

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

Report to:	<b>Highways &amp; Transport Scrutiny Committee</b>
Date:	<b>23 January 2017</b>
Subject:	<b>Revenue and Capital Budget Proposals 2017/18</b>

**Summary:**

The report describes the budget proposals arising from the Provisional Local Government Settlement, announced on 15 December 2016 and the implications for Highways and Transport services.

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 7 February 2017.

**Actions Required:**

The Highways & 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 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 Highways & Transport services are managed within the commissioning strategy 'Sustaining and Developing Prosperity Through Infrastructure' the current revenue budgets for these services are detailed in table A below:

Table A

<b>SUSTAINING &amp; DEVELOPING PROSPERITY THROUGH INFRASTRUCTURE</b>		<b>Original budget 2016/17</b>
		£000
<b>1</b>	<b>Transportation including concessionary fares and other government grants</b>	<b>14,011</b>
<b>2</b>	<b>Highway asset maintenance</b>	<b>19,686</b>
<b>3</b>	<b>Highway network management</b>	<b>8,571</b>
<b>4</b>	<b>New transport investments including highways improvements and bypasses, growth corridors and programmes</b>	<b>608</b>
	<b>Total</b>	<b>42,877</b>

- 1.5 **Transportation and Concessionary Fares** has a proposed budget reduction of £0.363m in 2017/18 (or 2.59% of the 2016/17 original budget of £14.011m, half of which is concessionary fares). This proposed saving is the full year effect of the staff reductions which will be implemented as part of the Transportation Service staff restructure.
- 1.6 **Highway Asset Maintenance** has a proposed budget reduction of £2.617m in 2017/18 (or 13.29% of the 2016/17 original budget). This proposed saving is the full year effect of changes implemented during 2016/17 completing a 25% reduction of this activity. The changes have included:
  - Road Maintenance; Reduction of approx. 3 No Area Maintenance Team gangs and reduction in maintenance of structures and culverts (£530k saving)
  - Highway Grass Verge Maintenance; To remain at 2 cuts per annum and 1 cycle of weed spraying. Reduction in tree maintenance (£38k saving)
  - Public Rights of Way maintenance; Further maintenance reduction equivalent to approximately 20% of budget (£100k saving)

- Amenity Grass Cutting; Removal of Amenity Grass cutting service (£610k saving)
- Reducing Street Lighting and investing in new LED technology to reduce street lighting costs; (£929k saving)
- Drainage Cleansing; Gulley emptying reduced to less than 1 full cycle per annum and moved to a targeted cleansing regime (£375k saving)
- Other Savings; Reduction in structures inspections, technical support to the department (£35k saving)

1.7 **Highway Network Management** has a proposed budget reduction of £0.759m in 2017/18 (or 8.77% of the original 2016/17 budget). This saving will be met from the Winter Maintenance budget and will be realised by improved efficiencies through route based forecasting and treatment. There is no planned change from the current treatment routes policy. We will need to draw from the adverse weather reserve and contingency if savings are not realised in any year due to adverse weather conditions.

1.8 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. This reduction in rate has been offset by an increase in the lump sum payment made annually by the Council to the Pension fund.

1.9 Table B shows the total proposed revenue budget for this commissioning strategy, which incorporates the budget changes detailed in the paragraphs above.

Table B – Proposed revenue budget 2017/18.

### Sustaining & Developing Prosperity Through Infrastructure - Highways & Transport

Change of Previous Year	£'000
<b>Revised Original Budget</b>	<b>42,877</b>
Pay Inflation	143
Cost Pressures	0
Transfers	-353
Savings	-3,740
<b>Proposed Budget 2017/18</b>	<b>38,927</b>
Percentage Change	-9.2%

### County Council Capital Programme

1.10 The proposed capital programme matches the revenue budget and runs until 2017/18, plus major schemes which stretch into future years (including a number of highways schemes and the rolling programme of renewal and

replacement of fire fleet vehicles). The gross programme is set at £332.816m from 2017/18 onwards with grants and contributions of £181.313m giving a net programme of £151.503m to be funded by the County Council.

- 1.11 The proposed 2017/18 net capital programme for this commissioning strategy is £25.179m, which mainly relates to the cost of underwriting developer contributions for Grantham Southern Relief Road.
- 1.12 The Council receives government grant funding to support large parts of the capital programme, including roads maintenance. The following grants have been announced and incorporated into the capital programme in 2017/18 and future years:
- An award for Highways Asset Protection Maintenance Block of £27.570m and £2.482m Pot Holes Funding in 2017/18. Further indicative awards have been made up to 2020/21 when the grant is estimated to be £24.954m each year; and
  - The final year of a three year award for Integrated Transport Grant of £3.312m per annum from 2015/16 to 2017/18, plus three further indicative years of £3.312m per annum to 2020/21.

#### Further Consultation

- 1.13 The Council will meet with representatives of businesses, District Councils, Police and other partner organisations on 27 January 2017.
- 1.14 The proposals will be publicised on the Council website together with the opportunity for the public to comment.
- 1.15 Consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 7 February 2017.

## **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 2017/18 by 1.95% and Adult Care premium of 2.00%. 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 7th February 2016.

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 2017/18 - Executive report 20 December 2016	Committee Services, County Offices, Lincoln

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