Status of Report: **Public**

Meeting: **Combined Fire Authority**

Date: **6th February 2019**

Subject: **Budget Strategy 2019/20 to 2021/22**

Report by: **The Chief Fire and Rescue Officer and the Treasurer**

Author: **Mark Noble (Head of Financial Strategy, Leicester City Council)**

For: **Decision**

1. Purpose

1.1 The purpose of this report is to seek the authority's approval to the budget for 2019/20, and the proposed budget strategy and capital programme for the period to 2021/22.

2. Summary

2.1 Local government has been subject to severe financial cutbacks since 2011/12. These cutbacks will continue at least into 2019/20.

2.2 The fire service is no exception. The Revenue Support Grant payable to LFRS will fall from £11.8m in 2013/14 to £4.2m in 2019/20.

2.3 Nonetheless, fire authorities have been partially protected, and cuts will be less than those made to the wider sector. Following significant savings in the period to 2016, more recent budgets have not required substantial reductions, and have enabled us to plan for the future from a more stable base. The position continues to be manageable in 2019/20.

2.4 The position for 2020/21 is very uncertain. There are no figures for Government support beyond 2019/20. The Government has announced that the current 50% system of business rates retention will be replaced by a 75% retention scheme. The implications are currently unclear (previous Government suggestions that fire authorities might not be part of the new system seem to have been discounted).

2.5 Furthermore, a funding review will reassess the needs of all authorities from 2020/21. We do not know whether the CFA will gain or lose from this process.

2.6 The City and County Councils and the district councils, together with the CFA, successfully bid to the Government to pilot the new business rates retention system in 2019/20. In addition to supporting the transition, the authorities expect to benefit financially from the pilot (to the tune of £0.1m in the case of the CFA). The pilot will subsume the Revenue Support Grant which would otherwise have been received.

2.7 The Chancellor's budget in October 2018 suggested an "end to austerity", and figures for the totality of public spending were published for the period from 2020/21. These do indeed suggest real terms growth in public spending, but this growth would be wholly absorbed by additional funding already promised to the NHS. If any further public services are allowed to grow, it would necessitate cuts elsewhere. This budget assumes savings will continue to be required in 2020/21 and 2021/22.

2.8 Additionally there are significant risks beyond 2019/20 in respect of:-

(a) Pay, where the firefighters' award for 2018/19 has not yet been settled;

(b) Employers' contributions to firefighters' pensions, which are projected to increase substantially. Whilst Government support has been promised in 2019/20, there is no clarity beyond this.

2.9 A 3 year capital programme is also proposed in this report. This will be funded from revenue, without recourse to debt finance.

2.10 The report proposes a council tax of £66.64, an increase of just below 3% on the tax for 2018/19 and the most we can set without a referendum. The authority's tax is currently the third lowest of all combined fire authorities, and will continue to be amongst the very lowest in 2019/20. Tax at the average level would have enabled the authority to increase spending by £3.8m in 2018/19.

2.11 The budget strategy includes two key measures to secure organisational resilience and longer term financial sustainability:-

(a) An estates review. A reserve of £6m has been set aside for this purpose. The review was described in a report to the CFA in December;

(b) The avoidance of borrowing or leasing for routine capital expenditure. This will generate savings as current leases reach the end of their terms.

2.12 The CFA has two significant earmarked reserves. A programme is being prepared to commit the estates strategy reserve (£6.0m) and the capital fund (£1.6m) is committed to the capital programme. Earmarked reserves are described at section 12.

