

Agenda item:

Decision maker: Cabinet
City Council

Subject: Portsmouth City Council Budget 2012/13 to 2016/17

Date of decision: 11 February 2013 (Cabinet)
12 February 2013 (City Council)

Report by: Head of Finance & Section 151 Officer

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Executive Summary

- 1.1 This Budget is proposed by the Administration at a time when the economic circumstances for both residents and businesses alike continue to be extremely challenging. The national economic challenge is one for Government but the City Council has a role to play in stimulating the local economy whilst at the same time protecting the vulnerable and its core services to residents.
- 1.2 The proposals of the Administration are set against a backdrop of reducing Council resources, with funding cuts over the period 2011/12 to 2014/15 of circa 35% and estimated ongoing budget reductions of £33m over the next 3 years. These budget reductions have now been revised upwards from £27m (or £56m cumulatively) as a consequence of the Local Government Finance Settlement announced at the end of January 2013, revised assumptions of future Council Tax yields and the “switching” of non ring-fenced funds to ring-fenced funds. In extending the Council’s forecasts by a further year, and based on the continuation of the austerity measures announced by Government for a further 2 years beyond the current Spending Review period, the Savings requirements of the Council will need to increase substantially from their current levels.
- 1.3 The Budget proposals for 2013/14 respond to the following changes in funding and functions:
 - A general reduction in revenue grant funding of 5.4% in cash terms (or circa 8% in real terms) which includes the reduction of £1.7m as the Government Council Tax Freeze Grant for the previous year is not

continued and the localisation of support for Council Tax with its associated 10% reduction in funding of £1.2m

- Changes to the way in which Local Authorities are funded whereby the City Council now retains 49% of all Business Rates collected instead of receiving Government Grant, meaning that a very significant proportion of the Council's funding is now subject to business growth / decline and is therefore variable
- The transfer of Public Health to Local Authorities and its associated ring-fenced funding
- The transfer of the Social Fund from the Department for Work & Pensions
- The election of Police Commissioners in November 2012 and the associated transfer of crime prevention responsibilities from Local Authorities

1.4 Despite the financial challenges faced by the City Council, the Administration are proposing a package of co-ordinated proposals across both the Revenue Budget and Capital Programme that aim to:

- Minimise the impact of cuts on core Council services through efficiency measures
- Protect the most vulnerable in society
- Provide the necessary expansion to schools in order to accommodate the increase in pupil numbers
- Build infrastructure to allow for economic expansion and job creation
- Provide enabling works to allow for new homes and businesses
- Transform the delivery of the Council's services to improve the customer experience

1.5 The Capital Programme proposed by the Administration in the coming year is dominated by the needs of the education of the City's children. It is important to overall economic prosperity, and society as a whole, that the City's children are well educated and therefore that investment is made into the learning environment to facilitate that. This programme seeks to invest almost £7m (of which £5m is to provide additional school places) to provide those foundations and secure the future success of the City.

1.6 The Capital Programme continues to prioritise economic regeneration by making £0.6m available for the expansion and infrastructure of the Ferry Port; £0.4m into new road infrastructure; and £0.2m to continue with the preparation costs to bring some important development sites to the market. There also remains an emphasis on the historical and cultural offer of the city which benefits the local economy through visitors and tourists. Finally, significant investment continues to be made into core services such as Private Sector Housing and Central Services, enabling them to fulfil their statutory obligations and function effectively.

- 1.7 In terms of the Council's Revenue Budget, the City Council resolved at its December meeting, in response to the need to find £27m over the next 3 years, that a savings requirement of £15m would be set for 2013/14 (and £17m in a full year). To deliver those savings in a planned manner and in a way that ensures that its own financial health remains resilient, the City Council also approved, subject to consultation, some early savings amounting to just over £8m (£9m in the full year). The proposals set out within this report seek approval of the remaining savings (again subject to consultation where appropriate) of £7m (£8m in a full year).
- 1.8 To achieve the necessary Revenue savings, the Administration continue to protect the vulnerable in society by seeking proportionately smaller savings from both Children's and Adults' Social Care as well as providing additional funding for Budget Pressures (amounting to £1.6m) associated with increases in demand for those services. Furthermore those services combined will take forward underspendings from the current financial year into 2013/14 amounting to £3.35m to provide cover for risks associated with increasing demand.
- 1.9 In terms of funding, the Revenue Budget proposals include an increase of 1.95% to the Council Tax for 2013/14 following three consecutive years of Council Tax freezes. This level of increase remains below the general level of inflation and equates to 34 pence per week for a Band B property (the average in Portsmouth). The increase will provide additional Council Tax income of £1.1m.
- 1.10 Turning to the future, the outlook is particularly uncertain and the Council's future forecast deficits have been revised upwards accordingly. The financial year 2014/15 will see a number of changes including:
- The outcome of a new Comprehensive Spending Review (CSR) by Government and the implications that it will have on future Local Government funding
 - The uncertain economic climate and the risk to the Council of changes to its share of retained Business Rates (currently estimated at £39m per annum)
 - The continuing impact of the localisation of support for Council Tax (and therefore changes in Council Tax income) arising from the transfer of risk of changes in caseload falling on the City Council as opposed to being reimbursed by Government subsidy
 - The impact of the transfer of Public Health to Local Authorities
- 1.11 Together with the uncertainties described above, there remains the ongoing impact of the pressures in Children's and Adults' Social Care which includes the potential loss of £2.6m funding from the PCT for integrated Health and Social Care working. The combination of these uncertainties and funding

reductions, potential or otherwise, could mark the 2014/15 Budget as even more challenging than the current one.

- 1.12 Future years' savings requirements have been revised upwards over the years 2014/15 and 2015/16 to "smooth out" the savings requirements over the whole 3 year period and accommodate what would otherwise be a savings requirement of £10.5m in 2016/17. Over the new 3 year period, taking account of the estimated impact of the continued austerity measures, other future funding reductions and uncertainties and increasing demand led pressures, the overall savings requirements are estimated at £26m from 2014/15 to 2016/17. Of course, an upturn in the economy both locally and more generally could help mitigate these estimated savings requirements and even offer opportunities for further investment within the City.
- 1.13 Prior to the Autumn Statement and the outcome of the Local Government Finance Settlement, the Administration had been formulating its proposals on the basis that having made £17m (full year) savings in 2013/14, the City Council would be in a much more stable financial position from which to plan and deliver services into the future. This would then result in a savings requirement of a more manageable £5m per annum over the following 2 years. Following the Autumn Statement and the consequent comprehensive revision of the City Council's financial forecasts, those savings requirements for the following 2 years have been revised upwards to £9.0m in 2014/15 and £8.5m in 2015/16. The new year 2016/17 is expected to require savings of £8.5m to be made (which without the uplift in the savings for 2014/15 and 2015/16 would otherwise have been £10.5m). As described later in this report, the Administration is minded to resolve a particularly unique circumstance relating to the funding of Early Years provision over the next 3 months. This will have the effect of reducing the overall Savings Requirement to £23.6m whilst leaving the funds available for Early Years provision overall, intact. It will also reduce the savings requirements for the next 3 years to £8m per annum.
- 1.14 Given the increased savings requirements, the general level of uncertainty and the need to achieve a more stable financial position from which to deliver services in the future, it is important the City Council continues to work on reducing its net expenditure to a level consistent with its expected funding. It is also important that it reaches that more stable position as soon as practicably possible. It is a key proposal of this Budget report therefore that the City Council continues this work and brings a further Budget report back to the City Council in the Spring of 2013 making further savings proposals.
- 1.15 When formulating policy and strategy, the Council also needs to be cognisant of the cumulative impacts of the changes to the Local Government funding regime over the past 3 years which have provided Local Authorities with financial incentives to generate business growth, improve employment and build homes.
- 1.16 Despite these difficult financial circumstances, the budget proposed by the Administration is both financially balanced and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, the

overall financial health of the Council remains sound providing a good degree of resilience against an uncertain climate.

2. Purpose of Report

2.1 The report describes the challenging economic climate for the City itself as well as the financial constraints and Service pressures facing the City Council both currently and in the future. It sets out the Administration's proposals for Council Tax for 2013/14 and its priorities for spending and savings in the coming year.

2.2 In effect, the proposals contained within this Budget are the Administration's responses to the challenge of:

- Regenerating the City
- Protecting the Vulnerable
- Meeting the highest priority needs of its residents
- Optimising the use of its diminishing resources

2.3 In particular, this report explains:

- (a) In broad terms the challenge for the City in the current economic climate
- (b) The general financial constraints of the City Council both currently and in future years
- (c) In overall terms the aims of the Administration's Revenue Budget proposals, Council Tax proposals and Capital Investment proposals given the current and future challenges facing the City
- (d) The Revised Revenue Budget and Cash Limits for the current year
- (e) The Local Government Finance Settlement for 2013/14
- (f) How, the Administration's proposals for achieving the savings requirement approved by the City Council on the 11 December 2012 has been achieved, taking account of:
 - the proposed budget savings approved by the City Council on the 11 December 2012 to be made in 2013/14, 2014/15 and 2015/16
 - the further proposed budget savings proposals set out within this report to be made in 2013/14, 2014/15 and 2015/16
 - the proposed budget pressures for 2013/14, 2014/15 and 2015/16
- (g) The proposed Revenue Budget and Cash Limits for 2013/14
- (h) The forecast Revenue Budget, provisional Cash Limits and revised Savings Requirements for 2014/15, 2015/16, and 2016/17
- (i) Estimated Revenue Balances over the period 2012/13 to 2016/17

- (j) The Medium Term Resource Strategy (MTRS) Reserve and its proposed use to achieve cashable efficiencies
- (k) The forecast Collection Fund balance as at 31 March 2013
- (l) The recommended Council Tax for 2013/14
- (m) The Non Domestic Rates poundage for 2013/14
- (n) The statement of the Head of Finance & Section 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.

