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SCRUTINY MANAGEMENT PANEL

Minutes of the meeting of the Scrutiny Management Panel held on Friday, 17 February 2023 at 3.15 pm in the Council Chamber, Portsmouth Guildhall.

Present

Councillor Matthew Atkins (in the Chair)

Councillors Graham Heaney
Dave Ashmore
Mark Jeffery
Leo Madden

6. Apologies for Absence (AI 1)

Apologies were received from Cllr Abdul Kadir, Cllr Gemma New and Cllr Scott Payter-Harris.

7. Declarations of Members' Interests (AI 2)

There were no declarations of interest.

8. Minutes of the meeting held on 16 January 2023 (AI 3)

The minutes of the meeting held on 16 January 2023 were confirmed and signed as an accurate record.

9. Overview of Portsmouth City Council Budget and Council Tax 2023/24 and Medium Term Budget Forecast 2024/25 to 2026/27 (AI 4)

(TAKE IN A PRESENTATION ON THE BUDGET)

The S.151 Officer introduced the item and explained that the meeting was an opportunity for members of the panel to ask questions on the proposals in the budget prior to it being considered by Cabinet and recommended to Council for approval. A copy of the presentation is included as an appendix to these minutes.

In response to questions raised by the panel the S.151 Officer:

- Explained that whilst it could appear that local council tax support cases had been slowly increasing following the Covid-19 pandemic, the increase of single person discounts was part of a normal cycle. These discounts were regularly reviewed, at which time the number usually fell before increasing and then falling again at the following review.
- For budgeting purposes, the Council's inflation pressure for 2022/23 was 9.6% and the budget had been uplifted by 9.6% accordingly. For 2023/24 the prediction was inflation to be an average of 5.5%, starting

higher in the year and then falling. Budgets would therefore be uplifted by 5.5%, on top of the 9.6% for 2022/23. Whilst inflation was predicted to decrease, it was important to note that this reflected a slowdown of the increase in inflation, rather than a reversal of the high inflation rates seen in 2022/23.

- The contingency included within the budget was not specifically allocated but had been based upon the predicted total cost of a worst case scenario.
- Whilst the replacement of 1,666 black bins seemed high, this figure had been based upon historic actuals.
- In respect of high cost care packages, once a certain threshold had been reached and became classed as healthcare needs, any additional costs became the responsibility of the NHS and the costs of the care package was then shared. The increase above this threshold therefore did not impact upon the council.
- Whilst the future of the council continuing to be based in the civic offices was unknown, the CISCO IT infrastructure costs contained within the Capital Programme was needed due to this equipment reaching end of life. The equipment could be relocated though, so these costs were not inextricably linked to the civic office building.
- The purchase of Farlington Playing Fields had been a strategic acquisition in order to protect the site. In respect of the council's asset register, a new Asset Management Strategy would be drafted in 2023/24 to ensure that the council had the right assets to deliver its priorities.
- The proposed changes to adult social care funding posed a risk, as uncertainty remained on what the terms and conditions would be.

The Chair thanked the S.151 Officer for his summary of the budget and the panel wished to place on record its gratitude to his and the finance team's professionalism and hard work.

Having sought the views of the panel, the Chair advised that the panel did not wish to forward any comments to Cabinet.

The meeting concluded at 4.54 pm.

Councillor Matthew Atkins
Chair

Minute Item 9



Portsmouth City Council

**Budget & Council Tax 2023/24 &
Medium Term Forecast**

**Capital Programme
2022/23 – 2027/28**

Chris Ward – Director of Finance & Resources (S.151 Officer)

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Part 1

Headlines

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Headlines

- BUDGET PRESSURES**
 - £24m (14% of Net Budget)
- SAVINGS**
 - £2m (1.6% Controllable Spend)
- COUNCIL TAX**
 - 4.99% Increase (2.0% for Adult Social Care)
- CAPITAL PROGRAMME**
 - £61.3m of New Capital Investment
- FORECAST**
 - Balanced over the next 3 Years (2024/25 to 2026/27) +/- £5m
 - No Savings Required for 2024/25

