

Budget Consultation Feedback

This appendix sets out the feedback from a range of budget consultation events occurring during January 2017. These include:

- Reports and presentations to Scrutiny Committees;
- Public Consultation on budget proposals via the Council's website; and
- Meeting with businesses, trade unions and other public bodies.

These comments will be considered by the Executive in recommending the budget for approval by County Council.

An update on the budget consultation feedback will be tabled/reported verbally at the meeting for feedback received after the deadline for this report.

Budget Comments from Scrutiny Committees

Comments from all of the Scrutiny Committees will be tabled at the meeting of the Executive.

Public Consultation – Comments received from Members of the Public

We have received a number of responses to the budget proposals consultation from members of the public.

The main points from the responses received are as follows:

- 33% of respondents thought Council Tax should increase to maintain levels of service provision.
- 67% of respondents thought Council Tax should not increase.
- The Council should consider introducing or increases fees and charges to maintain provision of services.
- Services should be cut to keep Council Tax low (e.g. spending on community wellbeing, public health and libraries).
- Central government should review its spending priorities and redirect funding to local government.

Consultation Meeting with External Stakeholders Comments



NOTES OF A BUDGET CONSULTATION MEETING HELD AT COUNTY OFFICES, NEWLAND, LINCOLN ON

FRIDAY 27 JANUARY 2017

A list of attendees is detailed at Annex A to these notes.

The Leader of the Council, Councillor M J Hill OBE welcomed everyone to the meeting. Attendees were informed that this meeting was part of the normal consultation process which the authority undertook when setting its budget, and provided the opportunity for partners and other organisations to take part in the consultation. It was reported that the proposed budget was also examined by each of the County Council's scrutiny committees who would look in more detail at the budgets for individual service areas. Recommendations would then be made to the full Council at its meeting on 24 February 2017, where the budget would be formally approved.

Dave Simpson, Technical and Development Finance Manager and Claire Machej, Head of Finance (Corporate), gave a presentation on "Budget Consultation, 27 January 2017", which was a consultation exercise led by the County Council to highlight the Council's current budget and financial outlook for public services over the coming year. The presentation highlighted the following main points:

- The government had been reducing the amount it gave to local councils over the last few years, and authorities had had to decide what their budget priorities were. Lincolnshire's priorities had been in place since 2014 and including safeguarding children and adults, maintaining and developing highway infrastructure, managing flood risks, supporting communities to support themselves and fire and rescue services.
- The Council spends £597m on revenue services, with over half of this being spent on Adult Care and Children's Services.
- Over half of the money spent on revenue services was on agency and contract payments to deliver the services. Only 25% of the budget was spent on the Council's own staff.
- 43% of the Council's funding came from Council tax, 17% from business rates and the Revenue Support grant from Central Government only made up 12% of the Council's income.
- In terms of national projections for public services spending, the government was maintaining its expenditure on health and education, but the amount given to local government is decreasing.
- In 2016 the government offered local authorities the opportunity to sign up to a four year funding deal to provide a level of certainty to authorities over the medium term. In September 2016, the Council decided to accept this four year deal, along with 97% of other local authorities. While the Council would be getting less money over the coming years, it would be able to plan for it.

