



NOTICE OF MEETING

CABINET

TUESDAY, 11 FEBRUARY 2014 AT 10.00 AM

COUNCIL CHAMBER - THE GUILDHALL

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Membership

Councillor Gerald Vernon-Jackson (Chair)
Councillor Hugh Mason (Vice-Chair)
Councillor Jason Fazackarley
Councillor Terry Hall
Councillor Lee Hunt
Councillor Leo Madden
Councillor Rob Wood
Councillor Darren Sanders
Councillor Sandra Stockdale

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

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AGENDA

- 1 **Apologies for Absence**
- 2 **Declarations of Interests**
- 3 **Portsmouth City Council - Council Tax Setting 2014/15 & Medium Term Budget Forecast 2014/15 to 2017/18 (Pages 1 - 58)**

Report attached by the Head of Financial Services and Section 151 Officer which will also be submitted to the City Council on 11 February 2014.
MEMBERS ARE ASKED TO BRING THEIR COPIES OF THEIR COUNCIL PAPERS WITH THEM CONTAINING THIS REPORT.

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30 January 2014

Agenda item:

Decision maker: Cabinet
City Council

Subject: Portsmouth City Council - Council Tax Setting 2014/15 &
Medium Term Budget Forecast 2014/15 to 2017/18

Date of decision: 11 February 2014 (Cabinet)
11 February 2014 (City Council)

Report by: Head of Finance & Section 151 Officer

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Executive Summary

- 1.1 This Council Tax proposal, Budget 2014/15 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 The National Debt position still remains challenging at 76% of Gross Domestic Product (GDP)¹. This is driving the Government to continue its funding reductions across the public sector and recently re-inforced by a statement from the Prime Minister that "growth alone will not fix the budget deficit". Unless there is a change in policy stance, public sector spending cuts will continue through to 2020.
- 1.3 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.
- 1.4 Over the past 3 years (2011/12 to 2013/14), Central Government funding to Portsmouth City Council has reduced by over £35m (representing 24% of the main revenue grant). Taken together with other financial pressures (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 savings over the same period in excess of £46m (representing some 18% of the Council's controllable spending).

¹ GDP is measure of the overall output of the economy

- 1.5 The financial settlement from Government for the coming year 2014/15 sees a further £12.4m reduction in funding² which represents 9.7% in cash terms.
- 1.6 To meet the continuing challenge, the Council has adopted a Medium Term Financial Strategy covering both Revenue and Capital resources. The Strategy's overall aim is:

"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.

The key activities designed to achieve the strategy include:

- Reducing the City's dependency on Central Government grant
 - Reducing the extent to which the population needs Council services
 - Increasing the efficiency and effectiveness of the Council's activities
 - Withdrawing or offering minimal provision of low impact services
- 1.7 The Council made a series of decisions in November 2013 for the forthcoming financial year that were completely consistent with this strategy and these are incorporated within the proposed Budget for 2014/15. Those decisions consisted principally of the following:
- £10m of on-going savings from 2014/15
 - £2m awarded for unavoidable cost pressures, of which £0.9m was allocated to Adult Social Care and Children's Social Care
 - A £200,000 Voluntary Sector Capacity & Transition Fund
 - Investment of a "one-off" £545,000 to deliver savings of over £1.3m per annum (or £3.9m over 3 years)
 - Rather than reduce services further, raise £1.3m in additional Council Tax by increasing the Council Tax by 1.95% (or 34 pence per week for the average household) and by withdrawing the 10% discount for second homes
 - Allocation of the bulk of the Council's capital resources towards regeneration schemes that have the potential to see the investment of over £1 billion into the City

² £12.4m is the "like for like" reduction taking account of "New Burdens" as opposed to the reduction in actual cash

Importantly, the approval of a more flexible financial framework, particularly relating to the retention of underspendings, was also a key step towards stronger financial management in the future.

- 1.8 Other proposals now being put before the Council which aim to progress the Council's financial strategy and maintain its financial resilience moving forward include:
- An early payment to Government amounting to £4.6m relating to Business Rates appeals in order to trigger a compensating "safety net" payment of £1.3m
 - A transfer to the MTRS Reserve of £3.0m to provide funding for Spend to Save schemes and the 4 key strands set out in paragraph 1.6 which will support the achievement of future savings and therefore alleviate budget deficits in future years
 - Create a Park & Ride Reserve of £500,000 in order to meet the early years' costs of the scheme until it breaks even
- 1.9 In addition Portfolios plan to transfer £3.6m into their newly created Earmarked Reserves to meet any necessary budget pressures and provide financial cover for uncertainties and consequent financial risks that may occur in the future.
- 1.10 Turning to the future, the Council's rolling 3 year financial forecasts (covering both expenditure and funding) have been comprehensively revised and now extended to cover the further year to 2017/18. The forecast budget deficit for the period 2015/16 to 2017/18 amounts to some £37m (or £74.5m 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 £12.5m in 2015/16, a further £12.5m in 2016/17 and then a further £12.0m in 2017/18.
- 1.11 The most critical assumptions made in arriving at the £37m forecast Budget deficit are set out below:
- Continuing significant reductions in Local Government funding of 14.2% in 2015/16, a further 10.0% in 2016/17 and a further 8.9% in 2017/18 representing an overall reduction in funding over that period of £35m
 - That any new burdens arising from new Government policy (such as those in the Care Bill) will be funded in full
 - A 1.95% increase in Council Tax for 2015/16 and each year thereafter
 - An underlying zero growth assumption for changes in Business Rates from 2015/16 onwards

- 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 2.4% for 2015/16, 3.7% for 2016/17 and 2.7% for 2017/18
 - Some provision for the potential on-going risks associated with the budget pressures within Children's and Adults' Social Care
- 1.12 The scale of the impending funding reductions and demographic cost pressures will be such that the Council can no longer afford to provide the same level of protection to both its essential care services and Traffic & Transportation service (which combined account for 61% of controllable spending) as has been accommodated in the past.
- 1.13 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.
- 1.14 For now, based on the proposals contained within the 2014/15 Budget and the proposals for future Budgets, the Council's financial health remains sound and provides a good degree of resilience against an 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 2014/15 and the associated level of Council Tax necessary to fund that Budget.
- 2.2 The report makes recommendations on the level of spending for 2014/15 and the level of Council Tax in the context of the Council's current financial strength and the future outlook for both spending and funding over the next 4 years.
- 2.3 The recommended Budget for 2014/15 has been prepared on the basis of the decisions taken by the City Council on the 12th November 2013 relating to the approved budget savings, budget pressures and transfers from reserves as well as the proposed Council Tax increase of 1.95%.
- 2.4 In addition, this report provides a comprehensive revision of the Council's rolling 3 year financial forecast for the new period 2015/16 to 2017/18 (i.e. extending the forecast to 2017/18) and describes the level of associated savings requirements necessary to balance spending and funding.

2.5 In particular, this report sets out the following:

- (a) The challenging financial climate facing the City Council in 2014/15 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 set out and 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 12 November 2013 (both Revenue and Capital)
- (d) The Revised Revenue Budget and Cash Limits for the current year
- (e) The Local Government Finance Settlement for 2014/15 and the indicative Settlement for 2015/16
- (f) The recommended Council Tax for 2014/15
- (g) The proposed Revenue Budget and Cash Limits for 2014/15
- (h) Specific proposals to deal with the cost of Business Rates appeals
- (i) The forecast Revenue Budget, provisional Cash Limits and revised Savings Requirements for 2015/16, 2016/17 and 2017/18
- (j) Estimated Revenue Balances over the period 2013/14 to 2017/18
- (k) The Medium Term Resource Strategy (MTRS) Reserve and its proposed use to achieve cashable efficiencies
- (l) The forecast Collection Fund balance as at 31 March 2014
- (m) The Non Domestic Rates poundage for 2014/15
- (n) The statement of the Head of Finance & Section 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.

3. Recommendations

3.1 That the following be approved:

- (a) The revised Revenue Estimates for the financial year 2013/14 and the Revenue Estimates for the financial year 2014/15 as set out in the General Fund Summary (Appendix A)
- (b) The Portfolio Cash Limits for the Revised Budget for 2013/14 and Budget for 2014/15 as set out in Sections 7 and 9, respectively
- (c) That any overspending arising at year end 2013/14 on the Traffic & Transportation Portfolio be met from the Off Street Parking Reserve
- (d) That a sum of £3.3m be set aside in an Earmarked Reserve to provide the necessary funds to make an early payment to Government in 2014/15 amounting to £4.6m in respect of anticipated Business Rates appeals (which would otherwise have been paid, in full, over the period

2015/16 to 2017/18). It is expected, if legislative provisions allow, that this would trigger an estimated "safety net payment" from Government of £1.3m that would not otherwise be received without this early payment. (See paragraph 6.13 and recommendation (i))

- (e) That a sum of £3.0m be transferred to the MTRS Reserve arising from the overall net improvement in the City Council's financial position for the year³ in order to support the achievement of future savings and therefore alleviate budget deficits in future years
- (f) Any further underspendings for 2013/14 arising at the year-end outside of those made by Portfolios be transferred to the MTRS Reserve
- (g) That £500,000 from the TriSail Maintenance Reserve be transferred into a new Reserve entitled the Park and Ride Reserve to fund the anticipated early years costs associated with the new Tipner Park and Ride scheme commencing in April 2014
- (h) Once the Park and Ride scheme becomes self-financing, any remaining balance contained within the Park and Ride Reserve be transferred into the MTRS Reserve to support the achievement of savings to alleviate budget deficits in future years
- (i) That the Head of Finance & S151 Officer be given delegated authority to make full provision for the anticipated Business Rates appeals in a single year (2013/14) amounting to an additional £4.6m rather than spreading the cost of such appeals over the 3 year period 2015/16 to 2017/18. If this is allowed by regulation, it will lever in "safety net" funding from Government estimated at £1.3m
- (j) Accordingly, that the Head of Finance & S151 Officer be given delegated authority to complete and authorise the statutory Government Returns for Business Rates⁴ in accordance with the information contained within this report and on the basis of providing for Business Rates appeals in a single year
- (k) 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
- (l) Managers be authorised to incur routine expenditure against the Cash Limits for 2014/15 as set out in Section 9
- (m) The Revenue Forecast and the associated provisional Portfolio Cash Limits for 2015/16 onwards as set out in Section 10 and Appendices B and C respectively, be noted
- (n) That the savings requirement for 2015/16 be set at a minimum of £12.5m

