

Item 9: Revenue Budget and Precept 2018/19 and Capital Programme 2018/19 to 2020/21 – o Debate Speech – Executive Member for Economic Development

Thank you Leader, Chairman,

Our Overall budget of £750.4 million is some £20million higher than last year. But after allowing for the maximum council tax increase permitted without a referendum, and allowing for the full government grant including the special allowance from them for Adult Social Care, we are still short by £26.4 million which will be taken from the Grant Equalisation Reserve to balance our expenditure on services.

At this point it is worth making two observations. The first is the increase, note increase, in expenditure on Services and the second is that we still have reserves with which to meet the shortfall.

So we are managing an increase in demand for our services, performing an increase in services not a decline.

We take a two year advanced approach to our budget strategy, so we know that next year the overall shortfall compared to last year would be £140million if we did nothing. We need to bear in mind that the present four year government settlement assumes that we increase council tax by the maximum. The remaining balance in our reserves will be required next year 2019/2020 to meet the continual shortfall in funding.

So to meet the continuing increase in demand for services we need to improve what we do and to utilise capital schemes to help reduce revenue expenditure as far as possible. This theme of increasing demand being well met through well managed utilisation of resources is that which this budget promotes as I shall now outline.

The increased demand in adult social care means more residents being looked after in their own homes, and in our residences. Recently we have committed another £26million to provide 90 more units for adults with learning disabilities in Basingstoke, New Milton, Aldershot, Eastleigh and Fareham and the first of these comes on stream in a matter of weeks.

The increased demand in children's services, apart from 18000 more school places, means more looked after children being cared for, increased by asylum seekers. Some Children need a safer place, those with severe learning difficulties can find a safe haven in the purpose built houses we have made for them. Those who need family intervention will be helped by the increase in children's social workers we are budgeting for. More social workers for children, not less. This year it is met by increasing their budget by £9.5million to allow also for Home to School Transport increasing demands which we are meeting. A one-off amount of £7.6m was needed for 2017/18.

We have used our Capital programme to increase investment in Libraries, Country Parks, and outdoor centres. I am advised we have committed some £17 million thus far. This will improve the visitor experience and bring in more income, making them self-sustaining instead of a revenue cost.

In the Highways department we now receive over 100,000 enquiries per year. That is ongoing so we need more, not less, electronic methods of dealing with it. The expansion of the IBC is essential.

And as housing and population increases, waste disposal is increasing too. This means more household waste and less commercial waste in our Energy plants thus reducing the income stream. So we need to recycle more and it is important to fund the Household Waste Recycling centres, not to reduce their capacity as the scare stories by some councillors have suggested. We have revised the PFI financing on our street lighting contract, so that over £1m per year in savings has been produced for the Highways Department thus reducing the need to find savings in waste recycling centres. This was done in keeping with the promise made in November to review all alternative options to ensure no Recycling Centres were closed. In the longer term I believe we can fund further improvements for users if we are allowed to charge just £1 per car but that is for Parliament to agree.

Further revisions of the amounts held in contingencies mean we can release a one-off amount of £3.5million.

A review of our longer term future capital needs noted the urgency for a number of schemes to be added to our capital programme. The longer term requirement is assessed as some £440 million. £218 million for Invest to save schemes, £133 million for Stand-alone schemes and some £55 million for the Schools Programme. The invest to save schemes are part of a very clear strategy to produce short stay hubs for Adult Social Care for re-abling clients before they return to their own homes. We shall remodel much of our nursing and residential estate to cater for increasing instances of dementia. The stand-alone schemes involve a number of infrastructure additions, for example an enhanced material's recovery facility. They must be based on a beneficial business case as must each of the Invest to Save Schemes and those business cases will be forthcoming in due course.

But the more urgent schemes of about £22million must be dealt with today. This is £16 million more than in the present Capital Programme.

And thanks to careful management of reserves we are able to find that today without resorting to borrowing.

The schemes are listed in Appendix 2 on page 67 and while all are important I want to mention three to illustrate the importance of an organisation like HCC having the capacity to make a rapid decision and to have the resources to implement it today.

Firstly the Redbridge flyover roundabout which is an important link between the docks in Southampton and the hinterland. Trade worth billions passes through there. The DfT and the Solent LEP were unhelpful. A total cost of £8 million and we seek your approval today.

Had the Solent combined authority come into being and taken responsibility for the A road's maintenance as was proposed, this extra £8million cost would have fallen on them without our reserves and would have eaten into their supposed £30million infrastructure allowance before they could have considered anything else. It is a clear example of why size counts and if we are to have a Combined Authority let it be Hampshire wide with a lot more than £30 million per year being devolved to it .

Secondly, a road bridge on the A35, the link between Lyndhurst and New Milton and Christchurch carrying thousands of vehicles per day, is in need of urgent rebuilding. A cost of £6million and we seek your approval today.

Thirdly, the Winchester Leisure complex which will house regional sporting facilities. We would contribute £1million to that due to the overall benefits it will bring to Hampshire sportsmen and women. And we seek your approval to that today.

You will also see listed various planned repairs, necessary highways management assets and last but not least £1.5 million to Basingstoke Canal in appendix 2. A total of £22 million of which £16million is new money requiring your approval today.

Members, in how many other Councils or Combined authorities do you think someone could stand up and ask for an extra £16 million to be used without having the cost of external borrowing?

