

Open Report on behalf of Andy Gutherson, Executive Director - Place

Report to:	Environment and Economy Scrutiny Committee
Date:	12 January 2021
Subject:	Revenue and Capital Budget Proposals 2021/22

Summary:

This report outlines the budget proposals for the next financial year 2021/22.

The Provisional Local Government Finance Settlement for 2021/22 has not been issued at the time of writing this report, and the budget proposals for 2021/22 are therefore estimated at this stage.

This report specifically looks at the budget implications for the Council's Environment and Economy services.

The Executive will consider budget proposals at its meeting on 5 January 2021, following which they will be open to consultation.

This Committee has the opportunity to scrutinise them and make comment, prior to the Executive meeting on 2 February 2021 when it will make its final budget proposals for 2021/22.

Actions Required:

The Environment and Economy Scrutiny Committee is asked to consider this report and to make comments on the budget proposals. These will be considered by the Executive at its meeting on 2 February 2021.

1. Background

- 1.1. The Spending Review (SR2020) results were announced by the Chancellor of the Exchequer on 25 November 2020. This was a spending review covering one year only to reflect the uncertainties caused by the coronavirus pandemic. The Office for Budget Responsibility published economic forecasts alongside the SR2020; these show that spending, public sector debt and the budget deficit are all much higher than forecast in March 2020 and that the UK economy is set to contract significantly this year.

- 1.2. As expected, the SR2020 confirmed a "roll-over" settlement for local authorities. The Chancellor has ruled out returning to a programme of austerity to tackle the budget deficit, which is an indication that significant cuts in spending will not be required over the medium term. However the Chancellor announced a pay freeze for most public sector employees in 2021/22; the exceptions being National Health Service staff and public sector employees with a full time basic salary of up to £24,000. This latter group will receive a flat uplift of £250. Other announcements included:
- An overall real terms increase in core spending power in 2021/22 of 4.4% (but the sector is still worse off in real and cash terms compared to in 2010/11).
 - The National Living Wage will increase to £8.91 per hour from April 2021 for people aged 23 years and over. This has been factored into our cost pressures.
 - Councils providing Adult Social Care services can charge an adult social care precept of up to 3% in 2021/22, which can be deferred to 2022/23.
 - The referendum limit will remain at 2% for general council tax. This means that a total council tax increase of up to 5% can be charged by Councils providing Adult Social Care services before requiring a referendum.
 - Revenue Support Grant will be inflated by 0.55%.
 - There will be a Tax Income Guarantee Scheme which will fund 75% of irrecoverable council tax and business rates losses in 2021/22. The details of how this will work are not yet known.
- 1.3. The coronavirus pandemic has impacted significantly in the 2020/21 financial year, on both Council services and the local economy, and central Government has provided grant funding to cover the Council's costs and losses arising directly from the pandemic. It is assumed that where direct impacts carry on into 2021/22 these will continue to be funded by Government grant. The SR2020 announcement confirmed that there would be funding in 2021/22 to cover continuing coronavirus costs and losses.
- 1.4. The Committee will be aware that central Government planned to implement significant funding reforms for the sector. There are two aspects to these reforms: the Review of Relative Needs and Resources (formerly known as the Fair Funding Review), and 75% Business Rates Retention. These reforms were originally due to be implemented from April 2020, and were later deferred to April 2021. Earlier this year, the Government announced a further deferral until April 2022 so that the focus this year could be on supporting local government in the face of the coronavirus pandemic.
- 1.5. In view of the continuing uncertainties about future levels of funding, a one year budget is proposed for 2021/22.

- 1.6. Budgets have been reviewed in detail based on the latest available information to arrive at the proposals set out in this report. A number of new cost pressures have emerged in addition to the pressures identified for 2021/22 in the previous year's budget process. In some areas, savings which can be made through efficiencies with no or minimal impact on the level of service delivery have also been identified. In developing the proposed financial plan, budget holders have 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.
- 1.7. At the time of writing this report confirmation of next year's funding from central Government is still awaited. This is expected to come as the Provisional Local Government Finance Settlement in late December 2020, followed by the Final Local Government Finance Settlement in February 2021.
- 1.8. At its meeting on 5 January 2021 the Executive will consider proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation including the proposed level of council tax increase for 2021/22.

Revenue Budget

- 1.9. Table A shows the total proposed revenue budget for the Council's Environment and Economy services.

TABLE A

2021/22 Revenue Budget	2020/21 Budget £000	Inflation £000	Cost Pressures £000	Savings £000	Proposed Budget 2020/21 £000
Environment inc Flood Risk Management	3,063	35			3,098
Waste Management	21,675	31	1,554	-236	23,024
Planning Services	769	34	280		1,083
Economic Development	1,084	33			1,117
Economic Infrastructure	393	20			413
Infrastructure Investment	806	21			827
Development Management	1,326	27			1,353
GLLEP	343	7			350
Total	29,459	208	1,834	-236	31,265

- 1.10. The budget proposals for these services have currently allowed for pay inflation of 2% for 2021/22. There are also service specific cost pressures for 2021/22 totalling £1.834m.

