

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

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| Report to: | Environment and Economy Scrutiny Committee |
| Date: | 16 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 following commissioning strategies:-

- Protecting and Sustaining the Environment
- Sustaining and Growing Business and the Economy

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 Environment and Economy 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 finding 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.

Protecting and Sustaining the Environment

- 1.4 Table A shows the total proposed revenue budget for the commissioning strategy 'Protecting and Sustaining the Environment'.

TABLE A

| Change of Previous Year | £'000 |
|--------------------------------|---------------|
| Original Budget | 25,061 |
| <u>Changes for 2018/19</u> | |
| Pay Inflation | 33 |
| Cost Pressures | 277 |
| Savings | -518 |
| Proposed Budget 2018/19 | 24,853 |
| <u>Changes for 2019/20</u> | |
| Pay Inflation | 33 |
| Cost Pressures | 279 |
| Savings | -41 |
| Proposed Budget 2019/20 | 25,124 |
| Percentage Change | 0.3% |

- 1.5 This strategy is proposing to make savings of £0.518m in 2018/19 and £0.041m in 2019/20. In 2018/19, these savings are proposed to be delivered from; removing the one-off funded cost pressure required due to the delay in developing the new Boston Household Waste Recycling Centre (£0.300m); reduction in business rates costs relating to waste sites (£0.050m), and a reduction in funding for the natural and built environment partnership grants and projects (£0.045m).

- 1.6 The JCB's used in the waste transfer stations are currently supplied under a lease arrangement. As these leases expire there is a proposal to move to a capital purchase to replace them. The savings generated in 2018/19 (£0.123m) and in 2019/20 (£0.041m) are reliant upon the approval of the appropriate capital programme spend which is included in these budget proposals.

- 1.7 Within this strategy there are also cost pressures of £0.270m in 2018/19 and £0.272m in 2019/20. These pressures relate wholly to waste disposal costs in the increase in volumes of waste being collected for disposal and the inflationary increases of the waste management contract.
- 1.8 The budget proposals assume inflation increases of 1% for pay for the next two financial years.
- 1.9 Lead Local Flood authority grant has been confirmed for the next two years at £0.118m for 2018/19 and £0.125m in 2019/20.
- 1.10 Table B below shows the impact of these changes on the activities included within this commissioning strategy.

TABLE B

| PROTECTING AND SUSTAINING THE ENVIRONMENT | Original budget | Changes 2018/19 | Proposed Budget 2018/19 | Changes 2019/20 | Proposed Budget 2019/20 | % Change |
|--|-----------------|-----------------|-------------------------|-----------------|-------------------------|-------------|
| | £000 | £000 | £000 | £000 | £000 | |
| 1 Reducing Carbon Emissions | 181 | 2 | 183 | 2 | 186 | 2.51% |
| 2 Flood Risk Management | 1,342 | 5 | 1,347 | 9 | 1,356 | 1.03% |
| Protecting & Enhancing the Natural & Built Environment | | | | | | |
| 3 Environment | 139 | -43 | 96 | 3 | 99 | -28.74% |
| 4 Waste Management | 22,256 | 28 | 22,284 | 243 | 22,527 | 1.22% |
| 5 Sustainable Planning | 1,142 | -201 | 942 | 14 | 956 | -16.30% |
| Total | 25,061 | -208 | 24,853 | 272 | 25,124 | 0.3% |

Sustaining & Growing Business and the Economy

- 1.11 Table C shows the total proposed revenue budget for the commissioning strategy 'Sustaining and Growing Business and the Economy'.

TABLE C

| Change of Previous Year | £'000 |
|--------------------------------|--------------|
| Revised Original Budget | 1,274 |
| <u>Changes for 2018/19</u> | |
| Pay Inflation | 17 |
| Cost Pressures | 0 |
| Savings | 0 |
| Proposed Budget 2018/19 | 1,291 |
| <u>Changes for 2019/20</u> | |
| Pay Inflation | 17 |
| Cost Pressures | 0 |
| Savings | 0 |
| Proposed Budget 2019/20 | 1,308 |
| Percentage Change | 2.7% |

1.12 The budget proposals assume inflation increases of 1% for pay for the next two financial years. In spite of budgetary pressures across the public sector, there are no proposed reductions for economic development.

1.13 The base revenue budget for economic development is made up from four sources: base budget from the Enterprise commissioning strategy, income from the Economic Development sites and premises portfolio, grant income, and base budget from the Infrastructure commissioning strategy.

