



Report title

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## Budget Update

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Meeting

Resources Committee  
Authority

Date

12 November 2015  
2 December 2015

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Report by

Commissioner and the Director of Finance and  
Contractual Services

Document Number

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### Summary

The Mayor has written to the Chairman to consult the Authority before preparing his draft component budget for LFEPA for 2016/17. The Mayor is proposing to provide funding of £382.4m for LFEPA in 2016/17. This report provides a proposed budget submission to the Mayor that will meet that financial requirement. The report also meets the requirements of the Mayor's direction of 15 June 2015. That direction required the Authority to commission a full paper on budget options for 2016/17 from the London Fire Commissioner including consideration of the future of the 13 appliances currently held back from day to day deployment as a contingency in the event of strike action arising from the FBU's national dispute on fire service pensions. This report is therefore presented jointly by the Commissioner and the Director of Finance and Contractual Services.

The report is presented to the Resources Committee for consideration and to the Authority for final decision.

### Recommendations

1. That the Resources Committee recommends that the Authority approves the budget submission to the Mayor that includes:
  - a. savings proposals of £5.1m in 2016/17 as set out in Appendix 3;
  - b. operational change proposals totalling £8.1m as set out in Officer Option 2 from paragraph 31; and
  - c. a draft 2 year capital plan, prudential indicators and borrowing limits for 2016/17 to 2017/18, with a draft capital budget in 2016/17 of £58.8m as set out in table 13.

2. As proposed in paragraphs 49-51, that the Resources Committee recommends that the Authority agrees an extension to the Fifth London Safety Plan until such time as the Sixth London Safety Plan is approved by the Authority, noting that revisions to commitments and agreement of targets for 2016/2017 will be dealt with as set out in paragraph 51.
3. That the Resources Committee recommends that the Authority agrees to start public consultation on all alternative savings proposals set out in Table 5 at paragraph 33 on Monday 7 December 2015.

## **Background**

1. The Mayor's budget guidance for 2016/17 for the Greater London Authority (GLA) and the functional bodies was issued on 28 July 2015, and was reported to the Resources Committee on 17 September and to the Authority on 1 October (FEP2337). As in previous years, the guidance sets out the Mayor's key policy priorities to be reflected in future years' budgets, the proposed funding levels he intends to provide for each functional body, the financial context and the planned timetable for budget preparation for the GLA group.
2. Under the GLA Act 1999, the Mayor must consult the functional bodies before proposing a component budget for consultation and the Mayor has now written to the Chairman to confirm his budget envelope for LFEPA for 2016/17 and indicative allocations for 2017/18 and 2018/19. The letter is attached at Appendix 1. The Mayor is proposing no change from his July budget guidance which set out proposed funding for LFEPA of £382.4m in 2016/17, 2017/18 and 2018/19.
3. This budget envelope of £382.4m for LFEPA in 2016/17 remains the same as set out in the Mayor's final budget for 2015/16. The Mayor has used indicative funding levels from Government grants, retained business rates and council tax precepts for the GLA group to determine the total funding the Mayor plans to provide LFEPA from the resources under his control.
4. The Mayor's budget guidance also noted that there is uncertainty about the level of funding the GLA will receive in future years, with detailed figures across the GLA group not expected until late in the year. There is supplementary budget guidance attached to the letter at Appendix 1 which sets out how the Mayor wishes to deal with this uncertainty. This is explained further below.
5. The target savings required for the Authority to balance its budget within the currently proposed funding envelope are considered in more detail below. The medium term forecast in Appendix 2 sets out how the savings target is arrived at. The proposals to meet that savings target are set out from paragraphs 27 and supported by Appendix 3, Appendix 4 and Appendix 9.
6. As in previous years, development of LFEPA's revenue budget and capital programme will continue during the Mayor's budget cycle, which concludes in February 2016, with this Authority agreeing a final revenue budget and capital programme for 2016/17 in March 2016. This report forms the proposed full budget submission to the Mayor, including the additional tables attached at Appendix 10.
7. The Mayor has also issued a direction to LFEPA regarding the 13 appliances held back from day-to-day deployment as a contingency to attend emergency calls in the event of strike action by the Fire Brigades Union (considered in FEP2445). That direction is included as an Annex to Appendix 9. The Mayor initially required that LFEPA bring budget options back to him by the

end of November, but subsequently agreed to amend the deadline to 2 December. This report discharges that requirement.

8. On collaborative procurement, the budget guidance sets initial forecasts for cashable savings in 2015/16 and 2016/17. An update on this is set out at paragraph 52.
9. The Mayor has requested that LFEPA integrates its Capital Spending Plan and Revenue Budget into one overall budget submission. In order to meet this requirement the Authority's capital expenditure is discussed from paragraph 73 and the 2016/17 capital programme is included in Appendix 5.
10. Table 1 below sets out a provisional timetable for the remainder of the budget process. This includes the additional dates set out in the supplementary budget guidance.

Table 1: Budget Process Timetable

27 November 2015	Functional bodies to provide full and final budget submissions to the Mayor
Week commencing 21 December 2015	The Mayor will issue his draft consolidated budget, with impact of CSR / Funding Settlements on funding levels for LFEPA.
12 January 2016	Deadline for responses to Mayor's Budget Consultation Document, including deadline for LFEPA to give an initial view on managing the impact of the CSR / Funding Settlements
27 January 2016	London Assembly considers the draft consolidated budget.
14 and 28 January 2016	Report to Resources Committee and Authority on the latest budget position 2016
8 February 2016	Deadline for LFEPA to give a final view on managing the impact of the CSR / Funding Settlements.
22 February 2016	London Assembly consideration of the final draft consolidated budget.
28 February 2016	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan published.
10 and 17 March 2016	Report to Resources Committee and Authority to agree the final LFEPA Budget 2016/17, within the overall funding limit set by the Mayor

### Supplementary Budget Guidance

11. The letter from the Mayor of 20 October, at Appendix 1, included supplementary budget guidance for 2016/17 for the functional bodies. This supplementary guidance sets out advice on three issues.
12. The first issue relates to the management of the impact of the Government's Comprehensive Spending Review (CSR) announcement by the Chancellor of the Exchequer, which is due on 25 November 2015. If the impact of the CSR and the individual settlements for the functional bodies are lower than expected, then the Mayor anticipates that the funding available to each functional body will be adjusted to reflect the actual funding received from Central Government. These

figures will be included in the Mayor's Budget Consultation Document to be published in the week commencing 21 December 2015.

13. The Mayor then requires that the functional bodies provide an initial view on managing the impact of those changes by 12 January 2016 and a final view by 8 February 2016, which will include sufficient detail for the Assembly to scrutinise any additional savings required to deliver a balanced budget, from the position as included in this report. These requirements will be discharged in the January Budget Update report to Resources on 14 January and, if required, an additional report to Authority on 28 January.
14. The second issue in the Mayor's Supplementary Guidance explains that there is a deficit on the GLA's business rates retention scheme of £116m, of which £98m would relate to TfL who will see a reduction in their funding next year. Part of the remaining deficit would then be applicable to LFEPA, however the Guidance states that the Mayor is not proposing to reduce LFEPA's funding as a result of the deficit.
15. Finally the guidance also requests that information is provided by the functional bodies in order to better understand Group cash balances. For LFEPA this is a representation of information that is already available to GLA officers as members of the Group Investment Syndicate. Further information is to be provided by the GLA on the format for this. This information will then be provided later in the budget process.

