

HAMPSHIRE COUNTY COUNCIL  
BUDGET AND CAPITAL PROGRAMME FOR 2012/13

**CHANGE IS CONSTANT, IT IS HOW WE EMBRACE IT  
THAT DEFINES US**

PRESENTED BY  
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LEADER OF THE COUNCIL

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## Budget Speech

### 1. Introduction

#### And So

I move the Budget and Capital Programme for 2012/13 which for the third year in succession heralds a freeze on Council Tax increases, and this, in the middle of cuts in government grants the like of which we have never seen before.

At £1,037.88p per Band D property the public will be relieved that we have delivered the same Council Tax as we delivered in 2010/11, as we are delivering in this current year, and will deliver in the year to come. We have achieved savings this year of £55m and will deliver an additional saving of £45m in the year 2012/13. This achievement augurs well for our future stability and brings significant one off benefits which I will speak about later.

If we had used reserves in the current year as the Opposition urged we would today be seeking not £45m in further cuts but £60m of even deeper cuts. Pain delayed yesterday would have caused even greater pain today and in the future.

The Chancellor has already announced that he will reduce National Spending by 1.0% pa in real terms from 2015/16 on a spend of £743 billion. In round terms this needs savings of a minimum of £7 billion per year plus inflation lost of £19bn, and since Local Government's share of national spending is 19% we may expect further reductions in real terms after this CSR period of cuts to our grants.

So Members the conclusion for Local Government is that we will remain in the forefront of Public Expenditure Cuts as Government maintains spending on Education and the Health Service, and this will last beyond the present Comprehensive Spending Review period of 4 years.

Coming back to Government grant in this Comprehensive Spending Review period Hampshire County Council will see this reduce by £77m, although in reality this is nearer £130 million when taking account of inflation and pressures. We took a decision to take the greater part of a reduction of £100m, in the current year and next year.

We therefore started our savings before this Comprehensive Spending Review period in 10/11 because it was clear to us all that swingeing cuts to grants were on the way. You will recall that we reduced senior management by 130 posts and this produced savings of £8m in a full year, which when combined with the effects of the recruitment moratoria meant some £12m full year effect savings were achieved before we started the task of saving £55m in this current year.

Combined with other savings in 2010/11 we knew therefore that we could underwrite the mammoth savings of £55m needed in 2011/12, by providing

contingencies of £20m to help Adult Care and Children's Services who were most seriously hit by cuts.

Never before has this Council been faced with such cuts, and the risks we would not achieve them were high. Some contingencies were drawn down but through considerable effort we will achieve savings of £50m and therefore our early savings put into contingencies can be released as one off savings into our capital programme which now has an additional requirement for £65.2m, largely as a consequence of a need for £36m for more School building, for Extra Care Homes, and for other Capital projects.

Our early savings strategy helped close the £55m gap in revenue by giving high spending departments that £20m contingency. This was a prudent approach to managing the risk with the benefit that if it was not needed it could be used for one off expenditure.

That is the background against which Hampshire County Council had to continue to operate and provide critical services. As we achieved those £55m cuts what has been their effect on the people we serve. Come on a journey with me as we look at Hampshire today.

- No Council Tax increase for 3 years
- Our schools are flourishing and continuing to improve their GCSE results above the national average
- Children in Care continue to increase but their care has been rated as excellent by Ofsted – we are one of very few Authorities to achieve this rating
- Every adult with acute or substantial needs including significant demographic growth and complexity has received our care, and budgets have been increased by around £11m pa to cater for that growth.
- Every one of our 81 Children's Centres remains operational delivering the excellent services they always delivered.
- All of our libraries remain open.
- Our roads continue to be some of the best in the South East, as we invest £10m pa extra.
- We continue to spend much more on subsidising Commercial Bus Services than our neighbours do.
- More and more people are satisfied with our Concessionary Bus Fares as we start services earlier, allow carers to travel free, and spend more than the District Councils did.

