SCRUTINY MANAGEMENT PANEL

Minutes of the meeting of the Scrutiny Management Panel held on Friday, 9 February 2018 at 2.00 pm at the Civic Offices, Portsmouth

Present

Councillor Scott Payter-Harris (in the Chair)

Councillors Gemma New
Darren Sanders
Tom Wood
Leo Madden

1. Apologies for Absence (AI 1)

The Chair welcomed everyone to the meeting and provided information about the evacuation procedures. He advised that the meeting was being live-streamed and that the meeting would be available on the Council's website.

Apologies for absence were received on behalf of Councillors Lyon, Galloway and Morgan. Apologies were also received on behalf of Councillor Ben Dowling for whom Councillor Leo Madden deputised.

2. Declarations of Members' Interests (AI 2)

There were no declarations of Members' interests.

3. Minutes of the Meeting held on 24 November 2017 (AI 3)

RESOLVED that the Minutes of the meeting held on 24 November 2017 be confirmed and signed by the Chair as a correct record.

4. Capital Programme 2017/18 to 2022/23 PCC Budget & Council Tax 2018/19 - Portsmouth City Council - Budget & Council Tax 2018/19 & Medium Term Budget Forecast 2019/20 to 2021/22 (AI 4)

(TAKE IN BUDGET PRESENTATION - information only)

Mr Chris Ward introduced the budget presentation and explained what he would be covering during the meeting. The main debate would take place at the Full Council meeting on 13 February but was before this panel for scrutiny and comment.
Mr Ward referred to slide 4 - Overall Impact of Austerity so far - which showed that since 2011, £94m of savings had been required and that a further £4m savings are required for 2018/19. The basic task is to balance incomings and outgoings.
Slide 6 shows the four strands of the Medium Term Financial Strategy.

Slide 7 shows the Future Years' Savings Requirement but there are also underlying deficits to be remedied of £1.8m in both Adult Social Care and Children's Safeguarding.

Mr Ward advised that slide 8 showed a recap of budget decisions taken by council in December 2017. He said that the cost pressures alone exceed the amount to be flexibly drawn from the Adult Social Care precept.

Mr Ward stated that there are some new budget proposals being taken to council next week and advised members that there are still potential overspends in Children's Social Care and Adult Social Care. The underlying deficit was that part which would continue into future years, but there are some one-off changes in the current year which would change the £1.8 million figure. There are forecast overspends in both Children's Social Care and Adult Social Care of £2.4 million and £0.9 million respectively. This has been planned for as part of the council's overall contingency proposals.
The other overspend area is MMD, a company that is owned by the council. One of its largest customers, Geest, will be withdrawing so there are one-off redundancy costs associated with that as well as loss of that business. However, there are also some underspends as set out on the slide. These relate to Wightlink, Contingencies and Treasury Management success.
The proposals being put forward are that there should be a revenue contribution to capital of £2 million to support the capital programme and that a transfer to the MTRS reserve of £2 million is also made.

Mr Ward then referred to slide 12 which covers the Local Government Finance Settlement 2018/19 to 2019/20. PCC has just been told that an amount of £557K will be paid to the council to directly support Adult Social Care next year. Mr Ward also advised that there had been a shift from 100% business rate retention to 75% business rate retention and there was also to be a Fair Funding review (which basically re-allocates available funding to local authorities according to need) to be implemented in 2019/20. This represents a significant risk for the future forecast as the outcome cannot be predicted. Slide 12 also shows that in terms of government grants there is an overall reduction of £16.5 m (34%) in cash terms. Mr Ward referred to the council tax for 2018/19 to 2019/20 advising that the council tax referendum threshold for general purposes increased from 2% to 3% and that the social care precept would be 6% in total over 2017/18 to 2019/20 but with a 3% annual cap.

With regard to business rates Mr Ward explained that the government had introduced a scheme where authorities could apply to become a 100% business rate retention pilot. In order to apply, councils had to be in a pool and PCC joined with Southampton and the Isle of Wight as set out in slide 13. The government's intention was that the scheme shared risks and rewards. In simple terms the 100% scheme allows local authorities to keep the government's share of business rates. In return for keeping the government's share, authorities in this scheme have to forego the grant funding. However it does not relate to the growth element from 2013/14 to date. In practice this means that the government's share of growth from 2013/14 to date goes into a growth pool. The authorities in the scheme had to devise a way of sharing

the growth pool among them. This was agreed as being 60% to be divided among the authorities based on need, 30% would be allocated to growth and productivity and 10% remains in the pool as a cushion against loss in the future. As shown on the slide, £3.1 million is allocated to Portsmouth plus a share of the £4.2 million growth and productivity pot. Mr Ward advised that the scheme is only guaranteed for one year and consequently cannot be used to offset savings as it is too unpredictable.
Slide 14 sets out the council tax proposal for 2018/19. The total increase for a Portsmouth resident is 4.73%.
Slide 15 shows the main expenditure and income changes, the funding changes and proposals for 2018/19.
Slide 17 looks at the next three years - 2019/20 to 2021/2022. Mr Ward advised that the deficit over the next period was still anticipated as being £12 million. He said that the circles on the slide that were coloured green were the positives ie anticipated income and the circles in red were the anticipated pressures. He said that because of the Fair Funding review the forecast could be incorrect by plus or minus £3 million. He said that because of this it was proposed to have an even amount of future years savings requirements of £4 million from 2019/20, 2020/21 and 2021/2022 as set out on slide 18.

