This would reduce capacity to support line managers and would place greater workloads on line managers who would have to pick up more HR work as the JE work would have to be shared amongst remaining HR advisers.	-1 x FRS E	N	(53,410)	0	Savings
SAV09	<b>Finance Staffing change</b> This is a proposal to further restructure the Finance Department.	-2 x FRS B/C/D -2 x FRS C -1 x TMG 4 +1 x TMG 3	Y	(100,000)	0	Efficiency
<b>Total FRS Staff Savings</b>				<b>(361,892)</b>	<b>(416,244)</b>	

Savings Ref	Description	Staffing impact (Grade and Quantity)	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/ Efficiency
SAV10	<b>Operational Resilience Staffing change</b> This proposal deletes 1 x WMB and will reduce capacity which will have to be reflected in future workloads.	-1 x WMB	0	(52,000)	Savings
SAV11	<b>Operational Procedures Staffing change</b> This proposal removes 1 x WMA post within Research and Development. This saving is dependent upon what Research and Development functions are included in the draft vehicle and equipment contract.	-1 x WMA	(49,592)	0	Efficiency
SAV12	<b>Operations Prevention and Response staffing change</b> This saving reflects the remodelling of Mobilising and Resource Management to utilise FRS or Brigade Control staff. It also proposes revised start and finish times and to realign the current disparity between contracts of employment for FRS C grades within the Resource Management Centre.	- 4 x WMB - 16 x WMA -7 x AOM + 4 x CO	(1,172,231)	0	Efficiency
SAV13	<b>Reduce Trainee intake (max)</b> This proposal is to defer the recruitment of any new firefighters to 2015/16, so extending the current recruitment freeze.	NA	(2,607,000)	2,607,000	Efficiency
SAV14	<b>High Potential Scheme Budget (HPS)</b> This is a proposal to reduce the High Potential Scheme Budget to reflect actual use. This proposal assumes no new staff on HPS in 2014/15 and 2015/16 (the existing staff would remain on the scheme).	NA	(120,000)	(130,000)	Efficiency
<b>Total Operational Staff Savings</b>			<b>(3,948,823)</b>	<b>2,425,000</b>	

Savings Ref	Description	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/ Efficiency
SAV15	<b>MoBIS Support</b> This is a proposal to withdraw support for MoBIS. This is achievable as the MoBis support service is no longer required once CAMS is implemented.	(86,000)	0	Efficiency
SAV16	<b>Minor Budgets</b> This is a manageable reduction on various minor budgets within the Information and Communication Technology department.	(9,000)	0	Efficiency
SAV17	<b>Reduction in Budgets for Station Connectivity Equipment</b> This proposal is manageable but may need to be reviewed during future server replacement.	(16,830)	0	Savings
SAV18	<b>Integration Support and Development</b> This proposal is to remove Biztalk as an integration method from a number of our systems and the implementation of different technologies to ensure connectivity and data transfer. It is achievable but will result in less fault tolerant solutions and will require some development time to achieve this objective.	(100,000)	(100,000)	Efficiency
SAV19	<b>Reduced Hydrant Budget</b> This proposal reduces the money available for repairs undertaken by the water companies. This has the potential to impact on the availability of water supplies (from hydrants) for operational purposes.	(170,000)	0	Efficiency
SAV20	<b>Life Capacity Building Budgets</b> This is a proposal to reduce the LIFE capacity building budget and is considered manageable.	(125,000)	0	Efficiency
SAV21	<b>Professional Development</b> This is a manageable budget reduction in the professional development budget in Community Safety Development.	(15,000)	0	Efficiency
SAV22	<b>Sundry Non-Staff Savings</b> This is a manageable budget reduction. This proposal reduces the potential to finance unforeseen expenditure.	(63,000)	0	Efficiency

