



NOTICE OF MEETING

CABINET

THURSDAY, 8 DECEMBER 2016 AT 1.00 PM

THE EXECUTIVE MEETING ROOM - THIRD FLOOR, THE GUILDHALL

Telephone enquiries to Joanne Wildsmith, Democratic Services Tel 9283 4057
Email: joanne.wildsmith@portsmouthcc.gov.uk

If any member of the public wishing to attend the meeting has access requirements, please notify the contact named above.

Membership

Councillor Donna Jones (Chair)

Councillor Luke Stubbs
Councillor Ryan Brent
Councillor Jim Fleming
Councillor Lee Mason

Councillor Rob New
Councillor Linda Symes
Councillor Steve Wemyss
Councillor Neill Young

(NB This Agenda should be retained for future reference with the minutes of this meeting.)

Please note that the agenda, minutes and non-exempt reports are available to view online on the Portsmouth City Council website: www.portsmouth.gov.uk

Deputations by members of the public may be made on any item where a decision is going to be taken. The request should be made in writing to the contact officer (above) by 12 noon of the working day before the meeting, and must include the purpose of the deputation (for example, for or against the recommendations). Email requests are accepted.

AGENDA

- 1 **Apologies for Absence**
- 2 **Declarations of Interests**
- 3 **Record of Previous Decision Meeting - 10 November 2016 (Pages 7 - 10)**

A copy of the record of the previous decisions taken at Cabinet on 10 November 2016 are attached.

RECOMMENDED that the record of decisions of the Cabinet meeting held on 10 November 2016 be approved as a correct record to be signed by the Leader.

4 **Appointments**

Additional Heritage Champions

RECOMMENDED that Councillors Steve Hastings and John Ferrett also be appointed as Heritage Champions.

(Councillor Stephen Morgan has already been appointed as one of PCC's Heritage Champions.)

The role is to act as champion on matters pertaining to Heritage to act as a focal point and advocate, inspire, influence and communicate both inside and external to the Council.

5 **Portsmouth Safeguarding Children Board Annual Report** (Pages 11 - 42)

Reg Hooke the PSCB Chair will introduce the sixth Annual Report of the Portsmouth Safeguarding Children Board on the effectiveness of safeguarding children in Portsmouth.

RECOMMENDATION: Members are invited to receive the Portsmouth Safeguarding Children Board Annual Report and to note areas of progress and challenges in the work delivered by services to safeguard children and promote their well-being.

6 **Budget and Performance Monitoring 2016/17 (2nd Quarter) to end September 2016** (Pages 43 - 54)

The purpose of the report by the Director of Finance and Information Service is to update members on the current Revenue Budget position of the Council as at the end of the second quarter for 2016/17 in accordance with the proposals set out in the "Portsmouth City Council - Budget & Council Tax 2016/17 & Medium Term Budget Forecast 2017/18 to 2019/20" report approved by the City Council on the 9th February 2016.

RECOMMENDED to Council that:

(i) The forecast outturn position for 2016/17 be noted:

(a) An overspend of £418,600 before further forecast transfers from/(to) Portfolio Specific Reserves & Ring Fenced Public Health Reserve

(b) An overspend of £33,300 after further forecast transfers from/(to) Portfolio Specific Reserves & Ring Fenced Public Health Reserve.

(ii) Members note that any actual overspend at year end will in the first instance be deducted from any Portfolio Specific Reserve balance and once depleted then be deducted from the 2017/18 Cash Limit.

(iii) Directors, in consultation with the appropriate Cabinet Member, consider options that seek to minimise any forecast overspend presently being reported and prepare strategies outlining how any consequent reduction to the 2017/18 Portfolio cash limit will be managed to avoid further overspending during 2017/18.

7 **New Sports and Leisure Contracts - Prudential Borrowing Requirement** (Pages 55 - 58)

The report by the Director of Finance & Information Service (S151 Officer) seeks approval for a capital scheme to be added to the Capital Programme approved by the City Council on 9th February 2016. This will enable various

capital investment works and major repairs to the city's Sports and Leisure facilities to be undertaken after the commencement of the new Sports and Leisure contracts for which BH Live have recently been awarded preferred bidder status.

RECOMMENDED to Council that the following be approved:

(1) The currently approved Capital Programme 2015/16 to 2020/21 is updated to include the capital scheme "Sports and Leisure Facilities Investment" at an estimated cost of £2.4m.

(2) Following completion of a comprehensive financial appraisal, approved by the Director of Finance & S151 Officer demonstrating that the additional reduction in cost arising from the investment can significantly exceed the associated borrowing costs over the life of the contract, that the cost of the scheme be financed from Prudential Borrowing.

8 Portsmouth City Council Revenue Budget 2017/18 - Savings Proposals (Pages 59 - 98)

The report by the Director of Finance and Section 151 Officer describes the financial challenge facing the City Council for the three years 2017/18 to 2019/20 and the likely implications for Council services to businesses and residents.

RECOMMENDED to Council

(1) That the following be approved:

(a) The Medium Term Financial Strategy set out in Section 8

(b) That the Council's Budget for 2017/18 be prepared on the basis of a 3.99% Council Tax increase

(c) That in the event that the Council has the ability to increase the level of Council Tax beyond 2% in order to fund Adult Social Care pressures, and if the Council elects to do so, that any additional funding that arises is passported direct to Adult Social Care to provide for otherwise unfunded cost pressures.

(d) The savings proposals for each Portfolio amounting, in total, to £9m for 2017/18 and continuing into future years as set out in Appendix A to enable appropriate consultation and notice periods to be given to affected parties

(e) That the criteria for the use of the Voluntary Sector Capacity & Transition Fund be replaced with the following:

i) Overall fit with the Council's objectives - providing services consistent with the Council's responsibilities that are not replicated elsewhere

ii) Integration and/or collaboration with other voluntary sector partners - demonstrating a willingness to transform and build voluntary sector capacity on a sustainable basis

iii) Deliverability - proposals are costed robustly and plans demonstrate that they can be confidently delivered

iv) Sustainability - a single application for a 1 year, 2 year or 3 year award which demonstrates an operating model that will endure

without further funding from the Council

v) **Cost Avoidance** - illustration of how the proposal avoids costs elsewhere "in the system" and / or improves the integration and efficiency of the voluntary sector as a whole

vi) **Potential for further Transformation** - the extent to which the proposal could drive further transformation and capacity of the voluntary sector in the future

vii) **Wider economic impacts**

(2) That the following be noted:

(a) The Budget Savings Requirement for 2017/18 of £9m approved by the City Council was based on a Council Tax increase of 3.99%; each 1% change (increase or decrease) in the Council Tax results in a change to the savings requirement of £652,000¹

(b) The key themes arising from the budget consultation

(c) The indicative savings proposals set out in Appendix B which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 1 (d) above are robust and deliverable

(d) The likely impact of savings as set out in Appendix B based on the scale of the Portfolio savings as recommended in paragraph 1(d)

(e) The Local Council Tax Support Scheme for 2017/18 was approved by the City Council on 15 November 2016, the associated savings are now reflected in the overall savings requirement of £9m; the scheme itself has now been approved and that scheme is not the subject of this report, the proposals in this report simply reflect the associated budget position

(f) That the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings within those Portfolios / Committees

(g) That it is the responsibility of the individual Portfolio Holders (not the City Council) to approve the individual savings proposals and the Portfolio Holder can therefore, in response to any consultation, alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix B with alternative proposal(s) amounting to the same value within their Portfolio

(h) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process

(i) That there is no general provision for Budget Pressures and that it is the responsibility of the Portfolio Holder to manage any Budget Pressures which arise from the overall resources available to the Portfolio (which includes their Portfolio Reserve)

(j) In accordance with the approved financial framework, it is the responsibility of the Portfolio Holder, in consultation with the Director of Finance & Information Services (S151 Officer), to release funds from the Portfolio Reserve in accordance with the provisions set out in paragraph 10.15 of the report

(k) The MTRS Reserve held to fund the upfront costs associated with

¹ Tax increases will be subject to Council Tax referendum thresholds which are at this stage unknown

Spend to Save Schemes, Invest to Save Schemes and redundancies currently holds a very modest uncommitted balance of £3.0m and will only be replenished from an approval to the transfer of any non-Portfolio underspends at year end into this reserve

9 Exclusion of Press and Public

RECOMMENDED that, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following item on the grounds that the report(s) contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.

The public interest in maintaining the exemption must outweigh the public interest in disclosing the information.

Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012, regulation 5, the reasons for exemption of the listed item is shown below.

Members of the public may make representation as to why the item should be held in open session.

(NB The exempt/confidential committee papers on the agenda will contain information which is commercially, legally or personally sensitive and should not be divulged to third parties. Members are reminded of standing order restrictions on the disclosure of exempt information and are invited to return their exempt documentation to the Local Democracy Officer at the conclusion of the meeting for shredding.)

Item 10	Paragraph
Utility and Engineering Trading Co (appendices only) (Paragraph 3 relates to the finances of a body)	3

10 Utility and Engineering Trading Company (Pages 99 - 104)

The purpose of the report by the Director of Housing & Property is to seek approval for the formation of an arm's length trading company for the purpose of delivering energy and engineering services to a wide range of external organisations, and capable of operating as a provider of district heat and power. The company will seek to increase income to the council through an appropriate commercial and legal framework.

The appendices to this report are exempt.

RECOMMENDED that the Cabinet approves the following recommendations:

- (1) To instruct the City Solicitor, in conjunction with the Leader of the Council and the Cabinet Member for Resources, to form an arms-length energy and engineering services company as a group**

company under a wholly owned holding company, and capable of delivering and operating district heat and power schemes, as described in the Appendices to this report.

- (2) That the City Solicitor, the Director of Finance and Section 151 Officer, in conjunction with the Leader of the Council and the Cabinet Member for Resources, be authorised to enter into such company constitutional documents and service and supply agreements with the company as are required by the company for its operation, and for the Council/holding company to most effectively manage its operation.**

Members of the public are now permitted to use both audio visual recording devices and social media during this meeting, on the understanding that it neither disrupts the meeting or records those stating explicitly that they do not wish to be recorded. Guidance on the use of devices at meetings open to the public is available on the Council's website and posters on the wall of the meeting's venue.

Agenda Item 3

CABINET

RECORD OF DECISIONS of the meeting of the Cabinet held on Thursday, 10 November 2016 at 1.00 pm at the Guildhall, Portsmouth

Present

Councillor Donna Jones (in the Chair)

Councillors Ryan Brent
Jim Fleming
Lee Mason
Robert New
Steve Wemyss
Neill Young

51. Apologies for Absence (AI 1)

These had been received from Councillors Linda Symes and Luke Stubbs.

52. Declarations of Interests (AI 2)

Councillor Wemyss made a code of conduct declaration (non-prejudicial interest) regarding minute 55 the scrutiny review of working with individuals with complex needs.

53. Record of Previous Decision Meetings - 22 September & 12 October 2016 (AI 3)

DECISION: The records of decisions of the Cabinet meetings held on 22 September and 12 October were agreed as correct records, to be signed by the Leader.

54. Appointments to outside bodies and a Mental Health Champion (AI 4)

DECISIONS The following appointments were made by Cabinet:

- i) Councillor Jennie Brent as the City Council's Mental Health Champion
- ii) Milton Village Community Centre - Councillor Ben Dowling as the City Council's representative
- iii) Portsmouth Hospitals NHS Trust (Council of Governors) - Councillor Luke Stubbs to be the City Council's representative

55. TECS Scrutiny Review and Directors Response report - Review into how community safety partners can work together to reduce demand and cost for intensive specialist services currently supporting individuals with complex needs (AI 5)

Rachael Dalby, the Director of Regulatory Services and Community Safety, introduced her response report. She praised the beneficial work of the Traffic, Environment and Community Safety (TECS) scrutiny panel and reported that

work was already underway in reviewing an individual case study and further work would take place to look at key workers for the individuals with complex needs.

A deputation was made by Ms H Reed whose points included questioning the statement within the response report that an Equality Impact Assessment (EIA) was not required and she hoped the Cabinet had considered the EIA prepared for the TECS scrutiny panel's report. She also queried the accuracy of the costings of the panel's recommendations for changes to services and the potential impact on the voluntary sector.

Councillor Donna Jones, as Leader, responded to clarify the different functions of scrutiny panels and the Cabinet's executive functions and that the recommendations coming forward were identifying ways of taking forward changes and therefore a full EIA for services would be required before changes were further explored and implemented.

Michael Lawther, as The City Solicitor confirmed that the preliminary EIA prepared for the TECS scrutiny panel's report had been circulated to all Cabinet members for consideration (and had been published with the TECS scrutiny panel's initial report) and their recommendations were suggestions and changes to services were not proposed at this stage. Louise Wilders, as Director of Community & Communication, reiterated that full EIAs were undertaken if there were changes in policy.

Councillor Rob New, as Cabinet Member for Environment & Community Safety, thanked the TECS Scrutiny Panel for its work and welcomed the recommendations, including the reviewing of at least 20 complex cases, and felt that the report was informative for the Cabinet members regarding this area of work and the partnership liaison taking place with joint responsibilities for addressing the broad range of problems suffered by these individuals.

Councillor Wemyss, who had made a non-prejudicial declaration of interest, commended the panel on their work. He commented on the need for agencies to link properly and the importance of the City Council intervening earlier in cases which could save costs for other agencies, such as health and the police. He did however feel that patient confidentiality had not been covered and the referral process when clients may be difficult to engage.

Councillors Jones and New felt that this was an important step in the right direction along with the work of the Homelessness Working Group, to focus on positive outcomes for hard to reach individuals.

In proposing adoption of the response report's recommendations, the Leader stated that Councillor New as Cabinet Member for Environment & Community Safety and Rachael Dalby's team, would be working on implementing the panel's recommendations to bring back to Cabinet, where appropriate.

DECISIONS:

- (1) The Traffic, Environment & Community Safety Panel is thanked for its work in undertaking the review and**

- (2) **That the Transport, Environment and Community Safety Scrutiny Panel's recommendations were approved in line with the responses noted in section 4.**

56. Council Tax Support Consultation Results (known nationally as Council Tax Reduction Scheme) (AI 6)

Louise Wilders, as Director of Community & Communication, presented her report on the consultation results brought about by the need to adjust the scheme which cost over £12m per annum and money needed to be set aside from these savings towards the Hardship Fund. She reported a slight amendment to give clarification to recommendation (ii)(e) to reflect compliance dates to be in line with national legislation.

Councillor Donna Jones, as Leader, stated that this had been through a thorough public consultation process and consideration had been given to how neighbouring councils were responding to have a comparative approach with Portsmouth City Council remaining more generous in Council Tax Support still being offered.

Councillor Lee Mason, as the Cabinet Member for Resources, felt that this was the fairest way forward and there had been the need to revise the scheme to be more reflective of claimants' situations (most living in Band C rather than Band G properties) as well as the need to remove the non-cost effective payments of £2 and under.

The Leader also pointed out that a variation had been made to help claimants in Band A&B properties to target those most in need of support. The report set out how the funding could be used most wisely.

RECOMMENDED to Council:

- i. The results of the public consultation on the Council Tax Scheme are noted.**
- ii. To implement a revised Council Tax Support Scheme for Portsmouth from 1st April 2017, with the following key features:**
 - a) To introduce a maximum level of support for all working age applicants to 80%**
 - b) To reduce the capital limit from the existing £16,000 to £6,000**
 - c) To restrict the maximum level of Council Tax Reduction payable to the equivalent of a Band C**
 - d) To set a minimum level of support at £2 per week**
 - e) *To bring the working age Council Tax Scheme in line with Housing Benefit changes proposed by Central Government**

***note this feature will be implemented from 1st April 2017 or whenever the relevant Government Statutory Instrument/Regulation is enacted**

iii. A Hardship Fund of £250k to be provided for 2017/18, subject to annual review, to give support to households in financial difficulty due to a reduction in the Council Tax Support they receive.

The meeting concluded at 1.40 pm.

Councillor Donna Jones
Leader of the Council



Title of meeting:	Cabinet
Date of meeting:	8 December 2016
Subject:	Portsmouth Safeguarding Children Board Annual Report
Report by:	Lucy Rylatt, PSCB Business Manager
Wards affected:	All
Key decision	N/A

1. Purpose of report

- 1.1. To introduce the sixth Annual Report of the Portsmouth Safeguarding Children Board on the effectiveness of safeguarding children in Portsmouth

2. Recommendations

- 2.1. Members are invited to receive the Portsmouth Safeguarding Children Board Annual Report and to note areas of progress and challenges in the work delivered by services to safeguard children and promote their well-being

3. Background

- 3.1. Since 2009 there has been a requirement in national guidance that the Chief Executive and the Leader of the Council should make an assessment of the effectiveness of local governance and partnership arrangements for improving outcomes for children and supporting the best possible standards for safeguarding and promoting the welfare of children.
- 3.2. The Apprenticeships, Skills, Children & Learning Act 2009 introduced a requirement for Local Safeguarding Children Boards to produce and publish an annual report on the effectiveness of safeguarding in the local area. Subsequent statutory guidance (Working Together to Safeguard Children 2015) indicated that the report should be submitted to the 'Chief Executive, Leader of the Council, the local Police and Crime Commissioner and the Chair of the Health and Wellbeing Board'.
- 3.3. The Annual Report of the Portsmouth Safeguarding Children Board and the formal report to Cabinet provide the accountability framework to meet these responsibilities.

4. Key points

- 4.1. The report highlights the strengths and improvements delivered in this period, particularly in relation to:
 - A new **Missing, Exploited & Trafficked Strategy** has been developed to launch in April 2016. This builds on the previous PSCB CSE Strategy which has successfully embedded good safeguarding around children at risk of sexual exploitation. It now includes our strategic response to missing children and trafficked
 - In April 2015, the **Neglect Identification and Measurement Tool (NIMT)** was launched with associated guidance. The NIMT and guidance has been available on the PSCB website since June 2015 and has been promoted across the training programme, as well as

parental non-compliance and disguised compliance and importance of supervision

- Portsmouth has successfully implemented a **Multi-Agency Safeguarding Hub** which allows key agencies the opportunity to share information in the context of safeguarding concerns so as to determine the right services for vulnerable children and families

4.2. The PSCB has made good progress and has significant strengths, however the report highlights the key areas for development across the partnership:

- **Data:** The Board challenged Hampshire Constabulary on the need for more comprehensive data on children especially those victim of sexual exploitation, neglect and domestic abuse. Although this presented a difficult challenge to the police in providing such specific data, Hampshire Police have responded positively and are making significant changes to meet this requirement in 2016/17
- **Missing, Exploited & Trafficked Children:** The challenges faced this year by the MET Committee have been collating the right dataset and understanding what the data is telling us. This is being developed as a priority in 2016/17 to fully understand the impact on children and build on what works.
- **Female Genital Mutilation:** Increased partnership working with statutory agencies (through training and information sharing) to consolidate work on safeguarding women and children. Reaching women and children at high risk of FGM in Portsmouth to raise awareness of FGM and its legal and health complications
- **Describing children's views, wishes and feelings:** an audit of agencies reports to Child Protection Conferences raised concerns that they did not contain sufficient information about children's views. The Board is now developing guidance and good practice for agencies. All agencies will report back to the Board on how they routinely share reports with families prior to conferences

4.3. The Annual Report 2015-2016 was presented to the Children's Trust Board and the Health and Wellbeing Board shortly. The report highlights the important issues to be taken into account by the Boards in the planning and commissioning of services for children in Portsmouth including:

- ensuring that safeguarding arrangements are robust in the context of austerity measures and the resulting changes to organisational structure
- to continue to promote and develop effective multi-agency early help and early intervention services in the local area
- to ensure that the voice of children and young people is taken account of in shaping services and their delivery
- ensuring that the Children's Trust Board and the Health and Wellbeing Board work effectively together to drive improvements in children's safeguarding outcomes

5. The report provides the basis for the PSCB in planning how to effectively undertake their responsibility to coordinate and scrutinise the work of partner agencies in promoting the wellbeing of children and keeping them safe. The planning and commissioning tasks of the Health and Wellbeing Board and Children's Trust Board are vital in supporting effective safeguarding and improved outcomes for children.

6. Equality impact assessment (EIA)

An Equality impact assessment is not required as this report is for information only.

7. Legal Implications

There are no legal implications at this time

8. Finance Comments

There are no financial implications

Signed by:

Appendices: Portsmouth Safeguarding Children Board Annual Report 2015/16

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
Apprenticeships, Skills, Children & Learning Act	Legislation.gov.uk
2009 Statutory Guidance on the Roles and Responsibilities of the Director of Children's Services and the lead Member for Children's Services	Gov.uk
Working Together to Safeguard Children 2015	Gov.uk

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected

by on

Signed by:

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**Portsmouth Safeguarding
Children Board**

**Annual Report
2015-16**

*Safeguarding the children of
Portsmouth*

A FOREWARD FROM THE INDEPENDENT CHAIR

Reg Hooke



It is my pleasure to present to you the annual report of the Portsmouth Safeguarding Children Board (PSCB) 2015/16. The PSCB is a statutory partnership that works to safeguard and promote the welfare of children in Portsmouth by working with, and scrutinising, the work of agencies with key responsibilities for keeping children safe in the city. These include staff working in health, social care, police, probation and education settings as well as voluntary sector organisations. We concentrate our attention on the safety of children most vulnerable

and at most risk of harm and we ensure that positive outcomes for children remain a priority for those organisations. We do this in three main ways:

- holding organisations to account at regular Board meetings,
- providing vital training to professionals and
- improving practices by conducting targeted reviews and audits

The Board sets and reviews its priorities annually to ensure we are focussed on those issues that matter most to Portsmouth. This year for example, children told us a major concern to them is bullying and you will see this is now a specific priority for the coming year.

Rather than overwhelming the reader with facts and figures, this report summarises the years' work and highlights specific risk groups and priorities. We have seen some excellent benefits delivered to children this year. Support to children in care (Looked After Children) and young offenders has been commendable. Quality training has been delivered to many schools

Challenges remain of course. Further improvements in Early Help (working with families before things get worse) is essential, as is tackling Domestic Abuse and protecting children from the harm it does to them.

2016/17 will bring further challenges and indeed potentially major developments and change to arrangements for child safeguarding oversight and scrutiny. The recent Government Review of LSCBs (The Wood Review) will lead to legislation that will likely seek to strengthen local partnerships and scrutiny arrangements for child protection, especially the role of local authorities, police and health. This will be a significant evolution of multi-agency safeguarding arrangements as currently set in legislation.

As Chair of the PSCB I will continue to work closely with leaders in Portsmouth to ensure child safeguarding of the vulnerable remains at the heart of any reforms. The PSCB main Board will also be adapting the way it works to better focus the considerable expertise of members on PSCB priorities and other emerging issues. I will also lead the Board in being proactive in response to Government legislation, seeking arrangements that best serve the City's children and, mutually, our neighbouring areas with whom we work closely.

A handwritten signature in black ink that reads "Reg Hooke". The signature is written in a cursive style and is underlined with a single horizontal stroke.

