

Agenda item: **Decision maker:** City Council**Subject:** Portsmouth City Council - Budget & Council Tax 2015/16  
& Medium Term Budget Forecast 2016/17 to 2018/19**Date of decision:** 5 February 2015 (Cabinet)  
10 February 2015 (City Council)**Report by:** Head of Finance & Section 151 Officer**Wards affected:** All**Key decision:** Yes**Budget & policy  
framework decision:** Yes

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## 1. Executive Summary

- 1.1 This Council Tax proposal, Budget 2015/16 and Medium Term Financial Forecast is made at a time when the national economic circumstances are improving but the picture for Local Government is one of increasing costs and demand for services coupled with unprecedented reductions in funding.
- 1.2 Economic conditions are expected to be steady and sustained but with the pace of growth slowing next year. The National Debt position will remain high (currently standing at £1.45 trillion or 79.5% of Gross Domestic Product<sup>1</sup>) and is likely to continue to rise through to 2020. This is driving the Government to continue its funding reductions across the public sector with a belief that "growth alone will not fix the budget deficit".

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<sup>1</sup> Gross Domestic Product is a national measure of economic output

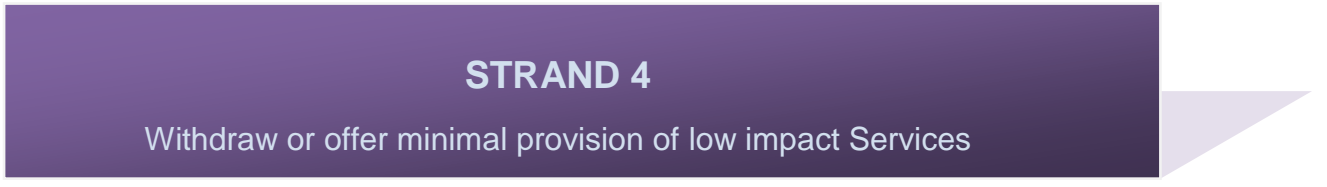
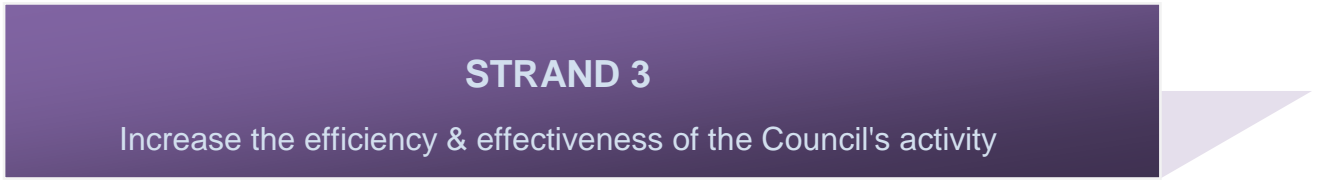
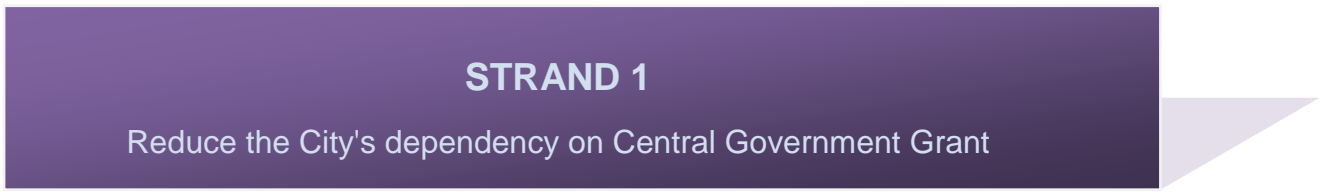
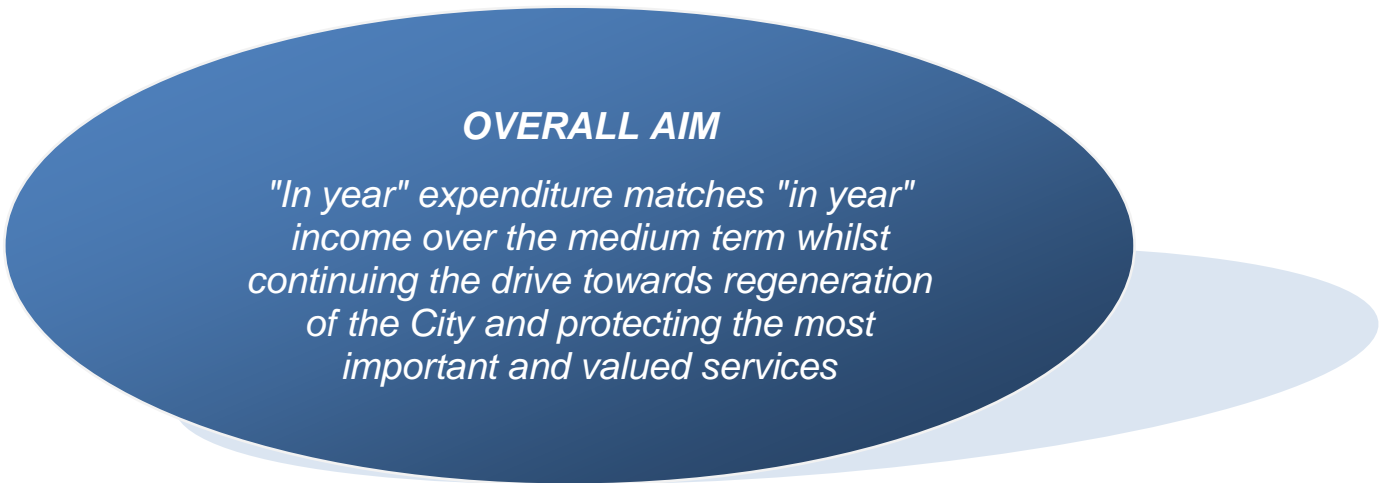
- 1.3 The Autumn Statement in November implied spending cuts after 2015/16 would increase in speed and that to achieve a budget surplus by 2019/20 would require "spending cuts on a colossal scale.....and that we are considerably less than half way through the cuts"<sup>2</sup>. Unless there is a change in policy stance, public sector spending cuts will continue through to 2020.
- 1.4 Nevertheless, the City Council still has an important role to play in stimulating the local economy whilst at the same time protecting the vulnerable and its core services to residents.
- 1.5 Over the last 4 years, the City Council has experienced Government funding reductions of £44m (representing 30%). When combined with the need to meet unavoidable cost pressures, the City Council has had to make savings of £59m through efficiencies and service reductions. In context, £59m represents 22% of the Council's controllable budget as at 2010/11.
- 1.6 The financial settlement from Government for the coming year sees a further £14.7m reduction in funding<sup>3</sup> and is the primary cause of the Council's £13.1m savings for 2015/16. This takes the overall savings required over the austerity period to £72m and the overall cut in the Controllable budget to 27% since the start of austerity.
- 1.7 The Council's essential care services (Adults and Children's Social Care) are facing severe demographic pressures and these represent 49% of the City Council's current controllable budget. Those pressures are most apparent within Children's Safeguarding which is currently forecasting a £2.9m overspend. Savings protection has been provided to these services in previous years but given the scale of the future savings required, it is inevitable that all Council services will now need to make significant savings.

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<sup>2</sup> Institute of Fiscal Studies

<sup>3</sup> £14.7m is the "like for like" reduction taking account of "New Burdens" as opposed to the reduction in actual cash

1.8 Having made savings of £72m, the Council now needs to make further savings of £31m over the period 2016/17 to 2018/19. The Council's Medium Term Financial Strategy to achieve this as follows:



1.9 The Council made a series of decisions in December 2014 for the forthcoming financial year that were consistent with this strategy and these are incorporated within the proposed Budget for 2015/16. Those decisions consisted principally of the following:

- A suite of savings amounting to £13.1m of the original forecast £37.6m<sup>4</sup> required over the 3 year period 2015/16 to 2017/18
- No requirement for Children's Safeguarding to make any new savings during 2015/16 although an obligation to find savings to meet the current underlying £2.9m deficit therefore rectifying its current overspending position
- To prepare the 2015/16 Budget on the basis of a Council Tax freeze in 2015/16
- Re-enforcement of the aims of the financial framework underpinning the Medium Term Financial Strategy to create the conditions that would incentivise responsible spending and strong forward financial planning with the following:
  - The continuation of greater financial autonomy including the right of each Portfolio to retain 100% of any year-end underspending and it to be held in an earmarked reserve for the relevant Portfolio
  - Correspondingly, any Budget Pressures are to be funded within the overall resources available to the Portfolio Holder (which includes their Portfolio Reserve)
- The creation of a £500,000 Voluntary Sector Capacity & Transition Fund to enable the voluntary sector to reconfigure their service or enhance their capacity / infrastructure in order to support / provide council services
- The creation of a £500,000 Business Intervention Fund to enable the necessary business interventions to take place across the Council's activities at the necessary scale and pace to deliver significant change and cost reduction in the future.
- The transfer of £2.2m (from 2013/14 underspendings) to the MTRS Reserve recognising this as the Council's primary vehicle for providing funding for Spend to Save initiatives and that the overall uncommitted balance within the reserve is modest in the context of the scale of future savings required
- The transfer of £3m (from 2013/14 underspendings) to supplement the Capital Programme where there remains an enormous gap between Service needs, regeneration aspirations and the associated level of capital resources available

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<sup>4</sup> Assuming a Council Tax Freeze in 2015/16 which adds a further £0.6m to the savings requirement compared to the originally assumed £37m which was based on a 1.95% Council Tax increase for 2015/16

- 1.10 Alongside the £13.1m of savings being made in 2015/16, Portfolios are planning to hold £3.1m in their Earmarked Reserves to meet any necessary budget pressures, fund spend to save schemes and provide financial cover for uncertainties and consequent financial risks that may occur in the future.
- 1.11 The Council's rolling 3 year financial forecasts have also been comprehensively revised and now extended to cover the further year to 2018/19. The forecast budget deficit for the period 2016/17 to 2018/19 amounts to some £31m (or £63m cumulatively over the period). To effectively manage the impact of such a reduction, the proposals within this report recommend that those savings are "smoothed out" at £11m in 2016/17, a further £10m in 2017/18 and then a further £10m in 2018/19.
- 1.12 The most critical assumptions made in arriving at the £31m forecast Budget deficit are set out below:
- Reductions in overall general Government funding of 10.4% in 2016/17, a further 9.3% in 2017/18 and a further 9.0% in 2018/19, representing an overall reduction in funding over the period of £26.6m
  - A 2.0% increase in Council Tax for 2016/17 and each year thereafter, raising £3.8m
  - That any new burdens arising from new Government policy (such as those in the Care Act) will be funded in full
  - An underlying zero growth assumption for changes in Business Rates from 2016/17 onwards, this allows the opportunity for any incremental business rates to be used to deliver that growth (e.g. City Deal or New Shopping Centre infrastructure requirements)
  - Indexation uplifts on retained Business Rates of 2.1% for 2016/17, a further 2.9% for 2017/18 and a further 3.4% for 2018/19 amounting to a total increase for the period of £3.8m
  - That any loss of business rates income arising from the continuation of the cap on increases for small businesses will continue to be recompensed by Government via grant funding
  - An overall composite inflationary provision covering all pay and prices amounting to 3.4% for 2016/17, a further 2.5% for 2017/18 and a further 2.8% for 2018/19 amounting to a total for the period of £13.1m
  - Some provision for the potential on-going risks associated with the budget pressures within Children's and Adults' Social Care
- 1.13 The scale of the future funding reductions and demographic cost pressures will be such that the Council can no longer afford to provide the same level of protection to Adults and Children's Social Care and the Environment and Community Safety services (which combined account for 60% of controllable spending) as has been accommodated in the past.

- 1.14 This remains a particularly uncertain time for the City Council. The financial risks to the Council in the future remain significant. Particular risks are the future funding from Government including new burdens arising from forthcoming legislation; the potential impact of Business Rate appeals and the continuing rising costs of the Council's essential care services.
- 1.15 To deliver the scale of the savings required and to maintain the Council's financial health, the Council should regard the savings process as a continual one rather than a "once a year" planning exercise. Correspondingly, the Council may need to receive budget proposals more frequently throughout the year.
- 1.16 For now, based on the proposals contained within the 2015/16 Budget and the proposals for future savings, the Council's financial health remains sound and provides a good degree of resilience against this uncertain climate.

## 2. Purpose of Report

- 2.1 The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2015/16 and the associated level of Council Tax necessary to fund that Budget.
- 2.2 The report makes recommendations on the level of Council spending for 2015/16 and the level of Council Tax in the context of the Council's Medium Term Financial Strategy in order to achieve its stated aim as follows:

### **OVERALL AIM**

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

- 2.3 The recommended Budget for 2015/16 has been prepared on the basis of the decisions taken by the City Council on the 9<sup>th</sup> December 2014 relating to the approved budget savings, transfers from reserves (to create the Voluntary Sector Capacity & Transition Fund and the Business Intervention Fund) as well as the proposed Council Tax freeze. It also takes into consideration the Council's financial strength and the future outlook for both spending and funding over the next 4 years.
- 2.4 This report also provides a comprehensive revision of the Council's rolling 3 year financial forecast for the new period 2016/17 to 2018/19 (i.e. extending the forecast to 2018/19) and describes the level of associated savings requirements necessary to balance spending and funding over that period.

