

**Agenda item:**

**Decision maker:** City Council

**Subject:** Portsmouth City Council - Budget & Council Tax 2020/21 & Medium Term Budget Forecast 2021/22 to 2023/24

**Date of decision:** 04 February 2020 (Cabinet)  
11 February 2020 (City Council)

**Report by:** Director of Finance & Resources (Section 151 Officer)

**Wards affected:** All

**Key decision:** Yes

**Budget & policy framework decision:** Yes

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## **1. Executive Summary**

- 1.1 The key proposals within this report recommend a Budget for 2020/21 that provides for £2.5m of savings, a Council Tax increase of 3.99% (2.0% of which is raised specifically to be passported to Adult Social Care) and forecasts that the 3 year period beyond 2020/21 will require a further £3.0m in savings.
- 1.2 The proposals also seek to remedy the underlying budget deficits in both Adults and Children's Social Care, providing a sound financial base as the Council moves into a very uncertain period for Local Government funding from 2021/22 onwards.
- 1.3 The uncertainty presented from 2021/22 is due to a comprehensive overhaul of the Local Government funding system known as the "Fair Funding Review", it will determine a new formula methodology which will set each Local Authority's baseline funding level. Alongside this, a new system for retaining future Business Rate growth / loss will be implemented, taking away all existing growth and re-distributing that growth nationally according to relative need (rather than where it was generated). For these reasons, the Council's future forecast deficits could reasonably be expected to vary between +/- £4m.
- 1.4 During this unprecedented level of uncertainty, it is imperative that the Council continues to plan for savings of £1.0m per year, retaining reserves at the levels proposed in this report to retain the necessary financial resilience to be able to respond in all circumstances.
- 1.5 An Executive Summary of these key points and others is set out below.

## EXECUTIVE SUMMARY

### Context

- ❖ Since 2011/12 the Council will have made £102m in savings (48% of controllable spend)
- ❖ Government funding reductions have been the driving force behind the need to make forecast savings of £7.5m over the current period 2020/21 to 2022/23
- ❖ Adults and Children's Social Care represent 53% of controllable spend, provide services to the most vulnerable, experience the greatest cost pressures and have historically received significant protection from savings - resulting in proportionally higher savings across other Council Services
- ❖ The Local Government Finance Settlement has provided substantial relief for the cost pressures in Adults and Children's Social Care in 2020/21 of £5.4m, but is not clear if this is new money to the Local Government system in the longer term and remains a risk going forward.
- ❖ The Council's Medium Term Financial Strategy seeks to maximise savings through income generation, economic regeneration and efficiency measures

### Revised Budget 2019/20

- ❖ A Balanced Budget for 2019/20 accommodating all forecast overspendings in Adult Social Care, Children's Social Care and Portico

### Budget 2020/21

- ❖ Incorporates £2.5m of Savings in accordance with the Council resolution of 12 February 2019
- ❖ 99% of savings have been achieved through Income Generation (52%) and Efficiency measures (47%)
- ❖ No savings are proposed from the Children and Families Portfolio and the Community Safety Portfolio in order to manage the rise (and cost of) Looked After Children
- ❖ Provides further additional funding for Children's Social Care of £3.0m (in addition to the £4m additional funding provided in the current financial year) to accommodate the rise in Looked After Children to current levels
- ❖ Provides additional funding for Adult Social Care of £2.6m to accommodate their demographic cost pressures and contribute towards the additional costs to care providers associated with the National Living Wage (increase of 6.2%)
- ❖ Provides an additional £0.4m for Education to accommodate the pressures in SEN Home to School Transport
- ❖ A Council Tax increase of 3.99%, in accordance with the Budget Consultation, of which:
  - 1.99% is for general council services (at an inflation based level)
  - 2.0% (amounting to £1.6m) is to be passported directly to Adult Social Care

## **EXECUTIVE SUMMARY (Cont'd)**

### **Budget 2020/21 (Cont'd)**

- ❖ The ceasing of the 75% Business Rate Retention pilot (which had previously provided total funding of £7.0m to be used to support essential Capital Investment)
- ❖ A withdrawal from General Reserves of £2.6m which was built up in the previous year, but now leaves reserves back at the historic levels maintained in the past

### **Future Forecast - 2021/22 to 2023/24**

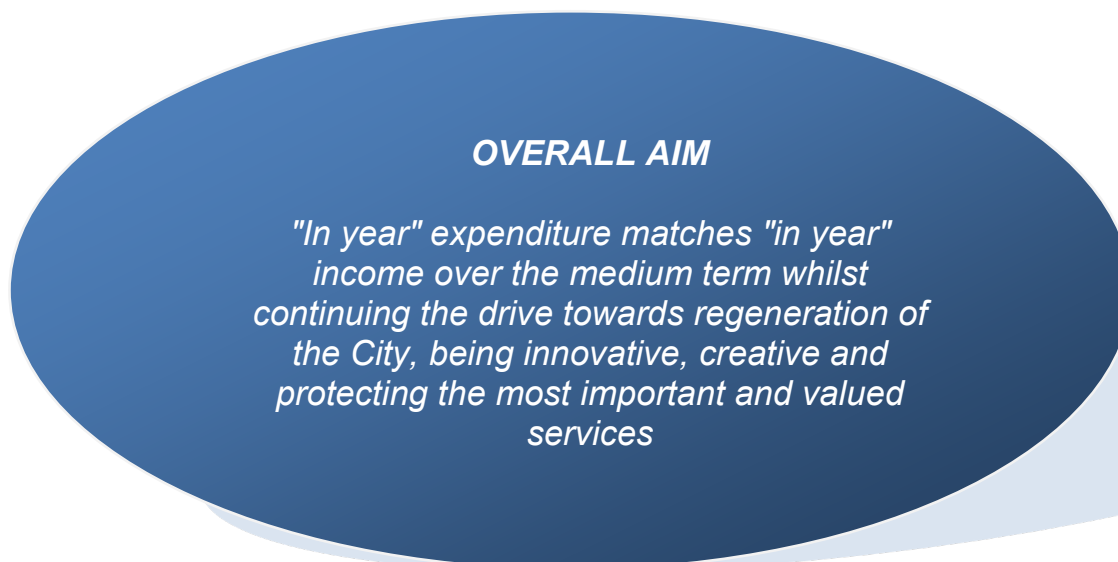
- ❖ The new forecast for the new 3 Year Period (now extended to 2023/24) is a £3.0m deficit
- ❖ The new forecast is subject to unprecedented uncertainty due to the forthcoming Multi Year Spending Review, Fair Funding Review and the 75% Business Rate Retention Scheme and could vary by +/- £4m
- ❖ Future forecasts seek to make adequate provision for both the replenishment of the Medium Term Resource Strategy (MTRS) Reserve as well as contributions towards necessary Capital Investment requirements
- ❖ Proposed that Savings are phased evenly at £1.0m p.a over the next 3 years (i.e. beyond 2020/21)
- ❖ General Reserves are maintained over the period at circa £17m (assuming the £1.0m p.a. savings are achieved)
- ❖ Balanced approach to savings if the forecast proves to be too pessimistic or too optimistic. With General Reserves at proposed levels, savings of £1.0m p.a. ensure that for any improvement in the forecast, the Council has not prematurely made a level of savings that could have been avoided and for any deterioration, good progress towards the necessary savings will have been made

### **Conclusion**

- ❖ Proposed Budgets maintain General Balances for 2019/20 and 2020/21 at circa £20m
- ❖ Council's financial health is sound, and the Council remains well placed to face the future uncertainty for Local Government funding

## 2 Purpose of Report

- 2.1 The primary purpose of this report is to set the Council's overall Budget for the forthcoming year 2020/21 and the associated level of Council Tax necessary to fund that Budget.
- 2.2 The report makes recommendations on the level of Council spending for 2020/21 and the level of Council Tax in the context of the Council's Medium Term Financial Strategy with its stated aim as follows:



- 2.3 The recommended Budget for 2020/21 has been prepared on the basis of the following:
- The Council resolution of 12 February 2019 that set an overall savings requirement of £2.5m
  - An increase in the level of Council Tax for 2020/21 for general purposes of 1.99%
  - The flexibility to increase the level of Council Tax for an "Adult Social Care Precept", within the limits set by Central Government at 2.0%, and the direct passporting of that additional funding to Adult Social Care to provide for otherwise unfunded cost pressures.
- 2.4 This report also provides a comprehensive revision of the Council's rolling 3 year future financial forecast for the new period 2021/22 to 2023/24 (i.e. compared to the previous forecast covering 2020/21 to 2022/23, this forecast now replaces the forecast for the previous 3 year period).
- 2.5 The new forecast considers the future outlook for both spending and funding, and in that context, wider recommendations are made regarding the levels of reserves to be maintained and additional contributions to the Capital Programme in order to meet the Council's aspirations for the City as well as maintaining the Council's overall financial resilience.

2.6 In particular, this report sets out the following:

- (a) The challenging and uncertain financial climate facing the City Council in 2020/21 and beyond, and the consequential budget deficits that result
- (b) A brief summary of the Medium Term Financial Strategy for achieving the necessary savings
- (c) The revised Revenue Budget and Cash Limits for the current year
- (d) The Local Government Finance Settlement for 2020/21
- (e) The Business Rate income for 2020/21 and future years and the ceasing of the Solent 75% Business Rate Retention Pilot (in a pooled arrangement with the Isle of Wight Council and Southampton City Council)
- (f) The Council Tax base and recommended Council Tax for 2020/21
- (g) The forecast Collection Fund balance as at 31 March 2020 for both Council Tax and Business Rates
- (h) The detailed indicative savings (Appendix C) 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
- (i) The proposed Revenue Budget and Cash Limits for 2020/21
- (j) The forecast Revenue Budgets and revised Savings Requirements for 2021/22, 2022/23 and 2023/24
- (k) Estimated General Reserves over the period 2019/20 to 2023/24
- (l) The Medium Term Resource Strategy (MTRS) Reserve, its financial position and proposed use to achieve cashable efficiencies
- (m) The statement of the S. 151 Officer on the robustness of the budget in compliance with the requirements of the Local Government Act 2003.

