



Agenda & minutes

Full Council meeting of
Tuesday, 13 December 2016

Portsmouth City Council

A MEETING OF THE COUNCIL will be held at the Council Chamber - The Guildhall on Tuesday, 13 December 2016 at 2.00 pm and all members of the council are hereby summoned to attend to consider and resolve upon the following business:-

Agenda

- 1 **Members' Interests**
- 2 **To approve as a correct record the Minutes of** (Pages 5 - 16)
 - the Ordinary Council meeting held on 15 November 2016.
- 3 **To receive such communications as the Lord Mayor may desire to lay before the Council, including apologies for absence.**
- 4 **Deputations from the Public under Standing Order No 24.**
- 5 **Appointments**
- 6 **Urgent Business - To receive and consider any urgent and important business from Members of the Cabinet in accordance with Standing Order No 26.**
- 7 **Forward Plan Omission - Sale and Leaseback White Hart Road**

To note in accordance with the Constitution that due to the urgent decision that needed to be taken at the meeting of the Cabinet Member for Planning, Regeneration and Economic Development on 15 November 2016, it was consequently not possible to include the item within the normal forward plan process and the usual omission procedure therefore had to be followed.
- 8 **Revenue Budget Monitoring 2016/17 (2nd Quarter) to end September 2016** (Pages 17 - 28)

To receive and consider the attached report of the Cabinet held on 8 December 2016, the recommendations for which will follow.
- 9 **New Sports and Leisure Contracts - Prudential Borrowing Requirement** (Pages 29 - 32)

To receive and consider the attached report of the Cabinet held on 8 December 2016, the recommendations for which will follow.

10 Portsmouth City Council Revenue Budget 2017/18 - Savings Proposals
(Pages 33 - 72)

To receive and consider the attached report of the Cabinet held on 8 December 2016, the recommendations for which will follow.

11 Questions from Members under Standing Order No 17 (None submitted)

David Williams
Chief Executive

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

Full Council meetings are digitally recorded.

If any member of the public wishing to attend the meeting has access requirements, please notify the contact, the Local Democracy Manager at Stewart.Aglan@portsmouthcc.gov.uk. Please also use this email address for any deputation requests.

Civic Offices
Guildhall Square
PORTSMOUTH
5 December 2016

Agenda Item 2

15 November 2016 1

MINUTES OF A MEETING OF THE COUNCIL held at the Guildhall
Portsmouth on Tuesday, 15 November 2016 at 2.00 pm

Council Members Present

The Right Worshipful The Lord Mayor
Councillor David Fuller (in the Chair)

Councillors

Ken Ellcome	Leo Madden
Dave Ashmore	Hugh Mason
Simon Boshier	Lee Mason
Jennie Brent	Stephen Morgan
Ryan Brent	Gemma New
Yahiya Chowdhury	Robert New
Alicia Denny	Steve Pitt
Ben Dowling	Stuart Potter
John Ferrett	Will Purvis
Jim Fleming	Darren Sanders
Colin Galloway	Lynne Stagg
Paul Godier	Luke Stubbs
Scott Harris	Linda Symes
Steve Hastings	David Tompkins
Hannah Hockaday	Gerald Vernon-Jackson CBE
Suzy Horton	Steve Wemyss
Lee Hunt	Matthew Winnington
Frank Jonas	Neill Young
Donna Jones	Rob Wood
Ian Lyon	Tom Wood

81. Declarations of Interests under Standing Order 13(2)(b)

There were no declarations of members' interests.

82. Minutes of the Ordinary Council Meeting held on 11 October 2016

It was

Proposed by Councillor Donna Jones
Seconded by Councillor Gerald Vernon-Jackson

That the minutes of the ordinary council meeting held on 11 October 2016 be confirmed and signed as a correct record.

83. Communications and Apologies for Absence

Apologies for absence were received on behalf of Councillor Julie Bird.

The Lord Mayor gave detailed information concerning filming in the chamber advising that notices had been displayed on the walls concerning the council's rules which strictly prohibit the filming, photographing, or recording of members of the public unless they are addressing the meeting and only then if they do not actively object. Filming from gallery to gallery is also prohibited. The Lord Mayor then gave details of the evacuation procedure and reminded everyone that there are building evacuation signs displayed both inside in the public galleries and in the chamber itself.

84. Save the Animals and Birds at Victoria Park - Petition

The lead petitioner, Mrs Margaret Foster presented the petition as set out on the agenda. The City Solicitor thanked Mrs Foster for her presentation. The Lord Mayor then advised that it was proposed that standing orders be waived in order to allow Mrs Foster to read out the deputation from Mrs Patterson and this was agreed. Mrs Foster then read out the deputation on behalf of Mrs Patterson.