³ This does not include Portfolio underspendings which will, by right, transfer into Earmarked Reserves for use by the relevant Portfolio

⁴ Those returns being the NNDR1 and the NNDR3

- (o) The estimated Savings Requirement of £37m for the three year period 2015/16 to 2017/18 be noted and for financial and service planning purposes be phased as follows:

Financial Year	In Year Target £m	Cumulative Saving £m
2015/16	12.5	12.5
2016/17	12.5	25.0
2017/18	12.0	37.0

- (p) 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 considered and incorporated into Service Business Plans
- (q) Members note that the MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies holds a relatively modest uncommitted balance of £3.0m⁵ and will only be replenished from an approval to the transfer of any underspends at year end
- (r) The minimum level of Revenue Balances as at 31 March 2015 be retained at £6.0m (£6.0m in 2013/14) to reflect the perceived budget and financial risks to the Council
- (s) Members have regard for the Statement of the Head of Finance & Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 17
- (t) The Non Domestic Rates poundage for 2014/15 of 48.2p, and 47.1p for small businesses, be noted

3.2 The Council note the advice from the Head of Finance & S151 Officer set out in the approved Budget report to the Council in November 2013 which stated that:

the minimum savings requirement for 2014/15 is £10m and anything below that would not be prudent. Also that the Council's financial forecasts and therefore its £10m savings requirement for 2014/15 is predicated on a Council Tax increase of 1.95%. Should the Council take any other option that yields a lesser sum, then the shortfall must be added to the £10m savings requirement.

3.3 That it be noted that at its meeting on 6 January 2014 the Cabinet calculated the amount of **51,532.1** as its Council Tax Base for the financial year 2014/15 [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].

⁵ Including the recommended transfer of £3.0m proposed in this report

3.4 That the following amounts be now calculated by the Council for the financial year 2014/15 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£533,876,088	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£472,326,663	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£61,549,425	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)	£1,194.39	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 £
796.26	928.97	1,061.68	1,194.39	1,459.81	1,725.23	1,990.65	2,388.78

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 2014/15 the Hampshire Police & Crime Commissioner is consulting upon the following amounts (but subject to the determination of the Council Tax referendum thresholds) 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 £
103.86	121.17	138.48	155.79	190.41	225.03	259.65	311.58

- 3.6 That it be noted that for the financial year 2014/15 Hampshire Fire and Rescue Authority are recommending the following amounts in the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Fire & Rescue Authority)

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

- 3.7 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 2014/15 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
941.04	1,097.88	1,254.72	1,411.56	1,725.24	2,038.92	2,352.60	2,823.12

- 3.8 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 November 2013 described the overall national picture for public finances and the particular implications experienced by the City generally and the Council locally.
- 4.2 In brief, the global economic downturn over the past 4 years has caused the overall national debt position to more than double from £0.53 trillion to £1.2 trillion. In terms of Gross Domestic Product (GDP)⁶ this represents a rise from 40% of GDP in 2008 to 76% of GDP currently.
- 4.3 Part of the response from Central Government has been to reduce spending (and funding) across the public sector. Over the past 3 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £35m. 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

⁶ GDP is measure of the overall output of the economy

requirements for the safeguarding of vulnerable children), the City Council has had to make overall savings over the same period of over £46m. In context, this represents some 18% of the Council's controllable spending.

- 4.4 Despite the improving economic conditions over the last 15 months, public sector debt remains high and recent Government announcements indicate continued spending cuts through to 2020 with the Prime Minister announcing that growth alone will not fix the budget deficit.
- 4.5 This report includes a complete revision of the Council's financial forecasts (covering both expenditure and funding) to 2016/17 and extends that forecast a further year to 2017/18. The forecasts also take into account the £10m savings decisions made by the City Council in November 2013 and the intent to increase the level of Council Tax in 2014/15 by 1.95%. The forecasts contained within this report now indicate a savings requirement for the next 3 years, from 2015/16 to 2017/18, of £37m.

5. Medium Term Financial Strategy and Budget Decisions 2014/15

- 5.1 In response to the considerable financial challenge, the City Council approved a Medium Term Financial Strategy (for both revenue and capital) at its meeting of 12 November 2013. That strategy has as its overall aim:

"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.

The intended outcomes (or success criteria) of that strategy are:

- Protecting the baseline - avoiding additional costs or losses of income
- Increasing income
- Reducing costs
- An effective financial framework
- Strong financial resilience

The key strands and activities of the Council in achieving the strategy include:

- Reducing the City's dependency on Central Government grant
- Reducing the extent to which the population needs Council services
- Increasing the efficiency and effectiveness of the Council's activities
- Withdrawing or offering minimal provision of low impact services

5.2 Despite the challenging financial circumstances, the City Council made a series of Budget decisions in November 2013 that were entirely consistent with the strategy approved at that same meeting. The key Budget decisions made included:

- A suite of savings amounting to £10m of the forecast £30m required over the 3 year period 2014/15 to 2016/17
- £2m to fund unavoidable cost pressures, of which £0.9m was allocated to Adult Social Care and Children's Social Care
- The creation of a £200,000 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
- Investment of a "one-off" sum of £545,000 in spend to save proposals in order to deliver savings of over £1.3m per annum (or £3.9m over 3 years)
- Rather than reduce services further, to raise £1.3m in additional Council Tax by increasing the Council Tax by 1.95% (or 34 pence per week for the average household) and by withdrawing the 10% discount for second homes
- Allocation of the bulk of the Council's capital resources available towards regeneration schemes that have the potential to have a large scale transformational effect which, if successful, would see the investment of over £1 billion into the City

5.3 Importantly, the Council also approved a new financial framework which is intended to maximise the incentives for prudent and forward looking financial and operational management of the Council's Services. Portfolio Holders now have far more autonomy in the financial management of their Services; financial barriers that existed in the past have been removed, and Portfolios will now, by right, retain any underspendings arising at year end. This will enable Portfolios to utilise any such underspendings to either mitigate against known budget pressures and / or utilise those funds for efficiency and development initiatives.

5.4 The approval by the Council in November 2013 of a more flexible financial framework, particularly relating to the retention of underspendings, is an important step towards stronger financial management.

5.5 The combined effect of all of these decisions has enabled the Council to meet its £10m savings requirement, provide additional funding for the Council's most vulnerable Services and provided a financial environment which is better able to respond to the greater financial challenges ahead.

6. Revised Budget 2013/14

- 6.1 The original revenue Budget approved by the City Council on 12 February 2013 was £186,054,075.
- 6.2 The Council has received regular quarterly Budget Monitoring reports on the 2013/14 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 non achievement of Parking income plus other variations contained within the Traffic & Transportation Portfolio.
- 6.3 The Children's & Education Portfolio continue to encounter overspendings against the Looked after Children's budget, amounting currently to £1.6m. This is by far the biggest financial pressure facing the Portfolio. Significant work has already been undertaken to establish whether Looked after Children and Safeguarding more generally are costly or not, compared to our statistical neighbours. Establishing this provides a guide to the extent to which savings / efficiencies might be achievable. The evidence gathered to date indicates that the cost of Safeguarding is low to average cost whilst performance is generally good. Scope to make significant savings therefore would appear limited although possible.
- 6.4 The Children's & Education Portfolio are currently investigating options for bringing their expenditure in line with their cash limit, although to date a finalised plan has not been completed. In order to ensure that performance remains generally good and the risk to Children is not disproportionately increased, the initial work has been focussed on invest / spend to save efficiency measures. A finalised action plan is currently expected to be reported to Cabinet in April 2014 that is likely to seek additional funds from the MTRS Reserve in order to make the necessary efficiencies.
- 6.5 Given that just 6 weeks remain to the end of the financial year, it is extremely unlikely that the Portfolio will have implemented sufficient measures to eliminate the forecast overspend. 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. As previously stated, given the relative low to average cost of the Safeguarding Service such a measure may not result in a robust or sustainable Budget for the Portfolio in 2014/15 and beyond. Until such time as the action plan has been finalised, the prospects for being able to "repay" the likely overspend will not be known. Pending that action plan, some funding will be retained within the Council's corporate contingency provision to ensure that the Council's Budget overall remains robustly based.
- 6.6 The prospects for the Children's & Education Portfolio Budget in 2014/15 remain challenging despite additional funding being awarded for both 2013/14 and also for 2014/15. The Budget decisions at the November 2013 Council meeting to award additional funding of £0.3m in 2014/15 will go some way to meeting the financial pressures. However, even with an invest / spend to save action plan put in place, there will still remain a significant risk of an overspend against this Portfolio.