- 1.11. In Waste Management, a cost pressure of £1.100m arises from the price increase of the Mixed Dry Recycling Contract, reflecting market conditions on the award of the new contract effective from July 2020 and a further cost pressure of £0.454m representing the revenue implementation costs of separated paper and cardboard collections.
- 1.12. Increased cost of legal services on complex planning decisions and a reduced level of planning fee income cause a cost pressure in Planning Services of £0.280m.
- 1.13. Savings of £0.236m are anticipated in 2021/22 from improved efficiency in processing Mixed Dry Recycling by reducing levels of contamination.
- 1.14. During 2020/21 a number of services, particularly Waste Management, were significantly impacted by the coronavirus pandemic with the consequential increase in costs being met from the grant provided by the Government. The pandemic has also had a substantial negative impact on the local economy. Proposed budgets for 2021/22 are based on the assumption that any continuing impacts on Council services will be similarly, fully grant funded.

Capital Programme

- 1.15. The ten year Capital Programme approved as part of budget setting last year has been reviewed in line with the principles set out in the Council's Capital Strategy, including the principle of affordability. Schemes include a number of major highways projects, provision of school places, replacement of two Household Waste Recycling Centres, the rolling programme of renewal and replacement of fire fleet vehicles, gritter fleet and vehicles at the Waste Transfer Stations, improvements and review of the property portfolio, Information Technology developments and re-phasing of existing schemes.
- 1.16. The full gross programme totals £204.302m for 2021/22 plus a further £301.707m for future years. After grants and contributions are taken into consideration, the net programme to be funded by the County Council is £111.283m for 2021/22 plus a further £262.418m for future years.
- 1.17. The capital programme net budget has only marginally increased since last year's budget process with the most significant increases in the gross programme covered by additional funding or by re-phasing budgets on other schemes.
- 1.18. Table B shows the proposed gross capital programme for the Council's Environment and Economy services.

TABLE B

Capital Programme (2020/21 plus Future Years)		Revised Gross Programme 2020/21 £m	Revised Gross Programme 2021/22 £m	Gross Programme Future Years £m
ENVIRONMENT				
Other Environment and Planning	Block of small projects.	0.043	0.000	0.000
Flood & Water Risk Management	A range of projects to alleviate flood and water risks.	0.572	0.000	0.000
Local Flood Defence Schemes (to match fund EA)	Match funding with the Environment Agency for local flood defence schemes.	0.900	1.350	3.650
Total - Environment		1.515	1.350	3.650
WASTE				
Waste - Fire Suppression Systems at Transfer Stations	Installation of fire suppression systems.	0.400	0.421	0.000
Waste - replacement of HWRC x 2	Replacement programme for 2 Household Waste Recycling Centres.	0.050	3.950	0.000
Equipment & Vehicles for Waste Transfer Stations	Replacement programme for vehicles and plant used for winter maintenance and in waste transfer stations.	0.251	0.252	0.847
Separated Paper and Card Collections	Separated collections of paper and cardboard for households across Lincolnshire	0.000	1.206	4.171
Other Waste		0.035	0.100	0.000
Total - Waste		0.736	5.929	5.018
GROWTH & THE ECONOMY				
Lincolnshire Enterprise Partnership Contribution	Lincolnshire Enterprise Partnership funding for capital projects.	13.956	0.000	0.000
LEP Skills Investment Programme	This project is aimed at increasing new apprenticeships and training places by refurbishing existing and creating new learning spaces.	0.232	0.000	0.000
South Lincs (Holbeach) Food Enterprise Zone	Contribution towards Holbeach Food Enterprise Zone.	3.400	0.000	0.000
Economic Development - Business Unit Development	Development of business units.	0.500	1.500	0.000
Economic Development - Horncastle Industrial Estate Extension	Extension of Horncastle Industrial Estate	0.500	1.000	0.000
Boston Development Schemes (Infrastructure & Economic)	A range of initiatives to support economic and housing growth whilst reducing traffic congestion in and around Boston.	0.829	0.641	3.700
Total - Growth & The Economy		19.417	3.141	3.700

- 1.19. The Separated Paper and Card Recycling Scheme with a budget of £1.206m in 2021/22 and budgets totalling £4.171m in future years have been added to the programme. This scheme is for the implementation of separated collections of paper and cardboard for households across Lincolnshire in order to realise economic and environmental benefits by reducing transportation and the degradation that occurs in mixed recycling collections.
- 1.20. In order to make the overall programme for 2021/22 affordable, budgets in areas where spend has not yet been committed have been rephased into later years. The 2021/22 uncommitted budget for the Boston Development Schemes (Infrastructure and Economic) has been rephased into 2022/23 to

better reflect the likely spend profile and to reduce the impact of increased spend of schemes that have already commenced.

Further Consultation

- 1.21. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place in January 2021.
- 1.22. The proposals will be publicised on the Council's website together with the opportunity for the public to comment.
- 1.23. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 2 February 2021.

2. Conclusion

- 2.1. These budget proposals reflect the level of government funding expected to be available to the Council and a proposal to increase general Council Tax in 2021/22 by 1.99%.
- 2.2. A thorough review of the Council's services was carried out during the budget process which has identified unavoidable cost pressures, some savings with minimal or no impact on the level of service provided and the capital programme has been reviewed. The budget proposals therefore aim to reflect the Council's priorities whilst operating within the resources available to it.

3. Consultation

a) 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 2 February 2021.

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

4. Background Papers

The following background papers as defined in the Local Government Act 1972 were relied upon in the writing of this report.

Document title	Where the document can be viewed
Council Budget 2021/22 Executive Report 5 January 2021	https://lincolnshire.moderngov.co.uk/ieListDocuments.aspx?CId=121&MId=5750&Ver=4

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