

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

Alongside our neighbours in Surrey and on the IOW budget setting in Hampshire must seem a rather smooth matter. We budget on a two year cycle. We look well ahead. We have saved for a rainy day. We need no emergency cuts in services

We like to plan ahead so that we know where we are going, facing up realistically and in advance to issues so there are no nasty shocks to the system.

On the Isle of Wight the former Leader ducked out of decision making altogether and resigned. Circumstances here are just as difficult. Finances are tight but we have to plan ahead and be careful making sure those in most need are helped. That is what we are doing.

In Surrey their Leader went right to the brink with pushing for a referendum on a 15% increase.

There was no need for that in Hampshire.

Our responsibility is to tax payers as well as service users. We owe it to Hampshire residents to keep taxes under tight control. On that basis we compare favourably with any County in the country. I think when all councils have set their budgets Hampshire taxpayers will have the second lowest of any county in the land.

We also have a responsibility to those who really need our services - the children in our care, the elderly who want to try to carry on living in their own home. We must do our bit to ease the pressure on the NHS as the coalition Government, and now this Government, recognise there is a need to bring the National Debt under control. Nations, individuals and councils have to live within their means. If you do not - as Mr Micawber said - the result is Misery.

I suspect the Opposition Leader will criticise me for being careful and cautious but I am not a chancer and nor do I think I was elected by the residents of Hampshire to take risks with their money. I certainly do not want to load the residents of Hampshire down with massive debts that they or their children will have to pay off one day. When Governments offered a Tax Freeze Grant we accepted it. That grant is no longer on offer, although we are still benefitting this year from the £9m transitional relief granted last year - for which much thanks.

Without that tax freeze grant and with other grants reducing by £37m this year alone, with inflation raising its head and above all demographic pressures we have no option but to raise the Council Tax in line with what the Government has authorised.

They haven't quite ordered us but they calculate our spending power on an assumption that we will raise Council Tax. I saw a press report only this morning dealing with adult care where DCLG said they have granted local government access to £7.6 billion i.e. we have been authorised to increase council tax to meet that need.

In Hampshire our services are independently rated as amongst the best in the country. I referred earlier to the Joint Targeted Inspection on our Childrens Services - a multi-agency inspection giving Hampshire the highest rating of any authority.

The Information Commissioner's Inspection, published only this week awarded Hampshire its top grade of "High Assurance" on security of personal data. Out of 70 similar reports there has only been one other "High Assurance".

Our Children's Services likewise has the OFSTED rating of Good with outstanding Leadership. These accolades are the envy of most other local authorities.

In this budget the County Council is being asked to approve a council tax precept for the coming financial year which will remain one of the lowest in the country – while at the same time investing over £500 million into the county's infrastructure and local economy.

The 4.99% council tax increase for 2017/18, equates to a total of £1,133.10 for the year - roughly an extra £1 per week for the average Band D household. 3% of the total increase will pay specifically for social care, although the extra social care burden is much higher than that.

In delivering a balanced budget for 2017/18, the County Council's council tax precept will still, on average, be lower than the rate of inflation over the last 7 years - approximately £100 less in real terms.

All councils are facing significant financial challenges, which in Hampshire have left us needing to close a funding gap of £98 million by April this year.

Since the start of national austerity measures, we have worked diligently to stretch every penny – delivering savings, reinvesting in new, more efficient ways of working, making prudent use of our reserves, and delivering more with less. Residents have told us they support this approach, and it has proven effective – as by April this year, we will have delivered £340 million in savings since 2008.

Nevertheless we are still in a position to invest in the future prosperity of the County.

For example, this budget will see the County Council inject £520 million into the local economy, building plans and jobs over the next three years. Capital projects include creating 10,915 new primary and secondary school places; investing in Hampshire's roads, bridges and flood defences; providing new transport schemes to link key employment areas; and grant funding to Hampshire organisations that bring economic and cultural benefits to the local economy.

We are still able to maintain Operation Resilience with an extra £10million to invest in our road network. So road users are far from forgotten.

