

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

Report to:	<b>Highways and Transport Scrutiny Committee</b>
Date:	<b>19 January 2015</b>
Subject:	<b>Revenue &amp; Capital Budget Proposals 2015/16</b>

**Summary:**

The report describes the Council's budget proposals arising from the Local Government Finance Settlement, announced on 18 December 2014, and the implications for the following services:

Highways  
Transport

The budget proposals are now open to consultation and members of the Committee have the opportunity to scrutinise them, and make comment, prior to the Executive meeting on 3 February 2015.

**Actions Required:**

The Highways and Transport Scutiny Committee is asked to consider this report and receive a presentation about the individual service areas at the meeting.

Members of the Committee are invited to make comments on the budget proposals and for these to be passed on to the Executive prior to its meeting on 3 February 2015.

**1. Background**

- 1.1 At its meeting on 6 January 2015, the Executive agreed that proposals for the Council's revenue and capital budgets and an increase in council tax level of 1.9% for 2015/16 be put forward as a basis for further consultation.
- 1.2 This report sets out a one year financial plan for Highways and Transport revenue and capital budgets. The Council will set a one year budget due to the uncertainty associated with local government funding in the medium to long term. Uncertainty of future funding following a general election in May 2015 and the promise of a new Comprehensive Spending Review which will follow this will affect local government funding to the end of the decade. Also changes to funding through the Better Care Fund and implementation of the

Care Act will require further clarification for local government budgets to be set with certainty in the longer term. Clarity on such matters should allow the County Council to develop longer term plans from 2016/17 onwards.

- 1.3 In developing the one year financial plan for 2015/16 the Council has undertaken a fundamental review of priorities and related budgets to identify how to close the gap between current spending levels and the amount of funding available to local government going forwards. The Council plans to use a mixed approach of delivering spending at the reduced level of funding available through budget savings/reductions plus the use of reserves built up in previous financial periods to smooth the effect of reductions to service budgets in this financial year.
- 1.4 On an annual basis the Council has the opportunity to review the level of Council Tax. In the last four financial years the Council has opted not to increase Council Tax and has accepted Freeze Grant offered by Central Government in these years. The government has again offered a 1% Freeze Grant for Councils who freeze their Council Tax, however, to maximise funding and lessen any long term impact on funding it is proposed to set a Council Tax increase of 1.9% for 2015/16.
- 1.5 The savings identified through the fundamental budget review plus the one off use of reserves and a proposed modest Council Tax increase will ensure the Council can withstand the immediate pressures in local government funding, while implementing the arrangements for delivering services at the reduced level of government funding. It is expected that further savings will be necessary in 2016/17 and beyond to meet this reduced level of funding.

### **Provisional Local Government Finance Settlement**

- 1.6 The Provisional Local Government Finance Settlement issued on 18 December 2014 has provided the Council with levels of funding for 2015/16. The main points arising for Revenue Support Grant (RSG) are:
  - The RSG allocation for 2015/16 is £93.752m;
  - The 2014/15 Council Tax Freeze Grant of £2.585m has been added into RSG from 2015/16 (this is in addition to the grant for 2013/14 - £2.547m which was incorporated into RSG in 2014/15);
  - The Rural Services Delivery Funding of £0.171m received as a section 31 grant in 2014/15 has been added to the Efficiency Support for Services in Sparse Areas in RSG. The value of this in 2015/16 is £1.327m; and
  - Local Welfare Provision also forms part of RSG in 2015/16 (£1.337m). This is a presentational change to RSG and does not represent new funding into the grant. There is no requirement to deliver this service.

1.7 Taking the above changes into consideration before comparing RSG funding received for 2014/15 to 2015/16, the Council has seen a reduction of £33.579m or 26.37% in RSG funding between the two financial years.

**Business Rates Pooling 2014/15**

1.8 The Local Retention of Business Rates Scheme allows the County Council, each year, to consider the option of pooling our business rates with other local authorities.