Savings Ref	Description	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/ Efficiency
SAV23	<b>Sundry Non-Staff savings</b> This proposal is a manageable reduction in a range of non staff budgets in Central Operations, and the Training, Release and Establishment and Performance teams.	(10,800)	0	Efficiency
SAV24	<b>Clothing</b> This is a proposal removes the provision personal issue jogging bottoms and trainers to operational staff for fitness training (based on an average issue over a 3 year period). This will be discussed with the representative bodies.	(50,000)	0	Savings
SAV25	<b>Clothing</b> This is a proposal to remove individual undress uniform for Firefighter and Crew Managers and replacing this with a hire scheme when there is a requirement for an individual to wear undress uniform.	(35,000)	0	Savings
SAV26	<b>Vehicle and Equipment Contract</b> Savings of £700k from a range of Vehicle and Equipment budgets. This is subject to the outcome of the current re-tendering process and will need to be considered in the context of wider future affordability concerns about this contract.	(700,000)	(100,000)	Savings
SAV27	<b>Carbon Reduction</b> Changes to the Carbon Reduction Commitment scheme have recently been published which will result in the LFB falling outside the criteria of the scheme from 2014/15. The need for funds to purchase credits will therefore cease.	(183,000)	0	Efficiency
SAV28	<b>Building Maintenance</b> Funding to maintain the Firehouse facility no longer required as the training contractor does not require access to this facility.	(198,000)	0	Efficiency
SAV29	<b>Income</b> This proposal reflects the increased income generated from the hire of the sports pitch to the public as required under licence with LB Southwark.	(26,000)	0	Efficiency
SAV30	<b>Security</b> This proposal reflects current costs incurred for security and includes continuing to maintain security at the former HQ site.	(70,000)	0	Efficiency

Savings Ref	Description	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/ Efficiency
SAV31	<b>Reduction in Energy</b> This is a proposal for 2015/16 to withdraw the facilities (hot cupboards) that keep meals warm at fire stations. The plan is to permanently disconnect them from the power supply. This will be discussed with the representative bodies.	0	(29,000)	Savings
SAV32	<b>Office Equipment</b> This is a proposal for 2015/16 to reduce the office equipment budget at Union Street. This primarily funds the provision of photocopiers located in hubs. Amendments to service requirements in the new contract for photocopiers has reduced the number of machines that the department has to fund and will reduce the annual budget requirement. This is therefore a manageable reduction.	0	(15,000)	Savings
SAV33	<b>Ground Maintenance</b> This is a proposal for 2015/16 to stop the service contract for ground maintenance at all sites. Station personnel would then be required to maintain these areas. This will be discussed with the representative bodies.	0	(69,000)	Savings
SAV34	<b>Cleaning</b> This is a proposal to stop appliance bay cleaning with the intention that this is carried out by station personnel. This will be discussed with the representative bodies.	0	(100,000)	Savings
SAV35	<b>Cleaning</b> This is a proposal to reduce station deep cleaning from 4 to 2 times per year. This could have a negative impact on the appearance of stations for staff and visitors.	0	(120,000)	Savings
SAV36	<b>GLA Shared Services</b> This proposal reflects the reduction in the costs of the current shared services arrangements with the GLA for the provision of Democratic and Member Services would need to be negotiated with the GLA. Any potential saving is not yet known.	TBC	TBC	Savings
SAV37	<b>Professional Services</b> This is a manageable reduction in the Professional Services Budget in the Health and Safety Team.	(9,900)	0	Efficiency

Savings Ref	Description	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/ Efficiency
SAV38	<b>Training and Conferences</b> This is a manageable reduction in the Training and Conferences budget in the Health and Safety Team.	(8,192)	0	Efficiency
SAV39	<b>Training</b> This is a proposal to reduce the cost of the training contract to the minimum level currently allowed with that contract. The intention is to achieve this over a two year period. The extent to which this will impact on the Authority's training capacity will be reviewed prior to its implementation.	(300,000)	(300,000)	Savings
SAV40	<b>Severance Budget</b> This is a saving proposal to reduce the severance budget by £200k in 2014/15 and by £200k in 2015/16 by transferring funds into an earmarked reserve for this purpose.	(200,000)	(200,000)	Efficiency
SAV41	<b>Reduce Outreach budget</b> This proposal is to reduce the outreach budget held by the HR Policy and Transformation Team. This is likely to limit work on positive action initiatives.	(10,000)	0	Savings
SAV42	<b>Sundry Non-Staff Savings</b> This is a manageable reduction in non-staff budgets in the HR and Development Department.	(5,000)	0	Efficiency
SAV43	<b>Printing</b> This is a manageable reduction in the external print budget held by Communications. It will result in departments having to fund external printing costs from their own budgets if there are significant increases in, or unplanned, print work.	(35,000)	0	Savings
SAV44	<b>Marketing</b> The marketing budget has been reduced as a result of the savings round over the last two years and is now at a level where the amount left is not sufficient to run any meaningful campaign. The budget can therefore be removed completely. Planned marketing will in future have to be funded from the appropriate department.	(8,000)	0	Savings

