



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

Report to:	Highways and Transport Scrutiny Committee
Date:	25 January 2021
Subject:	Revenue and Capital Budget Proposals 2021/22

Summary:

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

The Final Local Government Finance Settlement for 2021/22 has not been issued at the time of writing this report. However it is expected to be in line with the Provisional Settlement issued on 17 December 2020. Further budgetary information is also awaited from the Lincolnshire District Councils so the budget proposals for 2021/22 are therefore estimated at this stage.

This report specifically looks at the budget implications for the Council's Highways and Transport services.

The Executive approved budget proposals, including those set out in this report, as its preferred option for the purposes of further consultation at its meeting on 5 January 2021.

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 Highways and Transport Scrutiny Committee is asked to consider this report and invited 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 funding confirmed in the provisional settlement announced on 17 December 2020 was largely in line with our estimates, but we also received confirmation of additional funding of £5.354m for Local Council Tax Support. We had not planned for this new grant, but anticipate that it will be required to cover reduced funding from Council Tax, arising from a lower Council Taxbase and / or a Council Tax Collection Fund deficit due to the impact of the pandemic. This is now the biggest risk to our budgetary position next year, and the impact will not be confirmed until after 31 January 2021, when the Lincolnshire District Councils report their budget figures to us.

- 1.5. The Final Local Government Finance Settlement is expected to be published in February 2021.
- 1.6. 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, 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.
- 1.7. In view of the continuing uncertainties about future levels of funding, a one year budget is proposed for 2021/22.
- 1.8. 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.
- 1.9. At its meeting on 5 January 2021 the Executive approved, for the purposes of further consultation, proposals for the Council's revenue and capital budgets including a proposed council tax increase for 2021/22 of 1.99%.

Revenue Budget

- 1.10. Table A shows the total proposed revenue budget for the Council's Highways and Transport services.

TABLE A

2021/22 Revenue Budget	2020/21 Budget	Pay Inflation	Cost Pressures	Savings	Proposed Budget 2021/22
	£000	£000	£000	£000	£000
Transport Services	13,786	20	0	0	13,806
Highways Asset Management	9,169	22	0	0	9,191
Highways Services	6,341	24	0	-159	6,206
Highways Infrastructure	588	1	0	0	589
Design Services	6,530	3	300	0	6,833
Total	36,414	71	300	-159	36,626

- 1.11. Given the expectation of public sector pay restraint, the budget proposals currently allow for pay inflation of 0.75% to adjust budgets for the higher than budgeted pay award in 2020, no further pay inflation has been provided for in 2021/22.
- 1.12. The only cost pressure for 2021/22 in these services relates to a £0.300m increase in energy charges for street lighting and signs.
- 1.13. The budgeted saving of £0.159m in Highway Services arises from the reduction in revenue lease costs by continuing with the previously agreed practice of buying rather than leasing gritter vehicles.
- 1.14. During 2020/21 a number of service budgets were significantly impacted by the coronavirus pandemic with the consequential increases in costs and income losses being met from the grant provided by government. 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 £322.097m 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 £282.808m for future years.
- 1.17. The capital programme net budget has increased since last year's budget process with the most significant increases in the gross programme covered by additional funding or by rephasing budgets on other schemes into later years.
- 1.18. Table B, on the next two pages, shows the proposed gross capital programme for the Council's Highways and Transport 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
TRANSPORT				
Electronic Ticket Machines		0.365	0.000	0.000
Other Highways and Transportation	Capital programme for transport services to support the purchase of assets such as vehicles and new technologies.	1.418	0.000	0.000
Total - Transport		1.783	0.000	0.000
HIGHWAYS				
Spalding Western Relief Road	The Spalding Western Relief Road (SWRR) will be a 6.5km road linking the A1175 and A16 to the south and east of Spalding, to the B1356 Spalding Road to the north of Spalding, via the B1172 Spalding Common	4.331	41.734	22.441
Spalding Western Relief Road - S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 1	0.000	-1.800	-7.920
Integrated Transport	Schemes including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.	1.404	0.000	0.000
Transforming Street Lighting	Programme of street lighting improvement.	0.228	0.150	0.000
Energy Efficiency Street Lighting Schemes	Replacement of SOX lanterns with more efficient LED bulbs to enable longer-term savings on energy.	0.209	0.234	0.448
Highways Asset Protection	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	20.629	33.464	0.000
Highways Asset Protection -Development Drawdown		3.981	0.000	0.000
Network Resilience	Replacement programme of gritter vehicles.	0.181	0.723	4.110
A631 Louth to Middle Rasen Safer Road Fund	Improvement on A631 Louth to Middle Rasen, under Safer Roads Funds.	3.326	0.000	0.000
A18 Safer Road Fund	To improve the safety of the A18	0.162	0.000	0.000
Lincoln Eastern Bypass	Construction of 7.5km highway scheme to the east of Lincoln, connecting sections of the A15 to the north and south of Lincoln.	24.643	5.847	3.000
Grantham Southern Relief Road	The Grantham Southern Relief Road aims to improve the town's infrastructure and growth by the construction of a 3.5km relief road in three phases	31.438	29.703	24.142
A46 Welton Roundabout (Integrated Transport/NPIF)	Improvement on A46 Welton junction.	4.354	0.361	0.000
Holdingham Roundabout	Improvement on Sleaford Holdingham Roundabout.	1.680	3.839	0.000
A46 Roundabouts	Improvements to Riseholme and Nettleham roundabouts by extending/adding extra lanes to increase capacity and reduce congestion.	3.470	0.000	0.000
Corringham Road (development with WLDC)	Major scheme development of Corringham Road, in partnership with West Lindsey District Council.	1.654	0.000	0.000
Sleaford Rugby Club (Sleaford Growth Scheme)	Improvement to ease congestion and improve the traffic flow at the Sleaford Rugby Club junction.	1.318	1.014	0.000
A52 Skegness Roman Bank	Full reconstruction of a total of 550m of the A52 Roman Bank in Skegness.	4.449	0.325	0.075

