



Report title

Budget Update

Meeting

Resources Committee
Authority

Date

15 September 2017

5 October 2017

Report by

Director of Finance and Contractual Services

Document Number

FEP 2773

Summary

This report presents the latest medium term forecast position and the resulting budget gap for LFEPA over the next four financial years. The budget gap is determined in the context of the planned funding levels for LFEPA as set out in the Mayor's Budget Guidance and includes the material increase to LFEPA's budget pressures as a result of the items included in the additional resilience budget report to Resources Committee on 21 July (FEP2733).

Recommendation

That the report be noted.

Background

1. The Mayor's budget guidance for 2018/19 for the Greater London Authority (GLA) and the functional bodies was issued on 13 June 2017, and was reported to the Resources Committee on 22 June (FEP2733). As in previous years, the guidance set 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. The Mayor's Budget Guidance set an indicative funding level of £382.4m for LFEPA for each of the four financial years from 2018/19 to 2021/22. This is the same cash level as the Mayoral funding agreed for LFEPA in 2017/18.
3. The funding level for LFEPA of £382.4m from 2018/19 to 2020/21 is unchanged from the position included in the 2017/18 Budget report (FEP2708). That report also set out that based on that level of funding there would be a budget surplus of £3.8m in 2018/19, then a budget gap of £7.2m in 2019/20 and £8.3m in 2020/21. This report includes an update to the Authority's medium term assumptions and the resulting impact on the budget gaps for those three years and also for 2021/22.

4. As in previous years, LFEPA is required to submit a final budget submission by the end of November (29 November 2017). This submission is required to cover the four year period 2018/19 to 2021/22 and set out what is planned to be achieved in high level terms over that period. A final report on the LFEPA budget for 2018/19 will be put to Authority for approval in March 2018.
5. Table 1 below sets out a timetable for the remainder of the budget process.

Table 1: Budget Process Timetable

July to November 2017	LFEPA officers develop budget proposals for 2018/19.
September/October 2017	Informal consideration of the LFEPA budget proposals takes place during September/October.
November 2017	Mayor issues preliminary draft budget proposals for consultation with the functional bodies and the Assembly.
3 and 23 November 2017	Resources Committee and Authority consider LFEPA's November budget submission to the Mayor.
29 November 2017	Functional bodies to provide full and final budget submissions to the Mayor.
Mid- December 2017	Following the publication of the provisional Local Government, Fire and Police Settlements, the Mayor will issue his draft consolidated budget, including Capital Spending Plans and borrowing limits.
12 and 24 January 2018	Resources Committee and Authority receive an update on the budget position.
25 January 2018	London Assembly considers draft consolidated budget.
22 February 2018	London Assembly to consider final draft consolidated budget.
28 February 2018	Statutory deadline by which the GLA precept must be approved and the Mayor's statutory Capital Spending Plan is published.
16 and 29 March 2018	Resources Committee and Authority to agree the final LFEPA Budget 2018/19, within the overall funding limit set by the Mayor.

Additional Resilience Requirements

6. The update to the medium term forecast in this report also includes the financial pressures set out in the July Budget Update report (FEP2763) on additional resourcing requirements. That report explained that on 12 July the Mayor of London wrote to the Home Secretary setting out his concerns about the resourcing of the fire service in London following the fire at Grenfell Tower and terrorism incidents this Spring. This was following an initial review, carried out by the Commissioner, of the specialist equipment and support LFEPA requires.
7. The additional resilience report then went on to provide additional detail on the financial pressures facing the Authority as summarised by the Mayor, with a resulting forecast budget gap for LFEPA of between £25m and £30m. This gap also included pressures on delivering a terrorist attack (MTFA) response and also pressures on pay. A summary of these items is set out in Table 2 below. Note the £13.3m starting budget gap was based on the £8.3m gap up to 2020/21 with an additional £5m initial estimate for the additional inflationary pressures of adding the further financial year 2021/22 to the target.

Table 2: July Budget Update Report pressures

Impact of four year saving target	2% Pay Award in both 2017/18 and 2018/19 £m	5% Pay Award in 2017/18 £m
Four Year Saving Target up to 2021/22	13.3	13.3
Additional Resilience Costs Ongoing	5.8	5.8
MTFA Allowance	0.7	0.7
Pay Pressures	4.9	9.7
Revised Four Year Gap	24.7	29.5
Borrowing Costs	0.8	0.8
Revised Four Year Gap	25.5	30.3

8. The Home Secretary responded to the letter from the Mayor with a letter dated 3 August, attached at Appendix 1. In her letter the Home Secretary stated that funding for the LFB is a matter for the Mayor of London, in conjunction with the London Fire Commissioner and LFEPA. The Home Secretary went on to say that "I trust that you will ensure LFB continue to have the resources they need for firefighters to carry out their vital work".
9. On the MTFA allowance the Home Secretary noted that the Lord Harris review concluded that London's levels of preparedness for tackling a Marauding Terrorist Firearms Attack are good, and that the Home Office is already seeing an increase in Home Office funding to double the current capability.
10. On firefighters' pay the Home Secretary stated that the Government has no role in the pay negotiation process and that it is the responsibility of the National Joint Council to consider what pay award is appropriate taking into account views of all 45 fire and rescue authorities in England.
11. Finally Members may also wish to note that LFEPA has received a number of donations following the Grenfell Tower fire. When managing these donations the Brigade will ensure it meets any requirements specified by the donor, and work with charities where possible.

Medium Term Forecast

12. The Authority's medium term forecast has been kept under review with a summary of the revised position attached as Appendix 2 and a detailed four year forecast attached as Appendix 3. This forecast reflects LFEPA's latest assumptions around inflationary pressures over the four year period 2018/19 to 2021/22. In addition, the forecast also includes other expected high level budget pressures or reductions.
13. The 2017/18 Budget Report (FEP2708) was approved by Authority in March 2017 and included a forecast budget surplus for LFEPA of £3.8m in 2018/19 then a balanced budget in 2019/20 after a draw of £7.2m on the budget flexibility reserve, and a budget gap of £5.6m in 2020/21 after a further draw of £2.7m on the budget flexibility reserve. Without that draw of £2.7m in

2020/21 there would have been a budget gap of £8.3m in that year. This report provides updated expenditure forecasts for those three financial years and also a forecast for 2021/22 based on the funding levels for LFEPA provided by the Mayor.

14. The pressures included in the medium term forecast have materially increased from the position last reported to Resources Committee and Authority in the March 2017/18 Budget Report (FEP2708). This increase is largely as a result of the pressures considered in the Additional Resilience report mentioned above and also the impact of adding a further year to LFEPA's planning assumptions.
15. Table 3 summarises how the four year budget gap has moved from the last reported position, showing the key changes. It shows how the underlying budget gap of £8.3m by 2020/21 as reported in the 2017/18 Budget Report has now increased to a budget gap of £23.4m by 2021/22. However as noted in the report on additional resilience requirements (FEP2763), the forecast additional resilience requirements at £5.8m are based on an initial estimate, and the final costs, and timing of these, are still being assessed.

Table 3: Summary of Four Year Revenue Forecast

Description	2018/19 to 2021/22 £m
Budget Gap from 2018/19 to 2020/21 included in March 2017/18 Budget Report (FEP2708)	8.3
Additional Budget Pressure for extending budget period to include 2021/22	5.1
Additional Resilience Costs Ongoing	5.8
MTFA Allowance	0.7
Pay Pressures	2.0
Removal of Command Unit Saving	1.0
Other Changes to Medium Term Pressures and Savings from 2018/19 to 2020/21	0.5
Revised Budget Gap	23.4

16. As part of the 2017/18 budget process the Authority agreed to transfer a £6.2m surplus into a new Budget Flexibility reserve in 2017/18, with a potential further payment in 2018/19 if sufficient savings could be identified. These amounts could then be withdrawn in later years to help avoid the need to make large savings in any one financial year. Subsequent to this an underspend of £5.0m has also been forecast for the 2017/18 financial year as included in the Financial Position as at the end of June 2017 report (FEPXXXX). That report proposes that this underspend is also transferred into the Budget Flexibility reserve to increase the total reserve amount to £11.1m in 2017/18.
17. Table 4 below provides a breakdown of the saving requirement over each of the next four financial years based on the movements explained above. It also shows the impact the Budget Flexibility reserve would have on each year. Table 4: Budget Gap in Each Year.