### 3 Recommendations

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

- 1) The revised Revenue Estimates for the financial year 2019/20 and the Revenue Estimates for the financial year 2020/21 as set out in the General Fund Summary (Appendix A)
- 2) The Portfolio Cash Limits for the Revised Budget for 2019/20 and the Budget 2020/21 incorporating the savings amounts for each Portfolio and amounting to £2.5m as set out in Sections 7 and 11, respectively
- 3) Any underspendings for 2019/20 arising at the year-end outside of those made by Portfolios be transferred to Capital Resources in order to provide funding for known and potential future commitments in future years such as Special Educational Need (SEN) School Places, Sea Defences (enhancements to core scheme), Environmental Improvements, Transport Improvements, Affordable Housing, City Wide Regeneration, Digital Infrastructure and the maintenance of the Council's Core Operational Assets, for which there is currently insufficient funding
- 4) That the Council's share of the additional £1.0bn national allocation for Adults and Children's Social Care (but confirmed for 2020/21 only) and amounting to £3.9m is allocated as follows:
  - Adult Social Care (to meet the costs of the underlying budget deficit caused by increasing demographic pressures and to contribute towards the cost of the increase in the National Living Wage (6.2%) for care providers) - £1.0m
  - Children's Social Care (to meet the underlying budget deficit in Children's Social Care caused by the costs of rising numbers of Looked After Children) - £2.9m
- 5) Any variation to the Council's funding arising from the final Local Government Finance Settlement be accommodated by a transfer to or from General Reserves
- 6) The S.151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved Budget and Budget Forecasts
- 7) That the level of Council Tax be increased by 1.99% for general purposes in accordance with the referendum threshold<sup>1</sup> for 2020/21 announced by Government (as calculated in recommendation 3.4 (d))
- 8) That the level of Council Tax be increased by a further 2.0% beyond the referendum threshold (as calculated in recommendation 3.4 (d)) to take advantage of the flexibility offered by Government to implement a "Social Care Precept"; and that in accordance with the conditions of that flexibility, the full

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<sup>1</sup> Council Tax increases beyond the referendum threshold can only be implemented following a "Yes" vote in a local referendum

amount of the associated sum generated of £1,612,800 is passported direct to Adult Social Care

- 9) That a transfer from the MTRS Reserve of £5,978,000 be made in 2020/21 to fund Spend to Save and Spend to Avoid Costs schemes described in the Capital Programme 2019/20 to 2024/25 report considered elsewhere on this Agenda
- 10) That a transfer to the MTRS Reserve be made in 2020/21 for the sum of £3.5m in order to replenish the reserves to levels sufficient to be able to continue as a primary vehicle to generate future savings and enable cost avoidance
- 11) Managers be authorised to incur routine expenditure against the Cash Limits for 2020/21 as set out in Section 11
- 12) That the savings requirement for 2021/22 be set at a minimum on-going sum of £1.0m
- 13) That the S.151 Officer be given delegated authority to make transfers to and from reserves in order to ensure that they are maintained as necessary and in particular, adjusted when reserves are no longer required or need to be replenished
- 14) Directors be instructed to start planning how the City Council will achieve the savings requirements shown in Section 12 and that this be incorporated into Service Business Plans
- 15) The minimum level of General Reserves as at 31 March 2021 be maintained at £8.0m to reflect the known and expected budget and financial risks to the Council
- 16) Members have had regard for the Statement of the Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 15.

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

- 1) The Revenue Estimates 2020/21 as set out in Appendix A have been prepared on the basis of a 2.0% tax increase for the "Social Care Precept" (amounting to £1,612,800) and that this is passported to Adult Social Care in order to provide for otherwise unfunded budget pressures including the current underlying budget deficit, the cost of the new National Living Wage and demographic pressures arising from a "living longer" population
- 2) The decision on the amount at which to set the Adult Social Care precept will be critical for the Social Care and wider Health system in the City; in the event that the additional flexibility of the "Social Care Precept" and associated 2.0% tax increase (amounting to £806,400 for each 1%) is not taken, then equivalent savings will need to be made in Adult Social Care in 2020/21
- 3) In general, any reduction to the proposed increase in the level of Council Tax for 2020/21 will require equivalent offsetting saving to be made in order for the Budget 2020/21 to be approved. Each 1% reduction requires additional savings of £806,400 to be made.

- 4) The indicative savings proposals set out in Appendix C which are provided for the purpose of demonstrating to the Council that the Portfolio savings as recommended in paragraph 3.1 2) above are robust and deliverable
- 5) The likely impact of savings as set out in Appendix C
- 6) 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
- 7) 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 C with alternative proposal(s) amounting to the same value within their Portfolio
- 8) Managers will commence the implementation of the approved savings required and any necessary consultation process or notice process
- 9) The Revenue Forecast for 2021/22 to 2023/24 as set out in Section 12 and Appendix B
- 10) The estimated Savings Requirement of £3.0m for the 3 year period 2021/22 to 2023/24, for financial and service planning purposes, be phased as follows:

<b>Financial Year</b>	<b>In Year Savings Requirement £m</b>	<b>Cumulative Saving £m</b>
2021/22	1.0	1.0
2022/23	1.0	2.0
2023/24	1.0	3.0

- 11) In accordance with the approved financial framework, it is the responsibility of the Portfolio Holder, in consultation with the Director of Finance & Resources (S.151 Officer), to release funds from the Portfolio Reserve in accordance with the provisions set out in Paragraph 8.45
- 12) The MTRS Reserve held to fund the upfront costs associated with Spend to Save Schemes, Invest to Save Schemes and redundancies will hold an uncommitted balance of £8.1m<sup>2</sup> and will only be replenished in future from an approval to the transfer of any underspends, contributions from the Revenue Budget or transfers from other reserves which may no longer be required
- 13) The Council's share of the Council Tax element of the Collection Fund surplus for 2019/20 is estimated to be £545,672
- 14) The Council's share of the Business Rate element of the Collection Fund surplus for 2019/20 is estimated to be £1,286,772

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<sup>2</sup> Including the net transfers from the reserve of £2.478m contained within the recommendations of the Capital Programme 2019/20 to 2024/25 report elsewhere on this agenda



- 15) The Retained Business Rate income<sup>3</sup> for 2020/21 is based on the estimated Business Rate element of the Collection Fund surplus as at March 2020, the Non Domestic Rates poundage for 2020/21 and estimated rateable values for 2020/21 and has been determined at £55,391,749

3.3 That the S.151 Officer has determined that the Council Tax base for the financial year 2020/21 will be **57,735.2** [item T in the formula in Section 31 B(1) of the Local Government Finance Act 1992, as amended (the "Act")].

3.4 That the following amounts be now calculated by the Council for the financial year 2020/21 in accordance with Section 31 and Sections 34 to 36 of the Local Government Finance Act 1992:

(a)	£478,744,767	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(2) of the Act.
(b)	£394,890,163	Being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3) of the Act.
(c)	£83,854,604	Being the amount by which the aggregate at 3.4 (a) above exceeds the aggregate at 3.4 (b) above, calculated by the Council in accordance with Section 31A(4) of the Act as its Council Tax requirement for the year. (Item R in the formula in Section 31B(1) of the Act.
(d)	£1,452.40	Being the amount at 3.4(c) above (Item R), all divided by Item 0 above (Item T), calculated by the Council, in accordance with Section 31B(1) of the Act, as the basic amount of its Council Tax for the year.

(e) Valuation Bands (Portsmouth City Council)

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
968.27	1,129.64	1,291.02	1,452.40	1,775.16	2,097.91	2,420.67	2,904.80

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

<sup>3</sup>Includes Retained Business Rates £41,679,307, "Top Up" £6,952,434, a surplus on the Collection Fund of £1,286,772 plus S.31 Grants of £5,473,326 for compensation due to national Government business rate relief initiatives

- 3.5 That it be noted that for the financial year 2020/21 the Hampshire Police & Crime Commissioner is consulting upon the following amounts for the precept to be issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Police & Crime Commissioner)

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
140.97	164.47	187.96	211.46	258.45	305.44	352.43	422.92

- 3.6 That it be noted that for the financial year 2020/21 Hampshire Fire and Rescue Authority are recommended to approve the following amounts for the precept issued to the Council in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of the dwellings shown below:

Valuation Bands (Hampshire Fire & Rescue Authority)

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
46.04	53.71	61.39	69.06	84.41	99.75	115.10	138.12

- 3.7 That having calculated the aggregate in each case of the amounts at 3.4(e), 0 and 3.6 above, the Council, in accordance with Sections 31A, 31B and 34 to 36 of the Local Government Finance Act 1992 as amended, hereby sets the following amounts as the amounts of Council Tax for the financial year 2020/21 for each of the categories of dwellings shown below:

Valuation Bands (Total Council Tax)

<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>	<b>G</b>	<b>H</b>
<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
1,155.28	1,347.82	1,540.37	1,732.92	2,118.02	2,503.10	2,888.20	3,465.84

- 3.8 The Council determines in accordance with Section 52ZB of the Local Government Finance Act 1992 that the Council's basic amount of Council Tax for 2020/21, which represents a 3.99% increase, is not excessive in accordance with the principles approved by the Secretary of State under Section 52ZC of the Act; and it be noted that:

- i) The 3.99% increase includes a 2.0% increase to support the delivery of Adult Social Care
- ii) As the billing authority, the Council has not been notified by a major precepting authority (the Police and Crime Commissioner for Hampshire or the Hampshire Fire & Rescue Authority) that its relevant basic amount of Council Tax for 2020/21 is excessive and that the billing authority is not required to hold a referendum in accordance with Section 52ZK of the Local Government Finance Act 1992.

- 3.9 The S.151 Officer be given delegated authority to implement any variation to the overall level of Council Tax arising from the final notification of the Hampshire Police & Crime Commissioner and Hampshire Fire and Rescue Authority precepts.