Priorities for 2015/16 and how we delivered against them

PSCB will ensure that the views of children are contributing to learning and best practice

- 16 young people aged 14-17yrs from a range of secondary schools across the city and the Children in Care Council attended the PSCB development afternoon to give their feedback on the Board's priorities
- Young people told the Board overwhelmingly that their main concern was bullying which affected all areas of their life—at school and online. Bullying is now a specific priority for 2016-17

PSCB will improve communication across Portsmouth so that appropriate knowledge of safeguarding is available to all and so that PSCB is hearing the views of professionals and from children, families and communities from all parts of the city

- The PSCB, in conjunction with the Safeguarding Adults Board, held Portsmouth's first safeguarding week in June 2015. Over 200 practitioners from across the workforce attended one of the learning opportunities during the week (Single Assessment Framework workshops and Serious Case Review briefings).
- Reflective practice meetings are being more widely used where cases have got stuck or there's been frustrations between agencies and professionals to review what worked well and what was difficult. The committees then support interagency learning by disseminating appropriate messages
- Portsmouth has successfully implemented a Multi-Agency Safeguarding Hub which allows key agencies the opportunity to share information in the context of safeguarding concerns so as to determine the right services for vulnerable children and families

The PSCB will coordinate the work being done in agencies to tackle exploitation and abuse of young people, including Childhood Sexual Exploitation

- In 2015/16 Portsmouth piloted a CSE Guardian Angels patrol, a police led initiative to provide advice and raise awareness of CSE by targeting hot spots where children meet within the city.
- PSCB, working with Barnardo's, has provided training to 158 professionals who work with children in Portsmouth through a combination of face-to-face training and online programmes to raise awareness of CSE and trafficking.
- A new Missing, Exploited & Trafficked Strategy has been developed to launch in April 2016. This builds on the previous PSCB CSE Strategy which has successfully embedded good safeguarding around children at risk of sexual exploitation. It now includes our strategic response to missing children and trafficked

PSCB will prioritise improving the effectiveness of agencies and the community in tackling situations where children are neglected or are at risk of neglect

- In April 2015, the Neglect Identification and Measurement Tool (NIMT) was launched with associated guidance. The NIMT and guidance has been available on the PSCB website since June 2015 and has been promoted across the training programme, as well as parental non-compliance and disguised compliance and importance of supervision.
- The Board's dataset has been updated with neglect indicators to monitor the quantity of children experiencing neglect being identified and responded to by agencies

Priorities for 2016/17 - the PSCB Business Plan can be found [here](#) on the 'about us' page of the PSCB website

- 1: **Neglect** - Improve the effectiveness of agencies and the community in addressing neglect
- 2: **Communication and Participation Strategy** - Improve the awareness of Safeguarding, including the work of the Board, amongst practitioners and the community, with a particular focus on at risk communities. Ensuring that the voice of children influences learning and best practice
- 3: **Tackling exploitation and abuse across young people in Portsmouth, including CSE**— to ensure robust partnership arrangements are in place to prevent and manage the risk of harm to young people, including Child Sexual Exploitation, Missing and Trafficked Children,
- 4: **Tackling bullying in schools and online** - as this is what children and young people in Portsmouth tell us is their greatest concern

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PSCB contacts details

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CHAPTER 1

About the Portsmouth Safeguarding Children Board

The Portsmouth Safeguarding Children Board (PSCB) is the statutory partnership body responsible for coordinating and ensuring the effectiveness of services in Portsmouth for protecting and promoting the welfare of children.

The Board is made up of senior representatives from all the main agencies and organisations in Portsmouth with responsibility for safeguarding and promoting the welfare of children and young people in Portsmouth. The PSCB fulfils its statutory role in coordinating local work by:

- Developing robust policies & procedures
- Participating in the planning and commissioning of services for children in Portsmouth
- Communicating the need to safeguard and promote the welfare of children and explaining how this can be done

We ensure the effectiveness of local work by:

- Monitoring what is done by partner agencies to safeguard and promote the welfare of children
- Undertaking serious case reviews and other multi-agency case reviews, audits and sharing learning opportunities
- Collecting and analysing information about child deaths
- Publishing an Annual Report on the effectiveness of local arrangements to safeguard and promote the welfare of children in Portsmouth

During 2015-16 the Board has continued to meet bi-monthly, with the Executive Committee meeting on the intervening months. The work of the PSCB is largely undertaken through the sub-committees, supported by the Business Unit and is heavily reliant on the input of staff from all partner agencies.

What follows is a brief overview of the roles, functions and structure of the Board. More detail can be found in the Constitution, which can be found [here](#) on the 'about us' page of the PSCB website.

Main Board

This is made up of representatives of the member's agencies. Board members must be sufficiently senior so as to ensure they are able to speak confidently and sign up to agreements on behalf of their agency, and make sure that their agency abides by the policies, procedures and recommendations of the PSCB.

Executive

The Executive Committee manages the business and operations of the PSCB, ensuring there are clear governance arrangements in place. Progress on the objectives and tasks within the LSCB Business Plan are driven by Executive Group meetings and reported on a regular basis to the Board.

Sub Committees

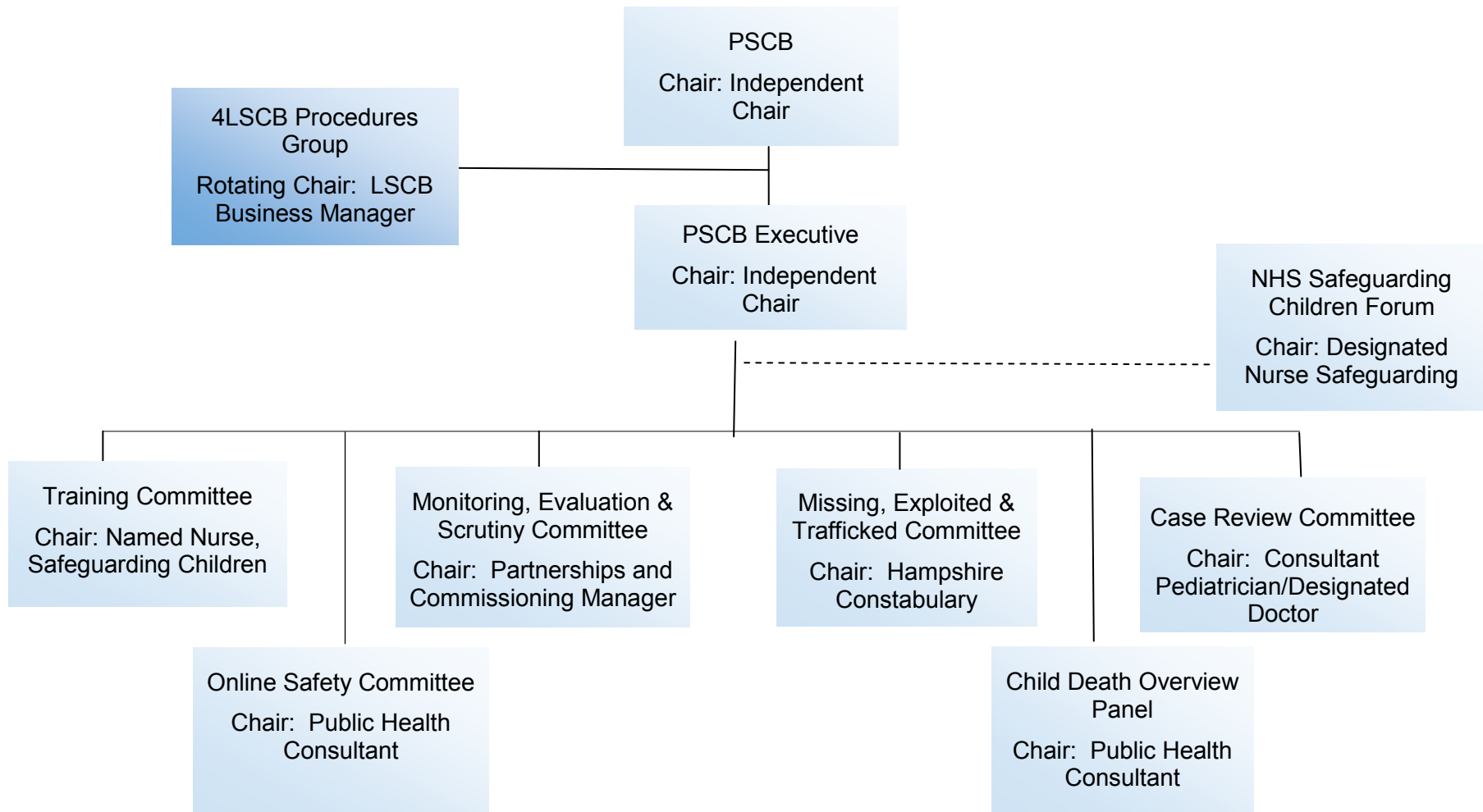
Membership of the committees is made up of staff from bodies or agencies represented at the PSCB, who are co-opted to ensure each committee has the relevant expertise and knowledge to deliver the PSCB Business Plan. Membership of committees can include Board Members themselves. The commitment shown by agencies and their staff is testament to the seriousness with which the PSCB is viewed and the shared intent across the partnership to improve multi-agency working, services and outcomes for children and young people

4LSCB Arrangements

Portsmouth, Hampshire, Isle of Wight and Southampton each has its own LSCB, but come together under the 4LSCB umbrella. It is under this arrangement that the four LSCBs produce the child protection procedures that set out how agencies and individuals across all four geographical areas should work together to safeguard and promote the welfare of children. The target audience for these procedures is professionals (including unqualified staff and volunteers) and front-line managers who have particular responsibilities for safeguarding and promoting the welfare of children, and operational and senior managers, in:

- Agencies responsible for commissioning or providing services to children and their families and to adults who are parents;
- Agencies with a particular responsibility for safeguarding and promoting the welfare of children.

PSCB Structure Chart



Key PSCB Roles

Independent Chair

Reg Hooke was appointed to the role of Independent Chair to the PSCB in 2013.

The Chair is subject to an annual appraisal to ensure the role is undertaken competently and that the post holder retains the confidence of the PSCB members. The Chief Executive of Portsmouth City Council, David Williams, appoints the Chair and managerial support is provided by the Director of Children's Services.

Portsmouth City Council

Whilst the Chair and the Board itself is independent, Portsmouth City Council is responsible for establishing and maintaining the PSCB on behalf of all agencies.

The Director of Children's Services and the Deputy Director of Children's Social Care are required to sit on the main Board of the PSCB as these are pivotal roles in the provision of children's social care within the local authority.

Leader of Portsmouth City Council

The ultimate responsibility for the effectiveness of the PSCB rests with the Leader of Portsmouth City Council, Councillor Donna Jones.

Lay Members

The PSCB has three local residents acting as Lay Members who support stronger public engagement in local child protection and safeguarding issues and contribute to an improved understanding of the PSCB's work in the community.

The PSCB lay members started off the year by hosting the annual Lay Members Conference in June for LSCB lay members in the South East region. This took a lot of planning and preparation but was a great way to start off the year and gave them the opportunity to discuss their experiences with others and establish in more depth what the role of a Lay Member should be.

During this year the lay members have joined the PSCB Business Manager on some audit moderation visits, which provided a great opportunity for them to speak to various agencies within the city and understand how they put into practice the guidelines around safeguarding.

The lay members also played an integral role in helping prepare for and facilitating part of the PSCB's annual development day, where young people came from around the city to talk about their experiences of safeguarding and helping review the Board's priorities for next year.

The lay members attend the board meetings and stay up to date with the items discussed at the board.

In the coming year they hope to build on their role further and explore opportunities to get more involved with the work of the PSCB and safeguarding children in Portsmouth.

Lead Member for Children's Services

During 2015-16 this role was held by Cllr Neill Young, a locally elected Councillor with responsibility for making sure that the local authority fulfils its legal responsibilities to safeguard children and young people. The Lead Member contributes to the PSCB as a participating observer and is not part of the decision-making process.

Partner Agencies

The key statutory partners are Portsmouth City Council, Hampshire Constabulary, the various sectors of the National Health Service with responsibility for Portsmouth and schools. A number of other partners make up the PSCB and all are committed to ensuring the effective operation of the PSCB. This is supported by the PSCB Constitution which sets out the governance and accountability arrangements.

Designated Professionals

Health commissioners should have a designated doctor and nurse to take a strategic, professional lead on all aspects of the health service contribution to safeguarding children across the local area. Designated professionals are a vital source of professional advice on safeguarding children matters to partner agencies and the PSCB. There are Designated Doctors and Nurse roles in post.

Key Relationships

Children's Trust

The Portsmouth Children's Trust is a partnership of agencies in the city committed to working together to improve all outcomes for children. The Trust is governed by a Board with formal responsibility for strategic planning, commissioning services, and promoting effective integrated working.

The Children's Trust is responsible for producing, delivering and monitoring the Children's Trust Plan which outlines how improvements in service delivery and design will be made to achieve better outcomes for children and families.

The PSCB reports annually to this body and we hold them to account to ensure they commission the services that are needed based on the agreed safeguarding priorities.

Health and Wellbeing Board

This Board was established in Portsmouth in 2012/13. It brings together leaders from the County Council, NHS and partner agencies to develop a shared understanding of local needs, priorities and service developments.

The PSCB reports annually to the Health and Well-being Board and will hold it to account to ensure that it tackles the key safeguarding issues for children in Portsmouth.

Clinical Commissioning Groups

The Clinical Commissioning Group, NHS England and Health Services across Portsmouth have been important contributors to the PSCB during 2015-16

Portsmouth Safeguarding Adults Board (PSAB)

The overarching purpose of a Safeguarding Adults Board is to:

- Assure itself that local safeguarding arrangements are in place for vulnerable adults as defined by the Care Act,
- Prevent abuse and neglect where possible, and
- Provide timely and proportionate responses when abuse or neglect has occurred.

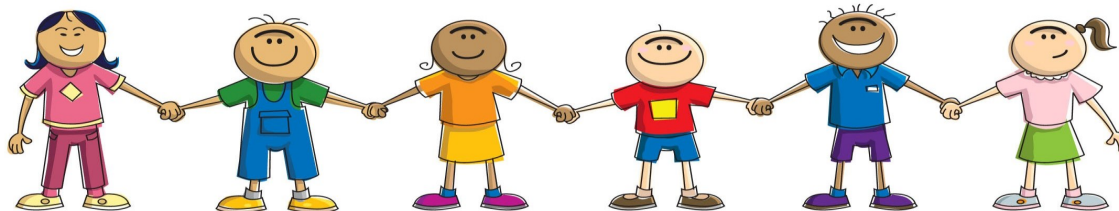
The PSCB has a significant interest in the work of the PSAB as there are many related themes such as children in homes where adults have mental health issues, vulnerable teenagers approaching adulthood and those leaving care as adults.

Joint Working Protocols

The PSCB, Children's Trust and Health and Well-being Board have a well established joint protocol outlining working arrangements between the three Boards.

There is also a joint working protocol between the Health & Wellbeing Board, PSCB and PSAB which sets out:

- the distinct roles and responsibilities of the Boards,
- the inter-relationships between the Boards in terms of safeguarding and wellbeing, and
- the means by which we will secure effective co-ordination and coherence between the Boards.



Challenge and Change

A main role of the Board is to challenge agencies to make improvements to safeguarding arrangements where risks or potential risks are identified. Having done so the Board will support members to co-ordinate solutions to remove or reduce those risks. Here are a few examples:

- **Following the annual report on Child protection Case Conferences the Board raised concerns that multi-agency partners may not be monitoring the quality of the plans sufficiently**
 - ⇒ In response the Executive Group members undertook an audit . This found that there was a significant weaknesses for all agencies in the descriptions of the child's views, wishes and feelings. The Board is now developing guidance and good practice for agencies . All agencies will report back to the Board on how they routinely share reports with families prior to conferences
- **The Board challenged Hampshire Constabulary on the need for more comprehensive data on children especially those victim of sexual exploitation, neglect and domestic abuse**
 - ⇒ Although this presented a difficult challenge to the police in providing such specific data, Hampshire Police have responded positively and are making significant changes to meet this requirement in 2016/17
- **The Board challenged the School Nursing Service to review its planned changes to service that would have meant that Child protection Conferences (CPC) may have been sitting without Health representation. National policy states that a health representative must be present at a CPC**
 - ⇒ A multi-agency group chaired by the Director of Public Health and including Children's Social Care and Health met and ultimately agreed that a School Nurses, or health visitor , will continue to attend all Initial CPCs and that further support will be tailored to the needs of each case
- **The newly established Multi Agency safeguarding Hub (MASH) this year afforded opportunity to re-examine the information-sharing guidance, particularly following concerns raised by Ofsted about obtaining parental/family consent . The Board sought an update on the embedding of MASH and challenged a number of areas of teething problems in set up**
 - ⇒ The encouraged agencies to reconsider processes and re-issue guidance across the workforce. The MASH has now established robust arrangements that afford consent being considered and promote legitimate information sharing arrangements that assist the Safeguarding of vulnerable children in Portsmouth
- **The Board challenged itself on its lack of engagement with children in its own planning**
 - ⇒ The annual event to review Board priorities included school children being facilitated through the secondary schools member to participate in the day. This was a hugely successful event and the richness of the contributions from the children was highly refreshing and influential

Financial Arrangements

Board partners continue to contribute to the PSCB budget in addition to providing a variety of resources in kind.

Contributions from partners for 2015-6 were £170,679, £149,790 towards the Board's core budget and £20,889 to support the PSCB training programme.

An underspend of £13,024 was carried forward from 2014-15

PSCB budget 2015-16

Income	Total Funding £
Portsmouth City Council	123,620
Portsmouth NHS CCG	30,762
Police	13,117
Probation	2,278
Naval Personnel & Family Service	274
CAFCASS	628
Total Funding	170,679

Budget item	Allocated budget £
Staffing costs	£ 85,000.00
Additional costs	£ 6,000.00
Chronolator licence	£ 554.00
Independent Chair	£ 25,000.00
Online procedures maintenance	£ 1,500.00
Website maintenance	£ 400.00
Child Death overview	£ 12,600.00
PSCB development day 2016	£ 800.00
Apprentice	£ 2,500.00
MESC	£ 5,000.00
SCR	£ 10,053.00
SAF Launch x3 (refreshments only)	£ 500.00
Total	£ 149,907.00



CHAPTER 2 Safeguarding children in Portsmouth

The City of Portsmouth

Portsmouth is a port city situated on the southern coast of Hampshire. The city area spans just 15.5 square miles and in 2016, the population is estimated to be approximately 212,800. Portsmouth is recognised as being the most densely populated local authority in the United Kingdom outside of London.

Approximately 43,800 children and young people under the age of 18 years live in Portsmouth. This is 20.6% of the total population in the area.

The most recent Portsmouth Schools Census (2015) indicates that children and young people from minority ethnic groups account for 20.1% of all children living in the area, which is lower than the national average of 28.6% in England. The proportion of children and young people with English as an additional language in primary schools is 15.1% (the national average of 18.7%) and in secondary schools is 12% (the national average is 14.3%). After English, Bengali and Polish are the most common languages spoken in Portsmouth schools .

In 2013, there were approximately 9,000 dependent children in Portsmouth aged under 20 years living in poverty, at 21.4% this is significantly higher than the average for England of 18%. The percentage of children and young people living in poverty (where household income is 60% or less of median income) varies greatly across the city, the highest percentage by electoral ward is 43% with the lowest percentage being 4.3%.

Portsmouth has a relatively high proportion of Armed Forces personnel resident in the city, at the time of the 2011 Census, there were 2,396 members of the Armed Forces aged 16 years and over resident to Portsmouth (1.2% of the adult population of Portsmouth, compared to the England average of 0.3%). Additionally 11% of Portsmouth adults (aged 16 years and over) are estimated to be veterans.

Policy Context

[Section 14 of the Children Act 2004](#) sets out the objectives of LSCBs, which are:

- a. to coordinate what is done by each person or body represented on the Board for the purposes of safeguarding and promoting the welfare of children in the area; and
- b. to ensure the effectiveness of what is done by each such person or body for those purposes.

[Regulation 5 of the Local Safeguarding Children Boards Regulations 2006](#) sets out that the functions of the LSCB, and Working Together to Safeguard Children (2015) provides a clear framework for LSCBs to do this in.

Further information can be found at www.workingtogetheronline.co.uk



Vulnerable Groups

Children can become vulnerable and subsequently be at increased risk of harm for a variety of reasons. National case reviews demonstrate that children living in households where there is domestic abuse, substance misuse or their parents are mentally ill are known to be at a greater risk.

We also understand the long-term damaging effects of neglectful parenting on children. We know that children who go missing from school or missing from home are also placed in greater danger of harm. Despite this it is not always possible to know the complete picture of the children whose safety is at risk because some abuse or neglect may be masked. To counter this partners in the PSCB have identified some groups of children that are understood to be at particular risk. This helps ensure that their needs are understood and that they form part of our local picture.

The PSCB annual report details our understanding of the categories of children and young people identified as being vulnerable and in need of protection.



Children at risk of being neglected

Between April 2015 and March 2016 the numbers of children subject to protection plans rose significantly, starting at 236 and rising to 305 before the end of year figure at 275. However, the proportion of children with a plan under the category of neglect has remained at approximately 70%.

In relation to the numbers of children becoming looked after as a result of neglect, the statistics also highlight some consistency, that approximately 25% children subject to protection plans as a result of neglect concerns become looked after.

Neglect has remained a prominent issue in Portsmouth. The work being completed has yet to evidence impact in tackling neglect at an earlier stage to prevent escalation.

The number of staff accessing the neglect tool and guidance on the PSCB website is increasing. Portsmouth City Council is embedding a restorative approach across the workforce that seeks to build family capacity and resilience and strengthening the early help offer so as to reduce escalation into statutory services.

Further work to examine the impact of neglect in the city and how we are tackling it is planned for 2016-17

Children at risk of going missing, sexual exploitation and/or being trafficked (MET)

The Missing, Exploited and Trafficked (MET) Committee has continued to focus activity on increasing awareness of these concerns locally and ensuring that practitioners have the right tools to respond. The Committee has seen changes in staff across the agencies represented but the Operational Group overseeing front line practice has continued to receive robust support across health, social care, education and police agencies.

The group has developed a new strategy to try and ensure children at risk are identified at an early stage. This strategy encompasses missing, exploited and trafficked and is based around 5 key pillars:

1. Scrutiny and Oversight,
2. Understand and Identify,
3. Prevention,
4. Intervention and Support, and
5. Disrupt and Bring to Justice.

It is now recognised that missing from home or care presents significant risks of CSE and developing a joint strategy will allow the LSCB to better focus on protecting children in Portsmouth and identifying early risk and providing early intervention and support. Training has been provided to 158 professionals who work with children in Portsmouth through a combination of face-to-face training and online programmes to raise awareness of CSE and trafficking.