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Budget Gap before Budget Flexibility Reserve Use	2.3	15.4	0.5	5.1	23.4
Use of Budget Flexibility Reserve	(2.3)	(8.8)	0.0	0.0	(11.1)
Saving Target not Achieved in Previous Year	0.0	2.3	8.8	0.0	11.1
Budget Gap after Flexibility Reserve use	0.0	9.0	9.3	5.1	23.4

18. The table above demonstrates that based on current forecasts there is a balanced budget for 2018/19 and there will then be a budget gap of £9.0m in 2019/20, £9.3m in 2020/21 and £5.1m in 2021/22. These targets assume that £2.3m of the Budget Flexibility reserve is applied in 2018/19 in order to achieve a balanced budget in that year. However the use of one-off funding in this way effectively defers that saving requirement to the following year. This has contributed to the saving requirement in the 2019/20 financial year of £9.0m, after the application of the the remaining £8.8m from the budget flexibility reserve. Overall this results in a total saving requirement over the four years of £23.4m, but with much of the requirement in the second and third years.

19. The above Budget Gaps assume that the previous plans on payments into, and use of, the budget flexibility reserve should be updated. As noted above, the 2017/18 final Budget Report included a payment into the budget flexibility reserve in 2018/19 of £3.8m with use of the reserve made from 2019/20 and 2020/21. If the Authority maintained this plan for the budget flexibility reserve, the position on the budget gap would be as presented in Table 5 below.

Table 5: Budget Gap on Each Year – Maintaining Payment into Budget Flexibility Resrve in 2018/19

	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Budget Gap before Budget Flexibility Reserve Use	2.3	15.4	0.5	5.1	23.4
Payment into Budget Flexibility Reserve (FEP2707)	3.8	0.0	0.0	0.0	3.8
Use of Budget Flexibility Reserve	0.0	(11.7)	(3.2)	0.0	(14.9)
Reversal of previous years payment/ (draw) in Budget Flexibility Reserve	0.0	(3.8)	11.7	3.2	11.1
Budge Gap after Flexibility Reserve impact	6.1	0.0	9.1	8.3	23.4

20. This presentation more clearly identifies the immediate and sustained budget pressure felt by the Authority from the additional resilience requirements (FEP2733). This pressure is only offset in the medium term by the use of resources set aside in the budget flexibility reserve – and these resources will be fully consumed by 2020/21. It was these immediate and sustained pressures that led to the Mayor writing to the Home Secretary on 12 July (included in FEP 2733) on funding for the fire service in London.

21. LFEPA is currently carrying out its usual budget process to assess what savings could be generated through a review of departmental expenditure, and it is expected that this will identify

some savings to be included in the budget submission to the Mayor to offset the budget gap identified. However it is considered that delivering the level of savings required to meet the full budget gap cannot be achieved without significant reconfiguration of and reduction in the front line response. These savings are of a similar level to those that LFEPA was required to achieve in 2014 through its Fifth London Safety Plan. That plan closed ten fire stations, removed 14 fire appliances, removed two Fire Rescue Units and 552 firefighter posts, in order to deliver ongoing savings of £27.8m.

22. The 2019/20 financial year already included significant financial pressures as a result of the revaluation of the firefighter's pension scheme, as included in previous budget reports. The results of the valuation may impact on employer's pension contributions from that date. These pressures and pension specific risks are considered in Appendix 4 of this report.
23. The central contingency for inflation forecasts included in the medium term forecast include both pay and non pay inflation. The figures for pay inflation are based on 2% basic pay awards for operational and control staff in 2017/18 and 1% basic pay awards for all staff in future years.
24. The budget gaps before the use of the budget flexibility reserve of £2.3m in 2018/19, £15.4m in 2019/2020, £0.5m in 2020/21 and £5.1m in 2021/22 include additional pressures of £6.1m in 2018/19, £4.5m in 2019/20 and a reduction of £0.5m in 2020/21 respectively from the forecast saving requirement reported for these three years in the March 2017/18 Budget Report (FEP2708). As noted above the main reason for this increase is due the items included in the additional resilience report discussed above. A complete list of these movements can be found in Appendix 5.
25. As noted in the report on recruitment (FEPXXXX) also on today's agenda the current recruitment process is not attracting sufficient numbers to meet the forecast vacancy levels. The 2017/18 budget included a one off saving in 2017/18, through an increase in the vacancy margin, to reflect the forecast level of vacancies. Therefore, and based on the latest forecasts of the continuing level of vacancies, a further one off saving of £3.7m has been included in the budget for 2018/19. It is then assumed that staff levels will return to establishment in 2019/20. The forecast staff position will continue to be reviewed during the budget process.

Reserves

26. The forecast reserve position for 2018/19 to 2021/22 is set out in Table 6 below. The forecast balance on the general reserve is £14,817k at the end of 2017/18, which is £1,142k in excess of the stated minimum level of £13,675k. The position of reserves will be reviewed in light of changes to the forecast outturn for this financial year and as the budget process develops. A statement on the adequacy of reserves will be included as part of the budget submission to the Mayor to be considered by Resources Committee and Authority in November.

Table 6: Proposed Reserves Position for 2018/19 and Future Years

£000s	Anticipated Balance at 01/04/18	Use of Reserves in 2018/19	Use of Reserves in 2019/20	Use of Reserves in 2020/21	Use of Reserves in 2021/22	Anticipated Balance at 31/03/22
Additional Resilience Requirements	6,757					6,757
Compensation	1,000					1,000
Emergency Services Mobile Communication Programme	151	(57)	(95)			0

£000s	Anticipated Balance at 01/04/18	Use of Reserves in 2018/19	Use of Reserves in 2019/20	Use of Reserves in 2020/21	Use of Reserves in 2021/22	Anticipated Balance at 31/03/22
Firefighters' Pension	1,172					1,172
Fire Safety and Youth Engagement	338					338
Hazardous Material Protection	44					44
Hydrants	462					462
ICT Development Reserve	300	(100)	(100)	(100)		0
London Resilience	1,281					1,281
LSP2017 Implementation	4,559	(516)	(146)	(146)	(49)	3,702
New Governance Arrangements	100					100
Pension Early Release Costs	400					400
Property PFI	1,912					1,912
Recruitment/ Outreach	275	(275)				0
Sustainability	235					235
Vehicle & Equipment Reserve	1,163	(1,091)				72
Budget Flexibility	11,113	(2,327)	(8,786)			0
General	14,817					14,817
Total	46,080	(4,365)	(9,127)	(246)	(49)	32,293

27. The above reserves table includes a budget flexibility reserve of £11.1m as at the end of the 2017/18 financial year. This includes £6.2m that was paid into the reserve as part of the 2017/18 approved budget and a further £5.0m as the forecast underspend as at Quarter 1 for 2017/18. This reserve will then be used to support the budget position in 2018/19 and 2019/20.

Capital Programme

28. The budget process will include preparation of the Draft Capital Programme to be presented to Resources Committee and Authority as part of the November Budget Update report. The current forecast capital budget requirement in each of the next four financial years is set out in Table 7 below. This includes the impact of the report on a new training centre (FEP2759), that was presented to the Resources Committee in July 2017.

Table 7: Capital Budget Requirement

Capital Programme Quarter 1 2017/18	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k	Notes
July 2017 - Resources Committee	29,146	66,273	31,549	26,443	FEP 2750
New Training Centre	(176)	(2,134)	6,506	205	Increased budget requirement (FEP2759)
Revised budget Qtr1 2017	28,970	64,139	38,055	26,648	

	2017/18 £k	2018/19 £k	2019/20 £k	2020/21 £k
ICT	3,771	2,210	0	2,000
Property	9,440	12,557	4,347	5,700
Fleet	12,285	20,448	15,445	8,493
Projects Approved from LSP5 Receipts	10,160	28,924	18,263	10,455
Over programming	(6,686)	0	0	0
Revised budget	28,970	64,139	38,055	26,648

29. The main changes to the capital programme relate to the LFB Training Centre Croydon, the Integrated Equipment and Logistics Project and the Additional Resilience Requirements, and these are considered below.