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Part 1

Financial Context

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Contextual Information



- Since 2011/12 - £106m savings (49% of controllable spend)
- Adult and Children's Social Care represent > 50% of controllable spending
- Council Tax:
 - PCC is a low tax authority (£9.0m or 9.1% less than average of statistical near neighbours)
 - PCC has a low tax base (i.e. Band B is the Portsmouth average vs. Band D nationally)
 - In combination resulting in overall low Council Tax income
- Highest levels of inflation in 40 years (11.1%)
- Covid pandemic continues to impact on the Budget
- Budget Pressures in Adult & Children's Social Care remain the primary drivers of cost
- Inflation + Demand + Covid = Budget Challenge

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Part 1

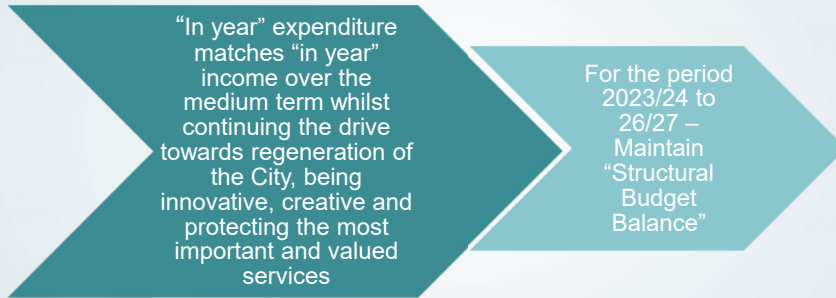
Financial Strategy

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The Plan - Overall Aim



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Future Years’ Savings Requirements 2023/24 to 2026/27

“Structural Balance” (but +/- £5m)

2023/24

2024/25

2025/26

2026/27

Balanced

+/-
£1.67m

+/-
£1.67m

+/-
£1.67m



- Forecast for 2025/26 onwards - Post Overhaul of Local Government Funding

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Part 2

Revised Budget 2022/23

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Revised Budget 2022/23 - £174.4m (net)

Key Changes

Budget Increase of 0.5%

Increased Spending is offset by Increased Funding

Budget Accommodates the following:

o Pay award	£3.8m
o Energy cost inflation	£3.6m
o Covid Costs / Losses Income <small>(contained in Corporate Contingency)</small>	£2.9m
o Portico <small>(Inflation, Business Growth and Customs Control delays)</small>	£2.4m
o Children, Families & Education <small>(Home to School Transport, Placements)</small>	£1.7m
o Adult Social Care <small>(Domiciliary and Nursing Care packages)</small>	£1.2m
o Housing <small>(Temporary Accommodation)</small>	£0.4m
o Revenue Contribution to Capital Programme	£0.75m
o Interest Income from Investments	£3.8m

Overall Position

- Balanced:
 - Overall Net Increase accommodated by Corporate Contingency Provision
 - No change in use of General Reserves vs. Budget

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Part 3

Budget 2023/24

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Budget Consultation



- 79% of respondents support an increase in Council Tax as opposed to cuts in Services
- The most popular response (30% of respondents) were in support of a 3% Council Tax increase for general purposes
- 76% of respondents supported a further Council Tax increase for ASC with a majority (40%) supporting a 2% increase
- Service Priorities:
 1. Ensuring older people and vulnerable adults are looked after and supported to live independently
 2. Collecting bins and keeping the city clean
 3. Keeping children safe and families together
- Capital Investment Priorities:
 1. Building new homes in the city, including flats offering special care for elderly residents (47%)
 2. Building more classrooms and specialist provisions for children with additional needs (37%)
 3. Improving facilities at Portsmouth International Port to increase the money it generates to help protect local services (34%)
 4. Creating better facilities for sustainable transport such as cycling and walking (33%)

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Local Government Finance Settlement 2023/24

Funding 2023/24

- An overall real increase in Grant Funding of £6.4m:
 - Increase in Social Care Grants **£7.9m**
 - Reduction in all other Grants **£1.5m**
- Business Rate Retention is inflation linked - underlying increase of **£5.5m or 9.9%**
- No indicative Settlement for 2024/25 although a "Local Government Finance Policy Statement" has been published

Council Tax 2023/24 (47% of Funding Base)

- General Increase (**referendum threshold**) – 3.0% (but September CPI 10.1%)
- Social Care Precept – 2.0%
- Police & Crime Commissioner - £15
- H&IOW FRA – £5