Trafficking

The numbers of unaccompanied asylum seeking children (UASC) arriving in Portsmouth rose significantly in 2015/16 and this has resulted in more trafficking assessments and safety plans being completed. Staff in children's social care have been working closely with Barnardo's, the British Red Cross and the Home Office to better understand and plan for children at risk of trafficking and those who have been trafficked. A better recording system has now been established to be able to report on these issues. This is an area of ongoing work across agencies so as to better meet the needs of this growing group of young people

Child sexual exploitation (CSE)

The Portsmouth CSE risk assessment tool has been reviewed and revised in accordance with staff feedback. Practitioners from children's social care, the youth offending service and Barnardo's are routinely using the assessment tool to determine the level of risk and inform the right response. Across the year 102 young people were identified to be at risk of sexual exploitation (18 at high risk, 67 at medium risk and 54 at low risk). Over the course of the year 56 children received a service from the U-Turn service provided by Barnardo's to address concerns about sexual exploitation. Evidence from children's social care indicates that the risk escalated in 14 cases and decreased in 31 cases - however the risk has remained unchanged in 63 cases.

We are reviewing the CSE cases where risk has remained unchanged throughout the intervention so as to understand what we might need to do differently. We are also working across the partnership to better capture data across all agencies involved in this work so we can better capture the impact our interventions are having.

In 2015/16 Portsmouth piloted a CSE Guardian Angels patrol, a police led initiative to provide advice and raise awareness of CSE by targeting hot spots where children meet within the city. This is being evaluated to establish the impact on safeguarding children.

Missing

In relation to missing there has been work to map the pathways to services for young people going missing from home and missing from care once, twice or more in a 90 day period. There is now an automatic multi-agency strategy discussion held once a child has gone missing 3 times in a 90 day period. 244 young people went missing during 2015/16 (96 from home and 148 from care) and 157 independent return interviews were completed by Barnardo's.



Current Challenges for the MET priority

The challenges faced this year by the MET Committee have been collating the right dataset and understanding what the data is telling us. This is being developed as a priority in 2016/17 to fully understand the impact on children and build on what works.

The priorities for this Committee in 2016-17 will be:

1. To prevent children being subject of CSE and to reduce the risk to those who have been exploited by providing support.
2. To obtain coherent data across the partnerships that forms a robust performance framework
3. To ensure an effective and established information sharing and risk assessment mechanism to identify those at risk
4. To identify, disrupt and prosecute those who sexually exploit or traffic children.

The PSCB MET Strategy is available on [here](#) on the 'about us' page of the PSCB website



Private Fostering

A privately fostered child is defined as 'a child who is under the age of 16 (18 if disabled) and who is cared for, and provided with accommodation, by someone other than:

the parent

a person who is not the parent but who has parental responsibility, or

a close relative defined in this context as a brother, sister, aunt, uncle, grandparent or step-parent.

A child who is looked after in their own home by an adult is not considered to be privately fostered. Children who are privately fostered are amongst the most vulnerable and the Local Authority must be notified of these arrangements.

Information collected locally mirrors the national situation in relation to low notifications and reports rarely coming from parents. There were 11 young people subject to private fostering arrangements between 1st April 2015 and 31st March 2016. Five of these were new notifications with 2 being male and 3 female. At the end of March 2016 there were only 2 open private fostering cases. Of the current Private Fostering Arrangements only 2 people with parental responsibility made a financial contribution to the placement and both of these were young people in language schools placements. The placements were secure overall with only one placement breakdown. In all cases the child was visited within 7 working days of receipt of notification of the arrangement and additionally throughout the year on a six monthly basis, and an annual review.

The last Ofsted inspection of Children's Services in 2014/15 identified the local authorities' response to children who are living in Private Fostering Arrangements as an area for improvement. A comprehensive marketing plan has been developed to address this.

More information about private fostering can be found [here](#) on the 'parents & carers' page of the PSCB website and the Private Fostering Annual Report is available upon request.

Children who offend or are at risk of offending

Portsmouth Youth Offending Team (YOT) and Hampshire Police implemented a Triage Decision Making Panel in April 2015 as a means for diverting children and young people from the criminal justice system. Between April 2015 and March 2016, 279 discussions were held with robust and appropriate outcomes reached for each child and young person in every case.

The Priority Young Person Strategy for those who have been convicted 4 times or committed more than 5 offences in a year has continued to reduce the number of young people in this cohort.

There has been increased engagement by the young people working with YOT with substance misuse services. 100% of children referred are seen within 15 days. In the last quarter 100% of young people engaged with this service reported reduced use.

There is clear evidence of increased Education, Employment & Training (EET) for the young people receiving a YOT intervention, and this number went from 40% in Quarter 2 to above 70% in Quarter 4.

As one of the teams within Children Social Care, YOT has a clear link with the safeguarding teams and uses this to seek appropriate advice and make inter-agency safeguarding referrals where appropriate.

At the beginning of interventions with young people, as part of the initial assessment, practitioners use self-assessment tools to gauge the views and understanding of the young person. Viewpoint, a nationally accredited feedback, is used for service user feedback at review stage and the end of a court order. Portsmouth YOT is either in line with national average or exceeds it in a number of areas; drugs and alcohol - 100% of young people felt things got better after YOT intervention, emotional health - similarly positive. An impressive 80% of young people considered they are less likely to offend following YOT intervention (against a national average of 74%) and 95% felt they were treated fairly by staff.

The Youth Offending Team continues to evidence good practice which was endorsed in the re-inspection 2015/16 when the team was awarded the highest possible score for their protection of children and young people. The inspectors found examples of good quality individual and strategic work and made particular reference to the joined up work related to Child Sexual Exploitation.

The YOT is an active member of the local Missing, Exploited and Trafficked (young people) operational group. Contributing to this, the YOT has developed a mapping database for children at risk, including CSE, offending and missing. Further work and funding is needed regarding the maintenance and management of this information.

Over the year staffing levels have presented a challenge however the team has supported each other to overcome this and should be fully staffed by July 2016.

The priorities in this area for next year are:

- Reducing first time entrants to the criminal justice system
- Reducing reoffending
- Reducing use of custody



Child and young person's mental health and wellbeing

The mental health and emotional wellbeing of children and young people are of crucial importance and as such have a major impact on the safeguarding and life outcomes of children. Research indicates that half of lifetime mental health problems start by the age of 14.

During this year Solent NHS Trust have tried to make it easier for children, young people, parents and carers to access help and support when needed. With their Single Point of Access for the Child and Adolescent Mental Health Service (CAMHS) coordinating all services available in Portsmouth City for children, young people and families who present with a range of emotional, behavioural and mental health needs.

In 2015-16 CAMHS received 1,755 referrals and additionally responded to 1,605 duty calls from parents and professionals seeking advice or guidance. They are working hard to improve wait times for specialist input and are developing direct access treatments and group work for conditions including anxiety, emotional coping skills, family work and eating disorders.

For vulnerable high risk children tackling sexual exploitation and emotional abuse of young people across Portsmouth has been a priority for the CAMHS Children in Care and Youth Offending Team. They were effective in offering extended support and therapeutic training through the 'Caring for the Traumatised Child' programme to carers of children and young people who present at a higher risk of developing mental health difficulties.

The reported outcomes from children, young people and their families within the CAMHS Friends and Family Test and peer audits demonstrate that the treatment children received was what they needed, when they needed it and that they were treated with respect and dignity.

In 2016/17 a transformation plan is in place to further develop services in order to promote, protect and improve the emotional health children and young people in Portsmouth. Initiatives include;

- Creating a self-harm awareness campaign to enhance the self-harm care pathway in schools and develop positive coping strategies.
- Increasing consultation to multi-agency teams to promote early intervention to identify and support those families earlier to prevent serious mental health problems developing.
- enhancing the Infant Mental Health service to strengthen attachments between parents or carers and therefore prevent early neglect, trauma and build resilience.
- enhance the existing Eating Disorder offer to young people.
- enhancing the crisis support package to prevent admission and support discharge from hospital.
- building the skills, competencies and confidence of the children's workforce so they are equipped to best support children and young people's mental health in Portsmouth.



Female genital mutilation, circumcision or cutting (FGM/C)

Female genital mutilation (sometimes referred to as female circumcision or cutting) is a cultural practice in some communities.

It refers to procedures involving partial or total removal of the external female genitalia or other injury to the female genital organs for non-medical reasons. It has no health benefits and harms girls and women in many ways. The practice causes severe pain and has several immediate and long-term health consequences, including difficulties in childbirth and dangers to the child. It is illegal in the UK.

FGM is child abuse and a form of violence against women and girls, and therefore dealt with as part of existing child and adult safeguarding/protection structures, policies and procedures. One of PSCB's functions is to raise awareness of this amongst partners.

The prevalence of FGM in Portsmouth is difficult to estimate, because of its hidden nature. National datasets have been set up, which will help us to better estimate prevalence more accurately in time. Local estimates are based on many assumptions, are not included at this time.

Southern Domestic Abuse Service (SDAS) developed and delivered the Community Champions Training Project delivered over a 4 week programme. The project was a community-based initiative which

- challenges the powerful social norms of FGM,
- empowers women to self-reflect on FGM,
- reinforces participants' wellbeing, and
- focuses on challenges on the health issues of women and girls.

There are some diaspora communities (those who have left their ancestral homeland and retained their cultural practices) who are affected by FGM/C that are reluctant to engage with work around FGM/C but since SDAS developed the Community Champions Project, it has been able to engage with more women from a wider range of communities including those originating from countries of high prevalence.

SDAS also delivered a 7 session programme which consisted of issues affecting every woman and child, predominantly from FGM/C affected communities regardless of their disposition towards the occurrence or non occurrence of FGM/C in their communities. The programme empowered women to consider and discuss how cultural differences emanating from these issues might clash with UK legislation. The overarching aim of the programme was to increase the confidence of women within affected communities to reject FGM/C as part of their identity, and strengthen their voice to speak out against the practice thereby safeguarding themselves and their children. raise issues and concerns in order to access support. This work was funded by a variety of small funding streams.

Mandatory Reporting of FGM/C

From 31 October 2015 regulated health and social care professionals and teachers are required now to report cases of FGM/C in girls under 18 which they identify in the course of their work to the police. To ensure that GP Practices and the wider Health economy comply with this a number of awareness raising activities have been carried out by Portsmouth Clinical Commissioning Group (CCG) and it is referred to in all relevant PSCB training

The priorities in Portsmouth for next year are:

- Increased partnership working with statutory agencies (through training and information sharing) to consolidate work on safeguarding women and children
- Reaching women and children at high risk of FGM in Portsmouth to raise awareness of FGM and its legal and health complications
- Reaching school age children who are at risk of FGM through age appropriate content in schools

CHAPTER 3

The child's journey

Early Help (including Common Assessment Framework (CAF) and Single-Assessment Framework (SAF))

Early Help is about intervening and supporting children and families where they are at risk of being on a downward path and that by helping early the need for statutory intervention will be averted. There is a strong moral and indeed financial case for Early Help as it can, and should, avoid long term and even life time damage to children and remove the associated long term costs to society.

The SAF was launched in June 2015 and creates a shared inter-agency assessment and planning tool. It enables those working with a child or family to gain a holistic view of their needs and bring together the right services to meet those needs.

Page 32 In 2015/16 in excess of 600 early help assessments were made under the new Early Help Single Assessment Framework process.

Portsmouth Children's Trust has responded to a range of challenges around Early Help in Portsmouth with a clear strategy to restructure a range of universal, early help and safeguarding services into three locality-based Multi-Agency Teams (MATs) to improve the integration of key multi agency services for children and families.

The MATs is a partnership of Portsmouth City Council, Solent NHS Trust and Barnardo's and will see over 230 staff co-located into multi-disciplinary services serving the three localities. A clear focus for the MATs will be the identification of children and families requiring early help responses from the system.

In addition to the co-location, the Stronger Future strategy (within which the development of the MATs sits) will be making improvements to the flow of work into services to ensure families get the right responses, as well as rolling out a shared practice model based on Restorative Practice.

Joint Action Team - Multi Agency Safeguarding Hub

During 2015-16 the Joint Action Team, providing the gateway to children's social care, was transformed into a Multi-Agency Safeguarding Hub (MASH). The MASH affords key agencies the opportunity to share information in the context of safeguarding concerns so as to determine the right services for vulnerable children and families. The MASH is being closely monitored to ensure that it delivers a quality, safe service.

There were 19,299 contacts into JAT/MASH during 2015-16 resulting in 2,081 referrals to Children's Social Care. 1,837 Single Assessments were completed by Children's Social Care to determine the needs of children and their families.



Children In Need (including children subject to protection plans) and Looked After Children

In March 2016 Children's Social Care were working with 648 Children in Need; 275 Children subject of Child Protection Planning and 322 Looked After Children (which included 32 Unaccompanied Asylum Seeking Children).

Assessments indicate that staff have a good awareness of the signs of neglect and the impact on children. Training has been provided for Children's Social Care (CSC) staff and their Team Leaders and Service Leads provide good supervision and oversight.

CSC have been significantly involved in the work to develop Multi-Agency Teams (MATs) as part of the Stronger Futures program to develop affordable and even better services for vulnerable families in Portsmouth. It is anticipated that a number of children's services will co-locate early in 2016-17 with the aim of integrating early help services later in the year. As part of this work the children's workforce will be trained in restorative practices so that a shared approach to intervention is embedded across the workforce.

CSC staff work hard to gain the voice of the child and during 2015/16 the participation of children in their Looked After Children Reviews and Child Protection Conferences has improved and we have involved more children in the recruitment of CSC staff.

Children's Social Care have taken the lead in the MET operational group and are a key agency in improving the identification of young people at risk of CSE and working with them and the rest of the community to reduce risk. This year CSC have reviewed and revised the CSE Risk Assessment Toolkit following feedback from staff.

It has been recognised that for children in care, placing them more than 20 miles from home increases their vulnerability to CSE. In Portsmouth, Children's Social Care has continued to increase the pool of local foster carers, reducing the number of children who are placed more than 20

miles from home increases their vulnerability to CSE. In Portsmouth, Children's Social Care has continued to increase the pool of local foster carers, reducing the number of children who are placed more than 20 miles from the city.



In working restoratively with families Children's Social Care are expecting to:

- strengthen the support to families so that more children remain in the care of their family, or return home from care in a safe and timely way;
- reduce the average time children spend in the care of the Local Authority before moving to permanent care arrangements through reunification, adoption or special guardianship;
- reduce the need for repeat care proceedings.

In addition to this Children's Social care will work with colleagues from police and health to rationalise MARAC, MAPPA and Prevent process through the MASH so as to streamline pathways and limit duplication.

CHAPTER 4

Children's workforce

PSCB Safeguarding Training

The PSCB training programme is delivered by a team of professionals from its partner agencies. During 2015-16 2,137 delegates have attended PSCB courses:

- **669** spaces were filled on the **multi-agency modules**,
- **366** delegates accessed **eLearning** courses and
- **1,102** delegates were taught in **single agency settings (mostly schools)**

This figure is consistent with that of the year 2014-2015 and reflects that the PSCB makes a significant contribution in relation to having a well trained workforce in the city to keep children safe. Post evaluation shows that delegates improve their knowledge and confidence as a result of attendance.

The main groups of professionals accessing the multi-agency programme are those from schools, early years providers (nurseries and child minders) and voluntary sector organisations.

There has been an increase in delegates from Portsmouth City Council's (PCC) Housing and Children's Social Care directorates. There has been a piece of targeted work to ensure those working in Housing Services understand their responsibilities with regards to safeguarding children and bespoke Basic Awareness courses were delivered in all PCC Area Housing Offices.

The increase in attendance from Children's Social Care social workers related to newly qualified social workers attending the programme as part of their Assessed and Supported Year in Employment (ASYE) and other CSC staff using the programme to refresh their safeguarding knowledge.

Whilst the attendance from organisations such as Hampshire Police remain low in comparison to other agencies, it is encouraging that police colleagues have recently attended the new PSCB Working with Vulnerable Children (Missing, Exploited and Trafficked) course.

The content of the programme has been reviewed to ensure that 'the voice of the child' runs throughout all of the courses. We also have amended our evaluation forms to include feedback from delegates

about whether the courses help them 'focus on the child' and understand 'the child's world'. PSCB Traded Services Arrangements with schools have been successful with many schools signing up to have their safeguarding training delivered through the PSCB and we continue to deliver whole school training (sometimes to over 100 staff at one time) on a regular basis. The new course for Designated Safeguarding Leads has been popular, with full attendance at all courses. The evaluation shows that this course is helping to ensure that school's safeguarding policy and practice is effective in keeping children safe.

There is a strong focus on Neglect across the whole programme and related practice issues. We have delivered a number of briefings on Serious Case Review messages which were well attended and received by many professionals across the multi-agency workforce.

The whole programme of courses has been reviewed to ensure they reflect the PSCB Business Plan priorities and learning from PSCB Committees. There is a new course focusing on 'Working with Vulnerable Children' - Missing Exploited and Trafficked. There has been positive evaluations in terms of this course providing practitioners with the knowledge and skills to identify and respond to these issues, including the use of local toolkits.

Online Safety

During this year the PSCB Online Safety Implementation Plan has been further developed with the aim of raising awareness of the relevant issues, building professionals confidence in dealing with children's safety online and encouraging agencies to embed online safety into their ongoing safeguarding practice. The Online Safety Committee was reconvened to support the delivery of this implementation plan.

The PSCB have reappointed an Online Safety Officer who supports the delivery of the training offer, researches good practice, identifies emerging online safety concerns and keep up to date with changes to national guidance. The Officer in turn produces regular newsletters for professionals working with children which updates them on these as well as local good practice and signposting to useful resources.

A training offer has been developed for 2016-17 which includes workshops for schools staff, sessions in Children's Centres to introduce the subject of online safety to parents of pre-school children and a forum for professionals working with children to enable the sharing of good practice.

Allegations against adults working with children and the Local Authority Designated Officer (LADO)

The Local Authority Designated Officer or LADO, is a post that is responsible for overseeing the response to allegations made against adults working with children. Working Together to Safeguard Children (2015) and Keeping Children Safe in Education (2015) set out the framework for how the LADO role is delivered.

Notifications need to be made to the LADO within 24 hours of a manager becoming aware of an allegation or concern of a safeguarding nature regarding a person working or volunteering with children.

This framework for managing allegations should be used in respect of all cases in which it is alleged that a person who works with children has:

- behaved in a way that has harmed a child, or may have harmed a child;
- possibly committed a criminal offence against or related to a child; or
- behaved towards a child or children in a way that indicates s/he would pose a risk of harm if they work regularly or closely with children.

Children's Social Care	7
Schools	53
Early Years	21
Further Education	3
Health	3
Foster Carers	24
Childminders	3
Adults	3
Other	33
Total	150

The number of notifications to the LADO during 2015-2016 has increased by 12.8% from the previous year with 150 notifications being received. These were from the following agencies:

Safeguarding Hub (MASH). Further work is currently underway for smooth transition from MASH Police to the Police investigating Officers who are able to offer valuable and current information to the strategy and review meetings.

LADO meetings are chaired by the LADO and held as soon as possible and within two days if a child or children are at risk of harm. This timescale has been met in 89% of cases and this is significant improvement over previous years. A designated minute taker is present at the meeting and minutes are sent out within 5 working days. This timescale is usually met in 100% of cases. The outcomes of the allegations in the 150 cases were:

Substantiated	16
Unsubstantiated	16
Malicious	5
Unfounded	1
False	18
Advice only (not reached criteria)	71
Transferred to another Local Authority	12
Transfer to Designated Adults Safeguarding Manager	2
On-going	9

Keeping Children Safe in Education (2015) states that 90% of cases should be resolved within 3 months. In the twelve month period 89% of cases were resolved within 3 months. It is further guidance that 80% of cases should be resolved within one month, and current data estimates this is being achieved in 82% of cases. This is a 4% increase from the previous year. More detail on the LADO process and work undertaken during 2015-16 can be found in their annual report which is available from the PSCB upon request.

A designated administrator has recently been appointed for LADO and it will be the role of the administrator to follow up on any cases which may be waiting update from other agencies prior to conclusions. It is anticipated that this will lead to the DfE guidance being exceeded in future years.

Notification forms can be found on the PSCB website. If you wish to discuss a matter with the LADO (Denise Lingham) she can be contacted on 02392437648 or email LADO@portsmouthcc.gov.uk

Police referrals have continued to rise and are evidence of the close working links between the LADO, the Child Abuse Investigation Unit

Chapter 5

The effectiveness of safeguarding arrangements in Portsmouth

In order to evaluate the effectiveness of arrangements to safeguard and promote the welfare of children and young people in Portsmouth, evidence is drawn from a wide range of sources which are analysed together to assess the whole system:

- Engagement with children and young people
- Monitoring and reviewing
- Performance management and quality assurance:
 - How much did we do?
 - How well did we do it?
 - What difference has it made?
- External inspections and reviews.

Partner Compliance with Statutory Safeguarding Requirements

Effective practice to safeguard children and young people is dependent on partners having appropriate policies, procedures and arrangements in place to support their staff. Section 11 of the Children Act 2004 and sections 175 and 157 of the Education Act 2002 set out the requirements for agencies and form the basis for regular self-auditing of compliance. A full self-assessment of statutory partners' compliance with s(11) responsibilities was undertaken between December 2015. and January 2016.

This year 87 agencies, including schools, GP surgeries, nurseries, teams within Portsmouth City Council etc., completed this audit and the key finding was that the child protection system in Portsmouth is effective. A range of measures demonstrate a timely and effective system, despite increased numbers, and that processes and systems to keep Looked After Children safe are good.

98% of all agencies scored as either good or outstanding against their leadership and management, and no agency felt that their responsibility in relation to safeguarding being clearly communicated to staff was less than good.

The two standards against which more agencies felt their current practice either requires improvement or is inadequate were Early Help Processes and Staff Recruitment and Selection; the percentage of respondents assessing their practice in these areas as less than good were 13% and 12% respectively.

As a result the Board will continue to closely monitor early help activity and processes and ensure there is sufficient availability on the Early Help training module, which includes an overview of the Single Assessment Framework. The Board will also ensure that there is adequate provision of Safer Recruitment training and that relevant agencies are attending.

For future Section 11 Audits, PSCB is working with Hampshire, Southampton and Isle of Wight LSCBs to design a common template, in recognition of the fact that many agencies work in more than one area and to ask them to complete more than one self-assessment tool per year is too onerous a task.

Learning from Audit Activity

The PSCB oversees a range of audit activity to understand the effectiveness of early help and safeguarding in the city. These include multi-agency audits, single agency audits and 'deeps dives' into specific topics.

This year we have developed a new tool for case auditing which can be applied to child protection, child in need and early help cases. This year we have received audits on:

- Bruising of non-mobile children
- The application of threshold in the Joint Action Team (the predecessor to the MASH)
- The identification of domestic abuse in the ante-natal period
- Early Help assessments and plans
- Use of safeguarding advice line in community health provider

PSCB audit activity has highlighted the following learning:

- Identification of domestic abuse and the potential impact on babies and young children needs to improve
- Safeguarding of non-mobile children is effective
- There are a number of examples of high quality early help responses but this is not seen broadly enough across the full children's system
- Thresholds for statutory safeguarding responses need to be more widely understood and applied
- The quality of improvement plans following single agency audit activity needs to improve

CHAPTER 6

What happens when a child dies or is seriously harmed in Portsmouth?

