

APPENDIX 1

THREE YEAR BUSINESS PLAN

For

London Fire Brigade Enterprises Ltd



1 April 2018 to 31 March 2021



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Overall Strategy

The Directors of LFB are looking to create a viable, strong and profitable company. We believe the company has the potential to raise significant funds for its shareholder (and by extension, London Fire Brigade) but this growth has to be done in a sustainable way and will take between 5-10 years to reach its true potential. This business plan is Phase 1 of this growth and will, invariably, require internal investment to develop some of the plans shown below.

The strategy of the Directors is to focus on three strands of income but the main effort in the first three years will be on growing the training strand.

The creation of a viable and profitable company will require when affordable the recruitment of a full-time CEO/Executive Director plus additional support.

Mission

The mission of LFB is to provide services to third party organisations, whether in the public or private sector, on commercial terms to generate income for the benefit of the shareholder.

Management and Ownership

The company is owned by the Office of the London Fire Commissioner (OLFC) as the sole shareholder. The OLFC's role is, among other things, to run London Fire Brigade (LFB).

Under the articles of association, the company can have up to 7 Directors on the Board and must have a minimum of 4. At present there are four:

- Leonor Stjepic (Chair)
- Steve Hamm (Vice Chair)
- Swen Lorenz
- Paul Trew
- TBC - it is proposed to recruit one other Director by March 2018 [shortlisting from over 40 applicants taking place]

All the Directors are Non-Executives with day jobs and, for the company to be successful it will in due course require at least one full-time member of staff to carry out the day to day business development and management. It is proposed to recruit someone during 2018, subject to finances.

Additional support can be provided externally, either by LFB employees under a new service level agreement, or consultants.

Ethical Trading

LFB has strong links to the London Fire Brigade and recognises the importance of maintaining the reputation of the LFB. The company will mirror the values of the LFB in its conduct of business and



ensure that all decisions taken by the company directors are cognisant of the interests and reputation of LFB.

LFBe directors are solely responsible for the decisions made by the company, and it is for directors to set the company business agenda and to decide which contracts best meet the business needs of the company. Furthermore, the company directors recognise that the company shareholder is a public authority and therefore understand that when considering potential contracts there is a need to consider the potential for conflict with the public authorities' position. Where potential conflict is identified, it will be considered within the decision-making model used by the directors, if necessary the shareholder representative will be consulted.

In making business decisions the chair and other LFBe directors can draw upon a broad and significant blend of commercial and fire sector experience, this in itself is a basis for sound and ethical decisions. The directors are also committed to transparency and all decisions taken will be made public so that the trading activities of LFBe can be readily identified.

Fire Industry Overview

Introduction:

The fire industry can be characterised by a range of interrelated segments that range from inputs for fire safe design and operations in the modern world, through the provision of emergency planning and response services for when fires occur, to a range of post fire event investigation and development outputs. Across this spectrum of activities there is, to varying degrees, a research programme to further knowledge and practice. The public sector involvement is in their main related to delivering services that satisfy statutory provision of emergency planning and response services, alongside enforcing a regulatory fire safety framework. The private sector tends to be involved in the input and output sides of the spectrum, however in recent years there is an increasing trend for public/private partnership and contracting arrangements for provision of specific services that support emergency response such as training, equipment, premises and communications.

LFB is a public sector body, structured to deliver statutory fire and rescue services for London and to enforce fire safety regulations. There are other statutory duties it carries out, in particular, promoting fire safety and investigating fires. *In delivering these services for over 150 years on a scale required for the Capital, LFB has an unparalleled breadth and depth of experience which can be accessed by LFBe.* In addition, many of the private sector providers of other input and output services in the industry are based in London and potentially accessible for LFBe.

