

**Open Report on behalf of Richard Wills
Executive Director for Environment & Economy**

Report to:	Economic Scrutiny Committee
Date:	10 January 2017
Subject:	Revenue & Capital Budget Proposals 2017/18

Summary:

This paper provides the economic scrutiny committee with information on the proposed budget for 2017/18. These proposals are now open to consultation and the report provides members with the opportunity to debate the budget proposals, to make any recommendations that they wish to the Executive, and to comment on the service area priorities.

Actions Required:

The Economic Scrutiny Committee is asked to consider the proposed budget for 2017/18. Members of the committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 7 February 2017.

1. Background

1.1 The Executive are currently consulting on a one year financial plan for revenue and capital budgets. For the third year running the Council is only able to set a one year budget. This is due to the continued significant reductions in government funding, growing cost pressures from demand led services such as adult and children's social care, waste disposal and the Council's responsibility to pay staff and contractors the National Living Wage. These pressures mean the Council does not consider it practicable, at present, to develop sustainable long term financial plans beyond the next twelve months.

1.2 In developing its financial plan the Council has considered all areas of current spending, levels of income and council tax and use of one off funding (including use of reserves and capital receipts) to set a balanced budget. The budget proposals take a mixed approach to meeting the current challenges of reduced levels of local government funding. Savings identified from service and corporate budgets, plus a proposed increase in Council Tax, the use of reserves and the use capital receipts to fund the cost of transformation will be used to set a balanced budget for 2017/18. During the next twelve months the Council will need to explore further opportunities to bridge the gap between the funding available and levels of expenditure.

1.3 At its meeting on 20 December the Executive agreed proposals for the Council's revenue and capital budgets, and Council Tax level for 2017/18 to be put forward as a basis for consultation.

1.4 The proposed budget for the "Growing the economy by providing support for businesses" commissioning strategy is £1.233m set out in table A below.

1.5 The budget proposals assume inflation increases of 1.0% for pay for the next financial year. There is also a reduction in the employers pension contribution rate from 19.8% to 16.4%, removing costs from the service budget (shown as transfers). This reduction in rate has been offset by an increase in the lump sum payment made annually by the Council to the Pension fund.

Table A

Sustaining & Growing Business & the Economy

Change of Previous Year	£'000
Revised Original Budget	1,256
Pay Inflation	19
Cost Pressures	0
Transfers	-42
Savings	0
Proposed Budget 2017/18	1,233
Percentage Change	-1.8%

Economic development traditionally focuses on four disciplines: land, capital, people, and enterprise.

The budget of £1.233m, and the emphasis of the commissioning strategy, is on capital, people, and enterprise.

A further allocation of £0.192m will be made from the "Infrastructure commissioning" strategy in order to address the "land" matters.

1.5 Sustaining & Growing Business & the Economy – capital, people & enterprise

It is proposed that the £1.233m allocation will be allocated to the following priorities:

Improving skills and employability:	£0.146m
Encouraging enterprise:	£0.505m
Attracting investment:	£0.081m
Attracting funding:	£0.501m
Total:	£1.233m

Priorities for 2017/2018 –those continuing from previous years

The economic development workload continues to be focused around delivering the priorities in the Strategic Economic Plan. These include:

Skills –continued commissioning of government funded schemes to meet local need. This involves describing what the specific requirements are for the Lincolnshire economy, contributing to the work that civil servants do to procure that provision, then monitoring and scrutinising progress towards objectives.

Enterprise –continued commissioning of the Business Lincolnshire Growth Hub. This involves setting clear objectives, monitoring the progress of a dozen business support contracts, making strategic connections between schemes, and developing new projects to meet changing economic priorities.

The "Encouraging enterprise" budget also includes the council's funding for tourism. A major programme of activity is being developed in Historic Lincoln for 2017, and as well as promoting the events for 2017 the emphasis will be on ensuring that visitors to Lincoln are encouraged to visit other parts of the county.

Investment –Team Lincolnshire will continue to promote Lincolnshire as an investment location. Team Lincolnshire is an informal partnership of Lincolnshire businesses, facilitated by LCC, and LCC has the objective of increasing partner income for promoting the county through a Team Lincolnshire membership scheme.

Funding –Because of the government and other funders' emphasis on spending grants within specific time frames, the team will continue to support applicants and project managers. Often this is a case of demystifying the regulations for EU and government funding that has already been allocated to us.

Priorities for 2017/2018 –those that have emerged recently

As well as delivering against these continuing priorities, a number of other priorities are emerging. These either relate to priorities that have arisen from discussion at Economic scrutiny committee or to national policy shifts such as Brexit and the ending of the greater Lincolnshire devolution deal.

Skills –discussion about skills and employment at Economic scrutiny committee has often focused on the benefits of helping young people, parents, and schools understand about the careers and industries that are available locally. The team has already commissioned a large amount of work in this field, but there is a need to promote the commissioned schemes better and also to identify and fill any gaps.

This is an area that elected members have asked us to prioritise, but because the work is externally commissioned (to a value of c£13m over the next two years) any increase in LCC funding within the envelope of the council's economic development budget will have minimal effect if it is spent on services. Therefore

the objective should be to increase the effectiveness and reach of the £13m of externally commissioned training rather than to actually commission any more.

Enterprise –as a result of Brexit the government has increased its focus on international trade. The low level of sterling has added to the opportunities associated with international trade, and although it is too early to understand definitively the Trump administration's international trade policies this is something that we should monitor. Together these issues add up to a need for LCC to commission a strong international trade service which is relevant to the needs of Lincolnshire businesses. Similar to the skills processes above, this will involve commissioning provision from government rather than LCC delivering it itself.

