

County Council Budget 2012/13 to 2014/15

Budget Speech by Councillor Kelly Smith, Executive Councillor for Finance and HR

Good morning, Chairman, fellow Members of the Council.

When I stood before you last year to deliver my first budget speech, I outlined the enormous scale of the challenges ahead.

I knew – as did the rest of the country, that the previous Government’s years of irresponsible spending had left the Coalition a toxic legacy of debt that would take years to clean up.

I also knew, as did almost all other observers, that the way out of the global financial crisis was not to bash business, as some would suggest, but to support it to grow.

I knew that our political opponents had got it wrong again in arguing for more “spend, spend, spend”. The truth is, you cannot just borrow your way out of a debt crisis. You have to cut costs to a sustainable level or risk going bust – this is true whether you are a family, a business, a council or a country.

Finally, I knew – as did all Members of this council – that Lincolnshire could not and would not sit idly on the side-lines, and that we had to step up and play our part in addressing the national deficit – this was in the county’s interest, and was in the national interest.

Last year, I warned that this authority would have to find massive savings, amounting to £125 million over four years. I warned that it would be painful, that jobs would be lost, and that some services would have to be stopped, cut or delivered differently.

Looking back over the last year, it has indeed been painful, as I knew it would be. But it has also been a year of real progress, and we are now better placed than I had dared to hope when I spoke to you last year.

For that, I want to thank all the Members and officers of this Council who have worked so hard to make the changes we urgently needed. I also want to pay tribute to our partners and, most importantly, to the people of Lincolnshire, for understanding what needs to be done and supporting us in these challenging times.

In this budget speech, I will outline proposals to build on what we have achieved together for Lincolnshire.

Let me be clear. That does not just mean making savings, although they are still absolutely necessary. It means protecting vital services, particularly where public safety is at stake. It means helping hard-pressed families through these difficult times.

It also means, perhaps above all, investing in the future, so that this time next year we can be sure that our prospects will continue to improve, and that Lincolnshire will be stronger and better placed for future challenges.

Before I outline the budget proposals in detail, may I share with Members my absolute conviction that, despite the challenges we still face, the doom-mongers out there are wrong.

We are doing the right things – both as a council and as a country – and we are already starting to see the benefits of doing so.

Now is not the time to change course, but to continue steady, sustained progress towards our shared goal of financial renewal, both locally and nationally.

You will recall that when the Coalition Government took office, it inherited – as I have said – an unsustainable burden of debt.

The international banking sector had also suffered a fundamental failure, with the need for huge Government bailouts.

The fall-out from this led to recession or very limited growth in virtually every economy across the world, making economic conditions even more difficult.

Demonstrating decisive action, the Government announced a Comprehensive Spending Review setting out unprecedented reductions in public spending over four years.

This Council faced central funding cuts of over 22%, together with deep cuts in specific grants and support. Most were front-loaded in the first two years.

The more recent Autumn Statement by the Chancellor recognised the continuing uncertainty in world economies, particularly in Europe, where the risk of Greece defaulting on its debts could bring the Eurozone to its knees.

Against that backdrop, the Government rightly remains determined to pursue its deficit reduction plans, thereby ensuring the continued confidence of international markets in the UK economy.

To those who ask why that matters, the answer is clear. Market confidence allows the UK to borrow more cheaply, which reduces the interest we pay as we bring the deficit back under control.

Put another way, the Government is keeping down the interest rate on the country's credit card bill, which was almost "maxed out" under Labour.

In Lincolnshire, a formula grant reduction of 11% this year will be followed by a 7.6% reduction in the coming financial year, with further reductions in 2013 and 2014.

There have also been significant reductions to – and the phasing out of – some specific grants.

In addition, we continue to lose around £13.6 million per year, due to the “damping mechanism”. This means that Lincolnshire is still subsidising the budgets of authorities elsewhere, with the disadvantage only being slowly reduced.