2.5 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.

2.6 In particular, this report sets out the following:

- (a) The challenging financial climate facing the City Council in 2015/16 and beyond and the consequential budget deficits that result
- (b) A brief summary of the Medium Term Financial Strategy for achieving the necessary savings as approved in the report to Council in November 2013
- (c) A brief recap of the budget decisions taken by the City Council at its meeting of the 9<sup>th</sup> December 2014
- (d) The Revised Revenue Budget and Cash Limits for the current year
- (e) The Local Government Finance Settlement for 2015/16
- (f) The recommended Council Tax for 2015/16
- (g) The proposed Revenue Budget and Cash Limits for 2015/16
- (h) The forecast Revenue Budget, provisional Cash Limits and revised Savings Requirements for 2016/17, 2017/18 and 2018/19
- (i) Estimated Revenue Balances over the period 2014/15 to 2018/19
- (j) The Medium Term Resource Strategy (MTRS) Reserve and its proposed use to achieve cashable efficiencies
- (k) The forecast Collection Fund balance as at 31 March 2015
- (l) The Non Domestic Rates poundage for 2015/16
- (m) The statement of the Head of Finance & Section 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.

### **3. Recommendations**

3.1 That the following be approved in respect of the Council's Budget:

- (a) The revised Revenue Estimates for the financial year 2014/15 and the Revenue Estimates for the financial year 2015/16 as set out in the General Fund Summary (Appendix A)
- (b) The Portfolio Cash Limits for the Revised Budget for 2014/15 and Budget for 2015/16 as set out in Sections 7 and 9, respectively
- (c) Any underspendings for 2014/15 arising at the year-end outside of those made by Portfolios be transferred to the MTRS Reserve
- (d) The Head of Finance & Section 151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts
- (e) Managers be authorised to incur routine expenditure against the Cash Limits for 2015/16 as set out in Section 9

- (f) That the savings requirement for 2016/17 be set at a minimum on-going sum of £11.0m
- (g) Heads of Service be instructed to start planning how the City Council will achieve the savings requirements shown in Section 11 and that this be incorporated into Service Business Plans
- (h) The minimum level of Revenue Balances as at 31 March 2016 be set at £6.5m (£6.0m in 2014/15) to reflect the known and expected budget and financial risks to the Council
- (i) The Head of Finance & S151 Officer be given delegated authority to complete and authorise the statutory Government Returns for Business Rates<sup>5</sup> for 2015/16 and all future years
- (j) The Head of Finance & S151 Officer be given delegated authority to approve the Council Tax Base and Collection Fund Estimates for all future years
- (k) Members have had regard for the Statement of the Head of Finance & Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 17.

3.2 That the following be noted in respect of the Council's Budget:

- (a) The Revenue Forecast and the associated provisional Portfolio Cash Limits for 2016/17 onwards as set out in Section 10 and Appendices B and C, respectively
- (b) The estimated Savings Requirement of £31m for the three year period 2016/17 to 2018/19, for financial and service planning purposes, be phased as follows:

<b>Financial Year</b>	<b>In Year Target £m</b>	<b>Cumulative Saving £m</b>
2016/17	11.0	11.0
2017/18	10.0	21.0
2018/19	10.0	31.0

- (c) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies holds a relatively modest uncommitted balance of £2.9m<sup>6</sup> and will only be replenished from an approval to the transfer of any underspends at year end
- (d) The Non Domestic Rates poundage for 2015/16 will be 49.3p, and 48.0p for small businesses

<sup>5</sup> Those returns being the NNDR1 and the NNDR3

<sup>6</sup> Including the transfer into the reserve of £2.2m and the £1.0m transfers out of the reserve for the creation of the Voluntary Sector Capacity & Transition Fund and the Business Intervention Fund approved by City Council in December 2014



3.3 The advice from the Head of Finance & S151 Officer set out in the approved Budget report to the Council in December 2014 stated that:

*the minimum savings requirement for 2015/16 is £12.5m (with a Council Tax increase of 1.95%) or £13.1m (with a Council Tax freeze) and anything below that would not be prudent.*

3.4 That it be noted that at its meeting on 8 January 2015 the Cabinet calculated the amount of **53,277.2** as its Council Tax Base for the financial year 2015/16 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the “Act”)].

3.5 That the following amounts be now calculated by the Council for the financial year 2015/16 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£512,652,086	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£450,236,248	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£62,415,838	Being the amount by which the aggregate at 3.5 (a) above exceeds the aggregate at 3.5(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act.
(d)	£1,171.53	Being the amount at 3.5(c) above (Item R), all divided by Item 3.4 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands (Portsmouth City Council)

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

Being the amounts given by multiplying the amount at 3.5(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

- 3.6 That it be noted that for the financial year 2015/16 the Hampshire Police & Crime Commissioner is consulting upon the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

<b>A</b> <b>£</b>	<b>B</b> <b>£</b>	<b>C</b> <b>£</b>	<b>D</b> <b>£</b>	<b>E</b> <b>£</b>	<b>F</b> <b>£</b>	<b>G</b> <b>£</b>	<b>H</b> <b>£</b>
104.89	122.37	139.85	157.33	192.29	227.25	262.22	314.66

- 3.7 That it be noted that for the financial year 2015/16 Hampshire Fire and Rescue Authority are recommending the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Fire & Rescue Authority)

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

- 3.8 That having calculated the aggregate in each case of the amounts at 3.5(e), 3.6 and 3.7 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2015/16 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

<b>A</b> <b>£</b>	<b>B</b> <b>£</b>	<b>C</b> <b>£</b>	<b>D</b> <b>£</b>	<b>E</b> <b>£</b>	<b>F</b> <b>£</b>	<b>G</b> <b>£</b>	<b>H</b> <b>£</b>
926.83	1,081.30	1,235.77	1,390.24	1,699.18	2,008.12	2,317.07	2,780.48

- 3.9 The Head of Finance & Section 151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Authority precepts.

## 4. Economic & Financial Context

- 4.1 The previous Budget report to the City Council in December 2014 described the overall national picture for public finances and the particular implications experienced by the City generally and the Council specifically.
- 4.2 In brief, the global economic downturn and subsequent recovery has had a significant detrimental effect on the public finances nationally. The overall welfare bill has risen at the same time as a fall in tax revenues. Since 2008, this has led to the overall national debt position to rise from £0.53 trillion to £1.45 trillion or 79.5% of Gross Domestic Product (GDP)<sup>7</sup> compared with around 40% of GDP in 2008.
- 4.3 Part of the response from Central Government has been to reduce spending (and funding) across the public sector. Over the past 4 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £44m (amounting to 30%). 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 Council provided 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 £59m. In context, this represents some 22% of the Council's controllable spending.
- 4.4 Despite the improving economic conditions, public sector debt remains high but more importantly it is higher than Government plans. All major parties are committed to turning the current annual budget deficit into surplus by 2020 at which time they can start to pay down the national debt. The Institute for Fiscal Studies has suggested that significant public spending cuts are still to come through the next parliament. Spending cuts can therefore be expected to continue through to 2020.
- 4.5 This report includes a complete revision of the Council's financial forecasts (covering both expenditure and funding) to 2018/19. The forecasts also take into account the £13.1m savings decisions made by the City Council in December 2014 and the intent to freeze the level of Council Tax in 2015/16. The forecasts contained within this report now indicate a savings requirement for the next 3 years, from 2016/17 to 2018/19, of £31m.

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<sup>7</sup> GDP is measure of the overall output of the economy

## 5. Medium Term Financial Strategy and Budget Decisions 2015/16

5.1 In response to the considerable financial challenge, the City Council approved the following Medium Term Financial Strategy (for both revenue and capital):

### OVERALL AIM

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

### STRAND 1

Reduce the City's dependency on Central Government Grant:

- Entrepreneurial activities
- Income Generation
- Capital investment for jobs and business growth (increased Business Rates)

### 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 and outcomes
- Use the insights of Councillors to inform priorities
- Use the results of public consultation to inform priorities

5.2 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. The strategy is consistent with the '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 the Shaping Portsmouth Partnership. Overall, this strategy could see an additional 11,500 new jobs created over the next 10 years. The aim of the strategy is to ensure local people are able to get those jobs and benefit from the regeneration programme.

5.3 Despite the challenging financial circumstances, the City Council made a series of Budget decisions in December 2014 that were generally consistent with the strategy. The key Budget decisions made included:

- A suite of savings amounting to £13.1m of the original forecast £37.6m<sup>8</sup> required over the 3 year period 2015/16 to 2017/18
- No requirement for Children's Safeguarding to make any new savings during 2015/16 although an obligation to find savings to meet the current underlying £2.9m deficit to rectify its current overspending position
- To prepare the 2015/16 Budget on the basis of a Council Tax freeze in 2015/16
- Re-enforcement of the aims of the financial framework underpinning the Medium Term Financial Strategy to create the conditions that would incentivise responsible spending and strong forward financial planning with the following:
  - The continuation of greater financial autonomy including the right of each Portfolio to retain 100% of any year-end underspending and it to be held in an earmarked reserve for the relevant Portfolio
  - Correspondingly, any Budget Pressures to be funded within the overall resources available to the Portfolio Holder (which includes their Portfolio Reserve)
- The creation of a £500,000 Voluntary Sector Capacity & Transition Fund to enable the voluntary sector to reconfigure their service or enhance their capacity / infrastructure in order to support / provide council services
- The creation of a £500,000 Business Intervention Fund to enable the necessary business interventions to take place across the Council's activities

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<sup>8</sup> Assuming a Council Tax Freeze in 2015/16 which adds a further £0.6m to the savings requirement compared to the originally assumed £37m which was based on a 1.95% Council Tax increase for 2015/16

at the necessary scale and pace to deliver significant change and cost reduction in the future.

- The transfer of £2.2m (from 2013/14 underspendings) to the MTRS Reserve recognising this as the Council's primary vehicle for providing funding for Spend to Save initiatives and that the overall uncommitted balance within the reserve is modest in the context of the scale of future savings required
- The transfer of £3m (from 2013/14 underspendings) to supplement the Capital Programme where there remains an enormous gap between Service needs, regeneration aspirations and the associated level of capital resources available

5.4 The combined effect of all of these decisions has enabled the Council to:

- Meet its £13.1m savings requirement
- Provide protection for the Council's most vulnerable Services
- Embed a financial framework which is better able to respond to the greater financial challenges ahead
- Provide funding to promote business change and cost reduction via both the voluntary sector and internal departments in order to provide the foundations for future savings
- Continue to make funds available for Spend to Save schemes
- Make additional capital funding available to meet statutory obligations and regeneration aspirations

## **6. Revised Budget 2014/15**

6.1 The original revenue Budget approved by the City Council on 11 February 2014 was £174,363,725.

6.2 The Council has received regular quarterly Budget Monitoring reports on the 2014/15 Budget throughout the year. The key variances that have arisen during the year have been the pressure on the Children's & Education Portfolio and the Health & Social Care Portfolio but offset, in part, by forecast underspendings in the Council's Treasury Management activities.

6.3 The Children's & Education Portfolio continue to encounter overspendings amounting to £2.9m with the majority relating to Children's Safeguarding. Significant benchmarking work has been undertaken which has established the Safeguarding Service as generally low cost against our statistical neighbours. Proposals have already been considered by the Cabinet Member for Children & Education to reduce spending by £2m, these were considered by Cabinet in December 2014 and reported to Council in January 2015. Whilst Children's Safeguarding is considered generally low cost with limited scope for making savings, proposals do include improving the

cost effectiveness in this area of activity. Due to the scale of the savings required and the limited scope for savings in Children's Safeguarding generally, it was inevitable that other savings within the portfolio would be required and this included £0.9m savings in respect of the Integrated Youth Support Service.