- LFB Training Centre, Croydon – The additional budget requirement of £4.4m, which includes the revised estimate from the Real Fire Training Specialist for the provision of the fire house, was approved by Resources Committee in July (FEP2759). The budget has also been re-phased in line with the development timetable and £176k has been transferred to 2018/19 from 2017/18.
- PEG/BDC Development (Integrated Equipment and Logistics Project) – Resources Committee in July (FEP2757) considered various options available for the IELP solution, and approved proposed development at a leasehold site with a capital cost not exceeding £3,795k, with the annual rent and rates liability not exceeding £660k pa. The capital budget will be updated once the final site/development has been agreed and the associated capital costs are known.
- Additional Resilience Requirements - the report presented to Resources Committee in July (FEP2763) on the Mayor's letter to the Home secretary, included additional capital resources for drones, extended height aerial appliances and extended duration breathing apparatus. These additional capital resources, totalling an estimated £5.2m, are not as yet included in the capital programme, as the specification of the equipment and timing of the capital spend is yet to be determined. The capital programme will be updated with these requirements once more information is available.

30. Discussions are continuing regarding the sale of the two former fire stations, Clerkenwell and Southwark, and as a result the forecast capital receipts for these sites have been deferred by a year to 2018/19. Whilst the capital financing costs have been updated to reflect the re-phasing of the capital receipts, a review of the capital programme for 2017/18 and future years will be carried out in light of this deferment, and the capital financing costs further updated as necessary. This adjustment is not included in the Quarter 1 Financial Position report, also on today's agenda, as this was published at an earlier date, to meet the new GLA reporting deadlines.

31. The full capital programme is detailed in Appendix 6.

Risks and Opportunities

32. 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. These have been reviewed and updated as appropriate and are attached as Appendix 7. In addition the below two new risks has been added.

- A capital receipt of £26.7m was previously included in the 2017/18 budget, with a further £26.7m in 2018/19, for the former Southwark Fire Station. This receipt has now been deferred to 2018/19 and the future financing costs have been revised to reflect this change. The sale of this site, and therefore the timing of this receipt is dependant on planning permission being received and this will therefore be kept under review.
- The cost of replacement property contracts including contracts for mechanical, electrical, plumbing and fabric are now likely to be above that previously forecast. The procurement approach for these contracts is currently being finalised and the budget will be updated once the prices are known.

33. In addition to the new risks above a number of risks can now be closed, as set out below.

- The Property Services Integrator has now been implemented and expenditure against the contract will be monitored as part LFEPA's normal arrangements. A new risk has been included, as detailed above, to reflect that replacement property contracts are likely to have a cost above that previously forecast.
- The Resources Committee has now authorised the Head of Procurement and Technical Service Support to enter into a Call-Off Contract under a Framework Agreement between Kent Fire and Bristol Uniforms for the provision of Firefighter Personal Protective Equipment and Urban Search and Rescue Personal Protective Equipment (FEP2761) . As a result this risk can now be closed.
- As set out in the report on Financial Position as at the end of June (FEP xxxx) positive progress has been made with both the level of outstanding debt due to charging for Automatic Fire Alarms and Shut in Lifts incidents. As a result this risk can now be closed.
- Following a review, this report includes a financial pressure of £205k as a result of mutual assistance charges (item 42 in Appendix 3 - Detailed Four Year Revenue Forecast). As a result this risk can now be closed.

Head of Legal and Democratic Services comments

34. The Head of Legal and Democratic Services has reviewed this report and has no comments.

Director of Finance and Contractual Services comments

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

Sustainable development implications

36. There are no sustainability implications for this report.

Staff Side consultations undertaken

37. The trade unions have been provided with a copy of the Mayor's Guidance and been offered discussions on the budget process. Any future savings proposals resulting in staff reductions will be fully consulted on with the affected individuals and with the staff sides.

Equalities implications

38. A full equalities impact assessment of the 2018/19 budget will be included as normal as part of the budget submission to the Mayor, to be considered by Resources Committee and Authority in November. There are no equality implications directly resulting from this report.

List of Appendices to this report:

1. Letter from Home Secretary to Mayor of London
2. Summary Medium Term Forecast
3. Detailed Four Year Revenue Forecast
4. Firefighter Pensions Pressures and Specific Risks
5. Changes to Medium Term Forecasts Presented in the 2017/18 Budget Report
6. Capital Programme
7. Risks and Opportunities to the Financial Position

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
1. Budget Update – Additional Resourcing Requirements – FEP2763	
2. Mayor's Budget Guidance – FEP2733	
3. 2017/18 Budget Report – FEP2708	
Proper officer	Director of Finance and Contractual Services
Contact officer	Adrian Bloomfield
Telephone	020 8555 1200 Ext. 31351
Email	adrian.bloomfield@london-fire.gov.uk

KL



Home Secretary

2 Marsham Street,
London SW1P 4DF
www.gov.uk/home-office

08 AUG 17

Sadiq Khan
Mayor of London
City Hall
London
SE1 2AA

Aug 3rd, 2017

Dear Sadiq,

Thank you for your letter of 12 July in which you raise a number of concerns about the resources available to the London Fire Brigade (LFB) to respond to major incidents in the Capital.

The tragic events at Grenfell Tower which took place within weeks of the terror-related attacks at London Bridge and Finsbury Park, as well as Manchester Arena, have shocked us all. First and foremost our thoughts are with the victims, families and friends who were affected by these terrible incidents and the Government stands ready to help in any way possible to ensure all victims' needs are met.

I am extremely grateful to the emergency services who responded to these incidents and I place great value on the vital role they continue to play in keeping our communities safe. As you are aware, in respect of the Grenfell Tower fire, the Government is committed to meeting the needs of those who responded to the incident and endured incredibly difficult scenes as well as those who are working with the bereaved. The Prime Minister attended the site of the disaster in person to meet emergency service and support workers at the earliest opportunity, to ensure that they had the resources and support needed to undertake their work after tackling the fire.

You ask for an increase in grant funding to the Greater London Authority (GLA) towards LFB resources in light of the impact of the recent tragic events on emergency service demand. However, the amount of funding provided to LFB for undertaking fire and rescue services across the Capital is, of course, a matter for you as the Mayor of London in conjunction with the London Fire Commissioner and the London Fire and Emergency Planning Authority. The GLA is responsible for making decisions on how resource funding (from central government grant, locally retained business rates, and council tax) is allocated to the services that they provide, including fire and rescue. Core spending for the GLA has already increased by 2.1

percent in year 2017-18 , and will rise by another 7.1 percent in cash terms by 2020. Over the last 5 years, GLA's unringfenced reserves increased by £1.3bn.

I trust that you will ensure LFB continue to have the resources they need for firefighters to carry out their vital work.

The Lord Harris Review concluded that London's levels of preparedness for tackling Marauding Terrorist Firearms Attacks (MTFA) are good, and better than they ever have been, and the right response would be delivered in the event of an attack. Whilst this year's attacks in London and Manchester highlight the continuing threat we face from terrorism, our emergency services' response to each of these terrible events was fast and effective. LFB have a full capability to respond to terrorist incidents with trained personnel who can operate in higher risk environments.

Nevertheless, the Home Office is uplifting the specialist MTFA Fire and Rescue Service capability across the country to enable a faster and even more effective response, including in LFB. London is seeing an increase in Home Office funding to double the current capability. As part of our £144m investment in armed policing, there will also be an additional 1,000 armed officers by the end of 2018. The first phase of the armed uplift is already complete, with an extra 41 Armed Response Vehicles and around 650 armed officers. The next phase - an increase in Counter Terrorism Specialist Firearms Officers - is expected to complete in 2018. The number of armed response vehicles has more than doubled in London and around a quarter of the national Counter Terrorism Specialist Firearms Officers capability will also be based in the capital.

Public safety is paramount for this Government, which is why we are increasing investment in our emergency response. It is however the responsibility of each fire and rescue authority to manage their resources including staff across prevention, protection and operational response to local risks.

On the issue of firefighters' pay, the Government has no role in the pay negotiation process. It is the responsibility of the National Joint Council to consider what pay award is appropriate taking into account views of all 45 fire and rescue authorities in England. I understand that negotiations are ongoing.

