

LEADER'S BUDGET SPEECH (ITEM 9)

Mr Chairman - Fellow Councillors

It is my responsibility to present the County Council's budget to you today. As with last year, this will be a budget speech in two parts: I will concentrate on the overall budget and certain key issues and Councillor Kendal as Executive Member for Income and Capital will be concentrating on the Capital Budget.

I would like at the beginning to pay tribute to Cllr Kendal's role in this Budget, I rely very much on his advice, as indeed I do on Council Officers especially the Director of Corporate Resources and her staff. We are also still indebted to my predecessor Councillor Thornber and his stewardship of Hampshire's resources during the years he was Council Leader. Whilst the financial situation remains difficult, alongside many Councils Hampshire is in a very fortunate position and you do not arrive there by accident or good luck but rather by shrewd and careful action over many years.

The national economy is beginning to turn around. Employment is up, unemployment is down. Output is up, Inflation is down, the national deficit as a proportion of GDP is down but is not declining fast enough. As far as I can see all serious Parties in the forthcoming General Election are determined to continue to bear down on that deficit; the only argument is about the rate of decline. The state of the Greek economy is a stark reminder of what happens if you do not address these issues.

What all Parties nationally seem to agree about also is that expenditure on the Health Service and Education will be protected, and they should be, BUT I have not heard any Party say that spending on Local Government will be protected. So as one of the unprotected areas of Government expenditure, whatever the outcome of the General Election, we can anticipate a continuing downward pressure on Local Government funding. This is why we need to be careful and to coin a phrase relished by the previous PM be prudent in handling Hampshire's finances.

And that is what this Budget will be. Careful, Cautious and Competent so that Hampshire remains in a strong position.

As a Council we have three significant groups we have to consider. The first is the people who live in Hampshire who pay their taxes. The second is those folk who rely on the services we provide, in particular the vulnerable adults and children. Third our staff and how we support them in their daily endeavours to provide, what in many people's view, are some of the finest public services in Local Government.

All three of these groups are important and I do not intend to forget any. Since 2010 we have been working through a grant reduction of some 51% in Central Government support to County Council.

This is the County's part in supporting the Government to bring public finances back under control so as not to burden our children and our grandchildren with massive debts.

The net result is that the job of managing the County Council's finances has been more difficult than anyone can remember, and yet we still have a budget here today equivalent to some £1.9 billion pounds of investment in revenue over the next twelve months, and a capital programme over the next four years of some £876 million pounds. Hampshire county Council is one of the biggest councils in the land and that size fortunately gives us the strength and capacity and competence to face up to the task. I know some might like to divide this County but I am not one of them. Size matters and Hampshire is in a strong position because it has a scale and capacity drawn from the whole County.

What every body wants to know in any Budget speech is, are taxes going to go up? And the answer is NO.

The majority of Councillors, the Conservative Group, were elected on a manifesto pledge that we will seek to hold the Council Tax down. We want to honour that pledge and this is the fifth year in succession that the Conservative Administration has achieved this objective, and it means therefore that it is six years since there has been any increase in Hampshire County Council's tax precept. Over the same time period inflation has been 11% giving a real terms decrease of 9.9%. As I said in my introductory remarks colleagues, it is in this way that we can look after all households in Hampshire and do what we can to help Hampshire residents deal with the cost of living challenges. In so doing we maintain our great record, of having one of the lowest levels of Council Tax in the country, whilst we provide some of the highest levels of service.

And by the way we get a 1% or approx. £5million extra grant from the Government for freezing the Council Tax. So I acknowledge the Chancellors contribution to this achievement.

In this connection Members I would draw your attention to the fact that we have the third lowest funding or grant per head of population from the Government, but the lowest County Tax of any county in the South East, How has this been achieved? There are two main reasons. The first relates to the success of our Cost Reduction, Efficiency and Transformation programmes. We are currently on track under our programme Transformation to 2015, to have cumulatively removed some £240 million pounds from our expenditure. Take a few moments just to think about that reduction. £240 million pounds. I won't deny there have been hard choices along the way but we have cut our central costs, our overheads, our running costs, the cost of occupying property, and looked to bear down on the supply chains from our Private Sector Partners. We have become more efficient, more productive, and like any good employer we organised and transformed our workforce to live within our means.