- 6.4 Given that just 6 weeks remain to the end of the financial year, the £2m of savings proposals will not be made within the current financial year but they are expected to be delivered for 2015/16. The Council's budget rules state that any overspending in one year will be "clawed back" in the next financial year via a cash limit reduction. To repay the forecast £2.9m overspend in 2015/16 as well as reducing spend by £2.9m (combined amounting to £5.8m in savings) all set in the context of a relative low cost service and limited ability to find savings, is likely to be unachievable for the Portfolio in 2015/16. To ensure that the Council's budget overall remains robust, some funding will be retained within the Council's corporate contingency provision to cover the 2014/15 overspend position of the Portfolio.
- 6.5 The prospects for the Children's & Education Portfolio Budget in 2015/16 remain challenging but achievable if the proposals described in the report to Cabinet in December 2014 are successfully delivered.
- 6.6 Adult Social Care is currently forecasting a £0.5m overspend mainly relating to new legislative burdens for carrying out Deprivation of Liberties assessments but also due to lower than anticipated use of assistive equipment and technology. In the event that this overspend persists, it will be "clawed back" from the Portfolio's 2015/16 cash limit.
- 6.7 Significant changes to the Original Budget approved by Council now being proposed as part of the Revised budget are as follows:
- A contribution to the Revenue Reserve for Capital of £3.0m and a contribution to the MTRS Reserve of £2.2m as approved by the City Council in December 2014 (effectively funded from the 2013/14 underspend and which increased General Balances in 2013/14 and that are now being drawn down in 2014/15)
  - Increases in the budget to reflect current expectations that the originally anticipated savings from Strategic Contracts will only achieve savings of £24,000 during the year (full year effect of £108,000) compared with the budgeted saving of £1.25m
  - Adjustment to the budget to reflect slippage in the budgeted income from the letting of the Brunel Wing amounting to £0.4m
  - Passporting of grants received in year for European Elections, Special Educational Needs Reform and Adoption Reform amounting to £0.8m<sup>9</sup>
  - Reduction in the anticipated trading income from the Port and MMD amounting to £0.9m. Trading income is expected to improve from 2015/16 following the award of two new contracts to MMD commencing in February 2015

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<sup>9</sup> Whilst this increases the Council's expenditure, it is offset by increases in the overall grants received from Government and is budget neutral to the Council overall

- Additional Pyramids maintenance works brought forward from future years in order to make overall efficiencies and cost savings by undertaking works at the same time and in a co-ordinated manner. Additional works amounted to £0.5m which will be funded by reducing the maintenance budgets for the Pyramids by £0.25m in both 2015/16 and 2016/17, making it budget neutral overall
- Reductions in other expenditure of £0.5m which includes the improvement in the forecast costs of the Council's Treasury Management activities
- Lower than anticipated costs of the recently announced pay award of £0.5m

6.8 In preparing the Revised Estimate for 2014/15, total adjustments amounting to £7.7m have been made to increase the overall Budget for the current year to £182,053,100. This is set out below:

**TABLE 1 - MOVEMENTS BETWEEN ORIGINAL AND REVISED BUDGET 2014/15**

	<b>2014/15 £000</b>
<b>Original Net Budget 2014/15</b>	<b>174,364</b>
<b><u>Add:</u></b>	
Transfer to Revenue Reserve for Capital (arising from 2013/14 underspend - Approved December 2014)	3,000
Transfer to MTRS Reserve for Capital (arising from 2013/14 underspend - Approved December 2014)	2,200
Budget Savings 2014/15 Not Achieved (Strategic Contract savings and slippage in Brunel Wing savings)	1,639
Grants received In Year and passported to Services	755
Port & MMD - reduced trading income and pension liabilities	866
Pyramids maintenance - bring forward of future years maintenance budgets from 2015/16 and 2016/17	500
<b><u>Less:</u></b>	
Other Expenditure (including Treasury Management activities)	(490)
Lower than forecast cost of Pay Award	(453)
Carry Forward of Contingency from 2014/15 to 2015/16	(166)
Windfall items	(162)
<b>Revised Net Budget 2014/15</b>	<b>182,053</b>
<b>Increase in Net Budget 2014/15</b>	<b>7,689</b>



- 6.9 The other significant factor affecting the Revised Budget is the reduction in the estimate of Retained Business Rates for the year of £4.9m. The Council will recall that when the Original Budget was set in February 2014, it was prepared upon the basis that the Council would spread any losses arising from Business Rate appeals over a 5 year period. However, within that report, the Head of Finance & S.151 Officer advised that he intended to prepare the Council's accounts on an alternative basis which provided for all losses on Business Rate appeals to be accounted for in the year (amounting to £7.6m). This has had the effect of producing a deficit on the Collection Fund relating to Business Rates in 2014/15 for the Council of £7m and is the major cause of the £4.9m reduction in retained Business Rates income for the year.
- 6.10 The rationale for accounting for the full loss on appeals in a single year was that in doing so, it triggered a "safety net" payment from Government of £3.0m which was received in 2013/14 as a grant. This was the most significant reason for the £5.2m improvement in the Council's financial position and has effectively funded the £3.0m additional contribution to Capital in this year. Had the appeals been spread over 5 years, the Council would not have qualified for this "safety net" payment.
- 6.11 The overall effect of the changes described above on the Council's Revised Budget is best illustrated through the overall impact on General Balances and is summarised below.

**TABLE 2 - MOVEMENT IN GENERAL BALANCES 2014/15**

	<b>2014/15 £000</b>
Increases in Expenditure	7,689
Reductions in Funding (primarily reduced Business Rates)	4,521
<b><u>Reduction in General Balances</u></b>	<b><u>12,210</u></b>

- 6.12 The real impact on the Council's overall financial position in 2014/15, arising from the recommendations contained within the Revised Budget is a deterioration of £7m (as balances increased on the close of the 2013/14 accounts by £5.2m for items now being spent in 2014/15). Additionally, as previously mentioned, the £4.9m reduction in retained Business Rates has effectively been brought forward from future years (i.e. by not spreading) and was also planned within the Council's overall Medium Term Financial forecasts upon which savings requirements were based. In overall terms therefore, over the medium term, the Council's financial position is broadly neutral.
- 6.13 The Revised Revenue Budget is set out in the General Fund Summary (Appendix A).

6.14 As described in Section 13, the Council needs to continue to replenish the MTRS Reserve if it is to remain as a core element of the Council's strategy to reduce costs through efficiencies in the coming years. Whilst there are no proposals within the proposed Revised Budget to make any transfers to the MTRS Reserve, it is recommended that any savings for 2014/15 that arise at the year-end outside of Portfolios, be transferred to the MTRS Reserve.

6.15 Although financially neutral, the Revised Budget also takes into account both the use of Portfolio Reserves in 2014/15 as well as any forecast transfer to Portfolio Reserves. Overall, it is expected that there will be a net decrease in Portfolio Reserves of £2.4m (arising from their use in the year) with a forecast balance on all Portfolio Reserves of £3.1m at the end of this financial year. See Table 3 below.

**TABLE 3 - Transfers (From)/To Portfolio Reserves 2014/15**

<b>PORTFOLIO</b>	<b>Balance 1 April 2014 £000</b>	<b>Transfer To / (From) Reserves £000</b>	<b>Forecast 31 March 2015 £000</b>
Children & Education	229	(229)	0
Culture Leisure & Sport	116	207	323
Environment & Community Safety	1,177	(292)	885
Health & Social Care	2,195	(2,195)	0
Housing	137	(3)	134
Leader	0	0	0
Planning Regeneration Economic Development	794	41	835
Resources	667	(12)	655
Traffic & Transportation	0	0	0
Governance & Audit Committee	145	110	255
Licensing Committee	34	0	34
<b>TOTAL</b>	<b>5,492</b>	<b>(2,372)</b>	<b>3,120</b>

6.16 In the first instance, these Earmarked Reserves are to be used to meet any necessary budget pressures facing a Portfolio. These Reserves therefore, are an important feature of the overall budget proposal since they can be used to mitigate (and provide financial cover) for a number of uncertainties and consequent financial risks that may occur.

6.17 In summary, in funding the Revised Budget of £182,053,100 the City Council will need to draw on General Balances of £8,827,620<sup>10</sup>. As previously explained, this is broadly neutral to the Council's overall financial position over the medium term.

<sup>10</sup> This differs from the movement in balances set out in Table 2 above which compares the originally planned contribution to Balances of £3,382,728 versus the proposed draw on Balances of £8,827,620

## 7. Revised Cash Limits 2014/15

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

7.2 The Cash Limits for 2014/15 have been revised to take account of:

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

7.3 The table below sets out the revised Cash Limits for 2014/15 and those items outside the Cash Limit (e.g. capital and similar charges, levies and insurance premiums), which together form the Revised Budget for each Portfolio.

<b>PORTFOLIO</b>	<b>Revised Cash Limits 2014/15 £'000</b>	<b>Items Outside the Cash Limit £'000</b>	<b>Revised Budget 2014/15 £'000</b>
Children & Education	31,876	19,094	50,970
Culture Leisure & Sport	8,673	3,870	12,543
Environment & Community Safety	16,445	2,542	18,987
Health & Social Care	48,287	3,314	51,601
Housing	1,856	5,743	7,599
Leader	234	20	254
Planning Regeneration Economic Development	(5,283)	13,041	7,758
Resources	22,260	4,137	26,397
Traffic & Transportation	16,967	684	17,651
Governance, Audit & Standards Committee	305	61	366
Licensing Committee	(145)	16	(129)
<b>PORTFOLIO EXPENDITURE</b>	<b>141,475</b>	<b>52,522</b>	<b>193,997</b>

7.4 The current policy is that any overspend against the cash limit will in the first instance be deducted from any Portfolio reserve or if that is exceeded from the following financial year's cash limit.

## 8. Revenue Budget 2015/16

- 8.1 At the Annual Budget Meeting in February 2014, forecasts for this coming financial year 2015/16 and the subsequent 2 financial years estimated that an overall 3 year savings requirement of £37.0m would be necessary to meet the budget deficits over that period<sup>11</sup>. The forecasts were prepared on the basis of a reduction in Government Funding of 14.2% in 2015/16 and then a further 10.0% reduction in 2016/17 and a further 8.9% in 2017/18. Subsequent to the preparation of those forecasts, the Government has announced the Autumn Statement and just recently the provisional Local Government Finance Settlement for 2015/16.
- 8.2 The most significant outcomes of the Autumn Statement were that it implied spending cuts after 2015/16 would increase in speed and that to achieve a budget surplus by 2019/20 would require "spending cuts on a colossal scale.....and that we are considerably less than half way through the cuts"<sup>12</sup>.
- 8.3 As reported to the City Council in December 2014, the advice of the Head of Finance & S151 Officer was that whilst it is likely that the overall financial forecasts will change, the savings requirement for 2015/16 at £12.5m (with a Council Tax increase of 1.95%) or £13.1m (with a Council Tax freeze) remains robust and prudent. Further, given what is known or reasonably expected regarding future funding reductions and given the future uncertainties, that any savings requirement below that would not be prudent.
- 8.4 Details of the Local Government Finance Settlement are set out below.

### Local Government Finance Settlement 2015/16

- 8.5 The Local Government Finance Settlement is the term used to describe the main non-ringfenced Revenue and Capital grant funding allocations from Government. The provisional settlement was announced on the 18 December 2014 and the final settlement will be announced in early February 2015.
- 8.6 The settlement for 2015/16 amounts to £104.2m representing an 11.7% reduction in cash terms. On a like for like basis (excluding funding for new burdens and Business Rate re-imbursements<sup>13</sup> of £3.3m which are broadly budget neutral since they come with an associated cost) the reduction amounts to £14.7m (or 12.7%) as set out below.

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<sup>11</sup> This assumed Council Tax increases of 1.95% per annum from 2015/16 to 2017/18. A Council Tax freeze in 2015/16 increases the savings requirement to £37.6m

<sup>12</sup> Institute of Fiscal Studies

<sup>13</sup> Business Rate re-imbursements relate to S.31 Grants receivable as compensation for the loss of locally retained business rates arising from National Business Rate reduction initiatives such as Rate Capping

LOCAL GOVERNMENT FINANCE SETTLEMENT  <i>YEAR ON YEAR COMPARISON</i>	Actual Settlement	Actual Settlement	Actual Change	
	2014/15	2015/16		
	£	£	£	%
Revenue Support Grant (Adjusted Like for Like)	53,641,390	38,375,386	(15,266,004)	-28.5%
Business Rates Retention - Baseline Funding Level (Note 1)	43,212,869	44,038,593	825,724	1.9%
<b>Sub Total - Settlement Funding Assessment</b>	<b>96,854,259</b>	<b>82,413,979</b>	<b>(14,440,280)</b>	<b>-14.9%</b>
Other Grants - See Note 2	18,719,487	18,473,736	(245,751)	-1.3%
<b>Total Settlement - Like for Like Comparison</b>	<b>115,573,746</b>	<b>100,887,715</b>	<b>(14,686,031)</b>	<b>-12.7%</b>
Additional Grants - New Responsibilities (See Note 3)	2,424,121	3,309,446	885,325	36.5%
<b>Total Settlement - Cash</b>	<b>117,997,867</b>	<b>104,197,161</b>	<b>(13,800,706)</b>	<b>-11.7%</b>

#### **Note 1 - Business Rate Retention**

The Baseline Funding level is the Government's assessment of the funding needed from Business Rates, it does not represent actual funding from Government. The actual income from Retained Business Rates may be above or below this level

#### **Note 2 - Unannounced Grants**

The following grants have yet to be announced and at present are assumed to be as per the Council's original forecast in February 2014

Adoption Reform Grant	0
<b>Sub Total</b>	<b>0</b>

#### **Note 3 - Grants for New Burdens**

The following grants have been increased to recognise additional responsibilities

Adult Social Care New Burdens	989,133
SEND - New Burdens	116,389
DfT Local Roads Funding	146,868
S31 Grants - National Business Rate Initiatives	2,057,056
<b>Sub Total</b>	<b>3,309,446</b>

#### **Note 4 - Comparison to "Spending Power" used by Government**

The Government's assessment of the change in Portsmouth City Council's "Spending Power" is a reduction of £6.1m (or 3.3%)

When Government consider "Spending Power" as the measure by which Local Authorities funding has changed they also include the following:

- \* Their estimate of the increase in Council Tax income - their estimate being £0.38m increase
- \* The change in the Public Health Grant (although it is ring-fenced) - no change at £16.18m
- \* The change in the Better Care Fund to be spent by the NHS and Adult Social Care - an increase of £6.8m to £13.05m
- \* The additional grants to recompense Local Authorities for the loss associated with capping business rates (even though Local Authorities will not receive any overall financial benefit)

Equally, Government exclude the following significant grant funding from their calculations:

- \* Education Support Grant - expected to reduce by circa £0.6m
- \* The Adoption reform grant (or its equivalent)

8.7 The £14.7m (or 12%) reduction in funding for 2015/16 is very close to the Council's forecast upon which the savings requirement of £13.1m<sup>14</sup> for 2015/16 was based (forecast reduction of £15.3m) representing a variance of £0.6m (or 0.6%) as set out below.

