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Title: LFB COVID-19 Budget Review

Executive Summary

At the Budget and Performance Committee meeting on 22 September 2020 the Committee resolved:

That authority be delegated to the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, to agree any output from the meeting.

Following the meeting, the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, agreed the Committee's report entitled *COVID-19 and the London Fire Brigade's finances*, as attached at Appendix 1.

Decision

That the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, agree the Committee's report entitled *COVID-19 and the London Fire Brigade's finances*, as attached at **Appendix 1**.

Assembly Member

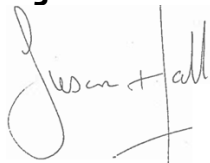
I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature

Date

12 January 2021



Printed Name Susan Hall AM (Chairman, Budget and Performance Committee)

Decision by an Assembly Member under Delegated Authority

Notes:

- 1. *The Lead Officer should prepare this form for signature by relevant Members of the Assembly to record any instance where the Member proposes to take action under a specific delegated authority. The purpose of the form is to record the advice received from officers, and the decision made.*
- 2. **The 'background' section (below) should be used to include an indication as to whether the information contained in / referred to in this Form should be considered as exempt under the Freedom of Information Act 2000 (FoIA), or the Environmental Information Regulations 2004 (EIR). If so, the specimen Annexe (attached below) should be used. If this form does deal with exempt information, you must submit both parts of this form for approval together.**

Background and proposed next steps:

The Mayor’s Final Budget for 2020-21 was published in March 2020. Since then the COVID-19 pandemic has resulted in the largest economic crisis to face London since the Second World War.

The Mayor is anticipating losing £493 million of business rates and council tax income in 2020-21 and 2021-22, which would require significant cuts to the budgets of all Mayoral bodies. In June the Mayor asked the Greater London Authority (GLA) and its functional bodies to immediately repurpose their agreed 2020-21 Budget, to deliver in-year savings and efficiencies leading to a fundamental realignment of the GLA Group’s activity to support London’s recovery from the impact of COVID-19.

As a result, the Budget and Performance Committee held a series of meetings in September and October to review the impact this would have for the GLA Group. The meeting on 22 September 2020 was used to discuss future spending plans with the Deputy Mayor for Fire and Resilience and the London Fire Commissioner.

At the meeting on 22 September 2020 the Committee resolved:

That authority be delegated to the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, to agree any output from the meeting.

Following the meeting, the Chairman, in consultation with party Group Lead Members and Caroline Pidgeon MBE AM, agreed the Committee’s report entitled *COVID-19 and the London Fire Brigade’s finances*, as attached at Appendix 1.

The Committee’s report will be reported back to the next suitable meeting of the Budget and Performance Committee, currently scheduled for 3 March 2021.

This delegation will also be used for a separate report covering the Mayor’s Office for Policing and Crime, which was also discussed at the Committee meeting on 22 September 2020.

Confirmation that appropriate delegated authority exists for this decision

Signed by Committee Services



Date 19 November 2020

Print Name:

Laura Pelling

Tel:

X. 5526

Financial implications NOT REQUIRED

NOTE: Finance comments and signature are required only where there are financial implications arising or the potential for financial implications.

Signed by Finance Date

Print Name Tel:

Legal implications

The Transport Committee has the power to make the decision set out in this report.

Signed by Legal  Date 19 November 2020.....

Print Name Emma Strain, Monitoring Officer Tel: X 4959

Supporting detail/List of Consultees: Len Duvall AM (Deputy Chair), Siân Berry AM, Caroline Pidgeon MBE AM

Public Access to Information

Information in this form (Part 1) is subject to the FoIA, or the EIR and will be made available on the GLA Website, usually within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** this form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 – Deferral

Is the publication of Part 1 of this approval to be deferred? No

Until what date: (a date is required if deferring)

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA or EIR should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - No

Lead Officer/Author

Signed



Date 11 January 2021

Print Name

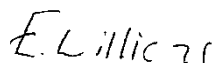
Gino Brand

Tel: 07511 213765

Job Title

Senior Policy Adviser

Countersigned by
Executive Director



Date 11 January 2021

.....

Print Name

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COVID-19 and the London Fire Brigade's finances

Budget and Performance Committee

LONDONASSEMBLY

Budget and Performance Committee



Susan Hall AM
(Chairman)
Conservatives



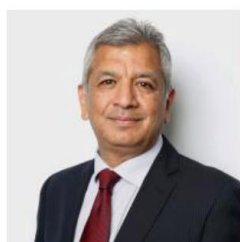
Dr Alison Moore AM
Labour



Len Duvall OBE AM
(Deputy Chair)
Labour



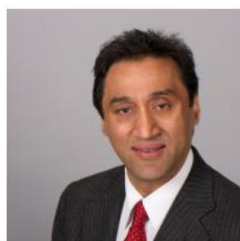
Tony Devenish AM
Conservatives



Unmesh Desai AM
Labour



Sian Berry AM
Greens



Dr Onkar Sahota AM
Labour



Caroline Pidgeon
MBE AM
Liberal Democrats

The Budget and Performance Committee holds the Mayor to account for his financial decisions and performance across the Greater London Authority. It is responsible for scrutinising the Mayor's budget proposals and carrying out investigations across the Mayor's various policy areas, such as transport, police, fire, housing, and regeneration

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Foreword



Susan Hall AM

Chairman of the Budget and Performance Committee

Over the past few months, the London Assembly Budget and Performance Committee has reviewed the Greater London Authority (GLA) Group Budget following the substantial impact that the COVID-19 pandemic is projected to have on its finances.

The London Assembly has a responsibility to ensure that taxpayers' money is spent in a way that provides the best service for Londoners. In light of the budget issues facing the GLA, our Committee reviewed the London Fire Brigade's (LFB) budget, future plans, and the London Fire Commissioner's (LFC) transformation programme.

Since the tragic Grenfell Tower fire in 2017, and the critical watchdog report from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services late last year, it became evident that the LFB needed swift change. Now under new leadership, Commissioner Andy Rowe has promised to deliver a transformation programme to make the LFB more efficient to better protect Londoners across all areas of the city.