Trends:

Social and political –

The fire problem is one in which general society has an interest for two prime reasons, firstly the economic losses from fire can be significant if unchecked and therefore government has legislated for provision of fire services and a regulatory framework for fire safety. Secondly, fire causes deaths and injuries in society, and although these are significantly lower now than as was the norm in the



20th century there is still a desire to reduce further the impact of fire on citizens. As with other politically driven agendas there is an ongoing drive for efficiencies in the publicly funded components of the industry, and across the UK a range of models exist, with those in the devolved administrations and the metropolitan areas tending to be accepted as effective models. Across England there are currently 46 different public fire authorities based on local government areas. In the private sector there is a growing involvement in fire, notably in the provision of technical services to support the increasingly complex design of the built environment and also in the provision of training for, and assurance of, compliance with fire safety regulations.

There is therefore potential for LFB experience to be utilised in consultancy and training services that can be offered to both public and private clients.

Technical – The advance of technological solutions to broader issues is having a significant impact on the fire sector, and at times it is a significant challenge to achieve agility across the industry to respond in a coordinated way. For example, the design and construction of urban spaces that serve as a combination of residential, commercial and public use, designed in architecturally innovative ways using new types of construction methods and materials. Other examples include the construction of mass transit systems and transport interchanges, along with developments in communications technology and social media. The inability of the industry to respond in an agile way is largely due to under developed linkages between the various discreet segments. As a result of the vast amount of development and change in the Capital the FLFB has been exposed to these challenges and is well placed to advocate on how improvements can be made across the segments.

There is therefore potential for LFB experience to be utilised in consultancy in partnership with other influential bodies that can be offered to both public and private sector clients.

Governance –

Aside from the obvious government influences at central (policy) and local (delivery) levels, there is little formal governance over the industry. The most influential bodies are a mixture of professional and trade organisations as follows:

The Fire Protection Association (FPA) – a body for commercial organisations that certifies services and products in the realm of fire protection services, service providers and manufacturers, offering approvals and individual and corporate membership.

The Institution of Fire Engineers (IFE) – a body that is registered as a professional engineering institution with the Engineering Council UK, that provides a range of accreditation and examination services relating to competence in the industry, as well as being an international hub for technical excellence across all segments. Offering individual and corporate membership

The National Fire Chiefs Council (NFCC) – a body which is restricted to those leading the provision of fire and rescue services, almost exclusively in the public sector. Sets the nationally agreed levels of performance and competence to satisfy the governments legislative framework, although these are not mandatory for individual fire and rescue services to adopt. The key point of contact for government on statutory fire issues.

The Fire Sector Federation (FSF) – a body that is a mutual federation of bodies that aims to represent all segments of the industry, and from all perspectives including the technical, social and political



elements. The body is however incomplete and the mutual and voluntary nature of its constitution means that the federation suffers from an imbalance and lack of strategic clarity of purpose. If more structured the FSF has significant potential as an integrating body.

LFBe positioning:

Based on the industry as described above LFBe is in theory able to bring the reputation and experience of LFB to bear on the entire spectrum of activity within the industry to varying degrees. The precise areas of focus of this plan need to be considered alongside the immediate short term needs to establish the LFBe brand in the market, maximise cash flow and minimise overheads. To achieve this the potential to become involved in areas of the industry close to the core role of LFB would seem logical, and as noted above these can be defined as training and consultancy opportunities.

Other opportunities to build upon the generic public reputation of the LFB brand after also sensible areas to exploit, and this includes general merchandising as well as significant LFB assets such as its museum and image library.

There is a marketing value in relating the activities of LFBe to providing additional funding to LFB from its profits, and although the company has no interest in how LFB use this additional income, it is intended within LFB that it be used to support community initiatives such as the fire cadet scheme.

Competition:

Competition exists in both the training and consulting arena. In training there are a range of suppliers that range from small companies typically consisting of ex fire service staff delivering relatively low volume and basic level fire safety training. There are also larger companies offering what would be a direct competing product with LFBe, however none of these can offer the LFB association. This would suggest that LFBe should focus more on higher end clients where association with the LFB brand will be seen as both an assurance of quality and also as a desired reputational benefit. LFBe would seek to create, in association with a professional body, an accreditation system so that any supplies of LFBe training would be recognised as having met the high levels of quality we want associated with the brand.

