

HAMPSHIRE COUNTY COUNCIL
BUDGET AND CAPITAL PROGRAMME
FOR 2013/14

TOMORROW BECKONS

PRESENTED BY

COUNCILLOR
KEN THORNER CBE
LEADER OF THE COUNCIL
FEBRUARY 2013

Chairman I present the Revenue Budget for 2013/14 and the Capital Programme for the next 3 years. Council Tax will remain at the 2010/11 level of £1037.88 per Band D property, and therefore it will have been held constant for 4 years. A very difficult achievement for us, but one that the public much appreciates.

The Capital Programme for 2013/14 to 2015/16 totals more than £600m and will provide more jobs in the Hampshire economy in the midst of the Government's deficit reduction programme, and loss of both revenue and capital grant to us. We will be playing an important role in stimulating Hampshire's economy.

This is a budget about maintaining our services in times of unexpected reductions in Government grant. It is a budget about giving job opportunities to young people. It is a budget about expanding our activity both revenue and in particular capital in respect of Broadband and District Energy Networks.

I commend this budget to the Council.

1. Context for the 2013/14 Budget

The context for today's budget is that in 2009/10 we started a massive savings programme and by the time the Coalition Government took over in 2010, we had begun to implement planned recurring savings of £30m. This stood us in very good stead when the new Government applied its deficit reduction programme to Local Government and stated that Councils would see a reduction of 28% over the Comprehensive Spending Review Period of 4 years to 2014/15.

I can tell you now we will see a reduction in our grant not of 28% but of 43% in those four years and more is to come from 2015/16 on.

The effect on Hampshire County Council is that we have today 1800 fewer staff and we have saved well over £130m, while freezing our Council Tax, and maintaining all of our services to the public.

In fact even while we have reduced departmental budgets by 18%, we have and will continue to safeguard front line services and indeed increase their cash limits.

- Adult Care by £10m per annum
- Children's Services by £2m per annum
- Roads Maintenance by £10m per annum

We have also introduced Speech and Language Therapy for our Special Needs Schools and Children's Centres at £1m per annum, we have introduced

Apprenticeships for our Young People in Care, and for those with Learning Difficulties at £800,000 per annum, and we have added £1m per annum for those of our Adult Services clients who require 2 carers.

We are spending £1m more on Discretionary Bus Fares than we received from our District Council colleagues, and providing £300,000 per annum for our Troubled Families Programme.

Even while we are saving well over £130m we have been able to increase frontline budgets by £33m and provide one-off cashflow support of £8m, for Children's Services and Adult Care.

This has only been possible by having started our savings early, by taking the brunt of our cuts in 2 years and not 4, and by a rigorous efficiency programme concentrating on overheads and avoiding cuts to frontline services. We have today, 160 fewer Managers and our payroll is £46 m lower than 2 years ago.

Members our frontline services have been maintained and increased

Our Schools continue to improve their GCSE results above the national average. Our Education Authority is rated as outstanding by Ofsted and in particular our Children in Care services, including our Apprenticeships for Young People in Care, which is unique to Hampshire, and we are caring for more children than ever before.

Our Adult Care Services have been rated as Excellent by the Care Quality Commission and our Extra Care Programme is well under way.

We have the best roads in the South East and fifth best in the Country, and we divert far less of our rubbish to landfill than other Authorities in the Country.

Finally Value for Money of our services remains among the best in the Country.

Local Government spends £114 billion a year. This is more than £85bn spent on the NHS, and so inevitably Government has to ask Local Authorities to make the greatest contribution towards rescuing the Nation from the appalling mess left by the last Labour Government.

Hampshire County Council has and will play its part. Our Government Grant is always among the worst hit, and we always receive one of the lowest Government Grants of all County Councils.

This will not change, and we always plan for it.

2. Funding the County Council in 2013/14

Chairman moving to the funding of our services for the coming year, the new system of Government Grant, combines a share of the Business Rates raised in Hampshire, with a Revenue Support Grant (RSG).

If we thought the RSG system opaque then this new system is incomprehensible with no arithmetical progression that we can detect from the current year to the next. There are so many variables in our settlement that a direct read across from one year to another is not possible.

Our RSG element continues to enshrine the concept of relative need rather than actual need, and this favours Urban rather than Shire areas. The Business Rates Retention Scheme, then uses this flawed RSG base, thus permanently embedding our inequality with other parts of the Country. Moreover the allocation of 80% of Local Government's share of Business Rates to District and Borough Councils will limit our ability to discharge our Statutory Responsibility for the maintenance of our Schools and Roads.

