

Lincolnshire County Council

– 11 February 2011

(INTRODUCTION)

Good morning, Chairman, fellow Members of the Council.

My first budget speech to this authority could hardly have come at a more difficult time.

On a global level, the world economy is still struggling to recover from the crisis that engulfed it in 2008, while our national economy is facing its biggest challenge since the Second World War.

Locally, grants to councils are being cut substantially as the Government restores the national finances after years of overspending by the previous administration.

The challenge is huge, but today we must step up to play our part in rebuilding the nation's finances, both in the national interest, and in the interests of the people of Lincolnshire.

Here at Lincolnshire County Council, we will be losing 23.1% in grants over the next four years. When that figure is taken together with unavoidable cost pressures, it means we have to find total savings of £125 million – a hugely challenging task.

This task has been carried out with great care and skill, and I pay tribute to the determination and new thinking demonstrated by members, officers and our partners. Their willingness to find solutions to our problems, and a positive approach to delivering services with less resources does them credit, and deserves to be recognised.

But having less resource does not always mean less service. A lot of things will be delivered differently, will be better targeted, or will be simply done better. Our residents quite rightly demand value and efficiency, and that is what we will give them.

This means concentrating on the services that really matter to local people, and on how best they can be provided. It means getting real value for every single pound we spend. It means getting more for less, both as a council and as a country.

This is the common-sense theme that runs throughout the Executive budget I am proposing today. It is a budget both for difficult times now and for better times ahead, building on the strong foundations we have put in place over recent years.

The reason we have those strong foundations is as a result of a great deal of hard work by our Members and Officers. Together, we have improved not just our overall performance and the quality of the services provided, but also our partnership working and our reputation on both a regional and national stage.

Just a few examples include:

- The Care Quality Commission judging Adult Services as performing well, with the 'quality of life' area highlighted as excellent, with increased numbers of users accessing personalised budgets and improved support to carers**

- Excellent Children's Services including a shortlisting in the current LGC awards for those aspects around Safeguarding and Looked After Children**

- Prince Michael award for The Road Safety Partnership 2Fast2Soon initiative**
- Innovation awards for our Lincolnshire Legal Services and for our Customer Services**
- Management Journal public / private partnership award for our work with Mouchel**
- One of the highest waste recycling rates in the country**
- One of the few Registration services in the country to be ranked as excellent**

These and much more have resulted in our shortlisting as 'Most Improved Council of the Year ' in the current Local Government Chronicle awards.

The Council also starts from a sound financial base – a fact recognised by the Audit Commission when it assessed us as “performing well” in our “use of resources”.

We have a good track record compared to other councils of achieving efficiency savings. These have allowed us to invest in countywide improvements to frontline services and our capital infrastructure.

We have also provided value for money for the people of Lincolnshire by keeping Council Tax as low as possible, and we currently have the third lowest level out of 27 similar counties.

Those achievements – and many others like them – provide the strong platform we have today, and allow us to set a budget for very difficult economic times.

When the new Coalition Government came into office last May, it was committed to examining the books and then presenting a Comprehensive Spending Review to address the financial problems it inherited.

Those problems – the result of the international financial crisis and unsustainable levels of debt incurred by the previous Government – were even worse than feared.

The CSR in October forecast that the national debt would rise from £771 billion in 2009/10 to £1,316 billion by 2015/16. At that point, even just paying the interest on the debt would cost us £172 million per day, or £120,000 per minute.

A debt of that size had to be tackled effectively and quickly if future generations were not to

end up paying for the errors of the current generation.

The Government indicated that tax changes would only close 25% of the gap, with the remaining 75% to be met from public spending reductions. The CSR also suggested that local authority budgets would take the biggest public sector hit.

Members of the Council will be aware that we rely on the Government for nearly 70% of our income, so significant reductions in that support has major implications for our budgets and services.

The impact on Government funding levels for Lincolnshire County Council was set out in the provisional grant settlement announced in December.

This covered the first two years of the four-year review period, with the following two years to be announced after a further review of local government finance.

The very tough settlement confirmed substantial reductions in our support, with an 18%, or £42.9 million, cash reduction over the first two years. 11.3% of this is to be front-loaded in the initial 12 months.

We expect further grant reductions for the following two years, giving a total cut of around 23.1% over the CSR period.

The situation was made even more challenging by the significant in-year grant cuts earlier in this financial year. The Government's "formula-damping" mechanism also means we are losing over £12 million per year to other councils. We believe this is funding we should be receiving in Lincolnshire and rest assured we will continue to lobby for it.

On the positive side, the Government settlement has provided grant support to help councils freeze council tax in the coming financial year.

Government support towards capital allocations for highways and education has also been increased, with much of it now as cash grant rather than borrowing support. This has reduced anticipated borrowing costs and the savings target required to balance the budget.