3. Recommendations

3.1 That the following be approved:

- (a) The revised Revenue Estimates for the financial year 2012/13 and the Revenue Estimates for the financial year 2013/14 as set out in the General Fund Summary (Appendix A)
- (b) The Portfolio Cash Limits for the Revised Budget for 2012/13 and Budget for 2013/14 as set out in Sections 6 and 8, respectively
- (c) That net savings in 2012/13 of £3.2m (which exclude requests for carry forward) be transferred to the Medium Term Resource Strategy (MTRS) Reserve to support the achievement of efficiencies to alleviate deficits in future years
- (d) That any further savings for 2012/13 arising within Portfolios and Service Units at the year end will be regarded as windfall savings and will accrue to either General Balances or the MTRS Reserve to support the achievement of savings to alleviate deficits in future years
- (e) The budget savings proposals set out in Appendix B are proposals only for the purposes of setting Portfolio Cash Limits and the overall City Council Budget
- (f) That following appropriate consultation, any savings proposal set out in Appendix B may be altered, amended or substituted with alternative proposals amounting to the same value and that the relevant Portfolio Holder be given delegated authority to make such changes accordingly
- (g) The recommended budget pressures for 2013/14 and their ongoing effect in 2014/15 and 2015/16 as set out in Appendix C
- (h) If, for any reason, any of the budget pressures detailed in Appendix C do not proceed, or underspend, the sum involved will revert to revenue balances
- (i) A further Budget report be brought back to the City Council in the Spring of 2013 which addresses the need to find a resolution to the “switch” of £2.4m of funding from non ring-fenced funds to ring-fenced funds and which also makes further savings proposals

- (j) The Head of Finance & Section 151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved budget and budget forecasts
- (k) Managers be authorised to incur routine expenditure against the Cash Limits for 2013/14 as set out in Section 8
- (l) The Revenue Forecast and the associated provisional Portfolio Cash Limits for 2014/15 onwards as set out in Section 9 and Appendices D and E respectively, be noted
- (m) In the event that an overall Savings Requirement of £26m is required that they be phased as follows:

Financial Year	In Year Target £m	Cumulative Saving £m
2014/15	9.0	9.0
2015/16	8.5	17.5
2016/17	8.5	26.0

- (n) In the event that an overall Savings Requirement of £23.6m is required following the resolution of the “switch” of £2.4m of funding from non ring-fenced funds to ring-fenced funds, that they be phased as follows:

Financial Year	In Year Target £m	Cumulative Saving £m
2014/15	8.0	8.0
2015/16	8.0	16.0
2016/17	8.0	24.0

- (o) Heads of Service be instructed to start planning how the City Council will achieve the savings requirements shown in Section 10 and that this be considered and incorporated into Service Business Plans
- (p) The City Council will retain 100% of the Port’s annual surpluses in 2013/14 and future years in order to fund other City Council services
- (q) In order to provide the surety of capital funding that the Port requires to enable it to plan and prosper over the short, medium and longer term, and in accordance with the approved Capital Strategy, in future years the City Council will seek to set aside a sum equivalent to 10% of the Port’s turnover on an annual basis from Port surpluses
- (r) Members note that the MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies holds a relatively modest uncommitted balance of £2.1m and will only be replenished from an approval to the transfer of any underspends at year end

- (s) Authority be delegated to the Cabinet to make releases from the MTRS Reserve for Spend to Save or Spend to Avoid cost schemes only (both Revenue & Capital) and that any such scheme must meet the financial savings criteria determined by the Council's S151 Officer. As a minimum, those criteria must include the payback of any investment within a period not exceeding 4 years
- (t) The minimum level of revenue balances as at 31 March 2014 be increased to £6.0m (from £5.5m in 2012/13) to reflect the perceived budget and financial risks to the Council
- (u) Members have regard for the Statement of the Head of Finance & Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 16
- (v) The Non Domestic Rates poundage for 2013/14 of 47.1p, and 46.2p for small businesses, be noted
- (w) The Head of Finance & Section 151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Fire and Rescue Authority precepts

3.2 That it be noted that at its meeting on 7 January 2013 the Cabinet calculated the amount of **50,500.7** as its Council Tax Base for the financial year 2013/14 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].

3.3 That the following amounts be now calculated by the Council for the financial year 2013/14 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£563,961,320	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£504,798,235	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£59,163,085	Being the amount by which the aggregate at 3.3(a) above exceeds the aggregate at 3.3(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act.
(d)	£1,171.53	Being the amount at 3.3(c) above (Item R), all divided by Item 3.2 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands

A £	B £	C £	D £	E £	F £	G £	H £
781.02	911.19	1,041.36	1,171.53	1,431.87	1,692.21	1,952.55	2,343.06

Being the amounts given by multiplying the amount at 3.3(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

- 3.4 That it be noted that for the financial year 2013/14 the Hampshire Police & Crime Commissioner has approved the following amounts in the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands

A £	B £	C £	D £	E £	F £	G £	H £
100.83	117.64	134.44	151.25	184.86	218.47	252.08	302.50

- 3.5 That it be noted that for the financial year 2013/14 Hampshire Fire and Rescue Authority are provisionally recommending the following amounts in the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands

A £	B £	C £	D £	E £	F £	G £	H £
40.92	47.74	54.56	61.38	75.02	88.66	102.30	122.76

- 3.6 That having calculated the aggregate in each case of the amounts at 3.3(e), 3.4 and 3.5 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2013/14 for each of the categories of dwellings shown below:

Valuation Bands

A £	B £	C £	D £	E £	F £	G £	H £
922.77	1,076.57	1,230.36	1,384.16	1,691.75	1,999.34	2,306.93	2,768.32

4. Economic & Financial Context

- 4.1 Portsmouth, like other cities has been affected by the global economic downturn over the past 3 years. The impact has been felt in terms of overall employment levels, disposable incomes, economic prosperity generally and also the provision of Council services.
- 4.2 The national economic climate remains subdued with the economy, having re-emerged from recession in quarter 2, now being in danger of entering a further mild recession. Consequently, there remain relatively low projections of real growth over the next 2 years. Inflation has fallen in recent months to be broadly in line with the Bank of England's 2% target but real income is being eroded as inflation continues to outstrip earnings growth. This indicates that demand and therefore growth in the economy will remain slow with inflation likely to be relatively flat. As a consequence interest rates will also remain low for some time. Unemployment also remains relatively high (although falling) which places a strain on the public purse generally. The impact of Public Sector funding cuts will improve the public finances but that improvement will be offset to an extent by the unemployment that it creates unless the private sector is able to pick up the extra capacity created.
- 4.3 On the positive side, low interest rates are an incentive to borrow for investment. However, the availability of credit and business confidence will need to improve in order to kick start private sector investment to generate growth and jobs.
- 4.4 Without economic growth, public sector borrowing will increase beyond the Government's target. Indeed, the Government's original assumptions for growth and borrowing as set out in the Comprehensive Spending Review 2010 (CSR10) proved to be optimistic. This has led Government to push back its target of eliminating its "structural budget deficit" to 2016/17, announce a further 2% reduction in Local Government funding in 2014/15 and to extend the austerity programme to 2017/18. More clarity around the overall impact of this will become known once the new Comprehensive Spending Review 2013 has been completed and published during the first half of this year.
- 4.5 In this context, economic growth and job creation are essential both to the City as a whole and for the ability of the City Council to protect its funding streams and therefore Services to residents. The City Council has a role in regenerating the City and working with partners to kick start the local and sub regional economy. This is a particular challenge to the City Council in this and future years Budgets. The savings set out in this report have been prepared on the basis of protecting and assisting the economic recovery wherever possible, but also maintaining the City Council's obligations to provide essential services at an acceptable standard.
- 4.6 In order for the City Council to maintain strong financial health and resilience so that core services can continue to be delivered with confidence from a stable financial platform a savings requirement for 2013/14 of £15m (£17m in a full year) was approved by the City Council on 11 December 2012. To achieve

this, the Administration has first sought to find savings through efficiency and transformation by re-designing Services with the following guiding principles:

- Put our customers at the heart of what we do
- Make sure our services are always value for money
- Be ambitious and continue to improve
- Use information and evidence to shape services our customers really need
- Simplify and strengthen our processes and share them with each other
- Make sure every enquiry that can be resolved first time is resolved first time
- Support Councillors as the strategic leaders of our organisation
- Recognise the importance of our staff and support them as we change
- Listen to our customers and staff and learn from what we hear

4.7 Transformation and efficiency alone however, are not sufficient to meet the scale of savings required and therefore any savings beyond that have sought to protect those most vulnerable in society and minimise the impact on the City's economy.