## **4. Economic & Financial Context**

- 4.1 Whilst economic growth continues in the UK economy, the rate of growth is starting to slow with growth at its lowest levels since the spring of 2012. The picture for the national public finances continues to improve slowly with total debt as a proportion of Gross Domestic Product falling by 0.2 percentage points over the year to 72.5% currently.
- 4.2 As far as next financial year is concerned, there was positive news for essential Local Government Services including Social Care and Housing within the Spending Review 2019 and also within the Conservative manifesto. It remains to be seen whether this will filter through into additional funding for local Councils beyond next financial year and this remains a critical uncertainty for 2021/22 onwards.
- 4.3 Details of how the Spending Review 2019 has filtered down into the Provisional Local Government Finance Settlement for the Council are set out later in this report.
- 4.4 For the following year 2021/22 there will be a comprehensive overhaul of the Local Government funding system known as the "Fair Funding Review", it will determine a new formula methodology which will set each Local Authority's baseline funding level. Alongside this, a new system for retaining future Business Rate growth / loss will be implemented, taking away all existing growth and re-distributing that growth nationally according to relative need (rather than where it was generated).
- 4.5 Finally, the Chancellor has announced that there will be a National Budget on 11 March 2020 which is expected to set the parameters for a multi-year Spending Review later in 2020. Whilst this will provide greater clarity for the Local Government sector as a whole, the impact on the Council will be heavily influenced by the outcomes of the Fair Funding Review and Business Rate Retention Scheme Review to be implemented in 2021/22.

## 5 Medium Term Financial Strategy

- 5.1 The Council has been required to make £102m in savings and efficiencies over the past 9 years in order to balance the Budget, ensuring that spending remains in line with income and funding levels.
- 5.2 In response to the considerable financial challenge, the City Council has followed a Medium Term Financial Strategy (for both revenue and capital) with an 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. This 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 - Short / Medium Term

Transforming to an Innovative and Creative Council - through income generation

#### STRAND 2 - Medium / Long Term

Reduce the Extent to which the Population Needs Council Services - through improving prosperity and managing demand

#### STRAND 3 - Short / Medium Term

Increasing Efficiency & Effectiveness - by improving value for money across all services

#### STRAND 4 - Short Term

Withdraw or Offer Minimal Provision for Low Impact Services

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

## 6 Revised Budget 2019/20

- 6.1 The original Revenue Budget approved by the City Council on 12 February 2019 was £165,002,000.
- 6.2 The Cabinet has received regular quarterly Budget Monitoring reports on the 2019/20 Budget throughout the year which have consistently reported a forecast overspend for the year. This has been largely driven by the forecast cost pressures facing both Adult Social Care (currently forecast to be £2.5m overspent) and Children's Social Care (currently forecast to be £3.2m overspent) but offset to some extent by contingency provision specifically set aside for these potential pressures and also from improved returns from the Council's Treasury Management activities.
- 6.3 In overall terms, for the whole Council, the forecast overspend over the year has varied between £2.5m to £2.9m.
- 6.4 Of critical importance is the extent to which the overspending positions in both Adults and Children's Social Care are expected to continue into future years. This is described as the underlying deficit (or "structural deficit"). These deficits represent the level of savings that will either need to be met from the Services themselves through their own strategies and action plans or which, if proved to be unachievable to remedy, require a corporate response through an increase in the Portfolio Budget which will add to the overall Budget deficit of the Council and increase Savings Requirements to be made across Council services in future years.
- 6.5 Current estimates assess this underlying deficit to amount to £8.1m in aggregate, and comprise:
- Adult Social Care - £4.9m
  - Children's Social Care - £3.2m driven almost entirely by the increasing number of Looked After Children required to be taken into care

The proposed remedy for these underlying deficits in 2020/21 is set out in Section 8.

- 6.6 The Original Budget has now been comprehensively revised and it is proposed to increase the Budget to £165,912,000, an increase of £910,000. Whilst overall spending has increased, overall funding has also increased by a broadly equivalent amount resulting in an overall change to the Council's 2019/20 financial position of just £62,900. Consequently, the transfer from General Reserves will increase by an equivalent amount. This means that the Council has been able to accommodate all forecast overspendings, including Adults and Children's Social Care, through the use of the Council's corporate contingency.
- 6.7 Accordingly, significant changes to the Original Budget now being proposed as part of the Revised Budget are as follows:

### Budget Increases

- i) Overspend of £1.8m related to Portico. Forecast losses at Portico for the year are expected to be £3.3m versus the planned loss of £1.5m, resulting in an overall overspend of £1.8m. This relates largely to the loss of business and reluctant departure of Fyffes due to their need for deeper berths and the ending

of the Moroccan contract during the year. The forecast position for Portico next year (2020/21) is a small loss of circa. £0.3m as GEEST return to the company and volumes from MHI Vestas, Project Cargoes, Aggregates and Customs Agency rise, as pursued in accordance with the company's diversification strategy.

#### Budget Reductions / Increases in Funding

- i) Improvement in Treasury Management activities of £1.0m
- ii) A small net reduction in the Council's Corporate Contingency of £0.4m<sup>4</sup> which, after removing provisions for risk items that are now not expected to occur in the current year, will be at a sufficient level to cover the following additional costs / overspendings:
  - Forecast overspend in Children's Social Care of £3.2m
  - Forecast overspend in Adult Social Care (not met by transfers from Reserves) of £2.5m
  - Forecast overspend in Home to School Transport of £0.4m
  - Additional IT License costs of £0.4m

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

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<sup>4</sup> Total reductions include provisions made within the Original Budget that are no longer expected to be required in 2019/20

## 7 Revised Cash Limits 2019/20

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

7.2 The Cash Limits for 2019/20 have been revised to take account of:

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

7.3 The table below sets out the revised Cash Limits for 2019/20 and those items outside the Cash Limit (e.g. capital and similar charges, levies and insurance premiums), which together form the Revised Budget for each Portfolio.

<b>Portfolio</b>	<b>Revised Cash Limits 2019/20 £'000</b>	<b>Items Outside the Cash Limit £'000</b>	<b>Revised Budget 2019/20 £'000</b>
Children & Families	29,546	105	29,651
Community Safety	2,084	0	2,084
Culture Leisure & City Development	6,036	3,870	9,906
Education	5,591	18,989	24,580
Environment & Climate Change	12,564	1,786	14,350
Health, Wellbeing & Social Care	44,569	3,314	47,883
Housing	5,393	5,743	11,136
Leader	(25,061)	13,061	(12,000)
Resources	18,378	4,299	22,677
Traffic & Transportation	17,384	684	18,068
Licensing Committee	(239)	16	(223)
<b>Portfolio Expenditure</b>	<b>116,245</b>	<b>51,867</b>	<b>168,112</b>

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

## 8 Revenue Budget 2020/21

- 8.1 At last year's Annual Budget Meeting in February 2019, forecasts for this coming financial year 2020/21 and the subsequent two financial years estimated that an overall 3 year savings requirement of £7.5m would be necessary to meet the budget deficits over that period.
- 8.2 Since those forecasts were prepared in February last year, the Council has now undertaken a Budget Consultation with residents and also received the Provisional Local Government Finance Settlement for 2020/21. The Local Government Finance Settlement is the term used to describe the main non-ring-fenced Revenue and Capital grant funding allocations from Government.

### **Budget Consultation**

- 8.3 Portsmouth City Council's annual budget consultation had 3,288 responses from all areas across the City. A summary of the results is set out below:

- ❖ There was no majority for a specific increase in Council Tax, however there was a majority for a Council Tax increase versus no Council Tax increase
- ❖ There was a clear majority for an additional increase of 2% to specifically support Social Care services (with 71% fully or somewhat supporting an increase)
- ❖ The top three most important areas to help shape the future of the city were:
  - Creating better facilities for sustainable transport, such as cycling or walking
  - Continuing investment in new sea defences through plans to protect more than 8,000 homes and 700 businesses in Southsea
  - Building new homes in the city, including flats offering special care for elderly residents

Improvements to the road network and to facilities at Portsmouth International Port to increase the money it generates to help protect local services was also popular but not in the top three most selected options

### **Council's Financial Forecast**

- 8.4 The Council's forecast was in line with the settlement, with the main exception of the additional funding that has been made available to Social Care (both Adult Social Care and Children's Social Care) *but announced for 2020/21 only* as described below:
- i) The flexibility to increase the Adult Social Care Precept by a further 2% (amounting to £1.6m and passporting it direct to Adult Social Care)
  - ii) The Social Care Grant funding, originally announced in the Spending Round 2019 for Adults and Children's Social Care, amounting to £5.4m, representing the continuation of £1.5m provided in the current year plus a further £3.9m for 2020/21



- 8.5 This additional funding is expected to bring financial stability to the budgets for both Adults and Children's Social Care, at least for 2020/21. It will help to remove the underlying budget deficits in both of these services whilst also contributing to the financial challenges arising from demographic pressures generally, as well as the 6.2% uplift in National Living Wage which affects the care sector in particular.
- 8.6 Whilst the Conservative manifesto has confirmed that the Social Care Grant funding will continue through the life of the parliament, it is not clear whether this is new funding to the Local Government System as a whole or whether it is to be funded from within the system via a re-direction from the Business Rate Growth that is currently being enjoyed by Local Authorities.
- 8.7 Should the Social Care funding be funded from by a re-direction of Business Rate Growth, it will not take effect until the financial year 2021/22. So whilst next financial year is protected, the increased grant funding allocated to Social Care will continue but will be offset by reducing general funding which is used to fund other Council Services. At a sum of £5.4m, this remains a critical uncertainty for the Council's future forecast savings requirements.
- 8.8 Other changes to both funding and spending, including significant inflationary pressures are expected in the forthcoming year and have been factored into the proposed Budget for 2020/21. All elements of funding and spending have now been comprehensively reviewed which include the following:

*Funding*

- Central Government Funding (Local Government Finance Settlement)
- Business Rate Income
- Council Tax Income

*Expenditure / Income*

- Budget Pressures and Inflationary Costs
  - Savings proposals as set out in Section 9
  - Other unavoidable cost pressures (including "new burdens" passed down from Central Government)
  - Port and Portico trading results
  - Debt Financing costs and interest rates
  - Contingencies
- 8.9 Based on the Provisional Local Government Finance Settlement and a comprehensive review of all other estimates of funding, income and expenditure for 2020/21 and the following 3 years, the approved savings requirement for 2020/21 of £2.5m remains prudent but only on the basis of the Council Tax proposals set out within this report. Given what is known, or reasonably expected, regarding future funding and given future uncertainties, a savings requirement of less than £2.5m for 2020/21 would not be prudent.
- 8.10 Details of the Provisional Local Government Finance Settlement plus all other funding, income and expenditure changes proposed within the Budget for 2020/21 are described in the following paragraphs.