#### **Mayor's Direction / Operational Appliances Withdrawn for Business Continuity**

16. On 14 August 2013, 27 appliances were temporarily removed from service to be kept available as part of the Emergency Fire Crew Capability (EFCC) to attend emergency calls in the event of strike action by the Fire Brigades Union. As a result of the implementation of the Fifth London Safety Plan (LSP5) on 9 January 2014, 14 appliances were permanently removed from service, leaving 13 temporarily removed from their stations. Those 13 second appliances (all from two appliance stations) have therefore not been available to attend calls for over two years.
17. On the 15 June the Mayor issued a direction to LFEPA requiring it to commission a paper on its budget options for 2016/17, that includes a review of those 13 appliances. This report meets the requirement of that direction. Appendix 9 presents the analysis that has been undertaken to properly assess the options available.
18. Appendix 9 describes in more detail current performance without the 13 appliances and the modelled performance of first and second appliances without the 13 appliances from both their current stations and also the optimal stations. In both cases, it can be seen that attendance targets can continue to be comfortably met at the London level and that no borough where performance is currently within target would go out of target. This is borne out by the actual performance over the period during which the 13 appliances have been removed from service (as shown in the Statement of Assurance 2014/15 - FEP 2497).
19. The impact of permanent removal of the 13 appliances from their existing stations would be a London wide increase of 4 seconds to average first appliance attendance times (to 5mins 23secs) on the modelled performance post-LSP5 and 18 seconds to average second appliance attendance times (to 6mins 45 secs). In the supporting report to the direction (MD1516) the Authority is asked to demonstrate what gaps in performance would be addressed by retaining the 13 appliances should LFEPA wish to retain them. The Commissioner has stated that in his opinion the differential in performance is minimal.

20. In October 2014, LFEPA members asked for a report on the viability of returning the 13 appliances to stations in-between strike periods. This report went to the Appointments and Urgency Committee on 28 October. In the report, the Commissioner argued that the seven day notice period of strike action from the national FBU was not enough time to remove appliances from stations and get them ready again to use for the business continuity arrangements because there is a significant number of actions and activities required to ensure that all of the appliances are ready to be deployed during strike periods. This includes modifications to the appliances and equipment carried.
21. In order to return the 13 appliances in-between strike periods, the Commissioner requested an extension to the seven day notice period from both the national and London FBU. The London Region of the FBU requested a meeting with officers on 8 June to discuss the guarantees sought by the Commissioner which resulted in Heads of Terms being sent to the FBU on the morning of 15 June. However in the meantime the Mayor issued the direction to the Authority of 15 June instructing it not to redeploy the 13 appliances to their base stations until the Commissioner had written a report on the Authority's budget options for 2016/17. This report was to be considered by LFEPA members in accordance with the normal budget setting timetable.
22. On 1 July 2015, the Brigade and the FBU signed a 'Heads of Agreement' detailing how the 13 appliances would be returned. However, the Mayoral Direction means that the 13 appliances continue to be held out of service until the Authority has considered the report from the Commissioner on this issue.
23. Members will also be aware that officers are in discussion with the Fire Brigades Union about co-responding with the London Ambulance Service and, in particular, the possibility of piloting an approach to co-responding in London as part of the trials taking place in various parts of the country as agreed by the National Joint Secretaries. Officers are considering the potential attendance time impacts of co-responding, both in terms of the current number of pumping appliances and following any potential reductions. However, there are a number of ways in which co-responding could be introduced and any detailed modelling will need to be based on the specific delivery proposals and likely demand, both of which will of course be informed by the results of the pilot. Notwithstanding this, it is considered that the relatively low numbers of co-responding calls it is anticipated the Brigade would receive would have no material impact on attendance times even if the 13 appliances were to be removed from service permanently.

### **Medium Term Forecast**

24. The Authority's medium term forecast is set out at Appendix 2. The estimates have been kept under review in light of financial performance during 2015/16. A complete list of the changes proposed to the medium term forecast presented in October (FEP2501) is set out in Tables 2 and 3 below. Table 2 includes a total reduction of £281k and Table 3 sets out total additional costs of £283k in 2016/17. The impact of these adjustments is a net increase of £2k in LFEPA's saving requirement for 2016/17.

Table 2: Reductions to the Medium Term Forecast

	2016/17 £k	2017/18 £k	2018/19 £k
<b>MFB Act</b> This additional income is achievable based on current returns from Insurance Companies.	(200)	0	0
<b>Vehicle and Equipment Passthrough Costs</b> This reduction is achievable based on the current forecast underspend as set out in the report on the Financial Position as at the end of September (FEPXXXX).	(31)	0	0
<b>Travel</b> This is achievable based on current underspends.	(50)	0	0
<b>TOTAL Additional Savings</b>	<b>(281)</b>	<b>0</b>	<b>0</b>

Table 3: Increases to the Medium Term Forecast

	2016/17 £k	2017/18 £k	2018/19 £k
<b>London Fire Brigade Website</b> This expenditure will allow the development and delivery of a new external website. Additional information on this can be found at paragraph 25 to 26 below.	283	(250)	0
<b>Local Government Pension Scheme</b> The revaluation of the LGPS will be carried out as at 31 March 2016. This review is likely to materially increase the amount paid by LFEPA towards the past service deficit, the cost of which is £4.2m in 2015/16.	0	700	0
<b>Impact of Changes to Recruitment</b> This report presents options to close the budget gap in 2016/17, which would reduce the current operational staff establishment and have a knock on impact on recruitment, staff on development rates of pay and staff levels above establishment. The pressure included here for 2017/18 includes the impact of that if Officer Option 2 is selected.	0	975	(495)
<b>Fleet Capital Financing</b> These are the additional borrowing costs that will be incurred based on the latest forecast capital purchase requirements for the replacement of LFEPA's fleet.	0	313	1,578
<b>TOTAL</b>	<b>283</b>	<b>1,738</b>	<b>1,083</b>

25. Table 3 above includes a pressure of £283k in 2016/17 for the London Fire Brigade's website, which was last redesigned in 2007. As the official website for the London Fire Brigade it was built with the aim of sharing relevant public information about incidents and to promote fire safety messages. The website is therefore a key tool for communicating with the public and promoting public safety. However it is not performing to its full potential both for the Londoners who use it and for staff at London Fire Brigade. The site's content management system is very dated and the system prevents good digital working practices through lack of technical capability and workflow. A modern content management system would allow more efficient working and more effective digital communications which have become an essential requirement. The £283k pressure includes £250k for implementation costs and an ongoing requirement of £33k for running costs.
26. A new website for the London Fire Brigade would open up the possibilities of how we communicate with audiences in ways the current site simply does not allow. The new website will:
- Enable the Brigade to fulfil its commitments stated in LSP5 through digital communications;
  - Bring the Brigade's digital communications offering in line with modern public expectation. This will maintain public trust that the Brigade is a modern emergency service;
  - Improve accessibility to fire safety information for Londoners;
  - Integrate valid digital communications platforms with London Fire Brigade content to ease distribution;
  - Improve targeting of audiences to relevant fire safety information; and
  - Increase the Brigade's campaigning capability.