Mr Les Cummings was then invited to make his deputation which he then did.

It was

Proposed by Councillor Donna Jones
Seconded by Councillor Luke Stubbs

That the administration's petition response as circulated in the chamber be approved.

As an amendment it was

Proposed by Councillor Gerald Vernon-Jackson
Seconded by Councillor Hugh Mason

That the following words be added to the administration's response.

"The council asks the Leader of the Council to reconsider her decision to keep the section on page 13 of the Victoria Park Action Plan which is titled "Aviary Removal" and report back to full council."

Following debate the amendment standing in the name of Councillor Vernon-Jackson was put to the vote. This was LOST.

Upon the petition response standing in the name of Councillor Donna Jones being put to the vote, this was CARRIED.

RESOLVED that the administration's petition response as set out below be approved.

"We have seen a spate of petitions being created recently for the attention of the City Council, which we have had no sight of. So to be presented with a petition today originating from the Portsmouth Liberal Democrats and its activists provides a small level of reassurance.

For the official record of this meeting, this city council and its Executive has no plans or proposals, none what so ever, and never has had any plans to remove birds or animals from Victoria Park. I will state that again for the record. We have never had any plans to remove any birds or animals from Victoria Park. Disappointingly the one thing this petition has created is confusion and apprehension needlessly amongst the public in Portsmouth which is deeply regrettable.

As a consequence of the submission of this petition, we took the time to check back through council minutes, including those passed by the previous Liberal Democrat administration and we can see no agreed plan or proposal to remove birds or animals from Victoria Park. We have also taken the liberty of checking with the Parks Manager and there is simply no truth in this.

The Lead petitioner would do well to note that at both of the relevant PRED decision meetings in the last 5 months, we stated categorically, for the minutes and as a record of fact that the animals and the birds would NOT BE removed from the park.

We are delighted to confirm that in the true essence of public engagement something this Conservative administration is absolutely committed to, we have recently concluded a full public consultation on the future of Victoria park. One of those options included moving the aviary and animals to one side of the park, offering animals a quiet shelter in the evenings. The Park is increasingly being used for more events and with some 2700 students moving into living accommodation in the area surrounding the Park, the best living conditions for the animals and birds in our care is paramount. This is a top priority.

So in conclusion, we are committed to making Victoria Park a space that can be enjoyed by all and to ensuring that the birds and animals remain in the park in the best location to offer them peace as the parks use grows."

85. Deputations from the Public under Standing Order No 24 (excluding item 4)

The City Solicitor advised that there were two deputation requests in respect of agenda item 10(c) and one deputation request on item 10(d). Mrs Paula Riches and Ms Sue Gillard made deputations in respect of agenda item 10(c) - Off The Record.

Mr Ross Campbell then gave a deputation in respect of agenda item 10(d) concerning an application by UK Oil and Gas (UKOG) for further development of the oil and gas site at Markwell's Wood, near Rowlands Castle.

The Lord Mayor thanked all those who made deputations.

4 15 November 2016

86. Questions from the Public under Standing Order 25

There were no questions from members of the public.

87. Appointments

There were no appointments.

88. Urgent Business - To receive and consider any urgent and important business from Members of the Cabinet in accordance with Standing Order No 26

There was no urgent business.

89. Recommendation from the Cabinet Meeting held on 10 November 2016

Minute 56 - Council Tax Support Scheme (known nationally as Council Tax Reduction Scheme)

This was opposed.

It was

Proposed by Councillor Donna Jones
Seconded by Councillor Luke Stubbs

That

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

*note this feature will be implemented from 1st April 2017 or whenever the relevant Government Statutory Instrument/Regulation is enacted
- iii. A Hardship Fund of £250k to be provided for 2017/18, subject to annual review, to give support to households in financial difficulty due to a reduction in the Council Tax Support they receive.

Councillor Hugh Mason confirmed that no amendment was proposed but the minute was opposed in order to debate the matter. Following debate upon the recommendations from Cabinet being put to the vote this was CARRIED.

RESOLVED that

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

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

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

Council adjourned at 5.00 pm.
Council resumed at 5.15 pm.

90. Notices of Motion

The Lord Mayor advised that there were five notices of motion before council today.

(a) Public Involvement in Decision Making

It was

Proposed by Councillor Suzy Horton
Seconded by Councillor Gerald Vernon-Jackson

That Notice of Motion a) as set out on the agenda be debated today.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Suzy Horton
Seconded by Councillor Gerald Vernon-Jackson

That notice of motion (a) as set out on the agenda be adopted.