- 6.7 The Traffic & Transportation Portfolio represents the other overspending Portfolio of the City Council. The forecast overspend is currently anticipated to amount to £0.8m and relates largely to the non achievement of the income target from Parking charges but also as a consequence of the significant increase in energy costs for Street Lighting and the non-achievement of savings against School Crossing Patrols. The Portfolio Holder has now addressed some of the shortfall in Parking Income during the current year, leaving an underlying parking income deficit of circa £0.3m per annum for future years. For 2013/14, and consistent with the new financial framework for the use of retained underspendings, it is recommended that any overspend on the Portfolio for 2013/14 is funded from the Parking Reserve.
- 6.8 For 2014/15, the Council has addressed the budget pressures associated with School Crossing Patrols and the increased energy costs for Street Lighting by awarding funding of £200,000 and £150,000, respectively as part of the Budget decisions in November 2013. This will leave an underlying budget deficit amounting to £0.3m that the Portfolio will need to remedy or meet from the Parking Reserve in 2014/15.
- 6.9 Significant changes to the Original Budget approved by Council that are being presented as part of the Revised budget, aside from forecast retained underspendings to be carried forward by right, are as follows:
- A contribution to the Revenue Reserve to Capital of £5.0m and a contribution to the MTRS Reserve of £0.439m as approved by the City Council in October 2013 (funded from the 2012/13 underspend)
 - A recommended transfer of £3.3m to an Earmarked Reserve to make an early payment to Government in 2014/15 in respect of Business Rates appeals (in order to trigger a compensating "safety net" payment of £1.3m)
 - A transfer to the MTRS Reserve of £3.0m which represents the overall net improvement in the City Council's financial position for the year having taken account of all proposed changes in spending and funding
 - Improvement in the forecast costs of the Council's Treasury Management activities (Investments and Borrowings) amounting to £1.5m
 - Underspendings carried forward amounting to £3.5m in respect of the Council's contingency provision and Treasury Management activities to fund costs originally anticipated to occur in 2013/14 but now expected to slip into 2014/15
 - Whilst financially neutral, a reduction in the Tri Sail Reserve of £500,000 and subsequent creation of a Park & Ride Reserve in order to meet the early years' costs of the Park & Ride scheme until it breaks even. The consequence of this is that any significant maintenance or lifecycle replacement on the Tri Sail will need to be funded from any available capital resources of the Council.

6.10 In preparing the Revised Estimate for 2013/14, total adjustments amounting to £6,727,095 have been made to increase the overall Budget for the current year to £192,781,170. This is set out below:

TABLE 1 - Movements between Original and Revised Budget 2013/14
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	<u>£000</u>
Original Net Budget 2013/14	186,055
<u>Add:</u>	
Transfer to Revenue Reserve for Capital (arising from 2012/13 Underspendings – Approved October 2013)	5,000
Transfer to MTRS Reserve for Spend to Save Schemes (arising from 2012/13 Underspendings – Approved October 2013)	439
Recommended Transfer to an Earmarked Reserve (Business Rates Appeals - see paragraph 6.13 below)	3,300
Recommended further Transfer to MTRS Reserve	3,000
Other miscellaneous changes	28
<u>Less:</u>	
Recommended Underspendings to be Carried Forward into 2014/15	(3,540)
Improvement in Treasury Management Activities	(1,500)
Revised Net Budget 2013/14	192,782
Increase in Net Budget 2013/14	6,727

6.11 The Revised Revenue Budget is set out in the General Fund Summary (Appendix A).

6.12 The real impact on the Council's overall financial position in 2013/14, arising from the recommendations contained within the Revised Budget, is broadly neutral since the proposed increase in the Budget of £6.7m (as set out above) is off-set by the previous year's underspend of £5.3m plus higher than anticipated non ring-fenced grants amounting to £0.9m in the current year together with the non-use of a contingency for Retained Business Rates of £0.5m.

- 6.13 As explained in more detail under the heading Retained Business Rates 2014/15 in Section 8, the Council may (subject to forthcoming legislation) have the opportunity of making a "one-off" provision for business rate appeals amounting to £4.6m which could then trigger a "safety net" payment from Government of £1.3m, resulting in a net cost to the Council of £3.3m. The alternative would be to incur the entire £4.6m cost but spread over the period 2015/16 to 2017/18. It is recommended therefore, that a sum of £3.3m be set aside in an Earmarked Reserve in order to provide the necessary funds to make an early payment to Government in 2014/15 amounting to £4.6m in respect of anticipated Business Rates appeals.
- 6.14 Whilst it is intended that Portfolio's themselves will use their "built up" Earmarked Reserves for Spend to Save schemes, it is important that the Council maintains the MTRS Reserve for larger scale schemes which would otherwise be unaffordable to them. The Reserve is also required to provide for potential future redundancy costs associated with the significant savings the Council will need to make in future years. The Council needs to continue to replenish this reserve if it is to be a substantial part of the Council's strategy to reduce costs through efficiencies in the coming years. It is recommended therefore that £3.0m is transferred to the MTRS Reserve, which represents the overall net improvement in the City Council's financial position for the year. This will result in the Reserve maintaining an uncommitted balance of £3.0m (after taking account of all potential redundancy costs over the next 4 years) - see Section 13.
- 6.15 Similarly, should any further savings for 2013/14 arise at the year-end outside of Portfolios, it is recommended that these be transferred to the MTRS Reserve to support the achievement of savings to alleviate budget deficits in future years.
- 6.16 Whilst financially neutral, the Revised Budget also takes into account reduced spending (versus the budget) by Portfolios resulting in £3.6m of planned underspends that will be transferred to the newly created Earmarked Reserves for Portfolios. As previously stated, these Earmarked Reserves have been created to hold any underspendings that Portfolios make under the new financial framework arrangements approved by the Council in November 2013.
- 6.17 In the first instance, these Earmarked Reserves are to be used to meet any necessary budget pressures facing a Portfolio. The creation of these Reserves therefore is important to this 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 next year. This is of particular importance to Adult Social Care who are exposed to significant demand led pressures in the management of their budget.

6.18 The Revised Budget as proposed in Appendix A, includes transfers to the newly created Portfolio Reserves as set out below:

TABLE 2 - Transfers to Portfolio Reserves	
PORTFOLIO	£000
Children & Education	0
Culture Leisure & Sport	72
Environment & Community Safety	442
Health & Social Care	2,500
Housing	186
Leader	0
Planning Regeneration Economic Development	80
Resources	196
Traffic & Transportation	0
Governance & Audit Committee	80
Licensing Committee	0
TOTAL TRANSFER TO PORTFOLIO RESERVES	3,556

6.19 Based on this proposed Revised Budget for 2014/15, it is expected that there will be no real change in General Balances as at 31 March 2014 compared to the Original Estimate.

6.20 In funding the Revised Budget of £192,781,170 the City Council will need to draw on General Balances of £5,584,544 however, as previously explained, this is largely the spending of the previous year's underspend of £5.3m which accrued to General Reserves at the end of last financial year. On this basis, excluding the "one-off" spending of the previous year's underspend to support the Capital Programme and the MTRS Reserve, the Council's "in-year" income and "in-year" spending is broadly balanced.

7. Revised Cash Limits 2013/14

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 2013/14 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 2013/14 and those items outside the Cash Limit (e.g. capital and similar charges, levies and insurance premiums), which together form the Revised Budget for each Portfolio.

PORTFOLIO	Revised Cash Limits 2013/14 £'000	Items Outside the Cash Limit £'000	Revised Budget 2013/14 £'000
Children & Education	32,178	19,094	51,272
Culture Leisure & Sport	9,030	3,870	12,900
Environment & Community Safety	16,266	2,477	18,743
Health & Social Care	49,901	3,314	53,215
Housing	2,103	5,743	7,846
Leader	233	20	253
Planning Regeneration Economic Development	(6,856)	13,041	6,185
Resources	23,749	4,060	27,809
Traffic & Transportation	15,872	684	16,556
Governance & Audit Committee	202	57	259
Licensing Committee	(117)	16	(101)
PORTFOLIO EXPENDITURE	142,561	52,376	194,937

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 2014/15

- 8.1 At the Annual Budget Meeting in February 2013, financial forecasts for this coming financial year 2014/15 and the subsequent 2 financial years estimated that an overall 3 year savings requirement of £26.0m would be necessary to meet the budget deficits over that period. The forecasts were prepared on the basis of a reduction in Government Funding of 9.3% in 2014/15 and then a further 7.5% reduction in 2015/16. Subsequent to the preparation of those forecasts, the Government announced the outcome of the Comprehensive Spending Review 2013 (CSR13)⁷.
- 8.2 The most significant outcomes of CSR 13 were the announcement of a 10% reduction in funding to Local Government in 2015/16 (compared to the Council's forecast of 7.5%) and the introduction of the £3.8bn Integration Transformation Fund⁸ (now re-named the Better Care Fund) to "support adult social care services, which also has a health benefit". The intent of this being to better direct resources to needs and make significant efficiencies through more integrated service delivery.
- 8.3 As reported to the City Council in November 2013, the consequence of the 10% reduction in funding from Government in 2015/16 was to increase the savings requirement from £26m to £30m over the following 3 year period. For the forthcoming year 2014/15, the Administration planned their budget proposals and ran a public consultation on the basis of a 3 year £30m savings requirement. This culminated in the Council Tax proposals and savings recommended and approved at the November 2013 Council meeting.
- 8.4 Also set out in that report was the advice of the Head of Finance & S151 Officer that once the Local Government Finance Settlement was announced, it was his expectation that the overall financial forecasts would worsen and that the savings requirements for the next 3 years will increase beyond the £30m assumed at present. He also advised however, that the Council had sufficient General Reserves to accommodate a savings requirement of £10m for 2014/15, but that any savings requirement below that would not be prudent given the future uncertainties. The natural consequence however, of a worsened financial position whilst keeping the 2014/15 savings requirement at £10m is to increase the savings requirements for future years. This is described in Section 10.
- 8.5 Details of the Local Government Finance Settlement are set out below.