### **Budget Development and Savings Proposals**

27. The Mayor's Budget Guidance report (FEP 2501) set out savings targets of £13.2m for 2016/17, £8.2m for 2017/18 and £6.4m for 2017/18 on the basis of the funding proposed by the Mayor in his July budget guidance. The financial envelope that the Mayor is consulting on is unchanged since that report.
28. As discussed in the Mayor's Budget Guidance report, officers have been developing budget proposals against this saving requirement. This process has included an informal meeting with cross party Members where budget pressures and potential savings were discussed. The meeting also reviewed the potential savings that could be made through reductions to operational budgets.
29. Following the budget review process and this informal member meeting, savings of £5.1m have been proposed from departmental budgets that exclude the costs of fire stations and appliances. These are set out in Appendix 3. These savings include reductions of £0.5m (saving reference S46) that were achieved following a review of 2014/15 underspends and the 2015/16 forecast position, in addition to the reductions already proposed by departments. It should be noted that the savings set out in Appendix 3 include one off reductions of £1.3m that will be reversed in the following year.
30. This reduces the budget gap of £13.2m in 2016/17 to £8.1m. These figures are summarised in Table 4 below. Note the savings targets from 2017/18 assume that the saving target is fully achieved in each preceding year.

Table 4: Summary of changes to the Budget Gap

	2016/17 £m	2017/18 £m	2018/19 £m
<b>Budget Gap as set out in Mayors Budget Guidance Report (FEP2501)</b>	<b>13.2</b>	<b>8.2</b>	<b>6.4</b>
Reductions to Medium Term Forecasts set out in this report	(0.3)	0.0	0.0
Increases to Medium Term Forecasts set out in this report	0.3	1.7	1.1
<b>Revised Budget Gap</b>	<b>13.2</b>	<b>9.9</b>	<b>7.5</b>
Departmental Savings Proposals	(5.1)	1.3	0.0
<b>Gap after Departmental Saving Proposals</b>	<b>8.1</b>	<b>11.2</b>	<b>7.5</b>

31. This report presents three alternatives to close the £8.1m budget gap in 2016/17, which are summarised in table 5 below. The first alternative has been proposed by the Chair of the Resources Committee. This suggests that the budget gap is met by the implementation of £6.1m (net) of alternate crewing proposals and £2.0m of further reductions as set out in Appendix 4. This proposal would require a one off draw on the general reserve of £2.2m in 2016/17. The impact of this on the overall reserves position alongside the need to ensure that this meets the criteria on the use of reserves as set out in the Mayor's budget guidance is discussed further at paragraph 62 to 63 below.
32. Two options to close the remaining budget gap have been prepared by officers. These do not require any use of reserves. Option 1 is for the removal of 10 of the 13 appliances that have been removed from stations for business continuity purposes, as discussed in paragraphs 16 to 23 above. This would result in a budget surplus of £0.4m in 2016/17. Option 2 would remove all 13 of these appliances, but offset that saving by implementing changes to the Fire Rescue Unit (FRU) establishment, resulting in a balanced budget in 2016/17. Officers recommend that Officer Option 2 is included in the budget submission to the Mayor.
33. Additional information on these alternatives is set out after table 5 below.

Table 5: Options to Address the Budget Gap for 2016/17

	<b>Chair of Resources Committee Proposal 2016/17 £m</b>	<b>Officer Option 1 2016/17 £m</b>	<b>Officer Option 2 2016/17 £m</b>
<b>Gap after Departmental Saving Proposals</b>	<b>8.1</b>	<b>8.1</b>	<b>8.1</b>
Reduction of 10 Appliances		(9.1)	
Reduction of 13 Appliances			(11.8)
FRU Establishment Changes (56 WMA and 16 FF)			3.5
Alternate crewing of 3 FRUs, 2 Operational Support Units and 5 Aerial Appliances	(6.4)		
Net impact of staff numbers above establishment, trainee firefighter recruitment and estimates for staff receiving a development rate of pay	0.4	0.7	0.3
Reduction in Pay Inflation Required	(0.1)	(0.1)	(0.1)
Additional Proposals set out at Appendix 4	(2.0)		
<b>Total Proposals</b>	<b>(8.1)</b>	<b>(8.5)</b>	<b>(8.1)</b>
<b>Budget Gap / (Surplus)</b>	<b>0.0</b>	<b>(0.4)</b>	<b>0.0</b>

Comments by the Commissioner on the Chair of Resources Committee Proposals including Alternate Crewing

34. The proposal by the Chair of the Resources Committee includes the alternate crewing of a number of special appliances (three FRUs, five Aerial appliances and two Operational Support Units). Whilst this may be technically deliverable, it is not a proposal that I would recommend.
35. Members will be aware that a summary of what might be possible as a result of alternate crewing has been discussed as part of the budget development process in previous years. This has been provided to illustrate how it might assist with any budget gap and there has not been a requirement to produce detailed proposals for implementation. The more specific proposal put forward by the Chair of the Resources Committee and set out in this report has therefore been developed over a very short period of time. It seeks to merely produce the greatest volume of alternate crewing possible in the shortest period of time and does not seek to identify optimal alternate crewing proposals because they would take longer to implement, thus reducing the saving delivered. I am awaiting the results of the modelling in order to understand the impacts of

these proposals. The intention is that this will be available in time to be considered by the Authority at its meeting on 2 December. In the meantime members will be aware that ideas such as these would usually undergo careful investigation, developing over several iterations.

36. Introducing this volume of alternate crewing without optimising the location of both appliances and special vehicles would affect the Brigade's ability to respond to incidents quickly and with the right resources. Without identifying the optimal disposition and modelling the results, I can not be certain of the impact on operational effectiveness or response times.
37. In addition to my uncertainty about the impact on response times, there are other obvious impacts which cause me concern. For example, whenever an aerial appliance that is alternate crewed is needed at the same time as the other appliance from the station with which it is alternate crewed, it would no longer be possible to mobilise them both together. Once the appliance from the aerial station is mobilised, the aerial itself is no longer available and if one is required, it would have to come from a different station, further away. Ways of minimising this occurrence would usually be explored in subsequent iterations while proposals are in development and would inevitably lead to a solution that would take longer to implement.
38. Also, officers have not yet been able to consider how to manage the impact on strategic resource, which is the managed and structured capacity of personnel, appliances and other resources that can be used for activities other than emergency calls. The introduction of further alternate crewing would require significant change to the underlying rules which determine the strategic resource schedules. These underlying principles maintain the availability of alternate crewed specialist appliances across London, while allowing other resources to be released for other duties. Once reviewed, the new rules would need to be modelled and introduced into systems with sufficient notice of the changes for them to be applied. The lead in time for this means that it would not be possible for the new schedule to go live at the same time as the alternate crewing and there would be an impact on availability for community safety activities and training. It is also possible that cover and response times would be affected.
39. Implementation within the time period set out in Appendix 4 would also be extremely challenging. Additional resources would be needed to implement all of these initiatives concurrently and there are risks which could impact on the timescale. For example, compulsory staff transfers would be required and the associated work for staff transfers as part of the implementation of LSP5 took over four months to achieve.
40. I consider alternate crewing to be an option with merit which is worth exploring further, but I consider the proposal set out in Appendix 4 to be operationally unacceptable at this time. My advice would be to only introduce change on this scale and of this complexity as part of a longer term, sustainable model for service delivery, which would:
  - Optimise performance;
  - Manage and balance skills and training commitments across stations;
  - Align with longer term planning/thinking and open opportunities for collaborative working;
  - Improve the current delivery model of specialist functions such as technical rescue and command support;
  - Complement and inform the asset management plan and investment in stations;
  - Provide opportunities for staff to diversify within the firefighter role and undertake development and skills acquisition;
  - Ensure a strategic approach to implementation, avoiding unnecessary costs and disruption to business occasioned by short term decisions which then need to be reversed; and

- Allow for appropriate engagement and involvement of staff and the Representative Bodies in the direction.