Savings Ref	Description	Annual Savings in 2014/15	Annual Savings in 2015/16	Savings/ Efficiency
SAV45	<p><b>Media and Internal Communications</b></p> <p>This budget can be reduced to a minimum requirement to pay for the most basic press office needs e.g. newspaper subscriptions and essential media monitoring. By reducing this budget the flexibility to provide ad hoc media training e.g. press liaison refresher training, or procure online services to support any unplanned work would be removed.</p>	(10,000)	0	Savings
SAV46	<p><b>Audit fees</b></p> <p>This is a proposal to reduce the budget for external audit fees for 2013/14 by £30k. This is a manageable budget reduction which reflects the actual expected fee.</p>	(30,000)	0	Efficiency
<b>Total Non-Staff Savings</b>		<b>(2,473,722)</b>	<b>(1,033,000)</b>	

- a. The potential impact of DCLG proposals on the retained firefighters' pension scheme.
- b. The potential impact on employers pensions contribution that may increase depending on the outcome pensions valuation for the firefighters' pension schemes.
- c. The recommendations arising from the Hazardous Materials Protection Project.
- d. 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.
- e. A review of space utilisation at Union Street has been carried out with a saving proposed of £780k in 2014/15. It is now confirmed that this will not materialise as the three prospective GLA tenants for the space identified in the review have indicated that their occupation would commence from September 2014. If terms can be agreed the estimated income based on this timing and allowing for a rent free period is £270k for 2014/15, £1.06m in 2015/16 and with a full rental of £1.2m in 2016/17 onwards. If these are not agreed, officers will be making a recommendation to seek a tenant externally to the GLA. The position will be updated in future financial position and budget reports.
- f. 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 £827k in 2013/14. DCLG may be unwilling to continue to subsidise any future system. In addition a project team may be required to deliver any new system into the Authority.
- g. The re-procurement of the vehicle contract and the ability to achieve the proposed saving of £700k from a range of Vehicle and Equipment budgets. This is subject to the outcome of the current re-tendering process and will need to be considered in the context of wider future affordability concerns about the contract.
- h. As a result of the implementation of LSP5, staff numbers are forecast to be above establishment in the 2014/15 financial year. The estimated financial impact of this is £6.1m and is being met by additional funding from the GLA. However if leaver rates are higher or lower than forecast over the next 12 months this could cause an underspend or overspend, which will be reported in the quarterly financial position reports to Resources Committee.
- i. The Property PFI project – Financial Close and Contract Award Report (FEP 2042) noted that the Authority retains the risk of unforeseen ground conditions, contamination or archaeological finds beneath the existing buildings. This risk of expenditure will apply throughout the construction phase.
- j. The training contractor has notified LFEPA that they may vacate the premises they are renting from the authority (primarily Southwark Training Centre) earlier than originally forecast. The potential impact of this is being reviewed. Currently the Authority receives income of £1.2m a year from the rental of these sites, and an element of this could be at risk for the 2014/15 financial year.
- k. The Authority's Emergency Fire Crew Capability contract will be retendered in the 2014/15 financial year and may result in an increase to the cost of this contract.



- I. The FBU has been taking industrial action during the 2013/14 financial year following a disagreement with Central Government over pensions. If this continues for the 2014/15 financial year the cost to LFEPA in maintaining preparedness would be £1.6m. This would exclude any additional costs that would be incurred if strike action is called by the FBU. There is no budget for this expenditure (noting that it has been met from within existing budgets to date in the current year).