With best wishes,



Rt Hon Amber Rudd MP

Summary Medium Term Forecast

Appendix 2

Description	2018/19	2019/20	2020/21	2021/22	Total
	£m	£m	£m	£m	£m
Previous Year's Net Revenue Expenditure	391.1	399.0	403.8	394.9	
Central Contingency for Inflation	7.4	4.8	4.2	3.9	20.3
Firefighter Pension Scheme - Change to Discount Rate	0.0	5.1	0.0	0.0	5.1
Firefighters Pension Scheme - Retained Firefighters	0.0	0.9	0.0	0.0	0.9
Firefighters Pension Scheme - Funding Reduction Following Implementation of the 2015 Scheme	0.0	2.8	0.0	0.0	2.8
Additional Payments against the Local Government Pension Scheme (LGPS) Fund deficit and resulting on-going savings	0.1	0.1	(1.5)	0.0	(1.3)
Training Contract	(3.3)	(1.4)	(0.3)	0.2	(4.8)
Change to Vacancy Margin	(1.4)	3.7	0.0	0.0	2.3
Changes to Staff numbers on Development Rates of Pay	(1.4)	(1.2)	(0.4)	0.0	(3.0)
Apprenticeship Levy	0.0	(1.1)	0.0	0.0	(1.1)
Borrowing Costs	1.2	2.4	0.8	1.4	5.8
Additional Resilience Requirements	5.8	0.0	0.0	0.0	5.8
Other Pressures and Savings Identified	0.8	0.2	(0.3)	(0.4)	0.3
Change in Expenditure funded from Earmarked Reserves	(0.6)	(1.7)	(0.1)	(0.2)	(2.6)
Revised Net Revenue Expenditure	399.7	413.7	406.2	399.8	
Additional savings included in the 2017/18 Budget Report (FEP2708)	(0.7)	(0.9)	(2.0)	0.0	(3.6)
Budget Gap	(0.0)	(9.0)	(9.3)	(5.1)	(23.4)
Proposed Net Revenue Expenditure	399.0	403.8	394.9	394.7	
Use of Earmarked Reserves	(2.0)	(0.3)	(0.2)	(0.0)	(2.7)
Use of Budget Flexibility Reserve	(2.3)	(8.8)	0.0	0.0	(11.1)
Financing Requirement	394.6	394.6	394.6	394.6	
Specific Grants	12.2	12.2	12.2	12.2	49.0
Financing Requirement after use of Specific Grants	382.4	382.4	382.4	382.4	

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
	Previous Years Net Expenditure	391,096	399,013	403,775	394,894	
1	Central Contingency for Inflation	7,376	4,836	4,196	3,934	This includes both staff and non staff inflation. Staff costs are based on pay awards of 2% in 2017/18 for operational and control staff then 1% annually in all subsequent years. FRS pay awards are based on a 1% award in all years.
	Other budget pressures					
2	Pensions Auto Enrolment	274	69	23	0	These are potential additional employers pensions contributions from staff entering the pension schemes, as part of the governments auto enrolment scheme. This assumes that 40% of staff enrolled into the scheme stay in the scheme.
3	Firefighters Pension Scheme - Retained Firefighters	0	910	0	0	This is the provisional cost of retained firefighters becoming eligible to join the firefighters pension scheme, and buyback past service, and represents the national impact on employers on-costs of a 0.5% increase in employer contribution rates.
4	Funding Reduction Following Implementation of the 2015 Firefighter's Pension Scheme	0	2,843	0	0	As set out in the March 2016/17 Budget report, the implementation of the 2015 Firefighter Pension Scheme in 2015/16 resulted in a budget reduction of £2.8m. It is now expected that this surplus will be removed from LFEPA's funding when the results of the 2016 actuarial pension revaluation are implemented in 2019/20.
5	Changes to Staff on Development Rates of Pay	(1,402)	(1,233)	(394)	0	This reduction reflects the anticipated change in the profile of the operational workforce, which will shift to include more less experienced staff on lower pay rates, following increased recruitment levels.
6	Local Government Pensions Scheme - Past Service Deficit	206	215	224	0	This is the forecast 'inflationary' increase in the cost of the past service deficit payments on the Local Government Pension Scheme.
7	Local Government Pensions Scheme -	(108)	(115)	(122)	0	Savings following the valuation on LFEPA's LGPS pension fund.

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
	2017 Valuation					
8	Firefighters' Injury Pensions	(44)	279	245	250	This relates to inflation increases on injury pensions and assumptions around numbers in receipts of injury pensions.
9	Command Units	465	0	0	0	The reduction of Command Units has been postponed due to the increase in terrorist incidents world-wide since the original decision to make a saving was taken, and concerns about resilience if the proposal were to be implemented. A further review will be carried out to explore any changes to the delivery model.
10	Operational Staff Vacancy Margin	(1,390)	3,724	0	0	This savings is achievable based on operational staff numbers expected given current recruitment and leaver forecasts.
11	Operational Pension Scheme Changes	(247)	(228)	(228)	0	This saving is achievable based on forecast numbers of staff in the current schemes, and the reduced costs as staff leave the older schemes and recruits join the new scheme.
12	Trainee Firefighter Recruitment	412	0	0	0	These costs reflect the anticipated salary cost of trainee firefighters in each year.
13	MTFA Requirements	354	0	0	0	This pressure reflects additional staff related and equipment costs for the delivery of the MTFA capability.
14	Additional Resilience Requirements	5,778	0	0	0	Additional items included in FEP2673
	STAFF RELATED BUDGETS					
15	Apprenticeship Levy	0	(1,115)	0	0	In his 2015 Autumn Statement the Chancellor announced that an apprenticeship levy will come into effect in April 2017, at a rate of 0.5% of an employer's pay bill. This saving reflects the use of the levy to recruit additional apprentices.
16	Additional Payments into the Local Government Pension Scheme (LGPS) Fund and resulting on-going savings	108	115	(1,481)	0	In light of the impact of the actuarial revaluation of the LGPS, it is proposed that the new savings generated are re-invested back into the scheme in order to reduce the deficit further. These payments would then result in additional savings following the outcome of the next revaluation in 2020/21. If the

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
						savings are used in this way they would result in a £3.1m additional payment against the deficit by 2019/20, with a forecast saving of £350k in 2020/21.
17	Firefighter Pension Scheme - Change to Discount Rate	0	5,100	0	0	In his March 2016 Budget Announcement the Chancellor stated that unfunded public sector employer pension contributions will increase from 2019 by an estimated £2bn per annum. This was as a result of the regular revaluation of the discount rate. This policy change will therefore impact directly on Fire Authority Budgets from 2019/20. The pressure of £5.1m has been calculated based on Firefighter pension receiving a pro-rata increase at the same rate as the other unfunded schemes.
18	Flooding Response Capability	(120)	0	0	0	The 2017/18 budget included the purchase of flood response equipment to widen LFB's flood response capability. This reduction is removing that one-off funding.
19	Training Contract	(3,280)	(1,423)	(297)	245	As stated in the Future Options for Training report (FEP1829X) the fixed fee element of the Training Contract will reduce after the first six years of the contract.
20	Driver Training	118	0	0	0	This budget will pay for a full cycle of refresher driver training and reassessment within four years for the LFB's 2,967 drivers to ensure that LFB can comply with section 19 of Road Safety Act 2006, which is due to be brought into force after a delay to allow emergency services time to ensure compliance.
	PREMISES BUDGETS					
21	Business Rates	(232)	(162)	(49)	59	The new rateable values notified by the Valuation Office after the 2017 Revaluation were below the forecasts provided by the Estates Management Consultant used to set the future year budget requirement during the 17/18 budget process. The new rate demands received for 17/18 match the revised forecast provided by the

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
						consultant for this year and therefore the reductions forecast for future years should be accurate. The forecast are based on 17/18 approved budget of £9.053m.
22	Energy Costs	51	52	54	54	This increase is based on RPI.
23	Property PFI Unitary Payment	40	50	50	50	The figures shown here reflect the payments required for the Property PFI fire stations. From 2017/18 an annual price review is applicable to the variable element of Unitary Charge based on RPIx. The standard RPIx has been applied to this value from 2017/18.
24	New Premises contracts (hard and soft FM services)	372	387	149	158	The Property Services Review Report FEP2430 identified the potential for a significant increase in costs for the provision of all works/services when tendering for new contracts.
25	Proposed third training centre	0	300	300	0	The report on the Third Training Centre (FEP 2646) for the project now renamed "LFB Training Centre Croydon" states that there would be an ongoing revenue pressure of £0.6m in running costs and £0.2m in lost income. The financial impact of the running costs, set out here, is based on occupation by October 2019.
	TRANSPORT BUDGETS					
26	Reserve Vehicle for Brigade Distribution Centre	6	0	0	0	A vehicle to cover planned and unplanned maintenance periods for the BDC LRL (London Resilience Lorry) is required. This reflects the slot price or potential hire charge
27	EFCC contract First Aid Recertification training	48	(126)	0	0	As is outlined in FEP 2321, the EFCC contract attracts an additional charge in Years 1 and 4 for first aid recertification. Year 4 of the contract spans parts of FY 2017/18 and FY 2018/19, hence the total (unindexed) charge £126k has been allocated across these two periods.
	SUPPLIES AND SERVICES BUDGETS					
28	ICT Equipment Replacement Holiday	278	(278)	0	0	Moving to Union Street allowed a move from a rolling programme of replacements to a more defined cycle as the equipment has a defined life.

