

**LEADER'S BUDGET SPEECH
(ITEM 9)**

As Members will well know this is my first Budget Speech and I certainly wish to begin by paying tribute to you Mr Chairman as my predecessor, as Leader and Executive Member for Policy and Resources, for the sound financial situation in which Hampshire County is. This is nevertheless not an easy budget in any respect but it would be so much harder but for the effective and efficient way in which Hampshire's finances have been handled over recent years.

As I said earlier there will be differences in style in the Budget Speech not least that I am sharing the load and responsibility with my colleague Councillor Kendal as Executive Member for Income and Capital Receipts, and in making this joint presentation Councillor Kendall will concentrate on the capital budget but since there is some good news in the capital budget I hope Members will allow me to make some comments on that. A consistent principle core to this Budget as to previous budgets in recent years is that we are determined to avoid the soft option of putting up Council Tax and we will be prioritising our support on those mandatory duties of the County Council i.e. to support the elderly and the young who have to turn to the County Council for help. They are our statutory responsibility and they depend upon us.

Let me comment on the broader financial picture which will impact on our budget and finances in the coming years. However long anybody has been in this Chamber none of us has witnessed or worked through a 43% reduction in grant levels from central government support to county councils. Members of Political Parties in the Chamber who are partners in the Coalition Government recognise with me that the overriding and necessary objective of national Government is to bring public finances back under control. It is not easy, it's not enjoyable but it is essential, otherwise we would end up like Greece or Spain or other bankrupt countries who can plaster over problems for a while, you can draw on your savings for a while, you can spend money you do not have but sooner or later you have to live within your means. The Government has to do that and is doing as a matter of principle; we as a matter of law have to live within our means. I believe and recognise that the Government has got that priority right so for the difficult decisions, I do not blame the Government for, I recognise that our part our responsibility to share and to face up to our financial problems.

You will see set out in the budget papers the overall financial context. It paints a difficult position for a number of years to come. I wish I could say that it was all going to be better next year. However, I am able to recommend to you, once again as I have already said, that there be no increase in the Council Tax for the forthcoming financial year. This is the fourth year in succession that this Conservative Administration has achieved this objective and it means it is five years since there has been any increase in Hampshire's Council Tax precept. In this way we are seeking to look after all the households in Hampshire and do what we can to help Hampshire's residents

address their cost of living challenges by maintaining one of the lowest levels of Council Tax in the country and yet provide amongst the highest levels of services. The significance of this task is easily seen Members in the charts in Appendix 2 & 3: we receive the third lowest funding per head from Government, but we are nevertheless setting the lowest Council Tax of any County in the South East and proposing the fourth lowest Council Tax of any county in the entire country with our zero increase. In fairness and gratitude to the Government I should acknowledge on capital grants for school places and basic needs, that Hampshire in fact this year received the highest grant from Government, so we've not been without success in getting support from the Government. In anyone's book this Budget is delivering value for money and makes Hampshire the envy of all other counties, and I know that from my attendance of meetings of the County Councils Network (CCN).

Central to our success has been the development of relevant cost reduction and transformation strategies which have targeted all areas to reduce expenditure and in particular we have been looking at our central costs, our corporate overheads, our running costs, our management costs, the cost of occupying property and the cost of our services and the supply chains that provide them. I would remind Members that our staff pay bill is only a quarter of what we buy from the private sector. This is certainly not an over heavy bureaucracy. It is increasingly located in good and cost efficient office accommodation; we've seen that in Ashburton Court, we see it in Vertex House, soon to become Dame Mary Fagan House, we see it in Totton by moving into new premises we are saving significant sums of money.

As in the last three years this budget is significant, in being work in progress. Work in progress means that a further £93 million of cost reduction is required to April 2015 so we're looking forwards. This follows on from an earlier reduction of £130 million so together over £230 million of planned reductions since 2008 but our services remain resilient, focused and high performing. As part of that forward planning we have this year been able to draw down on £25 million from the Grant Equalisation Reserve to balance the budgets and ease the progress. Thank goodness Members we have those reserves otherwise we would be looking for far more but less palatable economies. We are certainly going to need to use that financial strength between now and the end of the decade.

If I may say Members, can I take you to paragraph 9.22 of the Revenue Report, let me read out what our Auditors say, and in the Auditor's report they say:

“Looking forward, the level of financial challenge is increasing with significant additional savings required in the medium term. The Council has arrangements in place to develop sustainable solutions to deliver the required savings and a sound level of reserves to mitigate changes in the financial environment and to facilitate the continued implementation of the transformation agenda”.