Remember all of these activities when next someone says HCC is not sufficiently local.....

You are asked to confirm the amount of £35 million for higher return investment in Manydown which is in addition to the capital investment we described in the Medium Term Strategy paper in November. This will enable us to take freehold and develop this with our chosen partner, in a Special Purpose Vehicle so that we can build, sell, and retain properties to suit the rental market, both housing and retail. We met recently with the Housing Minister and told him that the total infrastructure cost could be £200 million. Basingstoke Council had put in a bid on our behalf for £10 million and we had put in a bid to the larger Housing Fund for £50 million. In the last month the smaller Bid of £10million has been approved. We expect to hear about the larger £50million bid in the summer. He was told that the amount of Infrastructure Grant would proportionately improve the viability of the project to enable more Affordable Homes to be built. Furthermore the two Local Authorities would be the housing developer ourselves through the Special Development Company. Therefore, we could bring the houses on stream faster than a private developer who would choose their timing to suit their shareholders rather than the need for housing. I believe he took those points well and I was not surprised thereafter to see the £10million Bid approved. Of course we cannot be certain how much of the larger Bid will be granted

We have also invested considerably over the last few years in our IBC. Without that investment much of the savings we are achieving today and proposing today, in the face of increase demand growth, could not occur. In addition to the savings, they are bringing in extra income, as Fire and Police become our partners in ever close working. Also Oxfordshire, and now three London metropolitan authorities are using our technology. Savings for them, income for us. I will also make mention of our partnership relationship with the Isle of Wight related to Childrens Services which is now entering its second term plus our new arrangement to provide Public Health through partnership working.

The IBC enables us to continue doing more while needing less staff and managers. That means more office space becoming available and that is providing a useful source of rental income as likeminded partners rent from us. Indeed the rental income now is more than that which we would receive if we had invested £20million on a new property at a 5% net return. Net return not gross. Most of the property-owning local authorities always quote Gross returns when boasting of their property investments which they have purchased with borrowings.

Our innovative investment in energy saving projects has already saved £29 million and will reduce our targeted carbon levels by nearly 40% now, not in 2025 as we originally envisaged. So we are setting a new target of 50% by 2025 which we would raise to 55% if it proves feasible to replace all our street lamps with LED lights. And we are working on that possibility. We are leading the way in providing for Electric Car charging points. We are ourselves now owners, and we shall save more than £200,000 per year on fuel costs for the investment of an extra £1million in electric cars over diesel. We are investigating Battery Storage technology to reduce further our energy bills as well as help with carbon reductions for a better environment. Although we have taken advantage of the cost benefits of PV we are mindful that the Energy Performance Projects relating to our buildings provide a 7 times better return on investment so we continue to concentrate on that.

Incidentally I have studied the 44 page policy of Brighton Council on carbon reduction targets. As you know they are a council led by our esteemed Green Party colleagues- so I thought that might be a good place to possibly learn more. Their overall target is a 4% per year reduction in Carbon which they have not quite achieved and, in any event, their target is somewhat below our already achieved target.

You can be justifiably proud of the results our small energy team in Property Services.

Our total Capital Programme now exceeds £882million in starts and commitments to 2021 as shown on page 129. The resourcing for the commitments for 2018 through 2021 are shown on page 134 with more detail in Appendix 1 on page 143. We are building a modern Hampshire , wonderful to live here, wonderful to work here.

Finally I want to report on the progress of our Treasury Management. This may seem a boring subject until you run out of reserves and have the Government Inspectors take over. Then it becomes an exciting subject for Members. Perhaps too exciting as some councils are now finding.

So you should turn to paragraph 13.4 on page 59 where you will note that although we have a long term need for cash , rather than earn low yields and risk Bail-in with Bank deposits, we are investing some £200 million of money not needed in the immediate future, in medium and long term investment assets. These are relatively secure Bonds and pooled property and pooled company share funds. Overall average net yield, again I stress NET yield, is 4.45% on £120million invested. In addition after allowing for the cost of purchase there is unrealised net capital gain of 2% as at November 2017. We shall invest a further £80 million in pooled equity and property funds and the probability is that the return should exceed the average thus far obtained as these investments should yield more than Bonds would, over the next year or so, particularly as rising interest rates will cause existing Bonds to fall in value. No investment is without risk but these pooled investments eliminate individual property valuation risks, tenancy bankruptcy risks, rental arrear risks, and so on.

On page 100 you will note we utilise internal borrowing to reduce the service costs wherever possible. On page 116 we show the value the external borrowings including long term PFI contracts at £464million. Our investments shown total £570million. An excess of £105.5 million over borrowings.

We should never have to be in a position to make emergency fixed-asset sales to meet sudden unexpected expenditure and this table shows why we would not have to do that.

So we continue to meet the increasing demands of our residents in social care, in school provision, in waste disposal, in leisure activities and in clean environmental matters.

We have a clear strategy and a balanced budget thanks to the efforts of a dedicated team of Officers. But this is also due to the Conservative Group's leadership which, in making hard choices, has led and supported these officers for the last 21 years. Today I second the budget recommendations and in doing so ask you to again show your leadership by agreeing to these recommendations which will enable us to continue to meet the rising demand for all our services.

Councillor Mel Kendal
Executive Member for Economic Development

22 February 2018