Consulting competition is more wide ranging, with a significant number of very credible and high-profile specialist consultancies in operation, the majority of which focus on the engineering design of complex buildings and their fire safety strategies at the design stage. This is not a natural option for LFBe because of the difficulty in resourcing any contracts from within a very small and highly utilised team of fire engineers in LFB. There is also a natural conflict as LFB is also an approval body for the designs in question. Other specialised consultancy providers exist, but none can match the currency and experience that LFBe can access through LFB. *This would suggest that LFBe concentrate on specialised consultancy directly linked to the core role of LFB.*



In summary the areas that seem most appropriate to focus on are:

- **Training to high end clients in fire safety awareness**
- **Consultancy in specialist areas**
- **Partnerships with other bodies aimed at integrating services across the industry**
- **Marketing the public value of the LFB brand through merchandise and other initiatives such as the museum and image library**

Potential Income by year

The following are outline financial forecasts for the three year period. They are not financial targets, and illustrate the current understanding of the potential markets that can be accessed.

These forecasts are based on estimations detailed in appendix one. This shows the detail of particular contracts in place or in the process of being negotiated at the time of writing.

There is a requirement for suitable investment to be applied to the company in the early years, and the newly appointed director with finance and accounting background will develop investment cases and also refine the various projections

Based on the comments above in the three years of the plan the potential financial profit are estimated to be:

2018/2019	£500 000 - £1 000 000
2019/2020	£1 000 000 - £2 000 000
2020/2021	£2 000 000 - £3 000 000

Directors will refine these potential profit predictions throughout the course of the plan depending on other variables, particularly investment opportunities, and report routinely to the shareholder representative and the London Fire Commissioner.

Resourcing

Human resources to deliver the services offered will be from a range of sources that include:

1. LFB staff
2. LFB associate
3. Third party contractors
4. A small LFB associate team

LFB Associate

The quality and availability of capacity to deliver commitments when the company consider entering into contracts is fundamental to the decision-making process of the directors.



In some cases the capacity can be obtained from within LFB, however this can be high cost when all the necessary publicly funded overheads are taken into account, and moreover it requires a capacity and commitment to be employed away from the day job that will often not be possible due to the priority of the core LFB roles of those who might otherwise be able to assist in delivery. A service level agreement governs occasions when this method is used.

The company will therefore seek to create a network of suitable qualified and experienced associates who can be engaged on behalf of LFB to provide delivery capacity. These associates will cover a range of professional fire sector skills and in many cases these will be individuals with a significant background within LFB, thereby reinforcing the value attached to the LFB brand by clients.

The associate programme will include rigorous standards relating to professional qualification, experience and suitability to be engaged on behalf of the company. As part of this individuals will be required to demonstrate how they are maintaining their individual continuous professional development and will also be required to operate within a commercial contracted context.

Merchandising

Brand licensing of LFB logo and images: Working with the LFB communications department, in the next 3 years we will focus on the following:

- Year 1: Book on fire rescue dogs published by Penguin Random House (details below).
- Year 1 and 2: Depending on the success of the book, one product spin-out e.g. brand licensing to the manufacturer of quality soft toy to produce rescue fire dog toys to be sold at Hamleys/Harrods/John Lewis etc.
- Year 1-3: Development of products for the new LFB museum due to be opened in 2021

Book on fire rescue dogs: A memoir of their life and time spent working with the London Fire Brigade, covering their training, their heroic work on the ground investigating fires. It will also include the important work the London Fire Brigade carries out in keeping the public safe (See appendix 1) .