⁷ Comprehensive Spending Review 2013 set the overall Public Sector spending plans for 2015/16 only.

⁸ Nationally the value of the Integration Transformation Fund is £3.8bn.

Local Government Finance Settlement 2014/15

- 8.6 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 2013 and the final settlement will be debated in Parliament on 12 February 2014.
- 8.7 The settlement for 2014/15 amounts to £116.9m representing a 8.3% reduction in cash terms. On a like for like basis (excluding funding for new burdens of £1.8m which are broadly budget neutral since they come with an associated cost), the reduction amounts to £12.4m (or 9.7%) as set out below.

LOCAL GOVERNMENT FINANCE SETTLEMENT <i>YEAR ON YEAR COMPARISON</i>	Actual Settlement 2013/14 £	Actual Settlement 2014/15 £	Actual Change	
			£	%
Revenue Support Grant (Adjusted Like for Like)	63,713,947	52,050,711	(11,663,236)	-18.3%
Business Rates Retention - Baseline Funding Level (Note 1)	42,387,146	43,212,869	825,723	1.9%
Sub Total - Settlement Funding Assessment	106,101,093	95,263,580	(10,837,513)	-10.2%
Other Grants - See Note 2	21,417,068	19,845,947	(1,571,122)	-7.3%
Total Settlement - Like for Like Comparison	127,518,161	115,109,527	(12,408,635)	-9.7%
Additional Grants - New Responsibilities	0	1,826,621	1,826,621	
Total Settlement - Cash	127,518,161	116,936,148	(10,582,014)	-8.3%

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

- 8.8 The £12.4m (or 9.7%) reduction in funding for 2014/15 is very close to the Council's forecast upon which the savings requirement of £10m for 2014/15 was based (forecast reduction of £12.7m) representing a variance of £0.3m (or 0.2%) as set out below.

LOCAL GOVERNMENT FINANCE SETTLEMENT <i>COMPARISON WITH FORECAST</i>	Forecast Settlement 2014/15 £	Actual Settlement 2014/15 £	Actual Change	
			£	%
			Revenue Support Grant (Adjusted Like for Like)	51,689,885
Business Rates Retention - Baseline Funding Level (Note 1)	43,688,110	43,212,869	(475,241)	-1.1%
Sub Total - Settlement Funding Assessment	95,377,995	95,263,580	(114,415)	-0.1%
Other Grants - See Note 2	19,454,950	19,845,947	390,997	2.0%
Total Settlement - Like for Like Comparison	114,832,945	115,109,527	276,582	0.2%
Additional Grants - New Responsibilities	0	1,826,621	1,826,621	
Total Settlement - Cash	114,832,945	116,936,148	2,103,203	1.8%

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 2013

Home Office Grant	96,491
Extended Right to Free School Travel	84,075
Adoption Reform Grant (or its equivalent)	0
Sub Total	180,566

8.9 The £12.4m reduction in the Settlement excludes changes in funding from the following:

- Public Health Grant - increased by £0.4m to £16.2m
- NHS funding to support Social Care - increased by £0.9m to £4.1m, the spending of which needs to be agreed between the NHS and the City Council but will be available to assist the City Council to prepare for the "Better Care Fund" (BCF) arrangements from 2015/16 onwards (see paragraph 8.15 below. It will also meet some of the increased demographic pressures falling on Adult Social Care
- A grant of £422,000 reflecting the commitment in the Autumn Statement to recompense the Council for lost business rate income associated with the 2% cap on the business rates multiplier (RPI increases) in 2014/15

- A grant of £816,000 to recompense the Council for lost Business Rates income from the further extension of the doubling of small business rate relief
- A grant of £561,000 to compensate the Council for lost Business Rates income arising from the Government's initiative to offer £1,000 rate relief to smaller retail businesses
- Other additional grants to compensate the Council for lost Business Rates income arising from a range of other Government rate relief initiatives amounting to £27,000

8.10 The following grants have yet to be announced although the forecasts for them set out below are expected to be reliable:

- Home Office Grant (Community Safety) - forecast at £96,000
- Extended Rights to Free School Travel - forecast at £84,000
- Education Support Grant (funding for the Central Education function and based on pupil numbers) - forecast at £2,600,000
- Adoption reform grant (or its equivalent) - no funding or expenditure forecast

8.11 Given that the 2014/15 Local Government Finance Settlement is in line with the Council's forecasts upon which the minimum £10m savings requirement was based, there is no need to seek any further savings beyond those approved at the November 2013 Council meeting assuming that a Council Tax increase amounting to 1.95% remains intact.

8.12 The proposals for Council Tax contained within the Local Government Finance Settlement are covered under the heading "Council Tax Proposals 2014/15" set out later in this section.

Local Government Finance Settlement 2015/16 (Illustrative Settlement)

8.13 As part of the Local Government Financial Settlement for 2014/15, Government have also provided Local Authorities with an illustrative settlement for 2015/16. That illustrative settlement does not include all elements of funding but does cover the main Revenue Support Grant plus Government's assessment of the Baseline funding level from Business Rates to be retained by the Council (although this will vary up or down depending on whether the City experiences business rate growth or business rate decline).

- 8.14 The illustrative settlement for 2015/16 is of considerable concern and presents the City Council with a much greater challenge than had been announced in CSR 13. As described, CSR 13 indicated a 10% reduction in Government funding (known as the Settlement Funding Assessment) between 2014/15 and 2015/16. The illustrative settlement for 2015/16 actually shows a 14.2% reduction in funding. This additional reduction amounts to a further £4m of savings that the Council will need to accommodate from 2015/16 onwards.
- 8.15 Of significant importance is the inclusion of early information relating to the Better Care Fund (formerly the Integration Transformation Fund). This is a mixture of capital and revenue funding, drawn from existing funding and pooled together "to drive closer integration and improve outcomes for patients and service users and carers". This funding will be managed through pooled budgeting arrangements with decisions on how the funding is spent outlined in a local BCF plan (for 2014/15 and 2015/16) to be agreed between the City Council, the Portsmouth Clinical Commissioning Group (CCG) and signed off by the Health and Well Being Board.
- 8.16 The Portsmouth BCF plan is due for submission on the 14th February 2014. All BCF plans will be subject to an assurance process involving NHS England and the LGA in order to provide assurance to Ministers. It will then be for Ministers to finally sign off the plans and release the performance related element of the fund (circa 25% of the fund is performance related in 2015/16). Performance will be measured against national and local targets as set out in the BCF plan. Consequently, there will be a financial risk for the Council associated with this performance related element.
- 8.17 The illustrative funding breakdown for Portsmouth is as follows:
- Disabled Facilities Grant (Capital) - £645,000
 - Social Care Capital Grant (Capital) - £496,000
 - Transferred from NHS/Clinical Commissioning Group (CCG) (Revenue) - £13,052,000
- 8.18 The Capital Funding elements are currently received as non ring-fenced capital grants and form part of the overall Corporate Capital Resources available which the City Council allocates as part of its Capital Budgeting process. In the future, the allocation of these capital funds will be ring-fenced and included as part of the BCF plan.
- 8.19 In terms of the revenue element amounting to £13.1m this is not new money. The City Council already receives circa £5.7m of this funding via the NHS (£4.1m as described in paragraph 8.9, plus other funding for re-ablement and carers which will be incorporated into the BCF) and this spending therefore is already embedded with Adult Social Care budgets. The remaining £7.4m is currently contained within NHS spending, is embedded within their budgets and is being fully utilised. The challenge for both the City Council and the CCG is to agree on how best to re-direct this funding in the most cost effective way whilst improving outcomes for patients and service users.

8.20 Outside of the 14.2% overall reduction in 2015/16 is "new" funding for "Adult Social Care New Burdens". This relates to the proposals in the Care Bill to:

- i) Offer universal deferred payment agreements (i.e. loans) from April 2015
- ii) Place a cap on eligible care costs
- iii) Extend the means test upper limit from April 2016 (i.e. the amount beyond which clients start to contribute towards their care)

The sum included within the illustrative settlement amounts to £1.1m and it is understood that this is to cover:

- Early assessments and reviews
- The cost of administering deferred payments
- Capacity building (staff and training)
- An information campaign

8.21 Whilst the funding set out above is badged as "New Burdens" funding, it has effectively been top sliced from Local Government funding generally and re-directed towards new commitments for Adult Social Care. This is one of the reasons for the scale of the 14.2% reduction in general funding.

8.22 Assuming that the costs of the new burdens are consistent with the funding as described above, then the overall effect of the settlement will be a 14.2% reduction and an additional savings requirement of £4.0m. This has been taken into account in the overall comprehensive revision of the financial forecast for 2015/16 to 2017/18 set out in Section 10.

Retained Business Rates 2014/15

8.23 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 the current financial year. The retention of Business Rates was accompanied by a broadly equivalent reduction in Government Grant and therefore does not represent new money. 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.

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

- For business the National Non Domestic Rates (NNDR) system will remain the same. Local Authorities will not have control over how the level of tax is determined for ratepayers

- If the business rate taxbase grows the City Council will be rewarded with increased funding, but if it declines Council funding will reduce
- 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 £43.2m (for Portsmouth this would require a fall in Business rates retained to £40.0m).