Like with anything, real change requires money—for training, equipment, and employees. The problem is, from our Committee's review, that the Commissioner faces real challenges.

The COVID-19 pandemic has had a significant impact on the GLA's finances and subsequently on the LFB's finances. First the loss of funding followed by in-year cuts required, and then the additional costs from cleaning stations to providing correct Personal Protective Equipment (PPE). There is no argument that this extra spend was needed; firefighters must be kept safe. But it all comes at a cost.

Like many public services across the UK, the LFB has not been spared from the economic damage caused by the pandemic. This has partly been a result of the crisis' broader impact on the GLA's finances. However, it is also a consequence of the LFB's own lack of prudent financial management and long-term financial strategy.

This year has been tremendously difficult for everyone financially and what's needed is long-term planning to help steer organisations like the LFB out of a sea of uncertainty.

Before the COVID-19 pandemic, our Committee was concerned by the LFB's overspend on overtime for firefighters and reliance on Government funding for LFB's employee pension plans. These budget issues are not going away. There's no magic money tree to get the LFB's budget back on track. Last year, we encouraged the LFB to urgently resolve this issue on overspend, as it will not solve itself.

The Commissioner must urgently look at how he's going to use his budget given the constraints in the short, medium, and long-term. The LFB cannot afford to have any budget issues as we continue to deal with COVID-19, particularly not if the Commissioner is to deliver the truly transformational programme the Grenfell legacy demands.

As this report highlights, there is little appetite from the leaders of the LFB to change direction. Tough times require tough decisions, and it is time those in charge of providing fire safety services take measures to ensure that the funding gap is closed. To this end, it is vital that the Commissioner takes forward the recommendations of this report in the upcoming 2021-22 Budget. Failure on this front would diminish the invaluable role the LFB provides, serving the people of London.

Executive Summary

The London Fire Brigade (LFB) provides vital frontline services to protect the capital's 8.6 million residents. It is a pivotal frontline service, aiming to work with local communities across the capital to promote fire, road and water safety to keep Londoners safe. As well as responding to fires, the LFB also provides specialist services, which include attending emergencies such as floods and road traffic collisions.

In recent years, the role and presence of the fire service has had renewed significance and complexity. In particular, the Grenfell tragedy in 2017 has increased demands on the service. Since this tragic event, and Her Majesty's Inspectorate of Constabulary and Fire & Rescue Services highly critical report into how the LFB operates, it has finally begun a much-needed transformation programme.

However, the COVID-19 pandemic has hampered the London Fire Commissioner's financial capabilities, both from the impact of the pandemic on the fire service itself and on the wider GLA Group's finances. This means that the fire service will be required to make significant savings in this year, and in subsequent years.

This report highlights a number of concerns that the London Assembly Budget and Performance Committee has found through a review of the London Fire Commissioner's finances over the last few months and acknowledges the areas in which progress has been made.

The COVID-19 pandemic has led to additional costs for the London Fire Commissioner, from cleaning stations to providing officers with correct Personal Protective Equipment (PPE). There have also been costs associated with supporting the London Ambulance Service (LAS), though this has been mitigated by discussions with the LAS about cost recovery in this area. Although the LFB has said that lessons have been learnt and "appropriate actions" will be taken to mitigate any further costs associated with the pandemic, the Committee expects to see detailed plans. This comes at a time when the demands on the Brigade are increasing. COVID-19 has created new challenges, the impact of regulatory reform after Grenfell continues to increase demand on the LFB's resources, and the need to maintain fire call-out attendance times remains essential.

At a time when the wider GLA Group needs to make £493 million of savings as a result of lost income arising from lower council tax, business rates receipts and investment income, the Mayor has decided to impose the smallest proportionate reduction in income to the LFB. At the Thursday 22 October meeting of the Budget and Performance Committee, the Mayor indicated that in order to support the LFB, the Government should:

- Make rapid progress on the concerns around the built environment;
- Implement the Phase 1 Grenfell Inquiry recommendations;
- Provide funding for the £25m pension gap; and
- Provide financial support for the LFB to make sure we have a fire service that:
 - deals with terror attacks,
 - deals with fires in high-rise buildings
 - assists the London Ambulance Service (LAS) in dealing with the pandemic
 - works on prevention.¹

This report also shows the LFB's over-reliance on using reserves to finance budget gaps. The Committee appreciates the use of reserves in the short term to bridge the financial pressures created by COVID-19 without impacting on the ability of the Brigade to keep Londoners safe. However, a continual reliance on reserves risks creating a backlog of savings to be made in subsequent years and is unsustainable in the long term, with worrying implications for the medium-term stability of the service and its ability to fully protect London and Londoners.

During the course of the review, the Committee heard that the LFB has been engaged in conversations with City Hall and is working on lobbying the Government to secure additional funding. The Committee supports the LFB in these lobbying efforts and hopes that further central Government funding is forthcoming. However, the Committee has found little evidence of any other long-term financial plan from the LFB which sets out how future budget gaps will be addressed if government funding is not forthcoming.

Alongside this, the report examines long-standing issues that the LFB has faced, including increasing overtime costs and a pension plan that is contingent on Government funds. COVID-19 has clearly exacerbated overtime costs, and the Committee recognises that the decision over the pensions plan has been further pushed back as a result of the Government's understandable decision to not go ahead with a three-year Comprehensive Spending Review. The Committee is pleased that the LFB recognises these issues need to be resolved but is discouraged by the continued lack of progress to date.

The Committee would like to see further progress in finding savings and generating income in other areas, including the LFB's property portfolio and limited sponsorship income

¹London Assembly Budget and Performance Committee meeting, 22 October 2020, p.45
<https://www.london.gov.uk/about-us/londonassembly/meetings/documents/b20613/Minutes%20-%20Item%205%20Transcript%20Thursday%2022-Oct-2020%2010.00%20Budget%20and%20Performance%20Committee.pdf?T=9>.

opportunities. This could prove to be vital, especially if sufficient Government funding is not forthcoming.