Milestones

The table below indicates the key milestones identified by directors:

Activity	Customer Base	Our USP	Potential barriers to entry	Sales and marketing plans	Milestones	
External training	We will be targeting large companies with substantial London based staff. The Directors of LFB are not planning to look beyond Greater London during this phase.	The quality of our services and the association with LFB	Competition from a myriad of different companies providing training (see above)	To be charged at a premium price. A pipeline of potential companies will be and we will be approaching them on a one-to-one basis. Endorsements from existing clients – eg Wimbledon LTA	March 2018	Initial pipeline of companies to be approached. NB: Pipeline will be updated regularly.
					March 2018 onwards	Meetings with key people in potential client companies
					May 2018	Revision of website to reflect new marketing focus
					Jul 2018	Accreditation system in place
					Mar 2019	Review of progress
					June 2019	Review of progress
					Sept 2019	Review of progress
					Dec 2019	Review pricing structure



Activity	Customer Base	Our USP	Potential barriers to entry	Sales and marketing plans	Milestones	
Internal training	Currently offered in conjunction with CAPITA at the Fire Service College. Capita provide facilities and administration, LFB deliver the training	The quality of our training and the association with LFB	Currently being delivered using CAPITA facilities. May be resistance to LFB offering the same service independently. Need favourable endorsement from NFCC	Negotiation with CAPITA to either broaden the scope or take over contract once it is ended	April 2018	Start working on training outline
					April 2018	Start negotiation with CAPITA
					Jan 2019	Training programme ended
					Oct 2018	Approach current users of CAPITA training programme
					Jan 2019	Start offering revised training programme
					June 2019	Review training
Consultancy	Suppliers/Owners/Operators of large infrastructure and public projects	The quality support of LFB	Any large organisation carrying out due diligence would look at our annual accounts and wonder if we were able to handle large accounts.	Word of mouth and networking. Applying to publicly announced tenders and endorsements from existing clients	March 2018	Prepare infrastructure to be able to offer consultancy
					April 2018	Set up pipeline of potential clients
					May 2018	Start approaching potential clients



Activity	Customer Base	Our USP	Potential barriers to entry	Sales and marketing plans	Milestones	
Merchandising	Members of the public	The association with LFB	Risk of ending up with unwanted material	Franchised brand name/logo. Online and via museum shop	March 2018	Sign contract with Penguin
					May 2018	Launch of Fire Rescue Dog book
					Nov 2018	Review of sales progress of book
					May 2019	Review of sales progress of book
					June 2019	Merchandising plan for other products
					July 2019	Implementation of merchandise plan
					Jan 20121	Museum launch?



Risk Assessment

Directors have carried out a risk assessment and identified key control measures and risk owners as detailed below:

RISK REF	UNTREATED RISK RATING	DESCRIPTION	CONTROL MEASURES	STATUS OF CONTROL MEASURE	LEAD DIRECTOR	CURRENT RISK RATING
01	HIGH	INSUFFICIENT CASHFLOW	<ul style="list-style-type: none"> • Business development focus on low overhead training delivery in Greater London area to minimise cost and maximise receipts • Business development focus to major on consultancy and other training opportunities to generate cash flow in the short to medium term • Business development focus to develop merchandising in the short to medium term • Securing additional new business through use of dedicated new business sales resource • Monitoring of accurate financial management accounts • Opportunities to review existing 	<ul style="list-style-type: none"> • DEFINED IN BUSINESS PLAN • DEFINED IN BUSINESS PLAN • DEFINED IN BUSINESS PLAN • NO RETURN AS YET (FEB 18) ON NEW BUSINESS ACTIVELY BEING SOUGHT THROUGH SERVICE CONTRACT • NOT ADDRESSED • TO BE DONE WHEN 	LS LS LS ALL NED(F)	HIGH