1.14 In parallel with other parts of Environment and Economy the economic development department is split into a commissioning and delivery structure. The commissioning department commissions activity both from the internal delivery department and from external organisations depending on the skills and resources that they have. The delivery department's particular strengths are in place marketing, regeneration projects, and performance reporting.

1.15 There are four elements to our work: attracting and expanding business investment, improving skills and employability, encouraging enterprise by supporting businesses and sectors, and lobbying and attracting funding for Lincolnshire.

Attracting and expanding business investment

The proposed net budget for 2018/19 for this strand is £0.079m

- We facilitate “Team Lincolnshire”, businesses who promote opportunities in the county to investors (the 2017/18 priorities, which will be carried forward into 2018/19 are hotels, housing, Food Enterprise Zones)

- We visit Lincolnshire's 80 foreign owned businesses, encouraging them to continue to invest
- We have worked with GLLEP to create a place marketing toolkit to help businesses promote themselves and the area

This work is commissioned out to our internal delivery team.

Improving skills and employability

The proposed net budget for 2018/19 for this strand is £0.109m

- We have designed £13m of government training (information about jobs and careers, apprenticeships, business training, unemployment) and hold providers to account
- We commission adult learning (basic and employability skills) for 7,000 people

This work is commissioned out to external organisations such as further education colleges and private training providers.

Encouraging enterprise by supporting businesses and sectors

The proposed net budget for 2018/19 from the Enterprise commissioning strategy for this strand is £0.603m. A further contribution of £0.160m is made to this work, particularly the business sites and premises work, by the Infrastructure commissioning strategy.

- We operate www.businessgrowthhub.com which delivers programmes (advice, innovation, finance, supply chain) to help 650 businesses per year to grow
- We are using our civic leadership role to promote trade with China
- We have worked with the GLLEP to prepare and implement sector plans (food, manufacture, visitor economy)
- We develop and manage a portfolio of business sites and premises to help businesses to invest and grow
- We advise/contribute to projects which improve facilities for visitors (Priorities include Historic Lincoln, Archives project, Mayflower 400, Coastal diversification)

This work is mainly commissioned out to external organisations like business consultancies and universities. Our portfolio of sites and premises is managed by our internal delivery team.

Lobbying and attracting funding to Lincolnshire

The proposed net budget for 2018/19 for this strand is £0.500m

- We operate the secretariat for Greater Lincolnshire Local Enterprise Partnerships

- 100+ businesses actively shape LEP policy and help us lobby for investment (Agriculture, Manufacture, Food, Visitor Economy, Water, Skills boards)
- We bid for, manage, and publicise EU, Leader, and Single Local Growth Fund grants
- We also support the case for investment in coastal communities, and utilities –and supported the bid for a medical school in Lincolnshire.

This work is mainly delivered by our Enterprise commissioning team, with some input from external specialists.

The enterprise budget is substantially increased by external grants which makes a modest budget of £1.2m be able to be used for a much wider range of activities. The current gearing of external grant to LCC net budget is roughly 4:1.

1.16 Members may wish to debate the following matters:

- The scale of the economic development budget relative to other budgets in the council
- The balance of the budget between the four strands of the commissioning strategy
- Whether officers are making the most of external grant opportunities
- What opportunities there are for adopting more of a commercial approach to the use of this budget

County Council Capital Programme

1.17 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.

1.18 Table D shows the proposed capital programme for these commissioning strategies. The programme includes £11m to support the Boston Barrier environment scheme, and a new rolling programme for the replacement of equipment and vehicles which operate at the Waste Transfer Stations: £0.441m in 2018/19, £0.138m in 2019/20 and £0.957m spread over 6 years from 2020/21

TABLE D

| Capital Programme | Net Programme 2018/19 £000's | Net Programme 2019/20 £000's |
|---|---|---|
| Protecting & Sustaining the Environment | 12,679 | 138 |
| Sustaining and Growing Business and the Economy | 600 | 0 |

Further consultation

- 1.19 A consultation meeting with local business representatives, trade unions and other partners will take place on 26 January 2018.
- 1.20 The proposals will be publicised on the Council website together with the opportunity for the public to comment.
- 1.21 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 |

This report was written by Michelle Grady, who can be contacted on 01522 553235 or Michelle.Grady@Lincolnshire.Gov.uk.