As an amendment it was

Proposed by Councillor Luke Stubbs
Seconded by Councillor Gemma New

"In second sentence, add the word "serious" after "in light of" and

To add the words after "members of the public"

", in particular, over the last 12 years from Mr Les Cummings and "Annie" a vulnerable resident who sought help from this council, and also in light of'

Close the bracket after "Committee" and delete the words "in the first instance), and to ask for a cross party governance review from the LGA" .

Delete the words "also to" in the last sentence."

Following debate upon the amendment standing in the name of Councillor Stubbs being put to the vote, this was CARRIED.
Upon the substantive notice of motion including Councillor Stubbs' amendment being put to the vote this was CARRIED.

RESOLVED that Notice of Motion a) as amended and set out below be adopted

"The City Council actively encourages members of the public to be involved in decision making at many levels including at Full Council meetings. In light of serious concerns raised from members of the public, in particular, over the last 12 years from Mr Les Cummings and "Annie" a vulnerable resident who sought help from this council, and also in light of the experiences of some residents, this Council asks the City Solicitor to initiate a cross party review of standing orders (to be reported to the Governance and Audit and Standards Committee) to see how the actions and procedures of the Council can be improved to encourage public participation in council decision making. If this should result in any suggestion for constitutional change these be reported to Governance and Audit and Standards Committee for consideration."

It was

Proposed by Councillor Neill Young
Seconded by Councillor Donna Jones

That the order on the agenda paper be varied in order to allow notice of motion (c) and notice of motion (d) to be heard next. On being put to the vote this was CARRIED.

The order of the meeting was varied as agreed.

(c) Off The Record

It was

Proposed by Councillor Lynne Stagg
Seconded by Councillor Hugh Mason

That this matter be debated today.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Lynne Stagg
Seconded by Councillor Hugh Mason

That notice of motion (c) as set out on the agenda be adopted.

As an amendment it was

Proposed by Councillor Steve Wemyss
Seconded by Councillor Frank Jonas

In paragraph 1 to replace
"by" in the first sentence with "of"

In Paragraph 1 to replace
" a lack of local funding" with " their failure to win the Futures in Mind contract from Portsmouth CCG."

In Paragraph 1 to replace
", showing a worrying trend of decreasing services for young people in the city." with " but welcomes the replacement of these services by a conglomerate of mental health and counselling organisations, including Relate."

To delete all after "Council" of Paragraph 2 and replace with
" also notes that the grants by the previous Liberal Democrat administration to Off The Record dropped from £32,000 a year to an average of only £4000 a year for their last four years in office. Yet this administration of the City Council has given support to the value of

£6500 a year in the last two years and has gone out of its way to be helpful to Off The Record. It is, even now, trying to help it find suitable alternative accommodation that will match its new circumstances but will still allow it to continue to provide a service.

To delete all of paragraph 3 and replace with
Off The Record are applauded by this City Council for the help they have provided to young people in this City over the years and they are invited, once again, to submit a bid to the City Council's £475k Public Sector Challenge Fund."

Following debate upon the amendment standing in the name of Councillor Steve Wemyss being put to the vote this was CARRIED. Upon the substantive notice of motion incorporating the amendment being put to the vote this was CARRIED.

RESOLVED that the following Notice of Motion as amended and set out below be adopted

"Council is disappointed by the recent announcement of Off The Record to cease their free 1-1 counselling service for young people in Portsmouth due to their failure to win the Futures in Mind contract from Portsmouth CCG. Council also notes the recent closure of the Portsmouth Counselling Service but welcomes the replacement of these services by a conglomerate of mental health and counselling organisations, including Relate.

Council also notes that the grants by the previous Liberal Democrat administration to Off The Record dropped from £32,000 a year to an average of only £4000 a year for their last four years in office. Yet this administration of the City Council has given support to the value of £6500 a year in the last two years and has gone out of its way to be helpful to Off The Record. It is, even now, trying to help it find suitable alternative accommodation that will match its new circumstances but will still allow it to continue to provide a service.

Off The Record are applauded by this City Council for the help they have provided to young people in this City over the years and they are invited, once again, to submit a bid to the City Council's £475k Public Sector Challenge Fund."

- (d) Application (by UK Oil and Gas (UKOG)) for further development of the Oil and Gas Site at Markwell's Wood, near Rowlands Castle**

It was

Proposed by Councillor Hugh Mason
Seconded by Councillor David Ashmore

That this notice of motion be debated today.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Hugh Mason
Seconded by Councillor David Ashmore

That notice of motion (d) as set out on the agenda be adopted.