## **Funding**

### *Local Government Finance Settlement - Summary*

- ❖ ***One-year settlement that covers only 2020-21*** – The 2020/21 announcement is the first and only year of the Spending Round 2019, with future years' announcements dependent on a number of factors, including: Spending Review 2020, the outcome of the Fair Funding Review, the Business Rates Retention (BRR) Reset, the move to 75% BRR and any reform of the New Homes Bonus scheme.
- ❖ ***Council Tax*** – The Council Tax referendum limit will be 2%, including Fire Authorities. For local authorities with social care responsibilities a further 2% social care precept is allowed. The provisional settlement confirmed districts will be allowed to apply the higher of the referendum limit or £5

The maximum increase in Council Tax for Police and Crime Commissioners has now been announced at £10 for a Band D property.

- ❖ ***Business Rates Retention*** – The three elements of the Business Rates Retention system (Baseline Need, NNDR Baseline and Tariff / Top Up amounts) have all increased by 1.63%, in line with the September 2019 CPI inflation figure.
- ❖ ***Revenue Support Grant*** – RSG (for those authorities that still receive RSG in 2019/20), has increased in line with the Business Rates Retention system (+1.63%).
- ❖ ***New Homes Bonus*** – No change to the funding system. Legacy payments (i.e. payments for a further 4 years) due from previous years (2017/18 to 2019/20) will come to an end in 2023/24. Allocations for 2020/21 will be paid in accordance with the current system which includes a deadweight of 0.4% (threshold to be achieved before any allocation for the current year is paid) but will not attract any legacy payments going forward.

The ministerial statement announced a Spring 2020 consultation on the future of the scheme, stating that:

*“It is not clear that the New Homes Bonus in its current form is focused on incentivising homes where they are needed most” and the consultation will “include moving to a new, more targeted approach that rewards local authorities where they are ambitious in delivering the homes we need, and which is aligned with other measures around planning performance”*

- ❖ ***Top Up/Tariff Adjustments (Negative RSG)*** – As in previous years, the government has decided to eliminate the negative RSG amounts.
- ❖ ***Social Care Funding*** – As originally announced at Spending Round 2019 and in the technical consultation. The provisional settlement confirms the previously proposed national amounts and allocation methodologies.

Improved Better Care Fund - In 2019/20 £1,837m was allocated nationally through the Improved Better Care Fund. This amount remains the same for 2020/21.

Winter Pressures - For 2020/21, the winter pressures funding has been incorporated into the Improved Better Care Fund (BCF) and must therefore form part of local authorities' contribution to the BCF

Social Care Support Grant - In 2019/20, £410m of additional (non-ringfenced) funding was allocated for use for Adult and Children's Social Services. This was allocated using the existing Adult Social Care Relative Needs Formula and will also be used to distribute this Social Care Support Grant funding. For 2020/21, as announced in Spending Round 2019, an additional £1bn of funding was added to this grant. This additional £1bn has been confirmed within the Conservative Party manifesto to continue for each year of the parliament.

- ❖ **Rural Services Delivery Grant** – The 2020/21 allocation of £81m and methodology for distribution remain unchanged from 2019/20.
- ❖ **Business Rates Pilots** – No new business rates pilots were announced for 2020/21, with all areas (aside) from the original 2017/18 (i.e. not including the Solent Authorities) pilot areas reverting back to the 50% scheme. The 2017/18 pilot areas are to remain at 100%, or 37% for the Greater London Authority.
- ❖ **Dedicated Schools Grant** – In September 2019, the Secretary of State for Education announced that Dedicated Schools Grant (DSG) funding for 2020/21 would rise by £2.6bn, plus £1.5bn to fund additional pension costs for teachers. Each local authority will receive a minimum of a 1.84% per pupil funding increase. The allocations also meet the Conservative Manifesto commitment to provide at least £5,000 for every secondary school pupil, and £3,750 per primary pupil.
- ❖ **Independent Living Fund** – ILF Recipient Grant will continue to be paid to local authorities in 2020/21 and there will be no changes to the amount.
- ❖ **Levy / Safety Account** – The levy account at the end of 2018/19 is expected to have a surplus of approximately £58m. However, there is no mention of this being allocated within the provisional settlement papers
- ❖ **Local Government Funding Reforms** – There were no additional papers published or mentioned relating to the local government funding reforms that are planned for introduction from April 2021 (i.e. Fair Funding, 75% Business Rates Retention, the full reset of the business rates baselines or the potential Alternative Business Rates Retention System).
- ❖ **Final Settlement** – The provisional figures are expected to be confirmed in late January 2019 (within the final settlement announcement)

8.11 One of the key announcements for the Council was the revocation of the Solent Business Rate Retention Pilot, the pooled arrangement between Portsmouth City Council, Southampton City Council and the Isle of Wight Council which enabled those Councils to retain 100% and 75% of all Business Rate growth in 2018/19 and 2019/20, respectively. It is estimated that the value to the three Solent Authorities of that scheme in terms of additional business rates retained will total £21.4m and to date it has benefited the Council's Capital Programme by £7m. The Council had not relied on this additional funding continuing into future years and therefore it has not affected

the Council's existing financial forecast. Nevertheless, it has removed a potential funding source for the Council's Capital Investment needs and aspirations.

- 8.12 The final grant settlement should be available by late January / early February, it is not expected to vary significantly from the provisional settlement and it is recommended that any variation should be accommodated by a transfer to or from General Reserves.
- 8.13 Whilst the Local Government Finance Settlement is a significant factor in determining the Council's overall financial position and therefore any necessary savings, other significant factors that will affect the Council's future Savings Requirements include Business Rates income, Council Tax income, inflation, interest rates and any new unfunded burdens passed down from Government. These are described in the paragraphs that follow.

### *Retained Business Rates 2020/21 & Future Forecasts*

- 8.14 The Retained Business Rates system is complex and subject to a significant degree of inherent risk. The current national system is characterised by a complex formula which includes the following:
- i) Retention of 50%<sup>5</sup> of all business rates received and which is affected by the value of successful appeals, the number of mandatory reliefs (e.g. charitable relief) and the overall collection rate (i.e. how much is uncollectable and written off)
  - ii) Increased by a fixed amount "top up" which increases annually by the rate of inflation
  - iii) Compensation through S.31 Grants for national government initiatives which have the effect of reducing Business Rates to the Local Authority such as business rate capping for small businesses
  - iv) A "safety net" set at 7.5% below a pre-determined baseline<sup>6</sup> below which retained Business Rates will not fall (set at £44.9m for 2020/21)
- 8.15 In 2017/18 the National Non Domestic Rate system was subject to a re-valuation. This revised both the rateable values and the multiplier. The entire re-valuation is financially neutral at a national level with the increase in rateable values overall offset by a reduction in the multiplier.
- 8.16 The Retained Business Rates system for Local Authorities is likewise intended to be financially neutral. Inevitably, this will not be the case and there will be "winners" and "losers" across the country. The key risk is the extent to which successful appeals are greater or less than the assumed allowance for appeals contained within the new multiplier set by Government.
- 8.17 As mentioned, the Solent Authorities 75% Business Rate Pilot (BRR Pilot) has now come to an end and the Council, like almost all other Local Authorities, have reverted

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<sup>5</sup> 49% To the City Council and 1% to the Hampshire Fire & Rescue Authority

<sup>6</sup> Known as the Baseline Funding Level, set in 2013/14 and increased by inflation each year

back to the national 50% Business Rate Retention Scheme. The BRR Pilot was only guaranteed for 1 year, although the Solent Authorities were successful in its application for a second year also and enjoyed the financial benefits for two financial years which is expected to have provided an overall financial benefit of £21.4m across the three Councils and amounting to £7.9m for PCC.

- 8.18 In total, for 2020/21, Retained Business Rates are estimated at £55.4m<sup>7</sup> (now reflecting the retention of 50% Business Rates) and which includes a surplus relating to previous year of £1.3m arising from lower than anticipated losses due to appeals. Future estimated Business Rates have been assumed to increase by the rate of inflation only (as estimated by the Office for Budget Responsibility).
- 8.19 The estimation of Business Rate receipts is extremely complex, with the potential to be volatile and with many of the factors outside this Council's control. In particular, the Valuation Office Agency will both determine whether a rating appeal is successful and the level of reduction granted with the Council having no right of challenge. To help mitigate against this risk, the Council maintains a reserve to provide the Council with a degree of funding stability in the event of fluctuations within and between years.
- 8.20 Despite the complications and risks associated with appeals, there remains the financial incentive within the system for many Local Authorities (including Portsmouth<sup>8</sup>) to generate economic growth and job creation. Irrespective of the financial incentive, the Council's Medium Term Financial Strategy is aimed at reducing the need for Council Services generally and therefore growth, jobs and prosperity are vital to achieve that.
- 8.21 From 2021/22, there will be a new national Business Rate Retention Scheme. Government have consulted on the new scheme on the basis that 75% of Business Rates will be retained by Local Authorities compared with the current 50% national scheme. This will not, in the first instance, provide any additional funding for Local Authorities as it will be introduced in a fiscally neutral way with Local Authorities losing equivalent amounts of grant funding. However, it will mean that Local Authorities are able to retain 75% of all growth achieved versus the current 50%. The introduction of the new scheme will be accompanied by a "Reset" which will remove all current business rate growth currently being enjoyed by authorities and which for the Council amounts to £5.6m<sup>9</sup>.
- 8.22 The Business Rate growth enjoyed by all councils will be removed from councils, aggregated and then re-distributed based on "Need" through the Fair Funding review. If the Council's "Relative Needs" have increased by more than the average of all other Council's then the Council will be a "winner " in terms of the re-distribution and vice versa.

