

SCRUTINY MANAGEMENT PANEL

Minutes of the meeting of the Scrutiny Management Panel held on Tuesday, 2 February 2016 at 1.00 pm at the Civic Offices, Portsmouth

Present

Councillor Steve Hastings (in the Chair)

Councillors Simon Boshier
Alicia Denny
Ben Dowling
Hannah Hockaday
Ian Lyon
Darren Sanders

Officers Present

Chris Ward s151 Officer and Director of Finance

1. Apologies for Absence (AI 1)

Apologies for absence were received from Councillor John Ferrett and Councillor Scott Harris. Councillor Hannah Hockaday deputised for Councillor Scott Harris.

Apologies for lateness were received from Councillor Simon Boshier. Councillors Denny, Hockaday and Boshier each apologised for having to leave at around 2.30pm should the meeting not be over by that time.

2. Declarations of Members' Interests (AI 2)

There were no declarations of members' interests.

3. Minutes of the Meetings held on 4 December and 21 December 2015 (AI 3)

RESOLVED that the Minutes of the meetings held on 4 December and 21 December 2015 be confirmed and signed by the Chair as a correct record.

4. Portsmouth City Council Budget and Council Tax and Capital Programme 2016/17 (AI 4)

(TAKE IN SLIDE PRESENTATION)

Chris Ward, Director of Finance & Information Services (and section 151 Officer), gave a slide presentation on the budget. He said it was up to the Panel to decide what they wished to scrutinise - the assumptions made or the proposals themselves or both.

Mr Ward first gave an overview of what would be covered at this meeting and then explained the slides in the presentation.

As background he explained the overall impact of austerity, the funding reductions that had been made so far and the future outlook for funding and expenditure. He outlined the economic context, the Local Government funding outlook and the City Council's expenditure outlook.

He went on to explain that the overall aim was to ensure that in year expenditure matches in year income over the medium term whilst continuing the drive towards regeneration and protecting the most important and valued services. For the period 2017/18 to 2019/20 the aim was to reduce net expenditure by £24m. This is based on the provisional local government finance settlement and 4% per annum Council Tax rises until 2019/20.

The slides headed "Revised Budget 2015/16 - £167.2m (net)" show how the total underspend of £5.7m was calculated, the proposals for its use and the overall impact on general reserves (after the proposals). Mr Ward explained that the total improvement in the financial position 2016/17 amounted to £2.7m. £1.7m of this improvement will be spent in 2016/17 from the Carry Forward, therefore the overall improvement in the Council's medium term financial position is £1.0m.

Mr Ward advised the panel that the government had offered a 4 year settlement to local authorities but that as yet there was no indication of what would happen if this was rejected and that a ministerial announcement was awaited to provide clarification. The offer required an efficiency plan but again there were no details about what this would involve.

Moving on to Council Tax, Mr Ward explained that Portsmouth was a low taxing authority - 10% below the average amounting to being £6m worse off in terms of revenue. In addition there had been a council tax freeze in 4 of the last 5 years. The average tax band is low being Band B and only 75% of households pay the full amount of Council Tax (exemption, discount or support is received by the remainder). A referendum would have to be held to increase Council Tax by more than 2% each year other than where the government has specifically allowed an additional 2% tax increase to be made for social care provision. The proposals going to Council were to increase Council Tax by 1.99% with an additional 2% increase for Social Care.

Mr Ward referred to the slides and outlined the recommended savings for 2016/17, the total spending reductions including 2016/17 and the expected savings requirements for 2017/18 to 2019/20. He then summarised the key messages.

In response to queries, the following matters were clarified:

- The figures in red on slide 15 - Recommended Savings 2016/17 - highlight differences from the savings proposals put forward in December.
- Members wanted to know how confident Mr Ward was about the forecast assumptions made given that the variance this year was around £1m. Mr Ward explained that variance was as a result of several factors including being cautious about inflation, trying to estimate the amount of council tax that would be generated -(and this was influenced by how many discounts would apply, how many

houses there would be and what bands they would fall within and the Council Tax set) and also assumptions made around pay. The many variables meant that the accuracy of assumptions made was also variable.

- Mr Ward said that the contingency fund amounted to £6.7m. He confirmed that if the budget proposals were accepted, it was expected that a further £1.4m would be transferred into the MTRS reserve. However, this amount was needed to enable future savings requirements over the next 3 to 4 years to be "smoothed."

Mr Ward then used the slides to explain the Capital Programme 2014/15 to 2019/20. He explained the Capital Resources available amounted to £12.9m as detailed on slide 21. Mr Ward said that the capital investment proposals only included a small amount for regeneration this time, but this has been more substantial in previous years. He went on to outline the capital investment proposals on slide 23. He explained that around 60% of the £12.9m expenditure are of a statutory nature. Slide 23 shows the capital investment proposals split between portfolio reserves and prudential borrowing.

In response to queries about the new build on Eastern Road, Mr Ward undertook to find out whereabouts this was on Eastern Road. Mr Ward said that the usual procedure when spending a large sum of money was to obtain 3 quotations. The council has used internal valuers and external valuers in the past, but is currently using internal valuers. In response to a concern that the property had been valued to ensure the Council got best value for its money, Mr Ward said that the Council was under an obligation to get the best price.

Mr Ward then referred to slide 24 saying that there was still likely to be a need for more school places from 2018 to 2021 and that at that point, the costs would be much higher. He had estimated a cost of between £6.0 to £10.0m and explained that there was no guarantee that PCC would receive any funding for this. The funding gap between PCC's statutory responsibilities and obligations is offset by government grants and capital receipts, but is likely to be between £12m and £25m. Consequently, the Council is putting forward some proposals that go towards meeting the capital funding gap - including revenue contributions to capital. Mr Ward said that provision for match funding will become increasingly important in attracting transport and regeneration funds.

Members considered all the information that had been presented to them. They decided that there was nothing that they wanted to put forward to Cabinet when it considered the budget proposals before making its recommendations to Council.

The meeting concluded at 3.20pm.

Councillor Steve Hastings
Chair