2.13 Risks to delivery of the budget are identified at paragraph 13.

3. Recommendations

3.1 The authority is asked to:-

(a) Approve the budget strategy described in this report, and the formal (technical) budget resolution for 2019/20 which will be circulated separately;

(b) Approve the capital programme described at paragraph 10, and authorise the Chief Fire and Rescue Officer to commit expenditure on schemes;

(c) Note the earmarked reserves described in paragraph 12;

(d) Note that no comments were received from stakeholders on the draft budget;

(e) Note my view that reserves are adequate during 2019/20, and that estimates used to prepare the budget are robust;

(f) Approve the treasury strategy and prudential indicators described in paragraph 15 of this report and Appendices Three and Four;

(g) Approve the proposed capital strategy described in paragraph 16 of this report and Appendix Four, and confirm that the CFA would not wish to undertake commercial investment;

(h) Note the equality implications arising from the budget, as described in paragraph 17;

(i) Approve the scheme of virement described at Appendix Five to this report.

4. Budget Overview

4.1 The table below summarises the proposed budget and shows the forecast position for the subsequent two years. As stated in the summary, the position beyond 2019/20 is highly volatile, and the table below can provide broad indications only. Risks and caveats are described in section 13 below.

Spending	19/20 £m	20/21 £m	21/22 £m
Approved budget 18/19	34.1	34.1	34.1
Technical changes:-			
• Inflation	0.7	1.3	1.8
• Other	(0.2)	(0.3)	(0.6)
Proposed growth	0.4	0.2	0.2
Proposed savings	(0.1)	(0.1)	(0.1)
Contribution to capital	1.8	1.2	1.1
Planning provision		0.3	0.6
Forecast Spending	**36.7**	**36.6**	**37.1**
Income			
Council tax	21.5	22.3	23.2
Business rates retention pilot	14.0		
Business rates retention scheme		13.6	13.3
Other grants	0.8	0.5	0.2
Fire authority income	0.4	0.4	0.4
Total Income	**36.7**	**36.7**	**37.0**

4.2 A more detailed breakdown of the budget is provided at Appendix One to this report.

4.3 In 2020/21, the current business rates retention scheme will come to an end, and a new scheme will commence. Revenue Support Grant will not feature in the new system.

4.4 Additionally, the business rates pilot has also altered the way money will be received in 2019/20. Under the pilot, authorities will retain 75% of business rates instead of the usual 50%. Revenue Support Grant will not be paid. Without the pilot, we would have expected:-

	£m
Income from the current business rates retention scheme	9.7
Revenue Support Grant	4.2
	13.9

4.5 The way the pilot works is based on local agreement. We have agreed that:-

(a) In the first instance, all authorities will be put in the position they would have been in, had the pilot not been successful;

(b) Any surplus received will be shared according to an agreed formula. An estimated £0.1m surplus is included in the above figures.

5. Council Tax

5.1 The authority's proposed tax for 2019/20 is £66.64, an increase of just below 3% on 2018/19. The tax will remain in the lowest quartile of combined fire authorities (and probably remain third lowest). Indeed, if the service charged the average tax of all combined fire authorities, income would be £3.8m per year higher than it is.

5.2 The authority's tax is charged to taxpayers across Leicester, Leicestershire and Rutland. It comprises only a small part of the amount payable by taxpayers: the bulk of the tax payable is charged by Leicestershire County Council, Leicester City Council and Rutland County Council in the three areas respectively.

5.3 In 2018/19, average Band D taxes in the three areas were:-

Authority Area:-	**£**
Leicester City	1,771
Leicestershire County	1,686 – 1,760
Rutland	1,936

5.4 The actual amounts people pay, however, depend on the valuation band their property is in, and their entitlement to any discounts, exemptions or benefits. The formal resolution to this report will show the amount payable for property in each band. It will also show the precepts payable by the City Council, district councils and Rutland.

6. Construction of the Budget

6.1 Constructing the budget commences with the approved budget for 2018/19, and reflects the current establishment of 348 full time equivalent firefighters.