So Hampshire has continued to be "Open for Business" and despite cutting £55m from our budgets, our services continue to be some of the best in the Country – THAT IS THE PICTURE THAT IS HAMPSHIRE TODAY.

The cost, however has been that 1400 staff have left us, some of them senior managers that we respected and admired, who had given many years of dedicated service to our people. Their lives have changed dramatically. But their legacy lives on and will sustain us through another round of immense savings.

## 2. Budget for 2012/13

And so I turn to the budget for 2012/13 with base budgets that now show the impact of £55m saving and the planned £45m savings in the coming year.

By the end of 2012/13 spending on our services will be £100m lower than in 2010/11 and departmental budgets will be a minimum of 16% lower.

### 2.1 Let me start the review of departmental cuts by dealing with the question of two Government grants to help with Council Tax.

The first grant (£13.2m) that corresponded to 2.5% of the Council Tax was very helpful in the current year in meeting pressures such as inflation and the demographic growth in Adult Care and other growth amounting to £26m. That £13m remains within grant, but once used for immediate pressures it is used up. It is a matter of debate nationally that this amount may be clawed back in a new Comprehensive Spending Review in 2015/16.

The second grant for 2012/13 is a one off grant of £13.2 m and since it is non-recurring it would be folly to build it into recurring budgets. We are therefore putting this into the capital programme for Extra Care Homes which are programmed at an additional £45m. At a meeting of the South East Strategic Leaders the Secretary of State Eric Pickles agreed with me that the best use of the grant was to put this into earmarked reserves or capital programmes.

### 2.2 The full year effect of savings made during 2011/12 will become apparent in 2012/13, and will make a contribution of £13m to the £45m savings now needed. This means that departments have reacted well in the current year and decisions taken during the course of the year contributed to the reductions needed next year. I will comment on this as I take each department in turn.

#### 2.2.1 Schools

Schools Budgets show a reduction of £99.1m from the original budget of 2011/12 and allowing for fluctuations such as £2m more for Primary Schools, what is striking is a decrease in funding for Secondary Schools of £102m. This reflects the top slicing of the Dedicated Schools Grant and re-allocation direct to schools that have become Academies.

What is heartening is that 22 of the 23 schools becoming Academies have opted to continue using the services of the Education Authority, and thus support services continue to function and be funded. Principal among those services is the direct support we give to Schools to improve their performance through our School Improvement Service.

The risk for us is that as more schools opt for Academy Status they may not wish to purchase our support services and if this happens Children Services budgets will suffer. So far the excellence of our support services has won

through but it may behove the Authority to widen its appeal beyond our boundaries and sell to other Education Authorities or direct to their Schools.

### **2.2.3 Non Schools Budget**

Members will recall we made the decision to safeguard all support services that deliver directly to Schools, and that cuts would therefore fall disproportionately upon fewer non direct areas. Adult Learning and Community, Services for Young Children, and Youth Support Services have taken the brunt, however there are in 2012/13 increases of £2.7m for Looked After Children and Family Support Services.

In all Children's Services have had to make savings of £23.9m in two years after absorbing specific grant cuts of around £6m in 2010/11. Because of early action and full year effects of the current years' actions they have saved £23.9m and need only to save £150,000 in 2012/13.

This will be achieved by taking advantage of retirements from Outdoor Centres, restructuring management and increasing our charges. Two full time posts will be deleted.

### **2.2.4 Adult Social Care**

Members made the decision in 2011/12 that we shall continue to care for everyone with Acute or Substantial need, and they agreed that demographic growth and increasingly complex needs brought about by longevity had to be recognised. Accordingly growth of £21m pa in the current year will be added to £11.5m in 2012/13, plus the commitment of over £12m Health Funding this year which is continuing into next year. All of this £45 m additional funding will continue for the remainder of the Comprehensive Spending Review period.

So that this growth should not be cancelled out by budget cuts it is necessary that Adult Care make savings of £21.2m which becomes £16.3m after full year effect savings in the current year are taken into account.

