

Agenda item:

Decision maker: City Council

Subject: Portsmouth City Council - Budget & Council Tax 2018/19
& Medium Term Budget Forecast 2019/20 to 2021/22

Date of decision: 12 February 2018 (Cabinet)
13 February 2018 (City Council)

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

Wards affected: All

Key decision: Yes

**Budget & policy
framework decision:** Yes

1. Executive Summary

- 1.1 The proposals within this report recommend a Budget for 2018/19 that provides for £4m of savings, a Council Tax increase of 4.49% (1.5% of which is raised specifically to be passported to Adult Social Care) and forecasts that the 3 year period beyond 2018/19 will require a further £12m in savings.
- 1.2 These proposals are made in the context of an improving economy but where the public finances of the country still need to be repaired and, as a consequence, funding reductions to Local Government will continue until 2020/21 at least. In parallel, the largest spending services of Local Government services (such as Adult Social Care and Children's Social Care, amounting to 53% of the Council's controllable spending) face continued and significant cost pressures. For Adult Social Care at least, substantial flexibility is available to Local Councils through the Adult Social Care precept (the ability to increase Council Tax to directly support Adult Social Care by up to 6% over the period 2017/18 to 2019/20) and the £7.8m Improved Better Care Fund.
- 1.3 Over the past 7 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £73m (amounting to a funding reduction of 48%). Taken together with other financial pressures, total savings over the period of £94m have been made by the Council, representing circa 44% of the Council's controllable spending.

- 1.4 Historically, Adult Social Care and Children's Social Care (accounting for 53% of the Council's total spending) have received significant protection from savings over the period.
- 1.5 The Government published the provisional Local Government Finance Settlement 2018/19 in December 2017 and it is in line with the accepted 4 Year Settlement. In overall terms, the Settlement includes a further reduction in Government Funding over the remaining two year period of the Settlement to 2019/20 of £13.3m representing a funding reduction of 46%. Whilst a £13.3m funding reduction remains of serious concern, it is broadly in line with the Council's forecasts and therefore there is no need to seek any further savings beyond those approved at the December 2017 Council meeting.
- 1.6 The City Council made a series of Budget decisions in December 2017 that were strongly aligned with the new Medium Term Financial Strategy and the outcome of the Budget Consultation. The approved savings proposals were focussed on an "Avoidance to Cuts" approach with a strong emphasis on efficiency and entrepreneurial activities as a means to generate income. The Administration's proposals for the £4m Budget Savings for 2018/19 are summarised as follows:

(i) Savings analysis:

Description of Saving	Savings	
Efficiency Savings (little or no reduction in Services)	£2.4m	60%
Additional Income	£1.4m	36%
Service Reduction	£0.2m	4%
Total	£4.0m	100%

(ii) No savings from Children's Social Care

(iii) Adult Social Care Services amounting to 1.6% of their budget compared with the average saving across all services of 2.1%

- 1.7 Taking 2018/19 together with the savings in previous years will mean that the Council will have achieved £98m of savings and efficiencies equating to 46% of the Council's controllable spending.
- 1.8 The decisions made by Council in December 2017 were predicated on increasing the level of Council Tax for 2018/19 for general purposes by 1.99% and the continuation of the opportunity to increase the level of Council Tax for an "Adult Social Care Precept" and to passport that additional funding direct to Adult Social Care to provide for otherwise unfunded cost pressures.
- 1.9 The Council is a low taxing Authority and currently taxes at a level that is approximately £6.0m per annum less than the average Unitary Authority within its statistical neighbour group, a gap which if closed would reduce the Savings Requirements of the Council by the same sum. Importantly however, Council Tax now represents almost 46% of the Council's total revenue funding and as Government funding has reduced, this has become an increasingly more important and dependent funding source for the Council. Council Tax rises alone however, are not sufficient to meet even the basic inflationary cost increases of the Council's services.

- 1.10 In response to inflationary pressures faced by Councils (e.g. Consumer Price Index (CPI) 3.0% and Retail Price Index (RPI) 4.1%), the Provisional Local Government Finance Settlement for 2018/19 confirmed a Council Tax increase limit for general purposes (i.e. referendum threshold) of 3%. Any increase beyond the 3% threshold can only be implemented following a "Yes" vote in a local referendum. Actual inflation for the Council amounts to £3.9m and is £1.1m higher than originally forecast. The Council had originally forecast that it would increase the level of Council Tax by just 1.99% for general purposes, a further increase in Council Tax of 1% (to 2.99%) would generate a further £714,500. The proposals in this report seek to take advantage of the ability to tax for an additional 1% in order to provide a good degree of mitigation against the Council's higher inflationary costs.
- 1.11 In addition, the remaining level of Council Tax increase allowed for the Adult Social Care precept for the period 2018/19 and 2019/20 remains at 3%. The Council's forecasts are based on the full remaining 3% increase being applied in full and evenly over the next 2 years (2018/19 and 2019/20). Should the Council elect to reduce the increase from 1.5% in either 2018/19 or 2019/20, each 1% reduction will lead to a further £714,500 pressure on Adult Social Care, requiring the Service to make further savings of an equivalent sum.
- 1.12 The additional flexibility to apply Council Tax increases for the Adult Social Care Precept has been provided in recognition of the extreme cost pressures facing Adult Social Care, both through the increase in the National Living Wage (which has increased by 4.4%) as well as the demographic pressures from the general aging and a "living longer" population.
- 1.13 For Portsmouth City Council, it is vital that the flexibility of the ASC Precept is taken in order to mitigate the current underlying deficit in Adult Social Care currently standing at circa £1.8m. A 1.5% increase for Adult Social Care will yield £1.1m which combined with the use of the £7.8m Improved Better Care Fund to support spend to save initiatives to reduce costs in the future, will provide the means by which to eliminate the deficit in Adult Social Care. The alternative to the tax increase would be to increase the level of savings required by the Service.
- 1.14 In proposing the Budget for 2018/19, a significant factor has been the successful application to become a 100% Business Rate Retention Pilot for 2018/19 in a pooled arrangement with the Isle of Wight Council and Southampton City Council. The arrangement is one where both risks and rewards must be shared across all authorities. The scheme is intended to reduce volatility in the income from Business Rates as well as maximise the incentive to grow the business rate base. The scheme itself includes a "No Detriment" provision, meaning that the Council can be no worse off than under the current 50% retention system with its associated protections. It does however, provide the opportunity for the 3 Councils to retain 100% of any growth in Business Rates so long as it is used to:
- i) Promote financial stability and sustainability across the pooled area
 - ii) Re-invest in promoting further growth across the area
- 1.15 The pilot scheme is guaranteed for 1 year only although it is possible that it could continue thereafter so long as the 3 Councils are willing to remain in the pooled arrangement and the Government agree to an extension. In overall terms, it is

estimated that the City Council will receive the following additional sums / benefits as a direct consequence of the 100% Business Rate Retention pilot:

- i) Direct allocation for general use £3.1m
- ii) A share of the "Growth & Productivity Pot" which amounts in total to £4.2m
- iii) A distribution from the "Financial Stability Pot" amounting to £1.4m in total in the event of future Business Rate reductions

1.16 Given the "one-off" nature of the additional funding, it would not be appropriate or prudent to use this to contribute towards either the 2018/19 Savings Requirement or the Future Years forecast deficit. The proposals in this report seek to use the additional £3.1m to make a Revenue Contribution to the Capital Programme to ensure the Council can properly meet its statutory responsibilities for providing Special School Places.

1.17 Looking forward beyond 2018/19, the Council's future financial forecasts indicate a challenging position but, as a consequence of prudent financial management throughout previous years, the overall deficit has now stabilised at relatively modest levels with a forecast Budget Deficit over the period 2019/20 to 2021/22 remaining at £12m. Government funding reductions, inflation and demand led cost pressures in the essential care services of Adult Social Care and Children's Social Care continue to be the driving forces contributing to the £12m forecast Budget Deficit.

1.18 The £12m forecast Savings Requirements for future years are proposed to be phased to have regard to a managed reduction in spending and service provision over a realistic period as set out below:

	Revised Underlying Budget Deficit	Revised In Year Target	Revised Cumulative Saving
	£m	£m	£m
2019/20	4.7	4.0	4.0
2020/21	8.9	4.0	8.0
2021/22	11.9	4.0	12.0

1.19 Importantly, this level of budget deficit can only be maintained if the Council approves the proposed £4.0m of savings for 2018/19 as well as the increase in Council Tax of 4.49% for 2018/19.

1.20 The forecasts described above are the subject of a significant degree of uncertainty and particularly from 2020/21 onwards. The main causes of the uncertainty are:

- i) Whether the 100% Business Rate Retention Pilot will continue beyond 2018/19 - if it does, it could have the potential to improve the forecast by £3.1m plus a share of any further increases in Business Rates across Portsmouth, Southampton and the Isle of Wight

ii) The outcome of the Fair Funding review in 2020/21 - this could have an estimated positive or negative effect in the range of +/- £3m

- 1.21 Due to the uncertain nature of the future years' forecasts it is imperative that the Council continues to plan for £4m of savings per annum as well as maintaining sufficient General Reserves. This is a balanced approach appropriate to an eventuality where the Council's forecasts are either too pessimistic or too optimistic. For example, in the event that the 3 year forecast improves, the Council has not prematurely made a level of savings and service reductions that could have been avoided and it allows more time for savings initiatives to take effect. If the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient General Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.
- 1.22 Crucially, this savings strategy, as described above, can only work if the Council retains General Reserves at the levels set out in this report.
- 1.23 Despite funding reductions and cost pressures and the need to protect core services to residents, the Council still has an important role in stimulating the local economy. The Council has the opportunity through its capital programme and borrowing powers to invest in both the regeneration of the City (to raise prosperity generally as well as improving the Council's financial position) and cost reduction schemes for the Council itself.
- 1.24 There are significant proposals within this report to supplement the capital resources available for investment totalling £5.1m over the period 2017/18 and 2018/19 to be used to properly fund its statutory responsibilities including School Places, Sea Defences, critical maintenance obligations to keep Council facilities open and potential match funding commitments for the City Centre Re-development. Without this funding, this essential Capital Investment will be in jeopardy.
- 1.25 Furthermore, with generally available annual capital funding of £7m versus core capital investment obligations and aspirations over the next 1 to 2 years of between £25m to £31m, there is a huge shortfall to be met. Proposals within the report therefore provide for any further underspendings that arise at year end to be transferred to supplement the Council's capital resources to enable the Council to meet its statutory obligations and also to transform the City's growth potential.
- 1.26 The proposals contained within the December 2017 report and this report, now culminating in the proposed Budget for 2018/19, will:
- Provide a suite of savings amounting to £4m of which the vast majority relate to either efficiency savings (£2.4m) or additional income (£1.4m) leaving just £0.2m, or 4%, to be achieved through service reductions
 - In accordance with the Budget Consultation, provide significant protection to both Adults Social Care and Children's Social Care

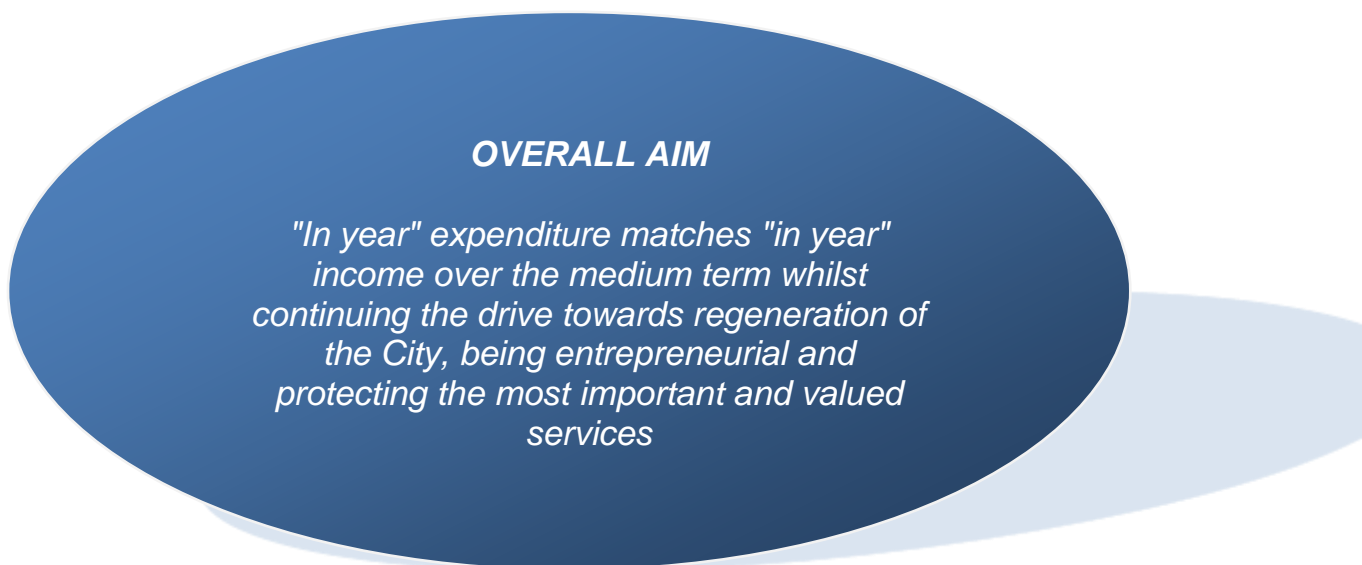
- Provide for an overall Council Tax increase of 4.49% in 2018/19 comprising 2.99% for General Purposes and 1.5% to be passported direct to Adult Social Care services.
- Provide assurance that with a 1.5% increase in Council Tax for Adult Social Care that existing and emerging cost pressures can be met and mitigation provided to address the underlying deficit of £1.8m therefore avoiding any further reductions to those services in 2018/19 which is critical for Adult Social Care services and the wider health system in the City
- Provide real growth in funding to Adult Social Care (after passporting the ASC Precept and the improved Better Care Fund allocation)
- Require that for 2019/20 a minimum on-going savings sum of £4.0m be made
- Transfer a total of £4.5m across the period 2017/18 and 2018/19 to the MTRS Reserve recognising this as the Council's primary vehicle for providing funding for Spend to Save initiatives
- Supplement the Capital Resources available in 2018/19 by making a £5.1m transfer from Revenue across the period 2017/18 and 2018/19
- Provide for any further underspendings for 2017/18 arising at the year-end (outside of those made by Portfolios) be transferred to Capital Resources in order to provide funding for known future requirements such as Sea Defences and enabling infrastructure for the City's development where there is a known funding shortfall and because this Capital Investment is likely to have a significant transformational effect on the City's growth potential