- The current budget strategy involved a combination of savings, increased council tax and the use of reserves.
- The authority was only setting a one year budget, which was due to a number of reasons, including the move towards 100% local retention of business rates, decreasing reserves, and a new council coming in following the election in May 2017.
- In 2011/12 the council was receiving around £211m in government grant, by 2019/20 it was expected to be around £20m which was a 90% reduction. It was also noted that the Council was experiencing a number of cost pressures.
- The Council had managed to make around £250m of savings over the past 6 years to balance the books with a number of strategies, which included outsourcing back office support services e.g. IT, personnel, property; entering into partnerships with the private and voluntary sectors e.g. Highways Alliance, school improvement service; undertaking 2 downsizings of senior management posts, with a 40% reduction; investing in an energy from waste facility, saving around £13m per year on landfill costs; and library rationalisation/outsourcing.
- In previous years the Council had taken advantage of the Council Tax Freeze grant, when it was available. However, this was no longer offered and the Council was proposing to increase its share of council tax by 3.95%.
- The Council had been using reserves for a number of years to fill the shortfall in the budget, but there would be a time when the reserves are exhausted.
- The Local Government Finance Settlement received in December 2016 did confirm what was expected, but the authority was also offered a further £3.4m of one off funding for Adult Care in 2017/18. However, this had been taken from the fund for the New Homes Bonus, of which the council would have received £4.6m but will now receive £3.6m, therefore effectively the Council only received an additional £2.4m.
- There was currently no indication of any additional income to fund the national living wage.
- There had been a relaxation in relation to how authorities were allowed to use capital receipts which meant that for the next few years the authority would be able to use capital receipts from the sale of assets to fund revenue costs of transformational projects designed to save money.
- A budget shortfall of £26m was still expected for next year, which would be met by the reserves. It was expected that reserves would run out before the end of the 2018/19 financial year.
- The increase in adult care costs was due to the demography of Lincolnshire. A 7.7% increase in population was expected over the next 10 years, and of this figure, just over 50% of them would be over 75 years of age making them more likely to require adult care services.
- Some of the cost pressures for the council included the adult care demography, national minimum living wage, pay inflation, apprenticeship levy.
- The apprenticeship levy was a new tax introduced by government and was 0.5% of total staff bill. It was believed that this would be widened to the private sector in future years.
- Some of the savings would be from the full year effect of what had been put in place this financial year and also new proposals for 2017/18 which included extending the payback period for capital schemes, use of capital receipts for some revenue projects; and the reduction of the contingency budget from £4m to £3m.
- The Council had two types of revenue reserves – general reserves, which should only be used in an emergency or for unforeseen circumstances; and earmarked

reserves, where the Council held a lot of money that was not its own, e.g. the funding for schools, or was for a specific purpose such as grants which had conditions attached to them. If this money was not spent on the specific purpose it would need to be refunded.

- Once these balances were taken into account, there would be a remaining balance of £28m which was also earmarked for specific purposes such as insurance claims, adverse weather impact on highways, health and wellbeing and transformational projects.
- The Council had an ongoing commitment to major infrastructure schemes included the Lincoln Eastern Bypass and Boston Flood Barrier.
- There was a £7.5m capital contingency fund for council priorities and for which service areas were required to produce business cases.
- It was proposed to increase the county council portion of council tax by 3.95%, which would equate to 86p per week for a band D property. It was noted that over the last 5 years inflation had gone up by 17.1% but the council tax had only increased 5.85%. Lincolnshire always aimed to be one of the lowest council tax areas from a county council point of view, and this should continue. The proposed increase was expected to generate an additional £9.8m of income for the Council.
- In terms of consultation, the proposals were available to the public on the Council's website, the budget proposals had also been to each of the Council's scrutiny committees throughout January.
- It was expected that a new business rates retention scheme would be brought in by 2020. However, a lot of details are still to be worked out over the next two years including how to deal with those areas where business rates retention would create a deficit compared to the current scenario. The combined county/district position for Lincolnshire was a net deficit. A 'Fair Funding Review' was being undertaken in tandem to try and ensure an equitable starting point for the new regime.
- The amount of money available would exceed local governments current funding from central government by around £3bn – £4bn pa. It was expected that additional responsibilities would be handed to local authorities to take up this excess, but it was not yet known what these responsibilities would be.

During the course of discussion, the following points were noted:

- In relation to Council tax, Nottinghamshire had the highest rates. It was queried whether this meant that they had better services than Lincolnshire, and similarly, as Worcestershire and Northamptonshire charged less than Lincolnshire, were their services worse? It was acknowledged that Nottinghamshire had not had to do some of the things Lincolnshire had, and had not had to challenge itself, the way Lincolnshire had. Lincolnshire had mostly been able to make savings through efficiencies. It was accepted that Nottinghamshire would be better off in cash terms, but whether its services were better was debatable. Lincolnshire's Children's Services had been rated the second best in the county by ofsted; the working of the Highways Alliance was highlighted as best practice and as a result, Lincolnshire was receiving additional funding for maintenance work.
- The public consultation process in 2014 to set the Council's priorities had been very influential and was the reason that highways and safeguarding were protected. However, the downside was that protecting one service meant that the savings had to come from a different service. It was noted that the protection of these services did not mean they received more money, just that the same level of savings were not required from them.
- It was not thought that there was a requirement to have another review of council priorities at this time. There were some activities which the Council had to carry

out, and so some areas may struggle so these services can continue. However, there would be a new council in May 2017 and so there was the potential for a different view.

