

Decision maker: Cabinet
City Council

Subject: Portsmouth City Council Revenue Budget 2019/20 -
Savings Proposals

Date of decision: 4th December 2018 (Cabinet)
11th December 2018 (City Council)

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

Wards affected: All

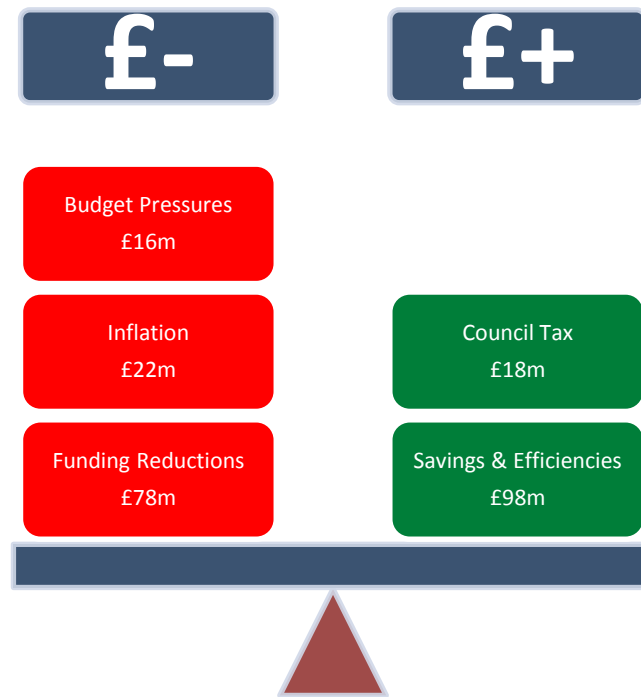
Key decision: Yes

Budget & policy framework decision: Yes

1. Executive Summary

- 1.1 In February 2018, the Council resolved to set a Savings Requirement of £4m for 2019/20 as the first tranche of savings towards an overall forecast Budget Deficit of £12m to be found over the 3 year period 2019/20 to 2021/22. For each of the years 2020/21 and 2021/22 two further tranches of £4m are also forecast, which all combined, meet the £12m requirement.
- 1.2 The cause of the £12m forecast Budget Deficit has been driven by the combined effect of reductions in Central Government Funding, relatively low increases in Council Tax and unavoidable cost increases (particularly associated with Adult and Children's Social Care).
- 1.3 Some mitigation has been provided by the Business Rate Retention Scheme (BRRS), allowing the Council to retain 50% of all proceeds of business rate growth, however this is small, currently amounting to circa £4m per annum compared with reductions in funding currently amounting to £78m per annum and increased cost pressures at £38m per annum compared with 2011/12.
- 1.4 As set out below, the Council has been required to make £98m in savings and efficiencies over the past 8 years in order to balance the Budget, ensuring that spending remains in line with income and funding levels. Savings of this magnitude have presented the Council with the largest budget deficits that have been experienced in modern times.

BALANCING THE BUDGET - 2011/12 TO 2018/19



- 1.5 Budget deficits of the scale described, both past and into the future, and the need to make corresponding savings creates a real and substantial risk to the sustainability of public services to residents and businesses. It is vital that the Council continues to pursue its Medium Term Financial Strategy (MTFS) and to resolutely maximise the deployment of the resources that it does have (Revenue, Capital, Property and Staff) towards driving additional income / funding and cost savings to secure Council Services for the future.
- 1.6 The overall aim of the MTFS has been refreshed and is described as follows:

OVERALL AIM

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

1.7 The Medium Term Financial Strategy has been designed to:

- Effectively manage and "smooth out" the required savings enabling the Council to properly plan and implement savings initiatives in a measured way
- Maintain the overall financial resilience of the Council over the medium term in order to guard against "financial shocks" or avoidable "spikes" in savings required in any one year and also have the ability to respond to opportunities which can bring funding to the City
- Minimise service reductions through measures to:
 - Engage in Innovative, Creative and Commercial activities (to generate income for the Council)
 - Improve the City Economy (to improve prosperity generally as well as increasing the Council's funding base)
 - Improve efficiency (to reduce costs with minimal impact on service delivery)
 - Transform Public Services (to improve the service users experience and remove duplication and therefore cost)
- Ensure that funding is available to enable, or "pump prime" Spend to Save (Revenue) and Invest to Save (Capital) schemes
- Maximise the Capital Resources available to the Council; recognising that the targeted use of the Capital Programme can stimulate economic regeneration, jobs and housing with consequent positive effects on Council funding as well as reduced costs

1.8 The implications from the Autumn Budget are not generally expected to materially alter the Council's forecast Budget Deficit of £12m unless the announcements relating to Adults and Children's Social Care of £650m nationally (£2.4m for the Council), but announced for 2019/20 only, are confirmed to continue into future years. Other factors such as inflation generally, the living longer population and the increase in the National Living Wage (4.9%), all of which are on-going, may impact on the Council's forecasts for future years beyond 2019/20.

1.9 Importantly, the Council's Savings requirement for 2019/20 of £4m is predicated on a Council Tax increase of 4.49% in total comprising:

- i) A 2.99% increase for general purposes, which broadly aligns with the level of inflation that the Council is expected to experience. At present the Government have consulted on a maximum increase of 3.0%, representing an inflation based level.

- ii) A 1.5% increase for the Adult Social Care (ASC) Precept, representing the balance of the remaining flexibility and which will raise an additional £1.1m to be passported direct to Adult Social Care to provide for otherwise unfunded cost pressures.

1.10 At this stage, pending a comprehensive revision of the Council's medium term financial forecasts in February 2019, it remains prudent to plan for a minimum savings requirement for 2019/20 of £4m. However, future years' savings forecasts for 2020/21 and beyond may change from the £4m per annum currently forecast as a consequence of:

- The outcome of the Fair Funding Review and Business Rate Reset in 2020/21 (both of which form part of the overall review of Government funding to Councils)
- Other variables such as Council Tax receivable, Business Rates receivable, inflation, interest rates and any other unfunded cost pressures
- The extent to which the Council's current £5.5m underlying structural deficit in Adults and Children's Social Care cannot be remedied

1.11 Savings proposals amounting to £4m have been developed by the Administration in accordance with the Medium Term Financial Strategy and the results of the Budget Consultation and are attached at Appendix 1.

1.12 Key responses from the Budget Consultation include:

- The four "most valued" services were 'rubbish and recycling collections', 'education', 'children's social services' and 'maintenance of the seafront, Southsea common, parks and open spaces'
- Portfolio budgets should be allocated differently - with more allocated to Education and less to Health, Wellbeing and Social Care
- There is clear support for a Council Tax increase as an alternative to cuts to services
- There is also a clear majority (68% of respondents) in support of an additional council tax increase specifically for social care to protect elderly people and other vulnerable adults
- 85% of residents support the council in seeking to generate income where possible to relieve financial pressure
- The three most popular responses for how the Council's Capital Budget should be spent were: 'Building new homes in the city, including flats offering special care of elderly residents', 'Continuing investment in new sea defences through plans to protect more than 8,000 homes and 700 businesses in Southsea' and 'Improving road network'

1.13 These are being published at this stage to enable full year savings to be achieved and avoid greater and deeper cuts associated with any delay. In terms of service delivery and planning, it is equally important to provide partners and residents significant advance notice of the changes to come into effect in order to assist them to plan for change accordingly.

1.14 The Administration's proposals for the £4m Budget Savings for 2019/20 are summarised as follows:

(i) Savings analysis:

Description of Saving	Savings	
Efficiency Savings (little or no reduction in Services)	£2.9m	72%
Additional Income	£0.8m	21%
Service Reduction	£0.3m	7%
Total	£4.0m	100%

(ii) An average saving across the Council of 2.5% of current spending

(iii) No savings from Children's Social Care

(iv) Savings in Education amounting to just 0.9%

(v) Savings in Adult Social Care Services amounting to 1.9% (**although when the passporting of the ASC Precept and other grants is included, ASC will receive a cash increase**)

1.15 The initial savings proposals within this report will support the delivery of the Council's financial health and resilience and its ability to respond in a measured and proportionate way to any "financial shocks" as well as having sufficient financial capacity to take a balanced approach to risk and be able to exploit opportunities as they arise.

1.16 Looking forward into 2019/20 and beyond still with significant savings to be made, to avoid significant cuts to Services the Council will need to remain focussed on its MTFs relying on regeneration (to stimulate Business rates and Council Tax), innovation and commercial activities (to generate income). Unless savings can be made in this way, the burden of those savings will be required from efficiencies and service reductions.

1.17 These initial proposals form a necessary part of the preparation to the overall Budget and Council Tax Setting report and recommendations to be considered at the Annual Budget and Council Tax Setting meeting on 12th February 2019. That report will also include a comprehensive revision of the Council's future financial forecasts and set the consequent future savings requirements for the period 2020/21 to 2022/23.