Members of the Council will also be aware that the Government has put forward outline proposals to replace the formula grant system from April 2013 with one based around the localisation of business rate income.

As an authority, we welcome the principle of local flexibility to encourage local growth. However, we and many other councils have concerns about the operation of the new system, including the fact that the damping mechanism will be locked in.

It is therefore essential that we work with other councils to press for the best possible deal for Lincolnshire. I note this issue has been raised at recent scrutiny committees, and I therefore hope there will be cross-party support.

Turning from the Council’s income to its expenditure, I can confirm that last year’s financial projections remain unchanged. That means that we still have to achieve budget savings of £125 million over four years to meet the grant shortfall and growing budget pressures.

Today’s budget proposals are a continuation of the four-year programme we started last year. One year into the programme, I am pleased to report that it is broadly on track, and must remain so to ensure our budget is balanced.

At this point, it is right to acknowledge that difficult decisions have had to be made over the last 12 months, including reductions in staff levels. I know this has been an unsettling time, and I pay tribute to those involved for the way they have approached the challenges. Thank you.

As we move ahead, our proposals retain the commitment to protect, wholly or largely, the budgets of service areas where public safety is at stake. These include:

- The safeguarding of children;
- Fire and rescue;
- Winter road maintenance;
- Emergency planning;
- Funding for police community support officers.

In addition, we plan to fund new flood management responsibilities, and to maintain provision or support for:

- Concessionary fares;
- Community grants;

- Road maintenance;
- Citizens Advice Bureaux.

School budgets continue to be ring-fenced with separate grant arrangements, which have been largely protected by the Government in its spending plans.

More generally, we remain steadfast in our determination that all services must offer value for money, whether they are provided directly by the Council or by others.

Alongside that, we have sought to ensure that when services have been changed, alternatives are already in place, or the transformation is managed as effectively as possible.

One area where it has been vitally important to manage change is in the extension of personalised budgets. These are now enabling more adult social care clients than ever before to make their own choices, rather than having the Council decide priorities for them.

As part of our overall drive for value, improved procurement has achieved significant savings in many service areas, for example school transport. Good procurement practices also enable us to support our local economy, and over the last two years, Procurement Lincolnshire has worked with more than 1,400 local businesses to make them aware of contract opportunities and help them get on tender lists.

As a result of this and other initiatives, our spending with local suppliers and businesses has increased in each of the last two years, and we now inject more than £300 million a year into the local economy. However, we are keen to do more, and the Executive last month agreed to relax tendering requirements for projects below £25,000 – that is 92% of all contracts issued.

As well as supporting business through traditional procurement, we also are backing the creation of social enterprises as part of our Big Society and Localism initiatives. Cynics claim this is just about replacing services the Council can no longer afford to provide. What they fail to recognise is that these initiatives encourage communities to become more resilient and individuals more self-reliant, freeing them from dependence on a State we all know has become far too big.

We shall also continue to press the Government for more local flexibility over centrally controlled budgets. This will allow us to work more closely with our partners, achieving better outcomes from combined pots of money. Examples of this include the Community Budgets already in place for Excellent Ageing, Families with Complex Needs and Total Environment.

On public sector pay and pensions, the Government is seeking a limit on pay increases over the next few years, and wants changes to pension schemes to make them more sustainable. We support both these actions as absolutely necessary in these difficult financial times.

In our own revenue budget, we have made provision for the costs associated with a growing elderly population and for full funding of our capital programme.

Given the uncertain times we live in, it is right that we maintain our reserves at prudent levels. We therefore propose:

- Non-earmarked reserves of £15.9 million to meet major unforeseen events or emergencies;
- An in-year contingency of £6.9 million for unforeseen inflationary and other budget pressures;
- A Financial Volatility Reserve, with an initial £3.6 million, to help with uncertainties around council tax freeze grant funding, the localisation of business rate income and the devolvement of council tax benefits.

We have stuck to our policies, and the books balance.