1.27 It remains a particularly challenging time for the Council, the future savings required remain significant and funding risks arising from Business Rates and the Fair Funding Review in 2020/21 are substantial. Nevertheless, the proposals contained within this report ensure that the Budget for 2018/19 is financially balanced, the savings strategy for the future is robust and sufficiently flexible under a wide range of alternative eventualities and that resources are targeted in accordance with the Council's Medium Term Financial Strategy. This provides the Council with assurance that its financial health will remain sound and that it can maintain a good degree of resilience against an uncertain future.

2 Purpose of Report

2.1 The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2018/19 and the associated level of Council Tax necessary to fund that Budget.

- 2.2 The report makes recommendations on the level of Council spending for 2018/19 and the level of Council Tax in the context of the Council's Medium Term Financial Strategy with its stated aim as follows:



- 2.3 The recommended Budget for 2018/19 has been prepared on the basis of the decisions taken by the City Council on the 12th December 2017 relating to:

- An increase in the level of Council Tax for 2018/19 for general purposes
- A continuation of the opportunity to increase the level of Council Tax for an "Adult Social Care Precept" within the limits set by Central Government (i.e. a 3% increase phased over the financial years 2018/19 and 2019/20), and the direct passporting of that additional funding direct to Adult Social Care to provide for otherwise unfunded cost pressures.
- The approved budget savings amounting to £4m
- The approved increase of £500,000 to replenish the Voluntary Sector Capacity & Transition Fund

- 2.4 This report also provides a comprehensive revision of the Council's rolling 3 year future financial forecast for the new period 2019/20 to 2021/22 (i.e. compared to the previous forecast covering 2018/19 to 2020/21, this forecast now replaces the forecast for the previous 3 year period). The forecast considers the future outlook for both spending and funding, and in that context, wider recommendations are made regarding the levels of reserves to be maintained and additional contributions to the Capital Programme in order to meet the Council's aspirations for the City as well as maintaining the Council's overall financial strength.

2.5 In particular, this report sets out the following:

- (a) The challenging and uncertain financial climate facing the City Council in 2018/19 and beyond and the consequential budget deficits that result
- (b) A brief summary of the Medium Term Financial Strategy for achieving the necessary savings
- (c) A brief recap of the budget decisions taken by the City Council at its meeting of the 12th December 2017
- (d) The Revised Revenue Budget and Cash Limits for the current year
- (e) The Local Government Finance Settlement for 2018/19 to 2019/20
- (f) The Business Rate income for 2018/19 and future years and the financial effect of joining the 100% Business Rate Retention Pilot in a pooled arrangement with the Isle of Wight Council and Southampton City Council
- (g) The Council Tax base and recommended Council Tax for 2018/19
- (h) The forecast Collection Fund balance as at 31 March 2018 for both Council Tax and Business Rates
- (i) The proposed Revenue Budget and Cash Limits for 2018/19
- (j) The forecast Revenue Budget and revised Savings Requirements for 2019/20, 2020/21 and 2021/22
- (k) Estimated General Reserves over the period 2017/18 to 2021/22
- (l) The Medium Term Resource Strategy (MTRS) Reserve, its financial position and proposed use to achieve cashable efficiencies
- (m) The statement of the Section 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.

3 Recommendations

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

- (b) The revised Revenue Estimates for the financial year 2017/18 and the Revenue Estimates for the financial year 2018/19 as set out in the General Fund Summary (Appendix A)
- (c) The Portfolio Cash Limits for the Revised Budget for 2017/18 and Budget for 2018/19 as set out in Sections 7 and 9, respectively
- (d) That £2.0m be transferred to the Revenue Reserve for Capital in 2017/18 to supplement the resources available for the Capital Programme to enable the Council to increase the Capital Resources available to properly fund its statutory responsibilities including School Places, Sea Defences, critical maintenance obligations and potential match funding commitments for the City Centre Re-development

- (e) The additional £3.1m received from the Business Rate Retention Pilot (currently guaranteed for 1 year only) be used to enable the Council to make a Revenue Contribution to the Capital Programme to ensure the Council can properly meet its statutory responsibilities for providing Special School Places
- (f) That £2.0m be transferred to the MTRS Reserve in 2017/18 and a further £2.5m in 2018/19 to restore it to a level sufficient to enable the Council to pursue both Spend to Save schemes, Invest to Save schemes and fund redundancy costs, all aimed at facilitating the Council's savings strategy
- (g) That £1.7m is carried forward from 2017/18 to 2018/19 in respect of contingent items that were expected to arise in 2017/18 but are now expected to occur in 2018/19
- (h) Any further underspendings for 2017/18 arising at the year-end outside of those made by Portfolios be transferred to Capital Resources in order to provide funding for known future commitments such as Sea Defences and the enabling transport infrastructure necessary for the City's development and growth which have, as yet, insufficient funding
- (i) Any variation to the Council's funding arising from the final Local Government Finance Settlement be accommodated by a transfer to or from General Reserves.
- (j) The S.151 be given delegated authority to enter into the Solent¹ 100% Business Rates Retention Pilot agreement with the Department for Communities and Local Government
- (k) The S.151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts
- (l) That the level of Council Tax be increased by 2.99% for general purposes in accordance with the referendum threshold² for 2018/19 announced by Government (as calculated in recommendation 3.4 (d))
- (m) That the level of Council Tax be increased by a further 1.5% beyond the referendum threshold (as calculated in recommendation 3.4 (d)) to take advantage of the flexibility offered by Government to implement a "Social Care Precept"; and that in accordance with the conditions of that flexibility, the full amount of the associated sum generated of £1,071,700 is passported direct to Adult Social Care
- (n) Managers be authorised to incur routine expenditure against the Cash Limits for 2018/19 as set out in Section 9
- (o) That the savings requirement for 2019/20 be set at a minimum on-going sum of £4.0m
- (p) That the S.151 Officer be given delegated authority to make transfers to and from reserves in order to ensure that they are maintained as necessary and in particular, adjusted when reserves are no longer required or need to be replenished

¹ Includes Isle of Wight Council, Portsmouth City Council and Southampton City Council

² Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

- (q) Directors be instructed to start planning how the City Council will achieve the savings requirements shown in Section 10 and that this be incorporated into Service Business Plans
- (r) The minimum level of General Reserves as at 31 March 2019 be maintained at £8.0m (£7.0m in 2017/18) to reflect the known and expected budget and financial risks to the Council
- (s) Members have had regard for the Statement of the Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 0.

3.2 That the following be **noted** in respect of the Council's Budget:

- (a) The Revenue Estimates 2018/19 as set out in Appendix A have been prepared on the basis that the 1.5% tax increase for the "Social Care Precept" (amounting to £1,071,700) and this is passported to Adult Social Care in order to provide for otherwise unfunded budget pressures including the current underlying budget deficit, the cost of the new National Living Wage and demographic pressures arising from a "living longer" population
- (b) The decision on the amount at which to set the Adult Social Care precept will be critical for the Social Care and wider Health system in the City; in the event that the additional flexibility of the "Social Care Precept" and associated 1.5% tax increase (amounting to £714,500 for each 1%) is not taken, then equivalent savings will need to be made in Adult Social Care in 2018/19
- (c) In general, due to the additional costs of the Pay Award and inflation generally amounting to an additional £1.1m, any reduction from the 4.49% Council Tax increase proposed will require additional savings of £714,500 for each 1% reduction in order for the Budget 2018/19 to be approved
- (d) The Revenue Forecast for 2019/20 onwards as set out in Section 10 and Appendix B
- (e) The estimated Savings Requirement of £12m for the three year period 2019/20 to 2021/22, for financial and service planning purposes, be phased as follows:

Financial Year	In Year Savings Requirement £m	Cumulative Saving £m
2019/20	4.0	4.0
2020/21	4.0	8.0
2021/22	4.0	12.0

- (f) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies will hold an uncommitted balance of £4.8m³ and will only be replenished in future from an approval to the transfer of any underspends, contributions from the Revenue Budget or transfers from other reserves which may no longer be required

³ Including the transfer into the reserve of £4.5m contained with the recommendations in this report

- (g) The Council Tax element of the Collection Fund for 2017/18 is estimated to be a surplus of £1,210,318 which is shared between the City Council (85%), Police & Crime Commissioner (11%) and the Hampshire Fire & Rescue Authority (4%)
- (h) The Business Rate element of the Collection Fund for 2017/18 is estimated to be a surplus of £1,114,662 which is shared between the City Council (49%), the Government (50%) and the Hampshire Fire & Rescue Authority (1%)
- (i) The Retained Business Rate income⁴ for 2018/19 is based on the estimated Business Rate element of the Collection Fund surplus as at March 2017, the Non Domestic Rates poundage for 2018/19 and estimated rateable values for 2018/19 and has determined at £73,567,319

3.3 That the S.151 Officer has determined that the Council Tax base for the financial year 2018/19 will be **55,857.4** [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].

3.4 That the following amounts be now calculated by the Council for the financial year 2018/19 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£486,934,953	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£412,275,394	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£74,659,559	Being the amount by which the aggregate at 3.4 (a) above exceeds the aggregate at 3.4(b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act.
(d)	£1,336.61	Being the amount at 3.4(c) above (Item R), all divided by Item 3.3 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

⁴ Including the Portsmouth City Council element of the Collection Fund surplus of £546,184, S31 Grants of £6,008,979, the "Tariff" paid to Government of £17,157,504 and the contributions to the "Growth Pool" of £4,853,053 and from the "Growth Pool" of £3,094,522

(e) Valuation Bands (Portsmouth City Council)

A £	B £	C £	D £	E £	F £	G £	H £
891.07	1,039.59	1,188.10	1,336.61	1,633.63	1,930.66	2,227.68	2,673.22

Being the amounts given by multiplying the amount at 3.4(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in Valuation Band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the amounts to be taken into account for the year in respect of categories of dwellings in different valuation bands.

- 3.5 That it be noted that for the financial year 2018/19 the Hampshire Police & Crime Commissioner is consulting upon the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

A £	B £	C £	D £	E £	F £	G £	H £
118.31	138.02	157.74	177.46	216.90	256.33	295.77	354.92

- 3.6 That it be noted that for the financial year 2018/19 Hampshire Fire and Rescue Authority are recommended to approve the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Fire & Rescue Authority)

A £	B £	C £	D £	E £	F £	G £	H £
43.83	51.13	58.44	65.74	80.35	94.96	109.57	131.48

- 3.7 That having calculated the aggregate in each case of the amounts at 3.4(e), 3.5 and 3.6 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2018/19 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

A £	B £	C £	D £	E £	F £	G £	H £
1,053.21	1,228.74	1,404.28	1,579.81	1,930.88	2,281.95	2,633.02	3,159.62

- 3.8 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2018/19, which represents a 4.49% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act; and it be noted that:
- i) The 4.49% increase includes a 1.5% increase to support the delivery of Adult Social Care
 - ii) As the billing authority, the Council has not been notified by a major precepting authority (the Police and Crime Commissioner for Hampshire or the Hampshire Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2018/19 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.
- 3.9 The S.151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Authority precepts.