2. Purpose of Report

- 2.1 The report describes the financial challenge facing the City Council for the three years 2019/20 to 2021/22 and the likely implications for Council services to businesses and residents. It also describes, in overall terms, the way in which the Administration will seek to address this challenge through a Medium Term Financial Strategy with an increasing focus on regeneration, innovation and creativity.
- 2.2 The report sets out the need to find £12m of savings over the next three years with a minimum of £4m to be made in 2019/20 (assuming a 2.99% increase in Council Tax for general purposes and a total of a 1.50% increase for the ASC Precept in 2019/20). It recommends the level of savings to be made across Portfolios and other activities in 2019/20 consistent with both the outcomes of the recent budget consultation exercise and the overall financial strategy. The appendices highlight the likely savings proposals and implications associated with the overall Portfolio savings levels proposed.
- 2.3 This report is being brought at this time to provide greater opportunity for any necessary consultation, notice and other lead-in times to take place prior to implementation in order that full year savings can be made. Should approval of the savings be considered at a later date, a greater number or deeper savings will be required in order to compensate for any delay in implementation.
- 2.4 In particular, this report explains:
 - (a) In broad terms the challenge for the City in the current economic climate
 - (b) The general financial constraints on the City Council, both funding and spending, currently and in future years
 - (c) Where underlying budget deficits currently exist and how these will be managed
 - (d) Key assumptions built into the City Council's forecasts for 2019/20 to 2021/22 which give rise to a forecast £12m deficit over the period and which include:
 - i. Revenue Support Grant
 - ii. Other Non-ring fenced grants
 - iii. Business Rates
 - iv. Council Tax yield
 - v. Inflation and interest rates

- (e) The level of uncertainty surrounding future years funding sources from Council Tax, Business Rates and Government Grant and the extent to which this could affect the forecast £12m deficit over the period
- (f) The Medium Term Financial Strategy aimed at meeting the Council's core aim whilst addressing the forecast £12m deficit
- (g) The key themes arising from the budget consultation that took place over the October / November period to assist Members in their consideration over the level and nature of savings to be made across Portfolios
- (h) In the context of the Medium Term Financial Strategy and the Budget Consultation, the proposed savings amount for each Portfolio / Committee to be made in 2019/20
- (i) The detailed indicative savings (Appendix B) that could be made by each Portfolio / Committee in meeting its overall savings amount in order to provide the Council with the assurance necessary to approve the recommended savings amount for each Portfolio / Committee
- (j) The need to agree the Portfolio / Committee savings amounts at this early stage in order that any necessary consultation, notice periods or other lead times can commence in order to avoid greater and deeper savings arising from any delay
- (k) How the proposals contained within this report will be fed into the formal Budget and Council Tax 2019/20 proposals to be considered by the City Council on 12th February 2019

3. Recommendations

3.1 That the following be approved:

- (a) That the overall aim of the MTFS and its key strands as described in Section 8 be adopted by the Council
- (b) That the Council's Budget for 2019/20 be prepared on the basis of a 2.99% Council Tax increase for general purposes
- (c) That the Council continues to take advantage 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 1.5% increase for 2019/20), and consequently that the additional funding is passported direct to Adult Social Care to provide for otherwise unfunded cost pressures
- (d) The savings proposals for each Portfolio amounting, in total, to £4m for 2019/20 and continuing into future years as set out in Appendix A to enable appropriate consultation and notice periods to be given to affected parties

3.2 That the following be noted:

- (a) The Budget Savings Requirement for 2019/20 of £4m approved by the City Council is predicated on a total Council Tax increase of 4.49%; each 1% change (increase or decrease) in the Council Tax results in a change to the savings requirement of £747,000¹
- (b) The key themes arising from the Budget Consultation
- (c) The indicative savings proposals set out in Appendix B which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 3.1 (d) above are robust and deliverable
- (d) The likely impact of savings as set out in Appendix B
- (e) That the responsibility of the City Council is to approve the overall Budget and the associated cash limits of its Portfolios and Committees; it is not the responsibility of the City Council to approve any individual savings within those Portfolios / Committees
- (f) That it is the responsibility of the individual Portfolio Holders (not full Council) to approve the individual savings proposals and the Portfolio Holder can therefore, in response to any consultation, alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix B with alternative proposal(s) amounting to the same value within their Portfolio
- (g) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process
- (h) That there is no general provision for Budget Pressures and that it is the responsibility of the Portfolio Holder to manage any Budget Pressures which arise from the overall resources available to the Portfolio (which includes their Portfolio Reserve)
- (i) In accordance with the approved financial framework, it is the responsibility of the Portfolio Holder, in consultation with the Director of Finance & Information Technology (S151 Officer), to release funds from the Portfolio Reserve in accordance with the provisions set out in paragraph 10.16
- (j) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies currently holds a modest uncommitted balance of £4.0m and will only be replenished from an approval to the transfer of any non-Portfolio underspends at year end into this reserve

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

4. Economic & Financial Context

4.1 Whilst the picture for the national public finances is improving with lower than forecast levels of total debt and overall debt as a proportion of Gross Domestic Product falling, it remains to be seen whether this will filter through into additional funding for local Councils for both day to day revenue spending and capital investment.

4.2 The key announcements from the Autumn Budget for Local Government are summarised below:

- £240m of additional Adult Social Care funding for 2018/19 to support Winter Pressures
- £240m continuation of the Adult Social Care (Winter Pressures) funding into 2019/20
- £410m for Adults and Children's Social Care in 2019/20 and states "*..... to ensure that adult social care pressures do not create additional demand on the NHS. Local councils can also use it to improve their social care offer for older people, people with disabilities and children*"
- £55m of additional funding for Disabilities Facilities Grant in 2018/19;
- £420m in 2018/19 to tackle pot holes and other minor road highways works;
- £400m of in-year capital funding allocations to schools in 2018/19 to spend on equipment and facilities;
- An additional £84m of Children's Services funding over 5 years to help more children stay at home safely with their families, but across only 20 councils;
- For two years up until the next Revaluation in 2021 all retail premises with a Rateable Value below £51,000 will have their bills reduced by one third (expected to benefit 90% of retail properties);
- Introduction of 100% business rate relief for public lavatories in 2020/21;
- £675m to be provided across the period to 2023/24 through a new "High Streets Fund" to assist with rejuvenation of High Streets and, in particular, changing unused business and commercial property into residential accommodation;
- Additional funding for the Housing Infrastructure Fund of £500m will be provided, taking the total fund to £5.5bn;

- The government will abolish the future use of PFI and PF2, saying there is compelling evidence that it does not deliver value for taxpayers or genuinely transfer risk to the private sector.
- 4.3 The implications from the Autumn Budget are not generally expected to materially alter the Council's expected revenue funding from Central Government over the medium term, upon which the Council's forecasts are based. However, the announcement related to Adults and Children's Social Care of £650m nationally, but announced for 2019/20 only, will help to alleviate the existing and emerging financial pressures in those areas in the short term but unless confirmed into future years will not have any impact on future budget deficits. Other factors such as inflation generally, the living longer population and the increase in the National Living Wage (4.9%), all of which are on-going, may impact on the Council's forecasts for future years beyond 2019/20.
- 4.4 A Comprehensive Spending Review is planned for next year and this will set the overall envelope for the Public Sector, and alongside the Local Government Finance Settlement for 2020/21, will provide much more certainty for Council funding over the subsequent 4 year period.

5. Local Government Funding Outlook - 2019/20 to 2021/22

Government Funding 2019/20 to 2021/22

- 5.1 Government funding has reduced by £78m (54%) since 2011/12 and is expected to reduce by a further £11.9m over the forthcoming 3 year period.
- 5.2 There is a good degree of certainty of Government Funding for the next financial year, being a further reduction of £5.9m which was announced as part of the 4 Year Settlement that the Council has entered into but which ends in 2019/20. However, from 2020/21, a new formula funding methodology will be in place, this is currently under consultation and is known as the "Fair Funding Review". It seeks to fundamentally review the methodology (or formula) for allocating funding as well as the underlying data used to populate the methodology. The overall forecast reduction in Government funding of £11.9m therefore is particularly uncertain.
- 5.3 Whilst funding from Government 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, any new unfunded burdens passed down from Government plus any changes in regulations.