- Clarification was sought regarding the Apprenticeship levy and whether it could be offset by training budgets. It was noted that all schools would be included in this, which was a concern as small rural schools would not be able to deliver apprenticeship schemes. It was noted that the apprenticeship levy only applied if an organisations staffing budget was over £3m.
- It was commented that it would be important in the future for people to work together. As academies were often standalone, some seemed to be working against each other.
- There was an ongoing discussion about the funding formula for schools, as an adjustment was proposed so that those schools with more pupil premium pupils would receive more funding. This would negatively affect small rural schools as well as grammar schools. It was hoped that this would be reviewed again to make it fairer. In Lincolnshire, with the national formula, the authority had always tried to protect its smaller schools through block funding, but there was a danger that smaller schools would become vulnerable in the future.
- Was it hoped that communities would pick up some activities, and it was queried whether there was any support to help communities to apply for grants etc. It was noted that the council was proposing to stop amenity grass cutting, and if parishes or communities wanted to pick this up there would be some transitional funding. One of the Councils aims was helping communities to support themselves.
- A lot of savings had come from having reduced numbers of staff.
- In terms of Adult Care and the 2% levy in council tax, it was queried whether the money raised was ringfenced for adult care. It was confirmed that it was, but it would be insufficient to cover the increase in costs from the introduction of the national living wage. It was estimated that the cost to the council of the living wage would be £10m.
- Councils with responsibility for adult care were allowed to set a 6% increase in council tax over the next 3 years, but it was up to the authority to determine how to implement the increase e.g. 2% per year for 3 years, or 3% for 2 years and 0% the remaining year. The current political view was a preference for the 2% increase per year for 3 years.
- One of the biggest areas for expenditure was adult social care. However, just because the budget had grown did not mean that it would not make savings. There were a lot of small contracts and money had been saved through better commissioning. The Council had saved money by becoming a better commissioner across all services. The adult care budget would continue to grow and every year the cash amount going into the adult care budget had increased, but the service would still look to find ways to make savings.
- The £1.5m cost pressure of pay inflation was an additional cost, and would fund the expected 1% increase in pay for staff as per the national pay agreement.
- It was suggested that the 100% business rate retention was something that businesses did not understand yet. 100% of growth in business rates would be retained locally. It was commented that it would be important to have a strategy in place with the districts, as it would be an opportunity for the area. It was queried what plans there were around the 100% retention of business rates and engagement with business and growing the business rates base. It was noted that officers were working out broadly what this would look like, and the formula would need to be more representative of need. There was a need for the money coming through the business rates to be more fairly distributed.