Serious Case Reviews

Local Safeguarding Children Boards are required to consider holding a Serious Case Review (SCR) when abuse or neglect is known or suspected to be a factor in a child's death or when a child has been seriously harmed and there are concerns about how professionals may have worked together.

The PSCB only have one ongoing SCR which was commissioned following the unexpected death of an infant in 2014. The review of agencies involvement with this child has been completed, but the process has been delayed by the need to take account of parallel processes (e.g. legal proceedings), However this has not stopped the partnership implementing their actions plans and the Case Review Committee is monitoring the impact of these. The executive summary will be published once court proceedings are completed

During 2015 the PSCB published a learning review into the case of a child who was removed from hospital by his parents. Recommendations and action plans resulting from this review have been completed. The executive summary of this case has already been published and is available on PSCB website

In addition the PSCB is committed to undertaking smaller scale reviews where the case does not meet the criteria for a Serious Case Review but it is considered that there are lessons for multi-agency working to be learnt

During 2015-16 eight cases have been brought to the attention of the Case Review Committee for discussion. In these cases all agencies to whom the family are known are asked to provide a summary of their involvement. It is encouraging that in all of these cases there were examples of effective multi-agency working, such that none met the criteria for a SCR or required a partnership review.

A summary of the discussions of the cases are circulated to all participating agencies for dissemination to support learning and highlight good practice. In two of the cases where it was recommended single agencies have conducted a more thorough review of their practice and reported to Case Review Committee on the result of these reflections to ensure that any learning is disseminated more widely.

Some examples of how this learning has impacted practice are:

- Following a case presented by Solent NHS Trust Child And Adolescent Mental Health Services, more complex cases in CAMHS should now have a clear, easily accessible summary and action plan separate to the clear narrative of the notes to use in out of hours, emergency situations
- The Health Safeguarding Forum was used to share learning relating to the sibling of a case involving a non-accidental injury to a young child. The review revealed no concerns about joint working and that there was evidence of good communication between the GP and Health Visitor around the child in question. However, in relation to the sibling there was relevant learning on how GP Practices might highlight frequent attendees so that all Practice members are alerted to them and meetings between health professionals to share information to help plan support for these families can be arranged
- A learning review undertaken by Children's Social Care into the death of a care leaver found relevant learning for the Through Care Team event though the young person was 19yrs old at the time. The review has resulted in the relevant procedures being updated to ensure the Personal Adviser's responsibilities regarding transition planning are clearer and the team were provided with training so that these expectations were clear and understood

Child Death Overview Panel (CDOP)

Since April 1st 2008, Local Safeguarding Children Boards (LSCBs) in England have had a statutory responsibility for the child death review process.

The CDOP review specified child deaths, drawing on comprehensive information from all agencies on the circumstances of each child's death. Particular consideration is given to the review of sudden unexpected deaths in infancy and childhood; accidental deaths; deaths related to maltreatment; suicides; and any deaths from natural causes where there are potential lessons to be learnt about prevention.

Through this review the Panel identify:

- any lessons to be learnt or overall patterns and trends, including any system or process issues within any agency or voluntary sector and any public health issues
- any case giving rise to the need for a referral to the Case Review Committee
- any matters of concern affecting the safety and welfare of children in the area
- any wider public health or safety concerns arising from a particular death or from a pattern of deaths in the area.

Until 2015 Portsmouth LSCB partnered with Hampshire, Southampton and Isle of Wight Safeguarding Children Boards to form a single CDOP. However, following a review of these arrangements by the Independent Chairs each of the four LSCBs now has its own CDOP arrangements but on the two principles:

1. Each LSCB works to the same Rapid Response procedures, as well as standard CDOP forms, across the four areas
2. There will be shared learning and data sharing on a minimum annual basis.

The four CDOPs will continue to produce one annual report, which will be managed by Hampshire CDOP and is available [here](#) on the 'about us' page of the PSCB website.

In Portsmouth CDOP is now a part of the Case Review Committee meeting 4 times a year, using part of these meetings to review the deaths of children who were usually resident in Portsmouth. A representative from Public Health Chairs the CDOP, and the Specialist Midwife for Safeguarding Children attends.

Portsmouth CDOP gathers and assesses information on the deaths of all children and young people from birth (excluding those babies who are stillborn) up to the age of 18 years. This includes neonatal deaths, expected and unexpected deaths in infants and in older children and young people. The outcomes of these reviews are shared with the other CDOPs in Southampton, Hampshire and the Isle of Wight to ensure that any common themes and emerging trends are identified and learning shared.

During the period of review there were 11 Portsmouth child deaths of which 6 were unexpected. The Portsmouth panel has reviewed 3 of these cases and there are no themes or trends connected to these deaths. The breakdown of these figures is as follows:

⇒ Children 0-4 years = 7

⇒ Children 5-17 = 4

⇒ Over two thirds of the children were female.

⇒ 5 deaths were in the first 2 quarters of the year and 6 in the final quarter.

⇒ Of the 3 cases reviewed by the Portsmouth panel none had any modifiable factors

There are currently 7 outstanding cases to review. One of these includes an ongoing serious case review.



CONCLUSIONS

Message for everyone

Contribute to a learning culture in Portsmouth. Be tenacious in your efforts to safeguard children. Be curious, be prepared to challenge and be open to challenge to ensure we learn lessons from what we do. Remain curious and persistent wherever you have concerns about a child.

Messages for Elected Members

Demand the best for our children. Use your role as Corporate Parents to ensure that Looked After Children in Portsmouth get the high level of care and support they deserve.

Expect agencies to provide robust evidence from children and young people that the support they receive is improving their lives.

Scrutinise plans and reports and challenge safeguarding service delivery if it is not good enough.

Get to know Portsmouth from a child's point of view. Understand the risks children in Portsmouth face and the support they receive to address them.

Take advantage of training and development opportunities on safeguarding and promoting the welfare of children and young people.

Message for Children and Young People

Children and young people are at the heart of the child protection system. Your voices are the most important of all. The PSCB continues to seek better ways of hearing children and young people's views.

Messages for The Police and Crime Commissioner

Ensure Police commit fully to the delivery of the PSCB MET strategy, which includes children who are missing, exploited and trafficked.

Ensure that there is an effective multi-agency response to incidents of child neglect, reducing the likelihood of the children suffering significant and long term damage.

Ensure there are appropriate arrangements to support child victims of crime through court processes and recovery

Messages for Clinical Commissioning Groups

CCGs in the health service have a key role in scrutinising the governance and planning across a range of organisations.

Discharge your safeguarding duties effectively and ensure that services are commissioned for the most vulnerable children.

Message for the Community

Remember that children in our community are all our responsibility. If you have concerns about a child contact the Multi Agency Safeguarding Hub on 0845 6710271 or 023 9266 8793.

Messages for the City Council

Continue your work to improve outcomes for children leaving care and increase their engagement in education, employment and training.

Messages for the Children's Trust

Make sure the plans for early help assessment promote the identification of and effective support for families experiencing neglect.

In your decision-making around structuring early help services ensure new arrangements promote links with the local community, particularly with those groups who find engaging with services challenging.

Messages for the Children's Workforce

Keep yourself up to date with national and local processes, practices and issues around Early Help and Safeguarding.

If you are concerned about the professional decision making around a child, challenge it, and escalate if it hasn't been resolved.

Membership of the PSCB March 2016

Title	Agency
PSCB Chair	PSCB
Business Manager, Home-Start (Vice Chair)	Portsmouth Voluntary Sector
Deputy Director of Nursing	Solent NHS
Director of Children's Services	Portsmouth City Council
Director of Public Health	Portsmouth City Council
Deputy Director of Children's Services, Children's Social Care	Children's Social Care-Portsmouth City Council
Chief Operating Officer Portsmouth CCG and Director of Adult Services	Adult Services - Portsmouth City Council
Director of Nursing	P/mouth Hospital NHS Trust
Clinical Executive	Portsmouth Clinical Commissioning Group
Assistant Director of Nursing (Patient Experience)	NHS England
Head of Child & Family Services	Solent NHS
Chief Superintendent	Hampshire Constabulary
Cabinet Member for Children and Education	Lead Member for Children's Services
Leadership Adviser & Senior Manager for Allegations, Education and Strategic Commissioning	Portsmouth City Council
St Georges Beneficial C of E Primary School, Portsmouth	Portsmouth Primary Schools
Headteacher, Springfield Secondary School, Portsmouth	Portsmouth Secondary Schools
Executive Director, Student & Alumni Services, Highbury College	Portsmouth Colleges
Service Manager, Hidden Violence & Young People	Domestic Abuse Services-Portsmouth City Council
Options Manager, Housing	Housing -Portsmouth City Council
Commissioning & Partnerships Manager	Children's Trust Board
Director of Operations, Motiv8	Portsmouth Voluntary Sector
Diocesan Safeguarding Advisor, Anglican Diocese	Diocese
Methodist Association	Diocese
Southern Counties Baptist Association	Diocese
Demand Management Lead	S/Central Ambulance Service
PSCB Lay Person x 3	
Head of Operations, Hampshire & IOW CRC	Probation
Director of Offender Management	Probation
Area Officer	Naval Welfare
Higher Officer	UK Border Force

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PSCB contacts details

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Agenda Item 6

Agenda item:

Decision maker: Cabinet 8th December 2016
City Council 13th December 2016

Subject: Revenue Budget Monitoring 2016/17 (2nd Quarter) to end September 2016

Report by: Director of Finance & Information Service

Wards affected: All

Key decision (over £250k):

1. Purpose of Report

1.1 The purpose of this report is to update members on the current Revenue Budget position of the Council as at the end of the second quarter for 2016/17 in accordance with the proposals set out in the "Portsmouth City Council - Budget & Council Tax 2016/17 & Medium Term Budget Forecast 2017/18 to 2019/20" report approved by the City Council on the 9th February 2016.

2. Recommendations

2.1 It is recommended that:

- (i) The forecast outturn position for 2016/17 be noted:
 - (a) An overspend of £418,600 before further forecast transfers from/(to) Portfolio Specific Reserves & Ring Fenced Public Health Reserve
 - (b) An overspend of £33,300 after further forecast transfers from/(to) Portfolio Specific Reserves & Ring Fenced Public Health Reserve.
- (ii) Members note that any actual overspend at year end will in the first instance be deducted from any Portfolio Specific Reserve balance and once depleted then be deducted from the 2017/18 Cash Limit.
- (iii) Directors, in consultation with the appropriate Cabinet Member, consider options that seek to minimise any forecast overspend presently being reported and prepare strategies outlining how any consequent reduction to the 2017/18 Portfolio cash limit will be managed to avoid further overspending during 2017/18.

3. Background

3.1 A Budget for 2016/17 of £157,992,700 was approved by City Council on the 9th February 2016. This level of spending enabled a contribution to General Reserves of £1.43m since in year income exceeds in year spending.

3.2 Since the 9th February City Council meeting, the Council has been allocated additional one off non ring-fenced grants totalling £105,000 in 2015/16 and £214,700 in 2016/17. In order to achieve the government's priorities in these areas, service budgets have been adjusted as appropriate. In addition, the adjusted budget includes £42,100 grant income relating to additional Local Taxation Administration Subsidy notified in May 2016.

3.3 In summary, changes to the budget as approved on 9th February 2016 are as follows:

	£
Budget Approved 9 th February 2016	157,992,700
Special Education Needs & Disability (SEND)	154,500
Early Implementer Innovator Grant	105,000
Individual Electoral Registration	60,200
Adjusted 2015/16 Budget	158,312,400

3.4 Once the above budget changes are taken into account, the Budget (as adjusted) for 2016/17 has increased to £158,312,400. After the additional non ring fenced grant funding is taken into account this results in an overall contribution to General Reserves of £1.36m for 2016/17 (i.e. assuming no overall budget variance).

3.5 This is the second quarter monitoring report of 2016/17 and reports on the forecast 2016/17 outturn as at the end of September 2016. The forecasts summarised in this report are made on the basis that management action to address any forecast overspends are only brought in when that action has been formulated into a plan and there is a high degree of certainty that it will be achieved.

3.6 Any variances within Portfolios that relate to windfall costs or windfall savings will be met / taken corporately and not generally considered as part of the overall budget performance of a Portfolio. "Windfall costs" are defined as those costs where the manager has little or no influence or control over such costs and where the size of those costs is high in relation to the overall budget controlled by that manager. "Windfall costs" therefore are ordinarily met corporately from the Council's central contingency. A manager / Cabinet Member however, does have an obligation to minimise the impact of any "windfall cost" from within their areas of responsibility in order to protect the overall Council financial position. Similarly, "windfall savings" are those savings that occur fortuitously without any manager action and all such savings accrue to the corporate centre.

3.7 The Financial summary attached at Appendix A has been prepared in Portfolio format and is similar in presentation, but not the same as, the more recognisable "General Fund Summary" presented as part of the Budget report approved by Council on 9th February 2016. The format presented at Appendix A has been amended to aid understandability for monitoring purposes by excluding all non cash items which have a neutral effect on the City Council's budget such as Capital Charges. In addition to this, Levies and Insurances are shown in total and have therefore been separated from Portfolios to also provide greater clarity for monitoring purposes.

4 Forecast Outturn 2016/17 – As at end September 2016

4.1 At the second quarter stage, the revenue outturn for 2016/17 after further forecast transfers from/to Portfolio Specific Reserves (Underspends are retained by right) is forecast to be overspent by £33,300 representing an overall budget variance of 0.0%.

4.2 The quarter 2 variance consists of a number of forecast under and overspends.

The most significant overspendings at the quarter 2 stage are:

Quarter 1 Forecast Variance		Quarter 2 Forecast Variance	Quarter 2 Forecast Variance (After Transfers From Portfolio Reserves)
£		£	£
450,800	Children's Social Care	654,700	619,700
	Environment & Community Safety	213,100	Nil
2,428,200	Health & Social Care	1,714,300	1,274,300

These are offset by the following significant forecast underspends at the quarter 2 stage:

Quarter 1 Forecast Variance		Quarter 2 Forecast Variance	Quarter 2 Forecast Variance (After Transfers To Portfolio Reserves)
£		£	£
	Housing	124,100	Nil
	Port	656,300	625,000
	Resources	262,800	22,000
537,300	Asset Management Revenue Account	540,000	540,000
750,000	Contingency	750,000	750,000

5 Quarter 2 Significant Budget Variations – Forecast Outturn 2016/17

5.1 Children's Social Care – Overspend £654,700 (or 2.8%) or After Transfer From Portfolio Reserve £619,700 (2.6%)

The cost of Children's Social Care is forecast to be £654,700 higher than budgeted (as compared to £450,800 at the end of Quarter 1).

The overspend is primarily related to higher costs and numbers of child placements (£631,100) and delays in the delivery of savings plans related to commissioned and

shared services arrangements (£171,500) offset by reduced staffing costs due to staff turnover and the holding of posts vacant (£154,500).

Of the £654,700 forecast overspending in 2016/17, £454,000 relates to an underlying budget deficit within the Portfolio. Proposals to minimise the current underlying deficit and to eliminate any deficit arising in 2017/18 are currently being formulated.

Whilst there are individual variances within budget areas covered by the Dedicated Schools Grant, in aggregate these are neutral.

5.2 Environment and Community Safety – Overspend £213,100 (1.5%) or After Transfer From Portfolio Reserve Nil

The cost of Environment and Community Safety is forecast to be £213,100 higher than budgeted.

The key variances are:

- Due to a reduction in the quality and volume of non-collected recycling waste coupled with a fall in the prices paid; income from recyclable waste is forecast to be £97,000 lower than originally budgeted. In addition, an increase in the volume of non-recyclable and contaminated recycling has exceeded the capacity of the Council's waste incinerator. This has resulted in an increase in waste being sent to landfill, resulting in a further increase in costs of £396,000.
- Due to delays in the implementation of savings proposals and reduced funding receipts from external sources Community Safety, Strategy and Partnership is forecast to overspend by £98,600.
- These overspends are offset by a number of areas of underspending across the Portfolio, most notably; within Hidden Violence and Abuse which is forecast to underspend by £156,300 due to the holding of posts vacant pending the outcome of service reviews; a £78,100 reimbursement of prior year contributions by PCC to the East Solent Coastal Partnership as a result of additional income generated by the Partnership; and following a review of the waste collection contract savings totalling £71,500 have been identified.

5.3 Health and Social Care – Overspend £1,714,300 (4.1%) or After Transfer From Public Health Reserve £1,274,300 (3.0%)

The cost of Health & Social Care is forecast to be £1,714,300 higher than budgeted (compared to £2,428,200 at the end of Quarter 1).

The key variances are:

- The cost of Public Health is forecast to be £440,000 higher than budgeted. This overspending will be met from the ring fenced Public Health Reserve. The overspend has arisen due to reductions in the Public Health Grant paid by central government notified after the budget was set and the funding of

"change projects" outside of core operations that will improve health outcomes within the City.

- Increased volume of demand for Older Persons Physical Support where domiciliary care packages are required or clients are required to be placed in privately run homes (£468,200).
- Delays in achieving planned cost reductions from providing residents with Learning Disabilities with more independent living accommodation due to shortages of suitable accommodation, a delay in the redesign of the Day Service for residents with Learning Disabilities offset by a reduction in demand for domiciliary care packages for clients with Learning disabilities and vacancies within the social worker teams has resulted in forecast overspend of £213,500.
- A delay in moving clients with Mental Health issues from Residential Homes to more independent Supported Living settings and a delay in the retendering of the Supported Living contract has resulted in a forecast overspend of £353,500
- Delay in the implementation of staffing savings has resulted in a forecast overspend of £233,400

Of the £1,714,300 forecast overspending in 2016/17, £71,000 relates to an underlying budget deficit within Public Health and £600,000 within Adult Social Care. Proposals to minimise the current underlying deficit and to eliminate any deficit arising in 2017/18 are currently being formulated.

5.4 Housing – Underspend £124,100 (or 3.5%) or After Transfer To Portfolio Reserve Nil

The Portfolio is currently forecasting an underspend of £124,100.

The underspending is primarily due to the number of homeless cases being lower than expected during the first half year (£83,900), the holding of posts vacant following staffing reviews (£75,000) offset by higher spending relating to vulnerable people and young adults as a result of a contract price reduction being less than originally anticipated (£44,700).

5.5 Port – Underspend £656,300 (or 11.8%) or After Transfer To Portfolio Reserve 625,000 (or 11.1%)

Overall net income from the Port is forecast to be £656,300 above target income.

The improvement over the target net income is as a result of a new agreement with a major operator within the port.

5.6 Resources – Underspend £262,800 (or 1.4%) or After Transfer To Portfolio Reserve 22,000 (or 0.1%)

The Portfolio is forecasting an underspend of £262,800.

A number of underspendings are forecast across the Portfolio mainly as a result of posts that are being held vacant and additional income arising from project related work chargeable to Public Health and the Housing Revenue Account (£414,600). These underspends are offset by reduced fee income within the AMS Design and Maintenance Service following delays to capital schemes as a result of changing client needs and a focus on non fee earning work that will ultimately lead to significant ongoing savings across the Council in the future (£174,800).

5.7 Asset Management Revenue Account – Underspend £540,000 (or 2.3%)

This budget funds all of the costs of servicing the City Council's long term debt portfolio that has been undertaken to fund capital expenditure. It is also the budget that receives all of the income in respect of the investment of the City Council's surplus cash flows. As a consequence, it is potentially a very volatile budget particularly in the current economic climate and is extremely susceptible to both changes in interest rates as well as changes in the Council's total cash inflows and outflows.

The forecast underspend relates to:

Increased interest earned due to higher cash balances than originally budgeted, primarily as a result of additional borrowing being undertaken to take advantage of exceptionally low interest rates in the lead up to, and immediately after the EU Referendum and capital expenditure planned to be incurred in 2015/16 slipping to 2016/17 (£1,530,200). This additional interest income is offset by higher interest payments as a result of the additional borrowing referred to above (£1,381,600).

The slippage in the capital programme in 2015/16 and appropriations to the Housing Revenue Account has reduced the amount the Council is required to set aside to repay debt in 2016/17 by £407,800.

5.8 Contingency - Planned Release £750,000

As outlined above, Adults and Children's Social Care are presently forecast to overspend by £1,894,000 (after transfers from reserves). Some of this forecast overspending may be mitigated by action plans currently under development; however it is unlikely that these Portfolio's will be able to contain this level of overspending within their current cash limits. The contingency had been deliberately prepared to guard against the risk that some of the savings proposals of these Services may not be fully achievable. The amount of contingency that can be estimated to be releasable at this stage for this purpose is £750,000.

5.9 All Other Budget Variations – Overspend £169,700 or After Transfers Form/To Portfolio Reserves Overspend – £54,300

All variations are summarised in Appendix A

6. **Transfers From/To Portfolio Specific Reserves**

In November 2013 Full Council approved the following changes to the Council's Budget Guidelines and Financial Rules:

- Each Portfolio to retain 100% of any year-end underspending and to be held in an earmarked reserve for the relevant Portfolio
- The Portfolio Holder be responsible for approving any releases from their reserve in consultation with the Section 151 Officer
- That any retained underspend (held in an earmarked reserve) be used in the first instance to cover the following for the relevant portfolio:
 - i. Any overspendings at the year-end
 - ii. Any one-off Budget Pressures experienced by a Portfolio
 - iii. Any on-going Budget Pressures experienced by a Portfolio whilst actions are formulated to permanently mitigate or manage the implications of such on-going budget pressures
 - iv. Any items of a contingent nature that would historically have been funded from the Council's corporate contingency provision
 - v. Spend to Save schemes, unless they are of a scale that is unaffordable by the earmarked reserve (albeit that the earmarked reserve may be used to make a contribution)
- Once there is confidence that the instances i) to v) above can be satisfied, the earmarked reserve may be used for any other development or initiative

The forecast balance of each Portfolio Specific Reserve that will be carried forward into 2017/18 is set out below:

Portfolio/Committee Reserve	Balance Brought Forward £	Approved Transfers 2016/17 £	Forecast Under/ (Over) Spending £	Balance Carried Forward £
Children's Social Care	0	35,000	(35,000)	0
Culture, Leisure & Sport	451,300	130,000	(31,800)	549,500
Education	0	0	0	0
Environment & Community Safety	1,026,700	(252,300)	(213,100)	561,300
Health & Social Care	0	0	0	0
Housing	791,400	(65,000)	124,100	850,500
Leader	41,500	0	0	41,500
PRED	842,500	(530,000)	(21,700)	290,800
Port	897,300	1,072,900	31,300	2,001,500
Resources	933,300	(347,000)	240,800	827,100
Traffic & Transportation	283,100	(100,000)	(46,400)	136,700
Licensing	110,700	0	0	110,700
Governance, Audit & Standards	372,900	200	6,500	379,600
Total	5,750,700	(56,200)	54,700	5,749,200

Note: Releases from Portfolio Reserves to fund overspending cannot exceed the balance on the reserve

7. Conclusion - Overall Finance & Performance Summary

- 7.1 The overall forecast outturn for the City Council in 2016/17 as at the end of September 2016 is forecast to be £158,345,700. This is an overall overspend of £33,300 against the Amended Budget and represents a variance of 0.0%.
- 7.2 The forecast takes account of all known variations at this stage, but only takes account of any remedial action to the extent that there is reasonable certainty that it will be achieved.
- 7.3 The overall financial position is deemed to be “green” since the forecast outturn is close to budget.
- 7.4 In financial terms, the forecast overspend within the Children's Social Care and Health & Social Care Portfolios represent the greatest concerns in terms of the impact that they have on the overall City Council budget for 2016/17. Of the £2.4m forecast overspending (before transfers from reserves) relating to these areas, £1.1m is estimated to be ongoing and therefore represents their combined underlying deficits. This is a significant improvement in the underlying stability of these budgets compared to previous years and is expected to be manageable over time if the savings plans currently being prepared are successfully implemented. Consequently, it is recommended that Directors continue to work with the relevant portfolio holder to consider measures to significantly reduce or eliminate the adverse budget position presently being forecast by these Portfolios, and any necessary decisions presented to a future meeting of the relevant portfolio.