4.8 Despite the financial constraints facing the City Council, the Administration have realigned budgets within the resources available and achieved efficiency and other savings to ensure that:

- Savings in Adult Social Care and Children's Social Care are proportionately less than in other Services
- Cost pressures on Adult Social Care and Children's Services have been accommodated, by making additional budget provision for those services and allowing underspends in the current year to be carried forward to next year
- Core services, particularly those services supporting the most vulnerable members of the community, are maintained
- There is an increase in Council Tax for 2013/14 at below inflation levels
- The Council's overall financial health remains sound

4.9 Whilst it is expected that the proposals contained within this Budget will safeguard the Council's financial position moving forward, there remain sizeable uncertainties in the coming 3 years including:

- The outcome of a new Comprehensive Spending Review 2013 (CSR13) and the implications it will have on future Local Government funding
- The uncertain economic climate and the risk to the Council of changes to its share of retained Business Rates (currently estimated at £39m per annum)
- The extent to which Council Tax increases will be possible
- The continuing impact of the localisation of support for Council Tax (and therefore changes in Council Tax income) arising from the transfer of risk falling on the City Council as opposed to being re-imbursed by Government subsidy
- The future increases in demand for Adults and Children's Social Care
- The potential for reduced trade and income from the Ferry Port

In addition, the outcome of the Local Government Finance Settlement whilst broadly as expected in overall financial terms, has had the effect of increasing the Council's savings requirements by £2.4m due to the transfer of non ring-fenced funding into ring-fenced funding. Whilst the overall amount of funding to the Council has not fallen, it has left the City Council with the problem of how to now fund those £2.4m of costs.

4.10 As a consequence of the Local Government Finance Settlement, the uncertainty surrounding CSR13, expected future limits on Council Tax increases, and changes to other income and cost assumptions, the forecast Savings Requirements for future years have now been comprehensively revised and amount to £26m over the 3 year period 2014/15 to 2016/17.

4.11 The Administration had been formulating its proposals on the basis that having made £17m (full year) savings in 2013/14, the City Council would be in a much more stable financial position from which to plan and deliver services into the future with a savings requirement of a more manageable £5m per annum over the following 2 years. Following announcements from Government and the consequent comprehensive revision of the City Council's financial forecasts, those savings requirements for the following 2 years have been revised upwards to £9m in 2014/15 and £8.5m in 2015/16. This responds to changes in assumptions and further funding reductions, but also to reduce the savings requirement for 2016/17 to a more manageable £8.5m (which would otherwise have been £10.5m). Given the increased savings requirements, the uncertainty surrounding the future and the need to achieve a more stable financial position from which to plan and deliver services, it is recommended that a further Budget report is presented to the City Council in the Spring of 2013.

5. Revised Budget 2012/13

- 5.1 The original revenue Budget approved by the City Council on 14 February 2012 was £196,512,350.
- 5.2 The Council has received regular quarterly Budget Monitoring reports on the 2012/13 Budget throughout the year. The key variances that have arisen during the year have been the pressure on the Children's & Education Portfolio and the reduction in income to the Ferry Port; both have been addressed in the Revised Budget and future years as part of the proposals presented in this report.
- 5.3 The overspendings in the Children's & Education Portfolio arose mainly in the Looked After Children budget. To avoid any negative consequences and protect those services to children from severe and rapid reductions, the Portfolio has implemented a number of "one-off" savings. To address the problem in the longer term, the Administration is making a proposal to add £0.8m to the Children's and Education Budget on an on-going basis.
- 5.4 The reduction in income from the Ferry Port is treated as a "windfall" item and the income target for the Ferry Port has been reduced in the current financial year by £1m and £1.5m in future years.
- 5.5 Other significant changes to the Original Budget approved by Council that are being presented as part of the Revised budget, aside from proposed carry forwards of planned underspendings, are as follows:
 - A reduction in the Council's contingency provision of £2.5m
 - Improvement in the forecast costs of the Council's Treasury Management activities (Investments and Borrowings) amounting to £1.8m
 - A reduction in income to MMD of £0.9m (although this will mean that the City Council as a whole is at "break-even" compared to the position if MMD ceased to exist)
 - An increase in the provision required to settle the estimated Pilots National Pension Fund liability amounting to approximately £0.7m (Port)

- 5.6 In preparing the Revised Estimate for 2012/13, a number of further adjustments have been made, reducing the overall Budget for the current year from £196,512,350 to a Revised Budget of £195,582,325. This represents a reduction of £930,025 as set out below:

Description	<u>£000</u>
Original Budget 2012/13	196,512
<u>Add:</u>	
Transfer to MTRS Reserve (2011/12 Underspendings – Approved October 2012)	4,202
Recommended further Transfer to MTRS Reserve	3,200
Reduction in Port Income and increased provision for Pensions	1,687
Reduction in MMD Income	855
<u>Less:</u>	
Planned Underspendings c/f to 2013/14	(6,298)
Reduction in Contingency	(2,546)
Improvement in Treasury Management Activities	(1,800)
Other miscellaneous changes	(230)
Revised Budget 2012/13	195,582
Reduction in Budget 2012/13	(930)

- 5.7 The Revised Revenue Budget is set out in the General Fund Summary (Appendix A).
- 5.8 The movement of most significance between the Original Budget and the Revised Budget is the reduction relating to £6.3m of planned underspends that are proposed to be carried forward and spent in 2013/14. The carry forward of these underspends is important to this overall budget proposal since these underspends are planned to be used to mitigate (and provide financial cover) for a number of uncertainties and consequent financial risks that may occur next year. This is of particular importance to Adult Social Care and Education & Children's Services, which plan to carry forward £2.6m and £0.75m, respectively. The other planned carry forward of particular significance relates to the Council's Treasury activities in the amount of £1.5m.
- 5.9 Due to the other significant savings that are now estimated to be made against the 2012/13 Original Budget (e.g. Contingency and Treasury Management activities) coupled with increased funding received during the year, it is recommended that a further £3.2m is transferred to the MTRS Reserve in order to provide for potential future redundancy costs and to provide funds for Spend to Save schemes. It is particularly important for the Council to continue to

replenish this reserve if it is to be a substantial part of the Council's strategy to reduce costs through efficiencies in the coming years. The proposal to transfer £3.2m into the Reserve will mean that £2.1m will be available in the Reserve (after taking account of all potential redundancy costs over the next 4 years) - see Section 12.

5.10 Overall it is expected that there will be an improvement in General Balances of £6.3m as at 31 March 2013 compared to the Original Estimate. Since there is also £6.3m of planned underspends to be carried forward and spent in 2013/14, the "real" change in General Balances and the overall financial position of the Council will be neutral.

5.11 In funding the Revised Budget of £195,582,325 the City Council will need to draw on balances in the sum of £5,803,892 to balance the Revised Budget in 2012/13.

6. Revised Cash Limits 2012/13

6.1 The Cash Limits relate to that element of the budget that is Portfolio and Service related and which is controllable. Cash Limits are allocated to Portfolio Holders and Managers to spend so that there is clear accountability for spending decisions.

6.2 The Cash Limits for 2012/13 have been revised to take account of:

- Items released from Contingency in the current year
- Windfall savings and windfall costs
- Adjustments to reflect forecast underspends, additional unavoidable costs and other City Council decisions throughout the year

6.3 The table below sets out the revised Cash Limits for 2012/13 and those items outside the Cash Limit (e.g. capital and similar charges, levies and insurance premiums) which together form the Revised Budget for each Portfolio.

PORTFOLIO	Revised Cash Limits 2012/13 £'000	Items Outside the Cash Limit £'000	Revised Budget 2012/13 £'000
Children & Education	33,490	18,863	52,353
Culture Leisure & Sport	8,708	3,808	12,516
Environment & Community Safety	16,735	2,541	19,276
Health & Social Care	53,077	3,257	56,334
Housing	2,218	4,555	6,773
Leader	303	20	323
Planning Regeneration Economic Development	(5,986)	13,199	7,213
Resources	24,736	3,732	28,468
Traffic & Transportation	15,938	338	16,276
Governance & Audit Committee	357	55	412
Licensing Committee	(107)	16	(91)
PORTFOLIO EXPENDITURE	149,469	50,384	199,853

6.4 The current policy is that any overspend against the cash limit will be deducted from the following financial year's cash limit.

7. Revenue Budget 2013/14

7.1 When the Budget was approved for the current financial year a budget forecast was also prepared for the following 3 years in order to give advance warning of the future financial position of the Council and the likely financial implications for Services. At that time it was forecast that the future savings requirements of the City Council for the forthcoming 3 years amounted to £27m of on-going savings. In cumulative terms this amounts to a total of £56m over the 3 year period. On that basis the forecast savings requirements for the Council were as follows:

Financial Year	2013/14 to 2014/15 £m	2015/16 £m
2013/14 to 2014/15	19.0	19.0
2015/16		8.0
Total	19.0	27.0

7.2 The forecast savings requirements above were based on a series of assumptions, some of the most significant being as follows:

- A forecast reduction of 4.8% (£5.8m) in Formula Funding for 2013/14, followed by a further 6.0% (£6.9m) reduction in 2014/15 and a further 5.4% (£5.8m) reduction in 2015/16
- Similar percentage reductions in Specific Grants
- A Council Tax increase of 2.5% per annum for each of the 3 years
- Provision for general budget pressures of £1.0m per annum and a further allowance for specific budget pressures including Adult Social Care and Children's Social Care of a further £1.0m
- Inflation for all services at a blended rate to cover pay and prices of 2.1% for 2013/14, 2.7% for 2014/15 and 2.5% for 2015/16
- Revenue contributions to capital for Landlords Maintenance and investment in Port infrastructure (based on 10% of annual turnover in line with the Council's Capital Strategy)
- Changes to the Port dividend for 2013/14, 2014/15, and 2015/16 to reflect current forecasts
- Reductions in support for MMD over the period

7.3 On this basis, the Administration and Services have been planning throughout the year to find savings of £19.0m over the 2 year period 2013/14 to 2014/15.