1.9 The County Council has already notified Central Government that it wishes to pool business rates with six of the Lincolnshire District Councils (Boston Borough, City of Lincoln, East Lindsey, North Kesteven, South Kesteven and West Lindsey). Initial calculations show the County Council could benefit by some £1.116m by entering into such an arrangement. Following the Provisional Local Government Settlement announced on 18 December 2014, the Council has the ability to reflect on this arrangement and if it wishes, to withdraw from it. However, in doing so, must notify central government within 28 days of publishing the draft Local Government Financial Settlement.

**Highways and Transport Revenue Budgets for 2015/16**

1.10 The revenue budget proposals for Highways and Transport are shown in Tables A and B below. The Council has changed how it delivers services to a Commissioning Model and as such the budgets are presented on this basis. Highways and Transport forms four of six activities within the "Sustaining and Developing Prosperity through Infrastructure" commissioning strategy. "Economic Infrastructure and Regeneration" and "Heritage and Tourism Operation and Development" are the two activities not included.

Table A – Proposed Revenue Budgets

CHANGE IN SERVICE REVENUE BUDGETS		2015/16 £000's
<b>Sustaining and Developing Prosperity Through Infrastructure.</b>		
<b>Highways</b>		
	Revised Budget for 2014/15	33,388
	Pay Inflation	130
	Cost Pressures	270
	Savings	-1,014
	<b>Total proposed budget</b>	<b>32,774</b>
	% change	-1.8%

CHANGE IN SERVICE REVENUE BUDGETS		2015/16 £000's
<b>Sustaining and Developing Prosperity Through Infrastructure</b>		
<b>Transport</b>		
Revised Budget for 2014/15		14,329
Pay Inflation		42
Cost Pressures		60
Savings		-146
<b>Total proposed budget</b>		<b>14,285</b>
% change		-0.3%
<b>Total Highways and Transport</b>		<b>47,059</b>

Table B – Proposed budgets broken down in to commissioning activity

Activity	2014/15 Budget £000	Proposed 2015/16 Budget £000	Difference £000	Difference %
Highway Asset Maintenance	23,412	22,609	-803	-3.4
Highway Network Management	9,160	9,484	+324	+3.5
New Highway Investment, including highways improvements, bypasses, growth corridors and programmes	816	681	-135	-16.5
Transportation, including concessionary fares and other government grants	14,329	14,285	-44	-0.3
<b>Sustaining and Developing Prosperity Through Infrastructure</b>	<b>47,717</b>	<b>47,059</b>	<b>-658</b>	<b>-1.4</b>

1.11 Inflation represents a 1.2% increase for pay. This, plus the 1% provided in 2014/15, funds the 2.2% pay award.

1.12 Cost Pressures are £270,000 for an increase in third party insurance premiums and £60,000 contribution to the Lincoln to Nottingham rail improvement.

1.13 The Council has been able to protect both the Winter Maintenance Service and Concessionary Fares in their entirety; however, savings are required from other activities in 2015/16. These savings will be achieved as follows:

- Rationalising the County's Area Maintenance Teams resulting in a reduction of three teams (£0.470m);

- A reduction of approximately 7% of the current asset maintenance staffing resource the detail of which can only be confirmed as the departmental restructuring is completed (£0.200m);
- Savings within the Countryside service (£0.188m);
- Reduced capacity preparing for major schemes. This will result in the need for prioritisation of the work programme to reflect the Council's priorities (£0.156m);
- A review of the delivery of transport policy, smarter choices and other transport initiatives (£0.146m)

1.14 For 2015/16 the Council is setting a one year budget. It is expected that further savings in Highways and Transport will have to be made in 2016/17 and beyond to contribute to the overall reduction in funding levels the Council expects in those years.

### County Council Capital Programme

1.15 The proposed capital programme matches the revenue budget and runs until 2015/16 plus a number of major schemes which stretch into future years (including: a number of highways schemes, the rolling programme of renewal and replacement of fire fleet vehicles, and broadband in Lincolnshire). The overall gross programme is set at £609.749m from 2015/16 onwards, with grants and contributions of £346.054m giving a net programme of £263.695m to be funded by the County Council.

1.16 A review of the capital programme has been undertaken alongside setting the revenue budget. The main drivers in the review of the capital programme have been matching spending to service priorities while considering the overall affordability of the programme.

1.17 A further review of the Council's capital programme will be undertaken during the budget setting process for next year, this will enable funding to be allocated into future years.