More of that will be needed in the years ahead. However, look at what has been achieved. According to the OFSTED external evaluation our Children's Services are some of the best in the country, we lead the country in property and shared services, growing an expanded organisation whereby other Councils buy increasing levels of professional service from us, allowing us to retain high quality staff and capacity for the benefit of Hampshire residents.

The state of Hampshire roads score highest with road users again by independent evaluation.

The second reason that I think we should be proud of what we have achieved is our financial stewardship around our reserves. We have had this debate in this Chamber many, many times, and I suspect we will have it again today. However, I would put to you my own personal position. I remain convinced that two things stand us in good stead for the future. One is our ability to replenish our reserves and the second is our strategy to use them to balance the most dramatic impacts and effects of the Government's reduced support to County Councils. Having them in the first place required a great deal of hard work, and using them wisely is the hallmark of a prudent and well managed local authority. I suspect I will be challenged today to use the reserves to sustain expenditure at previous levels but that is something you should never

do. It is just putting off the inevitable and making it worse. The other challenge I anticipate is to be more imaginative and invest the reserves possibly in speculative ways. I gather Labour Lancashire invest in foreign currencies. Well, good luck to them, they will need it. Our touchstone is: Security-Liquidity-Return.

It will not be too long however before we will be called on to invest in Hampshire's future with new secondary schools as well as more primary school places. Now I am open to that sort of investment but I remain to be convinced that playing the money markets is what we should be doing. I will leave that to others and the private sector.

The second group of people I mentioned at the start of my speech was the importance of those who rely on our statutory services, some of which I have referred to already. In particular at the forefront of my mind are vulnerable adults and children. We have for many years built successive budget increases for Adult Social Care. This year we propose additional resources for vulnerable Children who require our support and services. A sum of £12.5 million pounds will therefore be added to the base budget for Children's Services. So, no cuts there.

I believe there will be few other Counties where such action could be taken. This is testimony once again to our planning, our stewardship, and to the efficient budget management processes that we adhere to. The Budget following our consultation is also providing money to sustain the Short Breaks programme for children with disabilities and for the Youth Services whilst we explore other sources of funding. Only last week I went to Ringwood at the start of the construction of a new youth centre there. Their Town Council already contributes to the running of the service and has now contributed £70,000 capital to the new centre. Many town and parish councils across the county do the same. I encourage other Town and Parish Councils who currently give no or very little support to think about their own young people and ask themselves if they can do anything to help. Increasingly County funding will have to be targeted at those in greatest need – if local communities want to retain more general provision, and I applaud them if they do, then we will need to be more imaginative and supportive. I want the County to help communities - just as we help with our fleet of 70 community mini busses that are operated by councils of community service and parish councils across the county. More and more Partnership working between County-District-Town and Parish and the Voluntary/3rd sector is the way we can address these pressures.

The days of expecting the County Council to do it all are gone, if they were ever there.

The third Group I indicated at the beginning of this speech was our staff.

If you go to Appendix 4 of the revenue report you will see the net impact on jobs in the Council is actually estimated to be an increase of 219 despite the cuts. This is testimony once again to our ability to transform our Council and our services and to successfully grow our businesses which generates jobs and future capacity. Many staff are working now for the Police or Fire Authorities or indeed other Councils. I recognise staff are having to take on new and different roles and I pay tribute to their commitment.

Demography and complexity in Adult Social Care means that our social care workforce in particular has a tough job. Reduced spending of the order I have mentioned earlier requires us to look for economies and efficiencies. Sharing services and our management capacity means that we stretch some of our very best talent across different organisations. We have asked staff to face up to new ways of working through the Integrated Business Centre for example. They have to cope with new systems with unforgiving computer programmes rather than a friendly voice at the end of a telephone line.

I do hope all Members of the Council will come together to congratulate and thank our staff for another outstanding year. By expanding our service to other authorities such as Oxfordshire and organisations such as the Police and Fire we are offering a future in an organisation that is growing its businesses, growing its capacity, and creating opportunities for promotion and personal development. Again it is the scale of the County Council that makes this way of working possible. Size matters.

I do not pretend it is easy for our staff and senior officers and I do place on record my genuine appreciation for the work they do. That appreciation stretches throughout the organisation from the lovely lady who sells me a sandwich every day as we compare notes about our respective grandchildren, the caretaker who was ready to stand guard when a drunken yobbo was threatening to burst into the building to the Chief Executive and Directors who so often I see are the last ones still here at night when I leave.