Local Government Finance Settlement 2013/14

7.4 In overall terms, the final Local Government Finance Settlement announced recently which includes both Formula Funding and Specific Grants was a reduction in funding of £7.2m (or 5.4%) compared with the current financial year. The reduction however, was broadly in line with the City Council's forecasts and expectations. The City Council was anticipating an overall Settlement of £126.4m but has received £125.1m, a reduction of 1.1% (or £1.3m) compared to expectations.

7.5 In reality however, the £1.3m difference is not entirely related to an overall reduction in funding, rather it is a reduction in non ring-fenced funding as described below.

7.6 As part of the Finance Settlement, the Early Intervention Grant has been abolished and the sums within in it recycled as follows:

Early Intervention Grant	Funding Classification	2012/13	2013/14	Change	
		£	£	£	%
Rolled into Formula Funding	Non Ring-fenced	9,882,000	6,975,000	(2,907,000)	(29.4)
Transferred into DSG	Ring-fenced	0	2,484,000	2,484,000	
Retained by DfE for Adoption (Est.)	Ring-fenced	0	630,000	630,000	
Total "Recycled" EIG Funding		9,882,000	10,089,000	207,000	2.1%

7.7 As set out above, contained within the Formula Funding Settlement is a reduction of £2.9m of previously non ring-fenced funding although total funding itself has increased by £0.2m. Whilst the Council was anticipating a reduction in the amount of non ring-fenced funding overall, it was not anticipating that there would be a transfer from non ring-fenced funding to ring-fenced funding. The combination of the reduction in non ring-fenced funding plus the transfer to ring-fenced funding has led to an overall reduction of 29.4% (or £2.9m).

7.8 Government figures suggest that the value of the transferred funding amounts to £2.4m (being £1.8m transferred to the Dedicated Schools Grant and £0.6m top sliced for Adoption purposes). If that were the case then had the £2.4m transfer not have taken place, the City Council's Formula Funding Settlement would have been circa £1.1m higher than forecast (as opposed to £1.3m lower than forecast).

7.9 Other features and announcements as part of the Local Government Settlement were:

From 2013/14, the Formula Grant system will change. The intention is that circa 60% of the Formula Grant will be driven entirely by need (similar to the current system) and provided for as Revenue Support Grant (RSG). The remaining 40% will be subject to change and influenced by the extent to which Business Rates have grown or contracted. Whilst this presents an opportunity for Local Authorities with strong business growth potential, it also presents risks for Authorities whose business rates base is in decline or subject to "shocks" such as closure (or relocation) of major businesses in an area. The new system is complex but some of the other key features are highlighted below:

- The introduction of the Business Rates Retention scheme as described below:
 - The City Council now retains a 49% share of all Business Rates collected in the City, 49% is paid to Government and the remaining 2% paid to the Hampshire Fire & Rescue Authority

- As part of the Finance Settlement, the Government have set a “Business Rate Baseline Level of Need” for Portsmouth at £42.4m. This is the level of funding that would previously have been provided under the “Formula Grant” system
- The Government’s estimate of Portsmouth’s share of National Business Rates is £38.1m. Since this is less than our Baseline Level of Need by £4.3m, the City Council will receive a “Top Up” of £4.3m
- The “Top Up” of £4.3m will be indexed linked and will not vary for any other reason until 2020
- If Portsmouth’s actual Business Rates collected (i.e. at 49%) exceed the Government Estimate of £38.1m, then that increase is retained by the City Council for each year up to 2020. Equally, any reduction in Business Rates collected will lead to reduced funding.
- Our estimate is that the retained share of Business Rates for 2013/14 will be £39.0m i.e. £0.9m over the figure upon which our Finance Settlement is based. This has been added to the City Council’s funding levels in the 2013/14 Budget
- Business Rates are subject to appeals and therefore the sums receivable by the City Council can be volatile
- A 1% change in Business Rates collection will result in circa £400,000 change in funding
- The “Needs Baseline” will be reset in 2020. This is likely to remove any significant gains or losses in actual Business Rates collected.
- A cap of a 2.0% increase in Council Tax is imposed (which would amount to an annual sum of £1.2m for Portsmouth). Any increase beyond 2.0% would require acceptance via a local referendum
- A further Council Tax Freeze Grant is being offered to Local Authorities equivalent to a 1.0% increase in Council Tax for Authorities that do not increase or reduce their level of Council Tax. This grant would be payable for 2 years only and would amount to £0.7m per annum for Portsmouth.
- The financial impact of the abolition of Council Tax Benefit and the replacement with the Local Council Tax Support Scheme has been reflected within the Council’s Finance Settlement and has resulted in a reduction in funding amounting to £1.2m

- The funding deductions from Local Authorities for their Central Costs which should transfer to Academies takes effect from 2013/14 and is based on a pro-rata apportionment of pupil numbers. It is expected that the financial impact of this will be a reduction in funding in 2013/14 of £600,000 with a further £600,000 reduction in funding in 2014/15
- Home Office grants have yet to be confirmed

Cumulative Effects of the Overall Local Government Funding System

7.10 Over the past 2 years and including the coming year, the emphasis of the Local Government Funding system has changed considerably. There are now clear financial incentives for Local Authorities to foster business growth, increase the number of homes and increase employment. This is illustrated by the following:

- The Business Rates retention scheme allows the City Council to retain circa £400,000 for every 1% increase in Business Rate growth. Equally, the City Council will lose £400,000 for every 1% decline in the Business Rate base
- For every new home built over and above the national average, the City Council is able to retain circa £1,450 p.a.
- The risk of increased numbers of households requiring financial support to pay their Council Tax (formerly Council Tax Benefit) will now fall on the City Council. The City Council therefore will be worse off if caseloads increase and better off if caseloads fall. The current value of the Council Tax support provided through the scheme to be implemented in 2013/14 is £11.2m, each 1% change therefore will represent a cost / saving of £0.1m

It is important therefore that when the Council is developing policy and strategy and making its decisions Revenue and, perhaps more importantly, on Capital that it is cognisant of these financial incentives.

Review of Forecast Savings Requirement for 2013/14 of £15m (£17m in a full year)

7.11 Following the announcement of the Local Government Finance Settlement and having reviewed some of the other core assumptions within the Council's forecasts for 2013/14, the £15m savings requirement (£17m in a full year) approved by the City Council on the 11th December 2012 remains sufficient to maintain the strong financial position of the City Council. The Budget proposals contained within this report, taken together with the Budget proposals made and approved on 11th December 2012 (subject to consultation where appropriate), make reductions of these sums.

Council Tax Proposals 2013/14

7.12 The Council Tax Freeze Grant offered to Portsmouth amounts to £0.7m.

7.13 The choice for the Council therefore, is either to take a Council Tax Freeze Grant amounting to £0.7m per annum for the next 2 years which will then be withdrawn, or, to increase the level of Council Tax by up to 2.0% amounting to £1.2m per annum which will then remain a funding source in perpetuity.

7.14 In context however, neither the Band D rate nor the full Council Tax is paid by the majority of households as set out below:

- 53% of households in Portsmouth pay the full Council Tax
- 22% of all households in Portsmouth receive Council Tax Support
- 87% of all households in Portsmouth are in Council Tax Bands A-C

7.15 Members should be aware that the current level of Council Tax charged by Portsmouth City Council is 8% below the average of other similar Authorities. In financial terms this means that PCC receives £5.5m p.a. less in Council Tax income than the average of similar Authorities.

7.16 The Administration's proposal is to set an increase in Council Tax of 1.95% which for the average household in Portsmouth (Band B) will represent an increase of 34 pence per week. This level of increase is substantially below the current level of inflation and follows three consecutive years of Council Tax freezes. Given the cumulative impact of the funding reductions (circa 35%) over the course of the period 2011/12 to 2014/15 and the need to continue to provide essential services at an acceptable standard, the Administration believe that a further Council Tax freeze and the associated financial implications are not sustainable for service delivery in the medium term. In particular, with a Council Tax freeze compared to a Council Tax increase of 1.95%, the City Council would forego £0.4m in funding each year over the next 2 years, followed by a further reduction in funding of £0.7m per annum thereafter (i.e. £1.1m per annum from 2015/16 onwards).

Proposed Budget Savings 2013/14 – £15m (£17m in a full year)

7.17 The City Council has approved a savings requirement of £15m (equating to £17m in a full year). To ensure that these savings are delivered in a timely manner, in December the City Council approved (subject to consultation where appropriate) early savings of £8.1m for 2013/14 (equating to £9.1m in a full year). The proposals set out in this report are the remaining savings required of £6.9m for 2013/14 (£7.9m in a full year). Across the whole £15.0m of required savings, the Administration have first sought to minimise the impact of cuts on core Council services through efficiency measures via its Transformation Programme and also to protect the most vulnerable in society.