As an amendment it was

Proposed by Councillor Colin Galloway
Seconded by Councillor Alicia Denny

To replace final paragraph with

"This Council requests the Chief Executive to write to Southdowns National Park Authority and to both Members of Parliament, also apprising the MPs for Havant and Chichester that such exploratory drilling or acid fracking has an unacceptable risk of potentially contaminating our water supply and surrounding conurbations and as such this Council very strongly objects to the UKOG application.

Councillor Galloway agreed to remove the words "exploratory" and "or acid fracking" and on that basis Councillor Hugh Mason as proposer of the original motion agreed to subsume the amendment into his original motion. Upon the original notice of motion incorporating the amendment being put to the vote this was unanimously CARRIED.

RESOLVED that the following Notice of Motion be adopted

"Council notes the Portsmouth Water Company's objection to the application (by UK Oil and GAS (UKOG) for further development of the oil and gas site at Markwell's Wood, near Rowlands Castle, pending a fuller Groundwater Risk Assessment of any possible impact on the water supply source for the City of Portsmouth.

Council supports this precautionary approach and would be greatly concerned were planning permission to be given without the Portsmouth Water Company being entirely satisfied that the development poses no risk to the quality of water supply to the City. Consequently this Council believes the applicant should be required to take all necessary steps to ensure the continued security of pure water from its aquifers in the South Downs

This Council requests the Chief Executive to write to Southdowns National Park Authority and to both Members of Parliament also apprising the MPs for Havant and Chichester that such drilling has an unacceptable risk of potentially contaminating our water supply and surrounding conurbations and as such this Council very strongly objects to the UKOG application."

(b) The Bus Services Bill

In light of updated information, this motion was not moved.

(e) Portsmouth Royal Mail delivery office moving to Voyager Park

It was

Proposed by Councillor Alicia Denny
Seconded by Councillor Stephen Morgan

That this notice of motion be debated today.

Upon being put to the vote this was CARRIED.

It was

Proposed by Councillor Alicia Denny
Seconded by Councillor Stephen Morgan

That notice of motion (e) as set out on the agenda be adopted.

During debate the Leader of the Council pledged to work with Royal Mail to make public buildings available on a temporary basis as collection points.

Upon being put to the vote notice of motion (e) as set out on the agenda was CARRIED.

RESOLVED that as councillors will be aware, Royal Mail has closed its enquiry and delivery offices at Slindon Street in the centre of the city and Northern Road, Cosham, and moved operations to Voyager Park, close to Eastern Road, a change which has caused some concern to residents who need to collect parcels which have not been delivered to them.

This will have particular impact on people without access to cars across the postcode areas PO1 to PO6 since, unlike Slindon Street and Northern Road, Voyager Park has no nearby bus service. Therefore, this Council asks the Executive Member for Traffic and Transportation to write to Stagecoach bus company and request that a certain number of 21 service journeys serving Anchorage Park via Copnor Road be diverted to use Williams Road and Quartremain Road instead, being the nearest main roads to Voyager Park.

Also, while fully acknowledging that the Royal Mail is a private business, the Leader of the council is asked to write to an appropriate manager asking if a temporary Royal Mail parcel collection facility can be set up in the centre of the city during the forthcoming festive period as a helpful service to those adjusting to this change of premises.

91. Questions from Members under Standing Order No 17

The Lord Mayor advised that there were three questions before council.

Question No 1 was from Councillor Stuart Potter

Parking Permit charges.

Explain in detail the reasoning for the increase in charges for the third parking permit and whether the financial effects it will have on residents already struggling to balance their budgets have been considered?

This and a supplementary question were answered by the Cabinet Member for Traffic and Transportation, Councillor Fleming.

Question No 2 was from Councillor Stephen Morgan to the Cabinet Member for Environment and Community Safety, Councillor Rob New.

"The Labour Group is concerned by reports that violent crime in Portsmouth is increasing. Not only has there been a 49% increase in recorded violent crime overall compared with a national average rise of 27% in the last year, but it is at the highest level in the city for almost ten years.

Could the Cabinet Member assure Full Council that the administration is doing everything it can to tackle this rise in crime and address the concerns of the communities we serve?"

This and supplementary questions were answered by the Cabinet Member for Environment and Community Safety.

Question No 3 was from Councillor Yahiya Chowdhury to the Leader of the Council, Councillor Donna Jones

"It is disappointing to learn that the Dunsbury Hill Farm development and much needed access road is delayed.