41. Officer commentary on the additional savings totalling £2.0m that have been proposed by the Chair of the Resources Committee is set out in Appendix 4.

#### Officer Options 1 and 2

42. In the light of the modelling carried out and the evidence of past performance the Commissioner's conclusion is that LFEPA does not need the 13 pumps currently removed from service to meet its attendance standards. It is therefore proposed that 13 pumps be removed permanently from service in order to help address the budget gap. This is presented as Officer Option 2 in this report.
43. Significant changes to the numbers of stations and the deployment of appliances to stations is clearly a matter that the Authority would normally consider as part of a London Safety Plan. Given their absence from stations for more than two years, the Commissioner does not consider the permanent removal of the 13 appliances to represent a significant change to operational capacity. However, he would recommend that the optimisation of the distribution of the remaining 142 appliances is considered as part of a set of wider proposals within the next London Safety Plan.
44. Appendix 9 demonstrates the impact of removal from the stations from which they have been temporarily removed and also the impact of their removal from the optimal two pump stations, although it should be noted that neither of these options necessarily results in the optimal redistribution of the remaining 142 appliances across London. The Commissioner's recommendation would be to permanently remove the 13 appliances currently removed as set out in option two of Appendix 9, rather than seek to make any isolated decisions about optimisation.
45. Regarding the proposal to increase the establishment for Fire Rescue Units (FRUs), Members will know that officers have undertaken a large staff engagement exercise over the last few months. Most of the feedback from staff following the sessions has been very positive although accompanied by some level of scepticism about whether anything will actually change as a result of discussions. This engagement would not have taken place if the Authority was not committed to taking staff views seriously.
46. Officers are giving careful consideration to what staff have said and plan to explore solutions to some of the issues raised as part of the second phase of the programme. However, there are a number of issues that have been raised by staff particularly at technical rescue centres that could be addressed relatively easily during this budget preparation. Whilst the Authority is not able to address all the issues that staff have raised, the Commissioner is keen to take some clear action sooner rather than later to demonstrate his commitment to this new approach.
47. Staff at these stations have asked that the action taken as part of the Fifth London Safety Plan to reduce the minimum ridership on FRUs from five to four is reconsidered. Whilst the Commissioner remains confident that the reduction did not require any change to operational procedures and that safe systems of work have been sustained, he accepts that there are benefits to having an additional member of staff at FRU stations to allow the ridership of FRUs to return to five and to provide for better rotation of staff between the FRU and the pumping appliances to maintain both sets of skills. However, rather than reintroduce a firefighter role, the

preference is to create a Watch Manager A role at those stations. This would both improve crew rotation and also introduce a continuous development path for crews at FRU stations. It would increase not only the capacity of the FRU crews at complex incidents, but would also improve the management of those incidents. At four of the FRU stations, due to the combination of appliances, it would also be necessary to add an additional firefighter post to maintain equivalent crew sizes across all FRUs.

### Programme of Consultation

48. It is considered that a programme of public consultation will be required on all the alternatives for meeting the budget gap set out in this report. Consultees will be asked to comment on all of the alternatives set out in this paper. Sufficient information must be provided for the consultation and sufficient time made available to those consulted to enable them to make meaningful responses. Officers recommend an eight week consultation process, running from Monday 7 December 2015 to Monday 1 February 2016. A formal public consultation document will set out the mandate of the consultation – what exactly is being consulted on and how and when the information gathered will be used. The document will include questions for consultees and invite comment on the alternatives. Officers are estimating a cost of £30k to carry out an appropriate level of consultation on this.

### **Fifth London Safety Plan**

49. The Fifth London Safety Plan (LSP5) was approved in September 2013 for the period April 2013 to March 2016 (three years). The London Safety Plan is the Authority's Integrated Risk Management Plan (IRMP) as required by the government's national framework for the fire and rescue service and the commitments within it form an action plan which is updated annually.
50. As has been set out Appendix 9, work to develop the Sixth London Safety Plan (LSP6) is underway, but officers view is that the detailed consideration of LSP6 would be better after a new Mayor is in place (May 2016). This would also allow the opportunity for a new Commissioner (to be appointed during 2016) to have an input. This position has been supported by members during informal discussions as part of this budget round.
51. The commitments which support LSP5 are subject to an annual refresh process as reported to Strategy Committee in July 2015 (FEP2482) and would be updated in July 2016 to reflect the extension of LSP5. Targets are also subject to annual review by the relevant Committee and officers would recommend that this process be used to agree targets for the 2016/17 year. LSP6 will also include a considerable programme of consultation and engagement activity based on experience in developing LSP5. This report therefore proposes an extension to LSP5 until such time as LSP6 is agreed by the Authority, with a target that it is in place for April 2017.

### **Collaborative Procurement**

52. The Mayor's Budget Guidance set out initial forecasts for cashable savings for LFEP of £220k on collaborative procurement in 2015/16 and 2016/17. The Guidance noted that if it is considered that a functional body is not making sufficient progress to realise anticipated savings, then the Mayor may reduce his proposed funding levels. A saving of £220k to meet this target has been included in the saving proposals as ref S16 at Appendix 3.

### **The Financial Position as at the end of September 2015**

53. The Financial Position as at the end of September report (FEP XXXX), which is also on today's agenda, reports that the Authority is forecasting to underspend by £6.2m for the 2015/16 financial year. It should be noted that this forecast includes significant one off underspends,

including £3.5m on operational pensions as a result of the implementation of the 2015 Firefighters Pension Scheme and £1.2m on unitary charges for the new PFI fire stations. A review of the Authority's current forecast outturn and the final financial position in previous years is a usual part of the budget setting process. This has been repeated this year with adjustments made to the medium term forecast and savings proposed in light of this. The process of refining the estimates to take into account changes in the financial position in the current year will continue through to the presentation of the final proposed budget in March next year.

