



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

Report to:	Highways and Transport Scrutiny Committee
Date:	24 January 2022
Subject:	Revenue and Capital Budget Proposals 2022/23

Summary:

The report outlines the budget proposals for the next financial year 2022/23.

The Provisional Local Government Finance Settlement for 2022/23 was issued on 16 December 2021. The Final Settlement, which is expected to be in line with the draft, is due to be published in February 2022. Further budgetary information is also awaited from the Lincolnshire District Councils, therefore the budget proposals for 2022/23 are 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 2022.

Members of this Committee have the opportunity to scrutinise them and make comment, prior to the Executive meeting on 8 February 2022 when it will make its final budget proposals for 2022/23.

Actions Required:

The Highways and 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 1 February 2022.

1. Background

- 1.1. On 27 October 2021, the Chancellor of the Exchequer announced the outcome of the 2021 comprehensive spending review (SR2021) alongside his Autumn Budget 2021. Although this was a spending review setting government departmental budgets up to 2024-25, continuing uncertainty about the fair funding review and

possible Business Rates retention reform, resulted in it remaining unclear whether the Department for Levelling Up, Housing and Communities (DLUHC) would conduct a one-year or three-year settlement.

1.2. The Spending Review announcement included notification of additional funding for local authorities in 2022/23 to help councils deal with some of the pressures, including inflationary pressures, currently being experienced. Announcements included:

- Local government in England will receive an additional £4.8bn in grant funding over the next three years (£1.6bn in each year), which was described as “for social care and other services”.
- There will be additional funding of £3.6bn over 3 years for adult social care reform, to implement the cap on personal care costs and changes to the means test. This will be weighted towards later years as the costs of the changes will grow over time.
- Councils providing Adult Social Care services can charge an adult social care precept of up to 1% in 2022/23 and the same again in 2023/24 and 2024/25 (this is in addition to any adult social care precept which may have been deferred from 2021/22 and which can be charged in 2022/23).
- The Business Rates multiplier, which is used to increase Business Rates charges, is to be frozen in 2022/23 and councils will be compensated for this loss of income, most likely by way of additional Section 31 grant.
- Following the previous year’s announcement of a public sector pay freeze, SR2021 confirmed a return to the usual process for setting pay awards.
- The National Living Wage will increase to £9.50 per hour from April 2022 (the impact of this increase has been included in the budget proposals).
- A number of other specific grants will be received, although the amounts per council are not yet known. These include grants for: Supporting Families £500m (formerly Troubled Families), cyber security £12m, roads £2.7bn over the next three years, Special Educational Needs and Disabilities school places £2.6bn.

1.3. The Provisional Local Government Finance Settlement for 2022/23 was issued on 16 December 2021 and confirmed funding for one year only (2022/23) and has aimed to offer some stability in funding with primarily a roll-over of existing funding ahead of an assessment of needs and existing resources.

1.4. The provisional settlement confirmed the following funding arrangements for the Council in 2022/23:

- A new tranche of Social Care Support grant of £9.342m, it is assumed that this grant will continue at the same level into future years.

- The Lincolnshire County Council (LCC) share of the new funding to deal with local authority pressures (to be called “Services Grant”) was confirmed at £7.684m and for the 2022/23 year only.
 - Rural Services Delivery Grant – LCC allocation was confirmed at £7.277m, which is the same as in 2021/22.
 - New Homes Bonus grant – LCC allocation is £1.659m, which is an increase of £0.190m compared to 2021/22.
 - Revenue Support grant – LCC allocation is £21.220m, which is an increase of £0.640m compared to 2021/22.
 - Business Rates Top-Up grant – LCC allocation is £91.302m, which is the same as in 2021/22. This stagnation of the grant level is due to the business rates multiplier freeze announced as part of the Spending Review. It is assumed that the total of the different elements of business rates will be in line with the total amount we receive in the current year, but this will not be known until the end of January when we receive budgetary information from the Lincolnshire District Councils.
 - The council tax referendum limit will be 2% for general council tax increases and social care authorities can raise up to 1% for a further Adult Social Care precept. Social Care authorities can also raise an Adult Social Care precept in 2022/23 for any element of the 3% precept for 2021/22 which was deferred but this cannot be carried-forward again.
 - Improved Better Care Fund (iBCF) was confirmed at £34.255m, which is £1.006m higher than the current level of grant. It is assumed that this is to fund new activities and a corresponding cost pressure of £1.006m has been added.
 - A new grant called Market Sustainability and Fair Cost of Care Fund was confirmed at £2.273m. This relates to the reforms to Adult Social Care funding announced in the autumn and it is again assumed that there will be new burdens arising from compliance with the grant conditions, resulting in a corresponding cost pressure.
- 1.5. Members will be aware that central Government planned to implement significant funding reforms for the local government sector. There are two aspects to these reforms: the Review of Relative Needs and Resources (known as the Fair Funding Review), and 75% Business Rates Retention. These reforms were originally due to be implemented from April 2020 but were later deferred to April 2021 and then again to April 2022. The provisional settlement announcement indicates that work will start in the coming months to look at updating how local government funding is distributed. It is therefore possible that these long-awaited reforms could be implemented from 2023/24, however at this point no definite implementation date has been announced.
- 1.6. The coronavirus pandemic continued to impact on both Council services and the local economy in the 2021/22 financial year with the Council's costs and losses

arising directly from the pandemic being funded by additional government grants. It is assumed that no such funding will be available in 2022/23.