LOCAL GOVERNMENT FINANCE SETTLEMENT  <i>COMPARISON WITH FORECAST</i>	Forecast Settlement 2015/16 £	Actual Settlement 2015/16 £	Actual Change	
			£	%
Revenue Support Grant (Adjusted Like for Like)	38,385,255	38,375,386	(9,869)	0.0%
Business Rates Retention - Baseline Funding Level (Note 1)	44,405,581	44,038,593	(366,988)	-0.8%
<u>Sub Total - Settlement Funding Assessment</u>	<u>82,790,836</u>	<u>82,413,979</u>	<u>(376,857)</u>	<u>-0.5%</u>
Other Grants - See Note 2	17,466,335	18,473,736	1,007,401	5.8%
<b><u>Total Settlement - Like for Like Comparison</u></b>	<b><u>100,257,171</u></b>	<b><u>100,887,715</u></b>	<b><u>630,544</u></b>	<b><u>0.6%</u></b>
Additional Grants - New Responsibilities (See Note 3)	2,062,911	3,309,446	1,246,535	
<b><u>Total Settlement - Cash</u></b>	<b><u>102,320,082</u></b>	<b><u>104,197,161</u></b>	<b><u>1,877,078</u></b>	<b><u>1.8%</u></b>

**Note 1**

The Baseline Funding level is the Government's assessment of the funding needed from Business Rates, it does not represent actual funding from Government. The actual income from Retained Business Rates may be above or below this level

**Note 2**

The following grants have yet to be announced and at present are assumed to be as per the Council's original forecast in February 2014

Adoption Reform Grant	0
<b>Sub Total</b>	<b>0</b>

**Note 3**

The following grants have been increased to recognise additional responsibilities

Adult Social Care New Burdens	989,133
SEND - New Burdens	116,389
DfT Local Roads Funding	146,868
<u>S31 Grants - National Business Rate Initiatives</u>	<u>2,057,056</u>
<b>Sub Total</b>	<b>3,309,446</b>

<sup>14</sup> Assuming a Council Tax freeze

8.8 The "Like for Like" comparison of the Settlement analyses above excludes changes in funding from the following in order to present a like for like comparison with the previous year:

- Adult Social Care New Burdens arising from the Care Act - An additional £1.0m of funding but which will also result in additional costs to the Council and therefore it would not be appropriate to include it in a like for like comparison
- Better Care Fund - £13.1m which is contained within NHS Budgets and Social Care Capital Grants, the allocation of which is agreed locally through Health & Wellbeing Boards
- Section 31 Grants which recompense the Council for the loss of Business Rates the Council will suffer as a consequence of a National initiative to reduce Business Rates (e.g. extension of the 2% Business Rate cap) - these schemes are budget neutral to the Council.

**Note: The Settlement analyses also excludes Public Health Grant as this is a specific grant which does not form part of the non ring-fenced grant allocation. The Public Health Grant remained unchanged for 2015/16 at £16.2m**

8.9 As yet, there has been no announcement of any future continuation for the Adoption Reform Grant (or its equivalent). At this stage, no funding is being forecast and therefore no budget provision has been made.

8.10 The Settlement has also confirmed that the Local Welfare Provision Grant has been removed altogether (£716,000 in 2014/15). In 2015/16 the Service will continue with a budget of £100,000 and funded from a planned underspending in the current year, this may be supplemented should a bid to the Lottery Fund be successful. The Council's future forecasts beyond 2015/16 assume that as the funding from Government has been withdrawn, the Council will no longer continue to provide the Service.

8.11 Given that the 2015/16 Local Government Finance Settlement is in line with the Council's forecasts upon which the minimum £13.1m savings requirement was based, there is no need to seek any further savings beyond those approved at the December 2014 Council meeting.

8.12 The proposals for Council Tax contained within the Local Government Finance Settlement are covered under the heading "Council Tax Proposals 2015/16" set out later in this section.

8.13 Given the forthcoming general election, the Government have not produced an illustrative settlement for 2016/17. The Council's future year's financial forecasts will therefore be exposed to a greater level of estimation and assumption than usual. The comprehensive revision of the financial forecasts for 2016/17 to 2018/19 is set out in Section 10.

#### Retained Business Rates 2015/16

8.14 As explained in previous reports, the City Council now retains 49% of all Business Rates received. This system was introduced for the first time in 2013/14 and was accompanied by a broadly equivalent reduction in Government Grant and therefore at commencement did not represent any additional funding. The new system of retained Business Rates does however present both opportunities and risks. Authorities with strong business rates growth will benefit and be able to retain 49% of that growth, whereas Authorities whose business rates decline, or are subject to "shocks" such as closure (or relocation) of major businesses in an area, will see a reduction in their funding.

8.15 The new system is complex but some of the other key features are highlighted below:

- For businesses the National Non Domestic Rates (NDR) 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 tax base grows the City Council will be rewarded with increased funding, but if it declines Council funding will reduce
- Estimates of likely successful appeals (both known and as yet unknown) must be taken into account when determining the amount of business rates that can be retained
- 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 of £44.0m (for Portsmouth this would require a fall in Business rates retained to £40.7m).

8.16 It should be noted that estimating the value of likely successful appeals is notoriously complex and can be subject to significant variance from year to year as appeals are settled. Accommodating such volatility is an issue of on-going concern and debate between Local Authorities and Government.



- 8.17 Despite the complications and risks associated with appeals, there remains the financial incentive within the system for many Local Authorities (including Portsmouth<sup>15</sup>) to generate economic growth and job creation. Irrespective of the financial incentive, the Council's Medium Term Financial Strategy is aimed at reducing the need for Council Services generally and therefore growth, jobs and prosperity are vital to achieve that.
- 8.18 Retained business rates are estimated to increase from £38.6m<sup>16</sup> in the current year to £44.8m in 2015/16, representing an increase of 16%. This however, reflects the large "one-off" provision made for the cost of appeals in 2014/15 causing a deficit in that year of £7m. This was offset elsewhere with a safety net payment from Government of £3m.

### Council Tax Proposals 2015/16

- 8.19 The Budget report to Council in December 2014 illustrated that Portsmouth City Council is a low taxing Authority receiving approximately £6.0m per annum (or 10%) less in Council Tax than the average Unitary Authority within its statistical neighbour group. It also worth noting the following:
- 55% of households in Portsmouth pay the full Council Tax
  - 14% of all households in Portsmouth receive Council Tax Support
  - 87% of all households in Portsmouth are in Council Tax Bands A-C
- 8.20 The provisional Local Government Finance Settlement for 2015/16 announced that a Council Tax Freeze Grant will be made available to those Local Authorities that do not increase their Council Tax in 2015/16. The Council Tax Freeze Grant will amount to the equivalent of a 1% increase in Council Tax. Alternatively, Councils have the option, without a referendum, to increase Council Tax up to a threshold of 2%. Any increase beyond the threshold can only be implemented following a "Yes" vote in a local referendum.
- 8.21 The options available to the Council are:
- i) To make no increase to the level of Council tax for 2015/16 and receive a Council Tax Freeze Grant amounting to £0.7m. In future years this will be built into the main funding settlement and subject to the funding cuts which are expected to amount to between 9% and 10% per annum for the period 2016/17 to 2018/19. By 2018/19 for example, the £0.7m grant can be expected to have been eroded by £0.2m to a sum amounting to £0.5m
  - ii) Increase the Council Tax by up to 2% which would yield up to £1.2m per annum in perpetuity plus the impact of any compounding effect of future tax rises. An increase of 2% represents an additional £18.22 per annum to the average Band B Taxpayer in Portsmouth (or 35 pence per week)

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<sup>15</sup> Applies to Local Authorities that, in general, remain above the safety net threshold over time

<sup>16</sup> Adjusted for National Business Rate reduction schemes which are recompensed through S31 Grant in order to provide a like for like comparison.

8.22 Having considered the balance between reducing Services by £0.5m (and rising to £0.7m over the next 3 years) versus increasing the burden of tax to the residents of the City, the Administration have recommended a Council Tax freeze for the forthcoming financial year 2015/16.

8.23 It should be noted that in the report to the City Council in December 2014, the Head of Finance & S151 Officer advised the minimum savings requirement for 2015/16 is £12.5m (with a Council Tax increase of 1.95%) or £13.1m (with a Council Tax freeze) and anything below that would not be prudent. The Budget recommended to Council within this report incorporates the £13.1m savings approved by the Council in December 2014 and therefore accords with that advice.

### Cumulative Effects of the Overall Local Government Funding System

8.24 Over the past 3 years and including the coming year, the emphasis of the Local Government Funding system has changed considerably. There are now clear financial incentives for Local Authorities to foster business growth, increase the number of homes and increase employment. This is illustrated by the following:

- The Business Rates retention scheme allows the City Council to retain circa £400,000 for every 1% increase in Business Rate growth. Equally, the City Council will lose £400,000 for every 1% decline in the Business Rate base
- For every new home built, the City Council is able to retain circa £1,456 p.a. in New Homes Bonus grant for a period of 6 years
- The risk of increased numbers of households requiring financial support to pay their Council Tax (formerly Council Tax Benefit) falls on the City Council. The City Council therefore will be worse off if caseloads increase and better off if caseloads fall. The estimated value of the Council Tax support for 2015/16 is £9.0m, each 1% change therefore will represent a cost / saving of £90,000.

It is important therefore that when the Council is developing policy and strategy and making its decisions, particularly relating to the Capital Programme, that it is cognisant of these financial incentives.

## Summary of Proposed Revenue Budget 2015/16

8.25 The proposed Budget for 2015/16 has been prepared to include the following:

- Funding for New Burdens associated with the Care Act (£1m) and the Special Educational Needs reforms (£0.1m)
- Reduction in general Government funding of £14.7m
- A Council Tax freeze and the associated receipt of a £0.7m Council Tax Freeze Grant
- An increase in retained Business Rates<sup>17</sup> of £1.0m, largely reflecting the uplift arising from the increase in RPI<sup>18</sup>
- The £13.1m savings proposals approved by the City Council in December 2014
- Overall surplus on the Collection Fund attributable to the City Council amounting to £0.5m, representing a surplus in Council Tax of £1.8m and a deficit in Business Rates retained of £1.3m
- The revenue implications arising from the Capital Programme contained elsewhere on this agenda, including savings arising from Invest to Save Schemes
- An allowance for a pay award of 1.65%
- An allowance for inflation on non-pay expenditure of 1.6% and for income of 1.5%
- Overall contingency provision to cover known and anticipated financial risks of the Council amounting to £7.3m (£5.5m in 2014/15), especially those relating to increases in demand for Adults & Children's Services
- Adjustments to reflect revised income from the Port and MMD
- Adjustment to forecast borrowing costs
- The retention into an earmarked reserve, by right, of any Portfolio underspendings arising in the previous year

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<sup>17</sup> This includes the deficit brought forward on the Collection Fund of £1.3m

<sup>18</sup> RPI - Retail Price Index each September is used to increase the business rate multiplier that is applied to rateable values and determine rates due. Through the Government funding mechanism, any increases in business rate income arising from RPI, is offset by an equivalent reduction in general government funding.

## Analysis of Spending & Funding Changes 2014/15 to 2015/16

8.26 The proposed Budget for 2015/16 as described above results in net spending of £168,340,900. This amounts to a net decrease in spending of £6,022,825 or 3.5% over the Original 2014/15 budget of £174,363,725.