6.2 The 2018/19 budget has been adjusted for the following:-

(a) Technical changes: these are cost increases and savings which take effect without any change in policy. They consist principally of the costs of inflation and pension costs, offset by savings arising from reducing lease costs;

(b) Proposed growth: this is minor, and arises principally from growth arising from the development of ICT and for organisational resilience;

(c) Proposed savings: in the 2016/17 budget strategy, the CFA approved reviews of fleet, premises and management. Target savings arising from these were built into the budget. Most of the target savings have now been achieved;

(d) A contribution to pay for the capital programme: this avoids the need to lease vehicles or borrow money;

(e) A planning provision has been added in future years. The provision is a contingency, which reflects the difficulty in making accurate forecasts and acts as a hedge against uncertainty. It is only included in future years' projections, and is reviewed annually. This amounts to £0.3m per year, each year.

7. Technical Changes

7.1 Money has been added to the budget for **inflation**. This has been calculated as follows:-

(a) A provision of £0.5m has been made for **pay awards**, rising to £1.1m by 2021/22. Forecasting is currently difficult, given that the firefighters' award for 2018/19 has not yet been settled (formally, neither has the award for 2017/18). The proposed budget assumes increases of 2% for firefighters in 2019/20, and 1% thereafter. The risk of higher awards is explored in paragraph 13 below. An award of 2% to support staff has already been agreed, and is reflected in the 2019/20 budget. 1% is assumed for 2020/21 and 2021/22;

(b) **Price inflation** has been added to only a limited number of budgets. Other areas of service are therefore required to manage within the level of funding available in 2018/19. Whilst some costs are seeing price increases above inflation, recent experience with underspendings suggests this can be managed within overall budgets;

(c) £0.2m has been added to the budget for the cost of increases in contributions to the **firefighters' pension scheme**. It is assumed that this cost will increase to £0.5m by 2021/22. The Government actuary is currently reviewing the funding of the scheme, and initial findings have been published. Current contribution levels of 17% of pensionable earnings are expected to rise to around 30%, a total increase for LFRS of £1.7m per year. The Treasury has committed to fund 90% of the additional cost in 2019/20, and budget forecasts assume that Treasury will continue to contribute (80% of the cost in 2020/21 and 70% of the cost in 2021/22) although nothing is guaranteed. It is expected that any additional support to fire authorities to meet pension contributions will be incorporated within the new system of local government finance from 2020/21. This implies a significant risk to the forecasts from 2020/21 onwards (in essence, we are assuming contributions of £1.2m from the Treasury by 2021/22); on the other hand, it is unrealistic to think the Government will let fire authorities meet the whole cost. Money has also been added for the expected (minor) cost increases for contributions to the officers' pension scheme.

7.2 The budget has been reduced for other technical changes. This saving arises in respect of **capital financing** costs. These occur because lease rentals cease once vehicles are fully paid for, and no new leases are being entered into.

8. Growth Proposed

8.1 The budget position allows scope for a limited amount of growth, and the following is proposed for the CFA's approval:-

(a) £100,000 per annum reflecting increased costs of running ICT. This includes costs of previous and intended investment decisions, and growing costs of licences (such as Office 365);

(b) Growth of £40,000 per annum to reflect the fact that contract cleaning now takes place across additional sites;

(c) Growth of £100,000 to improve organisational resilience, increasing the £100,000 first included in 2017/18. The management team is currently prioritising the use of this funding (together with a further £140,000 available in 2019/20 only).

9. Savings

9.1 Earlier years' budgets included an anticipated saving of £250,000 in 2018/19, rising to £450,000 by 2019/20, from efficiencies in management, support staff, premises and fleet. The target has been all but achieved, with a further £87,000 still required for 2019/20. It is expected that this will be delivered by means of a number of minor savings.

10. Capital Programme

10.1 Capital expenditure pays for works of lasting benefit. It can be contrasted with the revenue budget, which pays for day-to-day firefighting and prevention.

10.2 The table at paragraph 4.1 shows a contribution from the revenue budget to fund capital expenditure. This amounts to £4.1m over 3 years; taken together with the forecast uncommitted balance on the capital fund (£1.6m), £5.7m will be available to finance capital expenditure over the programme period. Any receipts from sales of vehicles or property will be available to supplement this.