Council Tax 2019/20 to 2021/22

- 5.4 Portsmouth City Council remains a low taxing Authority. The Council currently receives approximately £6m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group, a gap which the Council would otherwise not need to fund through savings.
- 5.5 Council Tax currently represents 46% of the Council's overall funding base² with annual rises limited by "referendum thresholds"³ which are set by Government annually. Over the past 8 years, Council Tax increases have not been sufficient to keep pace with the levels of inflation and other cost pressures experienced by the Council. Council Tax income has risen by £18m over the period since 2011/12 with inflation and other costs rising by over twice that amount at £38m.
- 5.6 The Council's financial forecasts (which derive a budget deficit of £12m over the next 3 years) assume that future Council Tax rises will be broadly in line with the level of inflation that the Council is expected to experience. At present the Government have consulted on a maximum increase for 2019/20 of 3.0%, representing inflation based level and it will be necessary to tax at that level in order to maintain a savings requirement for 2019/20 at £4m.
- 5.7 Should the Council choose to levy a Council Tax increase below an inflation based level, every 1% reduction will increase the deficit by £747,000 and require corresponding additional savings to be achieved.
- 5.8 For general purposes, the proposed increase in the amount of Council Tax payable by the average council taxpayer⁴ in Portsmouth (with a 2.99% increase) is £31.08 per year (or 60 pence per week).
- 5.9 Additionally, Local Authorities were given the flexibility to raise Council Tax specifically to provide support for Adult Social Care Services. This is known as the Adult Social Care (ASC) precept; the level of Council Tax increase for this purpose is determined by Central Government. This was set at 6.0% in total for a 3 year period up to and including the forthcoming financial year (2019/20).
- 5.10 The remaining ASC Precept flexibility available to the Council is 1.5%. An increase in Council Tax of 1.5% for this purpose would add a further £15.59 per year to the average Council Tax bill (30p per week) and will raise an additional £1.1m to be passported direct for Adult Social Care Services.
- 5.11 As set out in Section 6, there are a number of actual and potential cost pressures that either currently exist or will fall on Adult Social Care in 2019/20. This includes the current underlying structural budget deficit amounting to £1.6m as described in the "Revenue Budget Monitoring 2018/19 (2nd Quarter) to end September 2018" report contained elsewhere on this Agenda. In

² Funding Base includes Council Tax, Business Rates and Central Government General Grants but excludes specific grants, subsidies and fees and charges

³ The level of Council Tax increase beyond which a yes vote in a referendum is required

⁴ The median Council Taxpayer lives in a Band B property

addition, Adults Social Care will face pressures from the rising elderly population generally, the requirements of the Care Act and the 4.9% increase in the National Living Wage. The National Living Wage alone could confer an additional cost of circa £2m on the Council in 2019/20 with just £1.1m available from the ASC Precept.

Business Rates 2019/20 to 2021/22

5.12 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 involves retaining 50% of all Business Rates generated in the area but which is subject to variables such as:

- Growth or reductions in the business rate base (i.e. number and size of business in the local area)
- The value of successful appeals
- The number of mandatory reliefs (e.g. charitable relief)
- The overall collection rate (i.e. how much is uncollectable and written off)

5.13 The Council has benefited from the national Business Rate Retention Scheme from 2013/14 to 2018/19 by £4m per annum and now from being a 100% Business Rate Retention Pilot for 2018/19 of a further £3m although this latter £3m is only guaranteed for 2018/19. The Council has re-applied with its Solent partners to be part of the Business Rate Retention Pilot for 2019/20 (now a 75% pilot scheme), the announcement for which will be made as part of the Local Government Finance Settlement in December 2018.

5.14 As part of the comprehensive review of the Local Government funding system (i.e. the Fair Funding Review), there will also be a "Reset" of the Business Rates Baseline in 2020/21. This means that any growth in Business Rates currently being enjoyed by the Council (£4m per annum and a further £3m guaranteed for 2018/19 only) could be lost.

5.15 Economic growth and job creation in the City are a key part of the Council's Financial Strategy. The City Council has a key role in regenerating the city, working with partners to grow the local and sub-regional economy. As described later in this report, growth and job creation has the dual impact of increasing the prosperity of residents generally which leads to a reduction in demand for Council services and increases Business Rates, of which 50% (or 100%) is retained by the Council. This allows the Council to both reduce its costs as well as generate additional income.

Funding Summary - 2019/20 to 2021/22

- 5.16 In summary, the forecast funding for the Council from Central Government Grants is predictable for 2019/20 but not for the further 2 years due to the uncertain outcome of the Fair Funding Review and the Business Rate Reset. Council Tax income is predictable with a reasonable degree of accuracy but Business Rate income is not. Significant uncertainty exists not just in relation to the business rate growth / decline generally and the extent of reliefs and appeals but more significantly the impact of the Business Rate "Reset". Taken together, the overall funding position over the next 3 years is particularly uncertain which makes prudent financial planning absolutely vital.

6. Expenditure Outlook - 2019/20 to 2021/22

- 6.1 Over the past 8 years, costs have risen substantially. The combination of inflation plus unavoidable cost pressures, particularly in Adults and Children's Social Care, have added an overall cost burden of £38m over the period
- 6.2 The cost of providing services continues to rise and at a level beyond the rate of inflation. In general, the cost of providing Services is driven by the following:
- i) Pay and price inflation which will include the increasing cost of the National Living Wage (4.9%), general price increases and increases in interest rates
 - ii) Increases in demand for services, largely driven by social, economic and demographic pressures such as availability and affordability of housing, employment levels, the living longer population and the consequences for Adult Social Care
 - iii) The extent to which new responsibilities conferred on the Council by Government are adequately funded

Inflation as measured by the Consumer Price Index is currently running at 2.4% and for the Retail Price Index 3.3%.

- 6.3 Of particular concern are the cost pressures currently being experienced in both Adults and Children's Social Care where the combined underlying structural budget deficits are currently forecast to amount to £5.5m. These are explained in more detail in the "Revenue Budget Monitoring 2018/19 (2nd Quarter) to end September 2018" elsewhere on this agenda but in summary relate to the following:
- i) Adult Social Care - (Forecast £3.0m overspend in 2018/19 with £1.6m forecast to be on-going into future years)

The rising costs of Learning Disability Services associated with meeting the cost of "sleep in" rate increases, growth in client numbers and the costs of meeting those complex needs. This is coupled with the significant increase in staffing in residential and day care units necessary (following a review) to ensure safe high quality care. The "In Year" overspend is forecast to be £3.0m of which £1.6m is expected to continue into future years, being the underlying structural deficit.

Adult Social Care is well advanced in working towards addressing the financial deficit and achieving a balanced budget by 2021/2022, using re-ablement to reduce the length of time people use funded services and further reducing dependence on residential/nursing care by maximising opportunities for supported living. The service is aiming to reduce reliance on domiciliary care by encouraging choice and control in care arrangements, through promoting direct payments and use of personal assistants.

- ii) Children's Social Care (Forecast £5.6m overspend in 2018/19 with £3.9m forecast to be on-going into future years)

The overspend is primarily related to an overall increase in Looked After Children which has risen by 133 (42%) over the last 5 years. Significantly, external residential placements account for £2.6m of the forecast overspend and circa £1.3m relates to the unfunded costs of Unaccompanied Asylum Seeking Children.

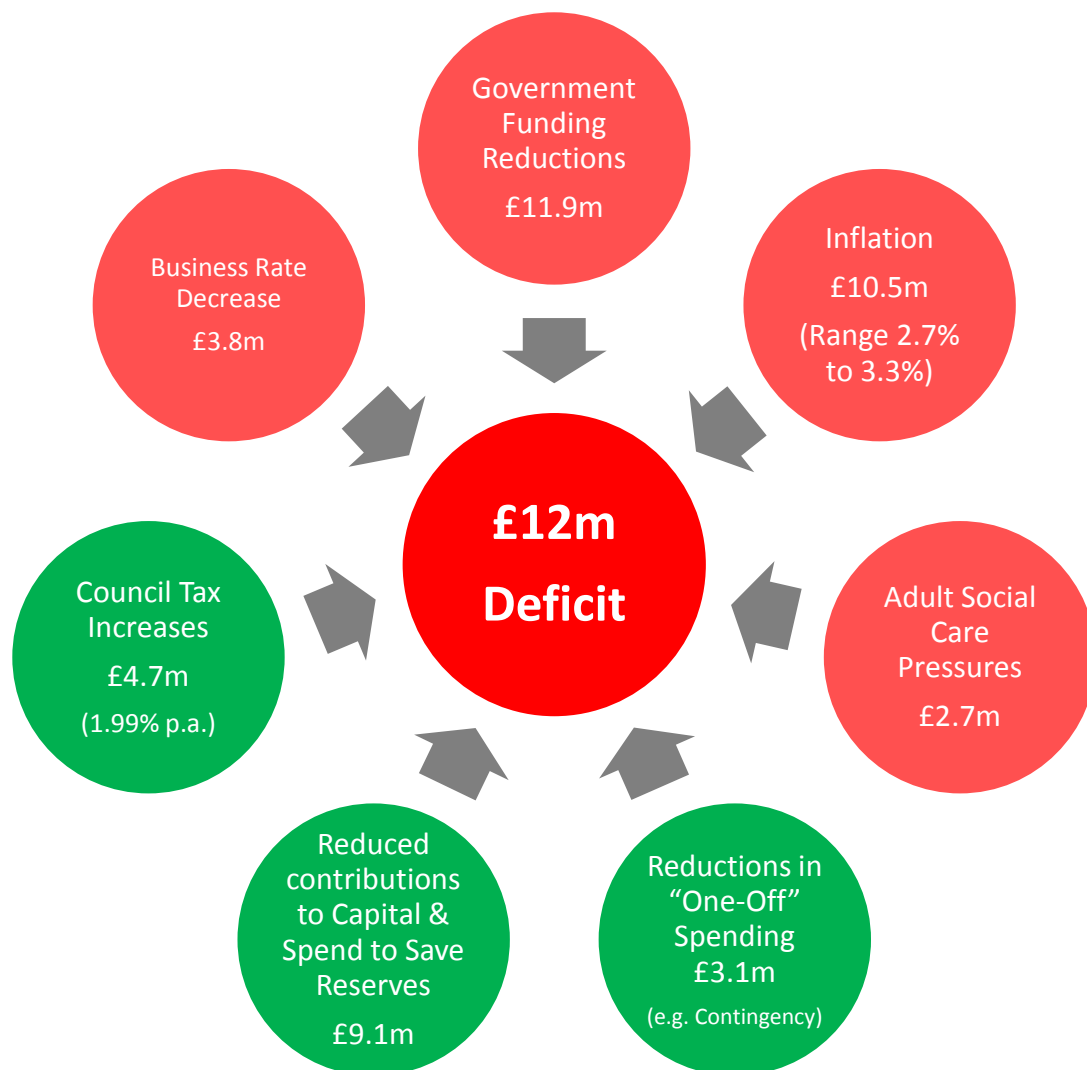
The Service is currently working with other local authorities across the region, all of which are experiencing cost pressures, to identify joint strategies for cost reductions, particularly in relation to placements. Proposals to eliminate any deficit arising in the medium term are currently being developed in conjunction with the budget setting process although opportunities to remedy a deficit of this scale are limited