- 7.5 In terms of the overall budget position for 2016/17, the Council has set aside funding within the Contingency Provision to guard against potential overspending. So, whilst the forecast overspend of £33,300 in the current year can be mitigated to a large extent, the underlying deficit will need to be addressed in 2017/18.
- 7.6 Where a Portfolio is presently forecasting a net overspend in accordance with current Council policy, any overspending in 2016/17 which cannot be met by transfer from the Portfolio Specific Reserve will be deducted from cash limits in 2017/18 and therefore the appropriate Directors in consultation with Portfolio Holders should prepare an action plan outlining how their 2016/17 forecast outturn or 2017/18 budget might be reduced to alleviate the adverse variances currently being forecast.
- 7.7 Based on the Budget (as adjusted) of £158,312,400 the Council will remain within its minimum level of General Reserves for 2016/17 of £7.0m as illustrated below:

	<u>£m</u>
General Reserves brought forward @ 1/4/2016	16.411
<u>Less:</u> Forecast Overspend 2016/17	(0.033)
<u>Add:</u> Planned Contribution to General Reserves 2016/17	1.363
Forecast General Reserves carried forward into 2017/18	17.741

Levels of General Reserves over the medium term are assumed to remain within the Council approved minimum sum of £7.0m in 2016/17 and future years since any ongoing budget pressures / savings will be reflected in future years' savings targets.

8. City Solicitor's Comments

- 9.1 The City Solicitor is satisfied that it is within the Council's powers to approve the recommendations as set out.

9. Equalities Impact Assessment

- 10.1 This report does not require an Equalities Impact Assessment as there are no proposed changes to PCC's services, policies, or procedures included within the recommendations.

.....

Chris Ward
Director of Finance & Information Service

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 & Council Tax 2016/17 & Medium Term Budget Forecast 2017/18 to 2019/20	Office of Deputy Director of Finance
Electronic Budget Monitoring Files	Financial Services Local Area Network

The recommendations set out above were:

Approved / Approved as amended / Deferred / Rejected by the Cabinet on 8th December, 2016

Signed:

Approved / Approved as amended / Deferred / Rejected by the City Council on 13th December, 2016

Signed:

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2016

MONTHLY BUDGET MONITORING STATEMENT - CASH LIMIT 2016/17	
PORTFOLIO	City Council General Fund
BUDGET	Total General Fund Expenditure
TOTAL CASH LIMIT	158,312,400
CHIEF OFFICER	All Budget Holders
MONTH ENDED	September 2016

ITEM No.	BUDGET HEADING	BUDGET FORECAST 2016/17			
		Total Budget	Forecast Year End Outturn	Variance vs. Total Budget	
		£	£	£	%
1	Children's Social Care	23,656,200	24,310,900	654,700	2.8%
2	Culture, Leisure & Sport	6,490,500	6,522,300	31,800	0.5%
3	Education	5,824,600	5,900,900	76,300	1.3%
4	Environment & Community Safety	13,895,700	14,108,800	213,100	1.5%
5	Health & Social Care	42,048,200	43,762,500	1,714,300	4.1%
6	Housing	3,518,800	3,394,700	(124,100)	(3.5%)
7	Leader	121,500	121,500	0	0.0%
8	PRED	(3,872,100)	(3,850,400)	21,700	0.6%
9	Port	(5,584,600)	(6,240,900)	(656,300)	(11.8%)
10	Resources	18,246,300	17,983,500	(262,800)	(1.4%)
11	Traffic & Transportation	14,345,900	15,079,100	733,200	5.1%
12	Licensing Committee	(226,600)	(226,600)	0	0.0%
13	Governance, Audit & Standards Com	274,000	267,500	(6,500)	(2.4%)
14	Levies	80,600	80,600	0	0.0%
15	Insurance	1,312,400	1,312,400	0	0.0%
16	Asset Management Revenue Account	23,185,100	22,645,100	(540,000)	(2.3%)
17	Other Miscellaneous	14,995,900	14,245,900	(750,000)	(5.0%)
TOTAL		158,312,400	159,417,800	1,105,400	0.7%
Total Value of Remedial Action (from Analysis Below)			(686,800)		
Forecast Outturn After Remedial Action		158,312,400	158,731,000	418,600	0.3%
Forecast Transfers To Portfolio Specific Reserves			54,700		
Forecast Transfer From Ring Fenced Public Health Reserve			(440,000)		
Forecast Outturn After Transfers (From)/To Portfolio Specific Reserves		158,312,400	158,345,700	33,300	0.0%

Note All figures included above exclude Capital Charges
Income/underspends is shown in brackets and expenditure/overspends without brackets

VALUE OF REMEDIAL ACTIONS & TRANSFERS (FROM)/TO PORTFOLIO SPECIFIC RESERVES

Item No.	Reason for Variation	Value of Remedial Action	Forecast Portfolio Transfers
1	Children's Social Care	0	(35,000)
2	Culture, Leisure & Sport	0	(31,800)
1	Education	0	0
3	Environment & Community Safety	0	(213,100)
4	Health & Social Care	0	0
5	Housing	0	124,100
6	Leader	0	0
7	PRED	0	(21,700)
8	Port	0	31,300
9	Resources	0	240,800
10	Traffic & Transportation	(686,800)	(46,400)
11	Licensing Committee	0	0
12	Governance, Audit & Standards Com	0	6,500
13	Levies	0	
14	Insurance	0	
15	Asset Management Revenue Account	0	
16	Other Miscellaneous	0	
Total Value of Remedial Action		(686,800)	54,700

Note Remedial Action resulting in savings should be shown in brackets Page 53

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Agenda Item 7



Portsmouth
CITY COUNCIL

Agenda item:

Decision Maker: Cabinet 8th December 2016
City Council 13th December 2016

Subject: New Sports and Leisure Contracts - Prudential Borrowing Requirement

Report by: Director of Finance & Information Services (s151 Officer)

Wards affected: All

Key decision (Over £250k): Yes

1. Purpose of report

1.1. This report seeks approval for a capital scheme to be added to the Capital Programme approved by the City Council on 9th February 2016. This will enable various capital investment works and major repairs to the city's Sports and Leisure facilities to be undertaken after the commencement of the new Sports and Leisure contracts for which BH Live have recently been awarded preferred bidder status.

2. Recommendations

2.1. That the following be approved:

- i. The currently approved Capital Programme 2015/16 to 2020/21 is updated to include the capital scheme "Sports and Leisure Facilities Investment" at an estimated cost of £2.4m.
- ii. Following completion of a comprehensive financial appraisal, approved by the Director of Finance & S151 Officer demonstrating that the additional reduction in cost arising from the investment can significantly exceed the associated borrowing costs over the life of the contract, that the cost of the scheme be financed from Prudential Borrowing.

3. Background

- 3.1. On 3rd December 2015 Cabinet approved the "re-procurement" option for the Mountbatten Centre and other Leisure Sites Management Contracts for the provision of these facilities.
- 3.2. The target contract start date is 1st February 2017 and a project team was formed in early 2016 to facilitate this.

- 3.3. The procurement project had a number of objectives including:
- A review of the current contractor operation in order to develop a comprehensive understanding of existing delivery methodology
 - Development of a full understanding of the current contractual relationship with the incumbent operator
 - An assessment of the current and future requirements for sports and leisure facilities in Portsmouth
 - To have a clear understanding of the role Public Health plays in the provision of leisure facilities
 - An improvement in current service outcomes and an enhanced financial offer to the Council
- 3.4. Following the advertisement of the contract to operate 6 of the City's Leisure facilities, a number of high quality bids were received. Each bid was comprehensively evaluated using criteria previously set out by the Council. As a result of this evaluation, BH Live were selected as the preferred bidder. BH Live consistently scored highly across all areas of the bid assessment criteria, and the Council was particularly impressed by their exciting development proposals for the facilities and the highly competitive and flexible membership packages that they proposed.
- 3.5. The new contract is expected to provide considerable savings from 2018/19 onwards compared to current budgets whilst improving both the level of participation, and the overall customer experience.
- 3.6. The successful bidders offer included the financing costs of their investment proposals assuming PCC undertook the borrowing to enable various building alterations including the following:
- Wimbledon Park Sports Centre - Health and Fitness Extension
 - Mountbatten Centre - Improvement works to Entrance and Reception Area and Terrace Café, Soft Play and Multi Use Rooms. Provision of a Clip and Climb Facility
 - Significant Maintenance items including: Gym Centre car park replacement, Wimbledon Park Sports Centre internal and external redecoration and Mountbatten Gym Centre floor replacement

- 3.7. It is clear from the tender return that providing £2.4m of capital investment into the assets would result in a significant reduction in the management fee. This reduction is expected to more than cover the cost of repayment of the loan over the 10 year life of the contract.
- 3.8. The initial contract term with the new operator is ten years. The repayment term of any Prudential Borrowing approved will be consistent with this contract term.
- 3.9. As the savings associated with the investment are more than expected to cover the repayments and interest costs of the loan and because the City Council can borrow more cheaply than if BH Live finance the building enhancements, it is recommended that:
- the City Council adds the proposed scheme to the currently approved Capital Programme and
 - the cost of the scheme is financed from Prudential Borrowing.

4. Equality impact assessment (EIA)

- 4.1. An equality impact assessment is not required as the recommendations do not have a negative impact on any of the protected characteristics as described in the Equality Act 2010.

5. Legal Implications

- 5.1. Section 1 of the Local Government Act 2003 provides the City Council with a wide power to borrow for *any purpose relevant to the authority's functions and for the purposes of the prudent management of its affairs*; this is provided it can afford to service the debt. The risk exposure has been assessed during the tender process. As such, the agreed financial model at financial close will be reflective to ensure the secured income for the City Council throughout the ten year term covers the cost of servicing the debt.

6. Director of Finance's comments

- 6.1. The evaluation undertaken to appraise the tender returns, which resulted in the award of preferred bidder status to BH Live, included an analysis of proposed capital investment. It was clear that the return to the Council (in the form of reduced management fees) arising from the investment would more than cover the cost of repayment and interest on the loan.
- 6.2. Before entering into any financial commitment, the Council will require the completion of a robust and detailed financial appraisal approved by the Director of Finance & S151 Officer, that has proper regard to the following:

- The relevant capital and revenue costs and income resulting from the investment over the whole life of the asset.
- The extent to which the investment is expected to deliver a secure ongoing saving.
- The level of expected return on the investment.
- The payback period of the capital investment.

.....
Signed by: Chris Ward:
Director Finance and Information Services (s151 Officer)

Appendices: none

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
Sports and Leisure Centres Strategic Contract Review (Cabinet 3 rd December 2015)	web

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 13th December 2016

Signed

Agenda Item 8

Agenda item:

Decision maker: Cabinet
City Council

Subject: Portsmouth City Council Revenue Budget 2017/18 -
Savings Proposals

Date of decision: 8th December 2016 (Cabinet)
13th December 2016 (City Council)

Report by: Director of Finance & Information Services (Section 151
Officer)

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Executive Summary

- 1.1 Over the past 6 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £68m (amounting a 44% cut in total Government Funding). Taken together with other financial pressures that have been experienced by the City Council (mainly relating to inflation, the effects of an ageing population on care services and the increased requirements for the safeguarding of vulnerable children), the City Council has had to make overall savings over the same period of over £86m, representing circa 42% of the Council's controllable spending.
- 1.2 The forecast for the national public finances set out in the Autumn Statement recently are expected to worsen over the next 4 years compared with previous expectations in the March 2016 Budget. However, in the Autumn Statement Government announced that Departmental Spending limits will remain unaltered, implying that the 4 year Local Government Finance Settlement that the City Council has recently received will remain intact.
- 1.3 The announcements in the Autumn Statement are not expected to materially alter the Council's expected funding from Central Government however other factors such as inflation generally, rising pension costs, the increasing elderly population and the increase in the National Living Wage are expected to impact on the Council's forecasts for future years beyond 2017/18.
- 1.4 Other variables that form part of the Council's overall financial forecasts remain uncertain such as the amount of retained business rates that will be achievable

(due in part to the revaluation to be implemented in April 2017) and the amount of Council Tax that will be received. At this stage, pending a comprehensive revision of the Council's medium term financial forecasts in February 2017, it remains prudent to plan for an overall deficit of £24m over the period 2017/18 to 2019/20.

1.5 The first tranche of savings amounting to £9m have been developed in accordance with a refreshed Medium Term Financial Strategy and with full regard to the Budget Consultation exercise.

1.6 The refreshed financial strategy builds on the existing strategy but seeks to strengthen the focus on entrepreneurial activities leading to income generation as a means to make savings and avoid cuts to services. Entrepreneurialism now extends to include maximising the returns on the Council's property and other assets as well as further developing strategic partnerships and shared service arrangements as a means to improve resilience, fill skills shortages, and reduce costs. The overall aim of the Strategy is now described as follows:

"In year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the City, being entrepreneurial and protecting the most important and valued services"

1.7 The budget consultation exercise agreed that income generation should be pursued as an alternative to cuts, that joint working was welcomed and that service to vulnerable adults and children should be protected. A majority of respondents also indicated that they would accept an additional 2% increase in council Tax to support Adult Social Care.

1.8 In accordance with the Medium Term Financial Strategy and the outcome of the Budget Consultation, the Administration's proposals for the £9m Budget Savings for 2017/18 are summarised as follows:

(i) Savings analysis:

Description of Saving	Savings	
Efficiency Savings (little or no reduction in Services)	£6.7m	74%
Additional Income	£1.4m	16%
Service Reduction	£0.9m	10%
Total	£9.0m	100%

(ii) Savings for Children's Services amounting to 1.1% of their budget and savings for Adult Social Care Services amounting to 2.6% of their budget compared with the average saving across all services of 4.7%

(iii) A proposed Council Tax increase of 3.99% of which 1.99% is for general purposes with the other 2.0% to be passported to Adult Social Care

- 1.9 As well as refreshing the Council's Medium Term Financial Strategy, the Administration are taking the opportunity to also propose a refresh to the criteria for awards under the Voluntary Sector Capacity & Transition Fund aimed at improving the sustainability of the voluntary sector, assisting in building capacity and supporting any necessary transformation. The proposals set out in Section 10 remove the Payback criteria recognising that cost avoidance rather than delivery of a direct reduction in cost is an equally valid aim. Also removed is the requirement for any award to be a "one-off" allocation, this has been extended to encourage multi-year awards but of a sustainable and finite nature. It is envisaged that this will allow the voluntary sector to be more creative and flexible in their approach to developing proposals by taking away some of the previous financial obstacles. Additionally there is now a stronger emphasis on building capacity across the sector in a sustainable way.
- 1.10 Whilst the savings proposals for 2017/18 are considered realistic, they are not without risk and the Council's contingency and Portfolio Reserves will be carefully prepared to provide strong mitigation. Additionally, Children's and Adults Social Care will still have to address underlying deficits of £454,000 and £600,000, respectively. Further savings proposals for both of these services (not contained within this report) are being planned in order to eliminate these deficits and place their budgets on a sound footing for 2017/18. This includes consideration of increasing the Adult Social Care Precept beyond 2% if the possibility arises.
- 1.11 Looking forward beyond 2017/18 still with significant savings to be made, the Council will need to focus its strategy on entrepreneurial activities and regeneration if it is to avoid significant cuts to Services. The alternative is to rely more heavily on efficiency savings and service cuts which would inevitably fall heavily on Children & Education and Health & Social Care since these areas, in aggregate, account for 56% of the Council's total controllable spending.
- 1.12 Approval of the proposals within this report will maintain the Council's financial health and resilience and its ability to respond in a measured and proportionate way to any "financial shocks" as well as having sufficient financial capacity to exploit opportunities as they arise.
- 1.13 The proposals within this report are a necessary pre-cursor to the Annual Budget and Council Tax Setting meeting of the 14th February 2017 when the Council will be requested to formally approve the Budget for 2017/18 and the associated Council Tax for the year. Should the savings proposals contained within this report be approved, they will form the basis of the Budget for 2017/18 presented to Council. That report will also include a comprehensive revision of the Council's future financial forecasts and set the consequent future savings requirements for the period 2018/19 to 2020/21.

2 Purpose of Report

- 2.1 The report describes the financial challenge facing the City Council for the three years 2017/18 to 2019/20 and the likely implications for Council services to businesses and residents. It also describes, in overall terms, the way in which the Administration will seek to address this challenge through its refreshed Medium Term Financial Strategy, now described as follows:

OVERALL AIM

"In year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the City, being entrepreneurial and protecting the most important and valued services

- 2.2 The report sets out the need to find £24m of savings over the next three years with a minimum of £9m (assuming a 3.99% increase in Council Tax) to be made in 2017/18. It recommends the level of savings to be made across Portfolios and other activities in 2017/18 consistent with both the outcomes of the recent budget consultation exercise and the overall financial strategy. The appendices highlight the likely savings proposals and implications associated with the overall Portfolio savings levels proposed.
- 2.3 Also addressed within this report is the commitment by the Administration to refresh the criteria for the use of the Voluntary Sector Capacity & Transition Fund to ensure that those funds are more accessible for use to secure sustainable voluntary sector services in the future.
- 2.4 Finally, the report stresses the important contribution that the MTRS Reserve and the Capital Programme can make to the Council's overall Medium Term Financial Strategy. The General Fund Revenue Budget is the most constrained of all Council budgets and the sustainability of Council Services will be better protected if both MTRS funds and the Capital programme are directed towards generating savings or raising income.
- 2.5 This report is being brought at this time to provide greater opportunity for any necessary consultation, notice and other lead-in times to take place prior to implementation in order that full year savings can be made. Should approval of the savings be considered at a later date, a greater number or deeper savings will be required in order to compensate for any delay in implementation.

2.6 In particular, this report explains:

- (a) In broad terms the challenge for the City in the current economic climate
- (b) The general financial constraints on the City Council both currently and in future years
- (c) A refresh to the Council's Medium Term Financial Strategy
- (d) Where underlying budget deficits currently exist and how these will be managed
- (e) Key assumptions built into the City Council's forecasts for 2017/18 to 2019/20 which give rise to a forecast £24m deficit over the period and which include:
 - i. Revenue Support Grant
 - ii. Other Non-ring fenced grants
 - iii. Business Rates
 - iv. Council Tax yield
 - v. Inflation and interest rates
- (f) The level of uncertainty surrounding future years funding sources from Council Tax, Business Rates and Government Grant and the extent to which this could affect the forecast £24m deficit over the period
- (g) The Medium Term Financial Strategy aimed at meeting the Council's core aim whilst addressing the £24m deficit
- (h) The key themes arising from the budget consultation that took place over the September / October period to assist Members in their consideration over the level and nature of savings to be made across Portfolios
- (i) In the context of the Medium Term Financial Strategy and the Budget Consultation, the proposed savings amount for each Portfolio / Committee to be made in 2017/18
- (j) The detailed indicative savings (Appendix B) that could be made by each Portfolio / Committee in meeting its overall savings amount in order to provide the Council with the assurance necessary to approve the recommended savings amount for each Portfolio / Committee
- (k) How any change to the Adult Social Care Council Tax precept assumed at 2% of Council Tax will affect the Council's savings requirements
- (l) The need to agree the Portfolio / Committee savings amounts at this early stage in order that any necessary consultation, notice periods or other lead times can commence in order to avoid greater and deeper savings arising from any delay
- (m) The proposed criteria for the use of the Voluntary Sector Capacity & Transition Fund

- (n) How the proposals contained within this report will be fed into the formal Budget and Council Tax 2017/18 proposals to be considered by the City Council on 14th February 2017

3 Recommendations

3.1 That the following be approved:

- (a) The Medium Term Financial Strategy set out in Section 8
- (b) That the Council's Budget for 2017/18 be prepared on the basis of a 3.99% Council Tax increase
- (c) That in the event that the Council has the ability to increase the level of Council Tax beyond 2% in order to fund Adult Social Care pressures, and if the Council elects to do so, that any additional funding that arises is passported direct to Adult Social Care to provide for otherwise unfunded cost pressures.
- (d) The savings proposals for each Portfolio amounting, in total, to £9m for 2017/18 and continuing into future years as set out in Appendix A to enable appropriate consultation and notice periods to be given to affected parties
- (e) That the criteria for the use of the Voluntary Sector Capacity & Transition Fund be replaced with the following:
 - i) Overall fit with the Council's objectives - providing services consistent with the Council's responsibilities that are not replicated elsewhere
 - ii) Integration and/or collaboration with other voluntary sector partners - demonstrating a willingness to transform and build voluntary sector capacity on a sustainable basis
 - iii) Deliverability - proposals are costed robustly and plans demonstrate that they can be confidently delivered
 - iv) Sustainability - a single application for a 1 year, 2 year or 3 year award which demonstrates an operating model that will endure without further funding from the Council
 - v) Cost Avoidance - illustration of how the proposal avoids costs elsewhere "in the system" and / or improves the integration and efficiency of the voluntary sector as a whole
 - vi) Potential for further Transformation - the extent to which the proposal could drive further transformation and capacity of the voluntary sector in the future
 - vii) Wider economic impacts

3.2 That the following be noted:

- (a) The Budget Savings Requirement for 2017/18 of £9m approved by the City Council was based on a Council Tax increase of 3.99%; each 1% change (increase or decrease) in the Council Tax results in a change to the savings requirement of £652,000¹
- (b) The key themes arising from the budget consultation
- (c) The indicative savings proposals set out in Appendix B which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 3.1 (d) above are robust and deliverable
- (d) The likely impact of savings as set out in Appendix B based on the scale of the Portfolio savings as recommended in paragraph 3.1(d)
- (e) The Local Council Tax Support Scheme for 2017/18 was approved by the City Council on 15 November 2016, the associated savings are now reflected in the overall savings requirement of £9m; the scheme itself has now been approved and that scheme is not the subject of this report, the proposals in this report simply reflect the associated budget position
- (f) That the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings within those Portfolios / Committees
- (g) That it is the responsibility of the individual Portfolio Holders (not the City Council) to approve the individual savings proposals and the Portfolio Holder can therefore, in response to any consultation, alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix B with alternative proposal(s) amounting to the same value within their Portfolio
- (h) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process
- (i) That there is no general provision for Budget Pressures and that it is the responsibility of the Portfolio Holder to manage any Budget Pressures which arise from the overall resources available to the Portfolio (which includes their Portfolio Reserve)
- (j) In accordance with the approved financial framework, it is the responsibility of the Portfolio Holder, in consultation with the Director of Finance & Information Services (S151 Officer), to release funds from the Portfolio Reserve in accordance with the provisions set out in paragraph 10.15
- (k) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies currently holds a very modest uncommitted balance of £3.0m and will only be replenished from an approval to the transfer of any non-Portfolio underspends at year end into this reserve

¹ Tax increases will be subject to Council Tax referendum thresholds which are at this stage unknown

4 Economic & Financial Context

- 4.1 The national public finances continue to be a challenge for Central Government. The economic forecasts from the Office for Budget Responsibility (OBR) which informs Government's tax and spending parameters have worsened since the national Budget in March 2016. Central Government have responded to this in the Autumn Statement on 23rd November 2016 by relaxing the previous fiscal rules requiring a Budget Surplus by the end of this parliament and now allowing the Country to return to a Budget Surplus "as early as possible in the next parliament.....but should be below 2% by the end of this parliament".
- 4.2 Despite the worsening of the national public finances since the Comprehensive Spending Review and the March Budget 2016, the Autumn Statement did not seek any further reductions in Government Departmental Spending limits which implies that the 4 year Government Finance Settlement that the Council applied for (and has now been approved by Government) will remain intact.
- 4.3 The Autumn Statement did however confer some additional cost pressures on the Council in relation to the uplift in the National Living Wage from £7.20 to £7.50 (4.2% increase) from April 2017 which will predominantly affect Adult Social Care contracts. The impact of the National Living Wage increase is expected to amount to £1.4m.
- 4.4 Over the past 6 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £68m (amounting to 44%). This has primarily been through reductions in Revenue Support Grant and has made no allowance for the differing council tax levels and tax bases of councils. Taken together with other financial pressures that have been experienced by the City Council (mainly relating to inflation, the effects of an ageing population on care services and the increased requirements for the safeguarding of vulnerable children), the City Council has had to make overall savings over the same period of over £86m. In context, this represents circa 42% of the Council's controllable spending.
- 4.5 Looking forward, the Council's current forecasts which run to 2019/20 indicate an overall savings requirement of £24m over the forthcoming 3 year period. This will mean that over the period of the austerity programme, funding from Government will have reduced by some 53%.