8.25 Of particular concern, and the subject of much national debate at present, is the issue of business rate appeals. When the new system was introduced, the baseline upon which Local Authority funding was based was the average of the previous 2 years business rate income collected. This however, was based on a **cash received** basis rather than a **cash due** basis. The main difference between the two methods being the need to account for appeals. Local Authorities must take account of likely successful appeals when estimating the Business Rates to be retained since any successful appeals will result in those sums not being due. In context, for Portsmouth, estimates of likely successful appeals amount to some £18.4m, of which the Council will need to bear 49% (£9.0m)

8.26 Clearly, a £9m reduction against Retained Business Rates for Portsmouth of £44m⁹ is a very significant reduction in funding and one which the Council could not accommodate in a single year. Draft regulations are in place that allow for the cost of the backdated element of appeals (£7.6m) to be spread over a 5 year period (at £1.5m p.a) commencing in 2013/14. This is the basis upon which the Council had prepared its original budget for the current year and future years forecasts. There may be an opportunity in the regulations to make a "one -off" provision for the full £7.6m (£3.0m of which would be required to be repaid in 2013/4 and 2014/15 in any event, leaving an advance payment for the remaining £4.6m to Government to be found). It is estimated that by making the advance payment of £4.6m to Government, as well as the required £3.0m, that this will trigger a "safety net" payment from Government of £1.3m because the Council's Business Rates retained for the current year would drop below the safety net threshold.

⁹ Estimated Business Rates Retained for 2014/15 before allowance for appeals and previous year's deficits brought forward

8.27 The consideration for the City Council therefore is as follows:

- i) Make the necessary payment of £3.0m to Government as required and spread the remaining payment of £4.6m over the 3 year period 2015/16 to 2017/18 making a total payment of £7.6m, or
- ii) Make the necessary payment of £3.0m to Government as required together with an advance payment to Government of £4.6m in order to trigger an expected payment from Government of £1.3m with a resultant total cost of £6.3m

In overall terms, providing for the full cost of appeals in a single year is the most financially advantageous option for the Council. As set out in paragraph 6.13 it is recommended that, if regulations permit, that the Council seeks to provide for the full cost of appeals¹⁰ in 2013/14.

8.28 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.

8.29 Despite the complications and risks associated with appeals, there remains the financial incentive within the system for many Local Authorities (including Portsmouth¹¹) to generate economic growth and job creation. Regardless 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 generally are vital in achieving that.

8.30 Whilst, it is recommended that the Council provides for the full cost of appeals in 2013/14, this is only a possibility at this stage and therefore the proposed Budget for 2014/15 is based on the known and more prudent scenario that the cost of appeals are spread over the current and future 4 years. It is recommended however, that the Head of Finance & S151 Officer be given delegated authority to complete and return the required statutory government returns¹² on the basis of providing for appeals in a single year.

8.31 On the basis of the proposed 2014/15 budget, retained business rates are estimated to reduce from £43.1m in the current year to £41.8m in 2014/15, representing a decrease of 3.1%.

Council Tax Proposals 2014/15

8.32 The Budget report to Council in November 2013 illustrated that Portsmouth City Council is a low taxing Authority receiving approximately £5.5m per annum (or 8%) less in Council Tax than the average Unitary Authority within its statistical

¹⁰ Note that the financial effect of providing for appeals in 2013/14 be felt in 2014/15 and budgeted for in that year

¹¹ Applies to Local Authorities that, in general, remain above the safety net threshold over time

¹² The statutory government returns include the NNDR1 return and NNDR3 return

neighbour group. It also gave more detailed information on the Council Taxpayers in Portsmouth stating that neither the Band D rate nor the full Council Tax is paid by the majority of householders as set out below:

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

8.33 That report also described the options available to the City Council in relation to either increasing the level of Council Tax for 2014/15 or accepting a Council Tax Freeze Grant from the Government.

8.34 Prior to the announcement of the provisional Local Government Settlement, it was expected that any Council Tax Freeze Grant offered was likely only to continue for 2014/15 and 2015/16. On this basis, the choice for the Council was:

- i) To make no increase to the level of Council tax for 2014/15 and receive a Council Tax Freeze Grant amounting to £0.7m, which will be guaranteed for 2014/15 and 2015/16 only, or
- ii) Increase the Council Tax by up to 2% which would yield £1.2m per annum in perpetuity.

At that time, the longer term financial implications of accepting the Council Tax Freeze Grant was expected to be a loss of £2.4m per annum from 2016/17 onwards.

8.35 Having considered that £2.4m of reduced funding in the longer term would have a serious detrimental impact on Council services, especially care services, and that this was not consistent with the Council's obligations to make adequate arrangements for the provision of their statutory responsibilities, the Council registered their intent to increase the basic rate of Council Tax by 1.95% for 2014/15.

8.36 As part of the Settlement however, the Government have announced that the Council Tax Freeze grant offered for the next 2 years, amounting to the equivalent of a 1% increase in Council Tax, will be "built into the spending review baseline" so that there is no "cliff edge" in the third year when funding could have been withdrawn. The consideration for the Council now therefore is as follows:

- i) To make no increase to the level of Council tax for 2014/15 and receive a Council Tax Freeze Grant amounting to £0.7m per annum, or
- ii) Increase the Council Tax by 1.95% as proposed in the November 2013 Budget report which will yield £1.2m per annum

Increasing the Council Tax by 1.95% will provide £0.5m p.a of additional funding compared with opting to take a Council Tax Freeze Grant. Given, the scale of the savings requirements over the next 3 years (now revised upwards to £37m - see Section 10), it is recommended that the basic level of Council Tax be increased by 1.95% representing an increase of 34 pence per week for the average taxpayer in Portsmouth (i.e. Band B).

8.37 It should be noted that in the report to the City Council in November 2013, the Head of Finance & S151 Officer advised the Council that the minimum savings requirement for 2014/15 is £10m and anything below that would not be prudent. Also that the Council's financial forecasts (and therefore its £10m savings requirement for 2014/15) is predicated on a Council Tax increase of 1.95%. Should the Council take any other option that yields a lesser sum, then the shortfall must be added to the £10m savings requirement.

8.38 It is not yet clear at what level the Council Tax referendum threshold¹³ will be finally set. Ministers announced in CSR 13 that the level would be set at 2%. In recent weeks announcements have cast doubt over whether that commitment will be held. The Government have not yet set a date for the announcement although the latest date that it can be made is Wednesday 12 February when MPs will debate the final Settlement.

8.39 It is possible that the final Settlement could affect the City Council's estimated financial position either favourably or adversely. Also, depending on the referendum threshold set, Members may wish to reconsider both savings and the level of Council tax to be set.

Cumulative Effects of the Overall Local Government Funding System

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

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

¹³ The maximum level of Council Tax increase allowed without needing to gain approval via a local referendum

Council Tax support for 2014/15 is £11.6m, each 1% change therefore will represent a cost / saving of £0.1m

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

Summary of Proposed Revenue Budget 2014/15

8.41 The proposed Budget for 2014/15 has been prepared to include the following:

- Reduction in general Government funding of £12.4m
- Overall deficit on the Collection Fund attributable to the City Council amounting to £1.2m, representing a surplus in Council Tax of £1.2m and a deficit in Business Rates retained of £2.4m
- A reduction in retained Business Rates¹⁴ of £1.3m, despite an increase in RPI¹⁵
- The £10m savings proposals approved by the City Council in November 2013
- The £2m of budget pressures proposals approved by the City Council in November 2013
- The transfer of £545,000 from the MTRS Reserve to generate savings of £3.9m over the next 3 years
- The revenue implications arising from the Capital Programme approved by the City Council in November 2013, including savings arising from Invest to Save Schemes
- A Council Tax increase of 1.95% as endorsed by the City Council in November 2013
- An allowance for a pay award of 1%
- An allowance for inflation on non-pay expenditure of 2.4% and for income of 2.1%
- Overall contingency provision to cover known and anticipated financial risks of the Council amounting to £5.5m (£7.0m in 2013/14), especially those relating to increases in demand for Adults & Children's Services
- Adjustments to reflect revised income from the Port and MMD

¹⁴ This includes the deficit brought forward on the Collection Fund of £2.4m

¹⁵ 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.

- Adjustment to forecast borrowing costs
- The retention into an earmarked reserve, by right, of any Portfolio underspendings arising in the previous year

Analysis of Spending & Funding Changes 2013/14 to 2014/15

8.42 The proposed Budget for 2014/15 as described above results in net spending of £174,827,025. This amounts to a net decrease in spending of £11,227,050 or 6.0% over the Original 2013/14 budget of £186,054,075.

<u>Total Reduction in Net Expenditure comprises:-</u>	£'000
<u>Increases in Expenditure:</u>	
Budget Pressures approved on 12 November 2013	1,860
Inflation 2014/15	3,671
Windfall and other unavoidable cost increases	2,690
Other approved expenditure	636
Non Portfolio carry forward requests brought forward from 2013/14 into 2014/15	3,540
	12,399
<u>Less Reductions in Expenditure</u>	
Budget Savings approved on 12 November 2013	(9,860)
On-going effect of previous years' savings	(3,644)
On-going impact of Spend to Save Schemes	(278)
Reduction in Contingency	(3,546)
2012/13 carry forwards falling out	(6,298)
	(11,227)
Total Net Reduction in Expenditure	(11,227)
<u>Matched by:</u>	
	£'000
Reduction in contribution from General Balances (compared with previous year)	(3,696)
Reduction in Revenue Support Grant	(11,664)
Increase in Other General Grants	1,212
Increase in Retained Business Rates ¹⁶	1,599
Increase in Council Tax - change in Tax Rate	1,178
Increase in Council Tax - change in Tax Base ¹⁷	1,209
Change in Collection Fund Deficit	(1,065)
Total Decrease in Funding	(11,227)

8.43 The proposed Budget for 2014/15 as described in this Section is recommended for approval.

¹⁶ Excluding the element of the Collection Fund deficit brought forward relating to Business Rates

¹⁷ Tax Base is the number of taxable properties after taking account of all discounts and exemptions and converted to a Band D equivalent

9. Cash Limits 2014/15

9.1 As previously described, Cash Limits relate to that element of the budget that is Portfolio and Service related and which is controllable. Cash Limits have been prepared to reflect all changes set out in the proposed Budget for 2014/15 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 approved Budget Pressures
- Other refinements

9.2 The table below shows the proposed Cash Limits for 2014/15 and also those items outside Cash Limits (i.e. capital and similar charges, levies and insurance premiums), which together form the budget for each service.