4 Economic & Financial Context

- 4.1 The forecasts for the national public finances set out in the Autumn Budget recently are expected to improve for this financial year and next year and then worsen over the subsequent 3 years compared with the Spring 2017 projections. The worsening position is largely due to the lower forecasts of growth over the period to 2021/22 resulting in lower than expected tax receipts, higher debt levels and increased public sector spending (mainly additional revenue funding of £2.8bn for the NHS).
- 4.2 Additional capital funding for infrastructure was announced in the Autumn Budget, mainly targeted at improving transport connectivity and housing delivery, these being funded by a £1.7bn Transforming Cities Fund (half of which was allocated directly to Mayoral Combined Authorities rather than through competition), a £1.1bn Land Assembly Fund and an additional £2.7bn for the existing Housing Infrastructure Fund.
- 4.3 Despite the worsening position for the national public finances, the Office for Budget Responsibility still forecasts that the Government remains on track to meet its fiscal rules (i.e. remain within an annual deficit of 3% of GDP).
- 4.4 The Autumn Budget has left Government Departmental Spending limits unaltered and the recent Provisional Local Government Finance Settlement left the 4 year Funding Settlement that the Council accepted intact.
- 4.5 Measures intended to greater incentivise bringing empty properties back into use were also announced. This enables Local Authorities to increase the Council Tax premium (currently 150%) to 200%. It is expected however that this will require primary legislation and therefore will not be available to be applied until April 2019.
- 4.6 Over the past 7 years (since 2011/12), Central Government funding to Portsmouth City Council has reduced by over £73m (amounting a 48% reduction 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 £94m, representing circa 44% of the Council's net controllable spending.
- 4.7 This report includes a new financial forecast for the next 3 year period covering both expenditure and funding to 2021/22 after taking account of the £4.0m savings decisions made by the City Council in December 2017 and incorporating the further financial year of 2021/22. Taking the £4m of savings approved for 2018/19 together with the savings in previous years will mean that the Council will have achieved £98m of savings and efficiencies equating to 46% of the Council's controllable spending.

5 Medium Term Financial Strategy and Budget Decisions 2018/19

- 5.1 In response to the considerable financial challenge, the City Council approved a Medium Term Financial Strategy (for both revenue and capital) with a strong focus on regeneration and entrepreneurial activities and therefore providing income generation as a means to make savings and avoid cuts to services. This is illustrated below:



- 5.2 With an emphasis on entrepreneurial and regeneration activities, there is a presumption that Capital investment will also be targeted towards income generation and economic growth once the Council's statutory obligations have been met.

- 5.3 Despite the challenging financial circumstances, the City Council made a series of Budget decisions in December 2017 that were strongly aligned with that strategy.
- 5.4 The proposed £4m of savings are characterised as follows:

Description of Saving	Savings	
Efficiency Savings (little or no reduction in Services)	£2.4m	60%
Additional Income	£1.4m	36%
Service Reduction	£0.2m	4%
Total	£4.0m	100%

- 5.5 For 2018/19, Efficiency Savings account for 60% of the proposed savings, with 36% relating to Additional Income and just 4% Service Reduction measures.
- 5.6 The key Budget decisions made included:

- A balanced suite of savings amounting to £4.0m (of the original forecast £12.0m⁵ required over the 3 year period 2018/19 to 2020/21) which, in accordance with the Budget Consultation, provided significant protection to the vulnerable. By way of example, the average saving required across the Council was 2.1% of spending but to fully protect Children's Social Care (at 0.0% budget reductions) and Health & Social Care - Adult Social Care (at 1.6% budget reductions), it has been necessary to make spending reductions / additional income in other valued Portfolios of up to 9.8% as described below:

Portfolio / Committee	Savings Proposal	
	£	% Budget
Children's Social Care	0	0.0%
Culture, Leisure & Sport	277,300	2.8%
Education	180,000	2.8%
Environment & Community Safety	150,000	0.9%
Health & Social Care - Adults Social Care*	860,600	1.6%
Health & Social Care - Public Health	236,000	1.9%
Housing	109,000	2.1%
Planning, Regeneration & Economic Development	815,100	9.8%
Resources	798,000	2.5%
Traffic & Transportation	305,000	2.3%
Other Expenditure (incl. Debt Repayment)	269,000	6.5%
Grand Total	4,000,000	2.1%

* Excludes the additional funding passported through the Adult Social Care Precept of £1.07m and additional funding from the Improved Better Care Fund of £2.54m meaning that in cash terms there is an increase in funding available to Adult Social Care

- An increase in the level of Council Tax for 2018/19 for general purposes of 1.99% (this has now been revised as part of the proposals within this report)

⁵ Assuming a general Council Tax increase of 1.99% p.a. Should the Council Tax not be increased by 1.99%, then each 1% change will add £0.715m to the savings requirement

- A continuation of the opportunity to increase the level of Council Tax for an "Adult Social Care Precept" within the limits set by Central Government (i.e. a 3% increase phased over the financial years 2018/19 and 2019/20), and the direct passporting of that additional funding direct to Adult Social Care to provide for otherwise unfunded cost pressures.
- An increase of £500,000 to replenish the Voluntary Sector Capacity & Transition Fund.

5.7 The combined effect of all of these decisions has enabled the Council to:

- Meet its £4.0m savings requirement, consistent with the Budget Consultation and largely avoiding service reductions
- Provide real growth in funding to Adult Social Care (after passporting the ASC Precept and Improved Better Care funding)
- Provide full protection to Children's Services from savings
- Maintain the overall financial health of the Council for the future financial challenge and uncertainties ahead

6 Revised Budget 2017/18

- 6.1 The original revenue Budget approved by the City Council on 9 February 2017 was £161,643,000.
- 6.2 The Cabinet has received regular quarterly Budget Monitoring reports on the 2017/18 Budget throughout the year which have consistently reported a forecast underspend for the year. That forecast underspend has largely resulted from an improved position on Treasury Management activities and additional income from the Council's Commercial Property Portfolio.
- 6.3 Whilst significant progress has been made in addressing the underlying budget deficits of both Adult Social Care and Children's Social Care, it has also been reported that there were forecast overspendings in those Portfolios of £0.9m and £2.4m, respectively. This has been offset by contingency provision specifically set aside for this eventuality of £2.1m. The underlying deficits (i.e. that part of the overspending anticipated to continue into future years) in aggregate for both Portfolio's is forecast to be £3.6m and this will need to be remedied in 2018/19.
- 6.4 For Adult Social Care, a key part of the strategy to minimise their underlying deficit will be to take advantage of the flexibility to increase the level of Council Tax by 1.5% for the Adult Social Care Precept, raising £1.1m in 2018/19. The other key element of the deficit reduction strategy is the use of the additional "Improved Better Care" funding of £7.8m announced in the Spring Budget 2017 to be used as a "Spend to Save" or "Spend to Avoid Cost" fund.
- 6.5 For Children's Social Care, a plan is in place to reduce that deficit which focusses on increasing the number of Social Workers to provide more targeted and intensive

support as a mechanism to reduce the number of Looked After Children in the system alongside plans to reduce the number of Children in expensive Out of City residential placements. Additionally, no savings are proposed from Children's Social Care for 2018/19 whilst the deficit reduction measures are in place.

- 6.6 The measures described above are being planned in order to eliminate these deficits and place their budgets on a sound footing for 2018/19. Nevertheless, risks to delivery will remain and the Council will need to ensure that adequate contingency provision is made to cover that eventuality.
- 6.7 In overall terms, taking account of the forecast under and overspendings described above, the 2017/18 Budget is forecast to remain in balance.
- 6.8 The Original Budget has now been comprehensively revised and it is proposed to increase the Budget to £161,941,000, an increase of £298,000. Whilst overall spending has increased, overall funding has more than offset the additional spending resulting in a net improvement in the Council's 2017/18 financial position. Consequently, the transfer to General Reserves will increase from an originally estimated £584,000 to £1,389,000 - an overall improvement of £805,000. The overall improvement transferring into General Reserves now being available to part fund the recommended carry forward proposals in the next financial year.
- 6.9 Significant changes to the Original Budget now being proposed as part of the Revised budget are as follows:
- Forecast losses at MMD amounting to £3.6m arising largely from the termination of the Geest contract with associated lost income and "one-off" redundancy costs. It is anticipated that MMD will return to profit in its own right in 2019/20 but this will be predicated on additional Capital Investment during 2018/19 (approval to invest will be the subject of a further report incorporating a comprehensive Business Case and Investment Appraisal). A net benefit to the Council as a whole still arises in 2018/19 onwards when all income streams associated with MMD are taken into account (i.e. the sums paid over to the City Council annually for rent and tonnage dues etc.). A 20 year forecasts demonstrates that there will continue to be a net benefit from retaining MMD. Nevertheless, before any investment proposal is put before the Council, a comprehensive evaluation of all other realistic uses for the site will be undertaken (including "Do Nothing", sale or alternative use for the site) to determine which alternative provides the best return on the land asset for an acceptable level of risk
 - Reduction in the Council's Contingency provision of £2.4m in 2017/18 which is related to contingent risks that were expected to arise in 2017/18. It is now expected that £1.7m of these risks are expected to occur in 2018/19 and therefore this sum is proposed to be carried forward into the 2018/19 Budget
 - A change in the accounting treatment relating to the Wightlink "sale and lease back" arrangement to Canada Life, the substance of which is a loan. This relieves the Council of charging the "lease payments" to the Council's Revenue Budget and deferring them until the point at which any assets acquired with the loan financing are sold - £2.1m saving per annum

- Improvement in Treasury Management activities of £0.8m
- A contribution to the Revenue Reserve for Capital of £2.0m to enable the Council to increase the Capital Resources available to properly fund its statutory responsibilities including School Places, Sea Defences, critical maintenance obligations and potential match funding commitments for the City Centre Re-development
- A contribution to the MTRS Reserve of £2.0m to restore it to a level sufficient to enable the Council to pursue both Spend to Save schemes, Invest to Save schemes and fund redundancy costs, all aimed at facilitating the Council's savings strategy. Without this transfer, the uncommitted balance on the reserve by 2021/22 is estimated at just £0.3m

6.10 Additionally, the Council's remaining contingency provision for 2017/18 has been set at a level that provides some cover for any likely overspendings that may arise in Children's Social Care and Adult Social Care.

6.11 As described in the Capital Programme 2017/18 to 2022/23 report contained elsewhere on this agenda, there are very significant future capital obligations and aspirations. These include schemes both of a statutory nature plus schemes aimed at protecting and transforming the City's economy. These schemes are presently unfunded but will likely require funding in the short and medium term:

Capital Scheme - Significant Obligation / Aspiration	Unfunded Requirement £m
School Condition (roofs, boilers, electrics, windows etc.)	2.0 - 4.0
Camber Quay Berth 4 Replacement	1.7 - 2.0
Enabling Transport Infrastructure match funding - City development (next 5-10 years)	7.5
Sea Defences	6.0
Landlords Repairs & Maintenance	2.5 - 4.0
Local Transport Plan - Road safety and traffic improvement schemes	1.5 - 2.0
Digital Strategy (including moving to cloud based Information Technology systems)	4.0 - 5.5
Total Funding Requirement	25.2 - 31.0

6.12 The scale of the funding required for these obligations and aspirations is such that it far outstrips the annual capital grant funding, capital receipts and CIL contributions that the Council receives (circa £7m per annum) plus any Government funding which may be available for school places. With core capital funding of £7m potentially available versus core obligations and aspirations of between £25m to £31m of Capital Investment, there is a hugely significant shortfall to be met.

6.13 Given that this Capital Investment is necessary for both the Council's statutory obligations and also to transform the City's growth potential, it is vital that the Council makes the proposed Revenue Contribution to Capital for 2017/18 and 2018/19 of £5.1m (as previously described) and also transfers any further

underspendings for 2017/18 arising at the year-end to Capital. Without this funding, essential Capital Investment into School Places, Sea Defences, Maintenance of Council facilities and the City Centre Road will be at risk.

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

7 Revised Cash Limits 2017/18

7.1 The Cash Limits relate to that element of the Budget that is Portfolio and Service related and is controllable. Cash Limits are allocated to Portfolio Holders and Managers to spend so that there is clear accountability for spending decisions.

7.2 The Cash Limits for 2017/18 have been revised to take account of:

- Items released from Contingency in the current year
- Windfall savings and windfall costs
- Passporting of grants that were received for new burdens or specific purposes
- Adjustments to reflect forecast underspends, transfers to Portfolio reserves, additional unavoidable costs and other City Council decisions throughout the year

7.3 The table below sets out the revised Cash Limits for 2017/18 and those items outside the Cash Limit (e.g. capital and similar charges, levies and insurance premiums), which together form the Revised Budget for each Portfolio.