**TABLE 4 - MOVEMENTS BETWEEN ORIGINAL BUDGET 2014/15 AND ORIGINAL BUDGET 2015/16**

<b><u>Total Reduction in Net Expenditure Comprises:</u></b>	<b>£000</b>
<b><u>Increases in Expenditure:</u></b>	
New Burdens (Care Act & SEND Reforms)	1,105
Inflation 2015/16	2,169
Net windfall items and other unavoidable cost increases	3,776
Increase in Contingency	4,015
Transfers to / (from) Reserves	1,781
Increase in Borrowing Costs	565
Non Portfolio carry forward requests from 2014/15 into 2015/16	166
	<b>13,577</b>
<b><u>Less Reductions in Expenditure:</u></b>	
Budget Savings approved on 9 December 2014 <sup>19</sup>	(12,980)
Prior years' Budget Pressures falling out	(1,002)
On-going effect of previous years' savings	(1,338)
On-going impact of Spend to Save Schemes	(598)
Improvement in Port & MMD trading results	(892)
2013/14 Carried Forward Budgets falling out	(2,540)
Future Years' Budgets brought forward (Pyramids maintenance)	(250)
	<b>(19,600)</b>
<b><u>Total Net Reduction in Expenditure</u></b>	<b><u>(6,023)</u></b>
<b><u>Matched By:</u></b>	
Increase in contribution from General Balances	4,533
Reduction in Revenue Support Grant	(13,675)
Reduction in Other General Grants	(604)
Increase in retained Business Rates <sup>20</sup>	1,016
Increase in Council Tax <sup>21</sup>	2,707
<b><u>Total Decrease in Funding</u></b>	<b><u>(6,023)</u></b>

<sup>19</sup> Excludes £120,000 of additional Council Tax arising from an increase in the collection rate to 97.8%

<sup>20</sup> Includes the £1.3m share of the Collection Fund deficit relating to retained Business Rates

<sup>21</sup> Includes the £1.8m share of the Collection Fund surplus relating to Council Tax plus the increase in the number of taxable properties and changes in all discounts and exemptions

8.27 The proposed Budget for 2015/16 as described in this Section is recommended for approval.

## 9. Cash Limits 2015/16

9.1 As previously described, Cash Limits relate to that element of the budget that is Portfolio and Service specific and which is controllable. Cash Limits have been prepared to reflect all changes set out in the proposed Budget for 2015/16 described in Section 8 and in particular include:

- Inflation
- Reductions to Cash Limits to take out the approved Budget savings
- Additions to Cash Limits for passporting funds relating to new burdens
- Windfall costs and savings
- Other refinements

9.2 The table below shows the proposed Cash Limits for 2015/16 and also those items outside Cash Limits (i.e. capital and similar charges, levies and insurance premiums), which together form the budget for each service.

<b>PORTFOLIO</b>	<b>Cash Limits 2015/16 £'000</b>	<b>Items Outside the Cash Limit £'000</b>	<b>Budget 2015/16 £'000</b>
Children & Education	30,563	19,094	49,657
Culture Leisure & Sport	7,019	3,870	10,889
Environment & Community Safety	14,667	2,595	17,262
Health & Social Care	41,669	3,314	44,983
Housing	1,711	5,743	7,454
Leader	216	20	236
Planning Regeneration Economic Development	(6,339)	13,041	6,702
Resources	19,393	4,219	23,612
Traffic & Transportation	15,957	684	16,641
Governance, Audit & Standards Committee	225	64	289
Licensing Committee	(242)	16	(226)
<b>PORTFOLIO EXPENDITURE</b>	<b>124,839</b>	<b>52,660</b>	<b>177,499</b>

9.3 Managers will be expected to contain their expenditure in 2015/16 within Cash Limits and to regularly monitor their budgets to ensure this is achieved. Managers will continue to have the freedom to change their budgets within the Cash Limit in the

year, provided they do not enter into commitments which would increase their expenditure in future years beyond the agreed Cash Limit for 2015/16, but mindful of the requirement to make savings in future years.

- 9.4 As set out in the Council's Financial Rules, any overspends against the current year's Cash Limit will become the first call on any retained underspendings from previous years contained within a Portfolio's Earmarked Reserve. Should a Portfolio's Earmarked Reserve be depleted, any remaining overspend will be deducted for the 2016/17 Cash Limit.
- 9.5 Managers have delegated authority to incur committed routine expenditure within their approved Cash Limit. Routine expenditure is any expenditure incurred to meet the day-to-day operational requirements of the service, or any specific approved budget pressure. Managers wishing to incur expenditure on any other specific item should seek approval from the relevant Portfolio holder before incurring that expenditure.
- 9.6 These Cash Limits will be adjusted under the delegated authority of the Head of Finance & Section 151 Officer to reflect transfers of budgets that come to light after the Budget has been approved, such as changes to the assumptions on inflation rates and any other virements.
- 9.7 Managers will be required to report their forecast outturn position to the relevant Portfolio holder on a regular basis and the City Council will receive a report on the overall budget position every quarter.

## **10. Future Years' Medium Term Forecasts - 2016/17, 2017/18, and 2018/19**

- 10.1 A new medium term forecast has now been completed and "rolled on" a further year to cover the period 2016/17 to 2018/19. All of the financial assumptions have been comprehensively revised and a savings requirement for the new period determined.
- 10.2 The previous medium term forecast estimated that savings of £37.6m<sup>22</sup> would be required across the previous 3 year period 2015/16 to 2017/18. The proposed Revenue Budget for 2015/16 provides for £13.1m of those savings that, based on the "old" forecast, would have left a residual £24.5m remaining to be found for the following 2 years.
- 10.3 The new medium term forecast takes account of the £13.1m savings being achieved in 2015/16, comprehensively revises the remaining £24.5m required and makes a forecast for the additional year 2018/19. It is now estimated that the savings required for the new 3 year period 2016/17 to 2018/19 will be £31m (or £63m cumulatively over the period) as described in the paragraphs that follow.

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<sup>22</sup> Assuming a Council Tax Freeze in 2015/16 which adds a further £0.6m to the savings requirement compared to the originally assumed £37m which was based on a 1.95% Council Tax increase for 2015/16

10.4 The most significant changes that will affect Local Government and the Council through the period 2016/17 to 2018/19 are as follows:

#### Funding & Income

- Continuing significant reductions in Local Government funding, expected through to 2020 and the extent to which "New Burdens" are funded by new money or top sliced from existing funding
- The extent to which the Council may benefit or lose from increases / decreases in Business Rate growth and any losses from appeals
- The explicit withdrawal of the Local Welfare Assistance grant from 2015/16 onwards
- The Council Tax referendum thresholds that will be set
- The extent to which schools will convert to Academies and the consequent loss of funding and economies of scale
- Changes in trading volumes and income from the Port and MMD
- The extent to which the Council can exploit investment opportunities and raise income

#### Spending

- The cost of funding the new burdens arising from the Care Act such as:
  - Extension of the deferred payment schemes for care
  - The cap on eligible care costs (i.e. the maximum amount a client will pay for their care) from April 2016
  - Extension to the means test upper limit from April 2016 (i.e. the amount of funds that a client owns beyond which they would start to pay for their care).
- The significantly increasing cost of the Council's essential care services arising from an ageing population, increased life expectancy and the consequent increased complexity of care needs
- Other anticipated burdens such as:
  - Children's and Families Act reforms
  - National Fair Funding Reforms
- The cost of funding National Insurance increases to be implemented in 2016/17
- Inflation and interest rates generally and their impact on service costs, debt costs and investment income

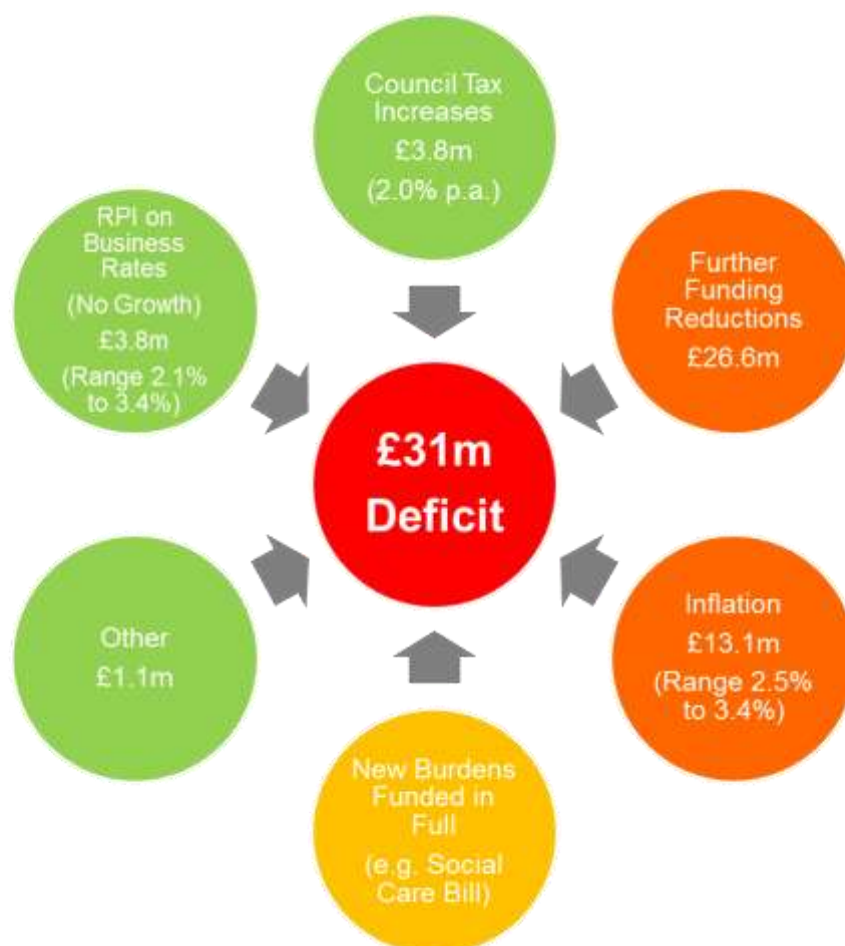
10.5 More specifically, the City Council's medium term future forecasts for the period 2016/17 to 2018/19, have been prepared on the basis of the following:

- Reductions in overall general Government funding of 10.4% in 2016/17, a further 9.3% in 2017/18 and a further 9.0% in 2018/19, representing an overall reduction in funding over the period of £26.6m
- A 2.0% increase in Council Tax for 2016/17 to 2018/19, raising £3.8m
- That any additional cost of the Council Tax Support Scheme will be offset by further changes to the scheme in order to cap the cost at £10.7m per annum (PCC element £9.0m p.a.)
- An underlying zero growth assumption for changes in Business Rates from 2016/17 onwards, this allows the opportunity for any incremental business rates to be used to deliver that growth (e.g. City Deal or New Shopping Centre infrastructure requirements)
- Indexation uplifts on retained Business Rates of 2.1% for 2016/17, a further 2.9% for 2017/18 and a further 3.4% for 2018/19 amounting to a total for the period of £3.8m
- That any loss of business rates income arising from the continuation of the cap on increases for small businesses will continue to be recompensed by Government via grant funding
- New Homes Bonus grant based on additional homes of 265 in 2016/17, 439 in 2017/18 and 562 in 2018/19
- An overall composite inflationary provision covering all pay and prices amounting to 3.4% for 2016/17, a further 2.5% for 2017/18 and a further 2.8% for 2018/19 amounting to a total for the period of £13.1m
- Interest rates on any new borrowing of 4.2% for 2016/17, 4.6% for 2017/18 and 4.8% for 2018/19
- Investment rates on any new lending of 1.25% for 2016/17, 1.75% for 2017/18 and 2.25% for 2018/19
- Any new burdens arising from the Adult Social Care Act will be funded in full
- Some provision for the potential on-going risks associated with the budget pressures within Children's and Adults' Social Care
- The ongoing effect of savings and passported funding for new burdens included in the 2015/16 budget
- A "one-off" Revenue contribution to Capital in 2016/17 to supplement the Capital Resources available for that year since future years capital allocations have already been relied upon (and are therefore very limited) to fund the existing and future Capital Programme



- Changes to the Port dividend for 2016/17, 2017/18, and 2018/19 to reflect current forecasts
- An assumption of a steady state for other budgets

10.6 The overall deficit of £31m for the period 2016/17 to 2018/19 is summarised below.



10.7 The medium term financial forecasts are set out as part of the General Fund Summary in Appendix A but in a more summarised fashion in Appendix B.