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<sup>7</sup> Includes Retained Business Rates £41,679,307, "Top Up" £6,952,434, a surplus on the Collection Fund of £1,286,772 plus S.31 Grants of £5,473,326 for compensation due to national Government business rate relief initiatives

<sup>8</sup> Applies to Local Authorities that, in general, remain above the safety net threshold over time

<sup>9</sup> Based on 2020/21 Estimates in a 50% Business Rate Retention Scheme

## *Council Tax Proposals 2020/21 & Future Years*

- 8.23 The Council has a relatively low taxbase and a relatively low tax charge. That means that both the average Council Tax band is low and the amount of Council Tax charged to residents is also low compared with our statistical neighbours. By illustration, the Council receives circa £6.0m per annum less in Council Tax than the average Unitary Authority within its statistical neighbour group by keeping the level of Council Tax down, a gap which if closed would reduce the Savings Requirements of the Council by the same sum.
- 8.24 The level of Council Tax charged is an important factor in relation to the Fair Funding review, which will make a deduction to a Local Authority's overall funding allocation in respect of the amount that can be raised locally through Council Tax. The Council's past decisions to maintain a low level of Council Tax have been, and are expected to continue to be a disadvantage in relation to the Council's funding allocation after the Fair Funding Review. This is because the funding formula is expected to continue to make a deduction based on a *national average level of Council Tax* which is currently significantly higher than that of Portsmouth, resulting in a higher deduction than the Council currently raises in Council Tax.
- 8.25 Council Tax currently represents 49% of the Council's total revenue funding and as Government funding has reduced, this has become an increasingly more important and dependent funding source for the Council.
- 8.26 Council Tax for the average Council Tax payer in Portsmouth (Band B) currently amounts to £1,295.66, of which £1,086.31 (84%) is the City Council element. Not all residents are subject to the full amount of Council Tax with many benefitting from exemptions and discounts (such as the single person discount) and a significant number of residents receiving Local Council Tax Support bringing the level of Council Tax payable to an assessed affordable level. After discounts, exemptions and Local Council Tax support is taken into account, only 52% of all properties are subject to the full level of Council Tax.
- 8.27 The Provisional Local Government Finance Settlement for 2020/21 confirmed a Council Tax increase limit for general purposes (i.e. referendum threshold) of 2%, being broadly in line with inflation. Any increase beyond the 2% threshold can only be implemented following a "Yes" vote in a local referendum.
- 8.28 As described more fully later in this report, the actual level of inflation for the Council in 2020/21, taking into account price rises that the Council is exposed to, significantly exceeds the level of increase allowed in the Council Tax. The Council's estimated inflation amounts to 3.7% and is driven largely by the 6.2% uplift in the National Living Wage a 2.4% increase in contracts linked to the Retail Price Index and an above inflation increase in Pension Contributions.
- 8.29 The additional flexibility to apply a Council Tax increase for the Adult Social Care Precept has been provided in recognition of the extreme cost pressures facing Adult Social Care, both through the increase in the National Living Wage (which has increased by 6.2% and affects the Council's contracts with Care Providers for Adults) as well as the demographic pressures from general aging and a "living longer" population.

- 8.30 For Portsmouth City Council, it is vital that the flexibility of the Adult Social Care Precept is taken in order to mitigate the current underlying deficit in Adult Social Care (currently standing at circa. £4.9m) as well as their extraordinary inflationary pressures described above. The alternative would be to increase the level of savings required by the Service.
- 8.31 Given the extraordinary upward inflationary pressures on the Council (including the 6.2% increase in the National Living Wage on Care Services), the demographic pressures in Adult Social Care and in accordance with the results of the Budget Consultation, it is proposed that:
- i) The Council Tax for General Purposes be increased by 1.99% for 2020/21, representing 42p per week for a Band B tax payer and yielding £1.6m
  - ii) Adult Social Care precept be increased by 2.0% for 2020/21, representing 42p per week for a Band B tax payer and yielding £1.6m to be passported direct to Adult Social Care.
- 8.32 Given the extent of the unfunded cost pressures in Adult Social Care, both present and emerging, it is recommended that the Council increase the Council Tax for the Adult Social Care Precept by 2.0%. Setting a precept at a lower sum will inevitably result in additional service reductions to Adult Social Care services in 2020/21, this decision therefore will be critical for Adult Social Care services and the wider health system in the City.
- 8.33 The Council could elect not to increase the level of Council tax by 3.99% but if it chose to do so would need to identify additional savings over and above the £2.5m savings approved by the City Council in February 2019. For every 1% reduction in Council Tax, additional savings of £806,400 will be required.
- 8.34 The Council's future forecasts for the period 2021/22 to 2023/24 have been estimated on the following basis:
- i) General Purposes - 1.99% rise each year
  - ii) Adult Social Care Precept - No further increases thereafter

#### *Council Tax Base 2020/21*

- 8.35 The Council Tax Base (i.e. the number of Band D equivalent properties paying the full Council Tax) has been determined as **57,735.2** for 2020/21.

#### *Collection Fund Balance (Council Tax Element) 2019/20*

- 8.36 The Collection Fund is the account into which are paid amounts collected in respect of Council Tax and out of which are paid the Council Tax precepts to:
- Portsmouth City Council (83.8% share)
  - Hampshire Police & Crime Commissioner (12.1% share)
  - Hampshire Fire & Rescue Service (4.1% share)

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

- 8.37 For 2019/20, it is estimated that there will be a surplus on the Collection Fund of £650,835 which will be shared in proportion to the 2019/20 precepts and distributed to the preceptors as follows:

<b>Collection Fund Surplus - 2019/20</b>		
<b>Preceptor</b>	<b>Distribution</b>	
	<b>£</b>	<b>%</b>
Portsmouth City Council	545,672	83.8%
Hampshire Police & Crime Commissioner	78,709	12.1%
Hampshire Fire & Rescue Service	26,454	4.1%
<b>Total Surplus 2016/17</b>	<b>650,835</b>	<b>100.0%</b>

The Portsmouth City Council Share of the surplus of £545,672 is factored into the overall Council Tax income for 2020/21.

#### *Total Council Tax Income 2020/21 & Future Years*

- 8.38 Considering the Council Tax increase, Council Tax Base and surplus on the Collection Fund, the total Council Tax income for 2020/21 is estimated at £84,400,276.
- 8.39 As Government funding reduces, rises in Council Tax income are fundamental to the Council's future financial position and therefore the future sustainability of Council Services. The Council's Medium Term Financial Forecast assumes that Council Tax Income will rise to £88,960,706 by 2023/24 and is based on the following assumptions:
- Increase in the amount of Council Tax of 3.99% for 2020/21
  - Increases of 1.99% per annum from 2021/22 onwards

#### *Funding Summary*

- 8.40 In overall terms, funding from Government Grants, Business Rates and Council Tax is estimated to increase by 3.7% amounting to £6.1m in 2020/21, largely due to the additional funding for Social Care (£3.9m Social Care Grant and £1.6m Adult Social Care Precept).
- 8.41 Over the following 3 year period of the Council's forecast, funding is anticipated to rise by just 2.1% (or an average of 0.7% p.a), reflecting the estimated impact of the Business Rate Retention "reset" which is expected to remove £5.6m of Business Rate Growth which is not fully offset by its re-distribution for "Need" through the Fair Funding Review of Government Funding.



## **Cumulative Effects of the Overall Local Government Funding System**

- 8.42 Over the past 9 years and including the coming year, the emphasis of the Local Government Funding system has changed considerably. There are clear financial incentives for Local Authorities to promote business growth, increase the number of homes and increase employment. This is illustrated by the following:
- The Business Rates retention scheme allows the City Council to retain (for a period of time between "resets") circa £470,000 for every 1% increase in Business Rate growth (under the 50% BRR scheme). Equally, the City Council will lose £470,000 for every 1% decline in the Business Rate base
  - Under the current scheme which is due for replacement next year, for every new home built, the City Council is able to retain circa £1,749.88 p.a. above the "deadweight" threshold of 0.4% (circa. 301 homes) in New Homes Bonus grant.
  - The risk of increased numbers of households requiring financial support to pay their Council Tax (formerly Council Tax Benefit) falls on the City Council. The City Council therefore will be worse off if caseloads increase, and better off if caseloads fall. The estimated value of the Council Tax support for 2020/21 is £9.8m. Each 1% change therefore will represent a cost / saving of £98,000.
- 8.43 Whilst the Fair Funding Review and 75% Business Rate Retention Scheme (to be introduced in 2021/22) may alter these incentives, it is still expected that they will remain significant given the continued drive to incentivise Local Councils to stimulate their local economies. It is important therefore that when the Council is developing policy and strategy and making its decisions, particularly relating to the Capital Programme, it is cognisant of these financial incentives.

## **Expenditure 2020/21**

### *Budget & Inflationary Pressures 2020/21*

- 8.44 In November 2013 the Council resolved that, as part of a new financial framework providing for a more autonomous approach to financial management and involving the right for Portfolios to retain all underspendings, that Portfolios would be expected to manage any budget pressures.
- 8.45 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 & Resources (S.151 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

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

8.47 Additionally, the Council's budget process provides each Portfolio with an allocation for inflation so that it is fully funded (excluding any savings requirements) to operate "steady state" services. Budget pressures are not funded (as described above) and tend to be related to additional burdens, additional demand or extraordinary price inflation.

