

Supplementary Information

**HAVANT BOROUGH COUNCIL
COUNCIL
22 February 2017**

Dear Councillor

I am now able to enclose, for consideration at the next meeting of the Council to be held on 22 February 2017, the following supplementary information that was unavailable when the agenda was printed.

Agenda No Item

9 Leader's Budget Speech

1 - 10

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Budget Speech 2017/18 v4

Introduction

This financial year has seen the Council responding to the tremendous change that has been evident across the last few years. We have responded by moving forward in a more modern form to meet the changing realm of local government. This changing context is, in no small part, due to the continued pressures of reduced central government backed funding.

Within this budget speech, I would like to focus on how we intend to maintain financial sustainability by reminding you what we pledged we would do as a council last year, what we have achieved, and where we are going in the future.

I will then move on to explain the challenges I have set myself, as Leader of this council, to:

- Ensure we contribute to the growth of our economy and prosperity of the people and businesses in the borough
- Deliver our services differently including seeking opportunities, wherever they exist, to work through new models of provision
- Look at personalising our services to meet our customer's requirements and also offering an enhanced service for those who wish to pay for it
- Achieve financial sustainability and generate future surplus through positioning the council's strategy towards the acquisition of commercial properties through borrowing money.

These services must be compatible with:

- a. being financially sustainable;**
- b. commensurate with the development of our organisation;**
- c. the growth of our economy;**
- d. and finally, to remain environmentally sustainable**

all of which are, I am sure you are fully aware, articulated in our Corporate Strategy, a strategy that is continually focused on *our customers, our organisation, and working with others*.

Being Financially Sustainable

We said: We would consider how we would ensure our council services can continue to be **Financially Sustainable**, whilst taking into account the reduction in central government grants, and remaining both affordable for our customers and continue with our high quality of Service.

We have: made considerable progress towards this by proposing to continue to assist our residents with a Council Tax freeze for the 8th consecutive year, without lowering any significant level of service, despite facing a deficit in government funding (the Revenue Support Grant will have reduced from £1.4m in 2016/17 to zero in 2020).

Despite this reduction in funding we, continue to provide a plethora of customer service for people and businesses in the borough and we continue to explore every avenue to deliver our services that provide value for money.

For example, we have worked hard making the necessary decision to save costs **Through Joint Ventures, The commissioning the delivery of services in partnership with Six Councils, and Shared Management through Partnership Working.**

Our **Joint Venture Company** – known as **Norse South East** –delivers our Operational Environmental Services, whilst at the same time we have the opportunity to generate additional income streams. This provides us with the opportunity to gain a 50% profit share as part owners of this company.

We have also been a founding member of the **Six Councils Partnership**. This is an innovative commissioning and partnership model with 5 other local district authorities.

With this initiative through economies of scale, we can expect savings on the delivery of our **HR, Finance & Payroll, IT, Customer Services, Procurement, Land Charges and Licensing** services with our partner **Capita**.

We also expect to save on the delivery of our **Facilities Management, Property Services and Post Room** services with our partner **Vinci**.

By entering these contracts the council is expected to make significant savings across an eight year period.

Unfortunately, however, we are in an era of sustained fiscal pressures, and there seems to be no let up in the Government's Austerity Programme, and these cost saving measures are still not enough to ensure that the council's budgets are balanced.

As a result, we have been exploring four possible options to present a balanced budget today.

The First option - DO NOTHING

If the council does nothing, then we expect to suffer a deficit **in budget year 1 of £932k** and then broadly £2m per year thereafter. In the short term the council would be able to draw down from our current reserves of £6.6m but this would not be sustainable in the longer term.

Second option – SQUEEZE MORE VALUE FROM COMISSIONED WORK AND RESTRUCTURE

One of the ways that the management team is looking to reduce these anticipated deficits is to ensure that we achieve the full benefit from our Joint Venture programme and our commissioning work, whilst at the same time revisiting the structure of the organisation with a view to increase our efficiencies even more.

If the management team were to be successful with effort, then we could expect to reduce our overall costs by £682k in year 1 and broadly £1m per year thereafter.

Even then, if we took this approach, we would need to plan for expect a deficit of up to £1m per year from year 2 onwards and a need to drawn down from reserves, which I am reluctant to recommend.

Third option - INCREASE COUNCIL TAX INCREASE OUR FEES AND INCREASE OUR CHARGES AND IMPLEMENT A STAFF SALARY FREEZE

To offset these expected deficits, we could look to increase council tax by 2% per year and place a freeze on salaries. (But, we are not in the business of taxing residents when it cannot be justified, and to place a freeze on salaries would require negotiation with the union, but more importantly, this action would not support the council's aim of retaining and recruiting the right caliber in a challenging market.)

Even then, this action would still result in deficits during the first three years of the budget Programme.

However, if we were to also revisit our pricing strategy and review our current schedule of Fees and Charges and propose increases then there is the potential that we could achieve a balanced budget.

But this would be at the price of increasing the financial burden on our residents and run the risk of reducing the morale of our already hard working staff.