PORTFOLIO	Revised Cash Limits 2017/18 £'000	Items Outside the Cash Limit £'000	Revised Budget 2017/18 £'000
Children's Services	24,088	105	24,193
Culture Leisure & Sport	5,218	3,870	9,088
Education	5,530	18,989	24,519
Environment & Community Safety	14,186	1,783	15,969
Health & Social Care	42,824	3,314	46,138
Housing	2,538	5,743	8,281
Leader	124	20	144
Planning Regeneration Economic Development	(17,486)	13,041	(4,445)
Resources	18,213	4,244	22,457
Traffic & Transportation	15,974	684	16,658
Governance & Audit Committee	98	49	147
Licensing Committee	(232)	16	(216)
PORTFOLIO EXPENDITURE	111,075	51,858	162,933

- 7.4 The current policy is that any overspend against the cash limit will in the first instance be deducted from any Portfolio reserve or if that is exceeded from the following financial year's cash limit.

8 Revenue Budget 2018/19

- 8.1 At last year's Annual Budget Meeting in February 2017, forecasts for this coming financial year 2018/19 and the subsequent two financial years estimated that an overall 3 year savings requirement of £12m would be necessary to meet the budget deficits over that period⁶. The forecasts for the 3 year period were prepared on the basis of the following:

- A reduction in Government Funding of £12.4m
- Adult Social Care pressures of £4.4m
- Inflationary costs of £9.0m

Offset by:

- Additional income from Council Tax of £5.0m⁷
- Increase in Business Rate Income of £2.9m
- Other net improvements amounting to £5.9m

- 8.2 Since those forecasts were prepared in February last year, the Council has now received the Local Government Finance Settlement for 2018/19 and has been successful in its application to become a 100% Business Rate Retention pilot in a pooled arrangement with the Isle of Wight Council and Southampton City Council (as described more fully later in this report). Significant inflationary pressures have also been experienced which have had a negative impact on the Council's financial position. These and all other elements of funding and spending have now been comprehensively reviewed which include the following:

Funding

- Central Government Funding (Local Government Finance Settlement)
- Business Rate Income (including the impact of the 100% Business Rate Retention pilot)
- Council Tax Income

Expenditure

- Savings proposals (agreed by the City Council in December 2017)
- Inflationary Costs
- Other cost pressures (including "new burdens" passed down from Central Government)
- Port and MMD trading results
- Debt Financing costs and interest rates
- Contingencies

⁶ This assumed Council Tax increases of 1.99% per annum from 2018/19 to 2021/22 for General Purposes and a further 3.0% for the ASC Precept over the period 2018/19 to 2019/20. Each 1 % reduction in Council Tax will add £714,500 to the forecast deficit.

⁷ This assumed Council Tax increases of 1.99% per annum from 2018/19 to 2021/22 for General Purposes and a further 3.0% for the ASC Precept over the period 2018/19 to 2019/20.

- 8.3 As reported to the City Council in December 2017, the advice of the S.151 Officer was that "whilst it is likely that the overall financial forecasts will change, the savings requirement for 2018/19 at £4.0m remains robust and prudent but only on the basis of the Council Tax proposals set out within this report. 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". Now that the Local Government Finance Settlement has been received and the Council's forecasts for future years have been comprehensively revised, that advice still holds.
- 8.4 Details of the Local Government Finance Settlement are set out below.

Local Government Finance Settlement 2018/19 to 2020/21

- 8.5 The Local Government Finance Settlement is the term used to describe the main non-ring-fenced Revenue and Capital grant funding allocations from Government. The provisional settlement was announced on 19 December 2017 and the final settlement will be announced in mid February 2017.

Provisional Settlement 2018/19

- 8.6 The Council resolved to accept the Government's 4 year Settlement in October 2016 which was accepted by Government. Whilst providing some certainty of future Government Funding, the funding reductions for the Council remain significant and challenging.
- 8.7 The Government published the provisional Local Government Finance Settlement 2018/19 in December 2017 and it is in line with the accepted 4 Year Settlement.
- 8.8 In overall terms, the Council expects a further reduction in Government Funding over the remaining 2 year period of the 4 year Settlement of £13.3m representing a funding reduction of 46%. Of most significance are the reductions in Revenue Support Grant totalling £10.8m. This is all summarised in the table below:

Funding Stream	2017/18	2018/19	2019/20	Total Reduction
	£m	£m	£m	£m
Revenue Support Grant	22.3	0.0*	11.5	(10.8)
Other Grants ⁸	6.4	4.3	3.9	(2.5)
Total Government Grants	28.7	4.3	15.4	(13.3)

* Relinquished in full (£17.0m) in return for 100% Business Rates Retention in 2018/19 only

- 8.9 Whilst the Revenue Support Grant forms part of the 4 Year Settlement, the Other Grants do not and therefore these funding streams will remain a risk for the Council in future years.

⁸ Excludes Highways all PFI Grants and Business Rate S31 Grants.

- 8.10 The overall impact of the provisional Local Government Finance Settlement on the Council's future forecast Budget Deficit over the 2 year period to 2019/20 is broadly neutral and whilst the overall reduction of funding to 2019/20 amounting to £13.3m is a serious concern to the Council, it had been largely predicted within the Council's financial forecasts.
- 8.11 Other key announcements as part of the Provisional Local Government Settlement are:
- Revenue Support Grant - There is no change to the distribution methodology for 2018/19
 - Council Tax:
 - The basic referendum principle of a 3% increase is confirmed
 - Adults Social Care Precept remains intact (6% increase over the 3 years 2017/18 to 2019/20).
 - Police Council Tax can increase by a maximum of £12 (which for Hampshire equates to a 7.25% increase in their share of the Council Tax)
 - Referendum principles (Council Tax capping) for Town and Parish Councils have been deferred for 3 years
 - Planning Fees - Increases of up to 20% will be allowed but conditional upon re-investment into Planning Services
 - The Government published its technical consultation on the Fair Funding review (i.e. the review of the 'needs element' embedded with the Revenue Support Grant and the Business Rates Retention system) to come into effect in 2020/21, this will be followed by further consultation documents in the future. This review represents a key uncertainty for future Council funding levels.
 - The Business Rate Retention Scheme to come into effect simultaneously with the Fair Funding Review in 2020/21 will now be a 75% Business Rate Retention scheme (as opposed to the 100% Business Rate Retention Scheme previously announced). This also is a key uncertainty for the Council's future funding levels.
 - The New Homes Bonus scheme remains unaltered (described below)
- 8.12 The scheme for the New Homes Bonus is intended to "sharpen the incentive" for housing delivery beyond a natural rate of growth and is summarised below:

- A threshold of a 0.4% increase in new homes (or "deadweight" and equivalent to 296 Band D equivalent homes) before any New Homes Bonus (NHB) will be paid
- Payments made for 4 years from 2018/19 and thereafter

8.13 The final grant settlement should be available by mid February, it is not expected to vary significantly from the provisional settlement and it is recommended that any variation should be accommodated by a transfer to or from General Reserves.

8.14 Given that the 2018/19 Local Government Finance Settlement is broadly in line with the Council's forecasts upon which the minimum £4m savings requirement was based, and subject to the approval of the Council Tax proposals contained within this report, there is no need to seek any further savings beyond those approved at the December 2017 Council meeting.

8.15 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. These are described in the paragraphs that follow.

Retained Business Rates 2018/19 & Future Forecasts

8.16 The Retained Business Rates system is complex and subject to a significant degree of inherent risk. The current national system is characterised by a complex formula which includes the following:

- i) Retention of 50%⁹ of all business rates received and which is affected by the value of successful appeals, the number of mandatory reliefs (e.g. charitable relief) and the overall collection rate (i.e. how much is uncollectable and written off)
- ii) Increased by a fixed amount "top up" which increases annually by the rate of inflation
- iii) Compensation through S.31 Grants for national government initiatives which have the effect of reducing Business Rates to the Local Authority such as business rate capping for small businesses
- iv) A "safety net" set at 7.5% below a pre-determined baseline¹⁰ below which retained Business Rates will not fall (set at £43.17m for 2018/19)

8.17 In 2017/18 the National Non Domestic Rate system was subject to a re-valuation. This revised both the rateable values and the multiplier. The entire re-valuation is

⁹ 49% To the City Council and 1% to the Hampshire Fire & Rescue Authority

¹⁰ Known as the Business Rates Baseline, set in 2013/14 and increased by inflation each year

financially neutral at a national level with the increase in rateable values overall offset by a reduction in the multiplier.

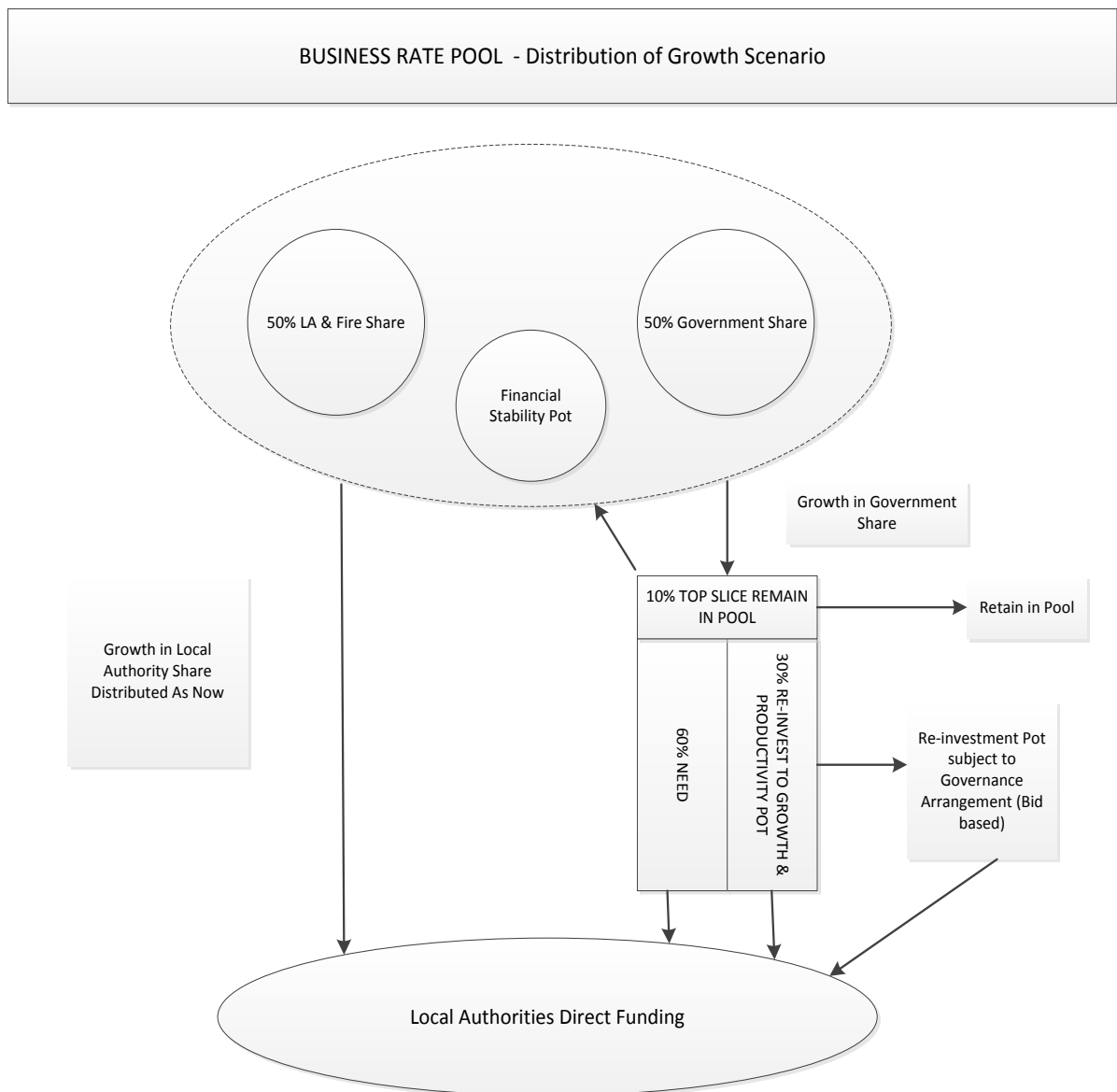
- 8.18 The Retained Business Rates system for Local Authorities is likewise intended to be financially neutral. Inevitably, this however will not be the case and there will be "winners" and "losers" across the country. The key risk is the extent to which successful appeals are greater or less than the assumed allowance for appeals contained within the new multiplier set by Government.