Overall Budget Forecast - Funding & Spending 2019/20 to 2021/22

- 6.4 The overall outlook therefore for the Council's future costs is that it is likely to exceed inflation related increases only due to additional demographic pressures. However, as previously explained, funding levels are constrained and unable to match the rate at which costs rise. This is because Council Tax is effectively capped at 3%, Business Rates increase in line with CPI (currently 2.4%) but Government funding, representing 20% of the overall funding base, is actually falling.

7. Overall Budget Forecast (Existing Forecast) - Funding & Spending 2019/20 to 2021/22

- 7.1 Taking both funding and spending together, the medium term forecast for the next 3 years indicates an overall budget deficit and therefore savings requirement of £12m as summarised below:



- 7.2 It is important to recognise that this forecast extends beyond the current Comprehensive Spending Review and 4 Year Settlement period and moves two years beyond the comprehensive change to the Local Government funding system which involves the Business Rate "Reset" 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, exposing the vital need for prudent and responsible financial planning.

- 7.3 The forecast deficit of £12m was reported to the Council in February 2018 where it was recommended that the savings profile over the next 3 years should be equally phased (as set out below) with the aim of both providing a level of stability for financial and service planning.

£12m Deficit - Next 3 Years		
2019/20	2020/21	2021/22
£4m	£4m	£4m

- 7.4 The Council is aware of a number of potential changes to the assumptions underpinning the current forecast and will also be undertaking the usual review of the estimates of Council Tax and Business Rates income in early January 2019, this means that a comprehensive revision at this stage would be premature and subject to potential significant change.
- 7.5 As previously described, of most concern is the cost pressures currently being experienced in both Adults and Children's Social Care where the combined underlying structural budget deficits are currently forecast to amount to £5.5m. This has risen from a forecast combined underlying deficit of £3.6m at the beginning of the financial year. This underlying structural budget deficit was has not been factored into the £12m overall forecast deficit since it was reasonably expected that the plans being developed would remedy the position. That remains the case for Adult Social Care but now appears remote for Children's Social Care given the increasing levels of demand.
- 7.6 Some additional funding from Government has recently been announced for Adults in 2018/19 and for both Adults and Children's Social Care in 2019/20 to help alleviate financial pressures nationally across the system amounting to £0.9m in 2018/19 and £2.4m in 2019/20. It is not yet clear if this funding will continue beyond 2019/20 and therefore whether it can be used on an ongoing basis to part remedy the combined underlying structural budget deficits of £5.5m.
- 7.7 Whilst it is likely that the overall financial forecasts will change, the savings requirement for 2019/20 at £4m remains robust and prudent on the basis of an overall Council Tax increase of 4.49% (2.99% for General Purposes and 1.5% for the ASC Precept). Given the scale of the underlying structural budget deficits, the uncertainty of continuing additional funding plus the uncertainty relating to the future Local Government Funding system a savings requirement of less than £4m for 2019/20 would not be prudent.
- 7.8 A comprehensive revision of the Council's future financial forecasts and the consequent future savings requirements for the period 2020/21 to 2022/23 will be presented to the Council in February 2019. It will take into account all known variables and revise all key assumptions as well as extending the

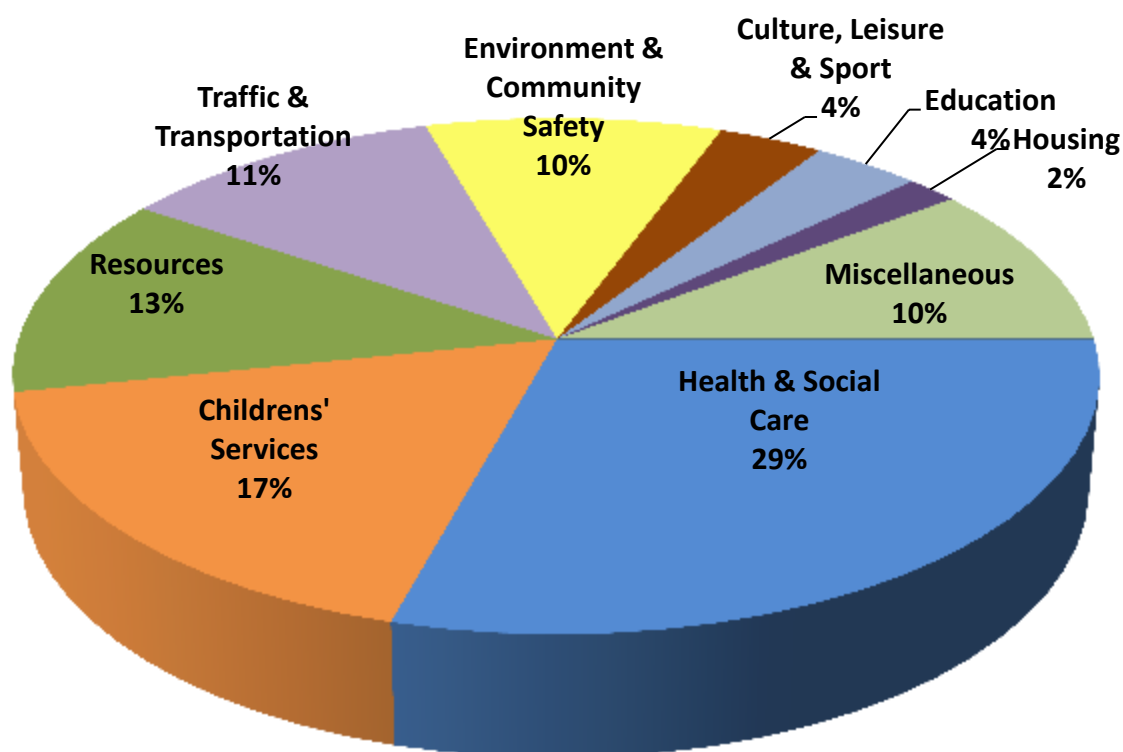
forecast to cover an additional year (2022/23) in order to maintain a rolling 3 year plus current year financial forecast. The extent to which the underlying structural budget deficits cannot be remedied in the medium term will add to the Council's current forecast £4m per annum savings requirements for the years 2020/21 onwards.

