

Agenda Item 7

From CABINET held on 2 February 2021

Council Agenda Item 7 (Minute No 12)

Portsmouth City Council Budget and Council Tax 2021/2022 and Medium Term Budget Forecast 2022/23 to 2024/25

RECOMMENDED to Council that the recommendations set out in section 3 of the report be approved subject to the following correction (incorporated below):

That the following amounts be now calculated by the Council for the financial year 2021/22 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992.

Recommendations

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

- 1) The revised Revenue Estimates for the financial year 2020/21 and the Revenue Estimates for the financial year 2021/22 as set out in the General Fund Summary (Appendix A)**
- 2) That the Environment & Climate Change Portfolio Cash Limit be increased by £300,000 in 2021/22 to mainstream the current 2 Food Waste Recycling rounds into base budgets**
- 3) The Portfolio Cash Limits for the Revised Budget for 2020/21 and the Budget 2021/22 incorporating the savings amounts for each Portfolio and amounting to £1.3m as set out in Sections 7 and 11, respectively**
- 4) Any underspendings for 2020/21 arising at the year-end outside of those made by Portfolios be transferred to Capital Resources in order to provide funding for known and potential future commitments in future years such as Special Educational Need (SEN) School Places, Sea Defences (enhancements to core scheme), Expansion of Food Waste Recycling, Environmental Improvements, Transport Improvements, Affordable Housing, City Wide Regeneration, Digital Infrastructure and the maintenance of the Council's Core Operational Assets, for which there is currently insufficient funding**
- 5) Any variation to the Council's funding arising from the final Local Government Finance Settlement be accommodated by a transfer to or from General Reserves**
- 6) The S.151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts**

- 7) That the level of Council Tax be increased by 1.99% for general purposes in accordance with the referendum threshold¹ for 2021/22 announced by Government (as calculated in recommendation 3.4 (d))**
- 8) That the level of Council Tax be increased by a further 3.0% beyond the referendum threshold (as calculated in recommendation 3.4 (d)) to take advantage of the flexibility offered by Government to implement a "Social Care Precept", and that in accordance with the conditions of that flexibility, the full amount of the associated sum generated of £2,461,300 is passported direct to Adult Social Care**
- 9) That a Revenue Contribution to Capital be made in 2021/22 in the sum of £4.234m in order to provide sufficient funding for the New Capital Investment proposals set out in Appendix D**
- 10) That a transfer to the MTRS Reserve be made in 2021/22 for the sum of £3.0m in order to replenish the reserve to a level sufficient to be able to continue as a primary vehicle to generate future savings and enable cost avoidance**
- 11) Managers be authorised to incur routine expenditure against the Cash Limits for 2021/22 as set out in Section 11**
- 12) That the savings requirement for 2022/23 be set at a minimum on-going sum of £1.0m**
- 13) That the S.151 Officer be given delegated authority to make transfers to and from reserves in order to ensure that they are maintained as necessary and in particular, adjusted when reserves are no longer required or need to be replenished**
- 14) Directors be instructed to start planning how the City Council will achieve the savings requirements shown in Section 12 and that this be incorporated into Service Business Plans**
- 15) The minimum level of General Reserves as at 31 March 2022 be maintained at £8.0m to reflect the known and expected budget and financial risks to the Council**
- 16) The Revised Capital Programme 2020/21 to 2025/26 attached as Appendix E which includes all additions, deletions and amendments for slippage and rephasing be approved**
- 17) The S.151 Officer be given delegated authority to determine how each source of finance is used to fund the overall Capital Programme and to alter the overall mix of financing, as necessary,**

¹ Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

to maximise the flexibility of capital resources used and minimise the ongoing costs of borrowing to the Council

- 18) That the S.151 Officer in consultation with the Leader of the Council be given delegated authority to release capital resources held back for any contingent items that might arise, and also for any match funding requirements that may be required of the City Council in order to secure additional external capital funding (e.g. bids for funding from Government or the Solent Local Enterprise Partnership)
 - 19) Subject to a satisfactory financial appraisal approved by the Director of Finance and Resources & S.151 Officer, the schemes described in Appendix D be reflected within the recommended Capital Programme 2020/21 to 2025/26
 - 20) The Prudential Indicators described set out in Appendix F be approved.
 - 21) Members have had regard for the Statement of the S.151 Officer in accordance with the Local Government Act 2003 as set out in Section 16.
- 3.2 That the following be noted in respect of the Council's Revenue Budget and Capital Programme:
- 1) The Revenue Estimates 2021/22 as set out in Appendix A have been prepared on the basis of a 3.0% tax increase for the "Social Care Precept" (amounting to £2,416,300) and that this is passported to Adult Social Care in order to provide for otherwise unfunded budget pressures including the current underlying budget deficit, the cost of the National Living Wage and demographic pressures arising from a "living longer" population
 - 2) The decision on the amount at which to set the Adult Social Care precept will be critical for the Social Care and wider health system in the City; in the event that the additional flexibility of the "Social Care Precept" and associated 3.0% tax increase (amounting to £820,400 for each 1%) is not taken, then equivalent savings will need to be made in Adult Social Care in 2021/22
 - 3) In general, any reduction to the proposed increase in the level of Council Tax for 2021/22 will require equivalent offsetting savings to be made in order for the Budget 2021/22 to be approved. Each 1% reduction requires additional savings of £820,400 to be made.
 - 4) The indicative savings proposals set out in Appendix C which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 3.1 3) above are robust and deliverable