100% Business Rate Retention Pilot

- 8.19 The Council has been successful in its application to become a 100% Business Rate Pilot for 2018/19 in a pooled arrangement with the Isle of Wight Council and Southampton City Council. The arrangement is one where both risks and rewards must be shared across all authorities. The scheme is intended to reduce volatility in the income from Business Rates as well as maximise the incentive to grow the business rate base. The scheme itself includes a "No Detriment" provision, meaning that the Council can be no worse off than under the current 50% retention system (previously described) with its associated protections. It does however, provide the opportunity for the 3 Councils to retain 100% of any growth in Business Rates so long as it is used to:
- i) Promote financial stability and sustainability across the pooled area
 - ii) Re-invest in promoting further growth across the area
- 8.20 The pilot scheme is guaranteed for 1 year only although it is expected that it could continue thereafter so long as the 3 Councils are willing to remain in the pooled arrangement. Current 100% Business Rate pilots have had their schemes extended into 2018/19.
- 8.21 The scheme has been designed to retain the arrangements for the existing 50% share of business rate growth to remain intact with the relevant Councils and then for the Government's existing 50% share to be distributed through a "Growth Pool". The total "Growth Pool" that would otherwise have been passed back to Government but which is now available for distribution to the 3 Councils is estimated to amount to £14.1m.
- 8.22 The scheme has significant benefits to the City Council that it would otherwise not receive if it wasn't in the pooled arrangement as follows:
- i) Any growth (previously 50% and estimated at £14.1m) that used to be returned to Government, is now accumulated into a pool - this is additional funding available to the 3 Councils but, importantly includes all growth since 2013/14 (not 2018/19) although it is not backdated
 - ii) The pool is then allocated as follows:
 - 60% shared out on the basis of need (defined by the Government's current grant funding formula) - This is expected to be an additional £3.1m for the City Council and available for any purpose

- 30% is allocated to a "Growth & Productivity Pot", to be re-invested across the 3 Councils into schemes that generate growth and productivity - This is expected to be £4.2m in total and to be shared between the 3 Councils
- 10% is retained in the pool and held back in the event of future reductions in business rates - This is expected to be £1.4m across all Councils to be available to offset any potential future business rate loss

This is set out diagrammatically below:



- 8.23 The City Council's Business Rate base represents 37% of the total Business Rates collected across the 3 Councils with Isle of Wight representing 18% and Southampton representing 45% as set out below:

Authority	Business Rates Base¹¹ £m	% Share Business Rate Base	% Share of Growth Pool¹²
Isle of Wight Council	44.37	18.1%	23.0%
Portsmouth City Council	90.49	36.9%	36.6%
Southampton City Council	110.46	45.0%	40.4%
Total Business Rates	245.32	100.0%	100.0%

The table above also illustrates that the City Council's relative share of its Business Rate Base is broadly equivalent to its relative share of Need as the proportions of Business Rate Base and Share of the "Growth Pool" are broadly equivalent.

- 8.24 As mentioned, the Business Rates Growth Pool is essentially that element of Business Rate growth that previously was returned to Government. In cash terms, distributions from the Growth Pool will be significant for the Council since it will include the Government's share of growth relating to each of Portsmouth, Southampton and the Isle of Wight. For example:

- i) For a 1% increase in Business Rates across the 3 Councils, the City Council will receive £269,000
- ii) For a 0% change in Business Rates in Portsmouth but a 1% increase in both the Isle of Wight and Southampton, Portsmouth City Council will receive £170,000

- 8.25 Additionally, the City Council will be entitled to a share of the "Growth & Productivity Pot" which will amount to £370,000 for every 1% Business rate growth.

- 8.26 The estimated Growth Pool is significant for 2018/19 because it covers the growth for the total period 2013/14 to 2018/19 (rather than just 2017/18 to 2018/19) amounting to 13% across all three Councils.

- 8.27 In overall terms, it is estimated that the City Council will receive the following additional sums / benefits as a direct consequence of the 100% Business Rate Retention pilot:

- i) Direct allocation for general use £3.1m
- ii) A share of the "Growth & Productivity Pot" which amounts in total to £4.2m
- iii) A distribution from the "Financial Stability Pot" amounting to £1.4m in total in the event of future Business Rate reductions

11 Includes S.31 Grants provided by Government in recompense for foregone Business Rates arising from National Business Rate relief schemes

12 Share of growth relates to that element distributed directly to the Councils on a Needs Basis (i.e. 60% of the total Growth Pool)

- 8.28 In total, for 2018/19, Retained Business Rates are estimated at £73.6m¹³ (now reflecting the retention of 100% Business Rates) and which includes a surplus relating to previous year of £0.5m arising from lower than anticipated losses due to appeals. Future estimated Business Rates have been assumed to increase by the rate of inflation only (as estimated by the Office for Budget Responsibility).
- 8.29 The estimation of Business Rate receipts is extremely complex, with the potential to be volatile and with many of the factors outside this Council's control. In particular, the Valuation Office Agency will both determine whether a rating appeal is successful and the level of reduction granted with the Council having no right of challenge. To help mitigate against this risk, the Council maintains a reserve to provide the Council with a degree of funding stability in the event of fluctuations within and between years. The Council will now also be afforded some protection through the Business Rate Pooling arrangements (i.e. the "Financial Stability Pot").
- 8.30 Despite the complications and risks associated with appeals, there remains the financial incentive within the system for many Local Authorities (including Portsmouth¹⁴) to generate economic growth and job creation. Irrespective of the financial incentive, the Council's Medium Term Financial Strategy is aimed at reducing the need for Council Services generally and therefore growth, jobs and prosperity are vital to achieve that.

Council Tax Proposals 2018/19 & Future Years

Council Tax Amount 2018/19

- 8.31 As described in the Budget report to Council in December 2017, 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 if closed would reduce the Savings Requirements of the Council by the same sum.
- 8.32 Council Tax currently represents 46% of the Council's total revenue funding and as Government funding has reduced, this has become an increasingly more important and dependent funding source for the Council.
- 8.33 Council Tax for the average Council Tax payer in Portsmouth (Band B) currently amounts to £1,173.21, of which £994.87 (85%) is the City Council element. Not all residents are subject to the full amount of Council Tax with many benefitting from exemptions and discounts (such as the single person discount) and a significant number of residents receiving Local Council Tax Support bringing the level of Council Tax payable to an assessed affordable level. After discounts, exemptions and Local Council Tax support is taken into account, only 49% of all properties are subject to the full level of Council Tax.
- 8.34 In response to inflationary pressures faced by Councils (e.g. Consumer Price Index (CPI) 3.0% and Retail Price Index (RPI) 4.1%), the Provisional Local Government Finance Settlement for 2018/19 confirmed a Council Tax increase limit for general purposes (i.e. referendum threshold) of 3%. Any increase beyond the 3% threshold can only be implemented following a "Yes" vote in a local referendum.

¹³ Includes transfer to the "Growth Pool" of £4.9m and transfer from the "Growth Pool" of £3.1m less the "Tariff" of £17,157,504

¹⁴ Applies to Local Authorities that, in general, remain above the safety net threshold over time

- 8.35 As described more fully later in this report, the actual level of inflation for 2018/19 is £1.1m higher than had been originally forecast. This is principally due to the proposed pay award at 2.6% being £0.6m higher than forecast, the National Living Wage set at 4.4% plus RPI / CPI (upon which contracts and other costs are linked) estimated to cost an additional £0.5m. The Council had originally forecast that it would increase the level of Council Tax by just 1.99% for general purposes, a further increase in Council Tax of 1% (to 2.99%) would generate a further £714,500.
- 8.36 In addition, the remaining level of Council Tax increase allowed for the Adult Social Care precept for the period 2018/19 and 2019/20 remains at 3%. The Council's forecasts are based on the full remaining 3% increase being applied in full and evenly over the next 2 years (2018/19 and 2019/20). Should the Council elect to reduce the increase from 1.5% in 2018/19, each 1% reduction will lead to a further £714,500 pressure on Adult Social Care, requiring the Service to make further savings of an equivalent sum.
- 8.37 The additional flexibility to apply Council Tax increases for the Adult Social Care Precept has been provided in recognition of the extreme cost pressures facing Adult Social Care, both through the increase in the National Living Wage (which has increased by 4.4%) as well as the demographic pressures from general aging and a "living longer" population.
- 8.38 For Portsmouth City Council, it is vital that the flexibility of the ASC Precept is taken in order to mitigate the current underlying deficit in Adult Social Care currently standing at circa £1.8m. The alternative would be to increase the level of savings required by the Service.
- 8.39 Given the upward inflationary pressures on pay and prices amounting to £3.9m in total (and an additional £1.1m versus the Council's original forecast, as previously described), the demographic pressures in Adult Social Care and the impact of the 4.4% increase in the National Living Wage on Care Services (estimated to cost an additional £1.4m), it is proposed that:
- i) The Council Tax for General Purposes be increased by 2.99% for 2018/19, representing 57p per week for a Band B tax payer and yielding £2.1m
 - ii) Adult Social Care precept be increased by 1.5% for 2018/19, representing 29p per week for a Band B tax payer and yielding £1.1m to be passported direct to Adult Social Care.
- 8.40 Given the extent of the unfunded cost pressures in Adult Social Care, both present and emerging, it is recommended that the Council increase the Council Tax for the Adult Social Care Precept by 1.5%. Setting a precept at a lower sum will inevitably result in additional service reductions to Adult Social Care services in 2018/19, this decision therefore will be critical for Adult Social Care services and the wider health system in the City.
- 8.41 The Council could elect not to increase the level of Council tax by 4.49% but if it chose to do so would need to identify additional savings over and above the £4m savings approved by the City Council in December 2017. For every 1% reduction in Council Tax, additional savings of £714,500 will be required.

8.42 The Council's future forecasts for the period 2019/20 to 2021/22 have been estimated on the following basis:

- i) General Purposes - 1.99% rise each year
- ii) Adult Social Care Precept - 1.5% rise in 2019/20 and no further increases thereafter

Council Tax Base 2018/19

8.43 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as **55,857.4** for 2018/19.

Collection Fund Balance (Council Tax Element) 2017/18

8.44 The Collection Fund is the account into which are paid amounts collected in respect of Council Tax and out of which are paid the Council Tax precepts to:

- Portsmouth City Council (84.8% share)
- Hampshire Police & Crime Commissioner (11.0% share)
- Hampshire Fire & Rescue Service (4.2% share)

In the event that actual Council Tax income receivable is different from the estimated income (informed by the calculation of the Council Tax Base) upon which the precepts are based, then a surplus or deficit will arise.

8.45 For 2017/18, it is estimated that there will be a surplus on the Collection Fund of £1,210,318 which will be shared in proportion to the 2017/18 precepts and distributed to the preceptors as follows:

COLLECTION FUND SURPLUS - 2017/18		
Preceptor	Distribution	
	£	%
Portsmouth City Council	1,026,333	84.8%
Hampshire Police & Crime Commissioner	132,761	11.0%
Hampshire Fire & Rescue Service	51,224	4.2%
Total Surplus 2016/17	1,210,318	100.0%

The Portsmouth City Council Share of the surplus of £1,026,333 is factored into the overall Council Tax income for 2018/19.

Total Council Tax Income 2018/19 & Future Years

8.46 Considering the Council Tax increase, Council Tax Base and surplus on the Collection Fund, the total Council Tax income for 2018/19 is estimated at £75,685,892.

8.47 As Government funding reduces, rises in Council Tax income are fundamental to the Council's future financial position and therefore the future sustainability of Council Services. The Council's Medium Term Financial Forecast assumes that Council Tax Income will rise to £80,374,889 by 2021/22 and is based on the following assumptions:

- Increase in the amount of Council Tax of 4.49% for 2018/19
- Increase in the amount of Council Tax of 3.49% for 2019/20 (which includes 1.5% for the last remaining flexibility for the Adult Social Care precept)
- Increases of 1.99% per annum from 2020/21 onwards

Cumulative Effects of the Overall Local Government Funding System

8.48 Over the past 7 years and including the coming year, the emphasis of the Local Government Funding system has changed considerably. There are now clear financial incentives for Local Authorities to promote business growth, increase the number of homes and increase employment. This is illustrated by the following:

- The Business Rates retention scheme allows the City Council to retain circa £450,000 for every 1% increase in Business Rate growth (under the 50% Business Rate Retention scheme but doubling under the 100% Business Rate Retention Pilot). Equally, the City Council will lose £450,000 for every 1% decline in the Business Rate base
- For every new home built, the City Council is able to retain circa £1,591 p.a. above the "deadweight" threshold of 0.4% (circa 296 homes) in New Homes Bonus grant for a period of 4 years
- The risk of increased numbers of households requiring financial support to pay their Council Tax (formerly Council Tax Benefit) falls on the City Council. The City Council therefore will be worse off if caseloads increase and better off if caseloads fall. The estimated value of the Council Tax support for 2018/19 is £11.7m. Each 1% change therefore will represent a cost / saving of £117,000.