Besides the impact of significant cuts to our grant support, the Council's budget has to absorb additional pressures totalling some £96 million over the next four years. They include:

- The impact of inflation**
- Demographic and other social care pressures**
- Increases in the rate of landfill tax**
- Increases in borrowing costs**

New responsibilities for concessionary travel fares and lead flood management will also bring additional costs.

Overall, as I said earlier, the Council will need to deliver savings of £125 million over the next four years to balance the budget. While we continue to work on efficiency measures, the reality is that savings on this scale will inevitably impact on services.

The Executive could have made a simple decision to impose a percentage saving across all departments. However, we felt that a fundamental review of all budgets was required to identify which service areas are core to Lincolnshire, including our statutory or other key duties. Other services, while desirable,

might have to be reduced, delivered in a different way, or even stopped.

Our priorities are clear.

We have given particular support to public safety, where services have been completely or largely protected. These include the safeguarding of children, fire and rescue, and dealing with the impact of the severe winter.

The budget allocates increased investment of £2.7 million to deal with weather damage and ensure we have adequate resources for future requirements.

We are also providing continued funding for police community support officers and ensuring that our fire and emergency planning services have sufficient resilience to deal with major events.

In other areas, the budget proposals maintain investment or provide support for concessionary travel fares, community grants, citizens' advice bureaux and roads maintenance, an area where current levels of investment will be sustained.

Economic regeneration and tourism, although discretionary services, will remain, although with reduced funding. Our continued support will facilitate business growth, maintain relationships with economic partners, and encourage investment in Lincolnshire.

Unfortunately, protecting these and other services means that difficult decisions have had to be made elsewhere to balance the budget.

We have not shied away from those decisions in the budget before you today, and spending reductions or increased charges are being proposed in a number of areas, including adult social care and post-16 transport.

Members of the Council will also note that the savings required to balance the budget are front-loaded in the first two years.

This reflects the fact that the Government's grant reductions are also heavily front-loaded and so any savings not made early on will pose an even bigger challenge later.

To deal with this front-loading, we propose to use £13.7 million from our reserves to balance the budget in the first year.

The Executive and the Management Board also took the view that it was better to undertake the necessary and fundamental restructuring of the Council at an early stage and largely as part of a single process. Aside from the huge costs of delay, a long drawn-out period of restructuring would have a negative effect on the organisation, and would not give us a stable base to work from.

The restructuring has unavoidable but difficult staffing implications, and the Council is currently consulting on those. We are not alone in this. Just about every other council in the country is facing similar challenges, often with a greater impact on staffing levels.

Looking at the bigger picture, the Coalition Government have not just focused on finances but also on “rolling back the state” and the increased role of local communities.

To support this, we have allocated £1 million to “Big Society” projects, which offer the opportunity to share local responsibilities. We also welcome Community Budgets as a way of encouraging partnerships, flexible local decision-making and innovation. As Members will know, Lincolnshire has been chosen as one

of just 16 areas in the country to lead nationally on “Families with Complex Needs” – a major vote of confidence in this Council and in this county.

We are also interested in including our “Excellent Ageing” and “Total Environment” programmes within the Community Budget approach, and intend to use some of the £1 million in the budget proposals to “pump-prime” this.

As part of the budget, we have necessarily reviewed the capital programme. Members will be aware that this time last year we made around 20% of reductions in the five-year programme to reflect the expected fall in Government support.

We have now made further adjustments to the capital programme, but with continued levels of investment in road maintenance and in early-stage support to the East/West link road. We also continue to support Teal Park and other economic development initiatives.

In addition, we will be funding the proposed Energy from Waste facility, which will both reduce our landfill costs and have associated environmental benefits. There will be significant investment in schools, social care, property and IT infrastructures to ensure we can deliver effective and efficient services.

On Council Tax, I have already said that this Council has been consistently committed to keeping rates as low as possible. I can therefore confirm today that the budget assumes a freeze in Council Tax for 2011/12 – a decision I am sure will be welcomed in these difficult times by households throughout Lincolnshire.

(CLOSING SECTION)

In closing, I would like to express my sincere thanks to my Executive colleagues and all those Officers and members who have worked extremely hard over the last seven months putting together the proposals before you today.

You will appreciate that it has not been an easy task, given the very real financial constraints we are facing and the difficult decisions we have had to make.

As I have outlined, we have steered a careful course that protects the Council's core priorities – the services that matter most to local people – while still keeping council tax at its current level. I believe that is the right course for Lincolnshire.

Looking ahead to the next few years, this Council will necessarily change its size and shape, as well as the way we deliver some services.

By adapting successfully to the new realities of local government – both challenges and opportunities – we can continue to provide real value for Lincolnshire residents for every pound we spend.

In doing so, we will help to ensure that better times lie ahead not just for this Council, but for this county and for this country as well.

**Chairman and Members of the Council,
I propose to you the Executive's budget and the recommendations as set out in the Green Book, the separate budget booklet and the Order of Proceedings that are before you today.**

**Councillor Kelly Smith
Portfolio Holder for Finance**