10.8 In overall terms, the forecast underlying Budget Deficits in future years have improved from the £37.6m (2015/16 to 2017/18) due to the following:

- Improved Council Tax receipts amounting to £2m arising from an increase in the collection rate, a reduction in the cost of the Council Tax Support Scheme plus fewer discounts and exemptions
- A downward revision of the forecast for cost inflation amounting to £1m
- An upward revision to Government funding of £1.9m
- Offset by:
  - Savings approved in 2014/15 that we not achieved relating to Strategic Contracts amounting to £1.1m
  - Other net adjustments £0.3m

10.9 The additional year 2018/19, now included in the 3 year rolling forecast, is expected to be a deficit of £10m which in very broad terms is explained by the following:

- Further Reduction in Government Funding - £8.2m
- Annual Cost of Inflation - £4.4m
- Provision for Unavoidable Budget Pressures - £1.0m
- Offset by:
  - Increase in Business Rates - £1.6m
  - Increase in Council Tax - £1.3m
  - Other changes - £0.7m

10.10 In summary, the overall savings requirement has been revised downwards for both 2016/17 and 2017/18 and the forecast has been “rolled on” to now include a deficit in 2018/19 of £10m. The overall forecast budget deficit and savings requirement for the 3 year period 2016/17 to 2018/19 is now £31m.

10.11 The fundamental aim of the Medium Term Resource Strategy is for in-year expenditure to equal in-year income. The proposed Savings Requirements set out below have been set to accord with that aim and also with the minimum level of General Balances that the Council is required to hold based on its risk profile.

10.12 The Savings Requirements recommended below have been phased to have regard to a managed reduction in spending and service provision over a realistic period:

	<b>Revised Underlying Budget Deficit</b>	<b>Revised In Year Target</b>	<b>Revised Cumulative Saving</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
2016/17	13.2	11.0	11.0
2017/18	21.1	10.0	21.0
2018/19	31.0	10.0	31.0

10.13 Section 11 of this report sets out how the Savings Requirement of £31m would be apportioned across Portfolios if done on a proportional basis (i.e. savings are made in proportion to the size (and therefore scope) of their cash limit). This should act as a guide for Portfolio Holders and Service Managers to the scale of savings that will be required to be made in future years. Ultimately however, it will be for the Administration to determine how those savings requirements will be allocated throughout next year’s budget process.

## 11. Illustrative Savings Requirements 2016/17, 2017/18, and 2018/19

11.1 Some Portfolios have historically been unable to make proportional savings without serious detrimental implications for service users. Historically, those Portfolios have been Environment & Community Safety, Health & Social Care and Children & Education. These Portfolios have received protection in two ways:

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

11.2 Importantly, these Portfolios account for 60% of the Council's total controllable budget from which savings can be made. Due to the scale of the savings required to be made in future and the disproportionate effect that continuing such an approach would have on other valued Services, it is inevitable that protection for those Services will not be able to continue at current levels.

11.3 For planning and impact evaluation purposes, it is proposed to continue to plan for savings over the medium term on the basis that proportional savings will need to be made across all Portfolios. For illustrative purposes therefore, Portfolios will be required to achieve the savings shown below in 2016/17, 2017/18 and 2018/19:

<b>Illustrative Savings - Pro Rata to 2015/16 Cash Limits</b>			
<b>PORTFOLIO</b>	<b>Savings 2016/17 £'000</b>	<b>Savings 2017/18 £'000</b>	<b>Savings 2018/19 £'000</b>
Children & Education	2,675	2,429	2,429
Culture Leisure & Sport	636	578	578
Environment & Community Safety	1,217	1,105	1,105
Health & Social Care	3,566	3,237	3,237
Housing	150	136	136
Leader	19	17	17
Planning Regeneration Economic Development	456	426	426
Resources	1,702	1,545	1,545
Traffic & Transportation	500	454	454
Governance, Audit & Standards Committee	20	18	18
Licensing Committee	59	55	55
<b>PORTFOLIO SAVINGS REQUIREMENTS</b>	<b>11,000</b>	<b>10,000</b>	<b>10,000</b>

11.4 Taking account of these illustrative savings, provisional forecast Cash Limits for 2016/17 to 2018/19 are set out in Appendix C.

## 12. Estimated Revenue Balances 2014/15 to 2018/19

12.1 General Fund Revenue Balances as at 31 March 2015 (Revised Estimate) are anticipated to be £14.6m after transfers to and from other reserves. The Council is expected therefore to remain within the approved level of minimum General Balances of £6.0m.

12.2 In accordance with Best Practice, the level and nature of all revenue reserves and balances has been reviewed as part of the budget process. The exercise has attempted to identify and assess all of the City Council's potential financial risks over the next few years in order to determine the prudent level of balances that should be retained, based on the City Council's risk profile. Each risk has been considered alongside the probability of it happening.

12.3 The outcome shows that for 2015/16 the City Council should hold a minimum of £6.5m in General Balances to cover these major risks. It is therefore recommended that the minimum level of revenue balances is increased by £0.5m as at 31 March 2016. Assuming the savings required to fund the forecast deficit in 2015/16 are achieved, revenue balances as at 31 March 2016 are forecast to be £13.4m. These sums in balances are needed to retain funds for spreading the savings required over future years so that service reductions can be phased in a managed way and to provide a level of comfort against future uncertainties and the delivery of the continuing and significant future Savings Requirements.

12.4 The minimum level of balances for 2016/17 and future years will be reviewed annually as part of the budget process.

12.5 The statement below gives details of the general balances in hand at 1 April 2014, together with the proposed use of reserves from 2014/15 to 2018/19, and the resultant balances at 31 March 2019 **assuming that the target savings recommended in Section 10 are achieved.**

<b>General Balances - Forecast to 2018/19</b>	<b>£000</b>
Balances as at 1 April 2014	23,427
Surplus / (Deficit) 2014/15	(8,828)
<b>Estimated Balances 31 March 2015</b>	<b>14,599</b>
Surplus / (Deficit) 2015/16	(1,150)
<b>Estimated Balances 31 March 2016</b>	<b>13,449</b>
Surplus / (Deficit) 2016/17	(2,232)
<b>Estimated Balances 31 March 2017</b>	<b>11,217</b>
Surplus / (Deficit) 2017/18	(54)
<b>Estimated Balances 31 March 2018</b>	<b>11,163</b>
Surplus / (Deficit) 2018/19	(244)
<b>Estimated Balances 31 March 2019</b>	<b>10,919</b>

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

- The Council is not permitted to budget for a level of General Balances below the minimum level determined by the S151 Officer
- The balances are predicated on total savings (as yet unidentified) of £31m being achieved over the next 3 years (£11.0m in 2016/17, £10.0m in 2017/18 and £10.0m in 2018/19). If those savings are not made, Balances would be less than the minimum level by 31 March 2017. Moreover, the Council would have a deficit of £7.2m (versus its minimum) and be in breach of its requirement to set a balanced budget
- The uncertainty over the level of funding generally (in particular future funding settlements and retained Business Rates), demographic cost pressures for care services, inflation and interest rates in future years
- The balance available in the MTRS reserve of just £2.9m<sup>23</sup> means there is only limited funds available to fund the implementation costs of future efficiency savings (see Section 13)

<sup>23</sup> Including the transfer into the reserve of £2.2m and the £1.0m transfers out of the reserve for the creation of the Voluntary Sector Capacity & Transition Fund and the Business Intervention Fund approved by City Council in December 2014

12.7 Furthermore, the City Council is pursuing a number of initiatives that will rely temporarily on the use of the Council's reserves generally in order to deliver them in a more cost efficient way (i.e. as opposed to borrowing). Examples could include, the City Deal, Dunsbury Hill Farm and the New City Centre Development. In the current climate where borrowing rates are significantly greater than investment rates, it makes financial sense to utilise General Balances and Reserves (that would otherwise be invested until required) and defer any borrowing decisions to a later date once investment rates recover. Retaining Balances therefore is an extremely important element of delivering the Council's Regeneration Strategy that will ultimately result in increased jobs, new homes and improved prosperity for the City.

### **13. Medium Term Resource Strategy Reserve**

13.1 The MTRS Reserve was originally established to fund:

- Spend to Save and Spend to Avoid Cost initiatives
- Invest to Save capital schemes
- Feasibility Studies where there is likely to be an efficiency gain
- One-off redundancy costs arising from proposed savings
- The funding of expenditure of a "one-off" nature that is critical to the successful achievement of the outcomes that the residents of Portsmouth value most highly and where no other alternative funding source is available

13.2 Historically, the Reserve has been replenished by transfers of underspends from previous years. Under the new financial framework of retained underspendings by Portfolios, the opportunities for replenishing this reserve are now diminished. The calls on the reserve however, for smaller scale spend to save or invest to save schemes should also be diminished, since these should be funded from Portfolio Reserves. It is important that the reserve is maintained to fund larger scale spend to save schemes that would otherwise be unaffordable by a Portfolio.

13.3 It is anticipated that the main call on the MTRS Reserve over the next few years will be redundancy costs arising out of the savings needed to balance the Budget, Invest to Save Schemes of a capital nature and the revenue costs associated with transforming Services.

13.4 In order to provide for future years anticipated redundancy costs (i.e. over the course of the coming year and the further 3 year forecast); satisfy the demands for Invest to Save Schemes and meet all other commitments, it is recommended that any further savings realised in 2014/15 upon closing the accounts, (as set out in Section 6) be transferred into the Reserve.

13.5 The statement below provides details of the MTRS Reserve balances in hand at 31 March 2014, together with all approved transfers in and out of the Reserve over the period 2014/15 to 2018/19.

MTRS Reserve - Forecast to 2018/19	£000
Balances as at 1 April 2014	17,489
Surplus / (Deficit) 2014/15	(2,472)
<b>Estimated Balances 31 March 2015</b>	<b>15,017</b>
Surplus / (Deficit) 2015/16	(3,030)
<b>Estimated Balances 31 March 2016</b>	<b>11,987</b>
Surplus / (Deficit) 2016/17	(3,613)
<b>Estimated Balances 31 March 2017</b>	<b>8,374</b>
Surplus / (Deficit) 2017/18	(2,750)
<b>Estimated Balances 31 March 2018</b>	<b>5,624</b>
Surplus / (Deficit) 2018/19	(2,750)
<b>Estimated Balances 31 March 2019</b>	<b>2,874</b>

13.6 In future years, for this Reserve to continue in this capacity, it will be necessary to replenish it either from non Portfolio underspends or alternatively from the Revenue Budget.

## 14. Collection Fund (Surplus) / Deficit

14.1 The Collection Fund is a fund maintained by the City Council into which are paid amounts collected in respect of Council Tax and National Non Domestic Rates (referred to as Business Rates) and out of which are paid the following:

### Council Tax Precepts:

- Hampshire Police & Crime Commissioner (11% share)
- Hampshire Fire and Rescue Authority (4% share)
- Portsmouth City Council (85% share)

### Business Rates Demands (NNDR):

- Government (50% share)
- Hampshire Fire and Rescue Authority (1% share)
- Portsmouth City Council (49% share)

14.2 The consolidated Collection Fund forecast for 2014/15 shows an overall deficit of £0.5m. This represents a surplus in relation to Council Tax of £2.2m and a deficit in relation to Business Rates amounting to £2.7m. The surplus and deficit relating to each element of the fund is shared with the constituent parties that make the demand on the fund and in relative proportions to those demands. The share of the £2.2m Council Tax surplus attributable to Portsmouth City Council is £1.8m and the share of the Business Rate deficit attributable to Portsmouth City Council is £1.3m. This results in an overall surplus on the fund relating to Portsmouth City Council of £0.5m.

14.3 The overall deficit has been taken into account within the budget proposals for 2015/16 contained within this report.

14.4 The Council Tax surplus has arisen largely from a lower than anticipated number of discounts and exemptions given compared to the estimate as well as an improvement in the collection rate. The deficit on Business Rates has arisen primarily due to a higher provision for successful appeals and lower than anticipated in year income than was originally estimated. It should be noted that estimating the value of likely successful appeals is notoriously complex and can be subject to significant variance from year to year as appeals are settled. Accommodating such volatility is an issue of on-going concern and debate between Local Authorities and Government.