The Capital Section I will leave to Councillor Kendal to explain and address but allow me to touch first on the sheer scale of it and one specific aspect - Broadband.

Over £870million infrastructure investment over the next four years. That is considerable. It means more and better schools, roads, extra-care homes. It is a tribute to having a large Council with resources and capacity- to fund it and then to deliver it.

Almost my first action as Leader was to commit over £10m extra to speed up superfast broadband delivery to the rural areas. That was on top of the existing programme to take 90% coverage to over 95%.

I do not want Hampshire, including rural Hampshire, to be left behind in getting broadband. As a Council we have passed a motion urging the Government to give District Councils legislative powers to require decent superfast broadband when they grant planning consents. I hope they do.

I have been very unhappy to discover some brand new developments are going ahead without good broadband connectivity.

The new "Getting Connected" programme is seeking to bring the Developers and the Broadband suppliers around the table to sort that out.

So Finally Members, what does this budget do?

Firstly, it continues to help over half a million households that have to pay Council Tax by continuing to reduce the call in real terms on stretched household finances.

Secondly, it recognises the demands for expenditure in specific areas, Children Looked After, highways maintenance, and invests in our own future efficiency through transformation programmes and projects such as the Integrated Business Centre.

Thirdly, it provides a strong platform for the future. I will not stand here and say that there are not tough times ahead. However, the reserves and our grant equalisation reserve of some £50 million in particular will mean that as further support is reduced from Central Government we have the capacity to smooth out any reduction in services

We didn't get to be in a strong position by luck. We got here through good stewardship, good judgement and the politics of a Conservative administration that looks after the people of Hampshire.

Sound administration - Good services - Taxes kept down.

I recommend this budget to you.

Councillor Roy Perry
Leader
Hampshire County Council

[CHECK AGAINST DELIVERY]

Budget Speech PART 2 – Councillor Mel Kendal

Thank you Leader.

Members, I want to pick up one or two themes that the Leader mentioned and more particularly talk about the Capital Programme and our Income.

Firstly, let me go back to the Leader's comments about the Council Tax. During the period the Council Tax has been held at zero, the Retail Price Index has cumulatively risen by 11%. What that means Members is that by holding the tax at zero we have allowed in real terms a decrease on the burden of taxation for over half a million households.

Secondly, today's budget confirms that we are on track for reductions in our spending on Transformation to 2015 by something close to £100 million, bringing our total savings programme since 2008 to £240 million. How many organisations could do that?

Thirdly, the significance of these two facts, combined with today's budget report indicating that all departments remain within their cash limits, means that we are achieving efficiencies in our spending, supporting the reduction and the tax burden on the people who live in Hampshire and ensuring that, unlike many other places, we have a solid platform to work on in the next two years to address how we meet financial reductions and what happens after the General Election.

To do otherwise Members would, in the current financial climate, be imprudent if not dangerous.

A word or two about our trading businesses, which you will not find in the budget papers. Our trading business such as Catering services, County supplies and Property services will have an income of close to £100 million this year and budget for a small surplus of about £3.5Million. In doing so Catering Service was able to keep the cost of school meals to £2.00 per meal – the sixth year with no increase. Our other trading services also provide services to all departments at lowest possible cost so that major departments like Children Services, Economy, Transport & Environment, and Adult Services are able to keep their costs down. Karen Murray and her team headed by Neil Jones and Steve Clowe quietly have saved us literally millions in the background over the past few years. The Property services wing under Steve Clowe is nationally recognised and the fee turnover of over £30 million provides millions towards corporate overhead costs again reducing the cost burden on all

our major service departments. These services also provide us with the human resource capacity to withstand shocks as well as enabling bids for shared services with other counties. An example of what can suddenly occur was when the Government extended the free school meals. We received a grant of £3m but had to add another £3m to that, in order to meet the cost of upgrading school kitchens at a total cost of £6m. We were ready to go on due date and increased the number of meals being served in schools by over 60% from day one without any hitches. Contrast that with the extreme difficulties our neighbours had with their schools with outsourced catering services. Each of our four trading services has a Member Rapporteur within BLAPP from which you will deduce that one of them is a UKIP member and one of them is a Liberal Democrat member and I thank them for their involvement.