5 Local Government Funding Outlook - 2017/18 and Beyond

Local Government Finance Settlement 2017/18 & Beyond

- 5.1 The Local Government Finance Settlement is the term used to describe the main non-ring fenced Revenue and Capital grant funding allocations from Government.

- 5.2 The Local Government Finance Settlement for 2017/18 which currently accounts for approximately 47% of controllable spending is expected to be announced in either the second or third week of December 2016. As previously mentioned, it is anticipated that the settlement for 2017/18 will be as set out in the 4 year Finance Settlement upon which the Council's savings requirements are based. Consequently, it is not anticipated that the Council's overall financial position (and its deficits) will be significantly affected by the Settlement.
- 5.3 In overall terms, the Council expects a further reduction in Government Funding over the three year period 2017/18 to 2019/20 of £12.2m, representing a funding reduction of 20%.
- 5.4 Whilst the Local Government Finance Settlement is a significant factor in determining the Council's overall financial position and therefore any necessary savings, other significant factors that will affect the Council's future savings requirements include Business Rates income, Council Tax income, inflation, interest rates and any new unfunded burdens passed down from Government.

Council Tax 2017/18 & Beyond

- 5.5 Portsmouth City Council remains a low taxing Authority. The Council currently receives approximately £6.0m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group, a gap which the Council would otherwise not need to fund through reductions in services or additional income.
- 5.6 The original assumptions for 2017/18, 2018/19 and 2019/20 are for a 3.99% increase in Council Tax each year, this generates a total of £8.4m in income over the 3 year period (or £2.8m per annum). The increase in the amount of Council Tax payable by the average council taxpayer² in Portsmouth with a 3.99% increase is £37.81 per year (or 73 pence per week).
- 5.7 Half of the assumed increase (i.e. 2%) relates to the "Adult Social Care precept". This is an increase in Council Tax that Councils can raise but only if the funding is passported to Adult Social Care. This precept is designed to help relieve the pressure on what is termed "the funding crisis in adult social care" which is occurring as the elderly population rises alongside the cost of care.
- 5.8 The assumed Council Tax increase of 3.99% is comprised of the following:
- (a) A 1.99% increase yielding £1,298,000 (equating to 36 pence per week for a Band B³ Tax payer) **for general purposes** including covering the costs of inflation and other cost pressures

² The median Council Taxpayer lives in a Band B property

³ The average Council Tax Payer in Portsmouth lives in a Band B property

- (b) A further 2% increase yielding £1,305,000 (equating to a further 36 pence per week for a Band B Tax payer) for the "Social Care Precept" and to be passported direct to Adult Social Care to fund increasing demographic pressures and other cost pressures such as the National Living Wage estimated at circa £1.4m alone

- 5.9 Each 1% change (increase or decrease) in the Council Tax results in a change to the savings requirement of £652,000⁴. Should the Council wish to reduce the assumed level of Council Tax increase from 3.99%, equivalent savings will need to be made in order to remedy the associated increase in the overall deficit. Conversely, any increase in Council Tax beyond the 2.0% **for general purposes** will make a contribution towards the overall deficit, meaning that the extent of savings to be made will reduce. Council tax increases **for general purposes** however, are subject to a "referendum threshold" which is a limit (i.e. council tax increase) that to exceed requires a "yes" vote in a referendum. The Council Tax referendum limits are not expected to be announced until the second or third week in December as part of the Local Government Finance Settlement.
- 5.10 The limit for the Adult Social Care precept is determined by Central Government, this is also expected to be announced as part of the Local Government Finance Settlement. Should this limit be set at a rate that is higher than the 2.0% currently assumed, and the Council decide to implement any such additional increase, this will need to be passported to Adult Social Care.
- 5.11 As set out in Section 6, there are a number of actual and potential cost pressures that either currently exist or will fall on Adult Social Care in 2017/18. This includes the current underlying budget deficit amounting to £0.6m as described in the "Revenue Budget Monitoring 2016/17 (2nd Quarter) to end September 2016" report contained elsewhere on this Agenda. In addition, Adults Social Care will face pressures from the rising elderly population generally, the requirements of the Care Act and the 4.2% increase in the National Living Wage. The National Living Wage alone could confer an additional cost of circa £1.4m on the Council. On that basis, it is recommended that in the event that the Council has the ability to increase the Adult Social Care Precept beyond 2% and if the Council elects to do so, that any additional funding that arises is passported direct to Adult Social Care in order to provide for currently unfunded pressures.

Business Rates 2017/18 & Beyond

- 5.12 The previous grant funding system from Government changed in 2013/14. Funding from Government was reduced and replaced with the ability to retain 49% of all Business Rates collected. Business Rates income is increased by inflation each year and is also influenced by the extent to which Business Rates income grows or contracts and the level of successful appeals against rates

⁴ Tax increases will be subject to Council Tax referendum thresholds which are at this stage unknown

valuations. 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.

5.13 The system is complex but some of the key features are highlighted below:

- For business the National Non Domestic Rates (NNDR) system will remain the same. Local Authorities will not have control over how the level of tax is determined for ratepayers
- If the business rate taxbase grows the City Council will be rewarded with increased funding, but if it declines Council funding will reduce
- It is estimated that a 1% change in Business Rates will result in circa £400,000 change in funding
- Local Authorities that have very significant business rate growth will pay a levy
- A safety net payment will come into effect if an Authority’s income falls by more than 7.5% of the original baseline funding level.

5.14 Current estimates of the City Council's share (i.e. 49%) of total Business Rates collected for 2016/17 is £39.6m. For the period 2017/18 to 2019/20, the Council's forecasts assume no real growth but with inflationary uplifts of 2.0%, 2.9% and 3.2%, respectively. These inflationary uplifts are now considered to be optimistic for 2017/18 and changes to the estimated Business Rate income for the current and future years will be reflected in the comprehensive revision to the Council’s overall financial forecasts in February 2017. Any consequent implications will be reflected in the Savings Requirements for future years.

5.15 A Business Rate revaluation will come into effect from April 2017 which is intended to be fiscally neutral at a national level. The intent is also to neutralise and financial effect on each Local Authority through the current system of "Top Ups" and "Tariffs". So, the uplift in rateable values in Portsmouth which will lead to increased business rate income will be offset by a reduction in the "Top Up" Grant from Government in order to neutralise the financial effect. There will however, be inherent financial risks to the Council as a consequence of the revaluation, most significantly the extent to which it prompts a peak in rating appeals.

5.16 Economic growth and job creation in the city are key part of the Council's Financial Strategy. The City Council has a key role in regenerating the city, working with partners to grow the local and sub-regional economy. As described later in this report, growth and job creation has the dual impact of increasing the prosperity of residents generally which leads to a reduction in demand for Council services and increases Business Rates, of which 49% is

retained by the Council. This allows the Council to both reduce its costs as well as generate additional income.

- 5.17 In summary, the forecast funding for Local Government from Central Government Grant should be relatively stable, Council Tax income is also predictable with a reasonable degree of accuracy. Significant uncertainty over the estimated income from Business Rates will remain. Whilst a degree of uncertainty exists, the Council's current forecasts for 2017/18 anticipate a total reduction in revenue funding from Government of £7.5m⁵ whilst a Council Tax increase of 3.99% will generate £2.6m of income, a net shortfall of £4.9m before taking account inflationary and other cost pressures.

6 City Council Expenditure Outlook - 2017/18 & beyond

Demographic Changes

- 6.1 Demographic changes are likely to generate the largest cost pressures facing the City Council going forward. Nationally, it has been said that the ageing population will cause at least as much pressure on budgets as the austerity programme currently in place. As well as pressure caused by an ageing population there is also pressure caused by a "living longer" population. More people are coming through the transition into adult care from children's care with profound physical or learning disabilities and tend to be at the higher end of the care spectrum, costing significant amounts of money. The outlook therefore for the Council's essential care services is one of significantly increasing costs.

Government Policy Changes / Expectations 2017/18 and Beyond

- 6.2 Reforms to the welfare system are likely to result in additional demands on the Council's housing and essential care services.
- 6.3 Such changes could also reduce the income which the Council can charge for providing those services. The cumulative impact of the reforms where separate benefits convert to the Universal Credit coupled with the change from Disability Living Allowance to Personal Independence Payments is likely to reduce social care clients' disposable income and therefore the amount they can afford to pay for their care.
- 6.4 New care duties and responsibilities for local authorities commenced under the Care Act in April 2015. The Government has stated that it will fund these new Care Act requirements in full (either to Local Authorities directly, and potentially by the ability to raise Council Tax, or through the Better Care Fund of the NHS).

⁵ Based on the Baseline Funding level that includes RPI uplift on Business Rates

- 6.5 The introduction of the National Living Wage from April 2017 is expected to create significant cost pressures for the Council particularly in Adult Social Care contracts. Initial estimates suggest that the impact could be in the order of £1.4m per annum.

Inflation

- 6.6 In overall terms, the cost of inflation has been relatively modest in recent years. This has been held down largely due to the pay restraint over the last 5 years characterised by pay freezes and modest increases of circa 1% per annum over the past 3 years. For the next 3 year period, the Council's current forecasts assume that inflationary costs will amount to £11.0m as the Consumer Price Index (CPI) starts to move to more normal levels. Taking account of all of these factors, overall inflation for the Council over the next 3 years is forecast to range between 1.8% and 2.4%. Since these forecasts were prepared, it is now known that the employer's pension contribution rate will increase by 1.0% in 2017/18, a further 1.0% in 2018/19 and a further 1.0% in 2019/20 which over the 3 year period will add an annual cost of £1.6m.
- 6.7 These assumptions will be comprehensively reviewed in February 2017 with all of the other assumptions within the Council's medium term financial forecasts when they will be known with greater certainty.

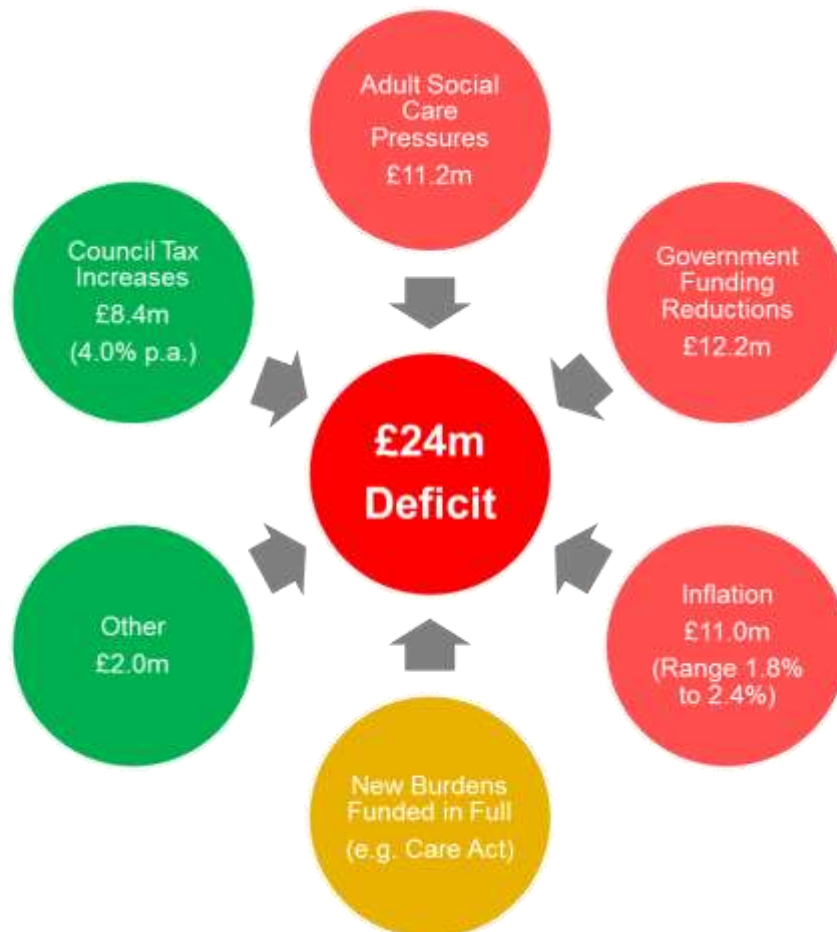
Interest Rates

- 6.8 Interest rates for investments were initially forecast to range between 1.5% in 2017/18 and rise steadily to 2.25% in 2019/20. Expectations now are that interest rates will not rise at quite the pace originally forecast and therefore the positive influence that rising interest rates have on the Council's overall financial position will be lower. This will be reviewed as part of the Council's comprehensive revision of its forecast in February 2017.
- 6.9 Borrowing rates are quite volatile due to the impact of the EU Referendum and general geo-political developments but the general expectation is for an eventual trend of gently rising gilt yields and therefore borrowing rates. The Council is not generally in a borrowing position in the short term but may take modest amounts of borrowing (for future requirements) within the next 3 years if low rate opportunities arise.

7 Overall Financial Forecast - 2017/18 to 2019/20

Overall 3 Year Financial Forecast

- 7.1 In overall terms, taking account of both spending pressures and funding reductions over the next three financial years, it is forecast that the Council faces an overall deficit of £24m. This means that by 2019/20, the Council's net expenditure will need to be £24m less that it is at present and that savings of that sum will need to be made either through increased income or reduced costs.
- 7.2 An illustration of the factors causing the forecast £24m deficit as described in Sections 5 & 6 is shown below:



Savings Requirement for 2017/18 & Forecast Savings Requirements for 2018/19 and 2019/20

- 7.3 The last comprehensive review of the City Council's 3 Year Financial Forecast was reported in the Annual Budget Report in February 2016. This set out the City Council's underlying budget deficit and consequent forecast Budget Savings Requirement for the next 3 years as follows:

	Underlying Budget Deficit	Annual Budget Savings Requirement	Total Savings Requirement
	£m	£m	£m
2017/18	9.2	9.0	9.0
2018/19	15.7	8.0	17.0
2019/20	23.9	7.0	24.0

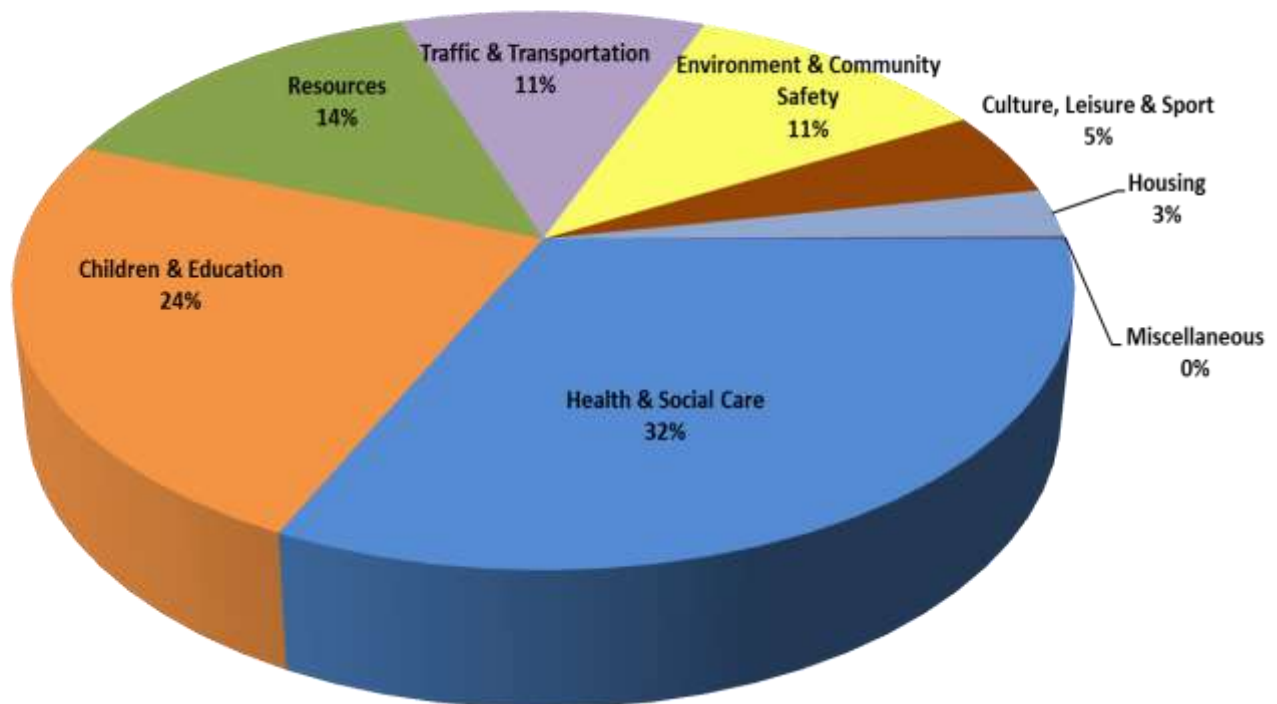
- 7.4 On the basis of the overall £24m deficit and the preference to be able to manage those savings smoothly over that period, the City Council resolved in February 2016 that a minimum savings requirement of £9.0m would be implemented for 2017/18. That minimum savings requirement was predicated on a Council Tax increase of 3.99% (which generates £2.6m of additional Council Tax income).
- 7.5 The Council is aware of a number of potential changes to the assumptions underpinning these forecasts and will also be undertaking the usual review of the estimates of Council Tax and Business Rates income in early January 2017, this means that a comprehensive revision at this stage would be premature and subject to potentially significant change.
- 7.6 The Director of Finance & IS (S151 Officer) advises that whilst it is likely that the overall financial forecasts will change, the savings requirement for 2017/18 at £9.0m (with a Council Tax increase of 3.99%) remains robust and prudent. Given what is known, or reasonably expected, regarding future funding reductions and given future uncertainties, a savings requirement of less than these sums would not be prudent.

8. Medium Term Financial Strategy - 2017/18 & beyond

Financial Strategy 2017/18 & Beyond

- 8.1 In overall terms, the financial picture over the next 3 years and beyond is one of increasing costs and demand for services, particularly in essential care services, at the same time as continued and unprecedented reductions in funding. Taking all of the cost and funding implications into account, it is estimated that the Council will need to make £24m of savings over the next 3 years.
- 8.2 Considering also that those essential care services consume 56% of the Council's net controllable budget, the Council is faced with a position where it not only has to meet those costs, or at the very least manage the demand for those services, but simultaneously find £24m savings across all areas. This is illustrated below:

2016/17 Net Controllable Expenditure of £117m



- 8.3 It is also of significance that a further 22% of the Council's controllable spend is consumed by the Traffic & Transportation and Environment & Community Safety Portfolios where a large proportion of their activities are tied into long-term contracts where the savings potential is therefore more limited.

- 8.4 The Council's Medium Term Financial Strategy has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration focus with a presumption that Capital investment will be targeted towards economic growth. This is to improve the prosperity of the City through employment as an objective in itself but also because this will reduce the demand for Council services generally. Furthermore, re-generation creates the opportunity for additional business rates to be generated and retained by the Council. The Capital Programme can also be a vehicle for Invest to Save schemes enabling the Council to reduce its own costs in the future. Accordingly, the strategy is consistent with 'Shaping the future of Portsmouth' (adopted by the City Council in 2010) which articulates the vision for the City to become a globally competitive economy supporting local economic growth, innovation and enterprise. This strategy has been adopted by business leaders across the City and is in the process of being delivered in partnership with the Shaping Portsmouth Partnership.
- 8.5 Equally prominent in the refreshed strategy below is the stronger focus on entrepreneurial activities leading to income generation as a means to make savings and avoid cuts to services. Entrepreneurialism now extends to include the further development of strategic partnerships and shared service arrangements as a means to improve resilience, or fill skills shortages, as well as reducing costs.
- 8.6 The Strategy is illustrated overleaf:

OVERALL AIM

"In year" expenditure matches "in year" income over the medium term whilst continuing the drive towards regeneration of the City, being entrepreneurial and protecting the most important and valued services

STRAND 1

Transforming to an Entrepreneurial Council:

- Income Generation
- Maximise the return on Property and Assets
- Invest for commercial gain
- Develop and establish commercial entities to sell services profitably
- Capital investment for jobs and business growth (increased Business Rates)
- Establishing strategic partnerships / share service arrangements to reduce costs and increase resilience

STRAND 2

Reduce the extent to which the population needs Council Services

- Re-direction of resources towards preventative services (avoid greater costs downstream)
- Design fees & charges policies to distinguish between want and need
- Capital investment towards jobs and skills to raise prosperity

STRAND 3

Increase the efficiency & effectiveness of the Council's activity:

- Contract reviews
- Rationalisation of operational buildings
- Support to the Voluntary Sector
- Targeted efficiency reviews in "resource hungry" services
- Capital investment for on-going savings or cost avoidance

STRAND 4

Withdraw or offer minimal provision of low impact Services:

- Strong focus on needs, priorities on outcomes
- Use the insights of Councillors to inform priorities
- Use the results of public consultation to inform priorities

The Strategy is also underpinned by a financial framework which provides financial autonomy to Portfolios and Committees. Any underspending arising against their budgets are retained by them. This was deliberately designed to create the financial conditions that support responsible spending and promote forward financial planning. The implication of this is that the opportunity for future underspendings to accrue and be available corporately is much reduced. It is vitally important therefore, that the use of any corporate underspend is used wisely and in accordance with the Council's Medium Term Financial Strategy aimed at meeting the future financial challenges of the Council.