10.3 The proposed capital programme is shown at Appendix Two. Appendix Two also shows how this will be financed from the capital fund. Expenditure required for vehicles, premises and equipment has been reviewed since last year:

consequently, with the exception of £50,000 programmed for ICT, this supersedes the last 2 years of the three year budget approved last year.

10.4 A sum of £4.0m has been provided for **operational vehicles**. This is sufficient to enable vehicles to be replaced in accordance with the new replacement policy, agreed as part of the fleet review. It includes eight pumping appliances, station and department vans and cars, three special appliances, fire prevention transport and flexi-duty provided cars. A report to the CFA in December provided an update on the review of fleet arrangements.

10.5 A provision of £250,000 per annum has been provided for **planned maintenance of premises**, pursuant to condition surveys. Potential station redevelopment schemes will be considered separately, as part of the estates review (see paragraph 12 below).

10.6 £0.7m has been provided for **firefighting equipment** . This is expected to include the following:-

(a) High and low pressure air bags and regulators (rescue equipment used to lift loads and create space in extrication scenarios);

(b) New hand held firefighting branches that will provide improvements in firefighter safety, and improve efficiency when dealing with fires in the built environment through use of current design and technology;

(c) Crew saver life jackets (inflatable safety devices worn over protective equipment when working in, on or near water);

(d) Chemical protection suits (fully enclosed protective suits worn in addition to other personal protective equipment, providing a high level of protection from exposure and contamination at incidents that involve hazardous materials);

(e) Battery powered hand tools (including impact wrenches and reciprocating saws, used for a range of fire and rescue scenarios where space or access is confined or other equipment is not suitable for the task);

(f) Inflatable shelter (portable tent structure that can be used for the welfare of crews at large incidents, a working area for maintaining breathing apparatus, or multi-agency briefings).

10.7 Additionally, £85,000 is provided to fully equip two tactical response vehicles which have recently been acquired; and £32,000 has been provided to equip the new VF4 van (which provides a virtual reality experience as part of fire prevention training) with 6 dedicated hydraulic chairs. These will increase throughput by 50%, and allow users to have a more realistic and immersive virtual reality experience.

10.8 A sum of £100,000 per year has been included for ongoing **ICT developments**. Requirements are expected to include an information governance indexing solution, development of business processes using recently acquired technology, an upgrade to the accounting system, and software to corporately control use of mobile phones. Funding of a privileged user access management system (to audit activities of users with elevated privileges) will incur a revenue rather than a capital cost, and this has been included in the proposed growth for ICT (above).

11. Resources

11.1 This section of the report describes the income available to the service (the bottom half of the table at paragraph 4.1).

11.2 The most significant source of income (£21.5m) is **council tax**. Council tax levels are set by the CFA, but the tax is collected on our behalf by the City, Rutland and the district councils (the "billing authorities").

11.3 The proposed council tax for 2019/20 is £66.64, an increase of just below 3% on 2018/19. Any higher increase would be subject to a local referendum. 2% has been assumed for planning purposes in 2020/21, which was the yardstick prior to 2018/19.

11.4 The tax is charged on properties, and reflects the number of properties advised by the billing authorities (an increase of 1.94% over 2018/19). Future projections assume a 1.75% increase each year in the relevant number of properties. This is believed to be prudent, being slightly below recent increases (although year on year increases are declining).

11.5 The table at paragraph 4 also shows income from the **business rates retention scheme**. This scheme involves local authorities retaining a share of rates achieved locally. Those whose needs exceed their ability to raise rates receive a **top up grant**.

11.6 In previous years, the share retained by local authorities was 50% (the fire authority's share being 1% of this). The service also received a top-up grant.