Taken together, these issues will risk limiting the LFB's activities in continuing to provide Londoners with the services they deserve and need.

Recommendations for the LFB's 2021-22 Budget

Recommendation 1

The LFB should outline in its 2021-22 Budget that it has sufficient resources to fund the delivery of its transformation.

Recommendation 2

The LFB needs to outline a sustainable long-term financial strategy that is less reliant on drawing down its reserves.

Recommendation 3

The LFB needs to provide a detailed plan, with timescales, on how overspend on overtime will be driven down in the coming years in to support its final 2021-22 budget.

Recommendation 4

The Committee supports the LFB in its efforts to work with the Government to secure additional funding, however there is no guarantee additional resources will be provided. The LFB must create a contingency plan in case the Government does not provide funding for items such as the LFB's pension allocation for 2021-22. Thereafter, the Government and the LFB must agree a long-term pensions funding settlement.

Chapter one: The LFB’s finances

Recommendation 1

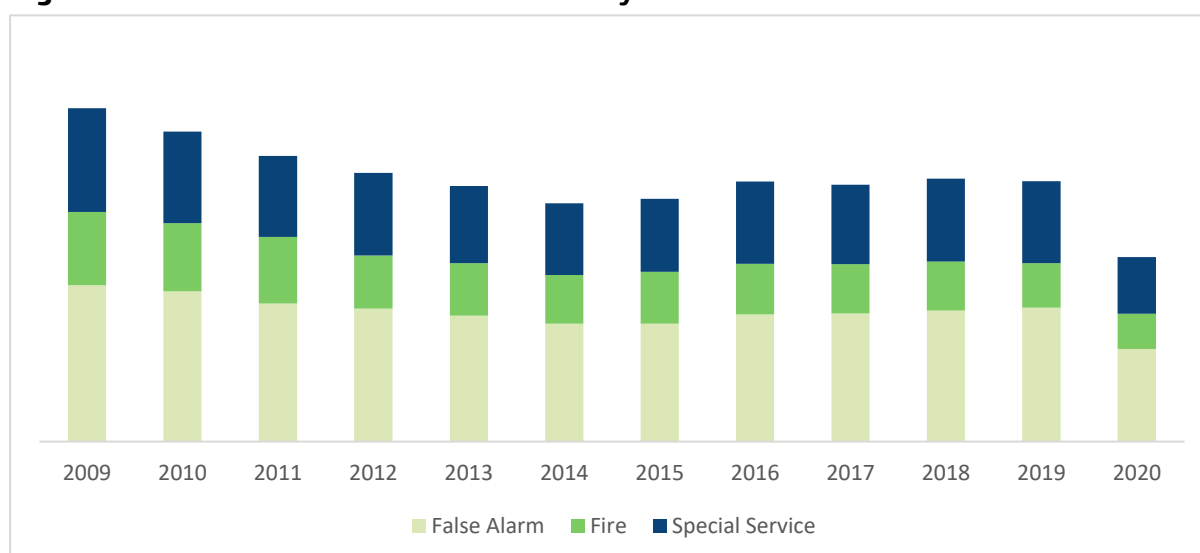
The LFB should outline in its 2021-22 Budget that it has sufficient resources to fund the delivery of its transformation.

The LFB is a functional body of the GLA, headed by the London Fire Commissioner (LFC), Andy Roe. It is responsible for providing vital fire and rescue services in London. The LFC approves all formal decisions about the LFB.

The London fire service is a pivotal frontline service, aiming to work with local communities across the capital to promote fire, road and water safety to keep Londoners safe.

Over the last decade, the number of fire and non-fire incidents that the service has responded to has fallen (see Figure 1). In 2009, the fire service responded to 134,379 incidents, of which 29,591 were fires and 41,797 were incidents which required specialist services. Comparatively, in 2019, the service attended 17,993 fires and 33,053 special service incidents – a respective 39 per cent and 21 per cent decrease. The Committee welcomes the results of the LFB’s preventative efforts that has contributed to this decline.

Figure 1: Number of incidences dealt with by the fire service since 2009.



Source: London datastore: London Fire Brigade Incident Records 2009-2020²

In the last few decades, there has also been a downward trend in the number of fire deaths in

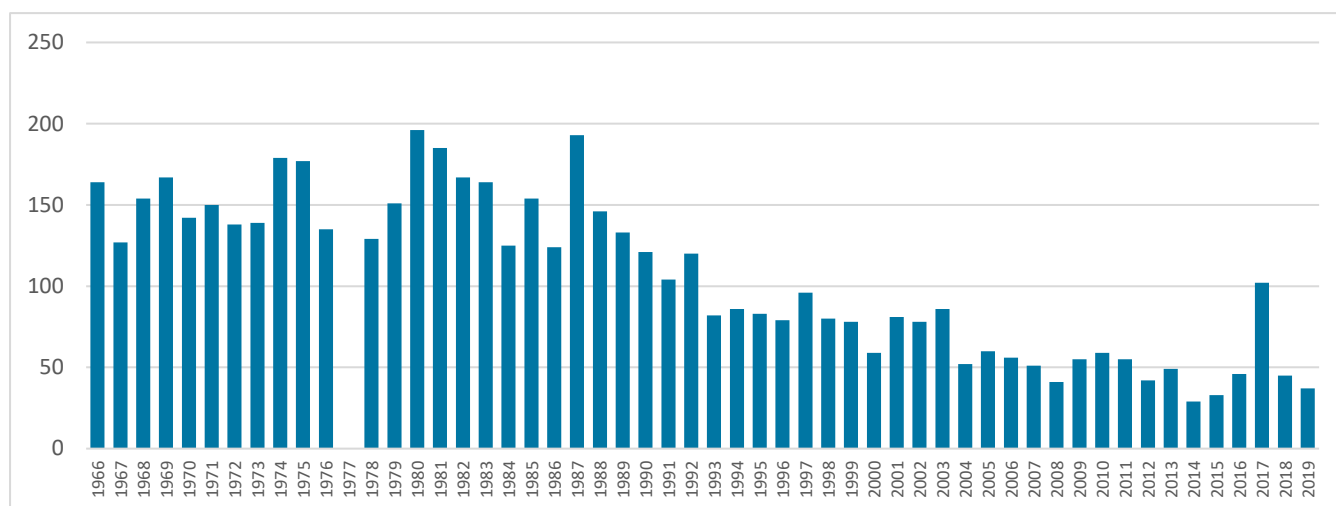
² London Fire Brigade Incident Records 2009-2020 [London-fire-brigade-incident-records](#).