- 8.7 The MTRS Reserve is a fundamental component of the Council's financial framework and is designed to provide funding for future redundancies, Spend to Save and Invest to Save initiatives. The current uncommitted balance on the MTRS Reserve amounts to £3.0m and is considered to be very modest in the context of the £24m of savings that the Council is required to make over the next 3 years.

9 Budget Process & Consultation 2017/18

- 9.1 During September and October of this year, the Council undertook a Budget consultation to understand residents spending priorities and where they felt savings should be made. The consultation was city wide and took the form of a questionnaire which was also supplemented by a series of public meetings with residents, staff and the business community.

- 9.2 The final response rate from the consultation was as follows:

Residents	551
Staff	690
Citizen's Panel	48
Total	1,289

- 9.3 The response rates are distributed throughout the city and provide a varied set of responses. Those over-represented in the consultation were Rental Hubs, Transient Renters and Aspiring Homemakers, Urban Cohesion and Municipal Challenge. Significantly under-represented groups include Suburban stability and Family basics. Suburban stability is generally representative of comfortable families, while Family basics are generally families struggling to make ends meet in social housing.
- 9.4 Given the response volume, the results can be considered to be statistically robust with a margin of error of 3% based on a 95% confidence rate.

9.5 Overall, whether a staff member or a resident, respondents for the most part agreed with the overall management strategy for the budget.

- Respondents were in agreement that we should be working with other organisations but some provisos on how that might work with charities were mentioned
- The majority acknowledge generating income to protect services was preferable to cutting services, although some felt any additional investments should be made within the city, rather than in properties in other areas
- There is support for protecting services to vulnerable adults and children
- Just over half of respondents indicated they would accept an additional 2% increase in council tax to support adult social care.
- Residents agree with the introduction of more digital channels to accommodate service improvement and save money.

9.6 The full results of the Budget Consultation can be found at:
<https://www.portsmouth.gov.uk/ext/the-council/transparency/budget-17-18-proposals-and-survey-results.aspx>

9.7 These results have been fully considered by the Administration in formulating their budget savings proposals described in Section 10 below.

10 Budget Proposals for 2017/18 to 2019/20

Budget Savings Proposals 2017/18

10.1 The Administration's budget savings proposals are centred around the Medium Term Financial Strategy previously described in Section 8 and have been prepared paying due regard to the responses from the Budget Consultation set out in Section 9 as well as the Administration's strategic priorities. The proposed savings amounts to be made by each Portfolio and which are recommended for approval are attached at Appendix A.

10.2 The Administration's proposals are focussed on an "Avoidance to Cuts" approach in line with the Medium Term Financial Strategy. In overall terms, the proposed £9m of savings is characterised as follows:

- Efficiency Savings (little or no reduction in Services) £6.7m (74%)
- Additional Income £1.4m (16%)
- Service Reductions £0.9m (10%)

- 10.3 Over £3.1m of the savings described as Efficiency Savings arise from a re-profiling of the sums set aside for the repayment of historic debt, taken together with the additional income proposals (£1.4m) set out in Appendix A, means that these entrepreneurial activities alone have contributed to more than half of the required savings for 2017/18.
- 10.4 Noting also the response from the Budget Consultation which generally suggests that services to the vulnerable should receive some measure of protection, the Administration's savings proposals provide significant protection from savings for both of these Portfolios versus the average saving of 4.7% across all areas. As a necessary consequence, savings from other Portfolios are proportionally higher and significantly higher in some cases such as Planning Regeneration & Economic Development and Other Expenditure. A summary of the overall savings proposals for 2017/18, by Portfolio, is set out below.

Portfolio / Committee	Savings Proposal	
	£	% Budget
Children's Social Care	300,000	1.1%
Culture, Leisure & Sport	343,600	3.7%
Education	212,000	3.3%
Environment & Community Safety	87,000	0.6%
Governance, Audit & Standards	30,000	4.1%
Health & Social Care - Adult Social Care	1,382,000*	2.6%
Health & Social Care - Public Health	602,000	4.4%
Housing	179,000	3.3%
Planning, Regeneration & Economic Development	928,000	11.7%
Resources	961,400	3.0%
Traffic & Transportation	330,000	2.5%
Other Expenditure (incl. Debt Repayment)	3,645,000	52.2%
Grand Total	9,000,000	4.7%

* Excludes the additional funding passported through the Adult Social Care Precept of £1.3m and additional funding for the Care Act of £0.2m meaning that in cash terms there is a zero reduction to Adult Social Care

- 10.5 The analysis above highlights the conundrum that the Council faces regarding the desire to protect both Education and Adults and Children's Social Care whilst still wishing to retain good quality sustainable public services in its other portfolios. By way of example, the average saving required across the Council was 4.7% of spending but to protect Children's Social Care (at 1.1% spending reductions) and Health & Social Care - Adult Social Care (at 2.6% spending reductions), it has been necessary to make spending reductions in other valued Portfolios of up to 11.7%.
- 10.6 Inevitably, there are a number of financial risks contained within the proposals for making savings of the scale of £9m (or 4.7%) on the back of making £86m in savings and efficiencies over the past 6 years. The risks are unavoidable.

For those risks with the highest likely impact, mitigation strategies are being developed. In previous years, the highest risks have been to the delivery of the savings within the essential care services and whilst these still remain, they have generally been managed by making some contingency provision on a "one-off" basis in order to provide additional time to re-design service provision.

- 10.7 Looking forward to 2017/18, there still remain risks in both Children's and Adults Social Care. Whilst the Council is forecasting a balanced budget in the current year, there remain underlying deficits in these two Services of £454,000 and £600,000, respectively. Further savings proposals for both of these services (not contained within this report) are being planned in order to eliminate these deficits and place their budgets on a sound footing for 2017/18. Nevertheless, as described in Section 5, in the event that the Council has the ability to increase the Adult Social Care Precept beyond 2% and if the Council elects to do so, any additional funding would need to address those pressures in the first instance.
- 10.8 It is important to note that the Council's responsibility is to set the overall Budget of the Council and determine the cash limits for each Portfolio. It is not the responsibility of the Council to approve the detailed savings that need to be made in order for the Portfolio to meet its cash limit. The Council do need to have the confidence that the recommended savings for each Portfolio are deliverable and what the likely impact of delivering those savings might be. Indicative savings that are likely to be necessary in delivering the overall Portfolio savings are attached at Appendix B and whilst the detailed savings are not a matter for the Council to decide, they are presented to inform the decision of Council relating to the savings to be made by each Portfolio / Committee.
- 10.9 To provide the best opportunity to achieve full year savings and deliver the £9m Savings Requirement, it would be prudent and financially responsible for the Council to seek to implement its 2017/18 savings as early as possible. From the perspective of service delivery, giving partners and residents significant advance notice of the changes to come into effect from next April will assist them to plan for change accordingly.
- 10.10 A crucial part of a prudent financial strategy is to maintain strong financial resilience. That means maintaining adequate levels of reserves to be able to respond to "financial shocks" or having reserves available to help implement savings in a planned and managed way. The early (or timely) implementation of savings proposals ensures that those reserves remain intact and are available for such purposes.
- 10.11 In order for the City Council to be able to implement the Savings Requirement in good time, a number of savings proposals will require that consultation take place and notice periods be given. Should the Portfolio savings set out in Appendix A be approved, Managers will commence the implementation of those savings and any consultation process or notice process necessary.

10.12 For savings proposals that require consultation, the actual method of implementation or their distributional effect will not be determined until the results of consultation have been fully considered. Following consultation, the relevant Portfolio Holder may alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix B with alternative proposal(s) amounting to the same value.

Budget Pressures Proposals 2017/18

10.13 The Council no longer makes any general provision for Budget Pressures. This was agreed as part of the Medium Term Financial Strategy approved by the City Council in November 2013.

10.14 One of the aims of the Medium Term Financial Strategy is to create the conditions that incentivise responsible spending and strong forward financial planning. As a consequence, a financial framework was implemented which provides Services with much greater financial autonomy.

10.15 The features of the new financial framework include:

- i) Each Portfolio to retain 100% of any year-end underspending and it to be held in an earmarked reserve for the relevant Portfolio
- ii) The Portfolio Holder be responsible for approving any releases from their earmarked reserve in consultation with the Director of Finance & Information Services (S151 Officer)
- iii) That any retained underspend (held in an earmarked reserve) be used in the first instance to cover the following for the relevant Portfolio:
 - a) Any overspendings at the year-end
 - b) Any one-off Budget Pressures experienced by a Portfolio
 - c) Any on-going Budget Pressures experienced by a Portfolio whilst actions are formulated to permanently mitigate or manage the implications of such on-going budget pressures
 - d) Any items of a contingent nature that would historically have been funded from the Council's corporate contingency provision
 - e) Spend to Save schemes, unless they are of a scale that is unaffordable by the earmarked reserve (albeit that the earmarked reserve may be used to make a contribution)

Once there is confidence that the instances in a) to e) can be satisfied, the earmarked reserve may be used for other developments or initiatives

10.16 Correspondingly, any Budget Pressures must be funded within the overall resources available to the Portfolio Holder (which includes their Portfolio Reserve). As previously mentioned, it is the decision of the Portfolio Holder in consultation with the Director of Finance & Information Services (S151 Officer) to make releases from the Portfolio reserve.

10.17 Whilst no general provision exists for Budget Pressures, the Budget proposals do provide for the passporting of £1.3m of the Adult Social Care Precept to Adult Social Care as well as £0.2m to fund the new burdens associated with the implementation of the Care Act.

Medium Term Resource Strategy Reserve - Position

10.18 The Medium Term Resource Strategy Reserve (MTRS Reserve) is a reserve maintained by the Council for Spend to Save, Spend to Avoid Cost and Invest to Save Schemes. It is also the reserve that funds all redundancy costs arising from Budget Savings proposals. At present the reserve has an uncommitted balance of £3.0m.

10.19 An uncommitted balance on the MTRS Reserve of £3.0m is considered to be very modest in the context of the £24m of savings that the Council is required to make over the next 3 years. As the Council's primary vehicle for providing funding for Spend to Save initiatives, it is crucial that this fund is both spent wisely and replenished at every opportunity.

Proposals for Revised Eligibility Criteria for the Voluntary Sector Capacity & Transition Fund

10.20 In December 2014, the Council approved the establishment of the Voluntary Sector Capacity & Transition Fund for the following purpose "**to enable the voluntary sector to reconfigure their service or enhance their capacity / infrastructure in order to support / provide council services**". The fund was created from the MTRS Reserve and therefore the criteria used for the MTRS Reserve was equally applied to this fund. In broad terms, that requires that the fund can only be used for initiatives to make "one-off" allocations that will deliver financial savings to the Council and where the return, measured by "payback", is within a 4 year period.

10.21 Accordingly, a set of criteria was developed to provide assurance that the payback criteria and the purpose described above was achieved. Those criteria currently are:

- Overall fit with the Council's objectives
- Deliverability
- Payback
- The extent to which it could drive further transformation and capacity of the voluntary sector in delivering Council services
- Wider economic impacts

10.22 Those criteria have proved challenging to achieve. In order to make the fund more accessible to meets its primary purpose, a revised emphasis towards securing **sustainable voluntary sector services** in the future as a means to avoid cost rather than deliver a direct reduction in cost is proposed to be

applied. Accordingly, the Payback criteria has been removed. Also removed is the requirement for any award to be a "one-off" allocation, this has been extended to encourage multi-year applications but of a sustainable and finite nature. It is envisaged that this will allow the voluntary sector to be more creative and flexible in their approach to developing proposals by taking away some of the previous financial obstacles. Additionally there is now a stronger emphasis on building capacity across the sector in a sustainable way. The following criteria are now proposed:

- Overall fit with the Council's objectives - providing services consistent with the Council's responsibilities that are not replicated elsewhere
- Integration and/or collaboration with other voluntary sector partners - demonstrating a willingness to transform and build voluntary sector capacity on a sustainable basis
- Deliverability - proposals are costed robustly and plans demonstrate that they can be confidently delivered
- Sustainability - a single application for a 1 year, 2 year or 3 year award which demonstrates an operating model that will endure without further funding from the Council
- Cost Avoidance - illustration of how the proposal avoids costs elsewhere "in the system" and / or improves the integration and efficiency of the voluntary sector as a whole
- Potential for further Transformation - the extent to which the proposal could drive further transformation and capacity of the voluntary sector in the future
- Wider economic impacts

Approval of the Budget 2017/18

10.23 At the 14th February 2017 Council meeting, a comprehensive revision of the Council's future forecasts will be presented. This will revise all of the key assumptions set out below as well as extending the forecast to cover an additional year (2020/21) in order to maintain a rolling 3 year plus current year financial forecast.

10.24 The Budget 2017/18 presented to the City Council for approval will be prepared on the basis of the proposals for savings and Council Tax set out in this report. It will also include the outcome of the following:

- The Local Government Finance Settlement for 2017/18
- The final estimate of the Council Tax yield (based on the determination of the Council Taxbase)
- The final estimate of the Business Rate yield
- Any necessary inflationary uplifts
- Final estimates of all items outside of cash limits including capital charges, support service charges, insurance, pension costs, contingency, borrowing costs, investment income, levies and precepts

- Any necessary virements across Portfolios to reflect changes in responsibilities.

11 Conclusion

11.1 The City Council continues to face the challenge of significant funding reductions but compounded by increasing cost pressures, most of which are driven largely by demographic pressures in the essential care services. Inflation more generally, including pensions costs, is also set to increase to levels not seen for some time. This requires the Council to make savings and/or increase income by £24m over the next 3 years (assuming a Council Tax increase of 3.99% in each and every year).

11.2 The first tranche of these savings amounting to £9m for 2017/18 have been developed in accordance with the Council's Medium Term Financial Strategy and with regard to the Budget Consultation recently completed. The overall strategy focusses on the avoidance of cuts with an emphasis on:

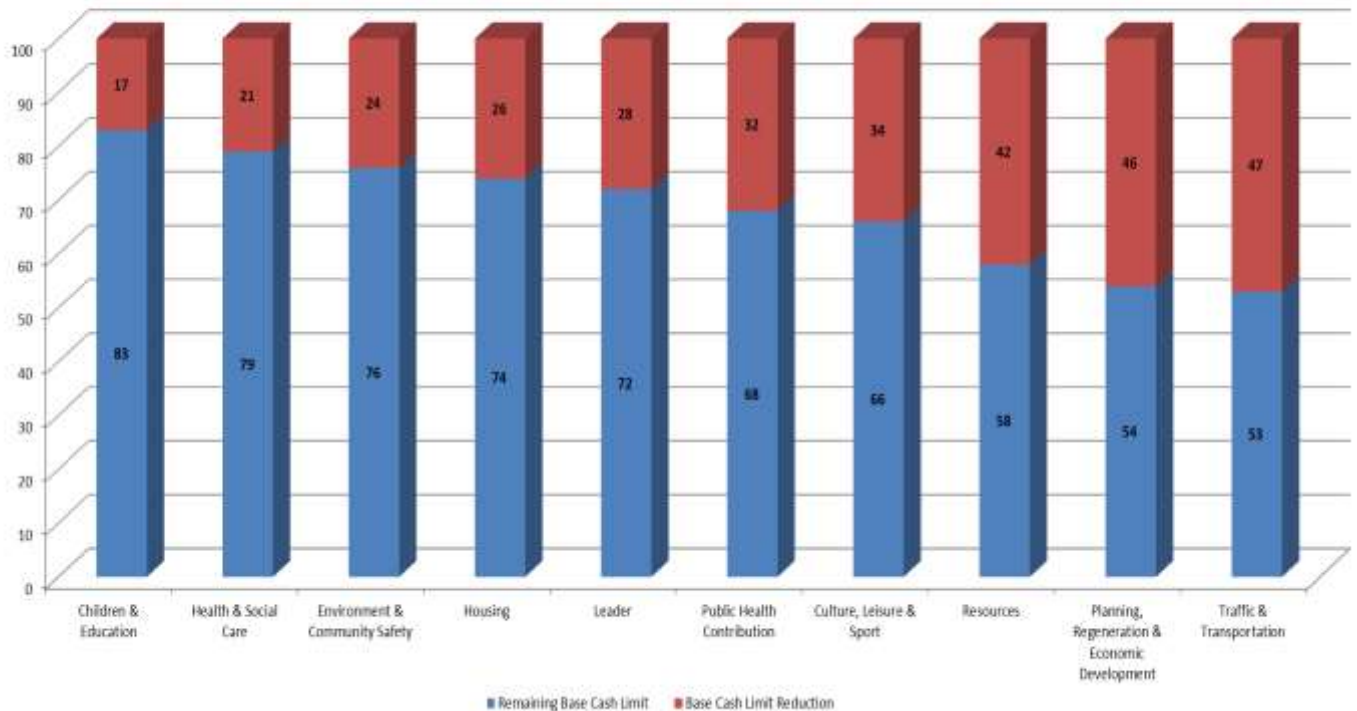
- Entrepreneurial activities such as maximising returns from property and assets and other income generation measures
- Reducing the extent to which the population needs Council services (through prevention activities and regeneration activities)
- Increasing the efficiency and effectiveness of the Council's services

Given the speed at which savings need to be made, it is inevitable that some cuts are required. These cuts have been informed by the budget consultation exercise and have been proposed on the basis that they are in the areas of least impact.

11.3 A very significant element of these savings proposals is to re-profile the way in which the Council sets aside funding for debt repayment, this alone has reduced the savings to Services that otherwise would have been necessary by £3.1m, representing over a third of the total savings requirement for 2017/18.

11.4 Before the £9m of savings proposals set out within this report, the cumulative savings of the Council over the austerity period from 2011/12 amounts to £86m. The impact that this has had on spending levels of Portfolios over that same period is illustrated below (Blue segment illustrates level of spending that remains, red segment is the level of spending which has been removed). The chart illustrates those services that have received relative protection from spending reductions (left hand side) and those services that have provided the compensation by making relatively higher spending reductions (right hand side).

Budget 2016/17 Compared to Budget 2011/12 (2016/17 prices)



11.5 This demonstrates that Services such as Children & Education, Health & Social Care and Environment & Community Safety have received the most protection from funding reductions and significantly more than "back office" services. This theme is continued through the Budget savings proposed for 2017/18 with those exact same services making the lowest savings as follows compared to the average saving of 4.7%:

- Children's Social Care - 1.1%
- Environment & Community Safety - 0.6%
- Health & Social Care - Adult Social Care - 2.6%

11.6 Looking forward beyond 2017/18 still with significant savings to be made, to avoid significant cuts to Services, the Council will need to focus its strategy on Entrepreneurial activities and regeneration.

11.7 It is clear that unless savings can be made through additional income or additional funding from Business Rates and Council Tax arising from investment in regeneration, then the burden of those savings will be required from efficiencies and service reductions. Inevitably, given the size of the savings required and the proportion of spending consumed by the Care Services, the Council will no longer be able to afford the same levels of protection that have been provided in the past for its Children's Social Care, Education, Health & Social Care and Environment and Community Safety services without very severe cuts to all other Services.

- 11.8 Approval for the savings proposals is recommended at this early stage in order to achieve full year savings and avoid greater and deeper cuts associated with any delay. In terms of service delivery and planning, it is equally important to provide partners and residents significant advance notice of the changes to come into effect in order to assist them to plan for change accordingly.
- 11.9 This report is the pre-cursor to the Annual Budget and Council Tax Setting meeting to be held on the 14th February 2017 where the Council will be requested to formally approve the Budget for 2017/18 and the associated Council Tax for the year. Should the savings proposals contained within this report be approved, they will form the basis of the Budget 2017/18 presented to Council in February 2017. That report will also include a comprehensive revision of the Council's future forecasts and set the consequent future savings requirements for the period 2018/19 to 2020/21.
- 11.10 Finally, the proposals within this report will maintain the Council's financial health and resilience and therefore its ability to respond in a measured and proportionate way to any "financial shocks" by having adequate reserves and contingencies available for a Council of this size and risk profile.

12 Equality Impact Assessment (EIA)

- 12.1 The Portfolio / Committee savings amounts proposed within this report will inevitably impact on service provision. Appendix B describes the indicative savings that might (or are likely) to be made in order to achieve the proposed savings amounts. Whilst some are likely to be implemented, there will be others that require consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, any savings proposal set out in Appendix B can be altered, amended or substituted with an alternative proposal following appropriate consultation.
- 12.2 A city-wide budget consultation took place during September and October to help inform how to make £24m of savings over the next 3 years. The consultation took the form of a questionnaire which was also supplemented by a series of public meetings with residents and one public meeting with the business community. The Scrutiny Management Panel also met to consider the proposals contained within this report and have the opportunity to make their representations to the Cabinet prior to their recommendation to the City Council.

13 City Solicitor's Comments

13.1 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.

14 Director of Finance's Comments

14.1 All of the necessary financial information required to approve the recommendations is reflected in the body of the report and the Appendices.

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Signed by: Director of Finance & Information Services (Section 151 Officer)

Appendices:

A	Recommended Portfolio / Committee Savings 2017/18
B	Indicative Savings Proposals 2017/18

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	Director of Finance & Information Services (S151 Officer)
Local Government Finance Settlement 2016/17	Director of Finance & Information Services (S151 Officer)

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 13th December 2016.