PORTFOLIO	Cash Limits 2014/15 £'000	Items Outside the Cash Limit £'000	Budget 2014/15 £'000
Children & Education	30,539	19,094	49,633
Culture Leisure & Sport	8,224	3,870	12,094
Environment & Community Safety	15,726	2,514	18,240
Health & Social Care	46,684	3,314	49,998
Housing	1,605	5,743	7,348
Leader	210	20	230
Planning Regeneration Economic Development	(5,250)	13,041	7,791
Resources	22,608	4,179	26,787
Traffic & Transportation	16,849	684	17,533
Governance & Audit Committee	285	59	344
Licensing Committee	(143)	16	(127)
PORTFOLIO EXPENDITURE	137,337	52,534	189,871

9.3 Managers will be expected to contain their expenditure in 2014/15 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 2014/15, 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 2015/16 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 - 2015/16, 2016/17, and 2017/18

- 10.1 A new medium term forecast has now been completed and "rolled on" a further year to cover the period 2015/16 to 2017/18. 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 £30m would be required across the previous 3 year period 2014/15 to 2016/17. The proposed Revenue Budget for 2014/15 provides for £10m of those savings that, based on the "old" forecast, would have left a residual £20m remaining to be found for the following 2 years.
- 10.3 The new medium term forecast takes account of the £10m savings being achieved in 2014/15, comprehensively revised the remaining £20m required and makes a forecast for the additional year 2017/18. It is now estimated that the savings required for the new 3 year period 2015/16 to 2017/18 will be £37m (or £74.5m cumulatively over the period) as described in the paragraphs that follow.

10.4 The most significant changes that will affect Local Government and the Council through the period 2015/16 to 2017/18 are as follows:

Funding & Income

- Continuing significant reductions in Local Government funding, now expected until 2020 and the extent to which "New Burdens" are funded by new money or top sliced from existing funding
- The extent to which Local Authorities 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

Spending

- The cost of funding the new burdens arising from the Care Bill 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 mortality rates and the consequent increased complexity of care needs
- Other anticipated burdens such as:
 - New and additional responsibilities arising from Fair Funding Reform and Special Educational Needs legislation to support young people up to the age of 25
 - Raising the Participation Age - requiring Local Authorities to ensure adequate provision / promotion of training and educational opportunities for resident 16-18 years old
- 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
- The extent to which the Council can exploit investment opportunities and raise income

10.5 More specifically, the City Council's medium term future forecasts for the period 2015/16 to 2017/18, have been prepared on the basis of the following:

- Reductions in overall general Government funding of 14.2% in 2015/16, a further 10.0% in 2016/17 and a further 8.9% in 2017/18
- A 1.95% increase in Council Tax for 2015/16 and each year thereafter
- That any additional cost of the localisation of support for Council Tax will be offset by further changes to the scheme in order to cap the cost at £13.6m per annum (PCC element £11.6m p.a.)
- An underlying zero growth assumption for changes in Business Rates from 2015/16 onwards (although provision has been made for Academy conversions attracting charitable rate relief)
- 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 304 in 2015/16, 460 in 2016/17 and 635 in 2017/18
- An overall composite inflationary provision covering all pay and prices amounting to 2.4% for 2015/16, 3.7% for 2016/17 and 2.7% for 2017/18
- Interest rates on any new borrowing of 4.5% for 2015/16, 4.0% for 2016/17 and 5.1% for 2017/18
- Investment rates on any new lending of 0.5% for 2015/16, 0.5% for 2016/17 and 1.0% for 2017/18
- Some provision for the potential on-going risks associated with the budget pressures within Children's and Adults' Social Care
- That any new burdens arising from the Adult Social Care - Care Bill will be funded in full
- The ongoing effect of Budget Pressures and savings included in the 2014/15 budget

- An allowance of £1m in 2015/16 and a further allowance of £1m in all future years for other general unavoidable Budget Pressures (the “unknown unknowns”)
- A “one-off” Revenue contribution to Capital in 2015/16 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 2015/16, 2016/17, and 2017/18 to reflect current forecasts
- An assumption of a steady state for other budgets

10.6 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.

10.7 In overall terms, the forecast underlying Budget Deficits in future years have deteriorated from the £30m (2014/15 to 2016/17) prepared after the CSR 13 was announced. The deterioration relating to the original forecast period 2014/15 to 2016/17, for the most part, relates to the following:

- The additional 4.2% reductions to Local Government funding in 2015/16 amounting to £4m plus a further reduction to Local Government Funding in 2016/17 amounting to a further £3m - £7m in total
- Reductions in retained Business Rates arising from an increase in the estimated losses from appeals amounting to £1m over the period
- Offset by:
 - Lower than forecast inflation over the period amounting to £2m
 - Increase in the estimated Council Tax Base (reductions in discounts, exemptions and increases in new properties) amounting to £1m

10.8 The additional year 2017/18, now included in the 3 year rolling forecast, is expected to be a deficit of £10.4m (although the savings requirement is £12m for the year reflecting the phasing of 1.6m of the 2016/17 deficit into 2017/18) which in very broad terms is explained by the following:

- Further Reduction in Government Funding - £8.1m
- Annual Cost of Inflation - £4.6m
- Provision for Unavoidable Budget Pressures - £1.0m
- Offset by:
 - Increase in Business Rates - £1.7m
 - Increase in Council Tax - £1.2m
 - Other changes - £0.4m

10.9 As a consequence, the overall savings requirement has been revised upwards for both 2015/16 and 2016/17 and the forecast has been “rolled on” to now include 2017/18. The overall forecast budget deficit and savings requirement for the 3 year period 2015/16 to 2017/18 is now £37m.

10.10 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.

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

	Revised Underlying Budget Deficit	Revised In Year Target	Revised Cumulative Saving
	£m	£m	£m
2015/16	15.1	12.5	12.5
2016/17	26.6	12.5	25.0
2017/18	37.0	12.0	37.0

10.12 Section 11 of this report sets out how the Savings Requirement of £37m 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. Provisional Cash Limits 2015/16, 2016/17, and 2017/18 & Associated Savings Requirements

11.1 Some Portfolios have historically been unable to make proportional savings without serious detrimental implications for service users. Traditionally those Portfolios are Health & Social Care, Children & Education and Traffic & Transportation. As a consequence, these Services have received protection in two ways:

- They have not been required to make their full pro rata savings requirement

- They have been awarded additional sums for unavoidable budget pressures associated with rising demand and demographic changes or exceptional inflationary costs

11.2 Importantly, these Portfolios account for 61% 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 2015/16, 2016/17 and 2017/18:

PORTFOLIO	Illustrative Savings - Pro Rata to 2014/15 Cash Limits		
	Savings 2015/16 £'000	Savings 2016/17 £'000	Savings 2017/18 £'000
Children & Education	2,758	2,758	2,646
Culture Leisure & Sport	743	743	713
Environment & Community Safety	1,351	1,351	1,297
Health & Social Care	4,216	4,216	4,045
Housing	145	145	139
Leader	19	19	18
Planning Regeneration Economic Development	561	561	544
Resources	1,996	1,996	1,916
Traffic & Transportation	615	615	590
Governance & Audit Committee	26	26	25
Licensing Committee	70	70	68
PORTFOLIO SAVINGS REQUIREMENTS	12,500	12,500	12,000

11.4 Taking account of these illustrative savings provisional forecast Cash Limits for 2015/16 to 2017/18 are set out in Appendix C.

12. Estimated Revenue Balances 2013/14 to 2017/18

12.1 General Fund Revenue Balances as at 31 March 2014 (Revised Estimate) are anticipated to be £18.0m 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. The estimated Balances as at 31 March 2014 of

£18.0m includes the significant planned underspendings in the current year of £3.5m which are planned to be spent in 2014/15.

- 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 2014/15 the City Council should hold a minimum of £6.0m in General Balances to cover these major risks. It is therefore recommended that the minimum level of revenue balances remain unchanged at £6.0m as at 31 March 2015. Assuming the savings required to fund the forecast deficit in 2014/15 are achieved, revenue balances as at 31 March 2015 are forecast to be £21.4m. 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 2015/16 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 2013, together with the proposed use of reserves from 2013/14 to 2017/18, and the resultant balances at 31 March 2018 **assuming that the target savings recommended in Section 10 are achieved.**

General Balances	£000
Balances 1 April 2013	23,614
Surplus / (Deficit) 2013/14	(5,585)
Estimated balances 31 March 2014	18,029
Surplus / (Deficit) 2014/15	3,383
Estimated balances 31 March 2015	21,412
Surplus / (Deficit) 2015/16	(2,624)
Estimated balances 31 March 2016	18,788
Surplus / (Deficit) 2016/17	(1,646)
Estimated balances 31 March 2017	17,142
Surplus / (Deficit) 2017/18	(39)
Estimated balances 31 March 2018	17,103

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 £37m being achieved over the next 3 years (£12.5m in 2015/16, £12.5m in 2016/17 and £12.0m in 2017/18). 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 £20.4m 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 £3.0m (after taking account of all approvals and anticipated redundancy costs over the next 3 years) means there is only limited funds available to fund the implementation costs of future efficiency savings (see Section 13)

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 include, the City Deal, Dunsbury Hill Farm and the Northern Quarter 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. As previously explained, 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 plus the 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 as set out in the Capital Programme report; meet all other commitments, and provide an uncommitted balance of £3.0m for future efficiency schemes, it is recommended that £3.0m plus any further savings realised in 2013/14 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 2013, together with the proposed transfers into the Reserve as set out in this report and the use of the Reserve over the period 2013/14 to 2017/18.