	Approved 2013/14 Budget with slippage	Forecast Outturn Qtr3 2013	Variance		2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
<b>ICT PROJECTS</b>							
<b>ICT Projects</b>							
Upgrade Operating System	160	124	(36)		36	0	0
Firelink project	152	174	22		0	0	0
Telephone System (2+8) replacement at Fire Stations	0	22	22		0	0	0
Changes to Authority's Core Computer Network	23	82	59		0	0	0
ICTS – Station Diary Upgrade	200	200	0		0	0	0
ICTS – Data Warehouse	400	0	(400)		600	0	0
Redevelopment of the Intranet	250	100	(150)		150	0	0
Control & Mobilisation System Replacement (CAMS)	3,017	3,030	13		6,120	0	0
Command Support Unit IT (FEP1997)	0	390	390		0	0	0
Personal Radio Replacement	0	0	0		200	1,100	0
Mobile Data Terminals Replacement	0	0	0		250	2,000	0
ICT – Building Control	80	30	(50)		50	0	0
<b>ICT PROJECTS</b>	<b>4,282</b>	<b>4,152</b>	<b>(130)</b>		<b>7,406</b>	<b>3,100</b>	<b>0</b>
<b>ESTATE PROJECTS</b>							
Rebuild or Refurbishment at West Norwood Fire Station	4,001	3,786	(215)		1,732	84	0
Business Continuity for PFI Projects (Phase 1)	0	81	81		0	0	0
Business Continuity for PFI Projects (Phase 2)	31	35	4		30	0	0
Heating at various stations	756	228	(528)		900	500	500
Windows replacement at various stations	200	(29)	(229)		200	200	200
Extension & Alterations at Holloway Fire Station	0	27	27		0	0	0
London Resilience Yards and Forecourts Project	505	505	0		0	0	0
<b>London Safety Plan 2</b>							
Walthamstow Fire Station	99	99	0		0	0	0

Capital Programme

Appendix 5

	Approved 2013/14 Budget with slippage	Forecast Outturn Qtr3 2013	Variance		2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
<b>Sustainability Projects</b>							
Energy Conservation/ Invest to Save Projects	1,312	1,122	(190)		0	0	0
Building Energy Efficiency Programme 2 (BEEP2)	564	564	0		1,125	800	800
Minor Improvement Programme	985	835	(150)		600	1,000	1,000
Corporate Property Project	50	13	(37)		50	50	50
Appliance Bay Floors Resurfacing Programme Phase3	200	25	(175)		200	200	200
Appliance Bay Doors (Phase 3)	200	207	7		200	200	200
Brigade wide Survey for Asbestos & Removal	175	58	(117)		50	50	50
Business Continuity for PFI Projects Purchase of Mobilising Equipment	66	48	(18)		40	50	0
Business Continuity for PFI Projects – Installation of ICT hardware at Orpington temporary station and new stations	64	41	(23)		188	235	0
Fire Safety Works at Fire Stations	1,032	719	(313)		932	250	250
Electrical works/rewiring at Fire Stations	294	210	(84)		0	200	200
Refurbishment of Rear yards & Forecourts at Fire Stations	238	238	0		0	300	300
<b>ESTATE PROJECTS</b>	<b>10,772</b>	<b>8,812</b>	<b>(1,960)</b>		<b>6,247</b>	<b>4,119</b>	<b>3,750</b>
<b>TOTAL BUDGETS AGREED SUBJECT TO INDIVIDUAL PROJECT APPROVAL</b>							
Development Costs	250	167	(83)		250	250	250
East Ham FS Refurbishment	0	0	0		400	2,000	0
Refurbishment of Plumstead FS	239	185	(54)		1,289	1,673	0
Feltham FS – Internal alterations	70	0	(70)		0	0	0
Acton FS - Refurbishment	0	0	0		150	900	850
Replacement of Fleet (FEP1997)	0	862	862		21,642	4,555	13,384
Contingency	1,335	0	(1,335)		1,360	877	1,000
<b>PROJECTS TO BE APPROVED</b>	<b>1,894</b>	<b>1,214</b>	<b>(680)</b>		<b>25,091</b>	<b>10,255</b>	<b>15,484</b>
<b>LFB CAPITAL PROGRAMME</b>	<b>16,948</b>	<b>14,178</b>	<b>(2,770)</b>		<b>38,744</b>	<b>17,474</b>	<b>19,234</b>
OTHER LONG TERM LIABILITIES	10,604	0	(10,604)		24,542	28,187	0
<b>TOTAL CAPITAL BUDGET</b>	<b>27,552</b>	<b>14,178</b>	<b>(13,374)</b>		<b>63,286</b>	<b>45,661</b>	<b>19,234</b>

	Approved 2013/14 Budget with slippage	Forecast Outturn Qtr3 2013	Variance		2014/15 Budget	2015/16 Budget	2016/17 Budget
	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s
<b>FUNDING</b>							
Borrowings	8,627	6,057			21,065	17,474	19,234
Capital Grant	6,921	6,921			17,679	0	0
Finance Lease/Long term Liabilities	10,604	0			24,542	28,187	0
Capital Receipts	1,400	1,200			0	0	0
<b>TOTAL FUNDING</b>	<b>27,552</b>	<b>14,178</b>			<b>63,286</b>	<b>45,661</b>	<b>19,234</b>