## Reserves

54. To meet the requirement of the Local Government Act 2003 in respect of adequacy of reserves and to demonstrate compliance with the guidance on local authority reserves and balances issued by CIPFA in June 2003, the GLA and the functional bodies must provide:
- a statement of reserve policy;
  - details of all reserves and general balances;
  - an analysis and explanation of the expected movements between the start and end of each year from 1 April 2015 to 31 March 2018;
  - in the case of earmarked reserves held for purposes beyond 31 March 2018, an indication should be given as to when they are likely to be applied;
  - proposed allowances for contingencies separately identified and justified.
55. A detailed statement on the adequacy of reserves is set out in Appendix 6. The corporate and departmental financial risk assessment has been refreshed in support of this. That assessment sets out the potential unbudgeted payments LFEPA may be required to make if its risks are realised, which is used to inform the minimum general reserve requirement.
56. As set out in the report on the Financial Position at the end of June 2015 (FEP2502), a preliminary review of these corporate and departmental risks resulted in an increase in the minimum general reserve requirement from 2.5% to 3.5%. This reflected the increase in the excess on insurance liability claims and an increase in business continuity costs in light of actual experience. Appendix 6 contains additional detail on the basis for this calculation.
57. In his budget guidance the Mayor stated that the functional bodies should assume no new use of reserves in meeting his financial guidelines, except where such reserves are required to be applied to meet any redundancy costs or upfront investment in 'invest to save' projects etc.
58. The latest position on reserves is set out in Table 7 below. This shows the forecast position as at the end of September 2015. Based on the forecast underspend of £6.2m the balance of the general reserve will be £15.1m at the end of 2015/16. This is £1.3m above the minimum general reserve position of £13.8m which is 3.5% of the 2015/16 annual budget of £398.1m.

Table 7: LFEPA Reserves for the 2015/16 Financial Year

£000s	Opening Balance at 01/04/15	Previously Agreed Movements	Underspend/ (Overspend) in 2015/16	Use of Reserves in 2015/16	Transfer between Reserves	Anticipated Balance at 31/03/16
Compensation	1,000					1,000
Firefighters' Pension	652					652
Hazardous Material Protection	428			(428)		0
Hydrants	263			(37)		226
LSP6 Implementation Costs	0				5,000	5,000
London Resilience	1,496					1,496
National Operational Guidance Programme	1,045	(1,045)				0
Pension Early Release Costs	400					400
Property PFI	219	500			1,193	1,912
Review of Property Services	221			(109)		112
Review of Workwear	128	(128)				0
Sustainability	235					235
Vehicle & Equipment	461			(344)		117
General	12,652	2,411	6,199		(6,193)	15,070
<b>Total</b>	<b>19,200</b>	<b>1,738</b>	<b>6,199</b>	<b>(918)</b>	<b>0</b>	<b>26,220</b>

59. The underspend and resulting payment into the general reserve of £6.2m in 2015/16 is largely as a result of one off underspends. In particular there is a forecast underspend of £3.5m on operational pensions as a result of the implementation of the 2015 Firefighters Pension Scheme, and an underspend on unitary payments to the PFI contractor of £1.2m as a result of the delay in completing the phase 1 PFI fire stations.
60. The forecast reserve position for 2016/17 and 2017/18 is set out in Table 8 below. This position will be reviewed in light of the commentary in Appendix 6, the forecast outturn for this year and as the budget process develops. Updates will be included in the Budget Update report to the Resources Committee and Authority in January and the final budget report in March 2016.

Table 8: Proposed Reserves Position for the 2016/17 and 2017/18 Financial Years

£000s	Anticipated Balance at 31/03/16	Use of Reserves in 2016/17	Anticipated Balance at 31/03/17	Use of Reserves in 2017/18	Anticipated Balance at 31/03/18
Compensation	1,000		1,000		1,000
Firefighters' Pension	652		652		652
Hydrants	226		226		226
LSP6 Implementation Costs	5,000		5,000		5,000
London Resilience	1,496		1,496		1,496
Pension Early Release Costs	400		400		400
Property PFI	1,912		1,912		1,912
Review of Property Services	112	(100)	12	(12)	0
Sustainability	235		235		235
Vehicle & Equipment	117		117	(117)	0
General	15,070		15,070	129	15,199
<b>Total</b>	<b>26,220</b>	<b>(100)</b>	<b>26,120</b>	<b>0</b>	<b>26,120</b>

61. Table 8 above does not include a proposed draw on the general reserve in 2016/17. This is in line with the recommendation that Officer Option 2 is included in the budget submission to the Mayor, which is not proposing to use reserves to achieve savings of £8.1m. Officer Option 1 would also not require a draw on reserves in 2016/17.
62. This report also presents an alternative to close the budget gap which has been proposed by the Chair of the Resources Committee. If this proposal was agreed it would require a draw on the general reserve of £2.2m to ensure a balanced budget in 2016/17. This would reduce the general reserve to £12.9m by the end of the 2016/17 financial year. This is £0.9m below the minimum general reserve position of £13.8m, which is 3.5% of the 2015/16 annual budget of £398.1m. This may therefore require that additional savings are identified during 2016/17, or that a drawing is made from another earmarked reserve, to ensure that reserve levels are maintained at an adequate level to meet assessed levels of risk.
63. As discussed above the Mayor has required that LFEPAs should assume no new use of reserves in meeting its budget gap, except where such reserves are required to be applied to meet any redundancy costs or upfront investment in 'invest to save' projects. The proposed use of reserves to implement the proposals by the Chair of the Resources Committee will need to be assessed against this guideline, and consultation carried out with the GLA to ensure that the proposed use of reserves complies with this criteria.

### Financial Risks and Opportunities

64. 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 outlined in Appendix 7. There are a

number of changes to the risks as included in report on the Mayor's Budget Guidance for 2016/17 (FEP 2501). These additions or material changes have been set out below.

#### Property Services Review

65. This report includes a part year saving of £472k in 2016/17 for the implementation of a Property Services Integrator, which includes an estimate of savings that can be achieved on LFEPA's supply chain. The Chair of the Resources Committee is proposing that this is presented as a full year saving through the use of reserves. The actual savings that will be delivered by this contract will not be known until the supply chain review has been completed as part of the contract mobilisation process during 2016/17.

#### Shut in Lift and Automatic Fire Alarm Charging

66. LFEPA currently budgets for total income from Automatic Fire Alarm and Shut in Lift charging of £1.1m. As organisations improve their processes to avoid incurring this charge, this income may decrease in future years. The AFA position is considered further at paragraph 72. The Chair of the Resources Committee is proposing a target saving of £400k for 2016/17 as a result of a review of all the Authority's fees and charges and the arrangements it makes for cost recovery.

#### Hazardous Materials Project Reserve

67. Short term funding for new equipment falls within the funds available in the Hazardous Material Protection reserve. Further work is ongoing to investigate a further re-engineering option for the Brigade's Gas Tight Suits. Failure to agree a solution with representative bodies has increased the risk of expenditure above that available from the reserve.

#### Personal Protective Equipment (PPE)

68. The current contract for the managed service provision of PPE with Bristol Uniforms Ltd has been extended until 15 October 2018 (FEP2381). The Authority is currently participating in a collaborative procurement with Kent Fire and Rescue Service in order to deliver a new PPE contract once the existing contract expires. The current planning assumption is that the new contract will be within the existing budget but there is a risk that costs may be higher, particularly if the arrangement is with a new supplier and London is an early adopter. In the meantime officers are recommending that the one off saving realised as result of extending the existing contract is held to manage the cost of the re-procurement process and the implementation of the new contract. The Chair of the Resources Committee is proposing that this saving is released in part to support next years budget.