MTRS Reserve	£000
Balances 1 April 2013	15,868
Surplus / (Deficit) 2013/14	(995)
Estimated balances 31 March 2014	14,873
Surplus / (Deficit) 2014/15	(3,382)
Estimated balances 31 March 2015	11,491
Surplus / (Deficit) 2015/16	(2,865)
Estimated balances 31 March 2016	8,626
Surplus / (Deficit) 2016/17	(2,865)
Estimated balances 31 March 2017	5,761
Surplus / (Deficit) 2017/18	(2,750)
Estimated balances 31 March 2018	3,011

- 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 (10% share)
- Hampshire Fire and Rescue Authority (5% 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 2013/14 shows an overall deficit of £3.5m. This represents a surplus in relation to Council Tax of £1.4m and a deficit in relation to Business Rates amounting to £4.9m. 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 £1.4m Council Tax surplus attributable to Portsmouth City Council is £1.2m and the share of the Business Rate deficit attributable to Portsmouth City Council is £2.4m. This results in an overall deficit on the fund relating to Portsmouth City Council of £1.2m.

14.3 The overall deficit has been taken into account within the budget proposals for 2014/15 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. The deficit on Business Rates has arisen primarily due to a higher provision for successful appeals being provided for 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 2013/14 is set out below.

PORTSMOUTH CITY COUNCIL	Council	NNDR
Forecast Collection Fund Statement 2013/14	Tax	£'000
	£'000	£'000
<u>INCOME</u>		
Deficit brought forward	(27)	0
Council Tax	72,625	
Non Domestic Rates Income		85,922
Council Tax Estimated Deficit 2012/13:		
- Portsmouth City Council	170	
- Hampshire Police & Crime Commissioner	21	
- Hampshire Fire & Rescue Authority	9	
	72,798	85,922
<u>EXPENDITURE</u>		
Precepts:		
- Portsmouth City Council	59,163	
- Hampshire Police & Crime Commissioner	7,638	
- Hampshire Fire & Rescue Authority	3,100	
Increased Provision for Losses	1,497	
Provision for Losses on Rating Appeals		18,386
Transitional Surcharge paid to Government		2,422
Retained Business Rates:		
- Government (50%)		39,565
- Portsmouth City Council (49%)		38,774
- Hampshire Fire & Rescue Authority (1%)		791
Collection costs		281
	71,398	100,219
Less: Adjustment to defer the Provision for Losses on Appeals (to later years)		9,360
ESTIMATED BALANCE AS AT 31 MARCH 2014	1,400	(4,937)
<u>To be apportioned between:</u>		
Portsmouth City Council	1,185	(2,419)
Hampshire Police & Crime Commissioner	153	0
Hampshire Fire and Rescue Authority	62	(49)
Government	0	(2,469)
SURPLUS / (DEFICIT) APPORTIONED OVER THREE AUTHORITIES AND THE GOVERNMENT:	1,400	(4,937)

15. Council Tax 2014/15

15.1 The estimated balance of £1.4m on the Council Tax element of the Collection Fund was approved by the Cabinet on 6 January 2014.

15.2 The City Council's determination of the 2014/15 Council Tax is shown below:-

- (i) the calculation of the Council Tax for 2014/15 in respect of City Council purposes is as follows:

	£
Gross Expenditure	533,876,088
<u>Less</u> Gross Income	(356,851,248)
Net Expenditure 2014/15	<u>177,024,840</u>
<u>Less:</u> Government Grants	<u>(115,475,415)</u>
<u>City Council Tax Requirement</u>	<u>61,549,425</u>
<u>Divided by:</u>	
Council Tax Base (agreed by Cabinet 6 January 2014 under delegated powers)	51,532.1
<u>Council Tax - City Council purposes at Band D</u>	<u>1,194.39</u>

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

- (ii) The Hampshire Police & Crime Commissioner is currently consulting upon a precept for 2014/15 of £8,028,186 and a Band D Council Tax of £155.79 (3.0% increase) but at this stage this is subject to the Council Tax referendum limit to be applied to Police & Crime Commissioners.
- (iii) Hampshire Fire and Rescue Authority have indicated that their precept for 2014/15 will be £3,163,040 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 2014/15 will be as follows:-

Band	Valuation	Portsmouth City Council £	Hampshire Police & Crime Commissioner £	Hampshire Fire & Rescue Authority £	Total £
A	Up to £40,000	796.26	103.86	40.92	941.04
B	£40,001 - £52,000	928.97	121.17	47.74	1,097.88
C	£52,001 - £68,000	1,061.68	138.48	54.56	1,254.72
D	£68,001 - £88,000	1,194.39	155.79	61.38	1,411.56
E	£88,001 - £120,000	1,459.81	190.41	75.02	1,725.24
F	£120,001 - £160,000	1,725.23	225.03	88.66	2,038.92
G	£160,001 - £320,000	1,990.65	259.65	102.30	2,352.60
H	£320,001 & over	2,388.78	311.58	122.76	2,823.12

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

The overall increase in tax is as follows:-

TOTAL BAND D COUNCIL TAX	2013/14 £	2014/15 £	Increase %
Portsmouth City Council Purposes	1,171.53	1,194.39	1.95%
Hampshire Police & Crime Commissioner	151.25	155.79	3.0%
Hampshire Fire and Rescue	61.38	61.38	0.0%
Total Charge – Band D Property	1,384.16	1,411.56	2.0%

16. Non Domestic Rates

16.1 The business rate poundage to be applied to valuations is 48.2p (47.1p in 2013/14). In addition, the small business multiplier is 47.1p (46.2p in 2013/14). Both multipliers reflect the September RPI inflation figure at 2.7%.

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 2014/15. 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 Bill). 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 report. 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 £6.0m as proposed in this report, either arising from an overspend in the previous year or the current year, the Head of Finance & S151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall.

(a) Robustness of the Budget

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 2014/15 and the illustrative settlement 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. Northern Quarter Redevelopment)
- An assumption that the current rateable value will be reduced by 5.6% 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 Bill based on Portsmouth's share of "relative need"¹⁸
- 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

¹⁸ Relative need is based on the Government's "Relative Needs Formula" that is used in allocating general government funding

- 17.8 Savings put forward by Portfolio Holders and Heads of Service are those where the confidence level of achievement is medium and above. Savings proposals have also been subject to scrutiny by Members. Responsibility and accountability for delivering the savings rests with the relevant Portfolio Holders and Heads of Service and progress will be monitored throughout the year as part of the Budget Monitoring process.
- 17.9 The most volatile budgets are those of Adults' and Children's Social Care. Additional budget provision has been made available to cover these risks both directly within Service cash limits as well as within the City Council's overall contingency provision.
- 17.10 Additionally, Portfolio's will be able to retain any underspendings in 2013/14 and utilise them as necessary in 2014/15 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 2015/16 and future years.
- 17.15 Future years' budgets will be particularly challenging and significant uncertainties exist from 2015/16 onwards. The Council's forecasts plan for a savings target of £12.5m in 2015/16, £12.5m in 2016/17 and £12.0m in 2017/18.

(b) The Adequacy of Proposed Financial Reserves

- 17.16 During 2013/14 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 £6.0m as at 31 March 2015 (unchanged 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 levy or immediate reductions to services. They are a key element of strong financial standing and resilience as they mitigate risks such as increased demand and costs.
- 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. The first year of operation will be 2013/14 and at this stage of the year it is forecast that £3.6m will be transferred into those Reserves.
- 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 £15.9m. Based on the proposals contained within this report, all of the approvals to date and estimated redundancies through to 2017/18, the Reserve will have an uncommitted balance of £3.0m. 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 2013/14 are prepared 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 2014/15 has been set on a risk basis at £5.5m 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 2014/15 has been prepared to incorporate those decisions relating to both savings (amounting to £10m) and pressures (amounting to £2m) approved by the City Council in November 2013, as well as the Council's registered intent to increase the level of Council Tax by 1.95%.
- 18.2 Those decisions made by the City Council in November 2013 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 November 2013 report and this report, now culminating in the proposed Budget for 2014/15, will:
- Provide a suite of savings consistent with the Medium Term Financial Strategy amounting to £10m
 - Provide £2m to fund unavoidable cost pressures, of which £0.9m will be allocated to Adult Social Care and Children's Social Care, protecting the most vulnerable in society
 - Create a £200,000 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
 - Invest a "one-off" sum of £545,000 in spend to save proposals in order to deliver annual savings of over £1.3m per annum (or £3.9m over 3 years), to improve efficiency and minimise the level of necessary cuts
 - Rather than reduce services further, raise £1.3m in additional Council Tax by increasing the Council Tax by 1.95% (or 34 pence per week for the average household) and by withdrawing the 10% discount for second homes
 - Provide for the early years costs associated with the new Park & Ride scheme until it becomes self-financing
 - Provide the opportunity to improve the Council's financial position by leveraging in a "safety net" payment from Government to contribute towards the costs of Business Rates appeals
 - Continue to provide funding for Spend to Save and Invest to Save Schemes

- Allocate the bulk of the Council's capital resources available towards regeneration schemes that have the potential to have a large scale transformational effect which, if successful, would see the investment of over £1 billion into the City
 - Provide a more flexible financial framework which encourages stronger financial planning
- 18.4 The proposed Budget for 2014/15 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 2015/16 onwards where significant cuts still need to be made and significant uncertainty exists 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 £37m, 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 2014/15 is based on the savings proposals set out in the report to Council in November 2013. 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 2013 and October 2013 with the public and staff. Local communities and staff were invited to give their views via all central staff channels, Flagship magazine, the Council's website, at two city-wide public meetings and six neighbourhood forums. The Scrutiny Management Panel also met on 7 November 2013 to consider the proposals contained within the Budget report to the City Council on 12 November 2013.
- 19.3 A public meeting of the Scrutiny Management Panel was also held on the 7 February 2014 where a presentation was made of the proposed Council Tax and Revenue Budget 2014/15. The Scrutiny Management Panel have had the opportunity to raise or refer any comments or representations to the Cabinet Meeting on the 11 February 2014 prior to their endorsement to Council.