We are doing precisely what the auditor commended.

At the same time I would also like to point out to you what we have managed to achieve in very difficult financial circumstances. For Adult Social Care a further £10 million has been provided to meet increased demography and complexity of care needs; put simply there are more and more older people, and more and more who need help from the Council.

Last year's increase of £8.5million for Children's Services will be sustained, together with a further £1.5 million added for next year, hence maintaining our support for some of the most vulnerable young people in the community and honouring our responsibility to safeguard those young people. As I said and I will not apologise for repeating, our priority is the elderly and the young who need our help.

No one needs me to remind them of the difficulties we have had in the last few winters; the floods this year; ice, cold weather last year, all leading to unprecedented damage to our highway network. For this reason I am recommending that the additional New Homes Bonus of £6 million a year, gained largely as a result by an effective campaign by the CCN; at stage the Government was proposing that wouldn't have come to County Councils. Its coming to County Councils and I am proposing that the £6m be used to generate an actual additional £12 million per annum for the next three years to be committed to the highways to maintain our progress there – a total of £36 million of investment. It won't fill every pothole, of that I am sure, but it certainly means that Hampshire will be doing as much and rather more than most other counties in addressing that issue. It certainly will contribute to the biggest investment ever made by this Council in roads.

We will therefore be planning to spend £1.45 billion next year on services for the people of Hampshire within our revenue budget. It is a testimony to the success of this Administration and its policies that we can confidently plan to maintain and develop our services, whilst many Councils, some close to us here are less fortunate and are only looking at cuts and reductions whilst we are able, in some respects, to look at improvements.

Let me finish this part of my budget speech by illustrating what this means. One example Members; next year we will spend more than £1 million a day, every day, on vulnerable adults in the community; testimony to the success of our policies and our commitment to that vulnerable section of the community.

If I could just comment on jobs in the Council: if Members, when they have time, go to Appendix 9 of the Revenue report they will see that the net impact on jobs in the County is estimated to be only 50. Demonstrating once again the success of our Voluntary Redundancy Programme which allows people to leave with dignity and our succession planning which builds future capacity alongside our expanding businesses and services. Indeed, with the transfer of staff from Police and Fire & Rescue, alongside the work we are doing for other authorities, Surrey, Oxfordshire for example, we could well be in a position where the number of jobs and people required by the County Council is on the increase. It is important to our staff, and I make this pledge to our staff and I regard it as important that Hampshire County Council is a good

employer, staff can see that their future is secure in Hampshire, albeit in a changing landscape; there will be need for flexibility.

I can't pretend and won't pretend that everything is plain sailing. You cannot make these changes without looking to give up some activities and services that have served us well. In this particular regard and relating back to the question I have just answered, I am referring to the Accredited Community Safety Officer (ACSO) service, about which there has been much comment. Let me again place on record my thanks to those men and women who have been ACSOs in the last ten years. They have done a significant job in supporting communities and other agencies. However, they are a service for which we are not the prime or even indeed the most significant provider. That responsibility rests elsewhere. What we have had to recognise with regard to many of our other services is that where we are the sole provider, if we did not make the provision there would be no alternative. I am thinking again of the elderly and the children in our care.

The ACSOs have done a sterling job, but it is time to recognise that we need to move on, consult and subject to that consultation focus our support on services for which we are the prime provider. We will of course give ACSOs the right to be redeployed, access to job vacancies and voluntary redundancy should they so wish. We will also find alternative ways and more economically efficient ways of providing the sort of support we have been able to give to communities such as that has been offered to Hambledon with its on-going flood problem. But as we saw last weekend with serious flooding issues in Winchester, Romsey, Lymington, Basingstoke and other areas, a small team of 36 ACSOs is not the answer to that scale of problem. So we are looking at additional training for our Country Rangers to help them expand their role. We are in active discussions with the Police and Crime Commissioner on the deployment of Police Community Safety Officers (PCSOs) in emergency situations, we're in discussion with District and Parish Councils to see where they wish to commission their own ACSOs and we're also in discussion with our Highways contractor Amey to see what additional services they can give in support. I have reported earlier in terms of dealing with the flooding in Hampshire, I have invited David Cameron to come to Hampshire and specifically to the community of Hambledon to see the good work that is being done; we will see if he will come.