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
						This represents the periodic re-instatement of that budget to update the equipment at Union Street, This would include wireless access points, physical servers and some desktop equipment.
29	Business Intelligence platform	0	231	0	0	The Resources Committee agreed capital funding for this project in March 2016 (FEP 2578. There are associated revenue cost to cover the licensing of the products to be deployed. To achieve maximum benefit it is likely that the licensing will need to enable full interaction with the product which is licensed on an individual basis. The figures included here represent the middle ground in terms of deployment options. Discussions are underway with Microsoft regarding an adaptation of the licensing model to reflect the watch based nature of LFB. This does not yet take into account any savings that may be realised from this project, which could help offset this additional cost. The overall position will be kept under review.
30	Skype for Business	24	0	0	0	This is to fund the scope of the Skype roll out beyond the staff that were initially to be provided with this service. This has increased the overall costs of the solution as this is a subscription based product.
31	Resilient circuit upgrade	36	0	0	0	It has been necessary to upgrade the circuit that connects Stratford to Union Street as Union Street no longer a solely administrative building from an organisational resilience perspective.
32	Increase in Bandwidth to support Wi-Fi use.	30	0	0	0	Access to Wi-Fi is a priority to support a variety of more agile approaches to working. In order to facilitate this the capacity of the system needs to be increased.
33	e-Recruitment	0	20	0	0	This is to fund the additional cost of the replacement e-Recruitment system (support for the existing system has been withdrawn). The current budget for the existing solution is £24,500 whereas the annual support fees for the new

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
						solution is £44,006.25, a shortfall of £19,506.25pa.
34	Health and safety System	0	36	0	0	This is to extend reporting facilities for the new hosted system to all users. The current budget for the existing solution is £12,135 whereas the annual support fees for the new solution is £48,560, a shortfall of £36,425pa.
35	MDT Support following removal of Airwave support	112	23	23	0	Whilst the removal of this service from the Airwave was anticipated it was envisaged that this would result in a cost saving against the contract which could be re purposed to support the new MDTs. However, the re negotiated Airwave contract has increased overall costs whilst removing this element of the service - this increase has been included in the inflationary pressures return. As a consequence there is now an additional requirement for the ongoing support of the new devices deployed to the fleet which has been estimated based on the failure rate of the existing MDTs flexed to reflect the changes in the nature of their use and the expansion of the provision to include tablet devices and satnavs. The first year provision has been reduced due to part year implementation. The increase over time reflects the increase anticipated to reflect the failures due to age and use of the equipment.
36	Extension and Re-procurement of the Personal Protective Equipment (PPE) Contract (FEP2381)	270	370	0	0	By extending the current contract with Bristol Uniforms by an additional two years from October 2016, the Authority generated one-off savings of £640k in 2017/18 and £370k in 2018/19. The adjustment shown reduces the saving in 2018/19 and removes it from the budget in 2019/20.
37	Replacement of Extended Duration Breathing Apparatus (EDBA) cylinders	(87)	(4)	26	0	This is the reversal of one off spend in 2017/18 on the progressive replacement of EDBA cylinders as they reach the end of their maximum design life, to maintain the authorities operational capacity.
38	Cold Cutting Technological	(100)	0	0	0	This is the reversal of one off spend in 2017/18 to purchase a cold cutting

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
	Solution					technological solution to improve firefighter safety in dangerous conditions.
39	National Operational Guidance (NOG) Integration	(850)	(56)	0	0	This is the reversal of one off funding of £0.9m in 2017/18, for the implementation of the NOG project for LFEPA. The majority of the budget is removed in 2018/19, with the balance in 2019/20.
	CAPITAL FINANCING BUDGETS					
40	Borrowing Costs	1,208	2,431	761	1,367	This estimate is based on the borrowing costs required for the current capital programme. It is subject to review, both in respect of the forecast level of capital receipts and the actual expenditure requirements as individual projects are progressed.
	Total other budget pressures	2,330	12,415	(717)	2,183	
	INCOME BUDGETS					
41	Insurance Company Income	(920)	(950)	(980)	(1,000)	These increases assume growth of 3.5% per annum going forward. This is in addition to savings that were agreed as part of the 2017/18 budget setting process that are included below.
42	Mutual assistance	205	0	0	0	LFB has moved from being a net provider of appliances to county Brigades to a net receiver of appliances a consequence the current budget is for income of £135k this has moved to an expenditure of £70k resulting in a requirement for £205k.
43	Interest Receivable	195	80	0	0	This forecast is based on the interest rates received on our cash deposits and reflects a reduction in our forecast cash balances and thus the interest earned .
44	Reduction in Shut in Lift charging	10	10	10	10	This adjustment reflects observed decreases in income and as the aim of this charge, to reduce demand, is realised.
	Total income	(510)	(860)	(970)	(990)	
	Total	9,196	16,392	2,509	5,127	

Detailed Four Year Revenue Forecast

Appendix 3

	Description	2018/19	2019/20	2020/21	2021/22	Comments
		£k	£k	£k	£k	
	Unavoidable Pressures and Savings identified					
45	Change in Expenditure funded from Specific Grants and Reserves	(570)	(1,697)	(95)	(198)	
	Revised Net Revenue Expenditure	399,722	413,707	406,189	399,824	
46	2017/18 Savings and Growth Proposals (FEP2708)	(709)	(944)	(1,962)	0	
47	Budget Surplus/ (Deficit)	0	(8,988)	(9,334)	(5,127)	
	Proposed Net Revenue Expenditure	399,013	403,775	394,894	394,696	
	Use of Budget Flexibility Reserve	(2,327)	(8,786)	0	0	
	Use of Earmarked Reserves	(2,038)	(341)	(246)	(49)	
	Financing Requirement	394,648	394,648	394,648	394,648	
	Specific Grants	12,248	12,248	12,248	12,248	
	Financing Requirement after use of Specific Grants	382,400	382,400	382,400	382,400	
	Retained Business Rates	244,162	244,162	244,162	244,162	
	LFEP A Element of Precept	138,238	138,238	138,238	138,238	

Firefighter Pensions Financial Pressures

1. The existing financial forecasts for LFEPA include a number of material items related to the Firefighter's pension scheme. There is currently considerable uncertainty about the timing, quantum and likelihood of a number of these items, which is discussed further below. Members are asked to consider these points and consider whether any adjustments should be made to the forecasts presented here.

Discount Rate

2. In his March 2016 Budget Announcement the then Chancellor stated that unfunded public sector employer pension contributions will increase from 2019 by an estimated £2bn per annum. This was as a result of the regular revaluation of the discount rate and will therefore impact directly on Fire Authority Budgets from 2019/20. A pressure of £5.1m had previously been calculated on the basis that contributions to the Firefighter pension will increase at the same rate as the other unfunded schemes.
3. This calculation has been reviewed and updated based on the latest firefighter pension scheme liabilities and London's percentage share of all firefighter employer contributions. This has resulted in a revised figure of £5.6m from 2019/20. It should be noted however that the actual impact for LFEPA from this change will only be announced during the 2018/19 financial year. It is not currently recommended that any change is made to the existing forecast however due to the considerable uncertainty in how this additional pressure will be apportioned over the governments unfunded pensions schemes. The resulting budget risk could then be mitigated through LFEPA's pension and general reserves in the first year and then considered as part of the budget process for subsequent years.

Government Funding

4. It is currently forecast that LFEPA's Revenue Support Grant will be reduced by £2.8m in 2019/20, following the implementation of the 2015 Firefighters Pension Scheme. This reduction would reflect that LFEPA pension contribution rates have decreased by that amount and is consistent with a similar reduction to LFEPA's grant in the 2015/16 financial year.
5. However the Secretary of State for Communities and Local Government has now confirmed a four year local government finance settlement covering the period up to 2019/20. In light of this commitment it may now mean that this expected reduction in government grant may not be implemented, which would reduce the budget gap by £2.8m.