- 5) The likely impact of savings as set out in Appendix C
- 6) That the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings within those Portfolios / Committees
- 7) That it is the responsibility of the individual Portfolio Holders (not Full Council) to approve the individual savings proposals and the Portfolio Holder can therefore, in response to any consultation, alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix C with alternative proposal(s) amounting to the same value within their Portfolio
- 8) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process
- 9) The Revenue Forecast for 2022/23 to 2024/25 as set out in Section 12 and Appendix B
- 10) The estimated Savings Requirement of £3.0m for the 3 year period 2022/23 to 2024/25, for financial and service planning purposes, be phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2022/23	1.0	1.0
2023/24	1.0	2.0
2024/25	1.0	3.0

- 11) In accordance with the approved financial framework, it is the responsibility of the Portfolio Holder, in consultation with the Director of Finance & Resources (S.151 Officer), to release funds from the Portfolio Reserve in accordance with the provisions set out in Section 8.
- 12) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies will hold an uncommitted balance of £4.8m² and will only be replenished in future from an approval to the transfer of any underspends, contributions from the Revenue Budget or transfers from other reserves which may no longer be required

² Including the net transfers from the reserve of £5.0m in 2020/21 and the to the Reserve of £3.0m in 2021/22 contained within the recommendations

- 13) The Council's share of the Council Tax element of the Collection Fund deficit for 2020/21 is estimated to be £819,610
 - 14) The Council's share of the Business Rate element of the Collection Fund deficit for 2020/21 is estimated to be £22,553,209
 - 15) The Retained Business Rate income³ for 2021/22 is based on the estimated Business Rate element of the Collection Fund deficit as at March 2021, the Non Domestic Rates poundage for 2021/22 and estimated rateable values for 2021/22 and has been determined at £30,730,310
 - 16) That Cabinet Members, in consultation with the S.151 Officer, have authority to vary Capital Schemes and their associated funding within their Portfolio in order to manage any potential overspending or funding shortfall or to respond to emerging priorities
 - 17) That Cabinet Members, in consultation with the S.151 Officer, have authority to vire funding between Portfolios (both Revenue and Capital Budgets) in order to manage any potential overspending or funding shortfall or to respond to emerging priorities
 - 18) The City Council note that Prudential Borrowing can only be used as a source of capital finance for Invest to Save Schemes
- 3.3 That the S.151 Officer has determined that the Council Tax base for the financial year 2021/22 will be 56,487.9 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].
- 3.4 That the following amounts be now calculated by the Council for the financial year 2021/22 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£463,153,794	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£377,017,090	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.

³ Includes Retained Business Rates £41,039,126, "Top Up" £6,952,434, a deficit on the Collection Fund of £22,553,209 plus S.31 Grants of £5,291,959 for compensation due to national Government business rate relief initiatives

(c)	£86,136,704	Being the amount by which the aggregate at 3.4 (a) above exceeds the aggregate at 3.4 (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)	£1,524.87	Being the amount at 3.4(c) above (Item R), all divided by Item 3.3 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 £
1,016.58	1,186.01	1,355.44	1,524.87	1,863.73	2,202.59	2,541.45	3,049.74

Being the amounts given by multiplying the amount at 3.4 (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.

- 3.5 That it be noted that for the financial year 2021/22 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)

A £	B £	C £	D £	E £	F £	G £	H £
150.97	176.14	201.30	226.46	276.78	327.11	377.43	452.92

- 3.6 That it be noted that for the financial year 2021/22 Hampshire and Isle of Wight Fire and Rescue Authority it is estimated that 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 and Isle of Wight Fire & Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
46.95	54.78	62.60	70.43	86.08	101.73	117.38	140.86

- 3.7 That having calculated the aggregate in each case of the amounts at 3.4(e), 3.5 and 3.6 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 2021/22 for each of the categories of dwellings shown below:**

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,214.50	1,416.93	1,619.34	1,821.76	2,226.59	2,631.43	3,036.26	3,643.52

- 3.8 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2021/22, which represents a 4.99% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act; and it be noted that:**
- i) The 4.99% increase includes a 3.0% increase to support the delivery of Adult Social Care**
 - ii) As the billing authority, the Council has not been notified by a major precepting authority (the Police and Crime Commissioner for Hampshire or the Hampshire and Isle of Wight Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2021/22 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.**
- 3.9 The S.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 and Isle of Wight Fire and Rescue Authority precepts.**

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