London (see Figure 2). The exception to this was 2017, when the Grenfell tragedy occurred.

Since the Grenfell Tower Inquiry, the LFB's own independent review of the tragedy, along with the critical Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) inspection of the Brigade, the LFB has embarked on what it believes is, an ambitious

transformational programme. The aim of this programme is to articulate a more strategic direction for the Brigade, providing “a strong foundation for 2020 and beyond.”³

Figure 2: Total number of fire deaths in Greater London, since 1966



Source: LFB, Fatal fires in Greater London – Fire Facts (2019)⁴

The COVID-19 pandemic has further amplified the LFB's importance. From assisting ambulance drivers, to collaborating with other blue light services to respond to suspected COVID-19 deaths in the community and transporting PPE across the capital, the fire service has had an active and crucial role during the pandemic, which has extended beyond its traditional duties. The Committee welcomes the way the LFB has stepped up during this time and its collaboration with the LAS is an example of how blue light collaboration can benefit the public sector and Londoners.

“It is fair to say in summary that COVID-19 has had a significant impact on all public services and the LFB is no different in that sense.

**Andy Roe, London Fire Commissioner
Budget and Performance Committee, 22 September 2020.⁵**

However, like many public services across the UK, the LFB has not been spared from the economic damage caused by the pandemic. This has partly been a result of the crisis' broader

³ <https://data.london.gov.uk/dataset/fire-facts--fire-deaths-in-greater-london> NB: Data for 1977 is missing in the graph as it was only available until 31 October 1977 (36, 151 fires and 700 chimney fires) due to a fire service national strike.

⁴ <https://data.london.gov.uk/dataset/fire-facts--fire-deaths-in-greater-london> NB: Data for 1977 is missing in the graph as it was only available until 31 October 1977 (36, 151 fires and 700 chimney fires) due to a fire service national strike.

⁵ London Assembly Budget and Performance Committee meeting, 22 September 2020, <https://www.youtube.com/watch?v=kPWBXyikZJY&t=3436s>

impact on the GLA's finances, but also, as this report highlights, a consequence of the cost of the "ambitious" transformational programme.

Chapter two: Calling in the reserves

Recommendation 2

The LFB needs to outline a sustainable long-term financial strategy that does not significantly rely on drawing down its reserves.

The LFB's budget is set by the Mayor of London. This is alongside the other functional bodies of the GLA, including the Metropolitan Police Service, Transport for London (TfL) and London's development corporations (the London Legacy Development Corporation and Old Oak and Park Royal Development Corporation) which together make up the GLA Group.

The LFB's 2019-2020 Performance

The LFB's gross expenditure in its revised 2019-20 budget was £472 million. This was increased by £17.5 million to £489.5 million in the 2020-21 budget, representing a 3.7 per cent increase. The forecast outturn for 2019-20 was £473.1 million; this therefore represents a change of £16.4 million.⁶

The 2020-21 Budget contained the following components:

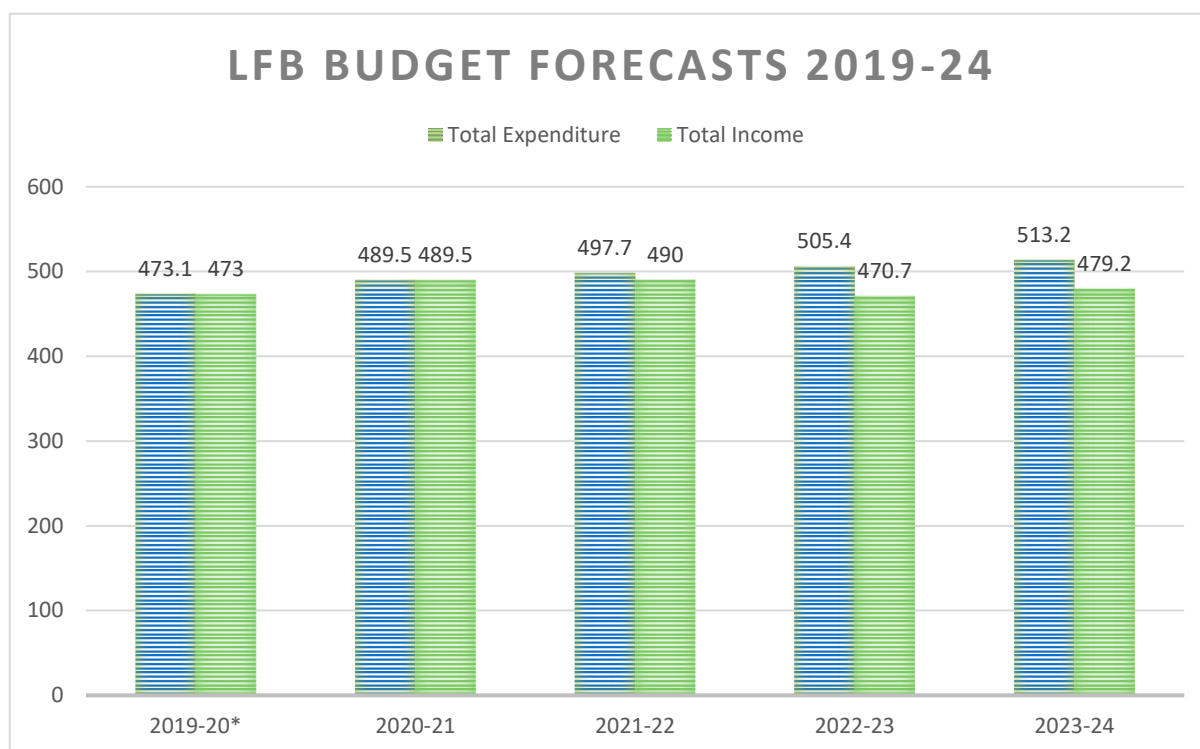
- Planned savings of £3.4 million in 2020-21;
- £11.1 million net increase in service expenditure and income, of which £3 million pays for new staff and £2.2 million for the independent review of training;
- An additional £3.5 million to fund the LFB's transformation programme, which will be funded in 2020-21 and 2021-22 by the LFB reserves and additional money from retained business rates. It was anticipated that the ongoing cost would be met by efficiencies delivered through the transformation programme;
- Net increase in the transfer from reserves of £11.1 million, reflecting the additional use of the Budget Flexibility Reserve (BFR); and
- Net reduction of £2.4 million in specific grants and retained rates, including the impact of a forecast reduction of £2.2 million in specific government grants, compared with 2019-20. The grants cover the funding from the Home Office for additional pension contributions, following the 2015 scheme revaluation, which is assumed to continue into 2020-21.⁷