Retained Firefighters

6. Following retained firefighters becoming eligible to join the firefighters pension scheme and buy back past service, it is currently estimated that LFEPA's costs will increase by £0.9m from 2019/20. This cost pressure represents the national impact on employers on-costs of a 0.5% increase in employer contribution rates. This figure is based on an estimate of the number of retained firefighters who will buy back past service and the actual amount may vary.

Contribution Holiday

7. In December 2015, DCLG announced that they had agreed to settle a case brought by the FBU to provide a contributions holiday to those regular firefighters who joined the service before the age of 20 and therefore would serve over 30 years before reaching the minimum retirement age

of 50. In these circumstances a firefighter would contribute to the scheme beyond the maximum 30 years used to calculate pension benefits. It was agreed that individuals who had 'over-contributed' would receive a refund of these contributions, and that going forward if an individual under the 1992 FPS does attain 30 years (pensionable) service before their 50th birthday, they will be entitled to a 'contributions holiday' from the 1992 FPS until their 50th birthday.

8. Although government funding of £2.9m was provided to meet the immediate cash flow implications of this agreement, under normal circumstances this would increase the costs of the scheme and lead to an increase in contributions going forward. The medium term forecast does not include a cost for this.

Milne v GAD

9. Following the determination by the Pensions Ombudsman in the case of Milne v GAD (Government Actuaries Department), DCLG concluded that firefighter pensioners were entitled to additional pension payments as GAD had not revised the commutation factors used in calculating lump sum payments. 1,046 firefighter pensioners have received the arrears and interest they were owed, and additional government funding of £15.3m was provided to meet the cashflow costs..
10. Again although funding was provided for the immediate cash flow implications of this agreement, it is not known what impact this will have on employer's pensions contributions going forward. Again no forecast of costs has been included in the medium term figures.

Auto Enrolment

11. LFEPA will carry out a further Auto Enrolment exercise for its staff in October 2017. This may result in additional employer pension contributions relating to staff entering the LGPS and firefighter pension schemes. It is currently assumed that 40% of staff enrolled into a scheme stay in the scheme, and so an additional pressure of £0.5m is included in the medium term forecast.

Changes to Medium Term Forecasts Presented in 2017/18 Budget Appendix 5

Additional Pressures Identified	2018/19 £k	2019/20 £k	2020/21 £k	Comment
Additional Resilience Requirements	5,778	0	0	This pressure follows an initial review of the additional resourcing requirements identified following recent incidents, as set out in FEP2763.
Additional Borrowing	0	842	0	This additional pressure is the forecast borrowing requirement to meet the capital proposals in FEP2763.
MTFA Capability	673	0	0	This pressure is required to implement the MTFA capability on Fire Rescue Units as set out in FEP2729.
Additional Pay Pressure	2,033	0	0	The pressure reflects a 2 per cent increase for operational and control staff on basic pay in 2017/18, before returning to 1% in all subsequent years. A 2 per cent award would also result in an overspend on staff costs in 2017/18.
Changes to Inflation	490	(173)	(250)	This reflects the latest forecast for inflationary pressures.
Financing	(102)	1,449	(267)	This estimate includes the impact of the slippage of projects into later years (FEP2750), the increase in cost of the Croydon Training Centre (FEP2759) and the forecast delay in receiving capital receipts for Southwark Training Centre and Clerkenwell from 2017/18 to 2018/19.
Command Units - Staffing	931	0	0	It had previously been proposed that the number of command units could be reduced from eight to five. This project has now been put on hold pending a full review of requirements in light of recent incidents.
Removal of 3 Command Support Units (CSU) saving in 2017/18 Budget Report	89	89	0	This saving in vehicle maintenance costs will also not be achieved in light of the above.
Business Intelligence platform	0	231	0	A capital project is in place for this solution and this pressure reflects the ongoing revenue cost to cover the licensing of the products to be deployed (FEP2626). This excludes any savings that might be realised once the solution is in place.
Mutual assistance	205	0	0	LFB has moved from being a net provider of appliances to neighbouring Brigades to a net receiver of appliances
Mobile Data Terminal Support	112	23	23	The renegotiated Airwave contract has increased overall costs whilst removing this element of the service. As a consequence there is now an additional requirement for the ongoing support of the new devices deployed to the fleet.

Changes to Medium Term Forecasts Presented in 2017/18 Budget Appendix 5

Interest Receipts	195	(62)	11	This forecast is based on the updated forecast of cash balances and the interest they will earn
Driver Training	118	0	0	This budget will pay for a full cycle of refresher driver training and reassessment within four years for the LFB's 2,967 drivers to ensure that LFB can comply with section 19 of Road Safety Act 2006, which is now being brought into force after a delay to allow emergency services time to ensure compliance.
Health and Safety system	0	36	0	This will replace the existing solution and include the extension of the reporting facilities to all users.
Resilient circuit upgrade	36	0	0	It has been necessary to upgrade the circuit that connects Stratford to Union Street with Union Street no longer being solely an administrative building from an organisational resilience perspective.
Increase in Bandwidth to support Wi-Fi use.	30	0	0	Access to Wi-Fi is a priority to support a variety of more agile approaches to working. In order to facilitate this the capacity of the system needs to be increased.
Skype for Business	24	0	0	This will extend the scope of the Skype roll out beyond the staff that were initially to be provided with this service.
e-Recruitment	0	20	0	A mini tender using a framework was undertaken and a contract awarded for a new recruitment system following the withdrawal of support for the existing system. This pressure is for an increase to the annual support fees for the new solution.
Reserve vehicle/vehicle fire for BDC	6	0	0	A vehicle to cover planned and unplanned maintenance periods for the Brigade Distribution Centre London Resilience Lorry is required.
Total Additional Pressures	10,618	2,454	(484)	

Changes to Medium Term Forecasts Presented in 2017/18 Budget Appendix 5

Additional Savings Identified	2018/19 £k	2019/20 £k	2020/21 £k	Comment
Operational Vacancy Margin	(3,724)	3,724	0	This one off increase to the vacancy margin in 2018/19 reflects the forecast average level of vacancies in that year of 84.
Apprentice levy	0	(1,115)	0	In his 2015 Autumn Statement the then Chancellor announced that an apprenticeship levy will come into effect in April 2017, at a rate of 0.5% of an employer's pay bill. The levy is been paid into a digital account for LFEPA to be used to fund approved apprenticeships, and this saving reflects the forecast usage of this account to support trainee firefighter training costs.
Business Rates	(176)	(170)	(85)	The new rateable values notified by the Valuation Office after the 2017 Revaluation were below the forecasts provided by the Estates Management Consultant used to set the future year budget requirement during the 17/18 budget process.
Insurance Company Income	(95)	(75)	(80)	The medium term forecast predicts this income will increase by 3.5% annually. The additional income shown reflects that the latest forecast income levels for 2017/18.
Energy Costs	(9)	(26)	(24)	This change is based on revised RPI figures.
Training centre delayed	(100)	(200)	300	The report on the Third Training Centre (FEP 2646) for the project now renamed "LFB Training Centre Croydon" states that there would be an ongoing revenue pressure of £0.6m in running costs and £0.2m in lost income. The financial impact of the running costs, set out here, is based on occupation by October 2019.
Total Additional Savings	(4,538)	2,004	(65)	
Total Movement from 2017/18 March Budget	6,080	4,458	(549)	
Revised Budget Gap before Flexibility Reserve Use	2,327	15,447	548	