Future of Local Government Funding

- Fair Funding Review delayed till 2025/26 at earliest – New Formula Funding model distributed on "Relative Need" (PCC £63.9m) – Winners & Losers
- Business Rate Retention & "Reset" delayed till 2025/26 – Re-distribution of current growth (PCC growth £11m) – Winners & Losers

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Council Tax Proposal - 2023/24

Council Tax Context

- Low taxing authority – 9.1% below average amounting to £9.0m
- Average Council Tax is Band B - £1,221.47.p.a.
- Only 57% of all households pay full Council Tax (all others receive some form of exemption, discount or support)

PCC Council Tax Proposal 2023/24

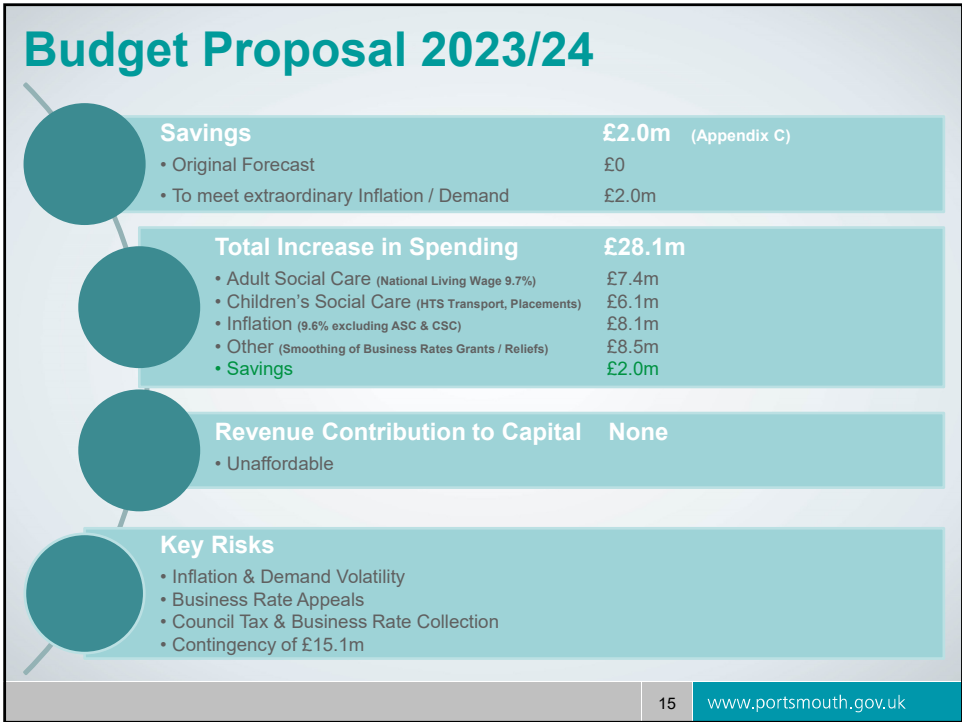
- Tax Level:
 - General Increase in Council Tax of 2.99% = £2.7m (70p per week for Band B Taxpayer)
 - Increase for Social Care of 2.0% = £1.8m (47p per week for Band B Taxpayer) - *Alternative: ASC to find £902,700 for each 1% reduction*
- Tax Base:
 - Additional 270.9 Band D equivalents = £0.4m