£8m or about half of the necessary savings in Adult Care will be made by management and workforce reductions, by reducing the costs of contracts, and by reducing conference and training venue costs.

A further £6m will be saved as more clients are housed in Extra Care, by placing early on-set dementia clients in our excellent Enhance homes, by maximising income, by providing re-ablement to older people in crisis thus enabling more to remain at home, and avoiding bed blocking fines.

The remaining £2m is achieved by a range of other efficiencies. In all the £16.3m savings are virtually all efficiency savings and are not expected to impact on service delivery to our clients.

165 full time equivalent staff will be released by a mixture of non-replacement of leavers, by voluntary redundancy, and a minimum of Compulsory Redundancies.

## 2.2.5 Environment and Transport

Members made the decision that our spend on roads through Operation Resilience would continue to increase, and that our acquired Discretionary Bus Fares programme would be funded at more than the District Councils had spent. We added £1.1m to this service.

Economy, Transport and Environment have already raised an additional £4.97m (81%) in full year effects of the current years savings requiring only £1.1m to reach their £6.1m savings needed next year.

£1.1m of savings will be achieved through Public Finance Initiative operational efficiencies, through re-negotiation of Household, Waste and Recycling Centre contracts, and a reduced contribution of Safer Roads Partnership, under new funding arrangements that do not impact on service delivery. There will be no loss of jobs.

## 2.2.6 Policy & Resources including Culture, Communities and Business Services

Policy and Resources, including CCBS will in the coming year be required to save £7.3m. The full year effect of savings in the current year is £3.2m or 44% of the savings needed for 2012/13.

The remaining savings of £4.0m will require CCBS to save £2.3m and Property Services £0.3m. The Chief Executives Department including HR will contribute £1.4m.

P&R are also contributing a further £2.1m mainly from Housekeeping savings, bringing the P&R total to £9.4m or reductions of 10.3%.

Taking CCBS first there will be staff reductions in Libraries, Museums and Arts with limited impact on core service delivery, reductions in non-staff spend on marketing and communications, there will be increased income from our Registration Service, IT costs reduction, and a reduction in the capital projects team. There will be a loss of 35 full time equivalent posts.

Property Services expect an increase in their external fee income, they will also revise their risk based approach to non-schools repairs and maintenance, and reduce costs across budget heads. No jobs will be lost.

County Treasurers already having saved £830,000 will find another £41,000 from efficiencies and will lose 1.5 full time equivalent staff.

The Chief Executive requires £1.1m of savings in the coming year and will find this from reductions in senior management, reductions in Communication staff, and in staff resulting from the abolition of Hampshire Action Teams, and reduction in support staff. In all 17.6 full time equivalent staff will be released.

HR will contribute £375,000 by reducing Business Partners who will now be shared across several departments, deleting an O.D Consultant and one Senior HR Advisor in Employment Practice Centre. In all 6.6 full time equivalent staff will be released.

As a consequence P&R including CCBS will release 60.76 full time equivalent staff in 2012/13.

#### 2.2.7 Impact on Staffing in 2012/13

Staffing in the County Council as a whole will reduce by around 228 full time equivalent posts. These posts together with 1400 staff released this year, are the human cost of saving £100m from our budgets to meet the reductions in Government grant, inflation, demographic growth and other pressures.

2.2.8 All in all, the journey so far has been remarkable. We have protected the young, the vulnerable, the elderly, and we have maintained services that are among the best in the Country. It has not been easy, neither will next year be easy but we are in sight of our goals.

#### 4. Leader's proposals

Even as we struggle to make cuts dictated elsewhere, I remain dedicated to ease the plight of the most needy in our Society and those that require our protection and help. I can announce that I am adding £.845m of one off funding for two years and £3.1m of recurring funding from the Corporate Policy Reserve, in all £4.0m. Members will note that I am addressing the special needs of the very young, the needs of disabled pupils, the needs of our teenagers, and the plight of those adults with the greatest dependence on their carers.