Capital Programme

Appendix 6

	2017/18 Budget Mar 2017 FEP2709	B/fwd from 2016-17 Outturn	C/fwd to 2018/19/ savings New Projects	Revised 2017-18 Capital Budget June 2017		2018/19 Budget	2019/20 Budget	2020/21 Budget	Prior Years Spend	Projected project Spend	Approved budget
ICT Projects	£'000s	£'000s	£'000s	£'000s		£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Upgrade Operating System	100	0	(2)	98		0	0	0	2,091	2,189	2,350
Business Intelligent Solution	810	190	(100)	900		910	0	0	0	1,810	1,810
Control & Mobilisation System (CAMS)	488	(18)	0	470		0	0	0	9,002	9,473	10,650
Mobile Data Terminals Replacement	400	(112)	0	288		0	0	0	1,972	2,250	2,250
Personal Radio Replacements	200	0	(200)	0		1,300	0	0	0	1,300	Q4 17-18
Home Fire Safety Database	70	60	0	130		0	0	0	0	130	TBA
Replacement of laptops (FEP2462)	80	51	0	131		0	0	0	69	200	450
Public Services Network	707	0	0	707		0	0	0	0	707	Q4 17-18
ICT – Accident (event) reporting solution	0	70	0	70		0	0	0	0	70	70
Online Payment Facility	70	0	0	70		0	0	0	0	70	Q4 17-18
New audio visual equip for Union Street	130	0	0	130		0	0	0	0	130	130
ICT – Blade Farm/ Hyperconverged Server	0	300	0	300		0	0	0	0	300	TBA
ICT – Virtual Desktop Technology	250	0	0	250		0	0	0	0	250	TBA
New telephone system equipment	0	157	0	157		0	0	0	0	157	157
New computer terminals	25	44	0	69		0	0	0	0	70	75
Netscaler Replacement	0	0	0	0		0	400	0	0	400	TBA
Core Network 6509 Replacement	0	0	0	0		0	0	1,900	0	1,900	TBA
Core Switch Modules	0	0	300	300		0	0	0	0	300	TBA
Wireless LAN Controllers	0	0	198	198		0	0	0	0	198	TBA

Capital Programme

Appendix 6

	2017/18 Budget Mar 2017 FEP2709	B/fwd from 2016-17 Outturn	C/fwd to 2018/19/ savings New Projects	Revised 2017-18 Capital Budget June 2017		2018/19 Budget	2019/20 Budget	2020/21 Budget	Prior Years Spend	Projected project Spend	Approved budget
Network Access Switches 3650 Replacement	0	0	0	0		0	750	0	0	750	TBA
Wireless Access Points	0	0	0	0		853	0	0	0	853	TBA
Data Centre Switches 3750 Replacement	0	0	0	0		104	0	0	0	104	TBA
Station Network Rewires	0	0	100	100		100	100	100	0	400	TBA
New ISP	0	0	0	0		0	500	0	0	500	TBA
New WAN	0	0	0	0		0	0	500	0	500	TBA
Physical Server Environment	0	0	500	500		0	0	0	0	500	TBA
VM Server Environment Hosts	0	0	0	0		0	500	0	0	500	TBA
Network Storage	0	0	0	0		750	0	0	0	750	TBA
Replacement of laptops	0	0	0	0		0	563	0	0	563	TBA
New computer terminals - Thin Client	0	0	0	0		0	0	1,150	0	1,150	TBA
New audio visual equip for Stations	0	0	0	0		0	0	100	0	100	TBA
New computer terminals - Fat Client	0	0	0	0		0	100	0	0	100	TBA
ICT Projects Over programming	0	0	(1,098)	(1,098)		(1,807)	(2,913)	(1,750)	0	(9,568)	TBA
ICT PROJECTS	3,330	742	(302)	3,770		2,210	0	2,000	14,915	23,686	
ESTATE PROJECTS											
Fire Station Refurbishment (Middx FS)	1,000	17	(917)	100		1,667	0	1,500	n/a	3,267	n/a
Alteration works to Union St HQ	0	75	0	75		0	0	0	625	700	700
Workplace Improvement Plan (WIP) Union Street		0	240	240		0	0	0	0	240	240

Capital Programme

Appendix 6

	2017/18 Budget Mar 2017 FEP2709	B/fwd from 2016-17 Outturn	C/fwd to 2018/19/ savings New Projects	Revised 2017-18 Capital Budget June 2017		2018/19 Budget	2019/20 Budget	2020/21 Budget	Prior Years Spend	Projected project Spend	Approved budget
OTHER											
Replacement of Fleet and Operational Equipment	17,468	2,722	(8,306)	11,884		20,448	15,445	8,493	10,813	67,802	TBA
Establishing a London Co-ordination Centre at HQ	0	111	0	111		0	0	0	268	380	380
Data transfer system for Joint Emergency Services Interoperability Programme	0	266	0	266		0	0	0	0	266	266
Fire Initial Response Equipment (F.I.R.E.) system	0	24	0	24		0	0	0	96	185	185
OTHER	17,468	3,123	(8,306)	12,285		20,448	15,445	8,493	11,367	68,757	
New Proposed Projects (* = Approved)											
Early Replacement of ALP & HP*	5,280	0	(3,480)	1,800		3,480	0	0	0	5,280	5,280
CCTV on Pumping Appliances *	405	0	0	405		79	0	0	0	484	501
Early Replacement of Fire Boat*	100	0	(100)	0		1,000	1,250	250	0	2,500	2,500
Asset Management Plan	10,000	0	(9,800)	200		10,000	10,000	10,000	0	40,000	Various
Farynor Replacement	375	50	0	425		325	0	0	0	750	TBA
Improve Security at all Fire Stations, Offices & HQ	200	0	0	200		2,405	0	0	0	2,605	TBA
Business Management System (PMF)	190	0	0	190		25	0	0	0	215	TBA
New Training Centre *	3,534	69	(3,301)	302		7,860	7,013	205	122	15,500	15,500
PEG/BDC Development	3,750	0	0	3,750		3,750	0	0	0	7,500	TBA

Capital Programme

Appendix 6

	2017/18 Budget Mar 2017 FEP2709	B/fwd from 2016-17 Outturn	C/fwd to 2018/19/ savings New Projects	Revised 2017-18 Capital Budget June 2017		2018/19 Budget	2019/20 Budget	2020/21 Budget	Prior Years Spend	Projected project Spend	Approved budget
22mm Water Hose and Reel for Appliances *	1,000	500	0	1,500		0	0	0	0	1,500	1,500
Vehicle Security *	981	0	408	1,389		0	0	0	0	1,105	1,389
New Projects TOTAL	25,815	619	(16,273)	10,161		28,924	18,263	10,455	122		
Projected Underspend	(6,686)			(6,686)		0	0	0	0	(6,436)	n/a
CAPITAL EXPENDITURE TOTAL	49,270	5,601	(25,901)	28,970		64,139	38,055	26,648			

1. Firefighter and Local Government Pension Schemes

- 1.1. The new employers' **pension contribution rates** announced as part of the 2015 Firefighters Pension Scheme have reduced LFEPA's costs by £2.8m. It is expected that LFEPA's Revenue Support Grant will be adjusted for this in the 2019/20 financial year, as part of implementing the results from the 2016 scheme valuation. If LFEPA's funding is not reduced however this would provide a £2.8m surplus in that year.
- 1.2. The Fire Brigade Union has notified LFEPA, along with 49 other Fire and Rescue Authorities, of a potential **discrimination claim** in connection with the transitional arrangements applicable to the 2015 Firefighters Pension Scheme, as explained in FEP2506. Any increase in the numbers receiving protection under the transitional arrangements may lead to a budget pressure. Any changes may also have an impact on other public sector pensions, including the LGPS. Although the Employment Tribunal (ET) has determined that the transitional (protection) arrangements, which were designed to protect those within ten years of normal pension age are objectively justified and do not amount to unlawful discrimination, this risks remains as the FBU have challenged the ruling.
- 1.3. The Authority's next stage of **pensions auto enrolment** implementation is set for October 2017 when all staff who were not previously enrolled as part of the June 2016 exercise will be enrolled into a pension scheme. It is currently assumed that 40% of staff who are enrolled in this way will remain in the scheme, with additional employer pension contributions of £549k. Any variation to this forecast may have a budget impact for LFEPA.
- 1.4. The Government has agreed to introduce an **employee contributions holiday** for members of the 1992 Firefighters' Pension Scheme who accrue the maximum 30 years pensionable service prior to age 50. This will apply from the point of accruing maximum service in the Scheme until the member's 50th birthday, and is also to be applied retrospectively to 1 December 2006. The impact of this may result in a further increase in the cost of the firefighter pension schemes following the implementation of the latest firefighter's pension revaluation 2016 to be implemented in 2019/20.

2. London Pensions Fund Authority (LPFA) Pensions Administration

- 2.1 The London Pensions Fund Authority (LPFA) and Lancashire County Pension Fund have formed a partnership and from April 2016 have created a wholly owned company, **Local Pensions Partnership** (LPP), to manage pension fund investment activities (only on the Local Government Pension Scheme (LGPS)) and also to provide pensions administration services, including to third party clients on the LGPS and the Firefighters' Pension Scheme. On 16 September 2016 the Resources Committee agreed (FEP2644) that the Director of Finance and Contractual Services is to continue the current shared service arrangement with the LPFA for the administration of the Firefighters' Pension Scheme but with the LPFA then sub-contracting to the LPP. This allows for a trial period using the LPP services whilst officers consider market testing of the Firefighters' Pension Scheme administration to seek the best solution to the Authority's requirements going forward. This could lead to an increased cost to the service. The Authority currently pays the LPFA £272k pa under a shared service arrangement to provide administration services for the firefighter pension scheme.