PCC, HPCC, H&IOW FRA Council Tax Proposals

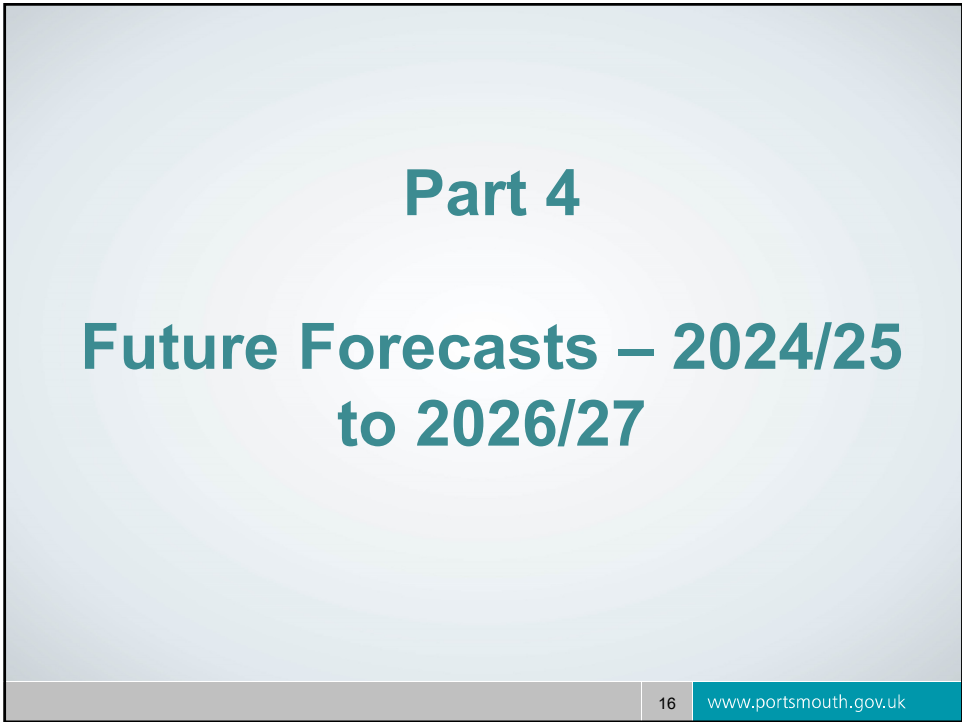
• PCC	4.99%
• HPCC	6.34%
• H&IOW FRA	6.63%
• Total Portsmouth Resident	5.23%

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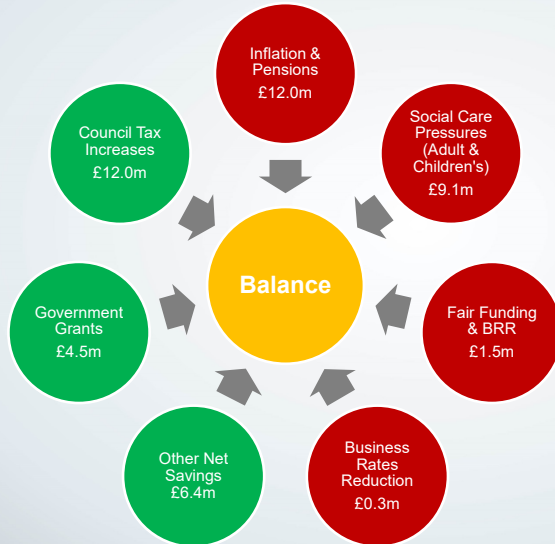


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The Next 3 Years – 2024/25 to 2026/27



- Inflation / Demand
- Fair Funding Review
- Business Rate "Reset"

+/- £5m

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Part 5

Capital Programme


2022/23 to 2027/28

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Capital Programme 2022/23 to 2027/28



Capital Strategy

- Statutory Obligations
- Continuity and sustainability of current services
- Enhancing the Environment
- Regeneration & Clean Economic Growth

Capital Resources Available £61.3m

- Corporate Capital Resources £15.3m
 - Includes Revenue Contributions, CIL, Capital Receipts and Non ring-fenced Capital Grants
- Borrowing available for Invest to Save Schemes £22.9m
 - Requires high degree of certainty that income / savings > debt costs
- Reserves & Contributions £23.1m
 - Specific Grants and external contributions

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Capital Investment Proposals

Capital Investment
(Appendix D)

£61.3m

- **Environmental Initiatives and Clean Economic Growth** £39.2m
- **Economic Growth** £4.7m
- **Essential Maintenance of Operational Buildings** £7.8m
- **Transport** £1.3m

- **Specific Investments include:**
 - Shore Power (Port) - £23m
 - Anaerobic Digestion Plant - £13.5m
 - Twin Stream Recycling - £2.5m
 - City Centre North Regeneration - £4.5m
 - Mountbatten Centre Roof - £6.8m
 - Landlords Maintenance - £1.4m
 - Border Control Post - £4.0m
 - SEN School Places - £1.5m

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“Capital Gap”

**Funding
vs.
Aspirations and
Obligations**



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Part 6

Summary

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Summary

- £2.0m Savings to help meet pressure associated with extraordinary inflation
- Balanced Budget
- Aligned with the MTFS & Budget Consultation
- Key risks – Inflation & Demand volatility (ASC / CSC)
- Future Funding uncertain
- Financial Health is sound

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Questions & Comments



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