8. Medium Term Financial Strategy - 2018/19 & Beyond

Financial Strategy 2018/19 & Beyond

- 8.1 In overall terms, the financial picture over the next 3 years and beyond is one of increasing costs and demand for services, particularly in essential care services, at the same time as continued reductions in funding leading to an overall forecast budget deficit over the next 3 years of at least £12m.
- 8.2 Considering also that those essential care services consume 46% of the Council's net controllable budget, the Council is faced with a position where it not only has to meet those costs, or at the very least manage the demand for those services, but simultaneously find at least £12m of savings across all areas. This is illustrated below:

2018/19 Net Controllable Expenditure of £125m



- 8.3 It is also of significance that a further 21% of the Council's controllable spend is consumed by the Traffic & Transportation and Environment & Community Safety Portfolios where a large proportion of their activities are tied into long-term contracts where the savings potential is more limited.
- 8.4 The Council's Medium Term Financial Strategy has been developed to respond to these very challenging circumstances. The Strategy has a strong regeneration and value for money focus with a presumption also that Capital investment will be targeted towards cost savings, income generation and economic growth.
- 8.5 The strategy below is a renewed emphasis on regeneration, innovation and creativity leading to stimulation of the funding base (Council Tax and Business Rates) and income generation as a means to make savings and avoid cuts to services.
- 8.6 The overall aim of the Strategy is illustrated below:

OVERALL AIM

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

STRAND 1

Transforming to an Innovative and Creative Council:

- Income Generation
- Regeneration and meeting Housing Needs
- Strategic Use of Property and Assets
- Invest for commercial gain
- Develop and establish commercial entities to sell services profitably
- Capital investment for jobs and business growth (increased Business Rates)
- Establishing strategic partnerships / share service arrangements to reduce costs and increase resilience

STRAND 2

Reduce the extent to which the population needs Council Services

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

STRAND 3

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

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

STRAND 4

Withdraw or offer minimal provision of low impact Services:

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

- 8.7 The Council has a comprehensive supporting financial framework in place designed to avoid any financial obstacles to delivering the MTFS. At the heart of the financial framework is a system of decentralised financial planning. Portfolio holders have substantial financial decision making autonomy and accordingly are charged with being accountable for proper financial planning and responsible spending. This was deliberately designed to create the financial conditions that support responsible spending and promote forward financial planning. In practice it will require Portfolio Reserves, the MTRS Reserve, Prudential Borrowing and the Capital Programme to be used primarily to deliver savings.
- 8.8 The implication of this is that the opportunity for future underspendings to accrue and be available corporately is much reduced. It is vitally important therefore that the use of any corporate underspend is used wisely and in accordance with the Council's Medium Term Financial Strategy aimed at meeting the future financial challenges of the Council.
- 8.9 The MTRS Reserve is a fundamental component of the Council's financial framework and is designed to provide funding for future redundancies, Spend to Save and Invest to Save initiatives. The current uncommitted balance on the MTRS Reserve amounts to £4.0m and is considered to be very modest in the context of the £12m of savings that the Council is required to make over the next 3 years.

9. Budget Process & Consultation 2019/20

- 9.1 During October and November of this year, the Council undertook a Budget consultation to understand residents spending priorities as well as their preferences for Council Tax levels.
- 9.2 The consultation was city wide and took the form of a survey questionnaire which was also supplemented by 10 consultation events at various locations across the City. There were eight public consultation events and two tailored events - one seeking the views of younger residents at Portsmouth College and another focussing on business insight. The eight public consultation events were held at supermarkets, leisure centres and markets across Portsmouth at various times of the day. Information about the consultation was also distributed throughout the City, in libraries, housing offices and community centres.
- 9.3 The survey was promoted through the following communication channels:
- Press releases encouraging participation and promoting consultation events, generating coverage in The News
 - Social media promotion including boosted posts and adverts
 - Information on the website: www.portsmouth.gov.uk and Intranet for staff

- Inclusion in staff bulletins and all-staff emails including promotion of the staff meeting
- Email to council's resident distribution list (Your City Your Say)
- Face to face consultation in Civic Offices reception
- Consultation events (11 in total including a staff consultation)

9.4 The final response rate from the consultation was 3,085 (1,689 in 2017) as follows:

Residents	2,512
Staff	573
Total	3,085

9.5 The response rates are distributed throughout the City and provide a varied set of geographic responses. The results show that the sample is generally representative of the adult population of Portsmouth - 13 out of the 15 MOASIC groups have an absolute difference of less than two percentage points from the total adult population of the city. The two groups which fall outside these parameters are 'Rental Hubs' and 'Family Basics'. These are both under-represented in the sample although, this under-representation is not by a large amount, they both have absolute difference values of less than 5 percentage points.

9.6 Assuming a "total population" of 165,000 (MOSAIC estimate for Portsmouth adult population) this volume of responses provides a 95% confidence level with a margin of error of 1.75%.

9.7 A summary of findings is set out below:

- The four services which were selected as "most valued" were 'rubbish and recycling collections', 'education', 'children's social services' and 'maintenance of the seafront, Southsea common, parks and open spaces'
- 'Rubbish and recycling collections' was the only council service that was selected by the majority of respondents
- The top four most valued council services varied slightly from respondents in different parts of the city - residents in PO2 and PO6 did not select 'Maintenance of the seafront...'
- 'Rubbish and recycling collections' was the most popular choice in all six postcodes districts
- Residents think that portfolio budgets should be allocated differently - results show that residents think four of the nine portfolios should have reduced budgets and the remaining five should have an increased proportion of the controllable spend

- The largest negative difference is in the 'Health, wellbeing and social care' portfolio
- The largest positive difference is in the 'Education' portfolio
- Respondent opinion of future council tax changes is split - the most popular response was in favour of a '2% increase'
- While there is no majority in any of the percent specific council tax increases, when the results are viewed as a binary choice as increase council tax or do not increase council tax - there is clear majority support for an increase
- There is also a clear majority (68% of respondents) in support of an additional council tax increase specifically for social care to protect elderly people and other vulnerable adults
- There is an overwhelming majority in support of the council looking to generate income where possible to relieve financial pressure
- The three most popular responses for how the council's capital budget should be spent were: 'Building new homes in the city, including flats offering special care of elderly residents', 'Continuing investment in new sea defences through plans to protect more than 8,000 homes and 700 businesses in Southsea' and 'Improving road network'
- There is however variation in the top three project types across different postcode districts
- A larger proportion of females compared with males interacted with the consultation survey
- A larger proportion of 45 years and over took part in the survey compared with the younger age groups
- 10% of respondents considered themselves to have a disability

9.8 The full results of the Budget Consultation can be found at:

<https://www.portsmouth.gov.uk/ext/your-council/your-say/consultations/budget-consultation-give-us-your-views>

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

10. Budget Savings Proposals for 2019/20

Budget Savings Proposals 2019/20

- 10.1 The Administration's budget savings proposals are aligned with the Medium Term Financial Strategy previously described in Section 8 and have been prepared paying due regard to the responses from the Budget Consultation set out in Section 9 as well as the Administration's strategic priorities. The proposed savings amounts to be made by each Portfolio, and which are recommended for approval, are attached at Appendix A.
- 10.2 In accordance with the results of the Budget Consultation (where 85% said the council should look to generate income to counteract the need for savings rather than reducing services), the Administration's proposals are focussed on an "Avoidance to Cuts" approach. In overall terms, the proposed £4m of savings are characterised as follows:

Description of Saving	Savings	
Efficiency Savings (little or no reduction in Services)	£2.9m	72%
Additional Income	£0.8m	21%
Service Reduction	£0.3m	7%
Total	£4.0m	100%

- 10.3 For 2019/20, Efficiency Savings account for 72% of the proposed savings, with 21% relating to Additional Income and just 7% Service Reduction measures.
- 10.4 Noting also the response from the Budget Consultation which supports the protection of both Education and Children's Social Care, the Administration's savings proposals provide full protection from savings for Children's Social Care and just a 0.9% saving in Education compared with an average saving across the Council of 2.5%. As a necessary consequence, savings from other Portfolios are proportionally higher and significantly higher in some cases such as Planning Regeneration & Economic Development and Resources.

- 10.5 A summary of the overall savings proposals for 2019/20, by Portfolio, is set out below.

Portfolio / Committee	Savings Proposal	
	£	% Budget
Children's Social Care	0	0.0%
Culture, Leisure & Sport	347,000	3.5%
Education	70,000	0.9%
Environment & Community Safety	489,900	3.9%
Health & Social Care - Adults Social Care	966,000	1.9%
Housing	228,000	5.4%
Planning, Regeneration & Economic Development	435,800	5.6%
Resources	1,358,000	4.0%
Traffic & Transportation	105,300	2.0%
Grand Total	4,000,000	2.5%

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

- 10.6 The analysis above highlights the conundrum that the Council faces regarding the desire to protect the vulnerable in Adults and Children's Social Care whilst still wishing to retain good quality sustainable public services in its other portfolios. By way of example, the average saving required across the Council was 2.5% of spending but to fully protect Children's Social Care (at 0.0% budget reductions) and Health & Social Care - Adult Social Care (at 1.9% budget reductions), it has been necessary to make spending reductions / additional income in other valued Portfolios of over 5%.
- 10.7 Whilst some Portfolio savings look relatively high such as Planning, Regeneration & Economic Development (5.6%) and Environment & Community Safety (3.9%), the majority of savings within those Portfolios are substantially driven by income generation or contract efficiencies rather than service reductions.
- 10.8 Inevitably, there are a number of financial risks contained within the proposals for making savings of the scale of £4m (or 2.5%) on the back of making £98m in savings and efficiencies over the past 8 years. The risks are unavoidable. For those risks with the highest likely impact, mitigation strategies are being developed. In previous years, the highest risks have been to the delivery of the savings within the essential care services and whilst these still remain, they have generally been managed by making some contingency provision on a "one-off" basis in order to provide additional time to re-design service provision. As previously mentioned, the extent to which the current forecast underlying structural deficits amounting to £5.5m cannot be remedied in the medium term will add to the Council's current forecast £4m per annum savings requirements for the years 2020/21 onwards.