			<p>contracts at renewal dates and maximise returns</p> <ul style="list-style-type: none"> • Appointment of NED with strong financial credentials to oversee financial strategy 	<p>CONTRACTS REQUIRE RENEWAL</p> <ul style="list-style-type: none"> • APPOINTMENT IMMINENT 	<p>ALL</p> <p>LS</p>	
02	MED	INABILITY TO RESOURCE CONTRACTS	<ul style="list-style-type: none"> • Development of associate network to call off when required • SLA with LFB to clarify expectations when LFB resources form part of a contract 	<ul style="list-style-type: none"> • IN PROGRESS • SLA AGREED BUT NOT TESTED 	<p>SH</p> <p>LS</p>	MED
03	HIGH	INSUFFICIENT POLITICAL LIAISON	<ul style="list-style-type: none"> • Decision making process to include consideration of shareholder values • Regular contact between board chair and shareholder representative • Routine reporting on progress to LFB Commissioner and LFEPA (post April 18 Deputy Mayor for Fire and Resilience) • Engagement of shareholder representative in potentially sensitive decisions 	<ul style="list-style-type: none"> • DECISION MAKING PROCESS IN USE • REGULAR MEETINGS TAKE PLACE • REPORTING IN PLACE (REVIEW IN APRIL WITH NEW DEPUTY MAYOR) • DECISION MAKING PROCESS REQUIRES THIS 	<p>ALL</p> <p>LS</p> <p>LS</p> <p>ALL</p>	LOW
04	MED	STATE AID	<ul style="list-style-type: none"> • Audit by Mayors Office for Police and Crime and action plan on recommendations • Independent financial audit • Independent legal counsel on 	<ul style="list-style-type: none"> • ACTIONS IN BUSINESS PLAN AND THIS ASSESSMENT • NOT ADDRESSED • IN PROGRESS 	<p>ALL</p> <p>NED(F)</p> <p>LS</p>	MED

			<ul style="list-style-type: none"> contracts Participation in National Fire Chiefs Council committee on trading companies Director awareness and competence 	<ul style="list-style-type: none"> NOT ADDRESSED BOARD AWARE AND DUE DILLIGENCE 	SH/PT ALL	
06	HIGH	INCOMPLETE BOARD STRUCTURE	<ul style="list-style-type: none"> Appointment and contribution from experienced and qualified chair Appointment and contribution from experienced and qualified commercial director Appointment and contribution from NED with Financial experience at Chartered Accountant level of professionalism Balance of commercial, financial and technical experience of directors 	<ul style="list-style-type: none"> IN PLACE AND ONGOING CONTRIBUTION IN PLACE AND ONGOING CONTRIBUTION APPOINTMENT IMMINENT PENDING NED(F) APPOINTMENT 	LS SL LS LS	MED
07	MED	LACK OF CREDIT RATING AND WEAK ACCOUNTS	<ul style="list-style-type: none"> Appointment of independent accountant and financial audit Growing portfolio of contracts Establishment of dedicated banking facilities and use of credit lines 	<ul style="list-style-type: none"> NOT ADDRESSED INITIAL PROGRESS MADE NOT ADDRESSED 	NED(F) ALL NED(F)	MED
08	MED	DAMAGE TO LFB REPUTATION	<ul style="list-style-type: none"> Decision making process to include consideration of LFB 	<ul style="list-style-type: none"> DECISION MAKING PROCESS IN USE 	ALL	MED