TABLE B contd.

Capital Programme (2020/21 plus Future Years)		Revised Gross Programme 2020/21 £m	Revised Gross Programme 2021/22 £m	Gross Programme Future Years £m
Local Highways Improvements(Pinchpoints) to support Coastal Route	Improvement of the transport corridor to the Lincolnshire Coast by improving pinch-points along the route (A57, A46, and A158).	0.850	1.705	17.295
Other Highways	Block of smaller Highways projects.	0.024	0.000	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
Pothole and Challenge Fund		20.909	0.000	0.000
North Hykeham relief road (Scheme total £158m, DfT bid £110m)	Completion of a ring road by linking the Lincoln Eastern Bypass with the existing Western Bypass.	0.000	0.000	48.000
Total - Highways		130.071	117.939	115.292

- 1.19. The most significant changes related to Highways and Transport services are due to the emergence of a number of risks associated with the Lincoln Eastern Bypass (LEB), Grantham Southern Relief Road (GSRR) and Spalding Western Relief Road (SWRR) which have resulted in increases to the forecast costs.
- 1.20. For 2021/22 an additional budget of £5.847m has been added for the LEB, an additional budget of £1.951m for the GSRR and a reduction in budget of £0.095m for the SWRR. For future years an additional budget of £3.000m for the LEB, an additional budget of £9.192m for the GSRR and an additional budget of £0.762m for the SWRR have been included. The revised capital programme has been updated to reflect these pressures and fund the increased cost in 2021/22. Further risk still remains which could change these forecasts, but they will continue to be monitored and reported as the schemes progress.
- 1.21. To ensure the capital programme for 2021/22 is affordable and to recognise the risks and potential increased costs identified in the forecast of the major highway schemes currently in progress, some programme budgets in areas where spend has not yet been committed have been re-phased into later years. The 2021/22 uncommitted budgets for the Boston Development Schemes (Infrastructure and Economic) and Local Highways Improvements (Pinch points) – Coastal Route Schemes have been re-phased into 2022/23 to better reflect the likely spend and to reduce the impact in the short-term of increased spend on schemes that have already commenced.
- 1.22. Following the Council's outline business case bid, the Department for Transport has now confirmed £110.000m of capital grant funding for the North Hykeham Relief Road scheme. The ten year capital programme currently includes a £48.000m budget to fund the forecast net cost of this scheme. The next step is to complete a detailed business case with the scheme presently expected to start construction in 2025.

Further consultation

- 1.23. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 28 January 2021.
- 1.24. The proposals will be publicised on the Council website together with the opportunity for the public to comment.
- 1.25. 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	Democratic Services

This report was written by Keith Noyland, who can be contacted at keith.noyland@lincolnshire.gov.uk

This page is intentionally left blank