There are other elements of our settlement which give cause for concern. The New Homes Bonus (NHB) is funded at the expense of the Business Rates Retention Scheme (BRR), and again favours Urban rather than Shire Areas. It is also distributed on the basis of 80% to second tier Authorities, and 20% to the County Council, thus again ignoring our responsibilities for new schools and roads to service those new homes.

Of great concern too is a loss of £6.4m in our Early Intervention Grant, the purpose of which is to improve Educational attainment through preventative action that could reduce the ultimate cost to the public purse. Such a reduction appears counter productive. We will cashflow support this for a year to allow plans to be developed to deliver these savings in a sensible manner.

A new variable in our settlement is Council Tax Support Scheme. Government has reduced Council Tax Benefit by 10%, equivalent in Hampshire to £110m PA, but the billing Authorities have had to put in place new schemes to close that gap and we now receive £43 m Council Tax Support Scheme (CTSS) grant from Government. This transfers a significant funding risk from Government and as the grant will be rolled into formula funding the following year there are concerns that this will be further reduced in the future.

Setting aside the variability in our new system, our best estimate is that overall we will lose £12.1m in 13/14 and £16m in 14/15 in formula grant coupled with the loss of £13.2m Council Tax freeze grant awarded for this year only.

We are determined to freeze Council Tax and balance our books. It will be necessary to use the new Council Tax Freeze grant of £5.3m in 13/14 and it will be necessary to use our Grant Equalisation Reserve for the very purpose for which it is intended, namely to meet reductions in Government Grant.

Had I listened to the siren voices of the Liberal Democrats to use reserves for the last 3 years, we would not today have the financial cushion necessary to withstand grant losses now and in the future, neither would we be able to fund additional capital initiatives that I shall announce later.

So much for the financial literacy of the Liberal Democrats.

4. The Overall Budget for 2013/14

In summary in 2013/14 we have to offset losses in Government Grant and we need to address the need for increased resources for Children's Services and Adult Care as well as unavoidable inflationary pressures. In all offsetting such losses and funding growth requires £70.7m.

Use of the early delivery of recurring savings, a surplus contingency from 12/13, and the Council Tax Freeze Grant produces offsetting revenue of £65.2m, leaving a deficit of £5.5m.

A growth in service budgets of £6.0m is essential to support critical services in Children's Care and Adult Care, and I will give details shortly. This is in addition to the £12 million allocated in recognition of the complexity and demographic growth in Social Care. General unavoidable inflation amounts to just under £15 million across the organisation.

How will we meet this deficit of £5.5m.

By

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| - | using the collection fund surplus of | £1.1 m |
| - | using the 12/13 proposed pay award which was not awarded | £1.6 m |
| - | using the grant equalisation reserve of | £2.8 m |

In 2014/15 we are forecasting a high-level deficit of £26.1m

To be met by

- use of the New Homes Bonus	£4.8 m
- use of the pay award from 12/13	£1.6 m
Totalling	£6.4 m

It is anticipated that the balance will be drawn from the Grant Equalisation Reserve, but the exact sum will be dependant upon decisions regarding Council Tax levels and the potential for the Government to offer further Council Tax Freeze Grants.

Departments have been asked for 2% efficiency savings and the £9m raised in this way is targeted towards the cost of inflation at £14.5m, and £1m for demand growth in Children's Services. Also included within the proposed budget is the annual increase of £10m for demographic growth and complexity of care, for Adult Services.

Members these savings in departmental budgets have been targeted to avoid reductions in frontline services, as is this Administrations' policy. Savings will be achieved by a mixture of vacancy management, reductions in overheads and support services, and modernisation particularly in our libraries. Staffing will reduce by 20 FTE.

5. Departmental Budgets

Chairman I mentioned maintaining our services in difficult times. A summary of departmental budgets reveals just how challenging the situation has been.

5.1 Schools budget

The Dedicated Schools Grant for 2013/14 net of £145m directed to Academies is £706m, this represents a "flat cash" national schools funding settlement.

The new national funding framework for schools marks a fundamental change to the methodology for determining school budgets, the local interpretation of which has now been agreed with the Schools Forum.

The new formula is very pupil driven although there is some restricted scope to apply locally determined factors. There is a

minimum funding guarantee at minus 1.5% for schools which suffer a net loss from the new formula, but this guarantee will no longer apply to schools experiencing falling rolls. Hampshire Schools Forum has secured protection for small schools mainly in rural areas, and protection for turbulence including Service family movement, and protection for basic needs growth.

With the transfer of funds to Academies, changes in formula and loss of part of the Early Intervention Grant, there has and will continue to be turbulence at County Council level.

5.2 Children's Services

There is a need for additional resource in safeguarding children, in order that we can maintain the current track record of keeping children out of the system, as far as possible, and that pressure and risks within the system are reduced. We shall make provision of £1.25m in 13/14 to begin the recruitment of 71 Social Workers and support staff, to strengthen our workforce, who are managing ever increasing caseloads.