8.48 As described in Section 6, Adults and Children's Social Care are carrying underlying deficits of £4.9m and £3.2m, respectively. Both services are also expected to experience further cost pressures in the future and these also have been recognised. Both Services have well developed financial sustainability strategies and plans to mitigate their current underlying budget deficits and their further cost pressures over the next 3 years which involve substantial savings but are consistent with their overall strategies as follows:

- Adult Social Care - Savings over 3 years amounting to £5.6m consistent with enabling clients to lead healthier and more independent lives
- Children's Social Care - Savings over 3 years amounting to £2.6m consistent with early help and intervention, supporting families, improving placement stability and re-unification and therefore an overall reduction in the number and cost of Looked After Children

8.49 Neither plan however is capable of fully eradicating the extraordinary scale of the demand and cost pressures placed on these services. Taking all factors into account (both the current underlying budget deficits and the future cost and demand pressures), it is recommended that the following amounts be added to Budgets in 2020/21 to bring financial stability to those services:

- Health, Wellbeing & Social Care Portfolio - £2.6m (which includes the additional £1.6m passported from the Adult Social Care Precept)
- Children's Social Care Portfolio - £3.0m

8.50 In addition, there is also a national growth in the number of children identified to have Special Educational Needs, this is being felt within schools budgets and causing a

significant strain on the Dedicated Schools Grant as well as the Local Authority which has responsibility for their Home to School Transport. In the current year, Home to School Transport is forecast to overspend by £380,000 and expected to rise to £430,000 by next financial year. Given the substantial scale of this pressure in relation to the size of the Education Budget, it is recommended that the following amount be added to Budgets in 2020/21 to avoid severe compensating cuts to Education Services:

- Education Portfolio - £430,000

- 8.51 Risks remain to the delivery of both the Adults and Children's Social Care financial sustainability strategies and these will be managed as an integral part of their implementation, however adequate corporate contingency provision will be made to cover those risks to ensure that the overall Council Budget remains robust.
- 8.52 Budget pressures within all other Services of the Council are expected to be able to be managed within their overall cash limit with any necessary support from their Portfolio Reserve to enable any such pressures to be managed over time.

### *Revenue Contributions to Capital*

- 8.53 As described in detail in the Capital Programme 2019/20 to 2024/25 report contained elsewhere on this agenda, new Capital Investment proposals totalling £68.6m are proposed. This level of investment relies on a number of funding sources provided either by the Council or from external grants and contributions. For 2020/21, £19.3m is being provided by the Council in the form of "cash backed" funding with a further £33.6m from Council borrowing.
- 8.54 The proposed Capital Programme for next year is ambitious and looks to the longer term but, due to affordability constraints does not fulfil all of the Administration's aspirations or address some of the Council's future statutory obligations. It is estimated that the scale of the funding required for these obligations and aspirations is in excess of £44m. Contrast that with the annual capital grant funding, capital receipts and CIL contributions that the Council receives (circa £7m per annum) and there is a hugely significant shortfall ("Capital Gap") to be met.
- 8.55 Given that this Capital Investment is necessary for both the Council's statutory obligations and also to transform the City's growth potential, it is vital that the Council makes provision for Revenue Contributions to Capital wherever possible.
- 8.56 In order to fund the proposed Capital Programme and priorities, the Revenue Budget for 2020/21 will rely on revenue contributions to capital of £10m.
- 8.57 To fulfil even some of the future obligations and aspirations, further revenue contributions to capital will be required in future years and will need to be embedded within the Council's financial planning process.

## **9. Budget Savings Proposals for 2020/21**

- 9.1 The Administration's budget savings proposals are aligned with the Medium Term Financial Strategy previously described in Section 5 and have been prepared paying due regard to the responses from the Budget Consultation described previously and 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 C.

- 9.2 In accordance with the Medium Term Financial Strategy, the Administration's proposals are focussed on an "Avoidance to Cuts" approach. In overall terms, the proposed £2.5m of savings are characterised as follows:

Description of Saving	Savings	
	£	%
Additional Income	£1.3m	52%
Efficiency Savings (little or no reduction in Services)	£1.2m	47%
Service Reduction	£0.0m	1%
<b>Total</b>	<b>£2.5m</b>	<b>100%</b>

- 9.3 For 2020/21, Additional Income is the largest contributor to savings and accounts for 52% with Efficiency Savings representing 47% and just 1% (£30,000) being Service Reduction measures.
- 9.4 Additionally no savings are proposed from the Children and Families Portfolio due to the extreme cost pressures being experienced in Looked After Children and equally no savings are proposed from the Community Safety Portfolio which has a lead role in combatting Domestic Violence, one of the largest contributors to taking children into care and therefore family break up and rising costs.
- 9.5 A summary of the overall savings proposals for 2020/21, by Portfolio, is set out below.

Portfolio	Saving 2020/21	
	£	%
Children and Families	0	0.0%
Community Safety	0	0.0%
Culture and City Development	52,000	0.3%
Education	30,000	0.3%
Environment and Climate Change	254,000	2.5%
Health, Wellbeing & Social Care - Adult Social Care	604,000*	1.2%
Housing	157,000	1.5%
Leader	656,800	15.8%
Resources	651,200	2.5%
Traffic and Transportation	95,000	1.2%
<b>Grand Total</b>	<b>2,500,000</b>	<b>1.50%</b>

\* Excludes the additional funding passported through the Adult Social Care Precept £1.6m and the additional £1m of further funding provided, meaning that there is a real increase in Adult Social Care funding

- 9.6 In both value and proportionate terms, the Leader Portfolio has made the largest contribution to the savings requirements (15.8%) and entirely through income generation. The Resources Portfolio, both by value and proportionate terms, was the second most important contributor to the savings requirements through a balanced mix of both efficiency savings and additional income.

- 9.7 Notably, the smallest contributor to savings are the Care Services, Community Safety and Traffic & Transportation which is consistent with the priorities of residents described in the Budget Consultation.
- 9.8 Inevitably, there are a number of financial risks contained within the proposals for making savings of the scale of £2.5m (or 1.5%) on the back of making £102m in savings and efficiencies over the past 9 years. The risks are unavoidable. For those risks with the highest likely impact, mitigation strategies are being developed.
- 9.9 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 C 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.
- 9.10 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 paragraph 9.5 above be approved, Managers will commence the implementation of those savings and any consultation process or notice periods necessary.
- 9.11 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 C with alternative proposal(s) amounting to the same value.

## **10. Summary of Proposed Revenue Budget 2020/21**

- 10.1 The proposed Budget for 2020/21 has been prepared to include the following:

### *Spending 2020/21:*

- Additional funding for Children's Social Care, recognising the sustained increase in Looked after Children - £3m
- Additional Funding for Adult Social Care recognising the need to meet demographic pressures and the extraordinary inflationary costs associated with the National Living Wage - £2.6m
- Continuation of "Winter Pressures" programme supporting the NHS to accommodate increased demand for hospital admissions and discharges - £0.9m
- An overall allowance for inflation of 3.7% across services amounting to £4.1m

- A total of £16m of contributions from revenue and reserves to the Capital Programme to enable the Council to meet its essential Capital Investment needs
- Overall contingency provision to cover known and anticipated financial risks of the Council amounting to £10.3m (£9.5m in 2019/20), especially those relating to increases in demand for Adult & Children's Social Care services, Emergency Repairs risks and the delivery of budget savings more generally
- A transfer of £3.5m to the MTRS Reserve in order to replenish it to levels sufficient to be capable of meeting future Spend to Save initiatives
- Adjustments to pension costs, forecast borrowing costs and investment rates
- The £2.5m savings proposals

#### *Funding 2020/21:*

- An overall increase in Government Funding of £3m (mainly relating to the increase in the Social Care Grant of £3.9m and offset by reductions to the New Homes Bonus grant and other Brexit related grants)
- Cessation of the 75% BRR pilot - reduction of £1.5m of retained business rates (previously used to supplement the Capital Programme)
- Changes arising from the increase in Business Rates due to the inflationary uplift in the multiplier (1.63%) and offset by a real decline in the Business Rate Base
- An overall increase in Council Tax of 3.99%, yielding £3.2m
- An increase in the Council Tax base equivalent to 659.8 Band D properties yielding £0.9m
- Overall "one-off" surplus on the Collection Fund attributable to the City Council amounting to £1.8m, representing a surplus on Council Tax of £0.5m and a surplus on Business Rates retained of £1.3m

10.2 The proposed Budget for 2020/21, including the main changes described above results in net spending of £174,588,400. This amounts to a net increase in spending of £9,586,400 or 5.8% over the Original Budget 2019/20.

10.3 The proposed Budget for 2020/21 as described in this Section is recommended for approval.

## 11. Cash Limits 2020/21

11.1 As previously described, Cash Limits relate to that element of the Budget that is Portfolio and Service specific and which is controllable. Cash Limits have been prepared to reflect all changes set out in the proposed Budget for 2020/21 described in Section 10 and in particular include:

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

11.2 The table below shows the proposed Cash Limits for 2020/21 and also those items outside Cash Limits (i.e. capital and similar charges, levies and insurance premiums), which together form the Budget for each service.

<b>Portfolio</b>	<b>Cash Limits 2020/21 £'000</b>	<b>Items Outside the Cash Limit £'000</b>	<b>Budget 2020/21 £'000</b>
Children & Families	32,986	3,064	36,050
Community Safety	2,103	556	2,659
Culture Leisure & City Development	6,398	5,107	11,505
Education	6,188	14,859	21,047
Environment & Climate Change	12,515	1,566	14,081
Health, Wellbeing & Social Care	45,979	5,035	51,014
Housing	5,331	3,138	8,469
Leader	(29,795)	5,566	(24,229)
Resources	18,812	6,647	25,459
Traffic & Transportation Licensing Committee	15,335 (231)	5,871 102	21,206 (129)
<b>Portfolio Expenditure</b>	<b>115,621</b>	<b>51,511</b>	<b>167,132</b>

11.3 Managers will be expected to contain their expenditure in 2020/21 within Cash Limits and to regularly monitor their budgets to ensure this is achieved. Managers will continue to have the freedom to change their budgets within the Cash Limit in the year, provided they do not enter into commitments which would increase their expenditure in future years beyond the agreed Cash Limit for 2020/21, but mindful of the requirement to make savings in future years.