There are very few other local authorities that could continue to provide this significant scale of investment into the fabric of their local communities at this time, while ensuring residents continue to receive sustainable, high quality services - which remain among the best in the country.

I commend the Budget to the Council and will ask Cllr Kendal to elaborate on some details particularly the capital spend.

**Councillor Roy Perry**  
**Leader**  
**Hampshire County Council**

[CHECK AGAINST DELIVERY]

## **Budget Speech – Part 2 – Councillor Mel Kendal**

This is the 20th budget meeting at HCC that I am attending. Given that my fate depends on the electorate it could be my last.

I will be talking a lot about our capital program and the funding thereof, but before I do please allow me to thank for a few minutes two colleagues who have been my councillor neighbours during that period who have helped me but more importantly this council a lot with our capital program over the years. Ken Thornber my first neighbour in Brockenhurst interviewed me as part of the selection process before I became a county councillor in 1997. We had an interesting discussion on relative poverty as I recall. He wondered if my views were coloured by my African experiences and might not go down so well with the voters of Lyndhurst. Years later he felt it almost safe enough to allow me in his Cabinet. Much of our capital program is due to his wise stewardship of our finances and I must ask you all to pay tribute to him today when considering this enormous capital program today. He was also the author of the devolved budget for charities which allow members to decide on charitable grants in their area. As you have heard there is a recommendation to restore the amount to £8000 in an amendment to the recommendations today.

My other neighbouring councillor whom we will not see again next year in the Chamber is Councillor Alan Rice. When I joined the council in 1997 he was THE councillor everyone I asked at local level said I should try to emulate. He kept his word, he delivered more than he promised, but he made sure in the most subtle way people knew with whom they should feel grateful. He always says I shall be brief and then keeps you enthralled for much longer than most speakers and always with good humour. Little deeds get as much attention from him as big things so everyone you meet has a good word to say about Councillor Rice. He was a senior councillor 20 years ago when I joined. The capital program includes large amounts for flood defences today. Chairman, Alan Rice served for many years as our representative on the regional flood defence committees. From Chichester harbour to Milford village we all remember his contribution to the actual completion of our flood defences when the regional arrangements were more important to the Environment agency. So again, there is our commitment in this budget to further Flood defence monies building on his past good works.

He has surely earned his retirement and in the last 8 years while we have worked together in New Milton, he North of the railway line and I to the South, I have always felt his helping hand on joint ventures. As he walks in New Milton everyone stops Alan to talk. We shall miss his hard work for his constituents.

Councillor Rice was given the Freedom of New Milton last year. I have no doubt that he, and Councillor Thornber, that these two neighbours of mine in the New Forest both deserve further honours.

The full capital programme is set out in Annex B after page 87 where the appendices to Annex A end. But it is on page 10 of Annex A that we find in paragraph 4.25 a table setting out an additional £13.75million found from early revenue savings, contingencies and capital management interest savings this is a one-off amount, it is non-recurring, so logically it enables us to improve the capital programme. In particular there is a requirement for further County funding for flood alleviation in Buckskin, Romsey, Farringdon and Wallington as a result of insufficient Grant Aid

funds coming from the DEFRA funding. We are allowing £6 million for these schemes subject to further details as the schemes are developed.

The other large item is £5 million for strategic land development. I believe that instead of selling the land on to a Developer for say £50million we can expect capital receipts of about twice that amount with a more developed strategy of bringing land to the market in a well enhanced planning approved format. This is not without risk but it means a greater equity share in the housing market for potentially large capital and rental gains.

The other two amounts relate to the Gosport Discovery Centre and the Market Towns economic initiative.

In Adult Services and in CCBS we have invested capital as agreed in the September Council Meeting. In the case of CCBS for example there has been a concentration on improving the experience at our Country Parks such as Lepe where improved facilities should generate greater throughput to enhance income and thus balance the cost of maintaining these excellent facilities for our residents. In the case of Adult Services we allocated funds to provide for 500 units of accommodation for rent to those senior member of our community, with onsite facilities such as medical care. Hairdressing, convenience shopping and so on. The change in rental arrangements has meant we cannot lever in as much capital from private partners as originally envisaged. So we have changed the model to incorporate an additional 200 odd units which will be for equity purchasers within these apartment blocks. The capital receipt so obtained will enable us to finance the shortfall so that we still have 500 units available for renting by building just over 700 units. This will be occurring over the next few years.