But what about improving services? I know you will be pleased to hear that, despite our financial constraints, we have achieved a number of real “success stories” over the last 12 months. Here are just a few:

- We have increased to 50% the proportion of social care clients receiving personal budgets and being supported in their local communities;
- We have increased reablement provision, reducing the need for people to have ongoing support and enabling them to live more independently in their own homes;
- We have invested in career guidance and other activities for young people at risk of unemployment or missing out on education or training;
- Through preventative work, we have kept the numbers of “looked after children” low compared to other authorities;
- We have continued to invest in local children’s centres when many other councils are cutting back;
- We have agreed “pump-prime” funding for community groups to run local youth centre facilities;
- We have re-procured the schools and corporate broadband networks, which will provide better services and save £16 million over the next seven years;

- We have extended the number of two-year-olds in disadvantaged areas accessing free early education to prepare them for school;
- We have worked with district councils through the HELP scheme to install energy-saving measures in more than 12,000 homes in Lincolnshire.

Let us now turn to the Council's capital programme – our essential, long-term investment in Lincolnshire's infrastructure.

Over the next few years, the county will benefit from total investment of more than £634 million, including around £308 million from local resources.

So where will all that money go? Who will see the benefit? The answer is – just about everyone, wherever you live in Lincolnshire.

The capital programme will ensure vital investment in schools, roads and transport, economic development, technology and other essential services, including:

- Investment of more than £100 million in major road schemes. Projects include the Lincoln Eastern Bypass, the Lincoln East–West Link, the Spalding Relief Road and the Grantham Southern Relief Road;
- Investment of more than £10 million to support business growth at Teal Park, securing existing employment and creating new jobs;
- In total, £144 million will be invested in the much-needed Energy from Waste facility, which will cut landfill tax, improve the environment and provide a welcome additional heating source;
- Investment of £10 million towards superfast broadband which will benefit individuals, communities and businesses across the whole of Lincolnshire. This investment will attract a further £47 million from the Government, public sector partners and the private sector;
- We will spend £92 million on schools and other children's services, with more to follow once Government capital allocations are confirmed;
- We have set aside £11.5 million in a development budget to respond to opportunities and needs as they arise;
- And we will make further investments in fire stations, rescue equipment, buses, heritage sites, sports centres, economic development sites, county farms and more;
- We will also re-invest any receipts from the Council's own property rationalisation into the capital programme.

Taken together, these initiatives represent a major investment in the future of Lincolnshire, and one I believe local residents, communities and businesses will value for decades to come.

Last but by no means least, I am delighted to confirm that the budget yet again assumes a freeze in council tax, meaning that hard-pressed Lincolnshire households will not have to pay a penny more for the services we provide.

This is the second year in a row we have proposed a council tax freeze, continuing this Council's traditional commitment of setting one of the lowest rates compared to other counties.

In reaching our decision, we recognised that the Government is only offering a council tax freeze grant for one further year. That will of course present us with a challenge for the future.

As with all the other challenges we face – and there are many in these difficult times – it is one we are prepared to meet if it is right for Lincolnshire. I believe that it is.

I began today by looking back 12 months to my first budget speech, made when I was new to the job.

In closing – a year older, perhaps a little wiser - I would like to thank my fellow councillors and all those officers who have not just contributed to the budget proposals, but also ensure the delivery of essential services, day in, day out, all year round, for the people of Lincolnshire.

We have come a long way together over the last 12 months, often in difficult circumstances, and it has been at times a painful journey. However, I know that we are closer to our destination today than many of us thought possible.

We have built a deserved reputation – both within Lincolnshire and across the country – as a Council that provides value-for-money services, within the limits of what this Council and the country can sensibly afford.

I believe this common-sense budget will continue that approach, protecting high-priority services, investing in future growth, and always, above all, striving for new and better ways to serve our great county of Lincolnshire.

Chairman, fellow Members of the Council, I commend to you the Executive's budget recommendations as set out in the green Order of Proceedings, together with the supporting budget report and budget book.