#### Risks Removed

69. In addition two risks have been removed. The first relates to the potential financial pressure that is likely to materialise following the revaluation of the Local Government Pension Scheme. An estimate of £0.7m has been calculated and has been added to the medium term forecast.

70. The second relates to the impact the proposals for the use of capital receipts may have on the revenue position. This has now been assessed and is discussed further from paragraphs 79 below.

#### **Fees Charges, Cost Recovery and Sponsorship**

71. LFEPA receives income from a range of charges which are calculated on a cost recovery basis. The major impact on these is normally due to increases in staff pay and the charges will be reviewed before the start of the 2015/16 financial year. However it should also be noted that the

Chair of the Resources Committee is proposing a target saving of £400k in 2016/17 as a result of a review of fees and charges and the arrangements the Authority makes for cost recovery.

### Automatic Fire Alarm (AFA) Charging Update

72. AFAs continue to reduce notably, although are not yet within the stretch target. Recent challenges from public sector establishments regarding the premise for AFA charging has instigated an internal review of the AFA charging policy. As part of this piece of work, a hold has been put on raising invoices for Break Glass Call Points AFAs, as these have been the subject of most of the challenges. Early discussions have been held between fire safety and finance to ensure appropriate adjustments to account for this liability should this be necessary.

### Capital Plan 2015/16 Onwards

73. The capital programme sets out the Authority's plan to invest resources to maintain an effective, efficient and economic asset base, by updating and replacing the vehicle fleet and operational equipment, and delivering an environmentally energy efficient property portfolio, as set out in the Authority's Asset Management Plan, all linked to an Information Communication Technology strategy development plan.

74. The capital programme includes three key elements, the existing capital plan, the step change impact on this of the vehicle replacement programme with the Authority now owning its own fleet under the Babcock contract, and the further investment in the asset base proposed to make use of the capital receipts from the disposal of the LSP5 sites.

### Capital Requirements

75. The existing capital programme is set out in Appendix 5. This shows the projected outturn for 2015/16 and the proposed capital budget for 2016/17 and 2017/18. The capital programme is developed to prioritise addressing a combination of statutory requirements, operational needs and spend to save initiatives.

76. The programme also reflects the step change in spend with the Authority now having taken on responsibility for ownership of its fleet. The planned expenditure of £17.2m in 2016/17 and £16.1m in 2017/18 supports the commencement of the vehicle replacement programme. The costs and phasing of the replacement programme reflects detailed discussions with the contractor Babcock. The medium term financial plan also now includes the capital financing costs necessary to supports this detailed programme.

77. The existing capital requirements for the forthcoming years are summarised in Table 9 below.

Table 9: Summary Capital budget position

Area	2014/15 Actual	July 2015 2015/16 Budget	Forecast Qtr2 2015/16	Variance	Capital Budget 2016/17	Capital Budget 2017/18
Property PFI	10,635	42,094	18,689	(23,405)	23,405	0
Property Non-PFI	7,602	8,679	8,541	(138)	10,531	4,047
ICT Projects	3,650	8,653	8,462	(191)	2,207	200
Fleet Replacement	17,426	8,317	2,863	(5,454)	17,266	16,060
Contingency	0	500	0	(500)	1,000	1,000
<b>TOTAL</b>	<b>39,313</b>	<b>68,243</b>	<b>38,555</b>	<b>(29,688)</b>	<b>54,409</b>	<b>21,277</b>

78. The capital financing requirements of the capital programme are set out in Table 10 below. This includes the use of capital receipts to fund this programme, to avoid additional capital financing costs in 2015/16 and 2016/17, as approved as part of the budget process for 2015/16. It is also planned to use capital receipts to avoid additional borrowing costs in 2017/18 resulting from the existing capital programme, excluding the step change for the vehicle replacement programme.

Table 10: Capital Financing

Area	2014/15 Outturn	July 2015 2015/16 Budget	Forecast Qtr2 2015/16	Variance	Capital Budget 2016/17	Capital Budget 2017/18
Capital Grants	18,771	0	647	647	0	0
Other Contributions	188	0	0	0	0	0
Capital Receipts	9,719	26,149	19,219	(6,930)	31,004	21,277
Finance Lease	10,635	42,094	18,689	(23,405)	23,405	0
<b>TOTAL</b>	<b>39,313</b>	<b>68,243</b>	<b>38,555</b>	<b>(29,688 )</b>	<b>54,409</b>	<b>21,277</b>

### Capital proposals to supplement the existing capital programme

79. A number of capital proposals have been identified to supplement the existing capital programme, to allow further service improvements to be delivered from the surplus capital receipts generated through the sale of former fire stations.

80. It is first necessary to consider what capital receipts may be available to support these additional proposals. The current forecast for capital receipts from the disposal of stations closed following the implementation of LSP5 is shown in Table 11 below.

Table 11: Estimated Capital Receipts by Year

	2014/15 Actual £k	2015/16 F/cast £k	2016/17 F/cast £k	2017/18 F/cast £k	2018/19 F/cast £k
Belsize ( contracts exchanged)	0	7,800	0	0	0
Bow – (sale completed)	6,910	0	0	0	0
Clerkenwell (*reduced proceeds)	0	0	10,000	0	0
Downham – (sale completed)	0	1,228	0	0	0
Kingsland (contracts exchanged)	0	16,000	0	0	0
Knightsbridge – (sale completed)	0	5,750	0	0	0
Silvertown – (sale completed)	6,570	0	0	0	0
Southwark	0	0	0	26,677	26,677
Westminster (contracts exchanged)	0	9,400	0	0	0
Woolwich – (sale completed)	760	0	0	0	0
<b>LSP 5 Disposals Capital Receipts</b>	<b>14,240</b>	<b>40,178</b>	<b>10,000</b>	<b>26,677</b>	<b>26,677</b>

Note: The capital receipt from the sale of Clerkenwell has been previously reported at £25m. The table shows the revised estimate as a result of the withdrawal of a number of bidders following

discussions with the planning authority. The actual receipt and its timing is subject to a remarketing process.

81. The potential capital receipt from the sale of 8 Albert Embankment (8AE) has not been included in the above table as the site has just been re-marketed. The future development of the site is to include a fire station and museum facility. The sale receipt will fund the fit out of the museum, as well as providing a resource for other capital purposes.
82. Some of the capital receipts have been applied to fund the existing capital programme, to avoid capital financing costs in 2015/16 and 2016/17, as agreed as part of the 2015/16 budget process. It is also planned that capital receipts will be further used to avoid additional capital financing costs in 2017/18 and 2018/19, excluding the step change due to the vehicle replacement programme. The capital receipts available in each year to fund additional capital proposals is set out in Table 12 below.