Let me now turn to the Capital Programme. £876 million in four years. That is a lot of jobs, a lot of investment in our infrastructure, and a lot of investment in our supply chains. Many of you know the economic concept of the multiplier which means that when we invest in companies and projects they pay wages and salaries, they in turn invest in their own organisations, and we have a multiplier effect. That is what our Capital Programme does to the supply chain and the contractors we use. Our investment therefore generates more investment in jobs and people. A good example is our Extra Care housing programme whereby sometimes less than 20% is being invested by the County Council with the remainder by other organisations.

The Leader has mentioned £180 million in school buildings, a further £136 million in structural maintenance, and £100 million for improvements in our asset base. I would predict Members the task in Hampshire will not be finding the resources, it will be ensuring the economy has the human resource capacity to do the work!

The detail of the budgeted capital spend is found in the appendix 3 to Report Item 9B. There are hundreds and hundreds of items of work listed there for the people of Hampshire.

Now let me focus on the issue of reserves. Firstly, and I think I said this last year Chairman, it would be a great folly to use up one-off reserves to match reducing grants and expenditure. Ever since I joined this Council in 1997 I have heard a proposal each year from the Opposition for using the reserves to provide for an ongoing revenue item. But once they are used they are gone, and in particular it doesn't look as if there will be

any circumstances which will arise that will enable us to replenish them, other than in the way we currently do.

The way we are able to maintain these reserves is to get ahead of the game. That means our expenditure reduction programmes and our transformation programmes have to be effective. It is better to use these programmes to generate the efficiencies to match the reductions than to use one off reserves for that purpose. In any event Members if you look closely at the reserves strategy in your papers you will see that 83% of the total is allocated to specific spending or investment programmes. I compliment Carolyn Williamson on laying out the detail of how these reserve balances are made up, why they are held and how they are to be utilised. Members, the detail she has provided in Appendix 6 to report Item 9 is exceptional. It lays open our position to the world at large as never before. No other Council or Organisation has to my knowledge provided such total transparency over the balances it holds. Hopefully it will now silence those who continually bleat about Hampshire's so called huge balances.

So I believe it is better to continue to manage the grant equalisation reserve from savings and efficiencies so that we can protect services in the future, protect households from tax increases and balance our overall budgets. In my view members, good financial stewardship never goes out of fashion. It was Angela Merkel who echoed our Chancellor when she said "Some people call it austerity, I call it balancing your budget".

I also want to take just a few minutes if I may Chairman, to talk about the Broadband programme. Because of the way we account for our resources and future commitments, only part of the £30 million we have allocated for Broadband is shown in today's papers. Since our programme began, something like 45,000 premises have been included and covered by the Superfast Broadband programme. Another 50,000 or so are still to be done. There are few organisations capable of making this sort of intervention into the fabric of life in Hampshire. And let me also remind you about the issue of economic multipliers. Recent studies indicate that one pound of Broadband investment creates roughly £20 of economic activity and value. As I have said on many occasions, if these studies are remotely correct our investment will be worth hundreds of millions of pounds to the local economy. I should also remind Members that we have recently started a further programme called 'Getting Connected' whereby the County Council will use its funds, leverage and influence to go back over sites that the providers and developers have

not connected to Superfast Broadband for the future. Once again there was no organisation prepared to stand up or had the capacity to deal with that issue other than the County Council. Size, scale and capacity — that's why Hampshire County Council can do what many other authorities simply cannot.

The Leader has mentioned the impacts of the budget. There are also characteristics to the budget that need to be emphasised time and time again.

Firstly, it is based on sound financial acumen.

Secondly, by starting early as we have continually done through this cycle, we have used our transformation programmes to generate significant efficiencies, hence protecting our services and our reserves. As the Leader mentioned, it is a budget that doesn't tax thousands of households, and it is a budget that injects hundreds of millions of pounds of economic activity for the benefit of the people of Hampshire.

What it does cumulatively Members is:

It complements the Administration's policy of maintaining Hampshire as a safe place to live and grow up, and an enjoyable place to work and live, but also provides significant investment for the future.

I would recommend the budget and the capital programme to all Members and accordingly second the recommendations contained in paragraph 15.

Councillor Mel Kendal
Executive Member for Income & Capital Receipts
Hampshire County Council

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