Proposed Remaining Budget Savings 2013/14 – £6.91m (£7.91m in a full year)

- 7.18 The remaining savings are presented in Appendix B. The savings amount to £7.48m which are £0.57m in excess of those required. The Administration however, have increased the level of savings that they were required to make in order to be able to fund additional Budget Pressures.
- 7.19 The savings are proposals only for the purposes of setting Portfolio Cash Limits and the overall City Council Budget and whilst most are likely to be implemented, there will be some that require further consultation and Equality Impact Assessments to be considered before any implementation can take place. For this reason, it is recommended that any savings proposed set out in Appendix B can be altered, amended or substituted with alternative proposals amounting to the same value and that the relevant Portfolio Holder be given delegated authority to make such changes accordingly.
- 7.20 As required by the Council resolution of 11th December 2012, the on-going impact of the savings proposals presented in Appendix B should now amount to at least £7.91m in 2014/15. The Budget savings proposed actually amount to £8.39m with the surplus of £0.48m being used to fund the additional Budget Pressures previously described on an ongoing basis. These have also been incorporated within the future years' forecasts as set out in this report.
- 7.21 The proposals contained within this report will reduce Senior Management by a further post. Since 2007, senior management costs have reduced by circa £1.35m per annum.
- 7.22 Inevitably, the savings proposals also affect staff. The City Council currently employs about 4,000 staff outside schools and the proposals contained within this Budget are expected to result in a reduction in headcount of circa 130. It is expected however, that through managing vacancies, using the Council's redeployment process, flexible working and flexible retirement policies, that the number of compulsory redundancies will be much fewer.

Proposed Budget Pressures 2013/14 – Provision £1.3m

- 7.23 Contained within the City Council's forecast Budget for 2013/14 was a provision for Budget Pressures of £1.3m. This was intended to cover some specific demographic pressures that were anticipated but also the "unknown unknowns". This money was taken into account in deriving the overall £15m savings target and therefore, if not utilised completely, is available to count towards the savings requirement or if exceeded would add to the savings requirement.
- 7.24 The Administration has paid careful attention to the Budget Pressures facing services, the impact of rejecting those Budget Pressures and any mitigating action that might be taken to minimise that impact. In particular, they have chosen to award Budget Pressures over and above the £1.3m (by proposing

additional savings) primarily to fund the increases in demand for Adults and Children's Social Care. The proposed Budget Pressures amounting to £1.87m to be added to Service Cash Limits are set out in Appendix C.

7.25 The savings and budget pressures recommended by the Administration are shown in the following Appendices:

- Appendix B Budget Savings deducted from Cash Limits
- Appendix C Budget Pressures added to Cash Limits

Other Provisions Contained within the Proposed Revenue Budget 2013/14

7.26 Other budget provisions and adjustments contained within the budget proposals include the following:

- An allowance for a pay award in 2013/14 of 1%
- Overall contingency provision to cover known and anticipated financial risks of the Council amounting to £7.0m (£6.3m in 2012/13), especially those relating to increases in demand for Adults & Children's Services
- Revenue contributions to the Capital Programme amounting to £0.9m (£3.4m in 2012/13)
- Adjustment to reflect revised income from the Port and MMD
- Adjustment to forecast borrowing costs

Summary of Overall Net Savings Target - £15m (£17m in a full year)

7.27 To achieve the overall net savings target of £15m (£17m in a full year), the Administration is making the following proposals:-

Description	2013/14 £000	2014/15 £000
Previously Approved Savings – 11 th December 2012	8,090	9,090
Proposed Savings (Appendix B)	7,484	8,389
<u>Add:</u>		
Existing Provision for Budget Pressures	1,299	1,394
<u>Less:</u>		
Proposed Budget Pressures (Appendix C)	(1,873)	(1,873)
Net Savings	15,000	17,000

Analysis of Spending & Funding Changes 2012/13 to 2013/14

7.28 For 2013/14, the City Council's net spending will be £186,054,075. This amounts to a net decrease in spending of £10,458,275 or 5.3% over the Original 2012/13 budget of £196,512,350.

	£'000
<u>Total Reduction in Net Expenditure comprises:-</u>	
<u>Increases in Expenditure:</u>	
Budget Pressures 2013/14 (see Appendix C)	1,873
Changes to Port & MMD Forecasts	1,505
Inflation	3,121
Social Fund Programme	726
Other Approved Expenditure	1,191
Increase in Contingency	602
Windfall and Other Unavoidable Cost Increases	140
Carry Forward Requests from 2012/13 to 2013/14	5,798
	14,955
<u>Less Reductions in Expenditure</u>	
Budget Savings approved 11 December 2012	(8,090)
Budget Savings 2013/14 (see Appendix B)	(7,484)
Ongoing effect of Previous Years Savings	(2,131)
2 Year Old Provision transferred to Dedicated Schools Grant	(525)
Ongoing Impact of Spend to Save Schemes	(314)
Treasury Management Activities	(157)
Windfall Savings	(621)
2012/13 Carry Forwards falling out	(6,092)
Total Net Reduction in Expenditure	(10,458)
	£'000
<u>Matched by:</u>	
Reduction in contribution from General Balances (compared with previous year)	(7,536)
Formula Grant (reduced to allow Business Rates to be retained)	(20,712)
Other General Grants (reduced to allow Business Rates to be retained)	(15,181)
Business Rates Retention (new)	42,572
Decrease in Council Tax Income (arising from the implementation of the Local Council Tax Support Scheme)	(9,601)
Total Decrease in Funding	(10,458)

7.29 The proposals put forward in this budget will result in the Savings Requirement of £15m (17m in a full year) being achieved.

8. Cash Limits 2013/14

8.1 As previously described, Cash Limits relate to that element of the budget that is Portfolio and Service related and which is controllable. Cash Limits have been adjusted to reflect:

- Inflation
- Reductions to Cash Limits to take out the proposed Budget savings
- Recommended Budget Pressures
- Other refinements

8.2 The table below shows the proposed Cash Limits for 2013/14 and also those items outside Cash Limits (i.e. capital and similar charges, levies and insurance premiums), which together form the budget for each service.

PORTFOLIO	Cash Limits 2013/14 £'000	Items Outside the Cash Limit £'000	Budget 2013/14 £'000
Children & Education	32,161	18,863	51,024
Culture Leisure & Sport	8,689	3,808	12,497
Environment & Community			
Safety	16,602	2,576	19,178
Health & Social Care	52,186	3,257	55,443
Housing	1,812	4,555	6,367
Leader	275	20	295
Planning Regeneration			
Economic Development	(7,710)	13,199	5,489
Resources	23,407	3,732	27,139
Traffic & Transportation	15,747	338	16,085
Governance & Audit Committee	238	57	295
Licensing Committee	(115)	16	(99)
PORTFOLIO EXPENDITURE	143,292	50,421	193,713

- 8.3 Managers will be expected to contain their expenditure in 2013/14 within Cash Limits and to regularly monitor their budgets to ensure this is achieved. Managers will continue to have the freedom to change their budgets within the Cash Limit in the year, provided they do not enter into commitments which would increase their expenditure in future years beyond the agreed Cash Limit for 2013/14, but mindful of the requirement to make savings in future years. Any overspends against the current year's Cash Limit will become first call on 2014/15 Cash Limits. Similar rules will apply for future years.
- 8.4 Managers have delegated authority to incur committed routine expenditure within their approved Cash Limit. Routine expenditure is any expenditure incurred to meet the day-to-day operational requirements of the service, or any specific approved budget pressure. Managers wishing to incur expenditure on any other specific item should seek approval from the relevant Portfolio holder before incurring that expenditure.
- 8.5 These Cash Limits will be adjusted under the delegated authority of the Head of Finance & Section 151 Officer to reflect minor transfers of budgets which come to light after the budget has been approved such as changes to the assumptions on inflation rates and any other virements.
- 8.6 Managers will be required to report their forecast outturn position to the relevant Portfolio holder on a regular basis and the City Council will receive a report on the overall budget position every quarter.

9. Future Years' Forecasts - 2014/15, 2015/16, and 2016/17

- 9.1 The forecasts for 2014/15 to 2016/17 have now been comprehensively revised. The Savings Requirements currently in place provided for sums of £19m across 2013/14 and 2014/15 (of which £17m are proposed in this report), and a further £8m in 2015/16. This amounts to £27m of ongoing savings by the time 2015/16 was reached and £56m cumulatively over the period.
- 9.2 The Council's future forecasts have now been extended to cover an additional year (2016/17). The new 3 year future forecast over the new 3 year period now includes the impact of the Business Rate Retention scheme, new announcements from Government regarding further funding reductions and revised Council Tax assumptions. Whilst more information now exists, the level of funding and cost volatility transferred to Local Government has increased significantly. The most significant changes to affect Local Government from 2013/14 include the following:
- The Local Authority funding reductions that arise from the forthcoming Comprehensive Spending Review (2013) which will take effect in 2015/16
 - The extent to which Local Authorities may benefit or lose from increases / decreases in Business Rate growth and any losses from appeals

- The localisation of support for Council Tax and the risks of changes in caseload
- The levels of Council Tax increase requiring a referendum
- The extent to which schools will convert to Academies and the consequent loss of funding and economies of scale
- Any future public sector pay deals which result in further Central Government funding reductions

9.3 In revising the City Council's future forecasts the following have now been taken into account:

- A 2.0% increase in Council Tax for 2014/15 and each year thereafter
- An underlying zero growth assumption for changes in Business Rates from 2014/15 onwards (although provision has been made for Academy conversions attracting charitable rate relief)
- Reductions in overall Formula Funding of 9.3% in 2014/15, a further 7.5% in 2015/16 and a further 6.6% in 2016/17
- As a consequence of limited land availability, that Portsmouth will, on average, be a net loser from the New Homes Bonus scheme for 2014/15 and 2015/16 to the extent equivalent to 100 properties per annum. From 2015/16 onwards (on the back of proposed new developments), that the impact will be no net gain or loss.
- That any additional cost of the localisation of support for Council Tax will be offset by further changes to the scheme in order to cap the cost at £13.2m per annum (PCC element £11.2m p.a.)
- Some provision for the potential on-going risks associated with the budget pressures within Children's and Adults' Social Care in the current year which are being mitigated by awarding each Service a further £800,000 per annum (and also from "one-off" funding being carried forward from planned underspends in the current year).
- Some provision for the potential loss of funding from the PCT of £2.6m for integrated Health and Social Care working
- The ongoing effect of Budget Pressures and savings included in the 2013/14 budget
- An allowance of £1m in 2014/15 and a further allowance of £1m in all future years for other general unavoidable Budget Pressures (the "unknown unknowns").