Let me just turn briefly to the Capital Budget before I hand over to Councillor Kendal. We have an unprecedented Capital Programme of some £550 million over the next three years. For the first time I can recall and including this year's expenditure, the Capital Programme will actually contain £765 million of project work – ¾ of a billion in Hampshire on infrastructure, and I think it is important in these austere times that we demonstrate what can be achieved by the sound financial policies, effective management and the development of our asset base that Hampshire has achieved. I know more needs to be done, particularly for those communities bearing up to the worst of the floods and the County Council will not be found wanting in developing capital expenditure proposals to deal with the flooding problems. I will pass to my colleague Councillor Kendal in a moment, Executive Member for Income and Capital to

flesh out those proposals. But let me just take a minute or so to talk about our stewardship of our resources.

We are fortunate, and it is not widely understood, that the success of our cost reduction and transformation programmes means that we can remove expenditure more quickly than the decline in grant. This gives us very significant opportunities for one-off expenditure; it is very important that these reserves are used for one-off expenditure and not to continue on-going revenue expenditure every year, and a particular example that Members are aware of is the Broadband proposal where we have used the strength of Hampshire's capital resources to put up over a further £9m to seek to achieve a 95% coverage of the county of superfast Broadband. I have no doubt that this Administration – I and my Conservative colleagues – won the County Council Election in May and we were entrusted by the electorate because of our track record in the stewardship of our resources, in the quality of our services, and in the confidence that the people have placed in us that we will find strategies, workstreams, programmes and spending that would see us continue through these difficult times, providing good and reliable services and not turn to the easy stratagems of pushing up Council Tax or raiding the reserves. Not only have we achieved that Members, we have used our efficiencies to actually fund improvements to services without having to ask the people of Hampshire to find more money from their pockets for expenditure.

A great deal of work now needs to go on with our colleagues in the Health system; work that has not been done before. This is around the Coalition's Better Care Fund and we are in active discussions to achieve a further £20 million expenditure and to achieve that by 2015/16 by sharing work with the Health system.

By starting early, as we did in 2008, the County Council has consistently harvested efficiencies prior to the grant reductions. In addition our prudence in using those efficiencies has helped us to bolster short term capital projects. This judicious mix of capacity, efficiency and reserves puts Hampshire County Council in a unique and strong position that not only matches these reductions, but uses its financial acumen, to make targeted and significant improvements to services. Young people, educational choice, care for the elderly, and even filling in more potholes. I commend this budget to the Council and invite my colleague Councillor Kendal to flesh our further elements.

Thank you Mr Chairman.

Councillor Mel Kendal, Executive Member of Income and Capital Receipts:

Thank you Chairman, Leader, Members.

Thank you for the opportunity as Cabinet Member for Income and Capital to expand on some of the points that the Leader has just made. In particular, I think there are three main points that should be drawn to your attention on this budget.

Firstly, the Leader has indicated that we will be recommending that there is no increase in the Council Tax for the fourth consecutive year. By maintaining the Council Tax freeze again and accepting the Government grant, we have protected and reduced what would have been a significant tax burden on many thousands of households in Hampshire. But it comes at an additional cost to our budget as we could have expected Council Tax income to be about 10% higher accumulatively by now in normal times. I estimate that is collectively and accumulatively equal to about £50 million per year of income that we are foregoing in addition to Government grant cuts.

Secondly, the Leader mentioned that the budget in these difficult times is also work in progress. To match the reductions in grant and to recognise the demand pressures, the demography, the complexity in Adult Social Care, which remember led to us increasing their budget in year last year by £10 million last year. And of course there is Inflation. We now have to reduce our overall spending by some £93 million per year. We have laid out in these budget papers how we think we can save this over the rest of this Council's life of three years. To my knowledge this degree of forward transparency in potential expenditure savings is unrivalled. While there will be some Councillors in the Chamber that think we should simply draw this cash from reserves, I have to say that it would be a great folly to use up one-off reserves to try to match future continuing revenue expenditure. Most of these reserves are allocated to essential services or they are cash balances of our trading companies helping to keep our costs down and to provide low cost services to our schools and partners while providing us with an income. So it is much better, I believe, for us to continue to manage the grant equalisation reserve from savings and efficiencies so that we can protect services, protect households from tax increases and balance our overall budget.