It is vital that we prioritise bringing into use development sites like Dunsbury Hill Farm, so that we can secure business investment to create much needed new jobs for the people of Portsmouth.

Could the Leader tell us what action is being taken to overcome these delays. Can I also ask the Leader of the Council to prioritise fixing whatever issues are slowing down this vital spending?"

This and a supplementary question were answered by the Leader of the Council, Councillor Donna Jones.

The meeting concluded at 9.15 pm.

Lord Mayor

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Agenda Item 8

Agenda item:

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

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

Report by: Director of Finance & Information Service

Wards affected: All

Key decision (over £250k):

1. Purpose of Report

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

2. Recommendations

- 2.1 It is recommended that:

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

3. Background

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

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

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

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

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

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

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

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

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

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

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

The most significant overspendings at the quarter 2 stage are:

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

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

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

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

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

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

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

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

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

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

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

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

The key variances are:

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

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

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

The key variances are:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The forecast underspend relates to:

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

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

5.8 Contingency - Planned Release £750,000

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

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

All variations are summarised in Appendix A

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

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

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

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

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

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

7. Conclusion - Overall Finance & Performance Summary

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

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

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

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

8. City Solicitor's Comments

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

9. Equalities Impact Assessment

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

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Chris Ward
Director of Finance & Information Service

Background List of Documents –

Section 100D of the Local Government Act 1972

The following documents disclose facts or matters which have been relied upon to a material extent by the author in preparing this report –

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

The recommendations set out above were:

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

Signed:

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

Signed:

FINANCIAL AND SERVICE PERFORMANCE MONTH ENDING SEPTEMBER 2016

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

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

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

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

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

Note Remedial Action resulting in savings should be shown in brackets Page 27

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Agenda Item 9



Portsmouth
CITY COUNCIL

Agenda item:

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

Subject: New Sports and Leisure Contracts - Prudential Borrowing Requirement

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

Wards affected: All

Key decision (Over £250k): Yes

1. Purpose of report

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

2. Recommendations

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

3. Background

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

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

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

4. Equality impact assessment (EIA)

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

5. Legal Implications

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

6. Director of Finance's comments

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

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

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

Appendices: none

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Sports and Leisure Centres Strategic Contract Review (Cabinet 3 rd December 2015)	web

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

Signed



Agenda item:

Decision maker: Cabinet
City Council

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

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

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

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Executive Summary

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

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

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

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

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

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

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

(i) Savings analysis:

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

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

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

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

2 Purpose of Report

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

OVERALL AIM

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

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

2.6 In particular, this report explains:

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

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

3 Recommendations

3.1 That the following be approved:

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

3.2 That the following be noted:

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

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

4 Economic & Financial Context

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

5 Local Government Funding Outlook - 2017/18 and Beyond

Local Government Finance Settlement 2017/18 & Beyond

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

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

Council Tax 2017/18 & Beyond

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

² The median Council Taxpayer lives in a Band B property

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

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

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

Business Rates 2017/18 & Beyond

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

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

valuations. Whilst this presents an opportunity for Local Authorities with strong business growth potential, it also presents risks for Authorities whose business rates base is in decline or subject to “shocks” such as closure (or relocation) of major businesses in an area.