- 10.9 It is important to note that the Council's responsibility is to set the overall Budget of the Council and determine the cash limits for each Portfolio. It is not the responsibility of the Council to approve the detailed savings that need to be made in order for the Portfolio to meet its cash limit. The Council do need to have the confidence that the recommended savings for each Portfolio are deliverable and what the likely impact of delivering those savings might be. Indicative savings that are likely to be necessary in delivering the overall Portfolio savings are attached at Appendix B and whilst the detailed savings are not a matter for the Council to decide, they are presented to inform the decision of Council relating to the overall savings to be made by each Portfolio / Committee.
- 10.10 To provide the best opportunity to achieve full year savings and deliver the £4m Savings Requirement, it would be prudent and financially responsible for the Council to seek to implement its 2019/20 savings as early as possible. From the perspective of service delivery, giving partners and residents significant advance notice of the changes to come into effect from next April will assist them to plan for change accordingly.
- 10.11 A crucial part of a prudent financial strategy is to maintain strong financial resilience. That means maintaining adequate levels of reserves to be able to respond to "financial shocks" or having reserves available to help implement savings in a planned and managed way. The early (or timely) implementation of savings proposals ensures that those reserves remain intact and are available for such purposes.
- 10.12 In order for the City Council to be able to implement the Savings Requirement in good time, a number of savings proposals will require that consultation take place and notice periods be given. Should the Portfolio savings set out in Appendix A be approved, Managers will commence the implementation of those savings and any consultation process or notice process necessary.
- 10.13 For savings proposals that require consultation, the actual method of implementation or their distributional effect will not be determined until the results of consultation have been fully considered. Following consultation, the relevant Portfolio Holder may alter, amend or substitute any of the indicative savings proposal(s) set out in Appendix B with alternative proposal(s) amounting to the same value.

Budget Pressures Proposals 2019/20

- 10.14 The Council no longer makes any general provision for Budget Pressures. This was agreed as part of the Medium Term Financial Strategy approved by the City Council in November 2013.
- 10.15 One of the aims of the Medium Term Financial Strategy is to create the conditions that incentivise responsible spending and strong forward financial planning. As a consequence, a financial framework was implemented which provides Portfolio Holders and Services with much greater financial autonomy.

10.16 The features of the financial framework include:

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

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

10.17 Correspondingly, any Budget Pressures must be funded within the overall resources available to the Portfolio Holder (which includes their Portfolio Reserve).

10.18 Whilst no general provision exists for Budget Pressures, the Budget proposals do provide for the passporting of the Adult Social Care Precept to Adult Social Care as well as additional funding received to meet the new burdens associated with the implementation of the Care Act.

Medium Term Resource Strategy Reserve - Position

10.19 The Medium Term Resource Strategy Reserve (MTRS Reserve) is a reserve maintained by the Council for Spend to Save, Spend to Avoid Cost and Invest to Save Schemes. It is also the reserve that funds all redundancy costs arising from Budget Savings proposals. At present the reserve has an uncommitted balance of £4.0m.

10.20 An uncommitted balance on the MTRS Reserve of £4.0m is considered to be modest in the context of the £12m of savings that the Council is required to make over the next 3 years. As the Council's primary vehicle for providing funding for Spend to Save initiatives, it is crucial that this fund is both spent wisely and replenished at every opportunity.

Approval of the Budget 2019/20

- 10.21 At the Annual Budget setting meeting on 12th February 2019, a comprehensive revision of the Council's future forecasts will be presented. This will revise all of the key assumptions set out below as well as extending the forecast to cover an additional year (2022/23) in order to maintain a rolling 3 year plus current year financial forecast.
- 10.22 The Budget 2019/20 presented to the City Council for approval will be prepared on the basis of the proposals for savings and Council Tax set out in this report. It will also include the outcome of the following:
- The Local Government Finance Settlement for 2019/20
 - The final estimate of the Council Tax yield (based on the determination of the Council Taxbase)
 - The final estimate of the Business Rate yield
 - The impact of the 75% Business Rate Retention Pilot, if the Solent application is successful
 - Any necessary inflationary uplifts
 - Changes in regulations
 - Final estimates of all items outside of cash limits including capital charges, support service charges, insurance, pension costs, contingency, borrowing costs, investment income, levies and precepts
 - Any necessary virements across Portfolios to reflect changes in responsibilities.

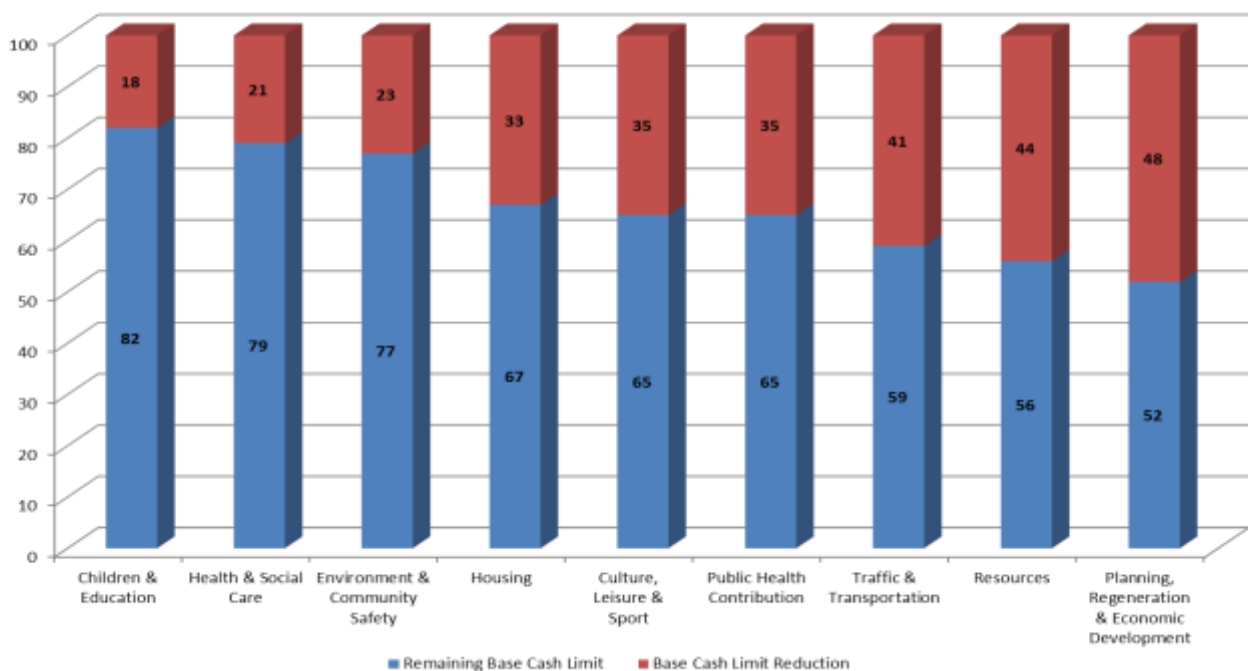
11. Conclusion

- 11.1 The financial challenge facing the Council and the necessary future savings requirements remain the biggest threat to the sustainability of Council services.
- 11.2 The Council continues to face the challenge of significant funding reductions but compounded by increasing cost pressures, most of which are driven by demographic pressures in the essential care services. Inflation more generally is running at between 2.4% and 3.3%, out-stripping the level at which the council's funding rises. Taken together, this requires the Council to make savings and/or increase income by £12m over the next 3 years (assuming inflation based Council Tax increases being 2.99% for 2019/20 plus an increase of 1.5% for the ASC Precept in 2019/20).
- 11.3 The first tranche of these savings amounting to £4m for 2019/20 have been developed in accordance with the Council's Medium Term Financial Strategy and with regard to the Budget Consultation recently completed. The overall strategy focusses on the avoidance of cuts with an emphasis on:

- Maximising income described in the Council's recently approved Income Generation Strategy - with a renewed focus on regeneration and housing delivery
- Strategic use of property and assets to maximise the social and economic benefit to the City and financial return to the Council
- Increasing the efficiency and effectiveness of the Council's services
- Reducing the extent to which the population needs Council services (through prevention activities and regeneration activities)

Given the speed at which savings need to be made, it is inevitable that some cuts are required. These cuts, amounting to just 7% of the total savings proposed for next year, have been informed by the budget consultation exercise and have been proposed on the basis that they are in the areas of least impact.

11.4 Before the £4m of savings proposals set out within this report, the cumulative savings made by the Council over the austerity period from 2011/12 amounts to £98m. The impact that this has had on spending levels of Portfolios over that same period is illustrated below (Blue segment illustrates level of spending that remains, red segment is the level of spending which has been removed). The chart illustrates those services that have received relative protection from spending reductions (left hand side) and those services that have provided the compensation by making relatively higher spending reductions (right hand side).