11.7 In 2019/20 local authorities will still receive 50%, although this changes to 75% for business rate pilot areas.

11.8 In 2020/21, the Government proposes to change the system of local government finance. We expect this to involve:-

(a) An increase in the share of business rates retained locally from 50% to 75%;

(b) A review of the proportion of the 75% to be retained by different tiers of local government;

(c) Cessation of Revenue Support Grant (reflecting the fact that authorities will keep more rates);

(d) A funding review which will reassess authorities' needs. It is expected that this will be reflected in changes to top up payments.

11.9 We have no idea how these changes will affect the CFA. However, we have assumed that total resources under the 75% retention scheme will decline by £0.5m per year in real terms in 2020/21 and 21/22, reflecting assumed government cuts. This is equivalent to the reduction in revenue support grant in 2019/20, but below the scale of previous years' reductions (which have averaged £1.4m per year since 2013/14). This implies that austerity will be less severe than it has been, but this assumption carries risk.

11.10 The billing authorities have until 31st January to advise of rates income due in 2019/20. Final figures will be included in the formal resolution which will be available at your meeting.

11.11 **Other grants** include:-

(a) New Dimensions – this is payable for the maintenance of certain equipment which has to be made available to support other services when required. Around £0.9m per year has been received in the past, but this has recently been cast into doubt with the Government only confirming the grant for periods of six months at a time. There is a distinct possibility that the grant will eventually disappear, and the budget assumes the amount received will fall to £0.5m in 2019/20 and £0.2m by 2020/21; and

(b) Firelink, for radio transmission systems.

11.12 **Fire authority income** is income earned by the service itself. It chiefly arises from money received for siting radio masts on the service's property, income earned from Forge Health, and interest achieved on cash balances.

11.13 The service will have available any surpluses on the **collection fund**. These arise when collection of council tax or business rates by the billing authorities exceeds the budget for previous years. Conversely, where billing authorities perform worse than the budget, a deficit arises. At present, it is assumed that there will be neither a surplus nor a deficit (it is assumed that a forecast surplus of £0.1m on council tax will be offset by a rates deficit). The position may not be confirmed until 31st January.

12. Reserves

12.1 The authority holds the reserves shown in the table below. The table also shows the forecast uncommitted balance on each reserve on 1st April, 2019:-

	Forecast Balance £000
General reserves	2,000
Capital fund	1,593
Estates Strategy	6,026
Other	865
Total	**10,484**

12.2 **General reserves** are held as a buffer in case of unexpected problems or emergencies during the course of a year, and are available as a last resort.

12.3 The **capital fund** exists to finance the capital programme, and is topped up each year from the revenue budget. This is more fully described at paragraph 10 above, and Appendix Two. The balance shown above allows for commitments from the capital programmes in 2018/19 and earlier years: the amount shown is available to fund the 2019/20 programme.

12.4 The reserve for the **estates strategy** exists to facilitate a longer term review of the operational estate. Improving the operational efficiency of buildings is a key plan in our strategy to improve operational effectiveness and increase financial resilience. An update on the strategy was provided to the CFA in December.

12.5 Before any decisions are taken in respect of spending the estates strategy reserve, full business cases will be prepared assessing the expected cost, savings, avoided cost and return on investment. If justifiable on a spend to save basis, a case for borrowing may also be put to the CFA (the proposed policy in respect of borrowing is part of the capital strategy at Appendix Four).

12.6 The authority also has a number of **other reserves**. These include:-

(a) A reserve to cover costs when the workforce is over establishment (which will only occur in the immediate aftermath of a recruitment exercise) and to meet the costs of any recruitment exercise;

(b) A mobile communications reserve, to meet costs arising from any change required to national secure networks;

(c) An insurance reserve, which covers the authority for differences between the insurance value and replacement cost of any vehicles written off;

(d) A reserve to meet costs which need to be paid to the DCLG when firefighters retire due to ill health;

(e) A small reserve of £15,000 to meet any relocation costs arising from recruitment.