			<ul style="list-style-type: none"> reputational issues Active management of information to internal LFB staff through LFB communications contact Active management of information to public domain through website Published transparent register of contracts Adoption of LFB organisational values to the business of the company Directors awareness of LFB and broader Fire and Rescue Service policy and operational issues 	<ul style="list-style-type: none"> INITIAL PROGRESS MADE NOT ADDRESSED INITIAL PROGRESS MADE UNDERSTOOD BY DIRECTORS UNDERSTOOD BY DIRECTORS 	<p>LS</p> <p>ALL</p> <p>ALL</p> <p>ALL</p> <p>ALL</p>	
09	HIGH	LACK OF STAFFING RESOURCES INHIBITING GROWTH	<ul style="list-style-type: none"> Appointment of a blended chief executive/general manager/support staff function when financial strategy allows Service contract for administrative and general director support Service contract in place for subject matter expert support SLA with LFB for limited administrative support to the board Investigation of potential sse of students, work placements, 	<ul style="list-style-type: none"> NOT ADDRESSED – DEPENDENCY ON FINANCIAL PERFORMANCE IN PLACE IN PLACE IN PLACE NOT ADDRESSED 	<p>ALL</p> <p>LS</p> <p>LS</p> <p>LS</p> <p>ALL</p>	HIGH



			secondees from LFB on development programmes <ul style="list-style-type: none">• Investigation of innovative funding options for support staff costs	• NOT ADDRESSED	NED(F)	
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APPENDIX 1 – DETAILS OF POTENTIAL TURNOVER , COSTS AND PROFITS

	2017	2018	2019	2020
FIRE TRAINING				
Fire safety market growing at 2.4% each year	950,000,000	972,800,000	996,147,200	1,020,054,733
Of which 43% is fire safety activities	408,500,000	418,304,000	428,343,296	438,623,535
Of which 36% are in Greater London	147,060,000	150,589,440	154,203,587	157,904,473
If LFB were to capture 0.75% in 3 years				
First year at 0.25% of market		376,474		
Second year at 0.5% of the market			771,018	
Third year at 0.75% of the market				1,184,284
CONSULTANCY				
	2017	2018	2019	2020
Health and safety market growing at 3.7% each year	1,500,000,000	1,555,500,000	1,613,053,500	1,672,736,480
Of which 50% taken by big companies	750,000,000	777,750,000	806,526,750	836,368,240
Of the remainder 34% are in London	255,000,000	264,435,000	274,219,095	284,365,202
If LFB were to capture 0.75% in 3 years				
First year at 0.25% of market		661,088		
Second year at 0.5% of the market			1,371,095	
Third year at 0.75%				2,132,739

**BOOK PUBLICATION**

	2017	2018	2019	2020
Upfront payments				
UK		25,000		
Poland 5000 euros		4,400		
Germany 30000 euros		27,000		
Royalties - Assumes average 20k sales (as per BookScan)				
UK assuming 20,000 books at £12.99 at 7.5% royalty		19,485		
Poland assuming 20,000 books at £10 at 6% royalty			12,000	
Germany assuming 20,000 books at £10 at 7% royalty			14,000	
Totals		75,885	26,000	-

**POTENTIAL PROFITS**

	Year 1	Year 2	Year 3
Income			
Fire Services College	30,000	50,000	75,000
External training (see assumptions)	376,474	771,018	1,184,284
Consultancy (see assumptions)	661,088	1,371,095	2,132,739
Product endorsement assuming 20% increase p.a.	75,000	90,000	108,000
Penguin	75,885	26,000	
Other merchandise assuming 20% increase p.a.		25,000	30,000
Total	1,218,446	2,333,113	3,530,023
Expenditure			
Fire Services College costs assuming 3% increase p.a.	-107,000	-139,100	-180,830
External Training costs incl equipment	-12,500	-16,250	-21,125
Bank charges	-1,200	-1,560	-2,028
Travel and subsistence	-6,000	-7,800	-10,140
Governance costs	-20,000	-26,000	-33,800
Admin support	-12,000	-15,600	-20,280
Business Development Support	-120,000	-156,000	-202,800
External support costs	-25,000	-32,500	-42,250
Exhibition and marketing costs incl website	-5,000	-6,500	-8,450
Insurance	-4,000	-5,200	-6,760
LFB recharge from previous FY	-30,000	-39,000	-50,700
Equipment	-5,000	-6,500	-8,450
	-347,700	-452,010	-587,613
Potential profit p.a.	870,746	1,881,103	2,942,410

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