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Signed by: Leader of Portsmouth City Council

APPENDIX A

PROPOSED BUDGET SAVINGS AMOUNTS 2017/18 BY PORTFOLIO/COMMITTEE

Portfolio/Committee	Saving 2017/18		Saving 2018/19		Saving 2019/20	
	£	%	£	%	£	%
Children's Social Care	300,000	1.1%	300,000	1.1%	300,000	1.1%
Culture, Leisure and Sport	343,600	3.7%	343,600	3.7%	343,600	3.7%
Education	212,000	3.3%	212,000	3.3%	212,000	3.3%
Environment and Community Safety	87,000	0.6%	87,000	0.6%	87,000	0.6%
Governance, Audit and Standards	30,000	4.1%	30,000	4.1%	30,000	4.1%
Health and Social Care - Adult Social Care	1,382,000	2.6%	1,382,000	2.6%	1,382,000	2.6%
Health and Social Care - Public Health	602,000	4.4%	602,000	4.4%	602,000	4.4%
Housing	179,000	3.3%	179,000	3.3%	179,000	3.3%
Planning Regeneration and Economic Development	928,000	11.7%	928,000	11.7%	928,000	11.7%
Resources	961,400	3.0%	961,400	3.0%	961,400	3.0%
Traffic and Transportation	330,000	2.5%	330,000	2.5%	330,000	2.5%
Other Savings	3,645,000	52.2%	3,645,000	52.2%	3,645,000	52.2%
Grand Total	9,000,000	4.70%	9,000,000	4.70%	9,000,000	4.70%

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
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Children's Social Care Portfolio**Director of Children's Services**

001	To reduce the length of time children spend in short term, out of home, placements by 10%	Placing children in permanent care environments in a timely way is in their best interests	100,000	100,000	100,000
002	Reducing the number of children who need a service by children's social care by providing earlier support to families	Evidence indicates that earlier intervention with families is more effective and efficient	50,000	50,000	50,000
003	Implementation of regional adoption agency	National drive for reconfiguration of adoption services will lead to shared management, marketing and post adoption support arrangements	50,000	50,000	50,000
004	Remodelling of residential care provision	Potential risk of managing demand through the purchase of external placement	100,000	100,000	100,000

Children's Social Care Portfolio Total			300,000	300,000	300,000
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Culture, Leisure and Sport Portfolio**Director of Culture & City Development**

005	In house provision of Grounds Maintenance works for parks and other leisure sites	There should be no impact to service users. In house provision will result in a more reactive service with the ability to flex service provision as demands changes	230,000	230,000	230,000
006	Library Staff Structure changes - Management Review	Reduction in management capacity	34,000	34,000	34,000
007	Reduction in revenue grant to the Portsmouth Cultural Trust	The trust has been running the Guildhall site for five years, is well established as a business and has numerous routes it can use to increase income to mitigate this	60,000	60,000	60,000
008	Community Centres - Anchorage Lodge - An increased target for income generation. Currently higher levels of income are being achieved than currently budgeted	No impact - Avoids cuts to services	2,000	2,000	2,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
009 Community Centres	All community centre staff are now employed by the community associations, who are prepared to pay reasonable contributions towards the essential training for their staff. Reduction to the training budget which will leave the budget at a value of £1,000	1,600	1,600	1,600
010 Buckland Community Centre - Reduction in grant support	Grant award 2017/18 will be £13,000	1,300	1,300	1,300
011 Fratton Community Centre - Reduction in grant support	Grant award 2017/18 will be £26,000	1,200	1,200	1,200
012 Paulsgrove Community Centre - Reduction in grant support	Grant award 2017/18 will be £19,000	1,000	1,000	1,000
013 Seafront Savings - Closure of Seafront building	No impact	12,500	12,500	12,500
Culture, Leisure and Sport Portfolio Total		343,600	343,600	343,600

Education Portfolio

Director of Children's Services

014 Reduction in the administrative staffing support for the Education Service	No significant impact on service delivery due to increased efficiencies within the service	48,500	48,500	48,500
015 Head of Sufficiency, Participation and Resources post to be part funded by Basic Need Capital Funding and Catering Contract Pay Back Mechanism. Currently this accounts for 35% of salary costs and will be increased to 45%	No impact - Avoids cuts to services	7,700	7,700	7,700
016 Part time secondment arrangement with Southampton City Council for the Post-16 Commissioning Manager role	No impact - Avoids cuts to services	25,700	25,700	25,700
017 Reduction in the Youth Not in Employment Education or Training (NEET) data tracking service by 1 full time equivalent member of staff	No significant impact due to changes to our statutory duties as from September 2016 the council is no longer required to track Year 14 students. Our post-16 tracking statutory duty now only applies to Year 12 and Year 13	22,500	22,500	22,500
018 Reduction in staffing in the Children's Services Data and Performance Management team	The impact will be limited as a result of the restructure that took place in 2015/16 across Children's Services which as a result has led to a more efficient data and performance management service	26,300	26,300	26,300

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
019	Reduction in staffing of the Early Years Advisory Teachers			
	The impact will be limited as there is currently a vacancy at a time when the council is encouraging the sector to self-improve. Our statutory duties in relation to the Early Years Foundation Stage Profile moderation are not affected by this proposal	63,000	63,000	63,000
020	Cessation of Governors Services			
	The traded service to governing bodies of schools which provides specialist advice and training will cease and governing bodies will be signposted to sources elsewhere. The council's statutory duties in relation to targeted support and intervention will not be affected and will be delivered by Head of Sufficiency or through commissioned activities	18,300	18,300	18,300
Education Portfolio Total		212,000	212,000	212,000
<u>Environment and Community Safety Portfolio</u>				
<u>Director of Culture & City Development</u>				
021	Cemetery Fees - Increase of fees to the average level of surrounding local authorities			
	Fee increases range from 3% to 10% - Avoids cuts to services	32,000	32,000	32,000
<u>Director of Regulatory Services, Community Safety & Troubled Families</u>				
022	CCTV contract and service efficiencies			
	No impact on service	15,000	15,000	15,000
023	Cease voluntary sector grant payments made by the Directorate of Regulatory Services and Community Safety			
	Current recipients have been advised that 2016/17 is the final year of grant aid. Support has been offered to secure alternative funding. In the event alternative funding is not secured there may be an impact on service levels in the voluntary sector. However, other directorates within the council will continue to make contributions to these organisations	15,000	15,000	15,000
024	Income generation from new shared service for civil contingencies (50% share with Southampton City Council)			
	No impact - Avoids cuts to services	5,000	5,000	5,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £	
<u>Director of Transport, Environment & Business Support</u>					
025	Additional staff re-charges to the two major coastal defence schemes currently in progress	No impact - Avoids cuts to services	10,000	10,000	10,000
026	Reduction in the reactive maintenance budget	No impact - The new defences to be constructed will have reduced maintenance requirements	10,000	10,000	10,000
Environment and Community Safety Portfolio Total			87,000	87,000	87,000

Governance, Audit & Standards Committee

Director of Culture & City Development

027	Registrars - Increased fee income as a result of higher demand for ceremonies	No impact - Avoids cuts to services	19,500	19,500	19,500
028	Registrars - Increase fees for some ceremonies	Increases are broadly in line with neighbouring authorities - Avoids cuts to services	10,500	10,500	10,500
Governance, Audit & Standards Committee Total			30,000	30,000	30,000

Health and Social Care Portfolio

Director of Adult Services

029	Direct Payments to be delivered only using prepaid cards. This reduces the risk of fraudulent spend, allows for the recovery of surpluses and greater control over the expenditure being incurred	Service users will receive pre loaded cards as opposed to monies directly into their bank accounts. This will not impact negatively on legitimate spending or levels of choice or control	100,000	100,000	100,000
030	Set Direct Payment rate for Personal Assistants at National Living Wage. NLW to apply to new Personal Assistants recruited from 2017/18 and onwards	The hourly rate for the employment of personal assistants for service users with direct payments at the level of the NLW. Service users can top up the payment with their own funds, or pay the NLW in line with PCC	20,000	20,000	20,000
031	Review of high cost Learning Disability cases	The service user will still receive the care and support that they need, although it may be funded differently or provided in a different way	100,000	100,000	100,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
032 New framework for supported living	The service user will still receive the care and support that they need, although it may be funded differently or provided in a different way. Savings to be achieved through the tendering process	30,000	30,000	30,000
033 The deregistration of appropriate Learning Disability care homes and the transfer to supported living accommodation - Also the development of Nessa Street and the resultant cost savings of the new facility	The service user will still receive the care and support that they need, although it may be funded differently or provided in a different way.- including improved living accommodation in the case of Nessa Street	112,000	112,000	112,000
034 Increased use of Assistive Technology within the Learning Disability environment- primarily as a way of providing night cover in a more efficient way	The service user will still receive the levels of care and support that they need	50,000	50,000	50,000
035 Review of the Carers Service - To include staffing, accommodation and service options	Carers will not lose access to the Carers Service and the support that it provides. The support will be provided in a different way	130,000	130,000	130,000
036 Review of high cost Older Persons and Physical Disability Packages of care cases	The service user will still receive the care and support that they need, although it may be funded differently or provided in a different way	50,000	50,000	50,000
037 Review of low cost packages of care with the possibility of a percentage of non personal care clients to be transferred to a willing VCS. This saving is the cost differential on the hourly rate	The service user will still receive the care and support that they need, although it may be provided in a different way	50,000	50,000	50,000
038 Adult Mental Health Service Review	The current service structure will be reviewed. This may result in contracts being negotiated with external providers and new roles will be considered to meet the changing demands of the service	75,000	75,000	75,000
039 Multi Agency Safeguarding Hub (Adults element) Staffing restructure	The current staffing structure will be reviewed, taking into consideration existing vacancies and work being re-prioritised and shared between the remainder of the team in order to ensure that service users are not impacted	50,000	50,000	50,000
040 General staffing savings from existing vacancies throughout Adult Social Care	No impact	150,000	150,000	150,000
041 Only use preferred providers for domiciliary care packages where possible. Work with preferred suppliers to develop block contract arrangements particularly around out of hospital care to reduce the need for the use of third tier providers	No impact other than in some instances there may be a change in the domiciliary care provider in the short term from a third tier provider to a preferred supplier	75,000	75,000	75,000
042 Replace two Qualified Social Worker posts at QAH (vacancies) with Independent Support Assistant for less complex cases	No impact	20,000	20,000	20,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
043	Impact of Community Independence Service implementation - the new team will work with clients referred by social care community teams to provide re-ablement focussed short term intervention reducing long term care costs	50,000	50,000	50,000
044	Efficiency saving in In-House Care homes	150,000	150,000	150,000
045	Increase occupancy at Harry Sotnick House Nursing Home - Reduced commissioning costs and increased income	170,000	170,000	170,000
<u>Director of Public Health</u>				
046	Remodelling of the sexual health service, via: driving more care through primary care and reduce demand for specialist services; cessation of sexual health promotion service; use of e-testing; recommissioning service across Southampton and Hampshire, with new contract to commence in 2017/18	182,300	182,300	182,300
047	Remodel existing substance misuse and alcohol contracts	346,300	346,300	346,300
048	Conduct review of service to reduce staff costs	73,400	73,400	73,400
Health and Social Care Portfolio Total		1,984,000	1,984,000	1,984,000

Housing Portfolio

Director of Property & Housing Services

049	Retendering of Homeless Day Centre and integration with substance misuse services	30,000	30,000	30,000
050	Rent deposit scheme for single people being brought in house	20,000	20,000	20,000
051	Floating tenancy support for families	50,000	50,000	50,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
052 I-Dox - IT Support Saving and staff efficiencies due to ability to work remotely and more efficiently	No impact	24,000	24,000	24,000
053 Additional Income from operating a Private Sector Rental Management Service	No impact - Avoids cuts to services	20,000	20,000	20,000
054 Additional Income from implementing a charge to RSLs for managing the waiting list & nominating tenants for their properties	No impact - Avoids cuts to services	25,000	25,000	25,000
055 Increase de minimis capital receipts	No impact - Avoids cuts to services	10,000	10,000	10,000
Housing Portfolio Total		179,000	179,000	179,000
<u>Planning Regeneration and Economic Development Portfolio</u>				
<u>Director of Culture & City Development</u>				
056 Planning - Review of Planning administration and support	No impact	18,000	18,000	18,000
<u>Director of Property & Housing Services</u>				
057 Income from Commercial Property Acquisitions	No impact - Avoids cuts to services	300,000	300,000	300,000
058 Long lease disposal of land at White Hart Road and subsequent re-investment at an improved yield of 6%	No impact - Avoids cuts to services	500,000	500,000	500,000
059 Additional Rental Income from existing Portfolio	No impact - Avoids cuts to services	70,000	70,000	70,000
<u>Director of Transport, Environment & Business Support</u>				
060 PCMI Manufacturing - Additional Income	No impact - Avoids cuts to services	15,000	15,000	15,000
061 Additional income from the new services in the Enterprise Centres	No impact - Avoids cuts to services	25,000	25,000	25,000
Planning Regeneration and Economic Development Portfolio Total		928,000	928,000	928,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
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Resources Portfolio

Chief Executive

062	Shared management responsibilities with another authority	Reduced managerial support on PCC activities	198,000	198,000	198,000
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Director of Community & Communication

063	Review of Family Information Services and management structure within the City Help Desk and implementation of electronic means of communication with customers	More outreach work, specialist available for complex cases, greater capacity for dealing with more straightforward enquiries	55,000	55,000	55,000
064	Review of democratic services processes	Less printed material, more online and self service, less support for some meetings	25,000	25,000	25,000

Director of Finance & Information Service

065	Shared service with another authority	Reduced level of managerial support on PCC activities - Avoids cuts to services	44,000	44,000	44,000
066	Reduction in transactional processing staff	No impact - efficiency generated from intervention review	11,000	11,000	11,000
067	Reduction in postage use by switching to email	No impact	1,800	1,800	1,800
068	Reduction in Accountancy resource requirement including reduction from 5 teams to 4	Reduced support to services e.g. lower level of budget monitoring partly mitigated by revision in working practices	78,000	78,000	78,000
069	Introduction of charge for street naming & numbering service	No impact - Avoids cuts to services	15,000	15,000	15,000
070	Shared services opportunities for Procurement Services	No impact - Avoids cuts to services	15,000	15,000	15,000
071	Telephony provision to other services and organisations	No impact - Avoids cuts to services	11,000	11,000	11,000
072	Deletion of part time post following service review and restructure	No impact	19,000	19,000	19,000
073	Reduction in demand for system support arising from move of two IT applications to cloud based solutions and consolidation of other systems	Improved timeliness of system upgrades	97,000	97,000	97,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £	
074	Income from sale of Datacentre spare capacity	No impact - Avoids cuts to services	15,000	15,000	15,000
075	Category management initiatives from demand management	No impact	63,100	63,100	63,100
076	Contract management - savings on external spend	No impact	10,000	10,000	10,000
077	Bringing current managed network monitoring service in-house	No impact	12,500	12,500	12,500
<u>Director of Human Resources, Legal & Performance</u>					
078	Review staff training provision	No short term impact on service users. Longer term impacts of reducing investment in staff development may include shortage of key skills and problems with recruitment and retention of staff	70,000	70,000	70,000
079	Opportunities to increase income by developing shared service and trading arrangements with other authorities and organisations	No impact - Avoids cuts to services	25,000	25,000	25,000
080	Reduction In Trade Union support	No impact on service users. Additional requirement for other union officials to carry out duties which may impact on service departments	75,000	75,000	75,000
<u>Director of Property & Housing Services</u>					
081	Accommodation charge to the Housing Revenue Account following staff relocation to the Civic Offices from Chaucer House	More efficient use of Civic Office space	51,000	51,000	51,000
082	Additional Income from Energy Projects carried out either directly or through a company structure	No impact - Avoids cuts to services	70,000	70,000	70,000
Resources Portfolio Total			961,400	961,400	961,400

Traffic and Transportation Portfolio

Director of Transport, Environment & Business Support

083	Review of Travel Concession administration	No impact	100,000	100,000	100,000
084	Increase staff charge to capital transport Infrastructure schemes	No impact	20,000	20,000	20,000
085	Reduction in non-PFI highways maintenance	Increased risk of delays in carrying out responsive repairs	25,000	25,000	25,000

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £
086	Reduction in Traffic Management Centre IT maintenance costs / recharges	25,000	25,000	25,000
087	Additional staff re-charges for Business Support and Administration to non-General Fund budgets	50,000	50,000	50,000
088	Reduction in staff training	5,000	5,000	5,000
089	Reduction in use of Agency staff	25,000	25,000	25,000
090	Additional income from charging event organisers for Traffic & Transportation activity	5,000	5,000	5,000
091	Advertising revenue / Sponsorships for events and assets	50,000	50,000	50,000
092	Income from Transport Strategy and Policy activity	15,000	15,000	15,000
093	Additional Income from Traffic & Transportation traded services	10,000	10,000	10,000
Traffic and Transportation Portfolio Total		330,000	330,000	330,000
<u>Other Savings</u>				
094	Debt Servicing Costs - MRP Policy Change - Annuity Method	1,348,000	1,348,000	1,348,000
095	Debt Servicing Costs - MRP Policy Change - MRP Holiday	1,797,000	1,797,000	1,797,000
096	Review of Local Council Tax Support Scheme	500,000	500,000	500,000
Other Savings Total		3,645,000	3,645,000	3,645,000
Grand Total		9,000,000	9,000,000	9,000,000

Agenda Item 10

Title of meeting:	Cabinet
Date of meeting:	8 th December 2016
Subject:	Utility and Engineering Trading Company
Report by:	Owen Buckwell - Director of Property
Wards affected:	None
Key decision:	Yes
Full Council decision:	No

1. Purpose of report

- 1.1 To seek approval for the formation of an arm's length trading company for the purpose of delivering energy and engineering services to a wide range of external organisations, and capable of operating as a provider of district heat and power. The company will seek to increase income to the council through an appropriate commercial and legal framework.

2. Recommendations

That Cabinet approves to the following recommendations:-

- 2.2 To instruct the City Solicitor, in conjunction with the Leader of the Council and the Cabinet Member for Resources, to form an arms-length energy and engineering services company as a group company under a wholly owned holding company, and capable of delivering and operating district heat and power schemes, as described in the Appendices to this report.
- 2.3 That the City Solicitor, the Director of Finance and Section 151 Officer, in conjunction with the Leader of the Council and the Cabinet Member for Resources, be authorised to enter into such company constitutional documents and service and supply agreements with the company as are required by the company for its operation, and for the Council/holding company to most effectively manage its operation.

3. Background

- 3.1 A proposal for an energy services arm's length company has been drawn up to assist in the delivery of services and supplies (described in the accompanying *business case*) to external public and private sector organisations, to increase

income to the Council, whilst helping to achieve the Council's commitment to reduce regional carbon emissions and improve the profitability and environmental conditions of neighbouring organisations.

- 3.2 The Council's energy services activities already involve providing services external organisations such as Southampton City Council schools, Gosport Borough Council and the University of Portsmouth. The Council have other potential clients keen to utilise the range of energy services.
- 3.3 In order to trade in services and supplies for a profit, the Council is obliged to operate through a company, so the creation of a company will enable the Council to access a wider customer base - and will allow for a profit to be realised on the provision of services and will allow the Council to act on a commercial basis, enabling it to compete for business.
- 3.4 It is anticipated that the Council brand will be a unique selling point of the company, and is expected that the company will help to grow and develop the Council's brand. Whilst other organisations within the market place offer similar services, none are known to offer complete solutions delivered entirely in house.
- 3.5 The company will support local and regional organisations by reducing their operational costs associated with utilities, whilst reducing carbon emissions and improving internal environmental conditions.
- 3.6 The target market for the company will initially be local organisations with a combined utility expenditure of £30,000 per annum which represents approximately 20% of all business within the UK. The majority of these organisations do not have any utility or engineering expertise in house.

4. Reasons for recommendations

- 4.1 In order to carry out activities for the purposes of realising a profit, the Council needs to do so through a company. On the basis of the findings referred to in the business case, it will:
 - 1) Generate income from the sale of utility and engineering services to the non-domestic sector; by employing Council officers via a resourcing agreement, generating interest on lending, and paying the Council as the single shareholder a dividend of the company's profits.
 - 2) The retention of profits by the company will help mitigate against the additional investment risk from this new area of commercial activity.
 - 3) Achieve the full potential of delivering services that would otherwise be limited, due to restrictions on the amount of allowable activity in the private sector. Some of the services available are expected to be highly profitable compared to the amount of resources and capital required to

deliver these services. Profit margins such as these would not be realised under direct-provision arrangements.

- 4) Enable a separate, more responsive and commercial operation.
- 5) More economically address the council's sustainability agenda.
- 6) Limit liability and risk to the Council.

4.2 Whilst Arm's Length Companies are increasingly becoming a feature of local government. A number of other local authorities have companies which deliver some of the services outlined in the Business Case, however no other provider, as far as has been determined, are offering the range of commercial services proposed.

4.3 The company operations will be undertaken by the Authority's existing staff via the resourcing agreement. However, should the company require further dedicated resources in the future then these will be employed directly and funded wholly by the company.

5. Equality impact assessment (EIA)

5.1 A preliminary EIA was considered but after proceeding through the process it was assessed that an EIA would not be required in this instance. The traded services proposal relates to a commercial enterprise which will operate externally to the Authority and will not impact the equality groups. The customer base will be medium to large sized companies in the southern region. The decision whether to proceed with delivering services to these external companies would be based purely upon a financial appraisal and will not impact negatively on residents/customers of various protected characteristics across the city.

6. Legal implications

6.1 The Council has the power to set up, participate in, and appoint directors to a company for the purposes set out above.

6.2 The Council may also provide services and support to the Company, provided they are on commercial terms.

6.3 As the Company will be operating on a commercial basis, in order to comply with the rules on state aid, in most instances its relationship with the Council will need to be commercial. Loans, and service-support, should not be at an undervalue, and should be commercial.

- 6.4 The Company will be owned 100% by the Council. It will require bespoke Articles of Association, a shareholder's agreement, and a strategic/partnering agreement, in order to properly empower it, creating certainty for both it and its directors, but appropriate oversight and control for the Council.
- 6.5 For example, powers may be reserved, appropriate limits on the powers of the Directors in relation to the disposal of assets, setting of pay, and participation in subsidiary companies or partnerships, and an investment strategy may be set.
- 6.6 Bespoke articles would also include powers for the Council, as shareholder, to replace directors if they are no longer officers or members of the Council.
- 6.7 The use of bespoke articles and a shareholders agreement may also be used to address any other issues relating to the company.
- 6.8 Once the company is set up then secondment and services agreements will be needed to enable directors appointed to operate. It will need to enter into secondment agreements for the directors and appropriate service contracts with them.
- 6.9 The Council will also have to set up appropriate service agreements with the company to provide it with legal, HR, finance and other professional services.
- 6.10 There are a number of names under consideration for the Company; a name will be decided upon following approval of the proposal to set up the company.
- 6.11 As is set out in the report it will be essential to obtain specialist tax advice the Company to ensure that there are no adverse consequences either for it or for the Council in any specific transaction.

7. Finance comments

- 7.1 This report seeks to present the business case for the formation of an Arm's Length Company, with the primary objective of delivering energy and engineering services that will maximise the return to Portsmouth City Council.
- 7.2 The company will initially have no funds of its own. A temporary finance provision would need to be made to cover company formation and development costs and it is proposed that these costs, totalling £60,000, are funded from the existing Utilities Management scheme in the approved Capital Programme. This financing would be repaid with interest accrued at a commercial rate, once profits are generated.
- 7.3 The anticipated costs will include:
- The cost to the Company of Council staff time via the resourcing agreement during the setup phase;

- Marketing and web services;
- The cost of the Company's formation with Companies House;
- The cost to the Company of Council staff time via the resourcing agreement for initial business development and non-capital projects, such as consultancy work.

7.4 In the event that the Company identifies further investment opportunities that deliver a positive financial return for the City, a further report will be brought to Cabinet, backed by a sound business case and a robust financial appraisal approved by the Director of Finance and Section 151 Officer, prior to further investment into the Company being approved.

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Signed by:

Appendices:

Appendix A Initial Business Case to set up Holding Company

Appendix B Consideration and Way Forward

Appendix C Service Description

The recommendation(s) set out above were approved/ approved as amended/ deferred/
rejected by

..... on

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Signed by:

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