⁶ GLA, *The Greater London Authority Consolidated Budget and Component Budgets for 2020-21*, March 2020, https://www.london.gov.uk/sites/default/files/finalbudget_march20.pdf, p. 35.

⁷ *Idem*, pp.35-39.

The 2020-21 Budget shows that even before the additional financial costs of COVID-19, the LFB was set to face a growing budget gap, with the gap growing to £34 million by 2022-23 (see Figure 3 below). The majority of this shortfall results from the uncertainty over Government funding for pensions in the coming years.

Figure 3: LFB’s budget gap would have grown to £34 million in 2022-23 and 2023-24 before the impact of COVID-19



Source: The Greater London Authority Consolidated Budget and Component Budgets for 2020-21, March 2020. *outturn only.

2019-20 Financial Performance

The LFB’s 2019-20 outturn report shows that there have been areas of significant over and underspend. In terms of the latter, the report states that LFB’s revenue expenditure outturn position was a £6.3 million underspend.⁸ £3.1 million of this was due to an accounting policy change.

The second most significant driver of underspend (£1.2 million) was in the Fire & Rescue Service staff budget, due to ongoing vacancies and particular challenges recruiting and retaining Fire Safety Inspecting Officers given the higher level of pay for these officers in the private sector.

⁸ LFB, *Draft Outturn Report for 2019/20*, 20 May 2020, <https://www.london.gov.uk/about-us/londonassembly/meetings/documents/s82388/Appendix%204%20-%20LFB%20Q4%20monitoring%20report.pdf>, p. 2.

Other areas of underspend include:

- £0.9 million on hardware and software due to a significant number of orders for equipment and services that could not be delivered due to COVID-19;
- £0.5 million due to a reduction in the overall spend on Mechanical, Electrical and Plumbing planned works compared with the forecast reported by the LFB's Property Services Integrator (KBR) for building maintenance;
- £0.4 million on 'Other Property' services due to a delay in progress of the LFB's Property Transformation project. The report states that the LFB's new Head of Property joined in late November 2019. The slow progress is a potential concern as it is a key area of transformation to deliver savings and service improvements.⁹

The LFB's net revenue underspend masks a number of areas of overspend. Most acutely, the LFB overspent by £1 million on overtime. The LFB noted its average number of vacancies had fallen from 61 at Quarter 3 to 56 at year end in 2019-20.

However, the Committee is concerned that overtime remains a significant driver of overspend and that the LFB has not yet resolved this issue. In the Budget and Performance Committee's meeting on 22 September 2020, the Commissioner indicated that this was related to COVID-19 and the costs of supporting ambulance drivers, noting that the LFB is seeking to work with the LAS to reimburse this cost.¹⁰ The Committee recognises that overtime spends may have been necessary in order to protect the public during the COVID-19 pandemic.

However, the historic overspends on overtime mean this item of expenditure must be addressed. The Committee welcomes that the Commissioner has launched an extensive review of overtime which should shed further light on this issue. In the longer term, the LFB must not rely on compensating underspends to mask its consistent overspending on overtime as this will undermine the LFB's future financial sustainability.

Further key areas of overspend relate to additional training for firefighters, which includes incident command training and firefighter development training. The latter took place to both prepare the workforce for the Grenfell response and reduce firefighter vacancies. It is of concern to the Committee that the LFB is incurring additional expense as a result of its high vacancy level and therefore needs costly temporary backfill arrangements. It is not clear what the LFB is doing to reduce its vacancy level. The Committee is concerned with the Commissioner's answer in the Budget and Performance Committee meeting on the 22 September that this is "not a real strategic issue", when it clearly does represent both a strategic and worrying issue, and an unsolved problem for the Brigade.

⁹ *Idem.*, pp.2-3.

¹⁰ London Assembly Budget and Performance Committee meeting, 22 September 2020.

The 2019-20 outturn position reveals that the LFB's General Reserve stood at £21.4 million, which at 5.1 per cent of Net Revenue Expenditure is higher than the amount that would represent the minimum recommended level of General Reserve, which is 3.5 per cent of the Net Revenue Expenditure, or £14.8m.¹¹ For this reason, the Committee supports the prudent use of reserves in the short term as a way to support the LFB's ambitious transformation plans and to meet the unexpected cost pressures of COVID-19.

COVID-19 and GLA Group finances

The COVID-19 pandemic has had a dramatic impact on the GLA Group's finances, with the Mayor requiring the Group to save £493 million by the end of 2021-22. The Mayor's 2020-21 Budget Guidance, published in June 2020, initially set out three possible funding scenarios for the LFB, all of which assume significant income losses in 2020-21 and 2021-22. This has added to the LFB's cost burden. The three scenarios are illustrated in **Table 1** below.