Fourth Option - INCREASE OUR PROPERTY PORTFOLION TO GENERATE INCOME IN FUTURE YEARS

The alternative option is to increase our income is through property investments.

We currently have an investment property portfolio to the value of £16.5m, and this generates an annual income of around £1.5m at a net yield of 8.5%.

Historically, these investment properties have been purchased by using council funds. However, this is now not an option in the longer term due to the expected deficits I have already cited.

Given the Four Options that I have outlined thus far, I, and my Cabinet Colleagues propose we pursue a strategy of acquiring and managing an enhanced commercial property portfolio.

This will be undertaken at the same time, parallel with:

- seeking to achieve further value against our commissioned work;
- increasing our joint venture value and finally;
- continue to review our in-house service delivery arrangements.

Furthermore, over the next few weeks, I intend establishing a team of Officers and Members that will investigate and establish a property investment program.

This team will have the task of understanding the opportunities to increase our property investment income through borrowing funds at very favorable rates.

The team will be asked to develop and deliver a paper, which will be presented to Cabinet and then Full Council, which will focus on the detail on how this might be achieved. The team will consist of a Director, the CFO, a Cabinet Member and a Back Bench Member.

As a result of this proposal, have therefore agreed to draw down £250k from our General Fund £6.6m to balance this years budget, whilst we develop our borrow to invest program during the 2017/18 municipal year.

Turning now to the Development of our Organisation:

We said: We would enhance the **Organisational Development** of our Council by providing the tools, the practices and the leadership qualities to create a culture fit for the changing landscape of public services.

By doing this, we would deliver a modern, innovative employment package that attracts future staff and at the same time motivates and retains our current staff in a working environment that is second to none.

We have: achieved this by providing a modern and effective employment package for our staff, with new terms and conditions;
investment in training;
and development and mobile technology to ensure everyone has access to the tools to deliver 21st century public services in a new flexible context.

We have also been working to change the culture within the council to equip our staff with the behaviour and skills are needed to adapt to the changing financial landscape and still deliver the corporate strategy.

This work has produced a new Organisational Development strategy.

Additionally, we continue to offer first class training for our Councillor development programme and offer opportunities to boost our skills to meet the demands of the demanding job Councillors do.

We are proud to have a Councillor Competency Framework and are aiming for Charter status in the future.

Turning to our third key strategic theme - Economic growth

We said: We would focus on **Economic growth** through a ‘Prosperity Havant’ programme.

We have: Forged ahead the aim of transformation of our town and commercial centres to become the location for inward investors and high growth companies.

We continue to encourage new and expanding businesses to create quality jobs for local people, in an area with an outstanding quality of life.

We have adopted the Local Plan Housing Statement following an extensive public consultation. This document addresses housing need in the borough until 2036. Alongside this we have started a vigorous campaign which targets central government to provide the much-needed infrastructure requirement alongside our new homes.

Our successful lobbying and our engagement with Central Government has paid off with the Rt. Hon. Gavin Barwell MP, Minister of State for Communities and Local Government (Housing and Planning) recently visiting the Borough. Whilst he was here, he met our local apprentices working in the construction market and met residents who had benefited from the ‘help to buy’ scheme.

Additionally, Havant has been high on central government’s radar with the Rt. Hon. James Wharton MP, the Rt Hon. Brandon Lewis MP and the Rt Hon Liz Truss, have visited us over the last year to see for themselves how we are delivering new jobs and homes and its future development potential. We are grateful to our two MP’s for Havant Borough in paving the way for these high profile visits.

Our work on the ‘Prosperity Havant’ agenda has already helped to encourage inward investment and high-growth companies to be based in the Borough with Marks and Spencer moving into the area at Solent Road Retail Park, Havant, and a food outlet at Waterlooville, for example.

The council will soon be offering business rate incentives of up to £150,000 for new-build businesses.

This scheme will work alongside HBC’s current strategies to make the Borough increasingly prosperous, vibrant and active in responding to business progression.

We continue to work with small and large local businesses, other councils and our Local Enterprise Partnership (Solent LEP) to promote our area as open for business.

We have in the last year progressed some key infrastructure work and opening up employment sites such as the Dunsbury Hill Business Gateway and with Fat Face intending to relocate in the near future as an anchor tenant.

These are great examples of retaining a key employer, as well as encouraging growth in local jobs and subsequent employment for our residents.

We have made a small investment in our staff resources to assist businesses in accessing national funding.

For example, in the last year this has included £1m of Big Lottery funds for Wecock community and over 60% of small businesses in Waterlooville, Havant and Leigh Park are working with us to improve shop fronts and enhance street cleaning.

The Hayling Billy Heritage Project, which was organised by the Council, is now completed. This project improves the areas outdoor leisure facilities for residents and visitors. This investment demonstrates our keenness to complement our investment in the economy by working with partners to deliver a high quality of life in our area.

Under the Environmental Sustainability Banner.