Also previously approved is our school building programme. The good news here is that we should have 18000 additional places by 2019 in addition to the 7360 already completed by 2016 the largest school program for decades will see 11 major projects, including 2 new primary schools a large secondary school extension, 41 replacement projects, 21 modular classrooms and 200 kitchen improvements as school meals become ever more popular.

We should be very happy with Hampshire's PFI contract to replace street lights, dim them when not needed on bright, and save millions each year as a result.

These days we call it Energy savings and carbon emission targets. The two go hand in glove. Save on carbon emissions and you will save on energy costs if done intelligently.

So, since 2010 we have reduced our carbon emissions output by 36% and we are ahead of target to reach our goal of 40% (of 2010 based figures) by 2025. By 2015 our cumulative savings in energy costs exceeded £29 million. This year we shall add another £900,000 savings as a result of further initiatives in our own corporate estate. For example the capital cost of some 13 projects, 4 completed, and 5 under way and 4 being developed, will come to about £737000 half funded by Salix funding. So a net cost to us of about £368,000 of which £250,000 comes from our Energy Fund and the balance from our Landlord Capital fund. The total savings in energy cost of these projects will be some £83000 per year at current prices. This represents a return of 23% per year on the net capital outlay and it is why you see scaffolding around our offices in the High Street. Carbon reduction about 366 tonnes.

Then there is our array of solar panels on our county farms and other suitable buildings which will save about 475 carbon tonnes per year and about £98,000 per year.

We also have asked for and received a number of commercial enquiries to expand our sets of electric vehicle rapid charging points throughout Hampshire over the next 5 to 10 years to meet the expected demand which electric vehicles will require. Again there is a healthy return expected on this long term investment while looking ahead to pollution free travel for our children.

So if you turn to ANNEX B which starts after where Annex A ends on page 87 you will find full details for each Service. The report runs to 38 pages but I ask you to look at page 2 paragraph 1.5 for the revised capital programme. Including revised starts, the four year program now totals £839 million.

In my view Councillor Perry has done the right thing in keeping Hampshire as a single entity, because it enables us to use the County's pool of human and capital resources very quickly to assist wherever needed. Take the £316 million capital spend in Environment and Transport. Under proposals for a Solent combined authority half of that less additional administration expense would have been under the authority of an elected Mayor without the guarantee that it would be invested as detailed on pages 30, to 35. Talk of an extra £30 million a year of which 20% was for revenue expenses leaving some £24 million per year for capital investment, failed to take into account that some £100 million would be recycled from the capital program of Hampshire County council to be invested at the whim of a single person - the new elected Mayor. But consider this. The £24 million a year comes with strings attached relative to growth targets of which the housing numbers play a large part. And if one were to try to borrow against this 30 year promise, the maximum borrowing based on current DWL rates of 3% interest and Minimum Revenue Provision of 3.33% would be about 15.8 times, giving capital of £379million. Put another way the borrowing cost on £379 million of about 6.33% per year over 30 years would require £24million each year just to service the loan. And that would be it. No more capital because you have used the full 30 year allocation in one go. Some of it would have to go on Skills, Further Education needs for Adults, and so on. I say all this because I want to put in perspective what we are doing here today. A possible £379 million on a 30 year hope. Our Capital Programme £839 million guaranteed today, no ifs or buts. No 30 year projections. No fund transferences or further admin costs eating into our actual build spend. No jam tomorrow. £839 million. Right here. Right Now.

As normal I would be happy to answer queries relating to matters of fact, even probably alternative facts proposed by some members. Councillor Perry will sum up the debate as usual.

So I ask you to approve the capital program and all the recommendations on page 3 and 4 of item 9 and I duly second these recommendations proposed by Councillor Perry.

**Councillor Mel Kendal**  
**Executive Member for Economic Development**

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