12.7 The scheme of virement at Appendix Five proposes authorisations to spend these reserves.

13. Risk Assessment and Adequacy of Estimates

13.1 Best practice requires me to identify any risks associated with the budget, and the Local Government Act 2003 requires me to report on the adequacy of reserves and the robustness of estimates.

13.2 In my view, the budget for 2019/20 is achievable.

13.3 The forecast position beyond 2019/20 is highly sensitive to change, and small changes can have a significant impact on available finances.

13.4 The key risk to delivery of the budget in 2019/20 is the cost of pay awards, if these exceed the assumed 2%. Each 1% for firefighters would cost the authority a further £0.2m per annum. Savings to support this may arise if nothing further is offered in respect of 2017/18, which is not yet concluded.

13.5 A further risk arises from a legal case at South Yorkshire, which may affect our "Day Crewing Plus" rota system.

13.6 All risk associated with the business rates retention pilot is borne by the other authorities. It has been agreed that the CFA will not have to share this.

13.7 The key risks to delivery of the strategy beyond 2019/20 are:-

(a) As above, any cost of pay awards which exceed current assumptions;

(b) The cost of employers' contributions to firefighters' pensions, if a more substantial proportion of cost is passed to the service than assumed. If the service is expected to fund the entire cost, it is estimated that this will amount to an additional £1.2m per year from 2021/22;

(c) The impact of continued Government cuts from 2020/21 (if these exceed forecasts), and the Government's Fair Funding Review.

13.8 Brexit poses a risk – the key risk of a no deal exit is believed to be new tariffs, which will mainly impact the capital programme. The cost of vehicle chassis may increase by over 20% (£0.2m on the current programme).

13.9 The risks are mitigated by:-

(a) The inclusion of a planning provision in future forecasts;

(b) Our policy of funding capital from the revenue budget, which will (over time) reduce the costs of debt financing;

(c) A strategic approach to reviewing the operational estate, with a view to achieving savings;

(d) General reserves of £2.0m, which will prevent an overspend in any given year.

13.10 I believe the authority's general and earmarked reserves to be adequate for 2019/20, and that estimates made in preparing the budget are robust. Whilst no inflation is provided for the generality of running costs in 2019/20, some exceptions are made, and it is believed that services will be able to manage without an allocation (as has been achieved in recent years).

14. Consultation on the Draft Budget

14.1 Consultation on the draft budget with business rate payers (who are statutory consultees) and other partners took place between 19th December and 18th January. No comments have been received.

15. Borrowing and Investment

15.1 Local authority capital expenditure is self-regulated, based upon a code of practice (the "prudential code").

15.2 The authority complies with the code of practice, which requires us to demonstrate that any borrowing would be affordable, sustainable and prudent. To comply with the code, the authority must approve limits and indicators at the same time as it agrees the budget. The substance of the code pre-dates the recent huge cutbacks in public spending. In practice, no borrowing is proposed in the budget. The proposed limits and indicators are shown in Appendix Three and Appendix Four.

15.3 The service's treasury activities are carried out by the City Council on the authority's behalf. The service does not need to borrow and takes no risk on its investments (counter party risk is borne entirely by the City Council). Any opportunities to prematurely repay or reschedule existing debt will be taken, where this generates long term savings. However, as the cost of premature repayment is now prohibitively expensive, such opportunities are unlikely to be presented.

16. Capital Strategy

16.1 Under new guidance published by the Government and the Chartered Institute of Public Finance (CIPFA), the CFA is now required to publish a capital strategy. This is included at Appendix Four.

16.2 The reasons for this requirement are Government concerns about certain authorities who are borrowing substantial amounts to invest in commercial property (in some cases, many times their net budget). The main impact of the new rules is to increase transparency over “non-financial” investments, especially where paid for by borrowing. In this context, a non-financial investment is any investment outside of the normal treasury management strategy.

16.3 The CFA does not undertake any non-financial investment, and your approval to the recommended budget will confirm that this should be the position for the future. In practice, unlike larger local authorities, LFRS does not have the skills or capacity to manage such a portfolio.

