COUNTY COUNCIL
14 FEBRUARY 2014

BUDGET SPEECH

I begin by thanking all the officers for their hard work in us being able to consider a sound financial budget today. In particular, the County Treasurer has performed her onerous task admirably and deserves this Council's thanks.

The deliberate strategy that the County Council has followed to date for dealing with grant reductions and the removal of funding that was historically provided to cover inflation, coupled with continued demand pressures over the last decade, is well known to members. In summary it involves planning ahead of time, through a two yearly cycle, releasing resources in advance of need and using those resources to help fund transformational change.

This strategy has served the County Council, and more particularly, its services and community well, as it has delivered transformation programmes on time and on budget with maximum planning and minimum disruption to services. Put simply, it is an approach that has ensured Hampshire County Council has continued to avoid the worst effects of funding reductions that have started to adversely affect some other local authorities.

This report also considers a number of revenue items that are linked to the development of capital investment priorities totalling £2.9m that are outlined for approval, together with other approvals associated with the Manydown development site.

The demographic pressures within social care departments and the sustained pressure on social care spending means that these services continue to be the highest risk and most volatile area of the County Council's budget.

The County Council's Reserves Strategy, which is set out in Appendix 5 of the report to Cabinet, continues to be one of the key factors that underpins our ability not only to provide funding for transformation of services, but also to give the time for the changes to be successfully planned, developed and safely implemented within social care departments.

Contingency sums are set aside for a variety of purposes and it is only now at this later stage in the year that these resources can be deployed for other purposes with greater certainty. This amounts to £12.0m, which together with the £7.0m available from capital financing and interest on balances gives a grand total of £19.0m that can be used on a one-off basis.

It is proposed that this total of £19.0m is used for the following items:

- £2.9m. of funding for the development of capital investment priorities.

- £1.0m to the Investment Risk Reserve as we increase the amount invested in pooled funds and other long term investments.to £235m.

- The balance of £15.1m to the GER to begin to make provision for the period beyond 2020 to support the next two-year savings cycle and to provide cash flow support to the Transformation to 2021.

The County Council has made investments in property, equities and government bonds, as well as long term investments with other Local Authorities. The principle mitigation for risk is ensuring that investments in non-cash assets are held as long-term investments. This will enable the initial costs of any investment and any periods of falling capital values to be overcome. In order to be managed as long-term investments the amounts invested need to be taken from the County Council's most stable cash balances. The allocation of £235m has been based on half of the Council's forecast future minimum balance.

This is a very different approach to that used by some other councils who borrow at low PWLB rates and hope to make a profit on investing in individual properties outside of their area. This practice is not dissimilar to the risky investment practice undertaken by Banks prior to 2007 when they used bonds to coupon clip deposit rates.

Another sensible avenue that the County Council is currently pursuing in two cases is to become even more active and influential in the market of delivering homes across the county on some of its key sites. This will offer the County Council the advantage of considering whether it wishes to benefit from capital or revenue receipts from residential assets or combinations of the two depending on individual sites and its own circumstances at the time.

Turning to the Capital Programme there is a late recommendation to approve an increase in the capital programme by £32.869m to meet the additional costs associated with further infrastructure works and the by- pass at Botley.

The capital programme delivers schemes totalling a further £491.6 million over the three years from 2019/20 to 2021/22. This follows a revised programme of £328.4million for 2018/19, providing a total capital programme of over £850 million including the Botley by pass, over the four years, providing a big boost for the local economy through jobs and construction materials. This is a very significant investment in the infrastructure of Hampshire. It will provide:

- £160 million of investment in new and extended school buildings in Hampshire in the period 2019/20 to 2021/22 to ensure there is a school place for every child in Hampshire

- £122 million for structural maintenance and improvement of roads and bridges in Hampshire over the next three years

- £72 million for integrated transport schemes in addition to the Botley by pass including £9 million specifically focused on walking and cycling improvements

- £94 million for major improvement of school and other County Council buildings over the next three years.

The revenue budget and the capital programme together continue to provide essential services to residents of Hampshire. The budget provides a stable basis upon which to consider further the challenges of the next period to 2021.

This budget is sound.

This county council's finances at present are sound.

Let us keep it that way by approving this revenue budget and the capital programme.

Councillor Mel Kendal
Executive Member for Economic Development

[check on delivery]