



Report title

London Fire Brigade Enterprises Business Plan 2018-2021

Meeting	Date
Resources Committee	16 March 2018

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Director of Finance and Contractual Services	FEP 2829

Public

Summary

This report presents the London Fire Brigade Enterprises (LFB) 2018-21 business plan. The plan has been written by directors of the company in consultation with the shareholder representative for LFEPA. The report informs members of the intentions and situation of the company, in particular it outlines ownership and legal aspects including the change to the shareholder from LFEPA to the London Fire Commissioner. The mission and objective of the company is explained, including information on the directors in place and their credentials, market positioning and ethical trading. Financial forecasts for the period 2018-21 are included along with key milestones and risk information. The paper recommends approval of the business plan by LFEPA as the shareholder.

Recommendation

That the Committee, on behalf of the Authority (as shareholder of the company), approves the proposed Business Plan for LFB for the period 2018-2021.

Background

1. The business plan is presented by the chair and board of directors of LFB as the intended means to deliver the objectives of the company for the benefit of LFEPA. These objectives are:
 - a. To operate as going concern and generate profit
 - b. To distribute profit in the most efficient way for the benefit of LFEPA
 - c. To operate in a way that is complimentary to the values of the Mayor of London, LFEPA, to be followed by the Deputy Mayor for Fire and Resilience and the London Fire Commissioner, the GLA, LFB and public sector trading entities in general.
 - d. To capitalise on the reputation, skills, knowledge and experience of LFB

2. As members will be aware the Commissioner recruited a new chair of the company in 2017. This followed a competitive selection process focussed on experienced business management skills developed in the private sector. The new chair has since recruited two new directors to the board using a similar approach. The new board is now a blend of experienced individuals who between them have a strong background in the necessary commercial, technical and sector specific aspects relevant to the company. The board has recently been strengthened further by the appointment of an experienced director specialising in the financial aspects of business.
3. The business plan identifies the risks to successful delivery and achievement of the objectives, and details current and proposed controls to mitigate risk.
4. Financial targets are provided for each of the areas of business activity proposed, and progress against these will form part of routine reporting to the shareholder representative and formal reports to the London Fire Commissioner from 1 April.
5. The business plan is at appendix one. The following sections explain in more depth some of the key areas of the plan

Mission of the company

6. The mission of LFBc 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.
7. In practice this means entering into formalised contractual arrangements which generate profit. The choice of these contracts is a matter for the directors of the company, however as explained elsewhere in this report due consideration is given to the wishes and expectations of the shareholder, and also to the concept of ethical trading.

Directors in place

8. 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 five:
 - Leonor Stjepic (Chair)
 - Steve Hamm (Vice Chair)
 - Swen Lorenz
 - Paul Trew
 - Louise Playford
9. All the Directors are Non-Executives with other 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.
10. In making business decisions the chair and other LFBc directors can draw upon a broad and significant blend of commercial and fire sector experience.

11. The single shareholder of the company is currently LFEPA, and that will transfer to the London Fire Commissioner on 1 April 2018 when it is created and LFEPA is abolished.

Market positioning

12. The business plan details the focus of business activity for the next three years, and it outlines how these areas have been selected as the main areas to be exploited

13. 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 these can be defined as training and consultancy opportunities.

14. Other opportunities to build upon the generic public reputation of the LFB brand are also sensible areas to exploit, and this includes general merchandising as well as significant LFB assets such as its museum (in particular its planned move to the 8 Albert Embankment site) and image library.

15. 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.

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

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

Ethical trading

17. LFBe 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.

18. 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 authority position. Where potential conflict is identified, it will be considered within the decision-making model used by the directors, and the shareholder representative will be consulted.

19. 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 LFBc can be readily identified.

Financial forecasts

20. 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.

21. These forecasts are based on an established methodology for start-up businesses whereby the potential market value is estimated, and a percentage applied to the various market segments on which the plan has a focus. The business plan appendix details a breakdown of the current and potential contracts to support the forecasts. This includes potential income from the following:

Training: 376k year one, 771k year two and 1184k year three

Consultancy: 661k year one, 1371k year two and 2132k year three

Publications: 78k year one, 26k year two

Costs are also estimated for each of these years and detailed in appendix one. They range from 347k in year one to 587k in year three

22. 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

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

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

24. 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.

Risk and milestones

25. The business plan contains a full risk assessment of the companies activities, and also contains detail of the key milestones set for the period of the plan. Notable risks are those related to cash flow and the need to grow capacity to deliver contract opportunities. Other risks identified are related to areas such as state aid, board resources and reputation

26. Milestones are included for each of the main areas of focus suggested in the plan and these will be monitored by the board and reported to the shareholder representative.

Head of Legal and Democratic Services comments

27. The Articles of Association of London Fire Brigade Enterprises Limited requires a business plan to be produced on an annual business plan in advance of the financial year to which it relates, which must include financial reporting and business objectives and be approved by the Shareholder's Representative. The proposal in this report is intended to satisfy this requirement.

Director of Finance and Contractual Services comments

28. This report presents the LFB Business Plan for the next three financial years. The plan includes outline financial profit forecasts for each year, with £0.5m to £1.0m in 2018/19, £1.0m to £2.0m in 2019/20 and £2.0m to £3.0m in 2020/21. These forecasts are based on a methodology identified by LFB directors for start-up businesses using estimated potential market value, and applying a percentage to the various market segments on which the plan has a focus. Forecasts at this level represent a step change in the level of LFB business.

29. The LFEPA budget for 2018/19 includes an income budget of £170k for estimated recharges made to LFB, for work done by LFEPA staff. The recharges since the company was formed have been £552k. The LFEPA budget does not currently include any assumptions regarding LFB income levels and any potential dividend payments. The budget for income from LFB will be reviewed as part of the budget process and revised for future years as necessary, as work progresses at LFB.

Sustainable Development implications

30. The sustainable development implications of the planned activities for the company will be considered as they are progressed in line with LFB's objective to operate in a way that is complementary to the values of the Mayor and the LFC.

Staff Side Consultations undertaken

31. The LFB Chair has completed a programme of engagement meetings with key LFB staff, this will continue as the company's activities are developed.

Equalities implications

32. The equalities implications of the planned activities for the company will be considered as they are progressed in line with LFB's objective to operate in a way that is complementary to the values of the Mayor and the LFC.

List of Appendices to this report:

1. LFB Business Plan 2018-2021

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents - none	
Proper officer	Director of Finance and Contractual Services
Contact officer	Steve Hamm
Telephone	020 7587 30181
Email	Steve.hamm@london-fire.gov.uk