Table 1: Indicative analysis of LFB funding reductions, under different scenarios

Reductions in Discretionary Mayoral funding control totals	2020-21 £m	2021-22 £m	2020-21 Per cent	2021-22 Per cent
<i>Scenario 1: Council Tax losses assumed of 7 per cent with business rates funding allocations maintained at previously approved levels</i>				
LFB	8.3	8.6	2%	2%
<i>Scenario 2: Funding allocations in line with actual 2020-21 and estimated 2021-22 Government funding baselines</i>				
LFB	10.0	10.0	2%	2%
<i>Scenario 3 (current best estimate): Assumed losses of 7 per cent in Council Tax revenues and reductions of 11 per cent in business rates income by March 2022</i>				
LFB	10.0	15.0	2%	4%

Source: Mayor's Budget Guidance, 2020-21¹²

On 17 September 2020, the Mayor signed Mayoral Decision 2695, which provided a Group-wide reserve of £45.1 million to halve the in-year savings for all the functional bodies, except for TfL and the two development corporations. This means that the LFB's in-year savings target is now a maximum of £5 million.¹³

Based on the Mayor's indicative figures for all GLA areas, under all three funding scenarios, and taking into consideration the halving of in-year savings, the LFB faces the lowest proportionate

¹¹ LFB, *Draft Outturn Report for 2019/20*, 20 May 2020, pp. 6-7.

¹² GLA, *Mayor's Budget Guidance for 2021-22*,

https://www.london.gov.uk/sites/default/files/mayors_budget_guidance_2021-22_final.pdf, 26 June 2020, pp. 10-11. (Table amended to isolate the financial impact on LFB).

¹³ Mayoral Decision 2695, *Allocation of GLA Group reserves in response to COVID-19*, 17 September 2020, https://www.london.gov.uk/sites/default/files/md2695_covid-19_allocation_of_gla_group_reserves_-_signed.pdf

reductions. This, the Budget Guidance states, is in an effort to reduce the impact of these budget cuts on frontline services.

Taking this reduction into account, in its recent quarterly performance update the LFB proposed the following approach to close the 2020-21 budget gap (Table 2).

Table 2: LFB Proposed 2020-21 Budget Gap Approach¹⁴

In year Budget Gap 2020/21	2020/21 £m
In year funding reduction	(10.0)
Forecast overspend	(10.1)
2020/21 Budget Gap	(20.1)
Use of GLA reserves to reduce funding reduction	5.0
In year savings proposals	3.0
Use of BFR – funding reduction ¹	2.0
Use of BFR – forecast overspend ¹	10.1
Revised Budget Gap	0.0

Source: LFB Financial Position as at the end of June 2020

The LFB's most recent quarterly performance update currently forecasts overspend of £10.1 million in 2020-21. In addition, the LFB has acknowledged the £10 million of new funding reductions arising from the revised 2020-21 Budget Guidance. Taken together, the LFB faces a budget gap of £20.1 million in 2020-21 or 4.1 per cent of its budget.¹⁵

The LFB is proposing to reduce its £20.1 million budget gap in 2020-21 by using £5 million of GLA reserves; making £3 million of efficiencies and savings; and using £12.1 million of its Budget Flexibility Reserves (BFR). The LFB is proposing to accelerate its use of the BFR to eliminate most of the 2020-21 budget gap but, as discussed below, this will merely increase the budget gap in subsequent years.

The LFB faces significant in-year financial pressures and its proposed use of reserves risks masking the underlying transformation required in the service.

The LFB is proposing to rely on its GLA reserve allocation and funding from the Home Office to offset a significant proportion of the 2020-21 budget gap. More specifically, the LFB is proposing to accelerate its use of the BFR to eliminate most of the 2020-21 budget gap. The Committee accepts that in the absence of government funding, using reserves is the most

¹⁴ LFB, *Financial Position as at the end of June 2020*, 29 July 2020, <https://www.london.gov.uk/about-us/londonassembly/meetings/documents/s84536/Appendix%204%20LFB%20Financial%20Position%20June%202020.pdf>, p. 9

¹⁵ *Ibid.*

prudent way to cover expenditure arising from Covid-19 in the 2020-21 financial year. As Table 3 below shows, this increases the 2021-22 budget gap by £19.8 million (from £20.1 million to £39.9 million). In previous years, the LFB has taken a similar approach to its use of reserves. In setting its 2020-21 budget in 2019, the LFB planned to use its BFR to eliminate its forecast budget gap in 2020-21 and reduce the gap to £7 million in 2021-22.

Table 3: LFB Revised Budget Gap 2020-21 and 2021-22

	2020-21 (£m)	2021-22 (£m)
Forecast Budget Gap	(24.9)	(45.9)
Planned Draw on Budget Flexibility Reserve	4.8	25.1
Budget Gap - Revised	(20.1)	(20.8)
Update to MTF (Insurance)		1.0
Accelerated Use of BRF	20.1	(20.1)
Revised Budget Gap – After BFR	0.0	(39.9)
Ongoing Pension Grant Received		21.7
Revised Budget Gap – with Pension Grant	0.0	(18.2)

Source: LFB Financial Position as at the end of June 2020

In the context of additional funding pressures, this approach risks establishing increased savings requirements in subsequent years; assumes Government funding that might not materialise; avoids tackling fundamental service transformation and savings; and creates the risk of a financially unsustainable position in the short and medium term. The Committee supports the LFB's efforts in working with the Government to secure funding to cover pension costs. However, if funding cannot be agreed with the Government, the approach risks requiring the LFB to make even greater savings in subsequent years, with less access to the BFR.

There are risks to the LFB proposing to expand its use of BFR to reduce the new budget gap, whilst there has been some evidence of progress in its transformation programme. The recent HMICFRS report suggested there were opportunities for the LFB to reduce wastage and achieve efficiencies. This issue was raised at the Budget and Performance Committee meeting on the LFB Budget in December 2019, where the Committee was keen to understand what the LFB was doing to address this savings opportunity. At the time, it was suggested that a meeting had been scheduled between the HMICFRS Inspector and the Commissioner to explore the issue in "early 2020"¹⁶ but it is unclear what progress has been made since then.