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

Summary of Proposed Revenue Budget 2018/19

8.49 The proposed Budget for 2018/19 has been prepared to include the following:

Spending 2018/19:

- Passporting the "Social Care Precept" funding of £1.1m (amounting to the equivalent of a 1.5% increase in Council Tax) to Adult Social Care to meet demographic pressures, the costs associated with the National Living Wage and to mitigate the current underlying deficit

- An overall allowance for inflation of 3.4% (which includes pay at 2.6%) amounting to £3.9m
- Use of the additional £3.1m received from the Business Rate Retention Pilot (currently guaranteed for 1 year only) to enable the Council to make a Revenue Contribution to the Capital Programme to ensure the Council can properly meet its statutory responsibilities for providing Special School Places
- Other contributions to Capital Programme to meet existing and future Council commitments and obligations
- The revenue implications arising from the Council's obligations to fund its Capital Programme contained elsewhere on this agenda, including both costs and any savings arising from Invest to Save Schemes
- Overall contingency provision to cover known and anticipated financial risks of the Council amounting to £6.4m (£6.7m in 2017/18), especially those relating to increases in demand for Adult & Children's Social Care services and the delivery of budget savings more generally
- Adjustment to forecast borrowing costs and investment rates
- The £4.0m savings proposals approved by the City Council in December 2017
- Forecast losses from MMD amounting to £1.0m (but returning to profit in 2019/20)

Funding 2018/19:

- Reduction in general Government funding of £7.4m
- An overall increase in Council Tax of 4.49%, yielding £3.2m
- An increase in the Council Tax base equivalent to 527.5 Band D properties yielding £0.7m
- An increase in retained Business Rates¹⁵ of £5.8m, (of which £3.1m arises as a direct result of the 100% Business Rate Pilot) due to increase in CPI and business rate growth¹⁶
- Overall "one-off" surplus on the Collection Fund attributable to the City Council amounting to £1.5m, representing a surplus on Council Tax of £1.0m and a surplus on Business Rates retained of £0.5m

¹⁵ This includes the reduction in the surplus brought forward from one year to the next on the Collection Fund of £1.0m

¹⁶ CPI - Consumer Price Index each September is used to increase the business rate multiplier that is applied to rateable values and determine rates due.

- 8.50 The proposed Budget for 2018/19, including the main changes described above results in net spending of £164,776,000. This amounts to a net increase in spending of £3,133,000 or 1.9% over the Original Budget 2017/18 of £161,643,000.
- 8.51 The proposed Budget for 2018/19 as described in this Section is recommended for approval.

9 Cash Limits 2018/19

- 9.1 As previously described, Cash Limits relate to that element of the Budget that is Portfolio and Service specific and which is controllable. Cash Limits have been prepared to reflect all changes set out in the proposed Budget for 2018/19 described in Section 8 and in particular include:

- Inflation
- Reductions to Cash Limits to take out the approved Budget savings
- Additions to Cash Limits for passporting funds relating to new burdens
- Adjustments to reflect the revenue costs of the proposed Capital Programme
- Windfall costs and savings
- Other refinements

- 9.2 The table below shows the proposed Cash Limits for 2018/19 and also those items outside Cash Limits (i.e. capital and similar charges, levies and insurance premiums), which together form the Budget for each service.

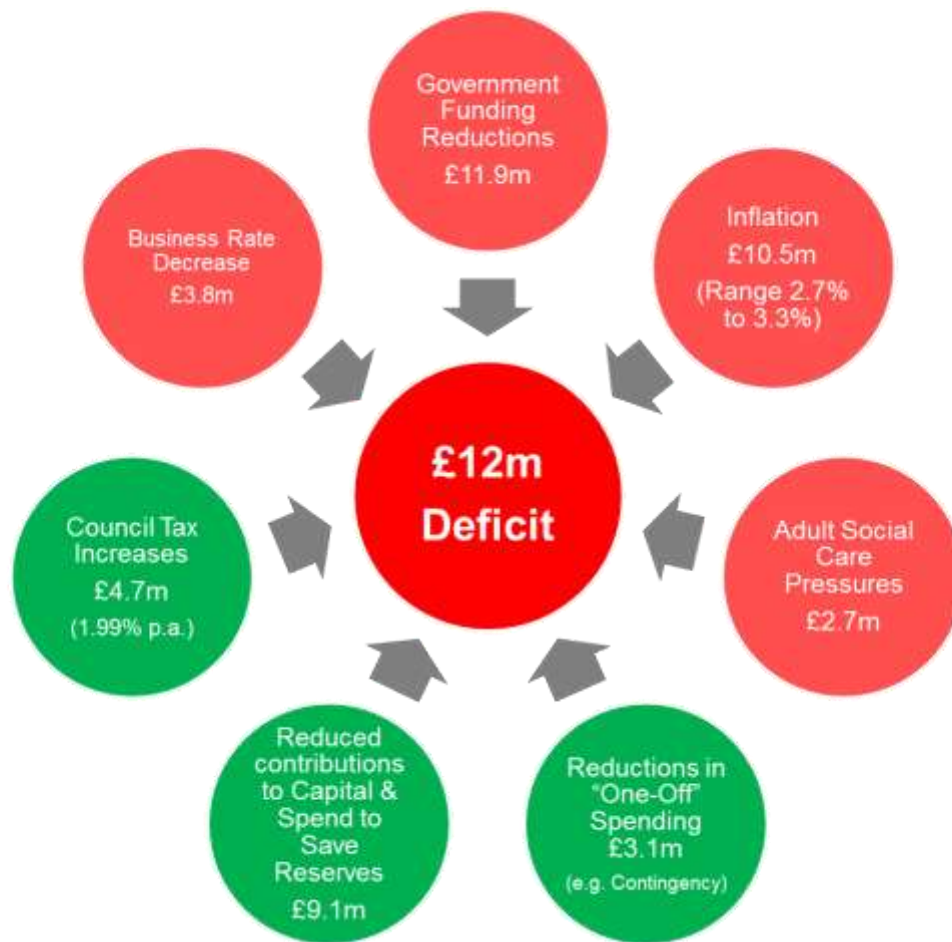
PORTFOLIO	Cash Limits 2018/19 £'000	Items Outside the Cash Limit £'000	Budget 2018/19 £'000
Children & Education	24,800	105	24,905
Culture Leisure & Sport	5,123	3,870	8,993
Education	5,305	18,989	24,294
Environment & Community Safety	14,366	1,788	16,154
Health & Social Care	41,739	3,314	45,053
Housing	2,540	5,743	8,283
Leader	139	20	159
Planning Regeneration Economic Development	(17,531)	13,041	(4,490)
Resources	18,045	4,244	22,289
Traffic & Transportation	15,760	684	16,444
Governance & Audit Committee	151	48	199
Licensing Committee	(239)	16	(223)
PORTFOLIO EXPENDITURE	110,198	51,862	162,060

- 9.3 Managers will be expected to contain their expenditure in 2018/19 within Cash Limits and to regularly monitor their budgets to ensure this is achieved. Managers will continue to have the freedom to change their budgets within the Cash Limit in the year, provided they do not enter into commitments which would increase their expenditure in future years beyond the agreed Cash Limit for 2018/19, but mindful of the requirement to make savings in future years.
- 9.4 As set out in the Council's Financial Rules, any overspends against the current year's Cash Limit will become the first call on any retained underspendings from previous years contained within a Portfolio's Earmarked Reserve. Should a Portfolio's Earmarked Reserve be depleted, any remaining overspend will be deducted from the 2019/20 Cash Limit.
- 9.5 Managers have delegated authority to incur committed routine expenditure within their approved Cash Limit. Routine expenditure is any expenditure incurred to meet the day-to-day operational requirements of the service, or any specific approved budget pressure. Managers wishing to incur expenditure on any other specific item should seek approval from the relevant Portfolio holder before incurring that expenditure.
- 9.6 These Cash Limits will be adjusted under the delegated authority of the S.151 Officer to reflect transfers of budgets that come to light after the Budget has been approved, such as changes to the assumptions on inflation rates and any other virements.
- 9.7 Managers will be required to report their forecast outturn position to the relevant Portfolio holder on a regular basis and the Cabinet will receive a report on the overall budget position every quarter.

10 Future Years' Medium Term Forecasts - 2019/20, 2020/21, and 2021/22

- 10.1 A new medium term forecast has now been completed and "rolled on" a further year to cover the period 2019/20 to 2021/22. All of the financial assumptions have been comprehensively revised and a savings requirement for the new period determined.
- 10.2 The previous medium term forecast estimated that savings of £12m would be required across the previous 3 year period 2018/19 to 2020/21. The proposed Revenue Budget for 2018/19 provides for £4m of those savings that, based on the "old" forecast, would have left a residual £8m remaining to be found for the following 2 years.
- 10.3 The new medium term forecast takes account of the £4m savings being achieved in 2018/19, comprehensively revises the remaining £8m that was estimated to be required and makes a forecast for the additional year 2021/22. It is now estimated that the savings required for the new 3 year period 2019/20 to 2021/22 will also be £12m (or £24m cumulatively over the period) as described in the paragraphs that follow.

10.4 The most significant changes that will affect Local Government and the Council through the period 2019/20 to 2021/22 are as follows:



10.5 The most significant assumptions in the medium term forecasts for the period 2019/20 to 2021/22 are described below:

Spending:

- An overall composite inflationary provision covering all pay and prices amounting to 3.3% for 2019/20, a further 3.1% for 2020/21 and a further 2.7% for 2021/22 amounting to a total for the period of £10.5m
- Demographic cost pressures in Adult Social Care (excluding inflation) of £2.7m
- The ongoing effect of savings and passported funding for new burdens included in the 2018/19 budget
- Some provision for the potential on-going risks associated with the budget pressures within Children's and Adult's Social Care
- Interest rates on any new borrowing of 3.2% for 2019/20, 3.5% for 2020/21 and 3.6% for 2021/22

- Investment rates on any new lending of 1.1% for 2019/20, 1.4% for 2020/21 and 1.5% for 2021/22
- Revenue contributions to Capital to meet existing Council commitments and also to supplement the Capital Resources available for 2019/20 and 2020/21 when capital resources will be extremely limited and far outstrip the Council's obligations and aspirations
- Contributions to the MTRS Reserve in 2019/20 and 2020/21 in order to maintain the Reserve at levels consistent with continuing to be able to support Spend to Save initiatives and likely redundancy costs
- An assumption of a steady state for other budgets

Funding:

- Reductions in overall general Government funding of £11.9m, representing a 56% reduction
- A 3.49% increase in 2019/20 followed by a 1.99% increase in Council Tax per annum from 2020/21 onwards, in total yielding £4.7m
- A core assumption that the 100% Business Rate Pilot will end in March 2019 and the Council will return to the National Scheme in 2019/20 and thereafter
- Indexation uplifts on retained Business Rates of 2.2% for 2019/20, a further 2.4% for 2020/21 and a further 2.5% for 2021/22 in line with forecasts from the Office for Budget Responsibility; but reduced by the £3.1m additional sum associated with the £100% Business Rate Retention Pilot (guaranteed for 1 year only) and an assumption that half of all Business Rate growth achieved since 2013/14 will be lost as part of the Fair Funding Review in 2020/21. The sum of all these factors is a reduction of £3.8m.
- An underlying zero growth assumption for changes in Business Rates from 2018/19 onwards, to reflect the uncertainty relating to appeals and mandatory reliefs
- That any loss of business rates income arising from National Business Rate reduction / capping initiatives will continue to be recompensed by Government via S.31 grant funding
- New Homes Bonus grant reductions based on the Government's assumptions of the changes to the scheme
- Changes to the Port dividend for 2019/20, 2020/21, and 2021/22 to reflect current forecasts

- 10.6 It is important to recognise that this forecast extends beyond the current Comprehensive Spending Review and 4 Year Settlement period. It also moves two years beyond the comprehensive change to the Local Government funding system which involves moving to 75% Business Rate Retention and the simultaneous implementation of the Fair Funding review. Consequently, there remains a significant level of uncertainty surrounding the forecast for 2020/21 and 2021/22.
- 10.7 The forecasts described above are the subject of a significant degree of uncertainty and particularly from 2020/21 onwards. The main causes of the uncertainty are:
- iii) Whether the 100% Business Rate Retention Pilot will continue beyond 2018/19 - if it does, it could have the potential to improve the forecast by £3.1m plus a share of any further increases in Business Rates across Portsmouth, Southampton and the Isle of Wight
 - iv) The outcome of the Fair Funding review in 2020/21 - this could have an estimated positive or negative effect in the range of +/- £3m
- 10.8 Due to the uncertain nature of the future years' forecasts it is imperative that the Council continues to plan for £4m of savings per annum as well as maintaining sufficient General Reserves. This is a balanced approach appropriate to an eventuality where the Council's forecasts are either too pessimistic or too optimistic. For example, in the event that the 3 year forecast improves, the Council has not prematurely made a level of savings and service reductions that could have been avoided and it allows more time for savings initiatives to take effect. If the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient General Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.
- 10.9 Crucially, this savings strategy, as described above, can only work if the Council retains General Reserves at the levels set out in this report.
- 10.10 In summary, the overall savings requirement has been maintained for both 2019/20 and 2020/21 and the forecast has been "rolled on" to now include a deficit in 2021/22 of a further £4m. The overall forecast budget deficit and savings requirement for the 3 year period 2019/20 to 2021/22 is £12m. Importantly, this level of budget deficit can only be maintained if the Council approves the proposed £4.0m of savings as well as the increase in Council Tax of 4.49% for 2018/19.
- 10.11 The medium term financial forecasts are set out as part of the General Fund Summary in Appendix A but in a more summarised fashion in Appendix B.
- 10.12 The fundamental aim of the Medium Term Resource Strategy is for in-year expenditure to equal in-year income. The proposed Savings Requirements set out below have been set to accord with that aim and also with the minimum level of General Balances that the Council is required to hold based on its risk profile.