- A “one-off” Revenue contribution to Capital in 2014/15 to supplement the Capital Resources available for that year in particular since future years capital allocations have already been relied upon (and are therefore very limited) to fund the existing and future Capital Programme.
- Changes to the Port dividend for 2014/15, 2015/16, and 2016/17 to reflect current forecasts
- An assumption of a steady state for other budgets

9.4 The medium term financial forecasts are shown in Appendix D.

9.5 In overall terms, the forecast underlying Budget Deficit (i.e. the difference between In Year Income and In Year Expenditure) has deteriorated from those that were prepared in February 2012. Originally, it was anticipated that savings of £27m would be required between 2013/14 to 2015/16. Over the same period, this has now been revised upwards to £33m, an increase of £6m. For the most part, this is due to the following :

- The unanticipated switch between non ring-fenced funding and ring-fenced funding relating to the Early Intervention Grant amounting to £2.4m
- The additional 2% reductions to Local Government funding from 2014/15 onwards announced in the Autumn Statement which amount to circa £2.1m
- Reduction in Council Tax assumptions amounting to £1m over the period to 2015/16
- Estimated reductions in income to the Port amounting to £1.5m

9.6 As a consequence, the overall savings requirement has been revised upwards for both 2014/15 and 2015/16 and the forecast has been “rolled on” to now include 2016/17. The fundamental aim of the Medium Term Resource Strategy is for in-year expenditure to equal in-year income. The proposed Savings Requirements set out below have been set to accord with that aim and also with the minimum level of General Balances that the Council is required to hold based on its risk profile.

- 9.7 In extending the forecast for a further year, and basing that on the announcements from Government regarding the extension of the austerity measures, it is estimated that there will be a budget shortfall and Savings Requirement of £10.5m for 2016/17. In order to have a set of Savings Requirements that have regard to a managed reduction in spending and service provision over a realistic period, it is recommended that with a Savings Requirement of £26m, those savings should be phased as follows:

	Revised Underlying Budget Deficit	Revised In Year Target	Revised Cumulative Saving
	£m	£m	£m
2014/15	6.6	9.5	9.0
2015/16	15.8	8.5	17.5
2016/17	26.0	8.5	26.0

- 9.8 There are some unique circumstances that are giving rise to the £26m overall Savings Requirement, including the ring-fencing of funding for 2 Year Old provision. This has had the effect of removing funding for £2.4m of current Council expenditure and is now a contributory part of the overall £26m Savings Requirement. Furthermore, if the Council were not to respond to this “switch”, Early Years funding would increase by £2.4m. The Administration are minded to maintain the overall spending levels in Early Years provision and respond to this “switch” by making alternative budget reductions across the whole Early Years provision or by engaging with the Schools Forum to discuss the extent to which the transferred funding can be used to support the existing expenditure. The Administration will bring a report back to a Council Meeting in the Spring setting out their proposals for eliminating the effect of the £2.4m “switch” whilst maintaining the overall funding levels for Early Years provision.
- 9.9 Should the Council accept the proposals described in paragraph 9.8 above at the Spring Council Meeting, this would reduce the overall Savings Requirement to £23.6m and in this scenario, it would be recommended that those savings be phased as follows:

	Revised Underlying Budget Deficit	Revised In Year Target	Revised Cumulative Saving
	£m	£m	£m
2014/15	4.2	8.0	8.0
2015/16	13.4	8.0	16.0
2016/17	23.6	8.0	24.0

9.10 It is recommended therefore that the proposals to address the £2.4m “switch” to ring-fenced funding for Early Years provision is, alongside other savings proposals, the subject of a further report to be brought to the City Council in the Spring of 2013.

9.11 Section 10 of this report sets out how a Savings Requirement of £26m would be apportioned across Portfolios if done on a proportional basis (i.e. savings are made in proportion to the size (and therefore scope) of their cash limit). This should act as a guide for Portfolio Holders and Service Managers to the scale of savings that will be required to be made in future years. Ultimately however, it will be for the Administration to determine how those savings requirements will be allocated throughout next year’s budget process.

10. Provisional Cash Limits 2014/15, 2015/16, and 2016/17 & Associated Savings Requirements

10.1 Adults and Children’s Social Care have been unable to achieve proportionate savings without major cuts to their services. As a consequence, over this period, these Services have received protection in two ways:

- They have not been required to make their full pro rata savings requirement
- They have been awarded additional sums for unavoidable budget pressures associated with rising demand and demographic changes

10.2 Due to the significance of the savings required to be made and the fact that over 50% of the “controllable budget” is spent on Adult Social Care and Children’s Services, it is unlikely that protection for those Services will be able to continue at current levels in the future without very severe cuts to other Services.

10.3 The mechanism for determining the apportionment of savings requirements should not be considered in isolation. Rather it should be viewed as part of an overall financial framework that supports strong financial management and which facilitates forward planning for changes in Service delivery. One part of the current financial framework that will be considered for review in the next financial year is the extent to which changes to the current rules around carrying forward underspends and overspends can support better financial and service planning, especially in a climate of Service rationalisation. Greater flexibility in the carry forward process could provide stronger financial autonomy for Services, allowing them to better manage their own financial pressures (with the creation of Service based reserves) with less corporate dependency.

10.4 For planning and impact evaluation purposes, it is proposed to continue to plan for savings over the medium term on the basis that proportional savings will need to be made across all Portfolios. For illustrative purposes therefore, Portfolios will be required to achieve the savings shown below in 2014/15, 2015/16 and 2016/17:

PORTFOLIO	Illustrative Savings - Pro Rata to 2013/14 Cash Limits		
	Savings	Savings	Savings
	2014/15	2015/16	2016/17
	£'000	£'000	£'000
Children & Education	2,049	1,964	1,983
Culture Leisure & Sport	549	520	522
Environment & Community Safety	1,000	956	958
Health & Social Care	3,205	3,005	3,041
Housing	106	101	102
Leader	14	7	0
Planning Regeneration Economic Development	82	79	79
Resources	1,527	1,437	1,441
Traffic & Transportation	446	409	352
Governance & Audit Committee	22	21	22
PORTFOLIO SAVINGS REQUIREMENTS	9,000	8,500	8,500

10.5 As previously mentioned however, the scale of the continuing savings are such that it would be desirable for Service Planning purposes to identify and agree savings options as the year progresses and not necessarily wait for the February 2014 Annual Budget Meeting.

10.6 In the meantime, Portfolio Holders and Heads of Service should continue their on-going savings reduction plans on the illustrative savings set out in the table at paragraph 10.4 above.

10.7 Taking account of these illustrative savings and a wide variety of other assumptions, as set out in Section 9, provisional forecast Cash Limits for 2014/15 to 2016/17 are set out in Appendix E.

11. Estimated Revenue Balances 2012/13 to 2016/17

11.1 General Fund Revenue Balances as at 31 March 2013 (Revised Estimate) are anticipated to be £18.3m after transfers to and from other reserves. The Council is expected therefore to remain within the approved level of minimum

General Balances of £5.5m. The estimated Balances as at 31 March 2013 of £18.3m reflects the significant planned underspendings in the current year of £6.3m which are planned to be spent in 2013/14.