The reviews of tourism during 2016/2017 identified additional priorities such as creating a strong Lincolnshire web presence, promoting spectacular events, and taking advantage of the opportunities arising from the Mayflower 400 anniversary. Improvements to the web presence are now underway, and the programme of activity that members debated at the November meeting of Economic scrutiny committee fits with the ambition of promoting spectacular events.

Members should note that a national budget to promote Mayflower 400 has been created, and it is likely to include small grant schemes for individual areas to bid for if they have match funding in place. Officers will work with the Executive Councillor for Economic Growth on identifying how LCC reserves could be used to lever in this funding and subsequently to generate greater interest in Lincolnshire as a location for the Mayflower 400 celebrations.

Investment –LCC has been successful at bidding for funding for its major priorities. This includes schemes such as Lincoln Eastern Bypass, Peppermint Junction/Holbeach Food Enterprise Zone, and Grantham Southern Relief Road. However, annual funding opportunities mean that unless LCC undertakes preparatory work for a new set of schemes that can then be bid for. This will require liaison with councillors over priorities and also technical preparatory work such as establishing partnerships and agreeing roles, pre-planning design, site investigation, and identification of benefits to be realised.

Funding –government have stated that they are designing domestic funding programmes to replace the EU programmes when the UK exits the EU. At this stage there is the opportunity to make a case for those elements of funding that LCC would like to see introduced into a new programme. This will require significant research, involvement in consultations on the national industrial strategy, agreement and production of core messages, and lobbying/influencing at different levels. Investment in this work will be essential if we are to continue to be successful at attracting grants to Lincolnshire.

Making the existing budget go further

Each of these emerging priorities is important for future prospects for economic development, but each of them is a further budget pressure. Because of the realities of public finances, it is unreasonable to assume that substantial additional funding will be made available.

Therefore it is incumbent on the team to do the best that the team can to make the budget go further. This will require:

1. Attraction of additional external funding
2. Commissioning services through third parties, at little or no cost to LCC
3. Identifying creative ways of extending the existing budget
4. Maintaining team motivation throughout

Attracting external funding - the team continue to pursue external funding sources, but most of the salaries and operational budgets in the department are already covered by external funding and there is a risk of "double counting" which should be avoided so that any audit risks can be mitigated against.

Members have discussed the possibility of the team "selling" its services. It was felt that this should only happen where the work of the team would not be distorted by the requirements of any service that had been "sold"; this was likely to be where discreet pieces of advice are being offered.

Commissioning services through third parties –the team already commission substantial levels of service through third parties (eg skills/training and business advice). However, the team is often perceived as one which undertakes activity rather than commissions it (becoming "enablers, not do-ers") and reinforcing the team's new style may reduce the requests that others ask of the team, subsequently freeing up team members' time.

Members also discussed the fact that the benefits of any economic development scheme are shared with other organisations, yet often those other organisations do not make a financial commitment to the scheme. Officers will seek contributions from third parties where they enter into pre-scheme agreements.

Pro-active promotion of economic growth – LCC consistently explores and exploits available funding opportunities so as to maximise the way in which schemes support economic growth around the county. This involves working effectively with other agencies and partners.

Partnership working, however, is time consuming if it is done properly. Therefore it is important that LCC chooses the partnerships that will help us to achieve our objectives. At this stage it is likely that the partnerships that will achieve the best outcomes are –(i) major businesses who will invest in productivity, (ii) Higher Education and particularly work with HE that leads to increased medical provision in Lincolnshire, (iii) Midlands Engine, and (iv) Greater Lincolnshire Local Enterprise Partnership.

Maintaining team motivation throughout –the success of any team depends on its people and the economic development team is no different. In particular, the relationship between councillors and the team is currently strong and it will be beneficial for that relationship to be strengthened during 2017/2018 and in particular following the county council elections in May 2017.

1.6 County Council Capital Programme

The proposed capital programme matches the revenue budget and runs until 2017/18, plus major schemes which stretch into future years. There are no new LCC funded specific schemes budgeted for Economy. The programme includes a new capital development budget of £7.5m in 2017/18, to fund any emerging schemes identified.

1.7 Further Consultation

The Council will meet with representatives of businesses, District Councils, Police and other partner organisations on 27 January 2017.

The proposals will be publicised on the Council website together with the opportunity for the public to comment.

Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2017.

2. Conclusion

In summary, the economic development budget that is proposed for 2017/2018 is the same as in 2016/2017. However, external factors such as Brexit will increase the range of work that the team will need to perform. The paper discusses how that work will be prioritised and how the budget will be used to best effect.

3. Consultation

In the consultation exercise run through County News for the 2015/2016 budget, roughly 3000 responders wanted to see support for SMEs and investment stay the same. In the consultation exercise for the devolution process, 73% of responders wanted to see greater investment in infrastructure for economic growth.

a) Have Risks and Impact Analysis been carried out??

No

b) Risks and Impact Analysis

An Equality Impact Assessment will be completed for the proposed increase in

Council Tax. This will be reported to the Executive at it's meeting on 7 February 2017.

The risks associated with the activities within the Economy budget have been debated with members of the economic scrutiny committee.

4. Background Papers

Document title	Where the document can be viewed
Council Budget 2017/18 - Executive report 20 December 2016	Committee Services, County Offices, Lincoln

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