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

	Revised Underlying Budget Deficit	Revised In Year Target	Revised Cumulative Saving
	£m	£m	£m
2019/20	4.7	4.0	4.0
2020/21	8.9	4.0	8.0
2021/22	11.9	4.0	12.0

- 10.14 It will be for the Administration to determine how these forecast Savings Requirements are allocated across Portfolios throughout future budget processes.

11 Estimated General Reserves 2017/18 to 2021/22

- 11.1 In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are required in order to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe reductions in services. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for the City or for Spend to Save schemes). Importantly, they also enable differences between expenditure and funding levels to be "smoothed out" and managed in a planned way over time.
- 11.2 General Fund Revenue Reserves as at 31 March 2018 (Revised Estimate) are anticipated to be £20.6m after transfers to and from other reserves. The Council is expected therefore to remain within the approved level of minimum General Reserves of £7.0m.
- 11.3 In accordance with Best Practice, the level and nature of all revenue reserves and balances has been reviewed as part of the budget process. The exercise has attempted to identify and assess all of the City Council's potential financial risks over the next few years in order to determine the prudent level of balances that should be retained, based on the City Council's risk profile. Each risk has been considered alongside the probability of it happening.
- 11.4 The outcome shows that for 2018/19 the City Council should hold a minimum of £8.0m in General Reserves to cover these major risks. It is therefore recommended that the minimum level of General Reserves be maintained at £8.0m as at March 2019. Assuming the savings required to fund the forecast deficit in 2018/19 are achieved, General Reserves as at 31 March 2019 are forecast to be £20.9m.
- 11.5 The minimum level of balances for 2019/20 and future years will be reviewed annually as part of the budget process.

- 11.6 The statement below gives details of the General Reserves in hand at 1 April 2017, together with the proposed use of reserves from 2017/18 to 2021/22, and the resultant balances at 31 March 2022 **assuming that the target savings recommended in Section 10 are achieved.**

General Reserves Forecast - 2018/19 to 2021/22					
Financial Year	Current Year £m	Budget 2018/19 £m	Forecast 2019/20 £m	Forecast 2020/21 £m	Forecast 2021/22 £m
Opening Balance	19.2	20.6	20.9	20.2	19.4
In Year Surplus / (Deficit)	1.4	0.3	(0.6)	(0.9)	0.1
Forecast Balance	20.6	20.9	20.3	19.4	19.5

- 11.7 The level of balances held over the period will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons, which include:
- The Council is not permitted to budget for a level of General Reserves below the minimum level determined by the S.151 Officer
 - The balances are predicated on total savings (as yet unidentified) of £12m being achieved over the next 3 years. If those savings are not made, balances would be below the minimum level by 31 March 2021.
 - It is a crucial part of the strategy to mitigate against the uncertainty of the Fair Funding Review in 2020/21 in order to avoid potentially significant "spikes" in savings requirements in any single year (as described in Section 10 above)
 - The uncertainty over the level of funding generally (in particular retained Business Rates), demographic cost pressures for care services, inflation and interest rates in future years
 - The uncommitted balance available in the MTRS reserve of just £4.8m¹⁷ means there are only limited funds available to fund the implementation costs of future efficiency savings (see Section 12)
- 11.8 Furthermore, the City Council is pursuing a number of initiatives that will rely temporarily on the use of the Council's reserves generally in order to deliver them in a more cost efficient way (i.e. as opposed to borrowing). Examples include, the City Deal, Dunsbury Hill Farm and the Investment Property Fund. In the current climate where borrowing rates are significantly greater than investment rates, it makes financial sense to utilise General Balances and Reserves (that would otherwise be invested until required) and defer any borrowing decisions to a later date once investment rates recover. Retaining reserves therefore is an extremely important element of delivering the Council's Regeneration Strategy that will ultimately result in increased jobs, new homes and improved prosperity for the City.

¹⁷ Including the transfer into the reserve of £4.5m as recommended in this report

12 Medium Term Resource Strategy Reserve

12.1 The MTRS Reserve was originally established to fund:

- Spend to Save and Spend to Avoid Cost initiatives
- Invest to Save capital schemes
- Feasibility Studies where there is likely to be an efficiency gain
- One-off redundancy costs arising from proposed savings
- The funding of expenditure of a “one-off” nature that is critical to the successful achievement of the outcomes that the residents of Portsmouth value most highly and where no other alternative funding source is available

12.2 Historically, the reserve has been replenished by transfers of underspends from previous years. Under the new financial framework of retained underspendings by Portfolios, the opportunities for replenishing this reserve are now diminished. The calls on the reserve however, for smaller scale Spend to Save or Invest to Save schemes are also diminished, since these are funded from Portfolio Reserves where available. It is important that the reserve is maintained to fund larger scale Spend to Save schemes that would otherwise be unaffordable by a Portfolio.

12.3 It is anticipated that the main call on the MTRS Reserve over the next few years will be redundancy costs arising out of the savings needed to balance the Budget, Invest to Save Schemes of a capital nature and the revenue costs associated with transforming Services.

12.4 In order to provide for future years anticipated redundancy costs (i.e. over the course of the coming year and the further 3 year forecast), satisfy the demands for Invest to Save Schemes and meet all other commitments, it is recommended that £2.0m is transferred into the Reserve in 2017/18 from the forecast underspend in the year, (as set out in Section 6) and a further £2.5m be transferred into the Reserve in 2018/19.

12.5 In the event that the recommended £4.5m transfer is not approved, the Reserve will be left with a very modest £0.3m, rendering it ineffective as a vehicle for facilitating future Spend to Save schemes of any meaningful scale.

12.6 In future years, for this reserve to continue in this capacity, it will be necessary to replenish it either from non Portfolio underspends or alternatively from the Revenue Budget.

13 Statement of the Section 151 Officer in Accordance with the Local Government Act 2003

13.1 Section 25 of the Local Government Act 2003 (“the Act”) requires the Chief Financial Officer to report to the City Council on the following matters:

- The robustness of the estimates included in the budget made for the purposes of setting the Council Tax; and
- The adequacy of proposed financial reserves

13.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2018/19. Particular uncertainties exist regarding the extent of successful appeals and mandatory reliefs which affect Retained Business Rates, Government Funding levels (including the outcome of the Fair funding Review), the ability of the Council to continue to make the necessary savings at the required scale and pace, the likely demographic cost pressures arising in demand driven services such as Adults and Children’s Social Care and the extent to which new policy changes will be funded (most notably those arising from the Care Act). All of these uncertainties increase the need for adequate reserves and balances to be maintained in current and future years.

13.3 A minimum level of revenue reserves must be specified within the Budget. The Local Authority must take full account of this information when setting the Budget Requirement.

13.4 Should the level of reserves fall below the minimum approved sum of £8.0m as proposed in this report, either arising from an overspend in the previous year or the current year, the S.151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall. In the most extreme of circumstances, the S.151 Officer can impose a spending freeze until a balanced budget is approved by the Council.

(a) Robustness of the Budget

13.5 In setting the Budget, the City Council should have regard to the strategic and operational risks facing the City Council. Some of these risks reflect the current economic climate and the national issues surrounding local authority funding levels.

13.6 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.

13.7 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail in Sections 8 and 10 and use the following sources as their evidence base:

- Government funding as set out in the provisional settlement for 2018/19 to 2019/20.

- A "no growth" assumption for Retained Business Rates from 2019/20 onwards on the basis that any income arising from growth will be offset by both appeals and reliefs
- The 100% Business Rate Retention Pilot will run for 2018/19 only
- An assumption that the value of successful appeals against the 2017 rating list will be the equivalent of 4.7% of the business rate multiplier.
- Increases in Council Tax based on what is likely to be acceptable and in particular that the Council will continue to take advantage of the flexibility to tax for Adult Social Care at 1.5% in 2018/19 and 2019/20
- Inflation on Retained Business Rates and prices in accordance with inflation estimates from the Office for Budget Responsibility
- Provisions for anticipated national policy changes arising out of the Care Act based on Portsmouth's share of "relative need"¹⁸
- Specific provisions for increases in demand for both Adult's & Children's Social Care based on current trends
- A general provision for (as yet) unknown budget pressures based on the estimated probability of those pressures being unable to be managed within Portfolio cash limits
- Prudential borrowing requirements based on approved Capital schemes
- Revenue contributions to capital based on known commitments and estimates of future needs
- Balances and contingencies based on a risk assessment of all known financial risks

13.8 Savings contained within the Budget are those where Portfolio Holders and Directors assess the confidence level of achievement is medium and above. Savings proposals have also been subject to scrutiny by Members. Responsibility and accountability for delivering the savings rests with the relevant Portfolio Holders and Directors and progress will be monitored throughout the year as part of the Budget Monitoring process.

13.9 The most volatile budgets are those of Adult's and Children's Social Care. Budget provision has been made available to cover these risks both directly within Service cash limits as well as within the City Council's overall contingency provision.

13.10 Additionally, Portfolios will be able to retain any underspendings in 2017/18 and utilise them as necessary in 2018/19 and future years for any purpose but with a clear priority to meet essential cost pressures in the first instance.

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

- 13.11 The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the City Council will incur in order to deliver current levels of service.
- 13.12 Portfolio Holders will be given regular budget updates by Directors to ensure that action to address any potential over or underspend is taken promptly and quarterly budget monitoring reports will continue to be presented to the Cabinet.
- 13.13 To encourage budget discipline, all future overspendings will be deducted from any retained underspendings accumulated in Portfolio Earmarked Reserves in the first instance and once depleted from the following year's Cash Limits.
- 13.14 Prudential Indicators are accurately calculated based on the Council's audited Balance Sheet, notified income streams and in depth financial appraisals of proposed capital schemes. These are published and reviewed on a regular basis to ensure that the City Council complies with the concepts of Affordability, Prudence, and Sustainability. The City Council has agreed to consider Prudential Borrowing for "Spend to Save Schemes" only, as it is currently unaffordable for any other purpose given the forecast budget deficits in 2019/20 and future years.
- 13.15 Future years' budgets will remain challenging due to continued funding reductions and uncertainties. The Council's forecasts provide for a savings target of £4m in 2019/20, £4m in 2020/21 and £4m in 2021/22.

(b) The Adequacy of Proposed Financial Reserves

- 13.16 During 2017/18, a review of the level and nature of all revenue reserves and balances has been undertaken. All of the City Council's potential financial risks over the next few years and the probability of each risk happening has been assessed. The outcome from this review concludes the need to maintain the minimum level of General Reserves of £8.0m as at 31 March 2019 (£7.0m in the current year).
- 13.17 Balances provide a buffer against unexpected costs such as pay awards, inflation, shortfalls in income and overspends and enable the City Council to manage change without undue impact on the Council Tax or immediate reductions to services. They are a key element of strong financial standing and resilience as they mitigate risks such as increased demand and other cost pressures.
- 13.18 The level of balances held will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons as set out in Section 11. The position will continue to be reviewed and reported to Members on an annual basis.
- 13.19 As previously mentioned, the Council will maintain Portfolio Earmarked Reserves to retain accumulated Portfolio underspends in order that Portfolios can better manage any known or unknown cost pressures that arise. It is forecast that Portfolio Reserves will amount to £7.8m as at 31 March 2018 which will be available for 2018/19.

- 13.20 The MTRS Reserve is the Council's primary vehicle for funding Spend to Save and Spend to Avoid Costs Initiatives, Feasibility Studies and redundancy costs. Taking account of all approvals from this reserve and future estimated redundancy costs over the next 4 years, it is estimated that the Reserve will have an uncommitted balance of just £0.3m. In order for this Reserve to continue in this capacity, it will be necessary to replenish it from any non Portfolio underspendings, transfers from other reserves no longer required or alternatively from the Revenue Budget.
- 13.21 The Council maintains a number of other Earmarked Reserves for specific purposes, all of which are at the levels required to meet known future commitments. The major reserves include the following:
- Revenue Reserve for Capital – to fund the Capital Programme
 - Highways PFI Reserve – to fund future commitments under that contract
 - Off Street Parking Reserve – to fund investment in transport
 - Insurance Reserve – to fund potential future liabilities
- 13.22 The Council's contingency provision for 2018/19 has been set on a risk basis at £6.4m and reflects anticipated calls on the budget where the timing and value is not yet known. The use and application of the contingency will continue to be exercised tightly.

