

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

Report to:	Highways and Transport Scrutiny Committee
Date:	22 January 2018
Subject:	Council Budget 2018/19

Summary:

The report describes the budget proposals for the next two financial years based on the four year funding deal announced by Government as part of the 2018/19 Local Government Finance Settlement. This report specifically looks at the budget implications for the Highways and Transport activities within the commissioning strategy 'Sustaining and Developing Prosperity Through Infrastructure'.

The budget proposals are now open to consultation. Members of this committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 6 February 2018.

Actions Required:

The Highways and Transport Scrutiny Committee is asked to consider this report and members of the committee are invited to make comments on the budget proposals. These will be considered by the Executive at its meeting on 6 February 2018.

1. Background

1.1 The Executive are currently consulting on a two year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. This is the first time in four years the Council has been able to develop budget plans for more than the next financial year. The Council continues to face 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. Uncertainty around government funding beyond the four year funding deal (which runs from 2016/17 to 2019/20) means the Council doesn't consider it practicable, at present, to develop sustainable long term financial plans into the next decade.

1.2 In developing its two year financial plan the Council has considered all areas of current spending, levels of income and council tax plus use of one off funding (including use of reserves and capital receipts) to set a balanced budget. All areas

of service expenditure have been reviewed to identify cost pressures which must be funded and savings which can be made, through efficiencies and by reducing the level of service provided.

1.3 At its meeting on 19 December 2017 the Executive agreed proposals for the Council's revenue and capital budgets, and Council Tax level for 2018/19 to be put forward as a basis for consultation.

Sustaining & Developing Prosperity Through Infrastructure

1.4 Table A shows the total proposed revenue budget for the Highways and Transport activities within the commissioning strategy 'Sustaining & Developing Prosperity Through Infrastructure'.

TABLE A

Change of Previous Year	£'000
Original Budget	39,063
<u>Changes for 2018/19</u>	
Pay Inflation	145
Cost Pressures	350
Transfers	0
Savings	-186
Proposed Budget 2018/19	39,371
<u>Changes for 2019/20</u>	
Pay Inflation	147
Cost Pressures	312
Savings	0
Proposed Budget 2019/20	39,830
Percentage Change	2.0%

1.5 The Highways and Transport activities are proposing to make savings of £0.186m in 2018/19 and there are cost pressures identified of £0.350m in 2018/19 and £0.312m in 2019/20.

1.6 As part of the initial budget proposals for 2016/17 a potential saving of £2.235m was identified by removing bus subsidies and the saving was profiled as £1.200m in 2016/17 and £1.035m in 2017/18. When the Executive made its budget proposals for the 2016/17 year, the saving of £1.200m for bus subsidies was included. At this time, it was highlighted that the delivery of this saving, was likely to result in a cost shunt to Children's Services of an estimated £0.750m as provision would need to be made for school children travelling on public service routes. At the County Council meeting in February 2016 it was agreed to defer the saving of £1.200m and the subsequent £1.035m for two years. The Council has

reconsidered delivering savings on bus subsidies and is still not proposing any savings in this area in the next two financial years (2018/19 and 2019/20).

1.7 Due to the Department for Transport re-designation of Lincoln as a 'PTE like' area, there is an expected increase in the cost of concessionary fares of £0.100m in 2018/19 rising by £0.045m in 2019/20 to give a full year effect. There is a proposed saving of £0.060m in 2018/19 from the removal of temporary funding supporting the Lincoln to Nottingham Rail Service. This funding was part of a 3 year deal struck between local authorities, Local Enterprise Partnerships, DfT and the train operator to trial an improved service along the line. The service has been successful with strong growth in passenger numbers. From 2018 onwards it will be funded through a new Direct Award negotiated between the operator and DfT pending the start of the new East Midlands Franchise in 2019.

1.8 An element of the cost pressures for these activities (mainly within Transport) relates to an increase in contract costs, which have a direct relationship to national living wage levels. There are proposed cost pressures of £0.250m in 2018/19 and £0.267m in 2019/20 to meet the Council's obligation to pay staff and some contractors the central government set national living wage.

1.9 Winter maintenance vehicles are currently supplied under a lease arrangement. As these leases expire, there is a proposal to move to a capital purchase of these vehicles. This proposed saving in 2018/19 (£0.126m) for four vehicles is reliant upon the approval of the appropriate capital programme spend which is included in these budget proposals. Further budget savings can be realised in line with further lease expiry dates, the majority of which are in 2020 and beyond.

1.10 The budget proposals assume inflation increases of 1% for pay for the next two financial years.

1.11 Table B below shows the impact of these changes on the activities included within this commissioning strategy.

TABLE B

SUSTAINING & DEVELOPING PROSPERITY THROUGH INFRASTRUCTURE		Original budget	Changes 2018/19	Proposed Budget 2018/19	Changes 2019/20	Proposed Budget 2019/20	% Change
		£000	£000	£000	£000	£000	
1	Transportation including concessionary fares and other government grants	13,923	112	14,035	322	14,357	3.12%
2	Highway asset maintenance	16,058	-766	15,292	41	15,333	-4.51%
3	Highway network management	8,357	961	9,318	67	9,385	12.30%
4	New transport investments including highways improvements and bypasses, growth corridors and programmes	725	1	726	29	755	4.18%
	Total	39,063	308	39,371	459	39,830	2.0%

County Council Capital Programme

1.12 The proposed capital programme matches the revenue budget and runs until 2019/20, plus major schemes which stretch into future years. Schemes comprise: a number of major highways schemes, the rolling programme of renewal and replacement of fire fleet vehicles, and the new rolling programmes to replace the gritters fleet and equipment and vehicles at the Waste Transfer Stations). The gross programme is set at £322.647m from 2018/19 onwards, with grants and contributions of £132.088m giving a net programme of £190.559m to be funded by the County Council.

1.13 Table C shows the proposed net capital programme for this commissioning strategy. The net contributions relate mainly to the LCC contribution and underwriting developer contributions for the major road schemes.

TABLE C

Capital Programme	Net Programme 2018/19 £000's	Net Programme 2019/20 £000's
Sustaining and Developing Prosperity Through Infrastructure	45,478	55,528

1.14 The Council receives government grant funding to support large parts of the capital programme, including schools and roads maintenance. The following grants have been announced and incorporated into the capital programme in 2018/19, 2019/20 and future years:

- An indicative award of £24.995m per annum for three years, 2018/19 to 2020/21, of Highways Asset Protection Maintenance Block;
- An indicative three year award for Integrated Transport Grant of £3.312m per annum from 2018/19 to 2020/21; and
- An award of £2.000m in 2018/19 from the National Productivity Investment Fund. This is for the A46 Lincoln Road, Welton, Lincoln scheme, which will convert the priority "T" junction to a roundabout to cater for extra traffic from proposed local housing developments.

Further consultation

1.15 A consultation meeting with local business representatives, trade unions and other partners will take place on 26 January 2018.

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

1.17 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 6 February 2018.

2. Conclusion

2.1 These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council Tax in 2018/19 by 1.95% and in 2019/20 by 1.95%. Adult Care Premium is proposed to increase by 2.00% in 2018/19 and 2.00% in 2019/20. They are based on a thorough and comprehensive review of the Council's services. The budget proposals therefore aim to reflect the Council's priorities whilst operating with the resources available to it.

3. Consultation

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 its meeting on 6 February 2018.

Further risk and impact assessments will need to be undertaken on a service by service basis.

4. Background Papers

Document title	Where the document can be viewed
Council Budget 2018/19 - Executive Report 19 December 2017	Democratic Services, County Offices , Newland, Lincoln

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