4.1 There are three key areas that I have highlighted for one off funding. Firstly, after losing a quarter of our managers in a few months we now need to develop and help those managers who have succeeded their colleagues. They need to grow into their new and increased roles and I am making provision for a Management Development Programme of £500,000 pa for 2 years.

4.2 Secondly, while I cannot re-instate the HAT's budget of £700,000, I am aware of the success of what is called the "Have your Say" initiative in Gosport. I propose to make available up to £200,000 for Communities to bid for through their County Councillors, to address specific needs of their community.

The Executive Member for Communities will work up the protocols and coordinate the work of fellow Councillors in assessing bids from the public.

4.3 Finally, I shall make a one off transition fund of £145,000 available to help Hedge End, West End and Hythe Libraries in their effort to involve their Communities in helping to run these facilities.

If Stanmore and North Baddesley become Community run Libraries the Transition Fund will be available to help their early progress.

- 4.4 Turning now to recurring funding. I propose to continue funding rural communities for sustainable projects such as Broadband, business development, village agents and avoiding shop closures. £200,000pa will now be made available.
- 4.5 But my key initiatives for this year have arisen because I am aware that there are some in our Communities who are less able to withstand the economies Society is having to bear, or who are disproportionately affected by these economies. I am therefore proposing an increase of £3.1 m specifically targeted at needy groups of the public and ring fenced to them.

First, we are introducing increased apprenticeships here in the County Council for initially 20 school or college leavers. We shall also introduce a scheme of employment for people with Learning Difficulties initially focused upon 10 individuals. I am making the sum of £300,000 pa available.

Second, my initiative to give jobs to Care Leavers who would otherwise not be in employment, education, or training here in the County Council, has been a success. Ofsted paid particular attention to what we are now calling our Internship Plus Programme and were highly complimentary about our unique initiative. 21 young people are now in employment with us, and most would not have found employment.

I am therefore making £500,000 permanently available for this initiative which will support 40 care leavers and I hope that many will prosper from it in the years to come.

Third I am making a ring fenced allocation of £1.1m pa to Children's Services. £100,000 to recruit the specialist advisors on child care as recommended by Ofsted and £100,000 to give transitional help to local voluntary sector youth organisations who narrowly failed to win grants from the provision we made for the coming financial year. They will be in a position to tender for longer term contracts in 2013.

However £900,000 will be ring fenced for Speech and Language Therapy for children with disabilities and the very young. These children will mainly be attending our Children's Centres and our SEN Schools. HOSC and personal visits have made it clear to me that Speech and Language Therapy for children with disabilities is patchy and that the NHS are struggling.

In the meantime, our children with disabilities and our very young who have speech difficulties are not given the start in life that they should be given. This grant will ensure that provision is available for individual children according to their needs for the whole of the year.

I am therefore earmarking £500,000pa for our Children's Centres for children aged under 5 so that their speech and language abilities do not delay their

development. There will be individual early intervention, speech, language and communications groups for children and their parents, and there will be training programmes for Children's Centre staff so that each Centre has a language rich environment.

I am also earmarking £400,000 for targeted Speech and Language Therapy for children with disabilities who are of school age. This will ensure the development of a specialist service for the whole year for individual children with disabilities, who in term time are attending these SEN schools.

Some 17 professional staff will be employed and resources directed to Gosport, Rushmoor, Havant and Basingstoke initially where there has been a 50% increase in referrals for Speech and Language Therapy for very young children.

Fourth I am making a ringfenced grant of £1m to Adult Care to help mitigate what we can call unforeseen consequences of our charging policy. We did consult on our charging policies, but are constrained by national policies, nevertheless in good faith we may have overlooked the impact of our policy on some clients.

To them I say we cannot make the system perfect, but we will make it better. I am asking the Director of Adult Care to undertake detailed work and to report to Cabinet on how we can properly address any unfairness within our charging policies, and whether we need to consult on this.

£1m is available to seek greater fairness and equity. I have listened to the deputations here today and to my Members and Cllr Dowden and been moved by their concerns.