¹⁶ London Assembly, Budget & Performance Committee Meeting, 18 December 2019, <https://www.london.gov.uk/about-us/londonassembly/meetings/documents/b19266/Minutes%20-%20Appendix%201%20->

Chapter three: Overtime

Recommendation 3

The LFB needs to provide a detailed plan with timescales on how overspend on overtime will be driven down in the coming years in to support its 2021-22 budget submission.

Recommendation 4

The Committee supports the LFB in its efforts to work with the Government to secure additional funding, however there is no guarantee additional resources will be provided. The LFB must create a contingency plan in case the Government does not provide funding for items such as the LFB's pension allocation for 2021-22. Thereafter, the Government and the LFB must agree a long-term pensions funding settlement.

Staff overtime remains a significant financial pressure for the LFB and has been exacerbated by COVID-19.

The LFB continues to overspend on overtime and COVID-19 has fuelled this problem. However, only £1.1 million of the £4 million operational overtime overspend relates to COVID-19, with the remaining overspend arising from LFB vacancies. The LFB is currently analysing the factors causing the overspend.

The LFB is projected to overspend by £10.1 million in 2020-21. £6.8 million of the overspend relates to the LFB's response to COVID-19; £4 million relates to operational overtime payments, of which £1.2 million related to COVID-19 overtime.

Without taking into account the COVID-19 related expenditure, the LFB is still forecast to overspend by approximately £2.8 million in 2020-21, which arises from vacancies across the service.

The LFB is currently analysing the factors causing the overspend. It is of concern to the Committee to know that vacancy levels have not reduced as anticipated by the LFB, and that the LFB had not yet developed an action plan to address this issue prior to COVID-19.

In its Quarter 1 2020-21 performance update, the LFB stated that it was introducing a recruitment control process this year to support in-year savings, which it claims will reduce the expenditure on overtime.¹⁷ In the 22 September Budget and Performance Committee meeting, Andy Roe stated that he had commissioned a review of overtime, which had so far revealed that

¹⁷ LFB, *Financial Position as at the end of June 2020*, 29 July 2020, p. 4.

the overspend was a result of providing assistance to ambulance drivers and “other pressures around specialist skills and officers.”¹⁸ However, when questioned about the LFB's anticipated cost of overtime in 2020-21, the Director of Corporate Finance informed the Committee that these forecasts were still being worked on.

The Committee is therefore concerned that the LFB does not have any effective plans to reduce overtime expenditure in the context of a recruitment freeze and has failed to provide any real detail on how it will bring the forecast overspend down. While it is encouraging that the issue of overtime is acknowledged by LFB as a significant financial issue, there is no evidence of a proper workforce management strategy or a timeline of delivery for this.

Pensions remain a significant financial pressure and the LFB is required to make an assumption about its pension allocation before the exact allocation is announced.

The LFB Pensions financial position remains precarious and uncertain. The Government's autumn Spending Review only covered one year, instead of three years as originally planned.

Therefore, the LFB will be required to make an assumption about its pensions grant allocation in devising its revised 2020-21 budget before the exact allocation is announced.¹⁹ Furthermore, the LFB will only be provided with a decision for the coming year; the details for 2022-23 and beyond will continue to be uncertain.

It is of great concern to the Committee that a significant financial pressure for the LFB is being accounted for based on an assumption. Any discrepancies between the assumed and actual allocations could create additional funding pressures for the LFB, which may not be anticipated if the assumption proves to be overly optimistic. The Committee remains unconvinced that the Government has had the relevant conversations with LFB regarding this matter.

¹⁸ London Assembly Budget and Performance Committee meeting, 22 September 2020.

¹⁹ LFB, *Financial Position as at the end of June 2020*, 29 July 2020, p. 7.

Chapter four: Capital

It is unclear whether the LFB has identified new, sustainable funding sources for its capital programme.

At the Budget and Performance Committee meeting on the LFB Budget in December 2019, the LFB stated it had experienced difficulties forecasting its capital expenditure in an accurate way, but that steps are being taken to follow expenditure at more regular intervals throughout the financial year.²⁰

Looking to the medium term, in the Committee meeting the LFB identified fleet replacement as a significant aspect of the 2021-22 capital programme.

There have been significant changes to the funding of the LFB's capital programme and it is not clear to what extent the LFB has adapted its approach to secure future funding. At the Committee meeting in December 2019, the LFB stated that it had encountered difficulties sourcing other funding options, in the absence of grants and transformation funds and consistent Government funding.