14 Conclusion

- 14.1 The proposed Budget 2018/19 has been prepared to incorporate the decisions of Council in December 2017 to make savings amounting to £4m and set a Council Tax increase of 4.49%.
- 14.2 The decisions made by the City Council in December 2017 alongside the recommendations within this report are made as part of a co-ordinated package of measures for both the Revenue Budget and Capital Programme that are aligned with the approved Medium Term Financial Strategy with its stated aim that

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

- 14.3 The proposals contained within the December 2017 report and this report, now culminating in the proposed Budget for 2018/19, will:
- Provide a suite of savings amounting to £4m of which the vast majority relate to either efficiency savings (£2.4m) or additional income (£1.4m) leaving just £0.2m, or 4%, to be achieved through service reductions
 - In accordance with the Budget Consultation, provide significant protection to both Adults Social Care and Children's Social Care

- Provide for an overall Council Tax increase of 4.49% in 2018/19 comprising 2.99% for General Purposes and 1.5% to be passported direct to Adult Social Care services.
- Provide assurance that with a 1.5% increase in Council Tax for Adult Social Care that existing and emerging cost pressures can be met and mitigation provided to address the underlying deficit of £1.8m therefore avoiding any further reductions to those services in 2018/19 which is critical for Adult Social Care services and the wider health system in the City
- Provide real growth in funding to Adult Social Care (after passporting the ASC Precept and the improved Better Care Fund allocation)
- Require that for 2019/20 a minimum on-going savings sum of £4.0m be made
- Transfer £4.5m in total across the years 2017/18 and 2018/19 to the MTRS Reserve recognising this as the Council's primary vehicle for providing funding for Spend to Save initiatives
- Supplement the Capital Resources available in 2018/19 by making a £5.1m transfer from Revenue in total across the years 2017/18 and 2018/19 where there remains an enormous gap between Service needs, regeneration aspirations and the associated level of capital resources available
- Provide for any further underspendings for 2017/18 arising at the year-end (outside of those made by Portfolios) be transferred to Capital Resources in order to provide funding for known future requirements such as School Places, Sea Defences, essential maintenance for Council facilities and enabling infrastructure for the City's development where there is a known funding shortfall and because this Capital Investment is likely to have a significant transformational effect on the City's growth potential

14.4 The proposed Budget for 2018/19 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, the overall financial health of the Council currently remains sound providing a good degree of resilience against an uncertain future.

14.5 The challenge for the Council continues to be driven by Government funding reductions coupled with the demand led costs from essential care services. Due to prudent financial management over a number of years, the scale of those savings is now at more moderate levels and the forecast budget deficit for the 3 year period 2019/20 to 2021/22 is constant at £12m, amounting to £4m per annum for each of the next 3 years.

14.6 The essential care services of Adults Social Care and Children's Social Care continue to dominate the Council's costs at 53% of all controllable spend. Whilst entrepreneurial activities, income generation generally and improving the City's economy is a strong focus in its Medium Term Financial Strategy in its aim to avoid

service reductions, all services of the Council, including essential care services, will need to continue to make meaningful contributions towards the overall £12m Budget Deficit.

14.7 Funding uncertainty still remains, particularly in 2020/21 when the Local Government funding system changes to 75% Business Rate Retention alongside the simultaneous implementation of the Fair Funding review, which will set the baseline level of funding from Business Rates. This has the potential to affect the Council's forecasts either positively or negatively by circa £3m.

14.8 Looking forward, the main risks to the Council's financial resilience include:

- The ability to make savings to meet the continuing funding reductions from Government
- The demographic pressures arising from demand led essential Care Services
- The extent to which new burdens arising from national policy changes will be fully funded
- The level of Business Rates appeals and reliefs experienced plus the extent of Business growth or contraction
- The level of uncertainty surrounding the forecast for Local Government funding from 2020/21.
- The ability of the Council to meet its statutory Capital Investment obligations and aspirations for economic growth in the future

14.9 Given the level of savings required over the next 3 years of £12m, the degree of uncertainty that exists and the inevitable financial pressures that the Council will face, it is important that the Council continues to follow its Medium Term Financial Strategy and maintain Reserves at adequate levels. The Council should also be particularly mindful of the potential future income or reduced demand / costs that the Council could derive through the delivery of its Capital Programme. This is likely to be the biggest influence on enabling jobs, growth and overall improved prosperity within the City.

15 Equality Impact Assessment (EIA)

15.1 Consideration of the impact of budget pressures and proposed savings on all customers, services and staff has been taken into account in formulating this budget. The proposed Budget 2018/19 is based on the savings proposals set out in the report to Council in December 2017. Those savings were proposals only for the purposes of setting Portfolio Cash Limits and the overall City Council Budget. Whilst most are likely to be implemented, there will be some that require further consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, Portfolio holders have the discretion to alter, amend or substitute any proposal with an alternative proposal following appropriate consultation.

- 15.2 A city-wide budget consultation took place during October and November to help inform how to make £12m of savings over the period 2018/19 to 2020/21 as well as how the Council should prioritise its Capital Investment plans. 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.
- 15.3 With regard to this report, a public meeting of the Scrutiny Management Panel was also held on the 9 February 2018 where a presentation was made of the proposed Council Tax and Revenue Budget 2018/19, the Council's future financial forecasts for 2019/20 to 2021/22 and the proposed Capital Investment plans. The Scrutiny Management Panel have again had the opportunity to raise or refer any comments or representations to the Cabinet prior to this City Council meeting.

16 City Solicitor's Comments

- 16.1 The Cabinet has a legal responsibility to recommend a Budget and Council Tax amount to the Council and the Council has authority to approve the recommendations made in this report.
- 16.2 The S.151 Officer has a statutory duty under the Local Government Act 2003 to report on the robustness of the budget proposals and adequacy of reserves. The S.151 Officer's Statement within this report fulfils those obligations.

17 S.151 Officer's Comments

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

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Signed by: Section 151 Officer

Appendices:

- A** General Fund Summary
- B** Forecast Expenditure 2018/19 to 2021/22

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

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

Title of document	Location
Budget Working Papers	Office of Director of Finance & Information Technology
Local Government Finance Settlement 2018/19	Office of Director of Finance & Information Technology

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 13 February 2018.

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Signed by: Leader of Portsmouth City Council

APPENDIX A

Calculation of the Council Tax 2018/19

<u>Portsmouth City Council</u>	2018/19 £	2017/18 £
Gross Expenditure	486,934,953	463,193,930
LESS: Gross Income	(396,448,345)	(352,074,188)
Net Expenditure 2018/19	90,486,608	111,119,742
LESS: Government Grants	(15,827,049)	(40,346,160)
Council Tax Requirement - Portsmouth City Council Purposes	74,659,559	70,773,582
Council Tax Base	55,857.4	55,329.9
Council Tax - Portsmouth City Council Purposes at Band D <u>74,659,559</u> 55,857.4 =	£1,336.61	£1,279.12

<u>Hampshire Police & Crime Commissioner Precept</u>	9,912,454	9,154,885
Council Tax - Hampshire Police & Crime Commissioner Purposes at Band D	£177.46	£165.46

<u>Hampshire Fire and Rescue Authority Precept</u>	3,672,065	3,532,261
Council Tax - Hampshire Fire and Rescue Authority Purposes at Band D	£65.74	£63.84

The Council Tax to be levied for all bands in 2018/19 will be as follows :

		Portsmouth City Council £	Hampshire Police & Crime Commissioner £	Hampshire Fire & Rescue Authority £	TOTAL 2018/19 £	TOTAL 2017/18 £
Estimated Valuation as 1 April 1991						
Up to £40,000	A	891.07	118.31	43.83	1,053.21	1,005.62
£40,001 - £52,000	B	1,039.59	138.02	51.13	1,228.74	1,173.21
£52,001 - £68,000	C	1,188.10	157.74	58.44	1,404.28	1,340.83
£68,001 - £88,000	D	1,336.61	177.46	65.74	1,579.81	1,508.42
£88,001 - £120,000	E	1,633.63	216.90	80.35	1,930.88	1,843.63
£120,001 - £160,000	F	1,930.66	256.33	94.96	2,281.95	2,178.83
£160,001 - £320,000	G	2,227.68	295.77	109.57	2,633.02	2,514.04
£320,001 and over	H	2,673.22	354.92	131.48	3,159.62	3,016.84

GENERAL FUND SUMMARY - 2017/18 to 2021/22

APPENDIX A

Original Budget 2017/18 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2017/18 £	Original Budget 2018/19 £	Forecast 2019/20 £	Forecast 2020/21 £	Forecast 2021/22 £
	Community Safety					
23,842,700	Children & Families	24,193,300	24,904,800	27,017,800	27,765,600	28,456,600
10,160,860	Culture Leisure & Sport	9,088,260	8,993,160	9,462,260	9,699,960	9,925,460
24,247,457	Education	24,518,957	24,294,457	24,639,757	24,761,957	24,906,657
15,800,013	Environment & Community Safety	15,968,413	16,154,013	16,642,313	17,067,613	17,496,313
45,432,879	Health & Social Care	46,138,079	45,052,279	45,733,579	47,492,679	49,202,079
9,040,528	Housing	8,280,328	8,282,428	8,390,928	8,489,428	8,582,028
144,153	Leader	144,153	158,453	163,153	167,753	171,653
37,329	Planning Regeneration Economic Development	(4,444,871)	(4,490,371)	(5,541,071)	(6,033,571)	(6,201,771)
22,758,234	Resources	22,456,934	22,289,434	23,248,634	24,016,034	24,506,634
14,605,707	Traffic & Transportation	16,658,207	16,443,707	17,004,407	16,093,207	16,134,307
88,600	Governance, Audit & Standards Committee	146,900	199,400	212,900	228,000	223,300
(215,595)	Licensing Committee	(216,695)	(222,795)	(227,695)	(230,295)	(235,595)
165,942,865	Portfolio Expenditure	162,931,965	162,058,965	166,746,965	169,518,365	173,067,665
	<u>Other Expenditure</u>					
0	Precepts	0	0	38,400	39,400	40,400
(135,000)	Portchester Crematorium - Share of Dividend	(145,000)	(150,000)	(140,000)	(140,000)	(140,000)
7,172,000	Pension Costs	6,983,700	7,672,000	8,224,800	8,517,900	8,785,000
6,689,000	Contingency Provision	4,212,000	6,384,000	4,326,000	4,251,000	4,251,000
8,000,000	Revenue Contributions to Capital Reserve	10,461,900	10,344,500	5,000,000	2,000,000	0
764,100	Transfer to / (from) Other Reserves	2,629,800	3,155,900	2,229,500	1,272,200	272,200
(28,702,765)	Treasury Management	(29,559,165)	(27,225,965)	(26,806,965)	(26,281,465)	(26,113,165)
1,912,800	Other Expenditure	4,425,800	2,536,600	2,045,900	2,455,500	3,065,400
(4,299,865)	Other Expenditure	(990,965)	2,717,035	(5,082,365)	(7,885,465)	(9,839,165)
161,643,000	TOTAL NET EXPENDITURE	161,941,000	164,776,000	161,664,600	161,632,900	163,228,500
	FINANCED BY:					
(583,761)	Contribution (to) from Balances and Reserves	(1,389,356)	(304,260)	4,663,082	8,915,907	11,859,921
22,313,120	Revenue Support Grant	22,313,120	0	11,482,624	7,378,053	3,345,127
49,632,941	Business Rates Retention	50,844,141	73,567,319	52,874,252	51,498,445	52,785,905
18,033,040	Other General Grants	17,925,435	15,827,049	15,375,983	15,034,082	14,862,658
72,247,660	Council Tax	72,247,660	75,685,892	77,268,659	78,806,413	80,374,889
161,643,000		161,941,000	164,776,000	161,664,600	161,632,900	163,228,500
	BALANCES & RESERVES					
19,227,169	Balance brought forward at 1 April	19,256,118	20,645,474	20,949,734	16,286,652	7,370,745
583,761	Deduct (Deficit) / Add Surplus for Year	1,389,356	304,260	(4,663,082)	(8,915,907)	(11,859,921)
19,810,930	Balance carried forward at 31 March	20,645,474	20,949,734	16,286,652	7,370,745	(4,489,176)
7,000,000	Minimum Level of Balances	8,000,000	8,000,000	8,000,000	8,000,000	8,000,000
(583,761)	Underlying Budget Deficit / (Surplus)	(1,389,356)	(304,260)	4,663,082	8,915,907	11,859,921

APPENDIX B

BUDGET AND FORECAST EXPENDITURE 2018/19 to 2021/22

	Forecast 2018/19 £'000	Forecast 2019/20 £'000	Forecast 2020/21 £'000	Forecast 2021/22 £'000
Service Cash Limits	110,196	114,876	117,646	121,193
Contingency	6,384	4,326	4,251	4,251
Debt financing costs	23,227	23,646	24,172	24,340
Levies and insurance premiums	1,410	1,418	1,420	1,422
Other income/expenditure	23,558	17,398	14,145	12,023
	164,775	161,664	161,634	163,229
<u>Less</u>				
- Council Tax Income	75,686	77,269	78,806	80,375
- Revenue Support Grant	0	11,483	7,378	3,345
- Business Rates Retention	73,567	52,874	51,498	52,786
- Other General Grants	15,827	15,376	15,034	14,863
	165,080	157,002	152,716	151,369
Budget (Deficit)/Surplus	305	(4,662)	(8,918)	(11,860)

Deficits in 2019/20 to 2021/22 reflect future savings requirements