

SCRUTINY MANAGEMENT PANEL

Minutes of the meeting of the Scrutiny Management Panel held on Friday 5 December 2014 at 2.30pm, Executive Meeting Room at the Guildhall, Portsmouth

Present

Councillor Simon Boshier(in the Chair)

Councillors Michael Andrewes
John Ferrett
Darren Sanders
Phil Smith
Matthew Winnington

28. Apologies for absence (AI 1)

Apologies for absence were received from Councillor Hannah Hockaday and Councillor Alicia Denny.

29. Declarations of Members' interests (AI 2)

There were no declarations of Members' interests.

30. Presentation by Head of Finance and S151 Officer on the Budget 2014/15. (AI 3)

(TAKE IN PRESENTATION)

A hand-out of the presentation was given to members of the Panel. Mr Chris Ward gave the presentation. He drew Members' attention to slide five - Outlook for Funding and Expenditure

- High Public Debt – increasing despite strong economic growth
- Estimated Budget deficit until 2020
- Spending cuts through to 2020 at least unless policy change
- Government funding - £16m reduction in 2015/16 and £35m over 3 years
- Council Tax – Effectively capped and estimated at 2% increase p.a. (equivalent to £1.2m p.a.)
- Business Rates – Inflationary uplifts only amounting to £2.7m in 2015/16 and £6.4m over 3 years (which looks optimistic)
- Increased costs – ageing population and improved mortality
- Uncertainty of funding for the new Care Act – fully funded?
- Special Educational Needs reforms – not fully funded
- Inflation - £14m over next 3 years as pay rises return

- Interest rates – marginal positive impact in 2015/16 and rising steadily thereafter

In response to queries, Mr Ward said that

- he hoped to know before Christmas what the funding amount from Central Government would be.
- the savings requirement was fixed - all estimates were done, but were fluid and would be reflected in the future savings requirement
- he did not yet know when the Council Tax threshold would be announced, but hoped it would be before Christmas.
- interest rates were expected to rise early next year which would be good for the council, but that inflation was set to increase and there was also an expectation that pay would increase.

Mr Ward drew Members' attention to slide 9 that listed the key messages as follows:-

- Council Gross Expenditure amounts to £506m of which £297m is Not Controllable
- Of the remaining £210m of Controllable Expenditure, £70m is funded by Income which makes those costs relatively fixed, leaving circa £140m to £150m to make savings against
- Core spending therefore against which £37m of savings can be made amounts to circa 25% of total controllable spending

He went on to say that slide 11 shows budget reductions by service, with those on the left spending more money and those on the right spending less.

With regard to a query on business rates, Mr Ward said we are now in year 2. The basic principle is that if there is any business rate growth from the base line, then the Council keeps 49% and the rest goes to central government. If an area is in decline or is heavily reliant on a single business, then sudden reductions could be experienced. However PCC should not suffer more than a 7.5% reduction in any one year. This is in place until 2020 after which there will be a reset of the whole of local government funding according to need. PCC's funding could go up or down or remain the same.

In response to a query about the Northern Quarter, Mr Ward said that the scheme would be revised, as one of the ways to improve the Council's financial position is to invest for jobs and employment which will raise prosperity around the city which should in turn reduce dependency on the Council.

Mr Ward drew Members' attention to the key messages on slide 12

- Spending on Adults Social Care represents 34% of Controllable Spending, it is a comparatively low cost Service and is facing significant cost pressures – ageing population, increasing demand for dementia care
- Children's Services represents 15% of Controllable Spending, is a comparatively low cost Service and very high priority / high risk (i.e. the safeguarding of children)
- Combined, the Care Services consume almost 50% of Controllable Spending
- Traffic & Transportation and Environment & Community Safety make up a further 22% of Controllable Spending - mostly tied up in long term

contracts for Roads Maintenance, Street Cleaning, Waste Collection and Waste Disposal

- No easy answers – All Portfolios will need to make significant savings unless very severe cuts are made across some to protect others

Mr Ward said there were four strands to the Medium Term Financial Strategy

- Reduce the City's dependency on Central Government Grant ie(Increasing income)
- Reduce the extent to which the population needs Council Services ie managing demand
- Increase the efficiency & effectiveness of the Council's activity ie Value For Money
- Withdraw or offer minimal provision of low impact Services

He then drew Members' attention to the key messages in slide 18

- Over the past 4 years funding from Central Government has been cut by 30% (£44m)
- Over the same period, after accommodating all factors savings of £59m have been made
- Savings and service reductions have been made across all Council Services but with some protection provided to both Adults and Children's Social Care
- Over the next 3 years Government funding is forecast to fall by a further £35m
- Taking all factors into account the Council needs to save a further £37m (25% of controllable spending) over the next 3 years
- No easy answers – All Services will need to make significant savings unless very severe cuts are made across some Services to protect others

Mr Ward said that the recommendations to council were summarised in slides 19, 20 and 21 of the attached presentation.

- He said that there had been an overall financial improvement of £5.2m
- £3.0m to increase Capital Resources available
- £2.2m to fund Spend to Save schemes & redundancy costs

He said that the MTRS reserve was modest and replenishing it now would help in the future.

In answer to queries about the appendices to the budget going to Council, Mr Ward

- confirmed that Council is being asked to approve Appendix A. Appendix B was concerned with how to achieve what was approved in Appendix A.
- clarified that if council tax was frozen, the central government would give the council an amount of money. However it would be a one off payment.
- Confirmed that "other expenditure" referred to in slide 20 (£1,581,400) was from the Housing Revenue Account and that any expenditure from this account had to meet HRA definitions concerning what it could be used for and this was increasingly difficult.

- Confirmed that the £0.5m earmarked for the Voluntary Sector Capacity & Transition Fund was just for this year, but if successful could be looked at again.-

The Chair thanked Chris Ward for his presentation.

The meeting concluded at 3.50pm.

Chair