- 11.2 In accordance with Best Practice, the level and nature of all revenue reserves and balances has been reviewed as part of the budget process. The exercise has attempted to identify and assess all of the City Council's potential financial risks over the next few years in order to determine the prudent level of balances that should be retained, based on the City Council's risk profile. Each risk has been considered alongside the probability of it happening.
- 11.3 The outcome shows that for 2013/14 the City Council should hold a minimum of £6.0m in General Balances to cover these major risks. It is therefore recommended that the minimum level of revenue balances be increased from £5.5m to £6.0m as at 31 March 2014. Assuming the savings required to fund the forecast deficit in 2013/14 are achieved, revenue balances as at 31 March 2014 are forecast to be £18.0m. These sums in balances are needed to retain funds for spreading the savings required over future years so that service reductions can be phased in a managed way and to provide a level of comfort against future uncertainties and the delivery of the continuing and significant future Savings Requirements.
- 11.4 The minimum level of balances for 2014/15 and future years will be reviewed annually as part of the budget process.
- 11.5 The statement below gives details of the general balances in hand at 1 April 2012, together with the proposed use of reserves from 2012/13 to 2016/17, and the resultant balances at 31 March 2017 **assuming that the target savings recommended in Section 10 are achieved.**

General Balances	£000
Balances 1 April 2012	24,141
Surplus / (Deficit) 2012/13	(5,804)
Estimated balances 31 March 2013	18,337
Surplus / (Deficit) 2013/14	(313)
Estimated balances 31 March 2014	18,024
Surplus / (Deficit) 2014/15	2,425
Estimated balances 31 March 2015	20,449
Surplus / (Deficit) 2015/16	1,735
Estimated balances 31 March 2016	22,184
Surplus / (Deficit) 2016/17	(250)
Estimated balances 31 March 2017	21,934

11.6 The level of balances held will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons, which include:

- The balances are predicated on total savings of £26m being achieved over the next 3 years (£9.0m in 2014/15, £8.5m in 2015/16 and £8.5m in 2016/17) but if those savings are not made, Balances would be less than the minimum level by 31 March 2016. Moreover, the Council would have a deficit of £4.3m and be in breach of its requirement to set a balanced budget.
- The uncertainty over the level of funding generally (in particular future retained Business Rates) the anticipated future budget pressures, inflation and interest rates in future years
- The balance available in the MTRS reserve of just £2.1m (after taking account of all approvals and anticipated redundancy costs over the next 3 years) means there is only limited funds available to fund the implementation costs of future efficiency savings (see Section 12)

11.7 Furthermore, the City Council has recently submitted an Expression of Interest to Government for a “City Deal” which proposes that PCC, Southampton City Council and potentially other Council’s in the PUSH region pool their Balances alongside other Earmarked Reserves to create a substantial fund of circa £500m that can be used to provide loans for private sector developers in order to deliver regeneration to our most strategically important sites. Retaining Balances therefore is an extremely important element of delivering that deal.

12. Medium Term Resource Strategy Reserve

12.1 The MTRS Reserve was originally established to fund:

- Spend to Save and Spend to Avoid Cost initiatives
- Invest to Save capital schemes
- Pump priming for Efficiency Initiatives
- Feasibility Studies
- One-off redundancy costs arising from proposed savings
- The funding of expenditure of a “one-off” nature that is critical to the successful achievement of the outcomes that the residents of Portsmouth value most highly and where no other alternative funding source is available.

12.2 The Reserve has been replenished by transfers of underspends from previous years.

12.3 It is anticipated that the main call on the MTRS Reserve over the next few years will be redundancy costs arising out of the savings needed to balance the budget plus the costs associated with transforming Services.

- 12.4 In order to provide for future years anticipated redundancy costs (i.e. over the course of the coming year and the further 3 year forecast), satisfy the demands for Invest to Save Schemes as set out in the Capital Programme report, meet all other commitments and provide an uncommitted balance of £2.1m for future efficiency schemes, it is recommended that the sum of £3.2m (as set out in Section 5) be transferred into the Reserve from savings in the current financial year.
- 12.5 The statement below provides details of the MTRS Reserve balances in hand at 31 March 2012, together with the proposed transfers into the Reserve as set out in this report and the use of the Reserve over the period 2012/13 to 2016/17.

MTRS Reserve	£000
Balances 1 April 2012	10,620
Surplus / (Deficit) 2012/13	3,500
Estimated balances 31 March 2013	14,120
Surplus / (Deficit) 2013/14	(5,202)
Estimated balances 31 March 2014	8,918
Surplus / (Deficit) 2014/15	(2,350)
Estimated balances 31 March 2015	6,568
Surplus / (Deficit) 2015/16	(2,250)
Estimated balances 31 March 2016	4,318
Surplus / (Deficit) 2016/17	(2,250)
Estimated balances 31 March 2017	2,068

- 12.6 For this Reserve to continue in this capacity, it will be necessary to replenish it from any underspends identified when the final accounts for 2012/13 are known or alternatively from the Revenue Budget in future years.
- 12.7 At present the MTRS Reserve is considered a “Corporate Reserve” similar to other reserves such as the Parking Reserve. Consequently any releases from the Reserve require an approval by full City Council. The Reserve however, is necessary to deliver efficiency savings throughout the year to achieve the Budget Savings Requirements approved by the City Council. It is recommended therefore that to be able to deliver savings in a timely manner that authority be delegated to the Cabinet to make releases from the MTRS Reserve for Spend to Save or Spend to Avoid cost schemes only (both Revenue & Capital) and that any such scheme must meet the financial savings criteria determined by the Council’s S151 Officer. As a minimum, those criteria must include the payback of any investment within a period not exceeding 4 years.
- 12.8 Proposals for use of the Reserve outside of the criteria set out above will still require approval of the full City Council.

13. Collection Fund Deficit

13.1 The Collection Fund is a fund maintained by the City Council into which are paid amounts collected in respect of Council Tax and Non Domestic Rates and out of which are paid the precepts of the Hampshire Police & Crime Commissioner, Hampshire Fire and Rescue Authority, payments to the Non Domestic Rate Pool and the City Council's own demand on the Fund.

13.2 The consolidated Collection Fund forecast for 2012/13 shows a balanced position for Non Domestic Rates and a deficit for Council Tax of £200,000 of which, the share attributable to Portsmouth City Council is £169,400. This has been taken into account within the budget proposals contained within this report.

PORTSMOUTH CITY COUNCIL Forecast Collection Fund Statement 2012/13	Council Tax £'000	NNDR £'000
<u>INCOME</u>		
Deficit brought forward	(419)	
Council Tax	68,117	
Council Tax Benefit	14,235	
Non Domestic Rates Income		78,850
Council Tax Estimated Deficit 2011/12		
- Portsmouth City Council	254	
- Hampshire Police & Crime Commissioner	32	
- Hampshire Fire & Rescue Authority	14	
	82,233	78,850
<u>EXPENDITURE</u>		
Precepts		
- Portsmouth City Council	68,851	
- Hampshire Police & Crime Commissioner	8,763	
- Hampshire Fire & Rescue Authority	3,677	
Increased Provision for Losses	1,142	
Payments to National Non Domestic Rates Pool		79,130
Payments to the General Fund for NDR Collection Costs		280
	82,433	78,850
ESTIMATED BALANCE AS AT 31 MARCH 2013	200	0
<u>To be apportioned between:</u>		
Portsmouth City Council	169	0
Hampshire Police & Crime Commissioner	22	0
Hampshire Fire and Rescue Authority	9	0
DEFICIT APPORTIONED OVER THREE AUTHORITIES:	200	0

14. Council Tax 2013/14

14.1 The estimated balance of £0.2m on the Council Tax element of the Collection Fund was approved by the Cabinet on 7 January 2013.

14.2 The City Council's determination of the 2013/14 Council Tax is shown below:-

- (i) the calculation of the Council Tax for 2013/14 in respect of City Council purposes is as follows:

	£
Gross Expenditure	563,961,320
<u>Less</u> Gross Income	<u>(378,050,896)</u>
Net Expenditure 2013/14	185,910,424
<u>Less:</u> Government Grants	<u>(126,747,339)</u>
	59,163,085
<u>City Council Tax Requirement</u>	<u>59,163,805</u>
<u>Divided by:</u>	
Council Tax Base (agreed by Cabinet 7 January 2013 under delegated powers)	50,500.7
<u>Council Tax - City Council purposes at Band D</u>	<u>1,171.53</u>

This amounts to an increase in Council Tax of 1.95%.

- (ii) The Hampshire Police & Crime Commissioner has set a precept for 2013/14 of £7,638,231 and a Band D Council Tax of £151.25 (3.4% increase)
- (iii) Hampshire Fire and Rescue Authority have provisionally indicated that their precept for 2013/14 will be £3,099,733 and Council Tax for Fire and Rescue Authority purposes at Band D will be £61.38 (No increase).

(iv) The Council Tax to be levied for all bands in 2013/14 will be as follows:-

Band	Valuation Range	Portsmouth City Council £	Police Crime Commissioner £	Hampshire Fire & Rescue £	Total £
A	Up to £40,000	781.02	100.83	40.92	922.77
B	£40,001 - £52,000	911.19	117.64	47.74	1,076.57
C	£52,001 - £68,000	1,041.36	134.44	54.56	1,230.36
D	£68,001 - £88,000	1,171.53	151.25	61.38	1,384.16
E	£88,001 - £120,000	1,431.87	184.86	75.02	1,691.75
F	£120,001 - £160,000	1,692.21	218.47	88.66	1,999.34
G	£160,001 - £320,000	1,952.55	252.08	102.30	2,306.93
H	£320,001 & over	2,343.06	302.50	122.76	2,768.32

The amount payable by any household will be affected by discounts, exemptions and benefit.

The overall increase in tax is as follows:-

TOTAL BAND D COUNCIL TAX	2012/13 £	2013/14 £	Increase %
Portsmouth City Council Purposes	1,149.12	1,171.53	1.95%
Hampshire Police Crime Commissioner	146.25	151.25	3.42%
Hampshire Fire and Rescue	61.38	61.38	0.00%
Total Charge – Band D Property	1,356.75	1,384.16	2.02%

15. Non Domestic Rates

15.1 The business rate poundage to be applied to valuations is 47.1p (45.8p in 2012/13). In addition, the small business multiplier is 46.2p (45.0p in 2012/13). Both multipliers reflect the September RPI inflation figure at 2.7%.

