

Item 10 – Medium Term Financial Strategy and Transformation to 2019 Savings Proposals – Councillor Mel Kendal, Executive Member for Economic Development

We have the lucky lottery ticket in life.

We are well fed, roof over our head, warm, clean.

But there are a minority of people in Hampshire who are not so lucky, through no fault of their own. Challenging home life, learning difficulties, ill health. These are the people to whom we Conservatives have a major responsibility when framing our revenue and our capital budget.

I am proud that we found £14million for building smaller homes for children with complex needs. We now have 5 houses on stream with more to follow. The children and their carers appreciate the new modern, warm, private arrangements made for each child in a non-institutional environment. But there is a need for more spending on social workers to reduce their case load to prevent more children from going into care. We need to reduce the caseload for social workers to ensure they are professionally manageable.

The last time I spoke here I spoke of the inter-relationship between capital and revenue. We have examples in the papers before you today. This is one. We are able to provide some assistance to Children's Services in this respect through revenue savings on capital. We had anticipated borrowing a total of £155 million for school places provision. The servicing of this loan would have been around £15 million per year. However using the strategy set out in para 4.30 we should reduce the likelihood of extra borrowing to £55million. The resultant saving of £10 million per year in loan servicing costs will meet the extra cost of social workers, Special Guardianship Orders and the extra cost of demographic pressure on home to school transport.

Later in the papers you will note we ask you for approval to convert £3million of capital spend to revenue spend on behalf of the money we hold for the Enterprise M3 LEP in a swap arrangement for greater flexibility in delivering economic growth across Hampshire as detailed in para 10.10.

There are some large capital amounts being added today to our huge capital spend. Our investment in IT provides the backbone of the savings which departments are able to obtain on their revenue due to staff savings arising from greater digitalisation. Alternatively there is avoided cost where other methods would require more expenditure. Some £62 million per year in savings are estimated to arise from the additional IT expenditure of about £40 million and your approval is sought for this. There are also additional one-off amounts for prevention of water bacterial diseases breaking out from our buildings, especially schools, and pump priming money for joint ventures with Town and Parish Councils and extra resources for our Transformation Team in order to support T2019.

As far as producing extra income is concerned you will note the sections in paragraphs 3 up to 3.41 dealing in depth with what we consider feasible and worthwhile for a County Council our size.

In the past I have spoken of the need for us to consider downstream development of our land holdings rather than taking a quicker safer route of selling the land to a developer to cream off the bulk of the profit from the site.. I am pleased that our work on joint venture LLPs now seems to be bearing fruit. As set out in Para 3.46 to 3.49 the objective would be to convert our land holdings to freehold and to develop or sell parcels as we deem appropriate to housing need, and both our cash flow requirement and the profitability. We could also retain properties for key workers rental, rent to buy and part equity purchase arrangements. We seek approval to borrow £35 million under prudential borrowing—and we hope the Treasury does not restrict its use because of the excessive property speculation by some councils. Our objective is to resolve real housing need as well as control the quality of the build, as well as obtain a surplus for investment in services. In any event we have a duty to maximise the return to our ratepayers on our assets. We believe we could generate around £50 million extra from this approach over the next decade from Manydown.(Para 10.5).

The other large development on the horizon is that West of Woodhouse Lane in Botley. I know this is more controversial but we have responded to Eastleigh Borough's request for us to bring this forward to assist with their Local Plan requirement. I believe we have a legal duty to cooperate. The development on land which we own 100% will see a new secondary school, but will also require extensive infrastructure works. Along with Phase 1 of the Botley by pass proposal we seek approval for an additional £41.695 million to our capital programme to cover this work set out in para 11.10. There will be a combination of Government grant and developer contributions to help with this.

Also in section 11 you will note the paragraphs dealing with the link between capital spend and revenue savings. There is also the fact that squeezing contract costs can generate capital savings with their implied revenue saving as we have seen.

As far as our reserves are concerned we shall have to draw on the Grant Equalisation reserve in order to balance the budget for 2018/2019. However I am confident that given the increase in the assumed overall tax base, assumed growth in business rates, a favourable investment wind, and further reviews we can still find another £1.5million to £2million when we do the final sums in February.

And so I leave you with this commitment. As the budget setting process moves forward and as our financial assumptions progress into certainties, I am confident, in line with the additional recommendation made at Cabinet, that we will find alternative ways to sustain some levels of community transport, albeit at reduced levels. I am also confident we will find mitigations that support other areas of particular concern, such as Household Recycling Centres where reducing their effectiveness may have a direct impact on our waste disposal cost. There will still have to be savings, unless we get the extra support from Government for which we have been lobbying. And while we can and will do all we can to find solutions, this Council must support this financial strategy for the sake of the council, its services and our community.