We said: We will work with the Partnership for Urban South Hampshire (PUSH) to ensure **Environmental Sustainability.**

We have: Committed to take a leading role in the development and implementation of an Energy Strategy for the Solent region to help ensure:

- energy security and resilience;
- reduce fuel poverty and
- maximise the economic benefits from the low-carbon economy across the south coast of Hampshire.

A total of £1.2m of funding has been spent to warm the homes of more than 300 residents in time for this winter. This has enabled energy-saving improvements to homes via the Council's Cosy scheme.

The Council has been involved in protecting 1,700 homes from flooding via a combined maintenance dredge of Chichester Harbour Approach Channel and nourishment to the Eastoke Frontage, Hayling Island. Without regular intervention, the densely populated area of Eastoke would quickly become vulnerable to flooding and coastal erosion.

A much-loved beauty spot in Havant will now be maintained by the Council.

Hampshire Farm Meadows is a 42 acre open public space which is used by many members of the public for a plethora of purposes.

Management of the land has formally been transferred to Havant Borough Council and their partner organisation, Norse South East, will now undertake all further maintenance

So, that reports on our promise of delivery and our successes thus far.

Now, moving forward:

We will continue to build on our successes of the past years. As our initiatives start to bed into the culture of the organisation, I will be asking everyone at the Council to start a new focus on our Economic Prosperity

This focus is going to be our key priority during 2017-18. The prosperity of our residents is critical if we are to become a thriving local economy and ensure the continued success of public service delivery across this area.

Public Service Excellence.

We will continue to strive for Public Service Excellence by investing in staff, councillors and our business.

This will include a customer relationship management system that helps us to personalise services for our customers – this is set to be driven forward once we have moved to our new model of delivery with our partner Capita in October.

The council has already launched its new website which has been designed with customers in mind – and focuses on making the main services used by residents and businesses simple to get to and easier to use.

Residents in the Borough have told us that they are satisfied with the way the council runs things.

In fact, satisfaction has increased compared with 2014 particularly with refuse collection and fly tip removal.

Comparing with 27 other council surveys, Havant was 4th by overall satisfaction with the way the council runs things and 5th on value for money.

A new councillor's e-newsletter has been launched to keep members updated in a user-friendly way. I am keen to ensure that we continue to improve our communications to ensure everyone has every opportunity to understand the work of the Council.

Now to focus on our Staff

Our staff continue to provide us with an efficient and effective Council despite the challenge of ever fast changing circumstances. They are enthusiastically adopting new ways of working and continue to put customers at the centre of all that they do.

Here in Havant, we are the leading edge in our mixed economy of provision and models of delivery and our staff colleagues have met this challenge with professionalism and maturity.

Without our staff, this council would not be able to deliver the tremendous services it does and I and in fact we, owe them an enormous thank you.

Our organisation runs with mutual respect for one another's roles and I am keen that we continue in this tradition of teams working across the different aspects of paid executive and non-executive roles.

Our Membership

I would like to turn to us, the Councillors.

Recently we mourned and paid tribute to one of our members who is sorely missed for his enthusiastic, good humoured and professional approach to his duties. Emsworth Ward, and indeed the entire Havant Borough will, I am sure, continue to reflect on Colin Mackey and the way he conducted himself as a most valued member of our Council.

However, notwithstanding our tragic loss, Havant Borough Council is blessed with an effective, dedicated, keen and enthusiastic Membership, across all political parties and Independents.

I would like to pay tribute to all of your efforts during the last year, and thank each and every one of you for your hard work and dedication to your important work.

In particular, I would also like to thank our long standing Councillors for their experience and knowledge whilst at the same time welcoming our new members and acknowledge their marvelous fresh new ideas and support over the past year.

Together, we come collectively to strive to make this Borough better for the generations of our residents for years to come.

The Working Plaza

We have the perfect working environment that we share with a number of important public, private and voluntary sector partners here at The Plaza.

We continue to focus on this being a center of excellence for future co-location and more importantly, 'integration' of other public services. I am keen in the coming year to put more focus upon the masterplan we have in place to expand the concept of our public service village.

Regarding Devolution, the Combined Authority Issue and meeting modern public service requirements

Devolution, Localism and local government re-organisation continue to be discussed at both national and local levels and I have ensured that we are at the forefront of these discussions, so that we get the best possible outcome for the borough, its residents and its businesses.

I will continue to champion our needs to ensure the area's economy continues to prosper whatever direction these discussions take.

So Members as a summary and In Conclusion

In Summary,

Just to remind ourselves, once again this will be the 8th consecutive year that this council has frozen its share of the council tax bill for our residents at £192.78 for a band D property.

Additionally, the plan for next year will be for this Council to be:

- seeking to achieve further value against our commissioned work;
- increasing our joint venture value;
- continue to review our in-house service delivery arrangements;

And establish a team of Officers and Members that will investigate and establish a property investment program.

So, to reiterate, before you this evening you have a full and balanced budget that has been considered, scrutinised by the Scrutiny Board, amended where concerns have been raised, approved by the Cabinet, and I therefore commend the Budget to this Council for final approval before implementation.

Thank you.

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