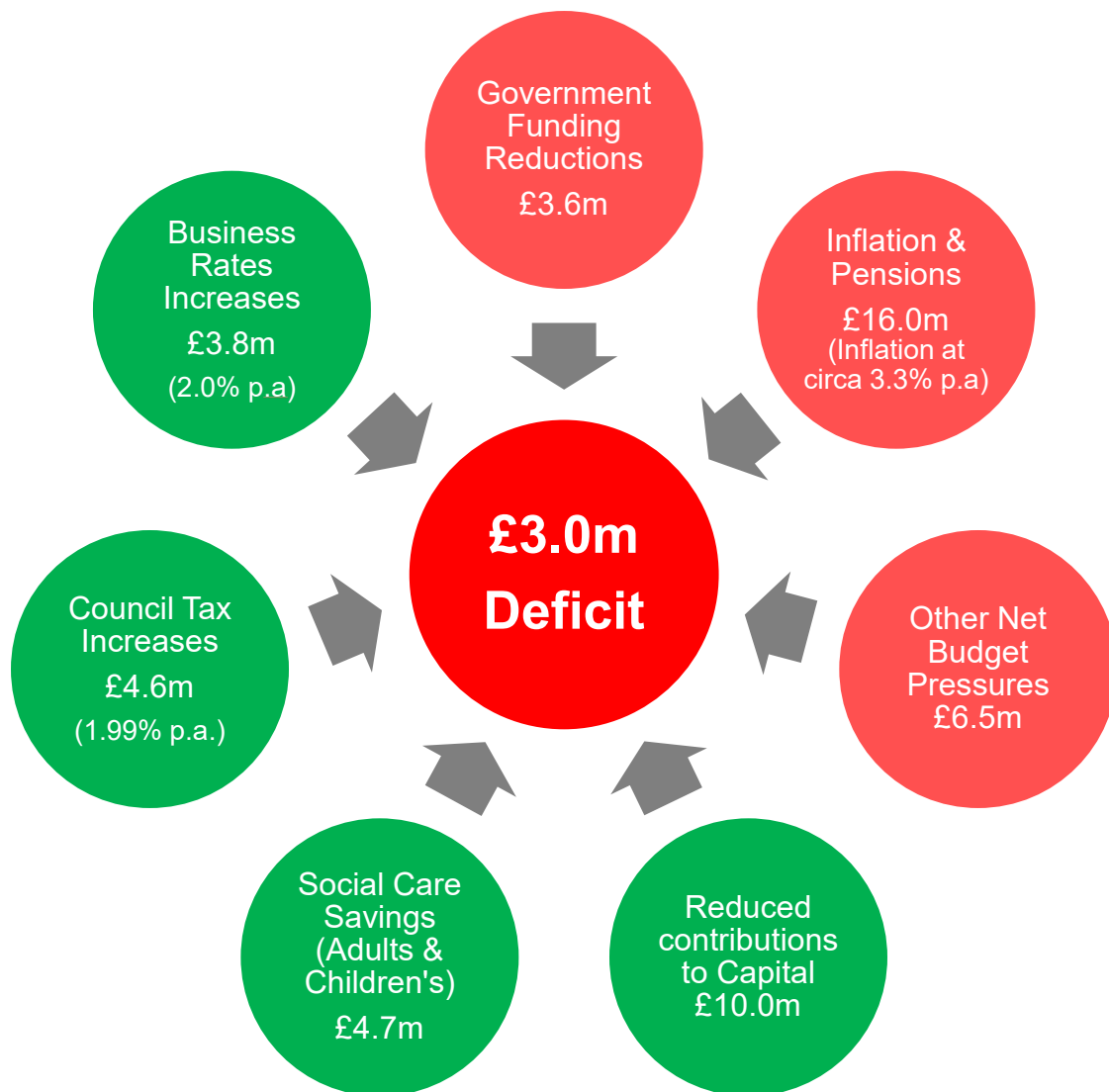
- 11.4 As set out in the Council's Financial Rules, any overspends against the current year's Cash Limit will become the first call on any retained underspendings from previous years contained within a Portfolio's Earmarked Reserve. Should a Portfolio's Earmarked Reserve be depleted, any remaining overspend will be deducted from the 2021/22 Cash Limit.
- 11.5 Managers have delegated authority to incur committed routine expenditure within their approved Cash Limit. Routine expenditure is any expenditure incurred to meet the day-to-day operational requirements of the service, or any specific approved budget pressure. Managers wishing to incur expenditure on any other specific item should seek approval from the relevant Portfolio holder before incurring that expenditure.
- 11.6 These Cash Limits will be adjusted under the delegated authority of the S.151 Officer to reflect transfers of budgets that come to light after the Budget has been approved, such as changes to the assumptions on inflation rates and any other virements.
- 11.7 Managers will be required to report their forecast outturn position to the relevant Portfolio holder on a regular basis and the Cabinet will receive a report on the overall budget position every quarter.

## **12. Future Years' Medium Term Forecasts - 2021/22, 2022/23, and 2023/24**

- 12.1 A new medium term forecast has now been completed and "rolled on" a further year to cover the period 2021/22 to 2023/24. All of the financial assumptions have been comprehensively revised and a savings requirement for the new period determined.
- 12.2 The previous medium term forecast estimated that savings of £7.5m would be required across the previous 3 year period 2020/21 to 2022/23. The proposed Revenue Budget for 2020/21 provides for £2.5m of those savings that, based on the "old" forecast, would have left a residual £5m remaining to be found for the following 2 years.
- 12.3 The new medium term forecast takes account of the £2.5m savings being achieved in 2020/21, comprehensively revises the remaining £5m that was estimated to be required and makes a forecast for the additional year 2023/24. It is now estimated that the savings required for the new 3 year period 2021/22 to 2023/24 will now be £3.0m (or £6m cumulatively over the period) as described in the paragraphs that follow.



12.4 The most significant changes that will affect Local Government and the Council through the period 2021/22 to 2023/24 are as follows:



12.5 The most significant assumptions in the medium term forecasts for the period 2021/22 to 2023/24 are described below:

Spending:

- An overall composite inflationary provision covering all pay and prices at circa 3.3% per annum for the period plus additional pension obligations, in total amounting to £16.0m
- The delivery of the financial sustainability plans in Adults and Children's Services amounting to combined savings of £4.7m

- Some provision for the potential on-going risks associated with future demographic and other volume related budget pressures within Children's and Adult Social Care
- Revenue Contributions to Capital reducing to £3.0m in 2021/22 and 2022/23 and to zero by 2023/24
- A contribution to the MTRS Reserve in 2022/23 in order to maintain the Reserve at levels consistent with continuing to be able to support Spend to Save initiatives and likely redundancy costs
- An assumption of a "steady state" for other budgets

#### Funding:

- Reductions in overall general Government funding from 2021/22 onwards amounting to £3.6m over the period, representing a 4.1% reduction associated with the Fair Funding Review and Business Rate Retention "reset"
- A 1.99% increase in Council Tax per annum from 2021/22 onwards, in total yielding £4.6m
- Non recurrence of the current £1.8m surplus of the Collection Fund
- Indexation uplifts on retained Business Rates of 2.0% per annum from 2021/22 onwards
- An underlying zero growth assumption for changes in Business Rates from 2021/22 onwards, to reflect the uncertainty relating to appeals and mandatory reliefs
- That any loss of business rates income arising from National Business Rate reduction / capping initiatives will continue to be recompensed by Government via S.31 grant funding
- No changes to the Port dividend for 2021/22, 2022/23, and 2023/24 to reflect current forecasts

12.6 It is important to recognise that this forecast extends beyond the multi-year Spending Review planned for the coming year, the Fair Funding Review and the 75% Business Rate Retention Scheme due to be implemented in 2021/22. It also moves 2 years beyond these events and makes broad assumptions at the macroeconomic level pending any indicative information at the local level. Consequently there remains a significant level of uncertainty surrounding the £3.0m forecast deficit which could realistically vary between +/- £4m.

12.7 Due to the uncertain nature of the future years' forecasts it is imperative that the Council continues to plan for £1.0m of savings per annum as well as maintaining sufficient General Reserves. This is a balanced approach appropriate to an eventuality where the Council's forecasts are either too pessimistic or too optimistic. For example, in the event that the 3 year forecast improves, the Council has not

prematurely made a level of savings and service reductions that could have been avoided and it allows more time for savings initiatives to take effect. If the forecast deteriorates, the Council will have made good progress towards the necessary savings and have sufficient General Reserves to avoid significant "spikes" in Savings Requirements in any single year in the future.

- 12.8 Crucially, this savings strategy, as described above, can only work if the Council retains General Reserves at the levels set out in this report.
- 12.9 In summary, the overall forecast budget deficit and therefore savings requirement has been reduced for both 2021/22 and 2022/23 and the forecast has been "rolled on" to now include a deficit in 2023/24 of £1.0m. The overall forecast budget deficit and savings requirement for the 3 year period 2021/22 to 2023/24 is £3.0m. Importantly, this level of budget deficit can only be maintained if the Council approves the proposed £2.5m of savings as well as the increase in Council Tax of 3.99% for 2020/21.
- 12.10 The medium term financial forecasts are set out as part of the General Fund Summary in Appendix A but in a more summarised fashion in Appendix B.
- 12.11 The fundamental aim of the Medium Term Resource Strategy is for in-year expenditure to equal in-year income. The proposed Savings Requirements set out below have been set to accord with that aim and also with the minimum level of General Balances that the Council is required to hold based on its risk profile.
- 12.12 The Savings Requirements recommended below have been phased to have regard to a managed reduction in spending and service provision over a realistic period:

	<b>Revised Underlying Budget Deficit £m</b>	<b>Revised In Year Target £m</b>	<b>Revised Cumulative Saving £m</b>
2021/22	2.2	1.0	1.0
2022/23	3.8	1.0	2.0
2023/24	3.0	1.0	3.0

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

### **13. Estimated General Reserves 2019/20 to 2023/24**

- 13.1 In general, maintaining adequate reserves is a measure of responsible financial management and strong financial health. They are required in order to be able to respond to "financial shocks" without having to revert to the alternative of quick and severe reductions in services. Equally, they can be a vehicle to take advantage of any opportunities that may arise which are in the financial interests of the Council (for example, matched funding opportunities which could lever in additional funding for the City or for Spend to Save schemes). Importantly, they also enable differences

between expenditure and funding levels to be "smoothed out" and managed in a planned way over time.