16. Statement of the Head of Finance & Section 151 Officer in Accordance with the Local Government Act 2003

16.1 Section 25 of the Local Government Act 2003 (“the Act”) requires the Chief Financial Officer to report to the City Council on the following matters:

- The robustness of the estimates included in the budget made for the purposes of setting the Council Tax and
- The adequacy of proposed financial reserves

16.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2013/14, particularly with regard to Retained Business Rates, Government Funding in general arising from the forthcoming Comprehensive Spending Review and likely increases in costs from demand driven services such as Adults and Children’s Social Care. These all increase the need for reserves and balances in future years.

16.3 A minimum level of revenue reserves must be specified within the budget report. The Local Authority must take full account of this information when setting the Budget Requirement.

16.4 Should the level of reserves fall below the minimum approved sum of £6.0m as proposed in this report, either arising from an overspend in the previous year or the current year, the Head of Finance & S151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall.

(a) Robustness of the Budget

16.5 In setting the budget, the City Council should have regard to the strategic and operational risks facing the City Council. Some of these risks reflect the current economic climate and the national issues surrounding local authority spending levels.

16.6 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.

16.7 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information and include the following:

- Formula Funding in line with Spending Review 2010 (plus known amendments)
- A no growth assumption for Retained Business Rates and an assumption that the current rateable value will be reduced by 6% arising from appeals

- Inflation on Retained Business Rates in accordance with inflation estimates from the Office for Budget Responsibility
- Tax increases of 2.0% per annum over the period
- Pay and price inflation based on continued public sector pay constraint and the Consumer Price Index using an average of estimates of the Bank of England and a consortia of other major financial institutions
- Specific provisions for increases in demand for both Adults' & Children's Social Care based on current trends and a general provisions for (as yet) unknown budget pressures
- Prudential borrowing requirements based on approved Capital schemes
- Revenue contributions to capital based on estimates of future needs
- Estimated financial consequences of the forthcoming Comprehensive Spending Review
- Balances and contingencies based on a risk assessment of all known financial risks

16.8 Savings put forward by Portfolio Holders and Heads of Service are those where the confidence level of achievement is medium and above. Savings proposals have also been subject to scrutiny by Members. Responsibility and accountability for delivering the savings rests with the relevant Portfolio Holders and Heads of Service and progress will be monitored throughout the year as part of the Budget Monitoring process.

16.9 The most volatile budgets are those of Adults' and Children's Social Care. Additional budget provision has been made available to cover these risks both directly within Service cash limits as well as within the City Council's overall contingency provision.

16.10 The forecast prepared for the forthcoming and future years are robustly based and illustrate the expected costs the City Council will incur in order to deliver current levels of service.

16.11 Portfolio Holders will be given regular budget updates by Heads of Service to ensure that action to address any potential over or underspend is taken promptly and quarterly budget monitoring reports will continue to be presented to the City Council.

16.12 To encourage budget discipline all future overspendings will be deducted from the following year's Cash Limits.

16.13 Prudential Indicators are accurately calculated based on the Council's audited Balance Sheet, notified income streams and in depth financial appraisals of proposed capital schemes. These are published and reviewed on a regular

basis to ensure that the City Council complies with the concepts of Affordability, Prudence, and Sustainability. The City Council has agreed to consider Prudential Borrowing for “Spend to Save Schemes” only, as it is currently unaffordable for any other purpose given the forecast budget deficits in 2014/15 and future years.

16.14 Future years’ budgets will be particularly challenging and significant uncertainties exist from 2014/15 onwards. Given that uncertainty, the Council should plan for a savings target of at least £9.0m for 2014/15, subject to the outcome of the Council Meeting in the Spring.

(b) The Adequacy of Proposed Financial Reserves

16.15 During 2012/13 a review of the level and nature of all revenue reserves and balances has been undertaken. All of the City Council’s potential financial risks over the next few years and the probability of each risk happening has been assessed. The outcome from this review concludes the need to increase the minimum level of General Balances to £6.0m as at 31 March 2014.

16.16 Balances provide a buffer against unexpected costs such as pay awards, inflation, shortfalls in income and overspends and enable the City Council to manage change without undue impact on the Council Tax levy or immediate reductions to services. They are a key element of strong financial standing and resilience as they mitigate risks such as increased demand and costs.

16.17 The level of balances held will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons as set out in Section 11.

16.18 The position will continue to be reviewed and reported to Members on an annual basis.

16.19 The MTRS Reserve is the Council’s primary vehicle for funding Spend to Save and Spend to Avoid Costs Initiatives, Feasibility Studies and redundancy costs and currently stands at £10.6m. Based on the proposals contained within this report, all of the approvals to date and estimated redundancies through to 2016/17, the Reserve will have an uncommitted balance of £2.1m. In order for this Reserve to continue in this capacity, it will be necessary to replenish it from any underspendings identified when the final accounts for 2012/13 are prepared or alternatively from the Revenue Budget.

16.20 The Council maintains a number of other Earmarked Reserves for specific purposes, all of which are at the levels required to meet known future commitments. The major reserves include the following:

- Revenue Reserve for Capital – to fund the Capital Programme
- Highways PFI Reserve – to fund future commitments under that contract
- Off Street Parking Reserve – to fund investment in transport
- Insurance Reserve – to fund potential future liabilities

16.21 The Council's contingency provision for 2013/14 has been set on a risk basis at £6.96m and reflects anticipated calls on the budget where the timing and value is not yet known. The use and application of the contingency will continue to be exercised tightly.

17. Conclusion

17.1 In proposing this budget to the Council, the Administration has developed a package of co-ordinated proposals across both the Revenue Budget and Capital Programme that aim to:

- Minimise the impact of cuts on core Council services through efficiency measures
- Protect the most vulnerable in society
- Provide the necessary expansion to schools in order to accommodate the increase in pupil numbers
- Build infrastructure to allow for economic expansion and job creation
- Provide enabling works to allow for new homes and businesses
- Transform the delivery of the Council's services to improve the customer experience

17.2 The proposed Budget for 2013/14 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, the overall financial health of the Council currently remains sound providing a good degree of resilience against an uncertain climate.

17.3 The bigger challenge for the Council is from 2013/14 onwards where significant cuts still need to be made and significant uncertainty exists around future funding and future costs. The main risks include the financial implications of the Comprehensive Spending Review, pressures arising from demand led Services generally and the ability to resource those needs plus the extent of any growth or contraction in the local economy which will directly impact on the future income levels to the Council through Retained Business rates.

17.4 Given the level of savings required over the next 3 years of £26m (subject to the outcome of the Council Meeting in the Spring), the degree of uncertainty that exists and the inevitable financial pressures that the Council will face, it is important that the Council continues its spending restraint and aims to maximise its income from all sources in order to provide a degree of protection for all current Council Services. Equally, the Council needs to be mindful of the potential future income that the Council could derive through the delivery of its Capital Programme which is likely to be the biggest influence it can have on enabling jobs and growth in the City.

17.5 To deliver the scale of the savings required and to maintain the Council's financial health, the Council should regard the savings process as a continual one rather than a "once a year" planning exercise. Correspondingly, the

proposals within this report include opportunities to consider further savings at Budget Meetings in the Spring and thereafter.

18. Corporate Priorities

18.1 The Revenue Budget of the City Council contributes to the delivery of all of the Corporate Priorities.

19. Equality Impact Assessment (EIA)

19.1 Consideration of the impact of budget pressures and proposed savings on all customers, services and staff has been taken into account in formulating this budget. The savings proposed within this report are proposals only for the purposes of setting Portfolio Cash Limits and the overall City Council Budget. Whilst most are likely to be implemented, there will be some that require further consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, it is also proposed that any savings proposal set out in Appendix B can be altered, amended or substituted with an alternative proposal.

19.2 Budget consultation meetings with a wide range of representatives from the Business Community, Voluntary Sector, Local Strategic Partnership, Portsmouth Pensioners, the Trade Unions, the staff and public took place during the week commencing 4th February 2013 to give these groups an opportunity to meet with political Group Leaders and put forward their views and comments before any decisions were taken. Throughout the year the Leader has also met separately with many of these groups to discuss their views on the future.

19.3 A public meeting of the Scrutiny Management Panel was also held on the 7 February 2013 where a presentation was made of the proposed Revenue Budget and Capital Programme. The Scrutiny Management Panel have the opportunity to raise or refer any comments or representations to the Cabinet Meeting on the 11 February prior to their endorsement to Council.

20. City Solicitor's Comments

20.1 The Cabinet has a legal responsibility to recommend a Budget to the Council and the Cabinet and Council have authority to approve the recommendations made in this report.

20.2 The Head of Finance & Section 151 Officer has a statutory duty under the Local Government Act 2003 to report on the robustness of the budget proposals and adequacy of reserves. The Head of Finance & Section 151 Officer's Statement within this report fulfils those obligations.

21. Head of Finance's Comments

21.1 All of the financial information is reflected in the body of the report and the Appendices.

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Signed by: Head of Finance & Section 151 Officer

Appendices:

- A General Fund Summary
- B Recommended Budget Savings 2013/14
- C Recommended Budget Pressures 2013/14
- D Forecast Expenditure 2013/14 to 2016/17
- E Cash Limits for 2014/15 to 2016/17 (by Portfolio)

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Budget Working Papers	Office of Head of Financial Services
Local Government Finance Settlement 2013/14	Office of Head of Financial Services

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Leader of the City Council on 12 February 2013.

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Signed by: Leader of Portsmouth City Council