A further provision of £750,000 is included in the budget to enable greater co-ordination of Early Help Intervention, and to target such assistance on a county wide basis.

This budgetary growth in critical areas demonstrates this Administrations' commitment to the care of the Children of Hampshire, and a £2m growth this coming year will have a full year effect in 14/15 of £4m.

5.3 Adult Care Services

Adult Care is under two potential pressures in addition to but impacted upon by the inexorable growth in elderly clients presenting with complex needs and for which we allocate growth of £10m every year.

First, there are transitional costs associated with the continuing transformation of Adult Services. This includes the development of Extra-Care Housing for which we have already committed up to £45m of capital resources. We are now setting aside £4m revenue per annum on a ring fenced basis to support the acceleration of this transformation.

Second, there is a need to cash flow some savings that have proved undeliverable in the current year, in order that we can draw up options and consult and implement them in a timely manner.

We are allocating £1.5m for savings slippage for 2013/14 only.

Members, it will not be lost on you that Extra Care Transition and Savings Slippage funding is indeed transitional and will end in the former case when the move to Extra Care has been completed, and in the latter case of savings slippage by the end of 13/14.

In summary, for the critical areas of Adult and Children's Care we are providing growth of £18m per annum, and cashflow support totalling £8m even while Government grant is slashed and we make savings.

5.4 Economy, Transport and Environment (ET&E)

Despite our difficulties, I am, for Economy, Transport and Environment proposing to transfer £780,000 from the Corporate Policy Reserve, to fund Member's Highways Fund of £10,000 each.

This will be in addition to the Community Fund for each Member.

Each budget is ring-fenced and there cannot be transfers between the two. I hope Members recognise why this is, and that my initiative gives you real opportunity in your Divisions. This is localism in action.

5.5 Policy and Resources and Culture Community and Business Services

As was the case in the current year I cannot offer any growth in funding for Policy and Resources including Culture Communities and Business Services. I can only offer my gratitude to them for their efforts in these difficult times.

5.6 Leader's Proposals – Revenue Budget

- (i) Chairman, I now wish to provide additional detail to the budget in respect of a very exciting initiative that will give hope to 1000 young people in Hampshire, who otherwise would face a very bleak future.

We propose to employ 1000 young people as Apprentices over the next 5 years, and upon completion of their training we will guarantee employment with us. With staff turnover running at 1100 a year an intake of 200 young people each year can be accommodated. They will all have the opportunity of acquiring qualifications too, and making a success of their employment with us.

We shall also be awarding 10 University Scholarships a year for 3 years, to young people from families of limited means who are deterred by the costs of a University course including fees. We know that University undergraduates have decreased by 7% in the current year as a consequence of tuition fees, and this is our contribution to our young aspiring undergraduates. They will be expected to work during University vacation within our grant to them, and to repay their fees on a sliding scale if they leave our employ within 1-3 years of graduation.

The cost of apprenticeships and scholarships will only require a one-off contribution of £700,000 for the 5 year programme, as a significant proportion of the costs can be accommodated within the generous allocation I made last year for our Internship for Children in Care and for those with Learning Difficulties.

- (ii) Second, I am very keen that the County Council continues at the forefront of developing the wider economy of Hampshire and to grow business for the benefit of us all. Now that some of the revenue from Business Rates is retained, I propose to use £200,000 of this to increase resources within the Economic Development Services of ET&E
- (iii) Third, I am also proposing the continuation of one off funding of £200k for the second year of our highly successful "Have your Say" programme. I am able to allocate this from non-recurring funds in the Corporate Policy Reserve.
- (iv) Fourth, plans are beginning to be laid to celebrate the centenary of World War I in 2014, and to this end I propose setting aside up to £100,000 from the Special Grants Budget that I administer.

Well argued cases must be put and allocations will be agreed through the normal P&R decision day process.

- (v) Fifth I propose £100,000 to support Hampshire's Olympic Legacy from the Corporate Policy Reserve on a one off basis.

5.7 Summary of the Revenue Budget

In summary Members, in 2013/14 an unexpected reduction in our early intervention grant and a 9% reduction in Government Grant, results in a deficit of £5.5m. We shall use the Council Tax Freeze Grant, and the Grant Equalisation Reserve, plus an increase in the Council Tax collection rate, and a one off wage award which was not agreed at National level, to meet this deficit.

Despite this we are funding growth of £6.0m for vulnerable children, and a transitional fund which will help the move to Extra Care for the elderly.