### Highways and Transport Capital Programme

1.18 The capital budget proposals for Highways and Transport are shown in Table C below.

	Net 2014/15 £'000	G & Cs 2014/15 £'000	Gross 2014/15 £'000	Net 2015/16 £'000	G & Cs 2015/16 £'000	Gross 2015/16 £'000	Net future years £'000	G & Cs future years £'000	Gross future years £'000
<u>Sustaining and Developing Prosperity Through Infrastructure</u>									
Asset Protection	6,649	29,865	36,514	0	31,013	31,013	0	105,911	105,911
Integrated Transport	3,511	7423	10934	75	3,312	3,387	0	13,248	13,248
Lincoln Eastern Bypass	3,501	0	3,501	13,187	33,291	46,478	28,000	16,659	44,659
Lincoln East-West Link	4,958	0	4,958	7,989	0	7,989	1,403	0	1,403
Spalding Relief Road (Phase I)	0	0	0	0	0	0	10,000	0	10,000
Grantham Southern Relief Road	0	2,000	2,000	1,000	8,000	9,000	35,000	18,000	53,000

A16/A1073 Spalding to Eye Improvement	1,661	0	1,661	0	0	0	0	0	0
Grantham Growth Point	2,298	0	2,298	0	0	0	0	0	0
Grantham Growth Point - Public Realm 1 & 2	144	0	144	0	0	0	0	0	0
Lincoln Growth Point	968	0	968	0	0	0	0	0	0
Lincolnshire Waterways	1,025	0	1,025	300	0	300	0	0	0
Skegness Countryside Business Park	1,100	0	1,100	0	0	0	0	0	0
Historic Lincoln	-306	7,283	6,977	0	3,952	3,952	0	0	0
Other Highways and Transportation	33	0	33	0	0	0	0	0	0
<b>Sub Total</b>	<b>25,542</b>	<b>46,571</b>	<b>72,113</b>	<b>22,551</b>	<b>79,568</b>	<b>102,119</b>	<b>74,403</b>	<b>153,818</b>	<b>228,221</b>

1.19 Also, for 2015/16 the Council has made available £15m of council wide capital funding for schemes that are currently still in their development stage. This funding will be awarded to those schemes on the approval of their business case.

1.20 The Council receives Government grant for maintaining the highway network and minor improvement schemes. The allocations for 2015/16 to 2019/20 are included in the Asset Protection and Integrated Transport lines above.

1.21 For 2015/16 the amount of grant awarded for Asset Protection has been calculated on a revised needs basis and Lincolnshire has been awarded £31m. This is £9m more than the similar allocation for 2014/15. Future year allocations reduce over time to £25m p.a. still some £3m more than the 2014/15 allocation. However, from 2016/17m, the Council has the ability to apply for Challenge Funding for specific improvements that, if successful, could supplement the basic needs allocation amount.

1.22 The allocation for Integrated Transport (£3.3m) has been effectively halved for 2015/16 to 2019/20 as compared to that received in 2014/15. The saving of this funding has been redirected by Government to LEPs.

### Other Consultation

1.23 The Council will meet with representatives of businesses, District Councils, Police, NHS in Lincolnshire and other partner organisations on 23 January 2015.

1.24 The budget proposals have been published on the Council's website at [www.lincolnshire.gov.uk](http://www.lincolnshire.gov.uk) and members of the public are invited to comment on the proposals accordingly.

### Key Committee Dates and Timetable Summary

1.25 The key Committee dates for budget discussion at the Executive and Council are:

Executive	3 February 2015
Full Council	20 February 2015

1.26 The remaining timetable for setting the Council's budget for 2015/16 is outlined in the table below:

January 2015	Scrutiny Committees discuss budget proposals.  Final consultation with external stakeholders.
February 2015	Executive proposes, and Full Council approves the budget and sets the council tax.

## 2. Conclusion

These budget proposals reflect the level of government funding available to the Council and the proposal to increase Council Tax in 2015/16 by 1.9%. 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 within the resources available to it.

## 3. Consultation

### a) Policy Proofing Actions Required

n/a

## 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 2014-2015 - Executive 6th January 2015	Committee Services, County Offices Lincoln

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