20. City Solicitor's Comments

- 20.1 The Cabinet has a legal responsibility to recommend a Budget to the Council and the Cabinet and Council have authority to approve the recommendations made in this report.
- 20.2 The Head of Finance & Section 151 Officer has a statutory duty under the Local Government Act 2003 to report on the robustness of the budget proposals and adequacy of reserves. The Head of Finance & Section 151 Officer's Statement within this report fulfils those obligations.

21. Head of Finance's Comments

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

.....
Signed by: Head of Finance & Section 151 Officer

Appendices:

- A** General Fund Summary
- B** Forecast Expenditure 2014/15 to 2017/18
- C** Provisional Cash Limits for 2015/16 to 2017/18 (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:

Title of document	Location
Budget Working Papers	Office of Head of Financial Services
Local Government Finance Settlement 2014/15	Office of Head of Financial Services

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Leader of the City Council on 11 February 2014.

.....
Signed by: Leader of Portsmouth City Council

APPENDIX A

Calculation of the Council Tax 2014/15

<u>Portsmouth City Council</u>	2014/15 £	2013/14 £
Gross Expenditure	533,876,088	563,961,320
LESS: Gross Income	(356,851,248)	(378,050,896)
Net Expenditure 2014/15	177,024,840	185,910,424
LESS: Government Grants	(115,475,415)	(126,747,339)
Council Tax Requirement - Portsmouth City Council Purposes	61,549,425	59,163,085
Council Tax Base	51,532.1	50,500.7
Council Tax - Portsmouth City Council Purposes at Band D		
<u>61,549,425</u>		
51,532.1 =	£1,194.39	£1,171.53

<u>Hampshire Police & Crime Commissioner Precept</u>	8,028,186	7,638,231
Council Tax - Hampshire Police & Crime Commissioner Purposes at Band D	£155.79	£151.25

<u>Hampshire Fire and Rescue Authority Precept</u>	3,163,040	3,099,733
Council Tax - Hampshire Fire and Rescue Authority Purposes at Band D	£61.38	£61.38

The Council Tax to be levied for all bands in 2014/15 will be as follows :

		Portsmouth City Council £	Hampshire Police & Crime Commissioner £	Hampshire Fire & Rescue Authority £	TOTAL 2014/15 £	TOTAL 2013/14 £
Estimated Valuation as 1 April 1991						
Up to £40,000	A	796.26	103.86	40.92	941.04	922.77
£40,001 - £52,000	B	928.97	121.17	47.74	1,097.88	1,076.57
£52,001 - £68,000	C	1,061.68	138.48	54.56	1,254.72	1,230.36
£68,001 - £88,000	D	1,194.39	155.79	61.38	1,411.56	1,384.16
£88,001 - £120,000	E	1,459.81	190.41	75.02	1,725.24	1,691.75
£120,001 - £160,000	F	1,725.23	225.03	88.66	2,038.92	1,999.34
£160,001 - £320,000	G	1,990.65	259.65	102.30	2,352.60	2,306.93
£320,001 and over	H	2,388.78	311.58	122.76	2,823.12	2,768.32

**GENERAL FUND SUMMARY
BUDGET 2013/14 TO 2017/18**

APPENDIX A

Original Estimate 2013/14 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Estimate 2013/14 £	Estimate 2014/15 £	Estimate 2015/16 £	Estimate 2016/17 £	Estimate 2017/18 £
51,023,354	Children & Education	51,272,750	49,633,923	51,709,950	52,689,950	53,526,250
12,496,428	Culture Leisure & Sport	12,900,433	12,094,943	11,988,743	12,250,743	12,543,243
19,177,976	Environment & Community Safety	18,742,880	18,240,580	18,729,080	19,052,580	19,573,780
55,444,884	Health & Social Care	53,214,622	49,995,322	51,256,322	53,582,622	55,126,422
6,366,688	Housing	7,845,928	7,348,228	7,364,728	7,427,428	7,477,128
294,916	Leader	252,853	230,153	254,853	243,253	251,153
5,489,104	Planning Regeneration Economic Development	6,184,956	7,790,856	6,189,356	5,816,456	5,876,956
27,139,075	Resources	27,809,457	26,786,457	26,582,457	27,527,457	28,807,657
16,085,027	Traffic & Transportation	16,555,799	17,533,299	18,280,799	17,219,779	17,047,059
294,900	Governance & Audit Committee	258,300	344,200	319,800	334,200	240,500
(99,695)	Licensing Committee	(100,995)	(127,395)	(139,795)	(137,595)	(135,395)
193,712,657	Portfolio Expenditure	194,936,983	189,870,566	192,536,293	196,006,873	200,334,753
	<u>Other Expenditure</u>					
90,300	Precepts	90,300	93,400	96,600	99,900	103,300
(150,000)	Portchester Crematorium - Share of Dividend	(150,000)	(150,000)	(152,500)	(155,000)	(157,500)
5,336,000	Pension Costs	5,459,000	5,885,000	6,261,000	6,672,000	6,672,000
6,955,250	Contingency Provision	3,455,650	5,499,200	3,564,000	3,564,000	3,564,000
945,200	Revenue Contributions to Capital Reserve	6,687,200	0	1,565,500	65,500	65,500
(180,100)	Transfer to / (from) Other Reserves	8,551,305	233,600	201,800	201,800	201,800
(23,332,732)	Asset Management Revenue Account	(28,205,268)	(27,854,741)	(27,067,368)	(26,023,948)	(26,106,428)
2,677,500	Other Expenditure	1,956,000	1,250,000	2,475,000	3,475,000	4,475,000
(7,658,582)	Other Expenditure	(2,155,813)	(15,043,541)	(13,055,968)	(12,100,748)	(11,182,328)
186,054,075	TOTAL NET EXPENDITURE	192,781,170	174,827,025	179,480,325	183,906,125	189,152,425
	FINANCED BY:					
313,044	Contribution (to) from Balances and Reserves	5,584,544	(3,382,752)	15,123,730	26,646,235	37,038,864
63,714,654	Revenue Support Grant	63,713,947	52,050,710	37,295,026	27,650,289	19,437,708
42,572,403	Business Rates Retention	43,071,919	41,752,137	44,406,156	46,469,663	48,178,324
20,480,282	Other General Grants	21,417,068	21,672,568	19,904,775	19,164,897	19,274,896
58,993,692	Collection Fund	58,993,692	62,734,362	62,750,638	63,975,041	65,222,633
186,074,075		192,781,170	174,827,025	179,480,325	183,906,125	189,152,425
	BALANCES & RESERVES					
18,337,108	Balance brought forward at 1 April	23,613,978	18,029,434	21,412,186	6,288,456	(20,357,779)
(313,044)	Deduct (Deficit) / Add Surplus for Year	(5,584,544)	3,382,752	(15,123,730)	(26,646,235)	(37,038,864)
18,024,064	Balance carried forward at 31 March	18,029,434	21,412,186	6,288,456	(20,357,779)	(57,396,643)
6,000,000	Minimum Level of Balances	6,000,000	6,000,000	7,900,000	12,000,000	12,000,000
313,044	Underlying Budget Deficit / (Surplus)	5,584,544	(3,382,752)	15,123,730	26,646,235	37,038,864

APPENDIX B

FORECAST EXPENDITURE 2014/15 to 2017/18

	Forecast 2014/15 £'000	Forecast 2015/16 £'000	Forecast 2016/17 £'000	Forecast 2017/18 £'000
Service Cash Limits	137,337	139,915	143,340	147,623
Contingency	5,499	3,564	3,564	3,564
Debt financing costs	22,598	23,386	24,429	24,347
Levies and insurance premiums	2,081	2,169	2,214	2,259
Other income/expenditure	7,312	10,447	10,360	11,360
	174,827	179,481	183,907	189,153
<u>Less</u>				
- Council Tax Income	62,734	62,751	63,975	65,223
- Revenue Support Grant	52,051	37,295	27,650	19,438
- Business Rates Retention	41,752	44,406	46,470	48,178
- Other General Grants	21,673	19,905	19,165	19,275
	178,210	164,357	157,260	152,114
Budget (Deficit)/Surplus	3,383	(15,124)	(26,647)	(37,039)

The budget surplus in 2014/15 will be accrue to General Fund Balances

Deficits in 2015/16 to 2017/18 reflect future savings requirements

APPENDIX C

PROVISIONAL CASH LIMITS 2015/16 TO 2017/18 (BY PORTFOLIO)

(After Savings Requirements Deducted)

	Cash Limits 2015/16 £'000	Cash Limits 2016/17 £'000	Cash Limits 2017/18 £'000
Children & Education	28,493	26,773	24,963
Culture Leisure & Sport	7,376	6,895	6,475
Environment & Community Safety	14,615	13,547	12,729
Health & Social Care	42,042	39,223	36,422
Housing	1,477	1,395	1,305
Leader	216	185	175
Planning Regeneration Economic Development	(7,413)	(8,347)	(8,830)
Resources	20,361	19,307	18,672
Traffic & Transportation	15,548	13,872	13,109
Governance & Audit Committee	233	219	98
Licensing Committee	(225)	(293)	(358)
	122,723	112,776	104,760

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