Mr Ward then moved on to the capital programme 2017/18 to 2022/23. He said that the capital strategy continued to drive towards the regeneration of the city, income generation and invest to save schemes. He further advised that the resources available amounted to £25.6 million but that this included reliance on receiving the expected future funding for school places of £10.2 million. He advised that there is a risk about how much income will be received from the DfE but there is a DfE tool which enables councils to see what they are likely to receive and Mr Ward said that he was comfortable that this level of funding would be forthcoming.
Slide 21 shows the capital investment proposals. Slide 22 shows the total obligations of between £25.2 million to £31.0 million as against the total capital resources expected of around £7 million per annum. The resulting funding gap is expected to be between £15 million to £24 million. He said that the options for funding this gap were national funding bids such as the housing infrastructure fund and the national productivity fund but these require match funding. Also from, LEP which again requires match funding and from revenue contributions to capital (from underspendings).

Finally Mr Ward referred to slide 24 which provides a summary of the revised budget 2017/18, the budget 2018/19, future years forecast 2019/20 to 2021/22 and the capital programme 2017/18 to 2022/23.

During discussion, the following matters were clarified:

- With regard to the Fair Funding review, Mr Ward confirmed that basically this amounted to a redistribution of the same money. The potential for gain comes out of business rate growth where there is an opportunity for funding for PCC to increase.

- In terms of the actual process for allocation among the various authorities in a business rate pool, Mr Ward said that he anticipated a slimmed down version of the same basis used by LEP. He confirmed that the three leaders of the local authorities concerned would be making the decisions and would determine which bids give the best outcomes for the area. His expectation is that the schemes chosen would be those likely to generate the best business rates.

- With regard to increasing council tax to benefit Adult Social Care funding, Mr Ward confirmed that the council has to demonstrate to central government by way of returns that Adult Social Care does not make any savings greater than elsewhere in the council. It must also be shown that the additional funding has actually been passported across. This is government regulated and government checked.

- Mr Ward confirmed that it was a decision of the administration to reduce the Adult Social Care precept from the level of 3% in 2017. The forecast is based on the whole of the 6% being taken. In overall terms the same amount of funding will be available for Adult Social Care. However Adult Social Care would have the opportunity to invest the Better Care funding to generate additional income.

- With regard to the pilot scheme, a query was raised about whether the growth and productivity pot money has to be used in schemes within the areas of the partnership ie Portsmouth, Southampton or Isle of Wight or can the schemes be outside those areas. Mr Ward said there is no criteria to say that this cannot be done but it was likely that the authorities would want to keep any investment within the areas in order to benefit from the business rates generated.

- Mr Ward confirmed that if the pilot scheme is dropped, there would be a reset from 2019. Because of the link with the Fair Funding review, it is not possible to say whether or not PCC would be better or worse off should this happen.

- Mr Ward confirmed that the expected savings requirement of £12 million is a mid-point based on the central assumption that PCC would lose half of the gain already received in business rates.

- With regard to a query about secondary school places, Mr Ward confirmed that the £10.2 million related to providing additional communal space at Admiral Lord Nelson School and Charter and did not represent money for a rebuild. The improvements were likely to increase the capacity of the schools. Mr Ward confirmed that the local authority has the statutory responsibility to ensure that enough school places are provided but the authority needs to work with academies in order to provide the spaces. However this was something that the schools concerned wanted to do.

- With regard to the funding gap, a query was raised about what "enabling transport infrastructure match funding development" referred to. Mr Ward confirmed that this referred to the city centre road. He confirmed that a number of bids had been received in respect of the city centre road which is a large scheme. Currently the council has set aside £15 million of its own money because match funding is a significant factor in whether or not the bids made are successful. The council has also estimated that CIL monies are likely to be around £7.5 million raising the total match funding to £22.5 million but this is not guaranteed. Mr Ward advised that even if the £7.5 million did not materialise, it is still a funding commitment. Mr Ward said that if match funding is not achieved, there is reference in the budget report about it being possible to use this money to transfer to capital resources. Mr Ward said that it was important that the council considers a transfer to Capital whenever one-off funding opportunities arise in order to fund the capital programme.

- It was confirmed that with regard to the modelling for school places there are two different models. One is the financial model which extends some distance into the future and the other is a DfE tool based on the likely need for places as against the likely availability of places. The timescales covered are different. The DfE tool covers a three to four year timescale whereas the financial modelling is over a longer period.

The Chair thanked Mr Ward for his presentation which the Panel noted.

The meeting concluded at 3.15 pm.

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Councillor Scott Payter-Harris
Chair