14.5 The Collection Fund forecast for the year ending 2014/15 is set out below.

<b>PORTSMOUTH CITY COUNCIL</b>	<b>Council Tax £'000</b>	<b>NNDR £'000</b>
<b>Forecast Collection Fund Statement 2014/15</b>		
<b><u>INCOME</u></b>		
(Surplus) / Deficit brought forward	(1,857)	15,620
Council Tax	(73,513)	
MoD Contribution in lieu	(905)	
Non Domestic Rates Income		(84,540)
	(76,275)	(68,920)
<b><u>EXPENDITURE</u></b>		
<b><u>Council Tax Estimated Surplus 2013/14:</u></b>		
- Portsmouth City Council	1,185	
- Hampshire Police & Crime Commissioner	153	
- Hampshire Fire & Rescue Authority	62	
<b><u>Council Tax Precepts:</u></b>		
- Portsmouth City Council	60,371	
- Hampshire Police & Crime Commissioner	7,949	
- Hampshire Fire & Rescue Authority	3,163	
Provision for Losses	1,202	
Provision for Losses on Rating Appeals		3,351
Transitional Surcharge paid to Government		1,648
<b><u>Retained Business Rates:</u></b>		
- Government (50%)		33,166
- Portsmouth City Council (49%)		32,502
- Hampshire Fire & Rescue Authority (1%)		663
Collection costs		282
	74,085	71,612
<b><u>ESTIMATED BALANCE AS AT 31 MARCH 2015</u></b>		
	<b>(2,190)</b>	<b>2,692</b>
<b>To be apportioned between:</b>		
Portsmouth City Council	(1,850)	1,319
Hampshire Police & Crime Commissioner	(243)	0
Hampshire Fire & Rescue Authority	(97)	27
Government	0	1,346
<b><u>(SURPLUS) / DEFICIT APPORTIONED OVER THREE AUTHORITIES AND THE GOVERNMENT:</u></b>		
	<b>(2,190)</b>	<b>2,692</b>

## 15. Council Tax 2015/16

15.1 The estimated balance of £2.2m on the Council Tax element of the Collection Fund was approved by the Cabinet on 8 January 2015 alongside the estimate of the Council Tax Base of 53,277.2. These estimates are an integral part of the budget preparation process alongside the estimates of all other funding sources such as Business Rates and Government Funding. Historically, the approval of both the Council Tax Base and the Estimate of the Collection fund have been the subject of a report to the Cabinet and subsequent approval. These calculations are both technical and complex, as are those of Business Rates and Government Funding which are not the subject of a separate report for approval. Since the estimation of the Council Tax Base and Collection Fund is a largely technical matter, and to regularise the overall budget process in this regard, it is recommended that as with all other similar matters the Head of Finance & S151 Officer be given delegated authority to approve the Council Tax Base and Collection Fund Estimates for all future years.

15.2 The City Council's determination of the 2015/16 Council Tax is shown below:-

- (i) the calculation of the Council Tax for 2015/16 in respect of City Council purposes is as follows:

<b>COUNCIL TAX 2015/16</b>	<b>£</b>
Gross Expenditure	512,652,086
Less: Gross Income	(390,077,681)
Net Expenditure	122,574,405
Less: Government Grants	(60,158,567)
<b>City Council Tax Requirement</b>	<b>62,415,838</b>
<u>Divided by:</u>	
Council Tax Base	53,277.2
<b>Council Tax - City Council Band D</b>	<b>1,171.53</b>

**This amounts to a Council Tax freeze**

- (ii) The Hampshire Police & Crime Commissioner is currently consulting upon a precept for 2015/16 of £8,382,102 and a Band D Council Tax of £157.33 (1.99% increase).

(iii) Hampshire Fire and Rescue Authority have indicated that their precept for 2015/16 will be £3,270,155 and the Council Tax for Fire and Rescue Authority purposes at Band D will be £61.38 (No increase).

(iv) The Council Tax to be levied for all bands in 2015/16 will be as follows:-

<b>Band</b>	<b>Valuation</b>	<b>Portsmouth City Council</b>	<b>Hampshire Police &amp; Crime Commissioner</b>	<b>Hampshire Fire &amp; Rescue Authority</b>	<b>Total</b>
		<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>A</b>	Up to £40,000	781.02	104.89	40.92	926.83
<b>B</b>	£40,001 - £52,000	911.19	122.37	47.74	1,081.30
<b>C</b>	£52,001 - £68,000	1,041.36	139.85	54.56	1,235.77
<b>D</b>	£68,001 - £88,000	1,171.53	157.33	61.38	1,390.24
<b>E</b>	£88,001 - £120,000	1,431.87	192.29	75.02	1,699.18
<b>F</b>	£120,001 - £160,000	1,692.21	227.25	88.66	2,008.12
<b>G</b>	£160,001 - £320,000	1,952.55	262.22	102.30	2,317.07
<b>H</b>	£320,001 & over	2,343.06	314.66	122.76	2,780.48

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

The overall increase in tax is as follows:-

	<b>2014/15</b>	<b>2015/16</b>	<b>Increase</b>
	<b>£</b>	<b>£</b>	<b>%</b>
<b>TOTAL BAND D COUNCIL TAX</b>			
Portsmouth City Council Purposes	1,171.53	1,171.53	0.00%
Hampshire Police & Crime Commissioner	154.26	157.33	1.99%
Hampshire Fire and Rescue	61.38	61.38	0.00%
<b>Total Charge – Band D Property</b>	<b>1,387.17</b>	<b>1,390.24</b>	<b>0.22%</b>

## **16. Non Domestic Rates**

16.1 The business rate poundage to be applied to valuations is 49.3p (48.2p in 2014/15). In addition, the small business multiplier is 48.0p (47.1p in 2014/15). The uplift in the small business rate multiplier reflects the September RPI inflation figure at 2.3% but capped to 1.9%.

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

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

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

17.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2015/16. Particular uncertainties exist regarding the future reductions in Government funding, the extent of successful appeals which affect Retained Business Rates, the likely demographic cost pressures arising in demand driven services such as Adults and Children’s Social Care and the extent to which new policy changes will be funded (most notably those arising from the Care Act). All of these uncertainties increase the need for adequate reserves and balances to be maintained in current and future years.

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

17.4 Should the level of reserves fall below the minimum approved sum of £6.5m as proposed in this report, either arising from an overspend in the previous year or the current year, the Head of Finance & S151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall.

### **(a) Robustness of the Budget**

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

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

17.7 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail in Sections 8 and 10 and use the following sources as their evidence base:

- Government funding as set out in the provisional settlement for 2015/16. For future years, projections of required national reductions to eliminate the national structural deficit have been used as a proxy for the reductions to be applied to Local Government
- A no growth assumption for Retained Business Rates on the basis that any income arising from growth will be offset by both appeals and the need to borrow to invest in order to generate that growth (e.g. City Deal, City Centre Redevelopment)
- An assumption that the current rateable value will be reduced by 2.6% arising from appeals against the 2010 rating list. This is based on the current success rate of appeals and that 82% (by rateable value) of businesses will appeal (note 82% by value of businesses appealed against the 2005 rating list)
- Increases in Council Tax based on what is likely to be politically acceptable
- Inflation on Retained Business Rates in accordance with inflation estimates from the Office for Budget Responsibility
- Inflation on other prices based on an average of the forecasts from the Bank of England and a consortia of other major financial institutions
- Provisions for anticipated national policy changes arising out of the Care Act based on Portsmouth's share of "relative need"<sup>24</sup>
- Specific provisions for increases in demand for both Adults' & Children's Social Care based on current trends
- A general provision for (as yet) unknown budget pressures based on estimated probability of those pressures being unable to be managed within Portfolio cash limits
- Prudential borrowing requirements based on approved Capital schemes
- Revenue contributions to capital based on estimates of future needs
- Balances and contingencies based on a risk assessment of all known financial risks

17.8 Savings contained within the Budget are those where Portfolio Holders and Heads of Service assess the confidence level of achievement is medium and above. Savings proposals have also been subject to scrutiny by Members. Responsibility and accountability for delivering the savings rests with the relevant Portfolio Holders

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<sup>24</sup> Relative need is based on the Government's "Relative Needs Formula" that is used in allocating general government funding

and Heads of Service and progress will be monitored throughout the year as part of the Budget Monitoring process.

- 17.9 The most volatile budgets are those of Adults' and Children's Social Care. Budget provision has been made available to cover these risks both directly within Service cash limits as well as within the City Council's overall contingency provision.
- 17.10 Additionally, Portfolio's will be able to retain any underspendings in 2014/15 and utilise them as necessary in 2015/16 for any purpose but with a clear priority to meet essential cost pressures in the first instance.
- 17.11 The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the City Council will incur in order to deliver current levels of service.
- 17.12 Portfolio Holders will be given regular budget updates by Heads of Service to ensure that action to address any potential over or underspend is taken promptly and quarterly budget monitoring reports will continue to be presented to the City Council.
- 17.13 To encourage budget discipline all future overspendings will be deducted from any retained underspendings accumulated in Portfolio Earmarked Reserves in the first instance and once depleted from the following year's Cash Limits.
- 17.14 Prudential Indicators are accurately calculated based on the Council's audited Balance Sheet, notified income streams and in depth financial appraisals of proposed capital schemes. These are published and reviewed on a regular basis to ensure that the City Council complies with the concepts of Affordability, Prudence, and Sustainability. The City Council has agreed to consider Prudential Borrowing for "Spend to Save Schemes" only, as it is currently unaffordable for any other purpose given the forecast budget deficits in 2016/17 and future years.
- 17.15 Future years' budgets will be particularly challenging and significant uncertainties exist from 2016/17 onwards. The Council's forecasts plan for a savings target of £11m in 2016/17, £10m in 2017/18 and £10m in 2018/19.

#### **(b) The Adequacy of Proposed Financial Reserves**

- 17.16 During 2014/15, a review of the level and nature of all revenue reserves and balances has been undertaken. All of the City Council's potential financial risks over the next few years and the probability of each risk happening has been assessed. The outcome from this review concludes the need to retain a minimum level of General Balances of £6.5m as at 31 March 2016 (an increase of £0.5m from the current year).
- 17.17 Balances provide a buffer against unexpected costs such as pay awards, inflation, shortfalls in income and overspends and enable the City Council to manage change without undue impact on the Council Tax or immediate reductions to services. They are a key element of strong financial standing and resilience as they mitigate risks such as increased demand and costs.

- 17.18 The level of balances held will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons as set out in Section 12. The position will continue to be reviewed and reported to Members on an annual basis.
- 17.19 As previously mentioned, the Council will maintain Portfolio Earmarked Reserves to retain accumulated Portfolio underspends in order that Portfolios can better manage any known or unknown cost pressures that arise. It is forecast that Portfolio Reserves will amount to £3.1m as at 31 March 2015 which will be available for 2015/16.
- 17.20 The MTRS Reserve is the Council's primary vehicle for funding Spend to Save and Spend to Avoid Costs Initiatives, Feasibility Studies and redundancy costs and currently stands at £17.5m. Taking account of all approvals from this reserve and future estimated redundancy costs over the next 4 years, it is estimated that the Reserve will have an uncommitted balance of £2.9m. In order for this Reserve to continue in this capacity, it will be necessary to replenish it from any non Portfolio underspendings arising at year end when the final accounts for 2014/15 are finalised or alternatively from the Revenue Budget.
- 17.21 The Council maintains a number of other Earmarked Reserves for specific purposes, all of which are at the levels required to meet known future commitments. The major reserves include the following:
- Revenue Reserve for Capital – to fund the Capital Programme
  - Highways PFI Reserve – to fund future commitments under that contract
  - Off Street Parking Reserve – to fund investment in transport
  - Insurance Reserve – to fund potential future liabilities
- 17.22 The Council's contingency provision for 2015/16 has been set on a risk basis at £7.3m and reflects anticipated calls on the budget where the timing and value is not yet known. The use and application of the contingency will continue to be exercised tightly.

## **18. Conclusion**

- 18.1 The proposed Budget 2015/16 has been prepared to incorporate the decisions of Council in December 2014 to make savings amounting to £13.1m and set a Council Tax freeze.
- 18.2 Those decisions made by the City Council in December 2014 were made as part of a co-ordinated package of measures for both the Revenue Budget and Capital Programme that were aligned with the approved Medium Term Financial Strategy with its stated aim that

*"In-year" expenditure matches "In-year" income over the medium term whilst continuing the drive towards the regeneration of the City and protecting the most important and valued services.*

18.3 The proposals contained within the December 2014 report and this report, now culminating in the proposed Budget for 2015/16, will:

- Provide a suite of savings amounting to £13.1m of the original forecast £37.6m<sup>25</sup> required over the 3 year period 2015/16 to 2017/18
- Not require Children's Safeguarding to make any new savings during 2015/16 although an obligation to find savings to meet the current underlying £2.9m deficit
- Provide for a Council Tax freeze in 2015/16
- Support Services to meet the financial challenges ahead by maintaining a financial framework that incentivises responsible spending and strong forward financial planning with the following:
  - The continuation of greater financial autonomy including the right of each Portfolio to retain 100% of any year-end underspending and for it to be held in an earmarked reserve for the relevant Portfolio
  - Correspondingly the requirement that any Budget Pressures are funded within the overall resources available to the Portfolio Holder (which includes their Portfolio Reserve)
- Require that for 2016/17 a minimum on-going savings sum of £11.0m be made
- To support the delivery of future years savings:
  - The transfer of £2.2m (from 2013/14 underspendings) to the MTRS Reserve recognising this as the Council's primary vehicle for providing funding for Spend to Save initiatives
  - Supplementing the MTRS Reserve with any underspendings for 2014/15 arising at the year-end outside of those made by Portfolios to provide for its replenishment and on-going use
  - The creation of a £500,000 Voluntary Sector Capacity & Transition Fund to enable the voluntary sector to reconfigure their service or enhance their capacity / infrastructure in order to support / provide council services
  - The creation of a £500,000 Business Intervention Fund to enable the necessary business interventions to take place across the Council's activities at the necessary scale and pace to deliver significant change and cost reduction in the future.
- The transfer of £3m (from 2013/14 underspendings) to supplement the Capital Programme where there remains an enormous gap between Service needs,

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<sup>25</sup> Assuming a Council Tax Freeze in 2015/16 which adds a further £0.6m to the savings requirement compared to the originally assumed £37m which was based on a 1.95% Council Tax increase for 2015/16



regeneration aspirations and the associated level of capital resources available

- 18.4 The proposed Budget for 2015/16 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, the overall financial health of the Council currently remains sound providing a good degree of resilience against an uncertain climate.
- 18.5 The bigger challenge for the Council is from 2016/17 onwards where further significant cuts still need to be made and high levels of uncertainty exist around future funding and future costs. The main risks include:
- The scale of the continuing funding reductions from Government
  - The level of Business Rates appeals experienced plus the extent of Business growth or contraction
  - The extent to which new burdens arising from national policy changes will be fully funded
  - The demographic pressures arising from demand led essential Care Services
- 18.6 Given the level of savings required over the next 3 years of £31m, the degree of uncertainty that exists and the inevitable financial pressures that the Council will face, it is important that the Council continues to follow its Medium Term Financial Strategy. The Council should be particularly mindful of the potential future income or reduced demand / costs that the Council could derive through the delivery of its Capital Programme. This is likely to be the biggest influence on enabling jobs, growth and overall improved prosperity within the City.
- 18.7 To deliver the scale of the savings required and to maintain the Council's financial health, the Council should regard the savings process as a continual one rather than a "once a year" planning exercise. Correspondingly, the Council may need to receive budget proposals more frequently throughout the year.