Thirdly, and for more detail on the Capital Programme, but first, given my old portfolio, I would just like to comment on the very significant use of the New Homes Bonus of nearly £6 million which we thought we would probably lose to the LEPs, which we now have in the budget. By developing the use of the New Homes Bonus, into revenue and capital, the expenditure on capital particularly, we anticipate that we can fund some £36 million of highway restoration over the next three years in addition to our normal highway maintenance. This properly uses the New Homes Bonus funding for improvements in our infrastructure and maintains and protects the Highway Network. Indeed our Capital Programme in 2014/15 for Environment will exceed £100 million in just that one year. I do not know of any other shire-county which will be investing more in Highways next year.

Members, this is but part of the overall Capital Programme of some £765 million of work for this year and the next three years. So let me just mention some of the main points about the Capital Programme, some of which the Leader touched on.

The first thing to say is, and I really must stress this, that while revenue resources are quite obviously reducing, that comes about because of the

reduction in grant from the Government that we've mentioned and our own reductions in Council Tax income. Secondly, and quite separately from the revenue side of things, the sound financial policies of your County Council over the last few years under the leadership of your current Chairman, allow us to run one of the largest capital programmes in living memory to invest in Hampshire for the future.

For example, £149 million for more school places and school buildings. Not only does that create enormous economic activity within the County and the wider region, it also means that we get access to permanent educational accommodation, good quality learning environments and families get access to their choice of school because it is possible to build capacity where it's needed in their area.

In recent months we have heard a great deal about Extra Care Housing. We propose to accelerate its implementation. But already we can see that our own money is actually leveraging in contributions from developers and other agencies and partners, making it highly likely that the benefit won't be just be the £45 million allocated to our investment but many tens of millions of pounds more. For example, under proposals at the moment we are developing a planning application with Winchester City Council, as partners. We are investing about £1.5m of either foundation or top up money, whichever way you prefer; partners are bringing in about £10.5m for about 40-50 of extra care units here in Winchester. The total project therefore of roughly between £10m and £30m depending on where it ends levered in by £1.5m of that £45m, so it will lever in a lot more and tens of millions is a reasonable way to say that we are investing in extra care homes in future.

Then there is the Broadband Programme.

Wherever you are in the world, whether it is for business or learning, access to super fast broadband has become essential. For the first time the County Council has been able to use its own resources and those of the Districts and Central Government to put together a programme that allows about another 86,000 premises be added to what the operating companies would otherwise have done; they are doing the first 80%, that leaves a lot more. 86,000 is what we are targeting for the money allocated to the two tranches. If you look later on in your agenda papers Members, there is a Part II item commenting on the Leader's decision on broadband but also referring to recent studies which indicated that for each £1 of broadband investment it creates roughly £20 of economic activity and value. If the studies are remotely right Members, our £20million investment will be worth hundreds of millions of pounds to the local economy.

And we have not forgotten our other assets, for example £5.7 million to refresh our Country Parks to increase people's pleasure and our income from sales, and also another £1 million for refurbishing our existing Nursing Homes for the comfort of our clients there.

So this is a programme that provides more school places, a programme that looks to increase the pace at which we repair our roads and highway networks, a programme that looks for the first time in a generation to rethink, remodel and redefine the contribution that our great country parks make to Hampshire as a place and for the people who come to them to enjoy them. What these projects do Members, individually and collectively, is create jobs and employment in Hampshire, they create infrastructure that people can exploit for employment and learning purposes. It creates, alongside the inevitable development pressures that we have, great green spaces that can be enjoyed by young and old alike.

It is also proposed to review the Capital Programme in the summer to look at how further capital resources could be developed. And lest anyone should think this is being done by inappropriate expansion of our borrowing could I draw their attention to the efficiency with which we are paying for this. It is being financed from available capital resources; £68m is our cash flow over the next three years, which you can see on page 7 of Appendix 3 of the Capital Budget papers. All the details for your area of Capital Programme spend are in the papers before you.

I therefore wish to finish on what I think this budget really does. It is based on sound financial acumen. It recognises our early start in finding efficiencies, including energy, and other cost reductions.

It provides for significant additional investment into the County Council's infrastructure around schools, Social Care, Country Parks, the Highway Network and Broadband. Not only is it a budget that doesn't tax thousands of households more, it is a forward-looking budget that builds new capacity for many years to come. It will inject three-quarters of a billion pounds into the local economy providing work for many different types of industries.

And in my view it complements this Administration's policy of maintaining Hampshire as one of the safest places to live and grow up, and also one of the most enjoyable places to live.

I have no doubt in recommending this budget and the Capital Programme to all Members.

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