OPERATIONAL LIMITS	Current 2013/14	Current 2013/14			2014/15 Budget	2015/16 Budget	2016/17 Budget
Borrowings	139,000	139,000			140,000	146,000	157,000
Other Long-term Liabilities	93,000	93,000			50,000	75,000	75,000
<b>TOTAL OPERATIONAL LIMIT</b>	<b>232,000</b>	<b>232,000</b>			<b>190,000</b>	<b>221,000</b>	<b>232,000</b>

AUTHORISED LIMITS	Current 2013/14	Current 2013/14			2014/15 Budget	2015/16 Budget	2016/17 Budget
Borrowings	139,000	139,000			145,000	151,000	162,000
Other Long-term Liabilities	93,000	93,000			50,000	75,000	75,000
<b>TOTAL AUTHORISED LIMIT</b>	<b>232,000</b>	<b>232,000</b>			<b>195,000</b>	<b>226,000</b>	<b>237,000</b>

# **Budget Savings 2014/15 Equality Analysis**

Prepared by the Corporate Management Team

February 2014

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1. Name of Report and Reference Number (if available)
Budget Savings 2014/15

2. Purpose of Report
<p>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.</p> <p>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.</p> <p>This analysis considers the savings proposals put forward to the Corporate Management Board on 17<sup>th</sup> October 2013 before consideration by the Authority. Proposed savings will be implemented from April 2014 in order to meet the spending target for 2014/15 financial year.</p> <p>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.</p>

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

**Staff Savings**

The Authority has thus far avoided compulsory redundancy of FRS staff. Wherever possible staff in posts at risk who wish to remain in employment have been found alternative posts within the Authority.

FRS posts include a wide variety of functions and are not confined to support roles. For example there are Fire Safety Inspecting Officers, Petroleum Inspectors, and Emergency Planning Officers. These specific functions have not been affected by this savings review.

The proposals reduce operational posts by 22 (21 in 14/15 and a further 1 in 15/16); the staff in these posts are in office or project based roles and will move to other operational duties.

FRS posts are reduced by 23 over two years; 21 in the 14/15 year and a further 2 in the 15/16 year, and are off-set by an increase in 4 FRS posts and 4 Control Officer posts. 6 of the posts identified for deletion are vacant. 2 Control posts are also identified for deletion.

Overall, 19 FRS staff are in individual or generic posts identified as potential savings targets; 13 of these staff have previously volunteered for voluntary redundancy.

The table below gives an overview of the grades affected:

Grade	Staff in post*	Staff in posts proposed for deletion	% posts affected by grade	As a proportion of total posts affected
Apprentice	6	0	-	-
A/B	3	0	-	-
B	183	3	1.6	15.8
B/C	24	0	-	-
C	129	7	5.4	36.9
C/D	121	1	0.8	5.2
C/D/E	2	0	-	-
D	83	0	-	-
D/E/F	9	0	-	-
E	111	4	3.6	21.2
F	74	2	2.7	10.5
G	30	1	3.3	5.2
TMG 4	11	1	9.1	5.2
TMG 3	3	0	-	-
TMG 2	5	0	-	-
TMG 1	1	0	-	-
Director	1	0	-	-
Deputy Commissioner	1	0	-	-
<b>Total</b>	<b>792</b>	<b>19</b>		<b>100%</b>

\*Staff in post includes job shares and supernumerary staff

The Authority has considered the data it holds on staff in assessing the potential impact on them of

the proposed budget. Data is collected with regard to sex, race, disability, age, sexual orientation and religion. Specific data is not collected on the remaining protected characteristics of gender reassignment, marital/civil partnership status and maternity, it is therefore difficult to say whether the budget proposals will have any disproportionate impact on these staff, although it is felt that this is unlikely to be the outcome. Individuals known to hold these protected characteristics who may be at risk will be considered on an individual basis; staff who are pregnant have been excluded from the process and are guaranteed a remaining post.

Data held on staff show that women, BME staff and disabled people are more likely to be employed in FRS A to C grades, and are therefore disproportionately more at risk of redundancy as these grades are over represented in the proposed savings.