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

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

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

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

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

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

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

6 City Council Expenditure Outlook - 2017/18 & beyond

Demographic Changes

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

Government Policy Changes / Expectations 2017/18 and Beyond

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

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

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

Inflation

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

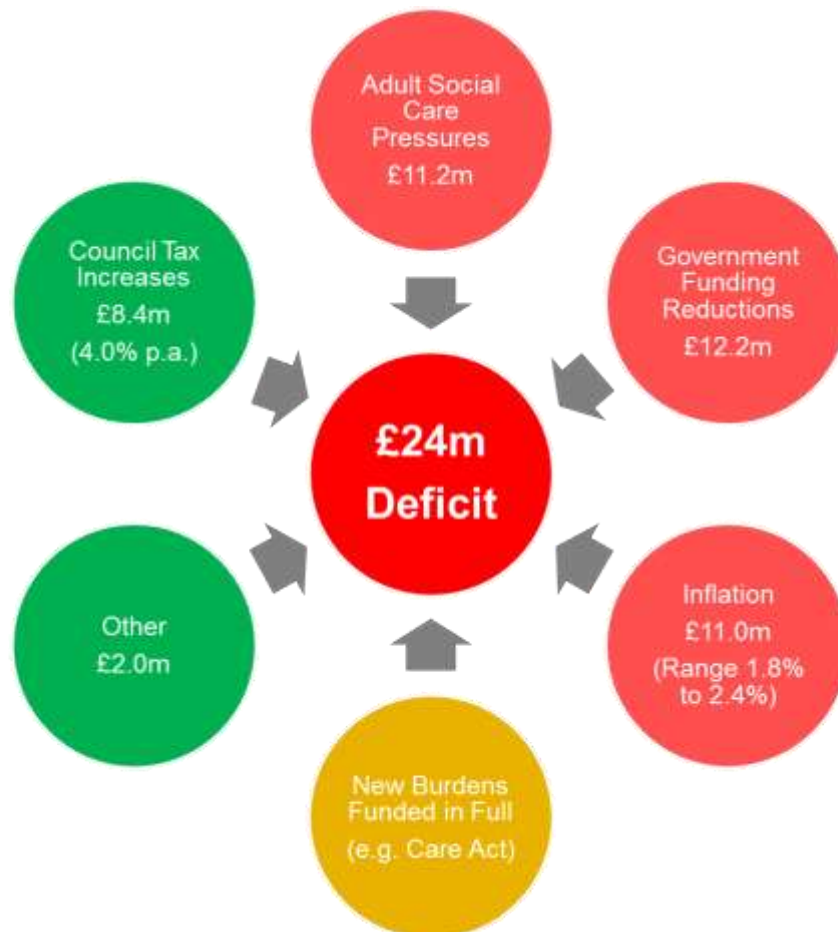
Interest Rates

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

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

Overall 3 Year Financial Forecast

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



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

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

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

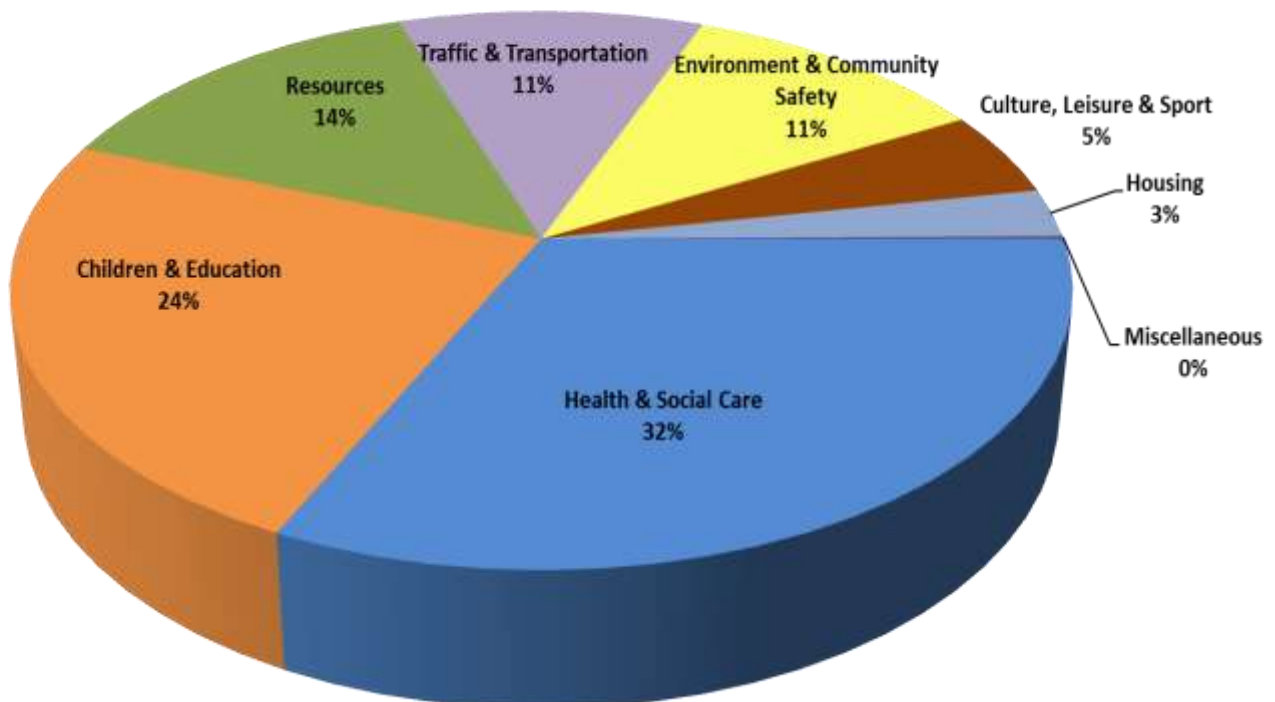
- 7.4 On the basis of the overall £24m deficit and the preference to be able to manage those savings smoothly over that period, the City Council resolved in February 2016 that a minimum savings requirement of £9.0m would be implemented for 2017/18. That minimum savings requirement was predicated on a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