- 1.7. In view of the continuing uncertainties about future levels of funding, a one-year budget is proposed for 2022/23.
- 1.8. At its meeting on 5 January 2022 the Executive approved proposals for the Council's revenue and capital budgets to be put forward as a basis for consultation including a proposed Council Tax increase in 2022/23 of 3.00%. This results from the proposed implementation of the Adult Social Care (ASC) Precept that was deferred in 2021/22. The charging of this 2021/22 ASC precept cannot be deferred again.

Revenue Budget

- 1.9. 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 2022/23 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.
- 1.10. Table A shows the proposed revenue budget for the Council's Highways and Transport services.

TABLE A

2022/23 Revenue Budget	2021/22 Budget	Cost Pressures	Savings	Proposed Budget 2022/23
	£000	£000	£000	£000
Transport Services	47,272	6,546	-1,239	52,579
Highways Asset Management	9,503	790	-76	10,217
Highways Services	6,652	0	0	6,652
Highways Infrastructure	712	0	0	712
Design Services	6,890	0	0	6,890
Total	71,029	7,336	-1,315	77,050

- 1.11. The overall budget proposals have allowed for pay inflation of 2% in 2022/23. This is however, currently being held centrally pending agreement of any pay settlement, following which service budgets will be updated and it is therefore not currently reflected in the table above. Similarly, provision for potential increases in utility costs, including the energy costs associated with signals and street lighting,

has been made within Corporate budgets awaiting confirmation of the contract rates.

- 1.12. There are unavoidable service specific cost pressures for 2022/23 totalling £7.336m which will support the delivery of Council services, these are partially offset by savings and efficiencies of £1.315m which do not negatively impact the level of service delivery.
- 1.13. Transport Services now includes the budget for providing Educational Transport which was previously reported under Children's Services and is the source of the £6.546m cost pressure necessary to meet statutory and policy requirements in challenging market conditions and circumstances.
- 1.14. There are significant external factors currently impacting on the cost of passenger transport: national living wage rises, inflationary challenges, a national drivers' shortage (including more favourable pay rates in other delivery sectors), a shortage of passenger assistants, rising fuel prices, and higher operational costs for larger suppliers including the requirements of the Public Service Vehicle Accessibility Regulations 2000 (PSVAR) legislation. Assumptions have been applied on this volatile and demand-led budget, building on from the known, current contractual commitments for this academic year. A transformational programme is underway which will focus on external factors, including developing new procurement tools and approaches, market engagement and management activity, improved contract management, an overhaul of routing and demand management activity. These activities aim to better regulate the supply market, increase competition and reduce the impact of external factors on costs. The forecast is to secure £1.239m of cost reductions in year 1, resulting in all net budget increase of £5.307m in 2022/23.
- 1.15. Provision for highways maintenance contract inflation, increased cost of plant, labour and equipment, driven by the current materials and labour market issues, results in a cost pressure of £0.760m. This is exacerbated by the growth of the highway network, with an average 18km of highway adopted each year inevitably leading to increased maintenance costs and bringing the total cost pressures in Highways to £0.790m. This is partially offset by an estimated £0.076m saving arising from revised, agile working practices.

Capital Programme

- 1.16. The ten-year Capital Programme previously approved has been reviewed in line with the principles set out in the Council's Capital Strategy, including the principle of affordability. The full Gross Programme totals £113.730m for 2022/23 plus a further £268.569m in future years. After grants and contributions are taken into account, the Net Programme is £87.734m for 2022/23 plus a further £261.075m for future years.
- 1.17. Due to the uncertainty of future funding, no new projects have been added to the Capital Programme in this budget process. Instead, the block budgets for rolling maintenance programmes have been continued forward for the full ten years, and

the capital budgets for some existing schemes have been increased due to rising costs. The capital programme net budget has therefore increased since last year's budget process by a net amount of £7.741m.

- 1.18. Table B shows the proposed gross capital programme for the Council's Highways and Transport services.