17. Equality Implications

17.1 The Authority is committed to promoting equality of opportunity in service provision, through its operational policies aimed at reducing inequality of outcomes, its practices aimed at ensuring fair treatment for all, and the provision of culturally sensitive response and prevention services that meet local people’s needs.

17.2 In accordance with section 149 of the Equality Act, the Authority is required by law to “have due regard” to the following aims of the public sector equality duty:

(a) to eliminate discrimination;
(b) to advance equality of opportunity between protected groups and others;
(c) to foster good relations between protected groups and others.

17.3 Protected groups under the public sector equality duty are characterised by age, disability, gender re-assignment, pregnancy/maternity, race, religion or belief, sex and sexual orientation.

17.4 There are no proposals to reduce spending on services which would have a disproportionate impact on protected groups. Should there be any proposed changes to services, policy or procedure at an operational level, an impact assessment will be conducted.

17.5 However, the budget strategy does recommend a proposed tax increase for residents. As the recommended increase could have an impact on those required to pay it, an assessment has been carried out to inform decision makers of the potential equalities implications.

17.6 The impact of the tax rise is 4p per week for a band D property, rising to 7p per week for the highest band of properties in the area (before any discounts or exemptions). This will not create a significant additional burden on residents, and the increase will help improve services from which all protected groups benefit. The likely impact does, however, need to be considered in the context of other changes which might affect low income residents (although most low income households will not pay the full increase).

17.7 The supermarket ASDA researches national income levels and the budget report for 2018/19 noted that disposable income had fallen in real terms due to slow wage growth, welfare changes and inflation. The context has changed slightly over the last year with the ASDA Income Tracker (September 2018) highlighting that family spending power is up by £7.45 per week, an annual increase of 3.8%. Income has been boosted across most regions with UK families seeing the fastest level of pay growth since 2008. Inflation has now fallen to 2.2% (November 2018) as measured by the Consumer Price Index. The ASDA Income Tracker is an indicator of the economic prosperity of ‘middle Britain’, taking into account income, tax and all basic expenditure. ASDA’s customer base matches the UK demographic more closely than that of other supermarkets.

17.8 Some households reliant on social security benefits are likely to be adversely affected by the cumulative impact of further implementation of the Government’s welfare reforms. An analysis by the Equality and Human Rights Commission published in March 2018 found that, across Britain, approximately the same number of households gain as lose from the reforms but the proportion of losers is much higher among some groups. This includes households containing one or more disabled member, those from certain ethnic groups in particular Bangladeshi households, and households with children (especially those with more than two children). In addition, larger losses are more common than larger gains for these groups and for low income households in general. The Government has recently made changes to universal credit, which will partially reduce some of these impacts.

17.9 Billing authorities have mitigating actions in place to address specific hardship, although cost increases arising from other authorities’ contributions to local council tax bills are likely to far exceed the cost of the LFRS tax increase.

18. Financial Implications

18.1 This report is exclusively concerned with financial issues.

18.2 There are no significant revenue costs arising from the proposed capital programme. There will be maintenance and running costs associated with new vehicles, but these are likely to be lower than the costs of vehicles coming out of service. There may be revenue costs arising from investment in ICT, but the aim is to use ICT to reduce cost in the medium term. Any revenue implications will be based on actual investment decisions taken.

19. Legal Implications

19.1 As this report deals with next year’s budget, section 106 of the Local Government Finance Act 1992 will apply to members in arrears of council tax. All other legal implications are contained within the main body of the report.

19.2 Compliance with the CIPFA Prudential Code for Capital Finance in Local Authorities is required under Part 1 of the Local Government Act 2003.

20. **Appendices**

Appendix One – Budget 2019/20

Appendix Two – Capital Programme

Appendix Three – Recommended Treasury Limits and Indicators

Appendix Four – Capital Strategy

Appendix Five – Proposed Scheme of Virement

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