- In terms of business rates, Lincolnshire was a top up authority. There was a still a need nationally to agree how the formula would work, and the appeals system would be operated centrally. Under the new regime, if an area lost a big business, it would leave a big hole in an authority's budget.
- There would be a need to work together to maximise growth in an area. It was noted that business growth in Lincolnshire was good.
- The Government acknowledged that there would have to be some measures put in place to ensure that those areas with lower business rates were not penalised. If an area could grow its business base then the new system would allow for the benefit to be retained.
- In terms of heritage, it was commented that the County Council should be congratulated for its investment in Lincoln Castle. Businesses were now starting to see the benefit. There was an 8% increase in the volume and value of tourism in 2015. It was felt that heritage services as a trading unit would broadly be welcomed, but it would need to be in a position where it could invest in its own assets to ensure that heritage assets continued to flourish.
- It was acknowledged that heritage services had come low down in the list of priorities during the public consultation, and it was hoped it could get to the stage where it could support itself so it could benefit from other initiatives such as rate relief, charity status etc. Whether this would be possible or it would need some sort of support still needed to be examined. There would be a need to look at different ways of providing the service following on from the success of the Castle. The Service had been given more time to work out how to move forward in the future.
- Options for the Lincolnshire Archives were being looked into as the current building was nearing the end of its life. One option being considered was relocating it to the museum of Lincolnshire Life, creating more of an attraction.
- It was queried whether funding for pump priming transformational projects was built into budgets. It was reported that the authority received funding from the Better Care Fund (BCF), and a lot of this funding had been used to try and protect Adult Care services, and so transformational work has been taking place to find better ways of working.
- A lot of the proposals in the Sustainability and Transformation Plan (STP) were about delivering services locally, for example preventing people having to go to A&E by providing reasonable alternatives. Social care and Health were working together more to avoid splitting the community. There are 20 social workers who were permanently located in hospitals so they could work with people when they were admitted to hospital to put in place plans for when they are discharged. It was acknowledged that there were problems with the recruitment of professional health staff.
- It was queried whether the impacts of any reductions on services were assessed before being agreed. It was confirmed that this did happen, and in some cases it was an uncomfortable decision to make. The savings that were made needed to be sustainable and not have a large impact.
- It was noted that some reductions may not have an impact immediately, but for example, in 5 years' time. It was commented that the money needed to be saved now, and in an ideal world there were some things that the authority would like to do.
- It was commented that proposed reductions included health improvement programmes and community wellbeing, and it was noted that some of these savings were being achieved through re-commissioning of services, particularly around smoking cessation. Some of these savings were introduced 12 months ago, but there was a time lag between implementation and savings being recognised.

- Some of the London boroughs such as Tower Hamlets received twice as much funding per pupil for schools as in Lincolnshire. It was queried whether Lincolnshire was putting sufficient pressure on the government to make the funding fairer. It was confirmed that MP's were aware of the issue, and Lincolnshire had managed to receive an additional £7.5m during this year. It was also noted that Lincolnshire was a member of SPARSE, a sub group of MP's who represented rural authorities and ensured that pressure was maintained on this issue.
- It was commented that if Lincolnshire received the same level of support as Manchester, the authority would be £140m per year better off.
- The government would be looking at the adult social care and health problems.
- It was queried how businesses, investment and development would be grown to boost the business rates collected. It was noted that the government did have a scheme which rewarded people for growing their business.
- There was still a big capital programme, supporting improved broadband, the Lincoln Eastern Bypass etc. The authority was trying to get the infrastructure right so people would come to Lincolnshire. The quality of life in the county also attracted people. The LEP was working well and had been very successful in bringing in more money. Lincoln BIG was also working well in encouraging businesses to come together.
- The importance of retail was highlighted as it had a high rateable value, enterprise parks and business parks would also be important.
- The details of how the business rate retention scheme would work were not yet known, but there would be an incentive to increase the business rates base.
- It was hoped that benefits from growth which had happened over the last few years would not be lost by the 'reset' of the business rates system. It was the belief that it was the government's intention to incentivise. There were still exemptions for small business, this could be a loss for Lincolnshire as it had many small businesses. It was also noted that internet based businesses did not pay business rates, and so it needed to be queried whether the system was still fit for purpose.

The comments made at today's meeting would be reported to the Executive at its meeting on 7 February 2017 and the final budget would be approved at the meeting of Full Council on 24 February 2017.

RESOLVED

That the points made at this meeting be submitted to the meeting of the Executive scheduled to be held on 7 February 2017.

The meeting closed at 12.05 pm.

Present	Representing
Richard Wyles	South Kesteven District Council
Karen Brown	Lincolnshire Partnership NHS Foundation Trust
Steve Quint	Lincolnshire East CCG
Matt Corrigan	Lincoln BIG
Gavyn graham	Unison
Councillor J D Hough	Lincolnshire County Council
Steve Galjaard	Lincolnshire Co-op
Russell Stone	North Kesteven District Council
Councillor B Young	Lincolnshire County Council
Councillor S Bibb	West Lindsey District Council
Councillor M J Hill OBE	Lincolnshire County Council
Ken Rustidge	NUT
Dave Simpson	Lincolnshire County Council
Claire Machej	Lincolnshire County Council
Rachel Wilson	Lincolnshire County Council