TABLE B

Capital Programme (2021/22 plus Future Years)		Revised Gross Programme 2021/22 £m	Revised Gross Programme 2022/23 £m	Gross Programme Future Years £m
TRANSPORT				
Electronic Ticket Machines	Provision of electronic ticket machines to enable more efficient use of public transport.	0.130	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.	0.679	0.000	0.000
Total - Transport		0.810	0.000	0.000
HIGHWAYS				
Spalding Western Relief Road	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	-9.087	41.530	33.700
Spalding Western Relief Road - S106 income expectation	Development Contribution towards completion of Spalding Western Relief Road - Section 1	-1.800	0.000	-7.920
Integrated Transport	Schemes including minor capital improvements, rights of way, road safety, public transport and town/village enhancements.	4.537	0.000	0.000
Transforming Street Lighting	Programme of street lighting improvement.	0.170	0.000	0.000
Energy Efficiency Street Lighting Schemes	Replacement of SOX lanterns with more efficient LED bulbs to enable longer-term savings on energy.	0.234	0.224	0.224
Highways Asset Protection	Maintenance of roads, bridges, safety fencing, street lighting, signs and lines, and traffic signals.	49.410	0.000	0.000
Network Resilience	Programme to replace gritter vehicles.	0.864	1.590	2.520
A631 Middle Rasen to Bishops Bridge Safer Road Fund	Improvement on A631 Middle Rasen to Bishops Bridge, under Safer Roads Funds.	0.175	0.000	0.000
A631 Louth to Middle Rasen Safer Road Fund	Improvement on A631 Louth to Middle Rasen, under Safer Roads Funds.	0.700	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.	3.720	1.000	2.000
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.	46.906	22.313	9.829
Welton Roundabout (Integrated Transport/NPIF)	Improvement on A46 Welton junction.	1.301	0.000	0.000
Holdingham Roundabout	Road improvement to manage the traffic flows around Sleaford.	6.255	0.000	0.000
A46 Roundabouts	Improvements to Riseholme and Nettleham roundabouts by extending/adding extra lanes to increase capacity and reduce congestion.	0.943	0.000	0.000
Corringham Road (development with WLDC)	Major scheme development of Corringham Road, in partnership with West Lindsey District Council.	0.221	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.	0.340	0.000	0.000
A52 Skegness Roman Bank	Full reconstruction of a total of 550m of the A52 Roman Bank in Skegness.	2.823	0.075	0.000
Local Highways Improvements(Pinchpoints) to support Coastal Route (between £2m-£5m p.a)	Improvement of the transport corridor to the Lincolnshire Coast by improving pinch-points along the route (A57, A46, and A158).	0.769	0.500	16.795
Highways Rural Road Fund	A targeted investment in the maintenance and improvement of minor and unclassified rural roads across the County.	7.500	0.000	0.000
Other Highways	Block of smaller Highways projects.	0.525	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.	-0.232	1.000	3.200
North Hykeham Relief Road (Scheme total £148m, DfT bid £100m)	Completion of a ring road by linking the Lincoln Eastern Bypass with the Western Bypass.	0.000	0.000	48.000
Highways B Class Roads and Lower	Maintenance and improvement of minor and unclassified roads.	10.000	0.000	0.000
Total - Highways		126.274	68.232	108.349

- 1.19. The emergence of a number of risks associated with the Grantham Southern Relief Road (GSRR) and Spalding Western Relief Road (SWRR), most notably the inflationary pressure caused by the current global materials supply chain issues, have resulted in increases to the forecast costs. For 2022/23 an additional budget of £3.000m has been added for the SWRR Section 5. For future years, an additional budget of £8.000m for the GSRR and an additional budget of £6.000m for the SWRR Section 5 have been included to fund the anticipated increased cost. Further risk remains which could change these forecasts, but these will continue to be monitored and reported as the schemes progress.
- 1.20. The Council is continuing to make representations to the Department for Transport (DfT) to reinstate the element of reduced Highways funding. Whilst the outcome of that process is awaited, the Highways Asset Protection budget will be set equivalent to the DfT grant once it is confirmed. This is currently expected to be in line with the 2021/22 grant which was £12.3m less than the grant received in the previous year.
- 1.21. To ensure the capital programme for 2022/23 is affordable and to recognise the remaining risks of the major highway schemes currently in progress, some budgets for schemes where spend has not yet been committed have been re-phased into later years to better reflect the likely spend pattern and to reduce the impact in the short-term of increased spend on schemes that have already commenced.

Further consultation

- 1.22. A consultation meeting with local business representatives, trade unions and other partners is scheduled to take place on 28 January 2022.
- 1.23. The proposals will be publicised on the Council website together with the opportunity for the public to comment.
- 1.24. All consultation comments and responses will be available to be considered when the Executive makes its final budget proposals on 8 February 2022.

2. Conclusion

- 2.1. These budget proposals reflect the level of government funding expected to be available to the Council and an assumed increase in Council Tax in 2022/23 of 3.00%.
- 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 1 February 2022.

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 2022/23 Executive Report 5 January 2022	Democratic Services

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