As at 31<sup>st</sup> January 2014 there were 792 FRS staff employed by the Authority. The data provided by these staff shows that:

- 44.4% of staff are women
- 26.2% of staff are BME
- 7.4% of staff are disabled
- 4.6% of staff are LGB
- 3.3% are under 25 years of age
- 25.6% are over 55 years of age
- 47.9% are Christian
- 2.5% are Muslim
- 3% are Hindu
- 1% are Sikh
- 0.2% are Jewish
- 0.5% are Buddhist
- 17.1% state they have no religion

(It should be noted that about 25% of staff have declined to provide information regarding their religious beliefs or sexual orientation.)

The data for the staff at risk of redundancy shows that, in comparison to the general FRS population:

- 47.4% of affected staff are women
- 42.1% of staff are BME
- 10.5% of staff are disabled
- 10.5% of staff are LGB
- 36.8% are over 55 years of age
- 68.4% are Christian
- 5.3% are Hindu
- 15.8% state they have no religion

It should be noted that the numbers of staff affected are very small ; one member of staff equates to 5.2%, and will therefore have a large effect on the above data.

The greatest disproportionality is in BME staff. This is likely to be a consequence of approximately 50% of the staff affected being FRS B and Cs.

### **Individual savings**

There are also a number of 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.

**LIFE Capacity Building budget reduction.** This budget was originally provided to support the search for further funds for the LIFE project. The budget has been used to finance a range of initiatives that produced a menu of possible options for future funding and these options are currently being explored.

**Marketing Campaign budget reduction.** This may reduce the ability to market innovative campaigns to reach target audiences or influence legislation.

**High Potential Scheme budget reduction.** One of the objectives of this programme was to increase diversity at senior management levels ; however this was not entirely successful and high potential programmes are currently being evaluated and revised.

**Firefighter Trainee Recruitment and Outreach budget reduction.** The reduction in recruitment could reduce the organisations ability to change the diversity profile of the operational workforce. Progress in increasing the proportion of BME and women in operational roles is predominantly made through targeted recruitment exercises. Good retention of these staff and age retirement of White men has helped to maintain progress, however retirement of BME and women staff is now becoming another factor to consider. Without new staff from diverse backgrounds it will become increasing difficult to maintain momentum.

#### 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 religion. 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.

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

The majority of staff affected were part of the 2012 redundancy trawl and extensive consultation on the trawl and those posts affected took place with the Trade Unions. Consultation has been undertaken with the Trades Unions on the proposed additional staff reductions and further consultation on staff and services affected will be undertaken as part of the decision making process .

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

The proposal of a voluntary redundancy package on enhanced terms was made to FRS staff in October 2012. The purpose of the trawl was: to achieve the required establishment reductions on a voluntary basis as far as possible; to identify additional savings that might be achievable; and to identify savings proposals for the next financial year in view of likely budget savings required. It was considered that the flat-rate enhancement would disproportionately benefit lower graded staff and those who have shorter service. Some staff who could not be released in the last financial year were reconsidered as part the 2014/15 budget savings proposals, and other staff made redundant as part of this exercise will be offered the same package.

As per last year, Those staff who accept the severance terms will be offered workshops to help them secure other employment. These workshops will be run by the National Careers Service and include sessions on CV Writing, Interview Skills, Self-Employment, Pre-Retirement and Job Searching.

Line managers have been instructed to have individual meetings with staff who are accepting redundancy or redeployment to encourage them to discuss whether there are any specific impacts on them, including as a result of a protected characteristic. The 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. This will also enable the Authority to take a view on whether there are any further collective impacts that could be dealt with strategically.

Additionally, places on existing internally provided training courses will be prioritised for staff taking redundancy to help them enhance their skills for future employment. These courses will include IT Skills, Writing Skills, Interviewing Skills, and Speaking with Impact, and staff may nominate themselves for any of those courses that may be useful to them, within the timeframe available.

### Individual savings comments

**LIFE Capacity Building budget reduction.** There is no negative impact in this reduction on the delivery of LIFE courses, and the current programme will continue.

**Marketing Campaign budget reduction.** More use will be made of non or low cost marketing techniques.

**High Potential Scheme budget reduction.** The High Potential Schemes, are currently under review. Any new schemes will be self funding.

**Firefighter Trainee Recruitment and Outreach budget reduction.** The reduction in the budget is proportionate to the number of staff More use will be made of social media as a means of providing information and maintaining contact with potential applicants from under-represented groups.