

**Open Report on behalf of Andy Gutherson,  
Interim Executive Director for Place**

Report to:	<b>Highways and Transport Scrutiny Committee</b>
Date:	<b>21 January 2019</b>
Subject:	<b>Council Budget 2019/20</b>

**Summary:**

The report describes the budget proposals for the next financial year 2019/20, based on the four year funding deal announced by Government as part of the 2016/17 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 5 February 2019 when it will make its final budget proposals for 2019/20.

**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 5 February 2019.

**1. Background**

1.1 The Executive are currently consulting on a single year financial plan for revenue and capital budgets to take the Council to the end of the four year funding deal from government. 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 some 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, to develop sustainable long term financial plans into the next decade. Work on this has started and will continue next year as information starts to emerge about the future funding framework.

1.2 The budget process carried out a year ago considered budgets for both 2018/19 and 2019/20. This year, the 2019/20 budgets have been reviewed in light

of the latest available information to arrive at the proposals set out in this report. In developing its 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.

1.3 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.

1.4 On an annual basis the Council has the opportunity to review the level of Council Tax. Central government sets thresholds above which a local authority would be required to hold a referendum for Council Tax increases. In the provisional Local Government Finance Settlement, the Secretary of State announced that the referendum threshold for general council tax would be 3.00% for 2019/20. Together with a 2% council tax increase for Adult Social Care allowed for a final year in 2019/20, this means that Lincolnshire County Council may increase council tax in 2019/20 by up to 5%.

1.5 At its meeting on 18 December 2018 the Executive agreed proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation and made the decision to consult on a proposed council tax increase of 4.95% for 2019/20.

### Sustaining & Developing Prosperity Through Infrastructure

1.6 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

SUSTAINING & DEVELOPING PROSPERITY THROUGH INFRASTRUCTURE		Original budget	Pay Inflation	Cost Pressures	Savings	Other Changes	Proposed Budget 2019/20	% Change
		£000	£000	£000	£000	£000	£000	
1	Transportation including concessionary fares and other government grants	14,059	52	294	0	118	14,523	3.30%
2	Highway asset maintenance	18,632	83	1,250	-3,300	555	17,220	-7.58%
3	Highway network management	8,155	96	18	0	-593	7,676	-5.87%
4	New transport investments including highways improvements and bypasses, growth corridors and programmes	852	55	0	0	1	908	6.58%
<b>Total</b>		<b>41,698</b>	<b>287</b>	<b>1,562</b>	<b>-3,300</b>	<b>80</b>	<b>40,327</b>	<b>-3.3%</b>

1.7 The Highways and Transport activities are proposing to make savings of £3.300m in 2019/20 and there are cost pressures identified of £1.562m.

1.8 Due to the Department for Transport re-designation of Lincoln as a 'PTE like' area, there was an expected increase in the cost of concessionary fares of

£0.145m. £0.100m was added to the base budget for this during 2018/19, with the remaining £0.045m proposed in 2019/20 to give a full year effect.

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

1.10 The Highways Asset protection budget has a number of cost pressures proposed, which reflect the impact on Lincolnshire Highways of previous service reductions. These changes include; returning to two full cycles for weed spraying (£0.150m); reinstating three rounds of safety grass cutting (£0.300m) and returning to a full cycle of gulley cleansing (£0.370m). There is also a need have available additional Mobile Maintenance Teams (MMT's) to manage the peak in demand for pot hole repairs over the autumn and winter period (£0.220m). The current arrangement the Council has for the Highways Asset Management 'CONFIRM' software is coming to an end. New licencing costs and a move to an on-demand system has created a cost pressure of £0.210m.

1.11 The saving in this budget reflects the removal of the additional 'one-off' budget provided to Highways Asset Maintenance in 2018/19 (£3.300m).

1.12 The budget proposals for this strategy have allowed for a pay inflation increase of 2% for 2019/20.

### County Council Capital Programme

1.13 The proposed capital programme covers the remainder of the current year and 2019/20, as well as 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, gritters fleet and vehicles at the Waste Transfer Stations; improvements and review of property portfolio; information technology (IT) developments and rephasing of existing schemes.

1.14 The gross programme is set at £381.315m from 2019/20 onwards, with grants and contributions of £110.308m giving a net programme of £271.007m to be funded by the County Council.

1.15 Table B shows the proposed net capital programme for this commissioning strategy.

Table B

Capital Programme	Net Programme 2018/19 £000's	Net Programme 2019/20 £000's	Total Net Programme Including Future Years £000's
Sustaining and Developing Prosperity Through Infrastructure	46,554	75,042	199,865

1.16 The following additions have been made to the net capital programme in as part of the budget setting process:

- Additional budget for Grantham Southern Relief Road £20.130m in future years as a result of increased costs of construction, archaeology, and additional scheme requirements.
- Additional budget for Lincoln Eastern Bypass £11.700m in 2019/20 and £14.578m in future years. This is due to an increase in archaeology costs and the need to re-let the main contract following the demise of Carillion.
- Additional budget for Spalding West Relief Road scheme section 5 - £3.291m in future years to complete this major scheme development. Advance design work is continuing for section 1 of the Spalding West Relief Road, but any future capital support for this scheme will be reliant on an agreed level of developer contribution.
- Major scheme development of Corringham Road in partnership with West Lindsey District Council (WLDC) – budget of £1.500m in 2019/20 and receipt of £1.000m contribution during 2020/21.
- Budget of £1.100m in 2019/20 for the A46 Dunholme/ Welton Roundabout, the scheme has been partly funded by £2.000m National Productivity Improvement Fund awarded in 2018/19 and £1.839m of Integrated Transport Grant.
- Improvement of Holdingham Roundabout £0.435m in 2019/20 and £2.115m in future years.
- The Executive has approved the development of a business case for a North Hykeham Relief Road to enable bids for 70% of grant funding to be made. Future budgets for this scheme will be considered based on the outcome of this bid.

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

- An indicative award of £24.995m per annum for 2019/20 and future years, for the Highways Asset Protection Maintenance Block;
- An indicative award for Integrated Transport Grant of £3.312m per annum 2019/20 and future years; and

- Successful bids from the Safer Roads Fund to improve some of the most dangerous stretches of 'A' roads were announced by Department of Transport.

Under this scheme the Council will receive £1.245m in 2019/20 for A1084 Brigg to Caistor; £0.645m in 2019/20 towards A1084 Middle Rasen to Bishops Bridge; and £2.725m in future years for A631 Louth to Middle Rasen;

### Further consultation

1.18 A consultation meeting with local business representatives, trade unions and other partners will take place on 25 January 2019.

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

1.20 All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 5 February 2019.

## **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 2019/20 by 2.95%. The Adult Social Care "Precept" is proposed to increase by 2.00% in 2019/20 and this will give a total council tax increase of 4.95%.

2.2 A thorough review of Council's services was carried out during last year's budget process, which covered both the 2018/19 and 2019/20 financial years. This year further unavoidable cost pressures as well as some savings have been identified, and the capital programme has been reviewed – the 2019/20 budget has therefore been refined this year. 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 5 February 2019.

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 2019/20 - Executive Report 18 December 2018	Democratic Services, County Offices , Newland, Lincoln

This report was written by Michelle Grady, who can be contacted on 01522 553235 or [Michelle.Grady@Lincolnshire.Gov.uk](mailto:Michelle.Grady@Lincolnshire.Gov.uk).