As Leader I apologise if we are causing hardship to some of our clients. This was never our intention and in a world of uncertainty and limited resources it is the poor, the vulnerable and the dependent who should be protected. We will make it easier for them.

I have my own views on how to do this, but I will not seek to influence our clients as we address the twin principles of fairness and equity.

Finally I am making £300,000pa available for "troubled families" to assist them to enhance their life chances, improve their educational attendance and achievement, reduce their worklessness, and prevent them slipping into a life of crime. I hope we can help many families turn their lives around.

So, young children, disabled children, care leavers, school leavers, people with learning difficulties, vulnerable clients of Adult Social Care, and troubled families; will all be helped by my proposals. Communities too, have not been overlooked.

## 5. Capital Programme

Let me now turn to the Capital Programme. If the stewardship of the Council's revenue budget is at the heart of our financial success, it is undoubtedly true that the management of the Council's asset base lies at the heart of our investment strategy. Our success in our Efficiency and Transformation Programme has given us unprecedented levels of one-off resources, which I propose Members be invested in ways that;

- provide future capacity which the Council would have to find in the future.
- fund alternative and lower cost models of care .
- provide future foundations for growth within our local economy.

A good example is an extra £30m for school places for children, £4m to extend Broadband and £45m to support Extra Care housing for elderly people. It is anticipated that these extra sums will also leverage in significant additional private sector investments.

In total, capital expenditure of £600m over 3 years in the very fabric of our great County. Not only does such investment reduce our future costs, it makes investments, that will make Hampshire fit for purpose in the future.

Where does such a sum of money go? It goes to small and medium sized businesses, it goes to our maintenance and construction contractors, it goes to our suppliers and to a number of national partners, all of whom help create jobs, wealth and opportunity in the County. Indeed I fancy that our own local example here today could well become a working example for the Coalition Government in the future.

My final comment Members is, in a time of great austerity, take a look at what's happening to our borrowing. For the studios amongst you, you will realise this was on page 85 of the Revenue Budget report in paragraph 4.2 and I quote:

"The County Council has a Capital requirement of £217m in 2012/13, but has sufficient balances and reserves to avoid the need for significant external borrowing. By lending its own surplus funds to itself the Council is able to minimise borrowing costs and reduce overall Treasury risk by reducing the level of its external investment balances".

Schools, Broadband, Extra Care Housing, Roads, they all come at a price, but we shall not be mortgaging the future for our children.

## 6. Conclusion

In conclusion Members, this is a budget about **achievement**. We continue to have one of the lowest grant levels in the Country, but still continue to have a nil increase in Council Tax.

We continue to protect our front line services but at the same time **achieve** dramatic increases in our efficiency by reducing our corporate infrastructure, management, and other costs.

We continue to deliver some of the highest performing public services in Children's Social Care and Highways. We have achieved one of the most ambitious Cost Reduction and Transformation Programmes anywhere in Local Government. At the same time, and perhaps more importantly for the future we have **achieved** continued financial stability, which has been a hallmark of our stewardship of this Council.

We have, and I do regret it, had to reduce the number of staff, but in doing so we have **achieved** that in a voluntary way and we have recognised that we must change how we organise and manage ourselves.

We have also **achieved** significant one off benefits which you see in our enhanced capital programme today, investment in services for vulnerable adults, giving them greater choice in the latter part of their lives, and investment in school capacity for young people, giving them the best opportunity we can in the early stage of their lives.

We have also **achieved** significant one off benefits from our financial stewardship, with £600m of expenditure over 3 years that goes into small businesses, medium size businesses, our maintenance and our construction contractors, all of whom create demand and jobs in the local economy.

We are creating opportunities for our young people, for those with Learning Difficulties, those to whom life has not been kind, communities, troubled families and the very young.

Members- change is constant. It is how we embrace it that defines us.

Let our definition be, that Hampshire remains an excellent Authority whatever the challenge whatever the change.

I commend this budget to you.