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

Financial Strategy 2017/18 & Beyond

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

2016/17 Net Controllable Expenditure of £117m



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

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

OVERALL AIM

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

STRAND 1

Transforming to an Entrepreneurial Council:

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

STRAND 2

Reduce the extent to which the population needs Council Services

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

STRAND 3

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

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

STRAND 4

Withdraw or offer minimal provision of low impact Services:

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

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

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

9 Budget Process & Consultation 2017/18

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

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

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

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

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

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

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

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

10 Budget Proposals for 2017/18 to 2019/20

Budget Savings Proposals 2017/18

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

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

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

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

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

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

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

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

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

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

Budget Pressures Proposals 2017/18

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

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

10.15 The features of the new financial framework include:

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

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

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

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

Medium Term Resource Strategy Reserve - Position

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

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

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

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

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

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

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

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

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

Approval of the Budget 2017/18

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

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

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

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

11 Conclusion

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

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

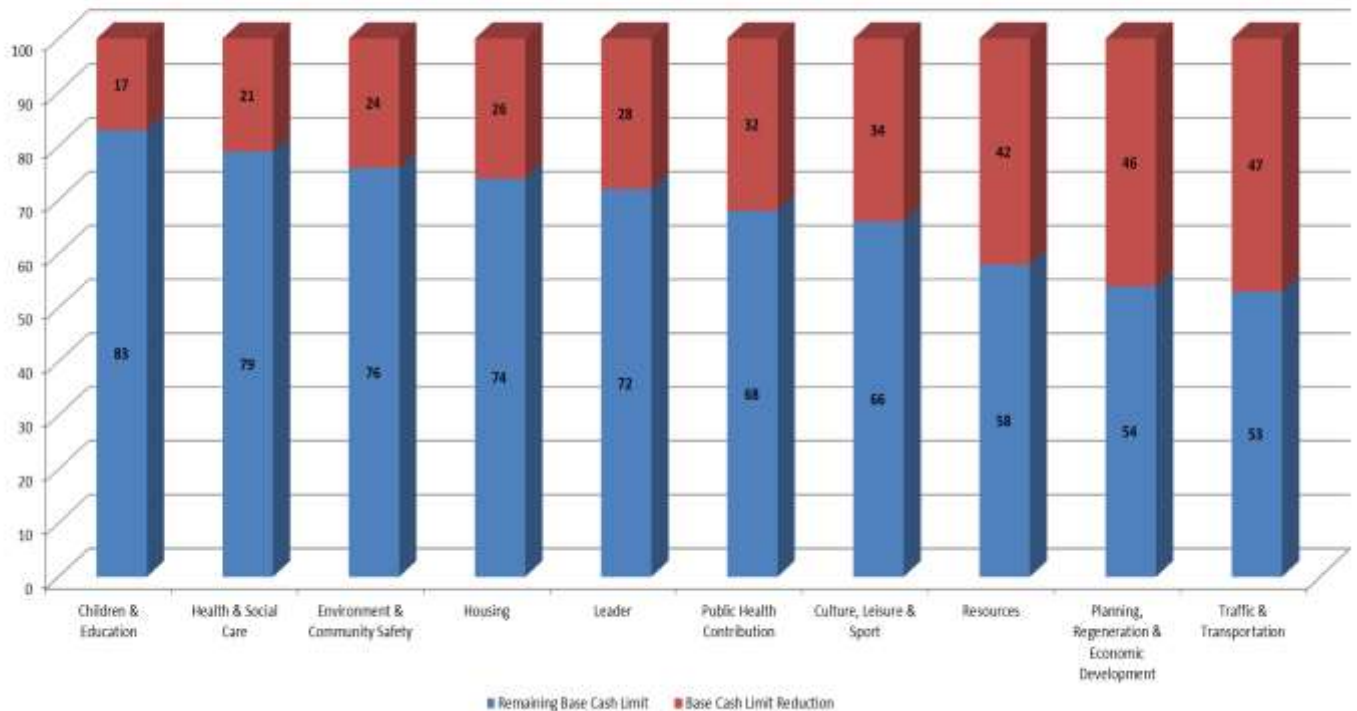
- Entrepreneurial activities such as maximising returns from property and assets and other income generation measures
- Reducing the extent to which the population needs Council services (through prevention activities and regeneration activities)
- Increasing the efficiency and effectiveness of the Council's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