Table 12: Available capital receipts

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Capital receipts brought forward	4,921	25,880	4,876	10,276
Capital receipts in year	40,178	10,000	26,677	26,677
Use to fund capital programme	(19,219)	(31,004)	(21,277)	(16,633)
<b>Balance carried forward</b>	<b>25,880</b>	<b>4,876</b>	<b>10,276</b>	<b>20,320</b>
<b>In year Available Surplus Receipts/ (Deficit)</b>	<b>20,959</b>	<b>(21,004)</b>	<b>5,400</b>	<b>10,044</b>

83. It is then against these available capital receipts that the additional capital proposals have been considered. Brief details on each of the capital proposals, including the profiling of the capital funding required, is provided in Appendix 5. A list of the proposals is provided below

- Early replacement of aerial appliances
- CCTV on pumping appliances
- Early replacement of fireboat
- Additional investment in the asset management plan
- Farynor replacement
- Improvements to security at fire stations
- Overarching management information solution
- Business management system
- Additional (3<sup>rd</sup>) training centre
- Protective Equipment Group and Brigade Distribution Centre development
- New 22mm water hose on pumping appliances
- Fire appliance security enhancements

84. The proposals have been initially reviewed by officers through the Commissioner's Group and the Capital Planning and Strategy Group, and as part of this review each proposal has been scored on the basis of financial return, and how it supports the corporate aims.

85. The financial return is based on a net present value (NPV) calculation that takes all relevant cash flows over the life of the asset, and then adjusts these to reflect the time value of money. The NPV is then divided by the initial capital investment to provide the score for the financial return. Members agreed in January 2014 (FEP2195) that the borrowing costs avoided by the use of capital receipts should be used as a benchmark for the consideration of proposals – this has a score of 1.07.
86. The aims assessment was undertaken by reviewing the business case for each proposal and how this addressed the corporate aims – on prevention, protection, response, resources, people and principles. A score was attached to elements addressing these aims, to provide a total score.
87. The scores for both for each capital proposals is also included in Appendix 5.
88. It is recommended that all proposals included above should be supported in principle, with further reports provided presenting the business case and seeking approval for the specific capital budget allocation for each project. These are all affordable from the capital receipts over the period to 2018/19. It may be necessary to incur borrowing costs to manage the differences in the profile of the spend and capital receipts, but it is expected that this would be offset by revenue savings from the proposals, identified in Appendix 5, over the period. The exact phasing of the costs of each proposal and timing of the available capital receipts will be kept under review as the proposals are developed. The reports seeking the capital budget allocation for each of the proposals will include updated financial projections, as well as the updated capital funding position.
89. Tables 13 and 14 below incorporate the capital proposals and provide the planned capital programme and the capital financing to support this.

Table 13: Revised Summary Capital budget position including capital proposals

Area	2014/15 Actual	July 2015 2015/16 Budget	Forecast Qtr2 2015/16	Variance	Capital Budget 2016/17	Capital Budget 2017/18
Current Capital Programme	39,313	68,243	38,555	(29,688)	54,409	21,277
Capital Proposals	0	0	35	35	9,297	32,065
<b>TOTAL</b>	<b>39,313</b>	<b>68,243</b>	<b>38,590</b>	<b>(29,653)</b>	<b>63,706</b>	<b>53,342</b>
Less Contingency	0	0	0	0	(1,000)	(1,000)
Less over-programming	0	0	(4)	(4)	(3,882)	(2,580)
<b>Final Capital Programme</b>	<b>39,313</b>	<b>68,243</b>	<b>38,586</b>	<b>(29,657)</b>	<b>58,824</b>	<b>49,792</b>

Table 14: Revised Capital Financing

Area	2014/15 Outturn	July 2015 2015/16 Budget	Forecast Qtr2 2015/16	Variance	Capital Budget 2016/17	Capital Budget 2017/18
Capital Grants	18,771	0	672	672	300	305
Other Contributions	188	0	0	0	0	0
Capital Receipts	9,719	26,149	19,225	(6,924)	35,119	49,487
Finance Lease	10,635	42,094	18,689	(23,405)	23,405	0
<b>TOTAL</b>	<b>39,313</b>	<b>68,243</b>	<b>38,586</b>	<b>(29,657)</b>	<b>58,824</b>	<b>49,792</b>

90. There was a further capital proposal that it is not planned to be pursued at this time. This is in relation to making an additional payment into the Local Government Pension Scheme (LGPS) Fund, managed by the London Pensions Fund Authority (LPFA). The purpose of this payment would be to reduce the past service deficit on the Fund and so reduce the annual deficit contributions payable by the Authority from its revenue budget. Initial proposals included paying £20m into the LGPS Fund in 2016/17, in order that this could be considered as part of the triennial LGPS fund valuation 2016, which determines contribution rates from 2017/18. With the changes in the forecast cashflow of the capital receipts as the process has developed, it is now recommended that the proposal is re-visited at the next valuation with consideration being given to making a payment into the LGPS Fund as part of the LGPS valuation 2019, when the receipt from 8AE should have been realised. It should be further noted that the use of capital receipts for this purpose requires Secretary of State approval, which it is considered would be provided.
91. Continuing investment in the additional capital proposals beyond the current planning period could lead to increases in capital financing costs, particularly in relation to the additional expenditure on the Asset Management Plan. The further future year investment would also be reviewed in light of additional capital receipts being available, particularly in relation to 8AE. This will be addressed as part of the budget process for future years.

### Risks to capital programme

92. The current forecast for capital receipts from the disposal of stations closed following the implementation of LSP5 is shown in Table 11 above. The disposal of the Clerkenwell site has not progressed as none of the interested bidders to date have been able to secure support for their plans from the local council. The estimated receipt has been reduced in light of this experience and is subject to the remarketing process. There is a further risk on the total to be realised from the sale of the sites until all the sales reach the completion stage.
93. The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However, even a well managed project can be subject to re-phasing or deferral due to a number of unforeseen issues, such as contractor capacity/failure or bad weather. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.
94. All capital projects will require third party collaboration to varying degrees over the project life. The programme depends heavily on external factors and can therefore be subject to variation

with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and is reported quarterly to officers' Capital, Approval, Planning and Strategy Group where all changes to the programme are reviewed and substitute projects or re-financing proposals are assessed and agreed.

95. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loan Board (PWLB) rates. No allowance has been made in the capital programme for potential future capital grants or contributions, and LFEPA will bid for any available capital resources as and when such opportunities arise. In the meantime the Mayor's supplementary budget guidance requests a range of information about functional bodies' cash balances to see if there are opportunities for intra group borrowing transactions that could offer savings and risk management opportunities.