Adult Care budget also includes growth of £10m for demographic reasons, and finally we shall give employment to 1000 young people over the next 5 years, with 30 University Scholarships over the next 3 years, we shall support the Centenary of the First World War, we shall embed the Olympic Legacy, and we will continue with our community "Have Your Say" programme.

6. Capital Programme 2013/14 to 2015/15

6.1 Chairman our Capital Programme stimulates growth in the local economy and we shall over the next 3 years spend unparalleled amounts, some on very exciting initiatives. In all Departmental Capital Programmes total £576m, and this will secure more jobs in Hampshire.

- * Adult Care has a Capital Programme of £40.7m which includes £39m for Extra Care to build 512 units of accommodation.
- * Children's Services has experienced a dramatic increase in birth rates and is meeting this demand for more places in our schools. In the next 3 years we shall build 7 new schools 36 extensions to existing schools including modernisation. In all we shall provide 8000 pupil places and spend £253m.
- * ET&E has a Capital Programme of £127m which includes £30m for Operation Resilience, and £69m for the structural maintenance of roads and bridges.

- * Policy & Resources including Culture and Communities has a Capital Programme of £128m, £66m will be spent on schools condition and repairs to schools and other premises, £6m will be spent on Schools Managed IT Systems, and £56m on a wide range of P&R responsibilities.

Included in this is a payment of £4.5m for the purchase of land at Manydown Basingstoke. We have a long standing commitment to the Borough Council to jointly develop this land for housing.

6.2 In addition to this unprecedented Capital Programme. I now propose to withdraw a very significant sum from our Capital Fund Reserve and Invest to Save Reserve for a number of initiatives. My first two initiatives are subject to tendering by suppliers, and it would be counter-productive to reveal what I am setting aside for them. Suffice it to say that we shall provide considerable funding –

(i) Broadband

First we will be providing Super Fast Broadband in Hampshire and our goal is to achieve speeds of over 24 mega bytes per second in 90% of Hampshire and at least 2 mbps for 10% of Hampshire that is hardest to reach.

We are determined to provide this service by 2015/16, since much of daily life in Hampshire now depends on the Internet.

(ii) District Energy Networks

Second we are planning to have our first District Energy Network in Winchester to serve the County Council, the Prison and the University, with combined heating and energy. This will be a considerable investment in green energy but one which will help protect our environment and give a financial return.

I foresee a number of such networks across Hampshire in the next 10-20 years.

- (iii) Third, we shall make a further £1.2m investment to add to the £800k commitment made recently, to bring our portion of the Basingstoke Canal up to a standard that could attract other agencies to manage it.

- (iv) Fourth, we shall invest £800,000 to improve our Rural Footpaths, including Rights of Ways, Byways open to all Traffic, and other footpaths. This is much needed.
- (v) Fifth, £1m will be invested in Shared Space projects, in which in appropriate areas, road signs including white lining is reduced and pedestrians, cyclists, and horse riders are given equality of access over vehicular traffic. I know this is counter-intuitive, but the concept works, as Kensington and Chelsea have shown in their City Centre.
- (vi) Sixth, £1m will be made available for the refurbishment and modernisation of Community Centres and Halls especially in our villages.
- (vii) Finally a total sum of £4.5m of New Homes Bonus will be used for infrastructure projects focussed particularly upon Economic Development.

This additional investment programme of £26.5m is a mix of exciting initiatives and attention to the needs of our population, and all made possible by the accumulation of Reserves.

So, to a very large Capital Programme of £576m for the next 3 years, we are now adding £26.5m for Broadband, for combined heating and energy systems, for our Countryside, for our Community Centres and for our road safety and infrastructure investment to support economic development.

7. CONCLUSION

Members this is a budget about maintaining and improving our excellent Services, it is about giving hope to 1000 young people, and it is about securing jobs and expanding the economy of Hampshire. We will achieve this in the teeth of a 43% reduction in Government grant, and we are well placed to face further Government demands after 2014/15.

This has been achieved because Members of this Administration have supported our excellent Managers through thick and thin, and we have come through unprecedented challenges together.

We have maintained and improved our services while reducing our budgets by £130m.

So I say to my Members as they face their Constituents, stand tall in the knowledge that you have safeguarded their services, that our care of the young and the elderly and vulnerable are unsurpassed in the Country, that our roads are the best, and that we have preserved Hampshire's Quality of Life, while giving the best Value for Money.

Stand tall, ignore the smears of the Opposition who always miss the big picture while concentrating on the minutiae.

Stand tall, knowing that you have done your best, and a very good best it has been.

Stand tall knowing that Hampshire is well regarded in Westminster, and that you have added value to the lives of the people of Hampshire.

Stand tall, yield to no-one, and know that together we have met every challenge and always will.

Tomorrow beckons you.