## **19. Equality Impact Assessment (EIA)**

- 19.1 Consideration of the impact of budget pressures and proposed savings on all customers, services and staff has been taken into account in formulating this budget. The proposed Budget 2015/16 is based on the savings proposals set out in the report to Council in December 2014. Those savings were proposals only for the purposes of setting Portfolio Cash Limits and the overall City Council Budget. Whilst most are likely to be implemented, there will be some that require further consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, Portfolio holders have the discretion to alter, amend or substitute any proposal with an alternative proposal following appropriate consultation.

19.2 A city-wide budget consultation took place during September and October to help inform how to make £37m of savings over the next 3 years. The consultation took the form of a questionnaire open to all residents, a citizen's panel and to staff. This was supplemented by two public meetings with residents and one public meeting with the business community. Overall, the public consultation received 2,460 responses and was statistically significant. The Scrutiny Management Panel also met to consider the proposals contained within the Budget Savings report to the City Council in December 2014 and had the opportunity to make their representations to the Cabinet prior to their recommendation to the City Council.

19.3 With regard to this report, a public meeting of the Scrutiny Management Panel was also held on the 6 February 2015 where a presentation was made of the proposed Council Tax and Revenue Budget 2015/16 and the Council's future financial forecasts for 2016/17 to 2018/19. The Scrutiny Management Panel have again had the opportunity to raise or refer any comments or representations to the Cabinet prior to this City Council meeting.

## **20. City Solicitor's Comments**

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

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

## **21. Head of Finance's Comments**

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

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Signed by: Head of Finance & Section 151 Officer

**Appendices:**

- A** General Fund Summary
- B** Forecast Expenditure 2015/16 to 2018/19
- C** Provisional Cash Limits for 2016/17 to 2018/19 (by Portfolio) After Savings Requirements deducted

**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:

<b>Title of document</b>	<b>Location</b>
Budget Working Papers	Office of Head of Financial Services
Local Government Finance Settlement 2015/16	Office of Head of Financial Services

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 10 February 2015.

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Signed by: Leader of Portsmouth City Council

## APPENDIX A

### Calculation of the Council Tax 2015/16

<u>Portsmouth City Council</u>	<b>2015/16</b>	<b>2014/15</b>
	<b>£</b>	<b>£</b>
Gross Expenditure	512,652,086	534,289,788
LESS: Gross Income	(390,077,681)	(399,480,409)
Net Expenditure 2015/16	122,574,405	134,809,379
LESS: Government Grants	(60,158,567)	(74,437,978)
Council Tax Requirement - Portsmouth City Council Purposes	<b>62,415,838</b>	<b>60,371,401</b>
Council Tax Base	53,277.2	51,532.1
Council Tax - Portsmouth City Council Purposes at Band D	<u>62,415,838</u>	
53,277.2 =	<b>£1,171.53</b>	<b>£1,171.53</b>

<u>Hampshire Police &amp; Crime Commissioner Precept</u>	<b>8,382,102</b>	<b>7,949,342</b>
Council Tax - Hampshire Police & Crime Commissioner Purposes at Band D	<b>£157.33</b>	<b>£154.26</b>

<u>Hampshire Fire and Rescue Authority Precept</u>	<b>3,270,155</b>	<b>3,163,040</b>
Council Tax - Hampshire Fire and Rescue Authority Purposes at Band D	<b>£61.38</b>	<b>£61.38</b>

### The Council Tax to be levied for all bands in 2015/16 will be as follows :

		<b>Portsmouth City Council £</b>	<b>Hampshire Police &amp; Crime Commissioner £</b>	<b>Hampshire Fire &amp; Rescue Authority £</b>	<b>TOTAL 2015/16 £</b>	<b>TOTAL 2014/15 £</b>
Estimated Valuation as 1 April 1991						
Up to £40,000	A	781.02	104.89	40.92	926.83	924.78
£40,001 - £52,000	B	911.19	122.37	47.74	1,081.30	1,078.91
£52,001 - £68,000	C	1,041.36	139.85	54.56	1,235.77	1,233.04
£68,001 - £88,000	D	1,171.53	157.33	61.38	1,390.24	1,387.17
£88,001 - £120,000	E	1,431.87	192.29	75.02	1,699.18	1,695.43
£120,001 - £160,000	F	1,692.21	227.25	88.66	2,008.12	2,003.69
£160,001 - £320,000	G	1,952.55	262.22	102.30	2,317.07	2,311.95
£320,001 and over	H	2,343.06	314.66	122.76	2,780.48	2,774.34

## GENERAL FUND SUMMARY - 2014/15 to 2018/19

## APPENDIX A

Original Budget 2014/15 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2014/15 £	Original Budget 2015/16 £	Forecast 2016/17 £	Forecast 2017/18 £	Forecast 2018/19 £
49,633,923	Children & Education	50,970,730	49,657,057	52,121,557	52,856,757	53,738,257
12,094,943	Culture Leisure & Sport	12,543,860	10,889,660	11,146,260	11,567,960	11,769,860
18,240,580	Environment & Community Safety	18,986,913	17,261,513	17,671,313	18,049,713	18,456,113
49,882,022	Health & Social Care	51,602,479	44,983,979	46,848,779	48,189,379	49,672,479
7,348,228	Housing	7,598,728	7,454,128	7,519,328	7,570,028	7,629,428
230,153	Leader	253,953	235,553	243,153	248,653	254,753
7,790,856	Planning Regeneration Economic Development	7,757,429	6,702,329	6,771,529	5,809,429	5,582,629
26,686,457	Resources	26,396,434	23,611,634	24,292,134	25,060,834	25,983,334
17,533,299	Traffic & Transportation	17,650,707	16,641,207	16,882,007	16,597,607	17,330,007
344,200	Governance, Audit & Standards Committee	365,400	288,800	303,800	210,000	221,400
(127,395)	Licensing Committee	(129,195)	(226,295)	(218,795)	(222,095)	(226,495)
<b>189,657,266</b>	<b>Portfolio Expenditure</b>	<b>193,997,438</b>	<b>177,499,565</b>	<b>183,581,065</b>	<b>185,938,265</b>	<b>190,411,765</b>
	<u>Other Expenditure</u>					
93,400	Precepts	35,500	0	36,700	37,400	38,300
(150,000)	Portchester Crematorium - Share of Dividend	(150,000)	(125,000)	(125,000)	(125,000)	(125,000)
5,885,000	Pension Costs	5,885,000	6,261,000	6,672,000	6,672,000	6,672,000
5,499,200	Contingency Provision	4,683,800	7,305,000	4,607,500	4,607,500	4,607,500
0	Revenue Contributions to Capital Reserve	3,829,000	65,500	1,565,500	65,500	65,500
233,600	Transfer to / (from) Other Reserves	(651,900)	1,411,700	(23,200)	56,800	56,800
(27,854,741)	Asset Management Revenue Account	(29,589,738)	(27,300,865)	(26,044,865)	(26,125,865)	(26,835,365)
1,000,000	Other Expenditure	4,014,000	3,224,000	2,000,000	3,000,000	4,000,000
<b>(15,293,541)</b>	<b>Other Expenditure</b>	<b>(11,944,338)</b>	<b>(9,158,665)</b>	<b>(11,311,365)</b>	<b>(11,811,665)</b>	<b>(11,520,265)</b>
<b>174,363,725</b>	<b>TOTAL NET EXPENDITURE</b>	<b>182,053,100</b>	<b>168,340,900</b>	<b>172,269,700</b>	<b>174,126,600</b>	<b>178,891,500</b>
	<b>FINANCED BY:</b>					
(3,382,728)	Contribution (to) from Balances and Reserves	8,827,620	1,150,431	13,231,684	21,054,450	31,244,002
52,050,710	Revenue Support Grant	52,211,069	38,375,386	30,197,874	21,916,666	14,222,853
41,752,137	Business Rates Retention	36,884,144	42,768,544	45,006,041	46,291,864	47,853,288
22,387,268	Other General Grants	22,573,929	21,783,181	20,171,576	19,930,434	19,343,535
61,556,338	Collection Fund	61,556,338	64,263,358	63,662,525	64,933,186	66,227,822
<b>174,363,725</b>		<b>182,053,100</b>	<b>168,340,900</b>	<b>172,269,700</b>	<b>174,126,600</b>	<b>178,891,500</b>
	<b>BALANCES &amp; RESERVES</b>					
18,029,434	Balance brought forward at 1 April	23,426,856	14,599,236	13,448,805	217,121	(20,837,329)
3,382,728	Deduct (Deficit) / Add Surplus for Year	(8,827,620)	(1,150,431)	(13,231,684)	(21,054,450)	(31,244,002)
<b>21,412,162</b>	<b>Balance carried forward at 31 March</b>	<b>14,599,236</b>	<b>13,448,805</b>	<b>217,121</b>	<b>(20,837,329)</b>	<b>(52,081,331)</b>
<b>6,000,000</b>	<b>Minimum Level of Balances</b>	<b>6,000,000</b>	<b>6,500,000</b>	<b>7,400,000</b>	<b>7,600,000</b>	<b>7,600,000</b>
<b>(3,382,728)</b>	<b>Underlying Budget Deficit / (Surplus)</b>	<b>8,827,620</b>	<b>1,150,431</b>	<b>13,231,684</b>	<b>21,054,450</b>	<b>31,244,002</b>

## APPENDIX B

### FORECAST EXPENDITURE 2015/16 to 2018/19

	<b>Budget 2015/16 £'000</b>	<b>Forecast 2016/17 £'000</b>	<b>Forecast 2017/18 £'000</b>	<b>Forecast 2018/19 £'000</b>
Service Cash Limits	124,840	130,851	133,149	137,577
Contingency	7,305	4,608	4,608	4,608
Debt financing costs	23,152	24,408	24,327	23,618
Levies and insurance premiums	2,207	2,278	2,336	2,382
Other income/expenditure	10,836	10,126	9,706	10,707
	<b>168,340</b>	<b>172,271</b>	<b>174,126</b>	<b>178,892</b>
<u>Less</u>				
- Council Tax Income	64,263	63,663	64,933	66,228
- Revenue Support Grant	38,375	30,198	21,917	14,223
- Business Rates Retention	42,769	45,006	46,292	47,853
- Other General Grants	21,783	20,172	19,930	19,344
	<b>167,190</b>	<b>159,039</b>	<b>153,072</b>	<b>147,648</b>
<b>Budget (Deficit)/Surplus</b>	<b>(1,150)</b>	<b>(13,232)</b>	<b>(21,054)</b>	<b>(31,244)</b>

Deficits in 2016/17 to 2018/19 reflect future savings requirements

## APPENDIX C

### PROVISIONAL CASH LIMITS 2016/17 TO 2018/19 (BY PORTFOLIO) (After Savings Requirements Deducted)

	Cash Limits 2016/17 £'000	Cash Limits 2017/18 £'000	Cash Limits 2018/19 £'000
Children & Education	30,352	28,659	27,112
Culture Leisure & Sport	6,640	6,484	6,108
Environment & Community Safety	13,805	13,036	12,294
Health & Social Care	39,969	38,072	36,318
Housing	1,627	1,541	1,465
Leader	204	193	182
Planning Regeneration Economic Development Resources	(6,726)	(8,114)	(8,767)
Traffic & Transportation	18,359	17,569	16,946
Governance, Audit & Standards Committee	15,698	14,960	15,239
Licensing Committee	217	102	93
	(294)	(353)	(412)
	<b>119,851</b>	<b>112,149</b>	<b>106,578</b>