### **Energy Efficiencies**

96. Ensuring that any capital investment improves the Authority's energy efficiency and its progress against its emissions targets has been a central part of the capital planning process, especially in light of the additional capital receipts.
97. Any capital receipts spent on building infrastructure projects will be subject to the Authority's SSDB (Standard Station Design Brief) which was recently revised to ensure all building elements for any new build or refurbishment scheme utilise the latest energy efficiency products on the market to produce a low carbon emitting fire station. All future schemes will be subject to approval by Officers to ensure they meet these requirements and achieve the lowest possible low carbon emissions. A prime example of this is the recent new build at West Norwood which has one of the lowest carbon footprints on the Authority's estate, which features a high thermal resistance through the structure; natural ventilation; a green roof with electric photovoltaics arrays to meet the stations energy needs; LED lighting throughout with solar illuminance tubes; and combined heating and power, supplying hot water and heating requirements whilst generating electricity to meet the stations energy needs.
98. The approval to replace the current car fleet in 2015/16 with hybrid technology/range extender electric vehicles (REEV), at an additional cost of £589k compared to a like for like replacement, will deliver improved fuel efficiency, environmental improvements, reductions in CO2 emissions and other pollutants and improved air quality. This utilises in a positive way the investment already made in installing an electric charging point infrastructure across 75% of the Authority's estate.
99. The proposal to consolidate Aerial capability in 2017/18, by the early replacement of Aerial Ladder Platforms (bringing forward an investment of over £5 million from 2022/23) allows a net reduction in the fleet of four Hydraulic Platforms, whilst still maintaining an operational capacity of 11 at fire stations, providing a range of sustainability benefits and overall a significant reduction in fuel requirements as these vehicles are eliminated.
100. The Fleet team are also continuing the work to introduce a comprehensive range of battery operated tools on operational vehicles, replacing less efficient liquid fuel operated tools, and so producing energy efficiencies, operational and environmental benefits
101. The vehicle replacement programme will ensure that the Authority meets its Ultra Low Emission Zone (ULEZ) targets, with the programme for a new generation of ULEZ compliant pumping appliances commencing in 2016.

102. Energy efficiency and broader sustainability issues are in the forefront of the "Business as Usual" process when developing either Fleet replacements or in the development of new solutions. Looking forward, the Fleet team will be monitoring continuing technological developments so that it is possible that the next generation of support vehicles could move towards REEV or electric vehicle solutions.

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

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

104. The savings options set out in Table 5 are designed to accommodate unavoidable resourcing changes and have been developed within the planning principles developed and approved in LSP5. They involve no change to attendance standards and the possible withdrawal of appliances has been extensively modelled and had the benefit of real time testing allowing the Authority to take an informed view. As stressed in the report, the impact of changes on the community will be the subject of consultation and a final decision will not be taken until the Authority has considered the outcome of this consultation. Any changes made will be reflected in any refresh of LSP5 commitments and, in due course, LSP6

### **Director of Finance and Contractual Services comments**

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

### **Sustainable development implications**

106. Energy savings identified are the result of the ongoing improvement to energy management at stations and the programme of works to improve energy efficiency and renewable energy provision at stations, which contributes to our continued good performance against carbon reduction targets.

107. Improvement of procurement processes and performance identified in the medium term forecast should also bring about improvements in the delivery of the GLA Group Responsible Procurement Policy across the Brigade.

108. Paragraph 97 notes any future use of capital receipts for property projects will be subject to the standard station design brief. This sets out the requirements for building elements to be as low carbon as possible, which will support the Authority target of 45 per cent CO2 reduction by 2020 from 1990 levels. Further projects funded through capital receipts that will contribute to the Brigades CO2 reduction target are the replacement of fleet cars with hybrid technology/range extender electric vehicles. Other projects that will contribute to carbon reduction are the introduction of battery operated tools, the frontline fleet replacements, which will introduce Euro 6 engines in compliance with the 2020 Ultra Low Emission Zone.

## Staff Side consultations undertaken

109. The savings proposals set out in this report include some reductions in posts. The unions were invited to discuss potential budget options on 2 October 2015. The first meeting took place on 30 October 2015 and consultation will continue during the budget process.

## Equalities implications

110. An equality analysis of the staffing impacts of the savings proposals presented in this report has been produced and is attached at Appendix 8.

111. The impact on the operational establishment of each of the proposals to close the budget gap set out in this report have been summarised in the below table. It is forecast that these reductions can be achieved through normal staff turnover.

Role	Chair of Resources Proposal	Option 1*	Option 2*		
	Alternate Crewing	10 appliance reduction	13 Appliance reductions	FRU Changes	Total Option Two
Watch Manager B	0	(40)	(52)	0	(52)
Watch Manager A	0	+40	+52	+56	+108
Crew Manager	(32)	(40)	(52)	0	(52)
Firefighter	(116)	(160)	(208)	+16	(192)
<b>Total</b>	<b>(148)</b>	<b>(200)</b>	<b>(260)</b>	<b>+72</b>	<b>(188)</b>

\*both option 1 and 2 include the impact of four WM(A) posts being converted to WM(B) per appliance removed

112. The table below sets out the impact on FRS and TMG staff groups arising from the departmental savings set out in Appendix 3. It should be noted that the additional £2.0m savings proposed by the Chair of the Resources Cttee and set out in Appendix 4 are also likely to have an impact of staffing budgets. This is particularly the case in respect of the savings proposed in ICT, PEG and the BDC and in Communications. There is also a proposal to reduce the funding available for high potential schemes. No further details of the impact of this are available at this time. This has been explained to the representative bodies at the meeting on 30<sup>th</sup> October.

Ref	Post Deletions	New posts	Impact
S01		4 x FRS E	
S09	1 x FRS B (vacancy)		
S11	1 x FRS F		Voluntary Severance
S19	4 x FRS G 1 x FRS E(vac)	2 x TMG 4 2.5 x FRS F	2 x Regrades 0.5 x Assimilation 2 x Voluntary Severance
S20	1 FRS F		Voluntary Severance
S23	1 x FRS E 1 x FRS D 1 x FRS C (vac)	2 x FRS F	2 x Regrades
S45	1 x FRS F		Voluntary Severance

113. The departmental savings identified also result in the reduction of four Station Manager posts and the subsequent creation of the four new FRS E posts listed in the table above. The existing Station Managers will be assimilated into other operational roles.

114. An equality analysis of the service delivery impact of the operational proposals is being developed by officers alongside the work on the Annual Assessment of Risk which will be presented to the Authority in December. The equality analysis will be presented in draft with the Budget report at that same meeting. Officers will then conclude the analysis in the light of Members' views on the methodology of the Annual Assessment of Risk. The analysis will consider the impact of the proposals across people who share protected characteristics and supporting actions to either promote positive outcomes or mitigating measures to counteract negative impacts. As Members are aware, the development of the analysis is an iterative process and during the consultation period, officers will seek the views of the public and also of groups representing the interests of those with protected characteristics. These equalities analyses will be revisited once consultation is complete to consider any matters raised, and to consider whether further action or mitigation may be necessary.

### **List of Appendices to this report:**

1. The Mayor's letter on draft budget proposals for LFEP A
2. Medium Term Forecast
3. Savings Proposals
4. Revenue Savings Proposed by the Chair of Resources
5. Capital Forward Programme and Prudential limits
6. Statement on the Adequacy of Reserves
7. Risks and Opportunities to the Financial Position
8. Equality Analysis
9. 13 Appliance Consideration
10. Budget Submission to the Mayor

<b>LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985</b>	
<b>List of background documents</b>	
1. The Mayor's Budget Guidance for 2016/17 – FEP2501 2. Budget Update – FEP2458	
Proper officer	<b>The Commissioner and the Director of Finance and Contractual Services</b>
Contact officer	<b>Adrian Bloomfield / 020 8555 1200 Ext. 31351 / adrian.bloomfield@london-fire.gov.uk</b>