3. Pay and Inflation

- 3.1. An **apprenticeship levy** was introduced from 6 April 2017 and is charged at 0.5% of payroll. A budget pressure was identified for this of £1.1m, and therefore treats this as an additional cost from the 2017/18 financial year. The value of the levy, topped up by a 10% government contribution, is added to an employer's digital account and is available to be used to pay for the

costs of apprenticeship training. Officers are investigating how use is made of apprenticeship schemes, to potentially allow access to the funding available in the digital account. It is currently forecast that that LFEPA will be able to apply £1.1m annually from the digital account from 2019/20, but the actual amount may be higher or lower.

- 3.2. The outcome of the **EU referendum** has led to some significant economic uncertainty. The impact of this is currently unclear, and so preparing forecasts for increases in general inflation remains difficult.
- 3.3. LFEPA has made a budget provision for a 2% basic **pay award** for operational and control staff and 1% for all other staff in 2017/18, and then 1% in subsequent years for all staff.

4. Capital Expenditure and Financing

- 4.1. The capital budget is subject to change during the year. Initial project specification is key as it is important to keep variations to projects to a minimum, as change once a project has been agreed and commenced may result in additional costs. However even a well managed project can be subject to **re-phasing or deferral** due to a number of unforeseen issues, such as failure or default on the part of the contractor or exceptionally adverse weather conditions. This can also impact on funding requirements which in turn may have a debt charge (cost of borrowing) revenue impact.
- 4.2. All capital projects will require **third party collaboration** to varying degrees over the project life. The programme depends heavily on external factors and therefore can be subject to variation with the potential for delays in project delivery and revised cash flow requirements. The capital programme is managed on a monthly basis and is reported quarterly to the CAPS group (Capital, Approval, Planning and Strategy Group, chaired by the Director of Finance & Contractual Services) where all changes to the programme are reviewed and substitution projects or re-financing proposals are assessed and agreed.
- 4.3. The debt charges arising from the capital programme have been calculated using the current forecast Public Works Loans 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.
- 4.4. The Capital Programme for 2017/18 previously included a forecast capital receipt of £10m for the sale of **Clerkenwell Fire Station**. This receipt has now been deferred to 2018/19 and the future financing costs have been revised to reflect this change. If this property is not sold in 2018/19 this could result in an increased borrowing requirement and resulting capital financing costs estimated at £857k. This is based upon the current forecast capital programme and doesn't take account of any re-phasing or slippage that might occur.
- 4.5. A capital receipt of £26.7m was previously included in the 2017/18 budget for the former **Southwark Fire Station**. This receipt has now been deferred to 2018/19 and the future financing costs have been revised to reflect this change. The sale is dependant on planning permission being received and accordingly, this receipt may slip into future years, which could result in further additional debt charges, depending on the future capital programme.

5. Property Services

- 5.1. Of the 10 LSP5 sites, eight have been sold. It is difficult to anticipate exactly when the remaining sites will be disposed of and delays will result in additional **security costs** for those sites.
- 5.2. The 2017/18 budget report (FEP2708) included material savings for **energy budgets**. This budget has underspent in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings will therefore set the budget at a

less cautious level, and as a result this will increase the risk of overspends in subsequent years, for example because of a colder than average winter.

5.3. The cost of replacement property contracts including contracts for mechanical, electrical, plumbing and fabric are now likely to be above that previously forecast. The procurement approach for these contracts is currently being finalised and the budget will be updated once the prices are known..

6. 2017/18 Budget Savings Proposals

6.1. Each saving proposal included in the November Budget Update (FEP 2660) was assigned a **risk factor** from 1 (low risk) through to 4 (higher risk). The definitions used to describe these have been set by the GLA. Fifteen of the proposals (totalling £1.8m) over the four year period were rating as 3 – Vague plans identified and five were identified as 4 – funding gap but no plans. Of these, five proposals rated 3, were included in the 2017/18 budget. These included:

- S011 - Operational staff reduction to Special Operations Group (£71k)
- S026 - Reduction to systems development budgets that will now be funded from an earmarked reserve (£112k)
- S044 - Reduction to vehicle accident repair budgets (£9k)
- S051 – reduce events team refreshments budgets (£20k)
- S055 – reduce the professional services budget in Strategy and Inclusion (£25k)

6.2. None of the proposals rated 4 – funding gap but no plans, were included in the 2017/18 financial year. All savings identified as part of the 2017/18 budget process for the years from 2018/19 are being reviewed and updated as part of the 2018/19 budget process.

7. Funding from the Mayor and Central Government

7.1. The report on the Mayor's Budget Guidance (FEP 2733) explained that the Mayor set indicative funding allocations for LFEPA for planning purposes covering the next four financial years. However there is uncertainty about the level of funding for future years in part due to a number of risks on **retained business rates**.

7.2. The Medium Term Forecast in this report includes a pressure of £240k in 2017/18 based on a forecast reduction in LFEPA specific grant income for **Incident Response Unit funding**. Confirmation of this reduction is still awaited, and if it is not implemented then this will create a budget surplus for LFEPA.

8. Collaboration, New Initiatives and Service Improvements

8.1. It is intended to review the way **London resilience** (including MTFA) challenges are addressed within LFB. To provide safe systems of work and to address new/developing risks it is likely substantial costs will be required for personal protective equipment, other relevant resources and training. This roll out will be affected / influenced by the outcome of the national joint council negotiations which include MTFA.

8.2. **Co-responding** is currently being piloted in four London Boroughs and agreement has recently been reached to extend the trial. The Lord Harris review included a recommendation *"that agreement is rapidly reached for the current corresponding pilot to be expanded to all London boroughs as quickly as training resources allow"*. There may be additional costs from expanding this trial that are currently being assessed, or funding provided to cover those costs.

- 8.3. Any collaboration with the London Ambulance Service at the Authority's **London Operations Centre** would require works to the existing building. The cost of this is not currently included in LFEPA's medium term forecasts.
- 8.4. Discussions between officers and the FBU have now agreed a new watch structure in order to further improve the resilience of the Brigade by simplifying, yet strengthening, the **officer structure at stations with** the intention to reduce officer out duties and improve appliance availability. This will resolve some longstanding issues around appliance redeployment, address the issue of WMAs working alongside WMBs on the same watch and achieve some general efficiency improvements. This will ensure that watches are less reliant on staff from other stations to keep their appliances available for the shift through a more sequential use of acting up, out duties and redeployment of appliances. This would give a greater level of appliance availability throughout the shift, which when combined with the new approach to direct standbys, will maximise the resources we currently have. Work is now taking place to fully assess any implementation costs of the new structure.
9. Emergency Services Mobile Communications Programme (ESMCP)
- 9.1. DCLG will replace the existing **Airwave contracts**, which expire between 2016 and 2020 as part of the ESMCP. There could be significant financial pressures to LFEPA under any new contract provision. The current contract is subsidised and DCLG may be unwilling to continue to subsidise any future system. The November Budget Report (FEP2660) also included savings of £31k in 2019/20 and an additional £376k in 2020/21 based on the current forecasts cost of the new contract and £506k for disbanding the project team. These would be impacted by any changes to the service made by central government or delays in implementation.
10. Contractual Pressures/ Risks
- 10.1. Significant demand continues to be placed on the **Information and Communications Technology Department** to meet new requirements and aid in the development of smarter systems for the Authority. This is at a time where resources are limited and as a result there is a risk that development of information technology solutions may be constrained.
- 10.2. The company that provides and supports the Authority's **Command Support Unit system** software went into administration in early May and have since ceased trading. Whilst there is now a supplier in place supporting the system and interim arrangements have been agreed there is no formal arrangement yet in place to support the deployed version other than on a time and materials basis.
11. Changes to Income
- 11.1. **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.
- 11.2. The saving proposals for 2017/18 included material savings for income generated through the **MFB act**. This budget has recovered more income than budgeted and caused an underspend in recent years, in part because of the prudent assumptions used when calculating the budget requirement. These additional savings will therefore set the budget at a less cautious level, and as a result this will increase the risk of overspends in subsequent years.