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

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

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

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



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

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

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

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

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

12 Equality Impact Assessment (EIA)

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

13 City Solicitor's Comments

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

14 Director of Finance's Comments

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

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

Appendices:

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

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Budget Working Papers	Director of Finance & Information Services (S151 Officer)
Local Government Finance Settlement 2016/17	Director of Finance & Information Services (S151 Officer)

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

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Signed by: Leader of Portsmouth City Council

APPENDIX A

PROPOSED BUDGET SAVINGS AMOUNTS 2017/18 BY PORTFOLIO/COMMITTEE

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

INDICATIVE BUDGET SAVINGS 2017/18

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

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

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

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

INDICATIVE BUDGET SAVINGS 2017/18

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

Education Portfolio

Director of Children's Services

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

INDICATIVE BUDGET SAVINGS 2017/18

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

INDICATIVE BUDGET SAVINGS 2017/18

Indicative Savings Proposal	Impact on Level of Service & Service Outcomes	Saving 2017/18 £	Saving 2018/19 £	Saving 2019/20 £	
<u>Director of Transport, Environment & Business Support</u>					
025	Additional staff re-charges to the two major coastal defence schemes currently in progress	No impact - Avoids cuts to services	10,000	10,000	10,000
026	Reduction in the reactive maintenance budget	No impact - The new defences to be constructed will have reduced maintenance requirements	10,000	10,000	10,000
Environment and Community Safety Portfolio Total			87,000	87,000	87,000
<u>Governance, Audit & Standards Committee</u>					
<u>Director of Culture & City Development</u>					
027	Registrars - Increased fee income as a result of higher demand for ceremonies	No impact - Avoids cuts to services	19,500	19,500	19,500
028	Registrars - Increase fees for some ceremonies	Increases are broadly in line with neighbouring authorities - Avoids cuts to services	10,500	10,500	10,500
Governance, Audit & Standards Committee Total			30,000	30,000	30,000
<u>Health and Social Care Portfolio</u>					
<u>Director of Adult Services</u>					
029	Direct Payments to be delivered only using prepaid cards. This reduces the risk of fraudulent spend, allows for the recovery of surpluses and greater control over the expenditure being incurred	Service users will receive pre loaded cards as opposed to monies directly into their bank accounts. This will not impact negatively on legitimate spending or levels of choice or control	100,000	100,000	100,000
030	Set Direct Payment rate for Personal Assistants at National Living Wage. NLW to apply to new Personal Assistants recruited from 2017/18 and onwards	The hourly rate for the employment of personal assistants for service users with direct payments at the level of the NLW. Service users can top up the payment with their own funds, or pay the NLW in line with PCC	20,000	20,000	20,000
031	Review of high cost Learning Disability cases	The service user will still receive the care and support that they need, although it may be funded differently or provided in a different way	100,000	100,000	100,000

INDICATIVE BUDGET SAVINGS 2017/18

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

INDICATIVE BUDGET SAVINGS 2017/18

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

Housing Portfolio

Director of Property & Housing Services

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

INDICATIVE BUDGET SAVINGS 2017/18

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

INDICATIVE BUDGET SAVINGS 2017/18

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

Chief Executive

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

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

065	Shared service with another authority	Reduced level of managerial support on PCC activities - Avoids cuts to services	44,000	44,000	44,000
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066	Reduction in transactional processing staff	No impact - efficiency generated from intervention review	11,000	11,000	11,000
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067	Reduction in postage use by switching to email	No impact	1,800	1,800	1,800
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068	Reduction in Accountancy resource requirement including reduction from 5 teams to 4	Reduced support to services e.g. lower level of budget monitoring partly mitigated by revision in working practices	78,000	78,000	78,000
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069	Introduction of charge for street naming & numbering service	No impact - Avoids cuts to services	15,000	15,000	15,000
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070	Shared services opportunities for Procurement Services	No impact - Avoids cuts to services	15,000	15,000	15,000
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071	Telephony provision to other services and organisations	No impact - Avoids cuts to services	11,000	11,000	11,000
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072	Deletion of part time post following service review and restructure	No impact	19,000	19,000	19,000
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073	Reduction in demand for system support arising from move of two IT applications to cloud based solutions and consolidation of other systems	Improved timeliness of system upgrades	97,000	97,000	97,000
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INDICATIVE BUDGET SAVINGS 2017/18

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

INDICATIVE BUDGET SAVINGS 2017/18

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