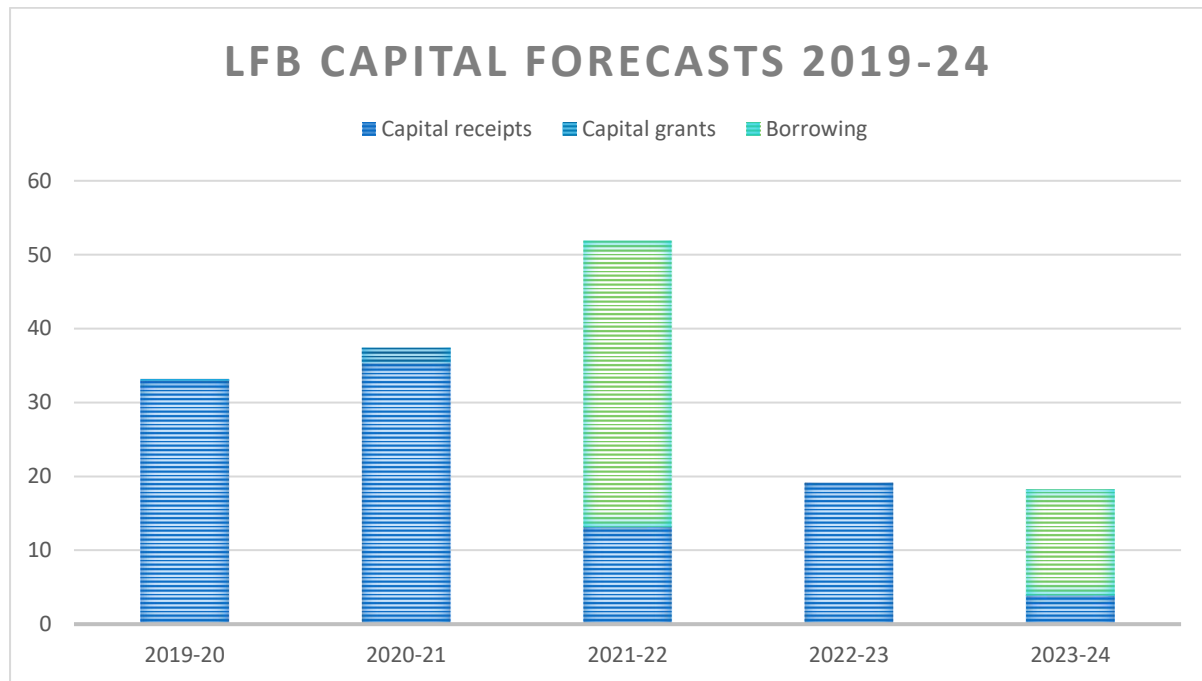
The Committee probed the LFB on its work with partners as part of the GLA's group investment syndicate to secure more affordable funding. However, it was not clear what progress the LFB has made in this area.²¹ At the recent 22 September Committee meeting, the LFB stated that its capital programme was now being funded by a combination of capital receipts and through borrowing, but again failed to provide a clear answer on what progress had been made on collaboration.²²

²⁰ *Ibid.*

²¹ *Ibid.*

²² London Assembly Budget and Performance Committee meeting, 22 September 2020.

Figure 4: LFB's capital spending is becoming increasingly reliant on borrowing.



Source: The Mayor of London's Capital Spending Plan 2020-21.

Chapter five: Grenfell and related activity

The LFB's response to Grenfell remains a significant financial pressure and it is not clear whether there is flexibility to reduce costs in this area

Grenfell-related activity has become a significant aspect—both operationally and financially—of the LFB's work programme. In its first quarter report of 2020-21, the LFB indicated it was forecast to overspend by £10.1 million, £2.164 million of which related to Grenfell Tower investigation legal costs alone.²³

At the December 2019 Committee meeting, the Deputy Commissioner indicated that work was underway to assess the financial impact of the Grenfell Tower Phase 1 recommendations and that a detailed plan for delivery and costs of this work would be shared with the Assembly in "early 2020".²⁴ This has yet to happen.

"We have been tasked with bringing forward recommendations for improvement both from phase one of the Grenfell inquiry and also a highly critical report from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS). Those reports really demand real transformation and the reality is that transformation costs."

Andy Roe, London Fire Commissioner
Budget and Performance Committee, 22 September 2020

Given the regional and national importance of implementing the recommendations of the Grenfell Fire Inquiry, a majority of the LFB's costs in this area are likely to be fixed. However, there may be flexibility to reduce some costs. The Committee meeting on 22 September 2020 was an opportunity to clarify the forecast costs anticipated and identify opportunities to reduce spend, if possible. The Commissioner highlighted that "the reality is the sort of change that is demanded as a result of the outcomes of that fire, both in the regulatory environment and in what is becoming an emergingly complex operational environment. I am prepared to say that organisationally we did not know the true costs of that to begin with and those will emerge over time as well."²⁵

There may be opportunities to reduce time and wider resource allocated to Grenfell-related activity, as there have been concerns that LFB officers are spending an increasing number of

²³ LFB, *Financial Position as at the end of June 2020*, 29 July 2020, p. 5.

²⁴ London Assembly, Budget & Performance Committee Meeting, 18 December 2019.

²⁵ London Assembly, Budget & Performance Committee Meeting, 22 September 2020.

hours per month on inspection reports. It is unclear whether there are more efficient ways of delivering this objective and whether there are opportunities to share the responsibility with wider partners, such as local authorities. Ultimately, the Government must step in and provide funding for the remediation of dangerous cladding and the Committee is deeply concerned about the impact this continues to have on both the safety of Londoners and the cost pressures placed on the LFB.

Grenfell-related activity is important, and the LFC and central Government should do all they can to ensure that a clear financial strategy is put in place to sustain this over the long and medium term. This would not only allow this activity to continue, it would also enable the LFB to continue to serve and protect Londoners more widely.

Chapter six: Conclusion

The London Fire Brigade is a pillar of our community. The firefighters serve with distinction to protect lives and ensure safety. Like many public services during this difficult time, the LFB has continued to serve on the frontline. While we commend their dedication, we also must acknowledge that persistent deficits are threatening the future sustainability of the service. We want to know that they are being properly supported by a budget that can enable them to keep Londoners safe.

The London Fire Commissioner has become overly reliant on reserves to plug budget gaps. While the use of reserves was necessary to cover the impact of Covid-19, we now have a situation where the fire service is becoming dependent on Government funding to cover its costs. If the Government declines these funding requests, the LFB will be forced to look at cost savings that risk impacting its ability to keep Londoners safe. Reluctantly, the Committee feels the LFB must prepare for this scenario.

To this end, it is vital that the Commissioner take forward the recommendations of this report in its 2021-22 Budget. Failure on this front would diminish the invaluable role the LFB provides serving the people of London.

Other formats and languages

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Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

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Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Bengali

আপনি যদি এই দলিলের একটা সারাংশ নিজের ভাষায় পেতে চান, তাহলে দয়া করে ফো করবেন অথবা উল্লেখিত ডাক ঠিকানায় বা ই-মেইল ঠিকানায় আমাদের সাথে যোগাযোগ করবেন।

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں درکار ہو تو، براہ کرم نمبر پر فون کریں یا مذکورہ بالا ڈاک کے پتے یا ای میل پتے پر ہم سے رابطہ کریں۔

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઇલ સરનામા પર અમારો સંપર્ક કરો.

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