- 11.5 The chart demonstrates that Services such as Children & Education, Health & Social Care and Environment & Community Safety have received the most protection from savings and significantly more than "back office" services. A similar theme is continued through the Budget savings proposed for 2019/20 with those same services making some of the lowest savings as follows compared to the average saving of 2.5%:
- Children's Social Care - 0.0%
 - Education - 0.9%
 - Health & Social Care - Adult Social Care - 1.9%
- 11.6 Looking forward into 2019/20 and beyond still with significant savings to be made, to avoid significant cuts to Services the Council will need to remain focussed on its MTFs relying on regeneration (to stimulate Business rates and Council Tax), innovation and commercial activities (to generate income). Unless savings can be made in this way, the burden of those savings will be required from efficiencies and service reductions.
- 11.7 This report is the pre-cursor to the Annual Budget and Council Tax Setting meeting to be held on the 12th February 2019 where the Council will be requested to formally approve the Budget for 2019/20 and the associated Council Tax for the year. Should the savings proposals contained within this report be approved, they will form the basis of the Budget 2019/20 presented to Council in February 2019. That report will also include a comprehensive revision of the Council's future forecasts and set the consequent future savings requirements for the period 2020/21 to 2022/23.
- 11.8 Finally, the proposals within this report will maintain the Council's financial health and resilience and therefore its ability to respond in a measured and proportionate way to any "financial shocks" by having adequate reserves and contingencies available for a Council of this size and risk profile.

12. Equality Impact Assessment (EIA)

- 12.1 The Portfolio / Committee savings amounts proposed within this report will inevitably impact on service provision. Appendix B describes the indicative savings that might (or are likely) to be made in order to achieve the proposed savings amounts. Whilst some are likely to be implemented, there will be others that require consultation and appropriate Equality Impact Assessments to be considered before any implementation can take place. For this reason, any savings proposal set out in Appendix B can be altered, amended or substituted with an alternative proposal following appropriate consultation.

- 12.2 A city-wide budget consultation took place during October and November to help inform how to make £12m of savings over the next 3 years. The consultation took the form of a questionnaire which was also supported with 10 public events with residents and business and a meeting with staff and unions.

13. City Solicitor's Comments

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

14. Director of Finance's Comments

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

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

Appendices:

A	Recommended Portfolio / Committee Savings 2019/20
B	Indicative Savings Proposals 2019/20

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

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

Title of document	Location
Budget Working Papers	Director of Finance & Information Services (S151 Officer)
Local Government Finance Settlement 2017/18	Director of Finance & Information Services (S151 Officer)

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the City Council on 11th December 2018.

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

PROPOSED BUDGET SAVINGS AMOUNTS 2019/20 BY PORTFOLIO

Portfolio	Saving 2019/20		Saving 2020/21		Saving 2021/22	
	£	%	£	%	£	%
Children's Social Care	0	0.0%	0	0.0%	0	0.0%
Culture, Leisure and Sport	347,000	3.5%	347,000	3.5%	347,000	3.5%
Education	70,000	0.9%	70,000	0.9%	70,000	0.9%
Environment and Community Safety	489,900	3.9%	489,900	3.9%	489,900	3.9%
Health and Social Care - Adult Social Care	966,000	1.9%	966,000	1.9%	966,000	1.9%
Housing	228,000	5.4%	228,000	5.4%	228,000	5.4%
Planning Regeneration and Economic Development	435,800	5.6%	435,800	5.6%	435,800	5.6%
Resources	1,358,000	4.0%	1,358,000	4.0%	1,358,000	4.0%
Traffic and Transportation	105,300	2.0%	105,300	2.0%	105,300	2.0%
Grand Total	4,000,000	2.50%	4,000,000	2.50%	4,000,000	2.50%

Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal	Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
<u>Children and Families Portfolio</u>			
<u>Director of Children's Services & Education</u>	0	0	0
Children and Families Portfolio Total	0	0	0

Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal			Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
<u>Culture, Leisure and Sport Portfolio</u>					
<u>Director of Culture & City Development</u>					
001	Portsmouth Museum - Creation of artistic space available for rent	This would make use of currently under utilised space and other spaces could be available if requested	12,000	12,000	12,000
002	Libraries - reduction in senior management hours	No impact - Avoids cuts to services	25,000	25,000	25,000
003	Libraries - delete one library supervisor post, retain some funding to help backfill timetable via casual staff budget	Reduced front line capacity and support	20,000	20,000	20,000
004	Libraries - rental and hire of space in the Central Library	No impact - Avoids cuts to services	50,000	50,000	50,000
005	Recreation - deletion of vacant Recreation Assistant post	No impact - Avoids cuts to services	30,000	30,000	30,000
006	Lower insurance costs following a change to the contract for the operation of Mountbatten Centre	No impact - Avoids cuts to services	50,000	50,000	50,000
007	Culture Partnerships - Guildhall reduction in revenue grant support	Part of planned and phased reduction in financial support. The trust has been running the Guildhall site for six years, is well established as a business and has numerous routes it can use to increase income to mitigate this reduction	50,000	50,000	50,000
008	Parks Golf - introduction of further ticket options to increase participation	No impact - Avoids cuts to services	5,000	5,000	5,000
009	Parks - change to parks inspection and cleansing arrangements	No impact - Avoids cuts to services	13,000	13,000	13,000
010	Parks - Teams using all sports pavilions to become responsible for sports attendant duties	Teams using facilities have additional responsibilities before and after sports pitch usage	17,000	17,000	17,000
011	Parks - new tree maintenance contract arrangements	No impact - Avoids cuts to services	38,000	38,000	38,000
012	Parks - reduction in the volume of externally purchased woodchip	No impact - Avoids cuts to services	4,000	4,000	4,000
013	Community Services - reduction in contingency budget held for unexpected pressures	Reduction in the ability to respond to unforeseen events	6,000	6,000	6,000
014	Income from the rental of museums office space converted to studio space and increased venue hire (e.g. D-Day Museum)	No impact - Avoids cuts to services	27,000	27,000	27,000
Culture, Leisure and Sport Portfolio Total			347,000	347,000	347,000

Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal	Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
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Education Portfolio

Director of Children's Services & Education

015	Reducing the school improvement budget from £377,000 to £357,000 and focusing on targeted school improvement and support to Standing Advisory Councils for Religious Education (SACRE)	This reduction reflects the increasing number of schools that are now part of a Multi Academy Trust (currently 60%) and the associated reduction in support required. Further transfers are likely to increase the proportion of academies to 65% over the next 18 months. The SACRE contract will remain under review to ensure the continued provision of a professional lead, although there may be a reduction in the overall capability	20,000	20,000	20,000
016	Reduction in the Performance Management and Data Team	A recent vacancy in the Performance team has provided the opportunity for a full review of the service. The review has realigned responsibilities, with some tasks reallocated within the team, whilst other teams within the Education Service will be taking more responsibility for specific areas of data management affecting their own areas. It is expected that the agreed model will enable the service to continue to meet its statutory responsibilities	50,000	50,000	50,000

Education Portfolio Total	70,000	70,000	70,000
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Environment and Community Safety Portfolio

Director of Housing, Neighbourhood & Building Services

017	Savings arising from re-negotiation of the Waste Disposal contract in 2015	No adverse impact to services	80,000	80,000	80,000
018	Legislative changes have removed the requirement for the Council to purchase Carbon Credits (ending from 2019)	No impact - Avoids cuts to services	206,000	206,000	206,000
019	Savings from Management Restructure (Anti-Social Behaviour Unit)	No impact - Avoids cuts to services	20,000	20,000	20,000
020	City wide roll out of wheelie bins for general waste (detailed in the Environment Portfolio Report of 26th June 2018)	No further impact - Residents can still dispose of all their waste using the recycling offer. The initiative retains weekly rubbish collections. In the trial areas there have been improvements in the recycling rates, street scene and reductions in the tonnage of waste collected	183,900	183,900	183,900

Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal			Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
Environment and Community Safety Portfolio Total			489,900	489,900	489,900
<u>Health, Wellbeing and Social Care Portfolio</u>					
<u>Director of Adult Services</u>					
021	Removal of the current financial cap of £60.00 applied to client contributions in respect of Day Care, Community Support and Health & Independence services. (Approved as per Health, Wellbeing and Social Care Portfolio report of 25th September 2018)	No impact. Clients on lower incomes will unaffected	70,000	70,000	70,000
022	Review of high cost care packages	ASC has a number of packages of care which are outliers in terms of cost. A review of the packages will be undertaken. Eligible assessed need will continue to be provided and funded. For some cases it is possible that the level of assessed need will not be an Adult Social Care responsibility and alternative organisations will therefore contribute towards the cost. Services will continue to be provided to service users, but the ultimate funding source may change	230,000	230,000	230,000
023	Reconfiguration of In-house residential care (subject to portfolio holder agreement on 20th November 2018)	As part of the ASC strategy, it is intended to increase supported living facilities for people with dementia, this will involve reviewing the way that ASC provides and purchases residential care for people with dementia in the future	500,000	500,000	500,000
024	Reduced cost of care packages through progression and deployment of Adult Social Care transformation projects: Assistive technology (e.g. Just checking)	Just Checking will be used in conjunction with care and support to understand when care and support is required, enabling a more individually tailored response. The service user will still receive the care and support that they need, although it may be provided in a different way	50,000	50,000	50,000
025	Reduced cost of care packages through progression and deployment of Adult Social Care transformation projects: Domiciliary care (timely domiciliary care, in-house service, reablement)	The existing Community Independence Service will be expanded to enable service users to receive the care and support that they need, as well as the ability to access additional rapid support as and when required to enable people to remain at home and maximise their independence. The emphasis of the service will be based on a rehabilitative model providing the right level of support for the right amount of time, with an aim to reduce or delay the need for long term care and support	25,000	25,000	25,000
026	Introduction of 'arrangement fees' for self-funding clients who request that the City Council arranges and manages their non-residential care and support (Approved as per Health, Wellbeing and Social Care Portfolio report of 25th September 2018)	No impact	91,000	91,000	91,000
Health, Wellbeing and Social Care Portfolio Total			966,000	966,000	966,000

Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal			Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
<u>Housing Portfolio</u>					
<u>Director of Housing, Neighbourhood & Building Services</u>					
027	Private Sector Housing service review	No impact on service users with potential for improved services. Review will focus on ensuring the service is efficient in meeting customer needs, processes are efficient and income generation opportunities are maximised e.g. telecare/assistive technology offers	75,000	75,000	75,000
028	Review of the allocation and void property process (LA housing stock)	Reduction in the time taken for a property to be ready for letting, thereby reducing the period a property is not occupied and reducing Bed and Breakfast (B&B) costs	62,000	62,000	62,000
029	Review of the use of Temporary Accommodation	Reducing the reliance on B&B temporary accommodation providing alternative temporary accommodation. Less need to use B&B accommodation out of the city	25,000	25,000	25,000
030	Review of the Supported Housing contracts	No impact on service users, the review focusses on providing longer term contracts at a lower cost	66,000	66,000	66,000
Housing Portfolio Total			228,000	228,000	228,000
<u>Planning Regeneration and Economic Development Portfolio</u>					
<u>Director of Regeneration</u>					
031	Income from National Commercial Investment Property Fund	No impact - Avoids cuts to services	244,800	244,800	244,800
	Increase in Commercial rents from Dunsbury Business Park	No impact - Avoids cuts to services	71,000	71,000	71,000
032	Deletion of vacant Planning Policy Officer Post	Reduced ability to deliver on planning initiatives that attract investment from developers and could delay policy formation	40,000	40,000	40,000
033	Reduction in the reliance on External Advisors to support Planning	No impact - Avoids cuts to services	20,000	20,000	20,000
034	Reduction of Promotional Budget for Economic Growth to level of historic actual expenditure	No impact - Avoids cuts to services	10,000	10,000	10,000
035	Review of Commercial Property portfolio	No impact - Avoids cuts to services	50,000	50,000	50,000
Planning Regeneration and Economic Development Portfolio Total			435,800	435,800	435,800

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal				Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
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Resources Portfolio**Centralised Savings**

036	Senior Management Review of Support Service Functions (Subject to the approval of Employment Committee)	Intended to improve overall corporate effectiveness and co-ordination of Support Service functions. There will be some loss in overall senior management but it is expected that this will be managed through improved delegation and empowerment through the organisation. This saving is subject to approval by the Employment Committee. In the event that it is not approved, a replacement saving will be introduced for consideration at the Annual Budget Meeting in February 2019	100,000	100,000	100,000
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Director of Community & Communication

037	Service review	No impact - Avoids cuts to services	121,000	121,000	121,000
038	Reduction in Member support	No impact - Avoids cuts to services	50,000	50,000	50,000
039	Centralisation of complaints management	No impact - Avoids cuts to services	15,000	15,000	15,000
040	Revenues & Benefits - Efficiency Gains	No impact - Avoids cuts to services	178,000	178,000	178,000
041	Review of Support Service functions	No impact - Avoids cuts to services	45,000	45,000	45,000

Director of Culture & City Development

042	Reduction in Coroner's Toxicology costs following re-procurement	No impact - Avoids cuts to services	10,000	10,000	10,000
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Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal			Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
<u>Director of Finance & Information Technology</u>					
043	Reduced staffing within Accountancy teams, including reduction in staff hours, by extending the existing risk based approach to budget monitoring and automation of processes including functionality from the Oracle Enterprise Business Suites (EBS) system	No impact - Avoids cuts to services	100,000	100,000	100,000
044	Increased take up of salary sacrifice scheme for employee Additional Voluntary Contribution (AVC) to their pensions resulting in lower Employer National Insurance costs	No impact - Avoids cuts to services	25,000	25,000	25,000
045	Introduction of weekly charges to the circa 250 Adult Social Care customers for whom the Council provides non-statutory financial administration functions, relating to their Department of Works and Pension benefit entitlements	Avoids cuts to services	40,000	40,000	40,000
046	Reduction in District Audit fee (as negotiated by the Local Government Association)	No impact - Avoids cuts to services	30,000	30,000	30,000
047	Additional income from Payroll & Purchase Card rebate	No impact - Avoids cuts to services	8,000	8,000	8,000
048	Reduce number of Enterprise Business Suite Developers from 2 to 1 by deleting vacant post	Less development resource and slower response times to incidents during the interim period until the move to a cloud based service in April 2021	65,000	65,000	65,000
049	Reduce number of Professional Trainee Accountants from 3 to 2	Reduces future resilience and capacity for succession planning	35,000	35,000	35,000
050	Transition to cloud based software	Reduced cost of upgrades and on-going support and development plus improved resilience	118,000	118,000	118,000
051	Application consolidation to move to a core product set	Reduced costs as a result of fewer systems to support with lower associated licensing and upgrade costs	33,000	33,000	33,000
052	Network consolidation and simplification providing the foundation of our Cloud strategy	The number of supported network lines will reduce from up to 3 separate lines into a building to 1 line which will result in lower support and maintenance costs	25,000	25,000	25,000
053	Continuous service improvement aligned to IT strategy - Reduced requirement for on-site resource	No impact - Avoids cuts to services	37,000	37,000	37,000
054	Commercial Category Management - improved commercial approach in contract management and income generation	No impact - Avoids cuts to services	48,000	48,000	48,000

Appendix B

INDICATIVE BUDGET SAVINGS 2019/20

Indicative Savings Proposal			Saving 2019/20 £	Saving 2020/21 £	Saving 2021/22 £
<u>Director of Housing, Neighbourhood & Building Services</u>					
055	Letting underused civic office space generating rental income	No impact - Avoids cuts to services	40,000	40,000	40,000
056	Reduction in the use of externally provided building services support by increased utilisation of available internal resource	No impact - Avoids cuts to services	20,000	20,000	20,000
057	Rebate on water supply contract	No impact - Avoids cuts to services	30,000	30,000	30,000
<u>Director of Human Resources, Legal & Performance</u>					
058	Learning & Development: Minor reduction in staff hours and reduced cost of provider contracts	No impact - Avoids cuts to services	20,000	20,000	20,000
059	Additional income from audit, internal agency, apprentices & other traded services	No impact - Avoids cuts to services	87,000	87,000	87,000
060	Review Internal audit staffing to align resource requirements with the Annual Audit Plan	No impact - Avoids cuts to services	15,000	15,000	15,000
061	Review of HR Business Partnering arrangements	Reduction in overall HR capacity to support the organisation but mitigated by changing the structure of the service and its priorities	58,000	58,000	58,000
<u>Director of Public Health</u>					
062	Health Watch Contract review	No impact - Avoids cuts to services	5,000	5,000	5,000
Resources Portfolio Total			1,358,000	1,358,000	1,358,000
<u>Traffic and Transportation Portfolio</u>					
<u>Director of Regeneration</u>					
063	Deletion of Tri-Sail maintenance budget	No impact - Maintenance reserve of £234,400 expected to be sufficient to maintain the structures over the medium to long term. Maintenance over the last 3 years has averaged £9,000 per annum	19,800	19,800	19,800
064	Additional Income from Parking Zones	Parking zones implemented and enforced to improve the availability for on-street parking to residents in accordance with residents wishes and Council policy	19,500	19,500	19,500
065	Increase Chargeable Fees for the Business Support Team	No impact - Avoids cuts to services	20,000	20,000	20,000
066	Reduction of Feasibility Budget	No impact - Avoids cuts to services	20,000	20,000	20,000
067	Delete Vacant Project Officer Post	No impact - Avoids cuts to services	26,000	26,000	26,000
Traffic and Transportation Portfolio Total			105,300	105,300	105,300
Grand Total			4,000,000	4,000,000	4,000,000