- 13.2 General Fund Revenue Reserves as at 31 March 2020 (Revised Estimate) are anticipated to be £23m after transfers to and from other reserves although falling back to historic levels of circa £20m by 31 March 2021. The Council is expected therefore to remain within the approved level of minimum General Reserves of £8.0m.
- 13.3 In accordance with Best Practice, the level and nature of all revenue reserves and balances has been reviewed as part of the budget process. The exercise has attempted to identify and assess all of the City Council's potential financial risks over the next few years in order to determine the prudent level of balances that should be retained, based on the City Council's risk profile. Each risk has been considered alongside the probability of it happening.
- 13.4 The outcome shows that for 2020/21 the City Council should continue to hold a minimum of £8.0m in General Reserves to cover these major risks. It is therefore recommended that the minimum level of General Reserves be maintained at £8.0m as at March 2021. Assuming the savings required to fund the forecast deficit in 2020/21 are achieved, General Reserves as at 31 March 2021 are forecast to be £20.4m.
- 13.5 The minimum level of balances for 2021/22 and future years will be reviewed annually as part of the budget process.
- 13.6 The statement below gives details of the General Reserves in hand at 01 April 2019, together with the proposed use of reserves from 2019/20 to 2023/24, and the resultant balances at 31 March 2024 **assuming that the target savings recommended in Section 12 are achieved.**

<b>General Reserves Forecast - Up to 2023/24</b>					
<b>Financial Year</b>	Current Year £m	Budget 2020/21 £m	Forecast 2021/22 £m	Forecast 2022/23 £m	Forecast 2023/24 £m
<b>Opening Balance</b>	23.0	23.0	20.4	19.2	17.4
<b>In Year Surplus / (Deficit)</b>	(0.0)	(2.6)	(1.2)	(1.8)	0.0
<b>Forecast Balance</b>	<b>23.0</b>	<b>20.4</b>	<b>19.2</b>	<b>17.4</b>	<b>17.4</b>

- 13.7 The level of balances held over the period will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons, which include:
- The Council is not permitted to budget for a level of General Reserves below the minimum level determined by the S.151 Officer
  - There remain continuing risks associated with the financial sustainability plans for both Adults and Children's Social Care. For example, should the forecast savings over the period General Reserves would be at minimum levels by March 2022.

- The balances are predicated on total savings (as yet unidentified) of £3.0m being achieved over the next 3 years. If those savings are not made, balances would be reduced by £6.0m by 31 March 2024.
- It is a crucial part of the strategy to mitigate against the uncertainty of the Fair Funding Review in 2021/22 in order to avoid potentially significant "spikes" in savings requirements in any single year (as described in Section 12 above)
- The uncertainty over the level of funding generally (in particular retained Business Rates), demographic cost pressures for care services, inflation and interest rates in future years
- The uncommitted balance available in the MTRS reserve of just £8.1m<sup>10</sup> means there are only limited funds available to fund the implementation costs of future efficiency savings (see Section 14)

13.8 Furthermore, the City Council is pursuing a number of initiatives that will rely temporarily on the use of the Council's reserves generally in order to deliver them in a more cost efficient way (i.e. as opposed to borrowing). Examples include, the City Deal, Dunsbury Hill Farm and the Investment Property Fund. In the current climate where borrowing rates are significantly greater than investment rates, it makes financial sense to utilise General Balances and Reserves (that would otherwise be invested until required) and defer any borrowing decisions to a later date once investment rates recover. Retaining reserves therefore is an extremely important element of delivering the Council's Regeneration Strategy that will ultimately result in increased jobs, new homes and improved prosperity for the City.

## 14. Medium Term Resource Strategy Reserve

14.1 The MTRS Reserve was originally established to fund:

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

14.2 Historically, the reserve has been replenished by transfers of underspends from previous years. Under the new financial framework of retained underspendings by Portfolios, the opportunities for replenishing this reserve are now diminished. The calls on the reserve however, for smaller scale Spend to Save or Invest to Save

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<sup>10</sup> Including the net transfers from the reserve of £5.978m contained with the recommendations of the Capital Programme 2019/20 to 2024/25 report elsewhere on this agenda and the transfer in of £3.5m proposed within this report

schemes are also diminished, since these are funded from Portfolio Reserves where available. It is important that the reserve is maintained to fund larger scale Spend to Save schemes that would otherwise be unaffordable by a Portfolio.

- 14.3 It is anticipated that the main call on the MTRS Reserve over the next few years will be Invest to Save Schemes of a capital nature and the revenue costs associated with transforming Services. Additionally, redundancy costs will also be required, arising out of the savings needed to meet the £3.0m forecast Budget deficit.
- 14.4 In order to provide for future years anticipated redundancy costs (i.e. over the course of the coming year and the further 3 year forecast), satisfy the demands for Invest to Save Schemes and meet all other commitments, it is anticipated that the uncommitted balance on the MTRS Reserve will be £8.1m. Importantly, Invest to Save (avoid cost) proposals are becoming an increasingly important component of the Capital Programme and it can reasonably be expected that future Capital Programmes will rely more heavily of this as a funding source (e.g. a transfer of £5.978m in 2020/21).
- 14.5 In future years, for this reserve to continue in this capacity, it will be necessary to replenish it either from non Portfolio underspends or alternatively from the Revenue Budget.

## **15. Statement of the Section 151 Officer in Accordance with the Local Government Act 2003**

- 15.1 Section 25 of the Local Government Act 2003 (“the Act”) requires the Chief Financial Officer to report to the City Council on the following matters:
- The robustness of the estimates included in the budget made for the purposes of setting the Council Tax; and
  - The adequacy of proposed financial reserves
- 15.2 Section 25 of the Act concentrates on uncertainties within the budget year rather than the greater uncertainties in future years. In the current economic climate, there continue to be uncertainties in both the current and future years i.e. beyond 2020/21. Particular uncertainties exist regarding the extent of successful appeals and mandatory reliefs which affect Retained Business Rates, Government Funding levels (including the outcome of the Fair Funding Review and the 75% Business Rate Retention scheme), the ability of the Council to continue to make the necessary savings at the required scale and pace, the likely demographic cost pressures arising in demand driven services such as Adults and Children’s Social Care and the extent to which new policy changes will be funded (most notably those arising from the Care Act). All of these uncertainties increase the need for adequate reserves and balances to be maintained in current and future years.
- 15.3 A minimum level of revenue reserves must be specified within the Budget. The Local Authority must take full account of this information when setting the Budget Requirement.
- 15.4 Should the level of reserves fall below the minimum approved sum of £8.0m as proposed in this report, either arising from an overspend in the previous year or the

current year, the S.151 Officer has a duty to report this to the Council with recommendations as to the actions that should be taken to rectify the shortfall. In the most extreme of circumstances, the S.151 Officer can impose spending controls until a balanced budget is approved by the Council.

#### **(a) Robustness of the Budget**

- 15.5 In setting the Budget, the City Council should have regard to the strategic and operational risks facing the City Council. Some of these risks reflect the current economic climate and the national issues surrounding local authority funding levels.
- 15.6 Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions.
- 15.7 Assumptions for the Budget and forecasts for future years are considered to be sound and based on the best available information. These are set out in detail in Sections 8 and 12 and use the following sources as their evidence base:
- Government funding as set out in the provisional settlement for 2020/21
  - An assumption that the increase in the Social Care grant for 2020/21 of £3.9m will be top sliced from the re-distribution of Business Rates growth as part of the Fair Funding review and Business Rate "reset" to be implemented in 2021/22
  - A "no growth" assumption for Retained Business Rates from 2021/22 onwards on the basis that any income arising from growth will be offset by both appeals and reliefs
  - An assumption that the value of successful appeals against the 2017 rating list will be the equivalent of 4.7% of the business rate multiplier.
  - Increases in Council Tax based on what is likely to be acceptable and within expected referendum limits
  - Inflation on Retained Business Rates and prices in accordance with inflation estimates from the Office for Budget Responsibility
  - Provisions for anticipated national policy changes arising out of the Care Act based on Portsmouth's share of "relative need"<sup>11</sup>
  - Specific provisions for increases in demand for both Adult and Children's Social Care based on current trends
  - Prudential borrowing requirements based on approved Capital schemes
  - Revenue contributions to capital based on known commitments and estimates of future needs

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<sup>11</sup> Relative need is based on the Government's "Relative Needs Formula" that is used in allocating general government funding

- Balances and contingencies based on a risk assessment of all known financial risks
- 15.8 Savings contained within the Budget are those where Portfolio Holders and Directors assess the confidence level of achievement is medium and above. Savings proposals have also been subject to scrutiny by Members. Responsibility and accountability for delivering the savings rests with the relevant Portfolio Holders and Directors and progress will be monitored throughout the year as part of the Budget Monitoring process.
- 15.9 The most volatile budgets are those of Adult and Children's Social Care. Budget provision has been made available to cover these risks both directly within Service cash limits as well as within the City Council's overall contingency provision.
- 15.10 Additionally, Portfolios will be able to retain any underspendings in 2019/20 and utilise them as necessary in 2020/21 and future years for any purpose but with a clear priority to meet essential cost pressures in the first instance.
- 15.11 The forecasts prepared for the forthcoming and future years are robustly based and illustrate the expected costs the City Council will incur in order to deliver current levels of service.
- 15.12 Portfolio Holders will be given regular budget updates by Directors to ensure that action to address any potential over or underspend is taken promptly and quarterly budget monitoring reports will continue to be presented to the Cabinet.
- 15.13 To encourage budget discipline, all future overspendings will be deducted from any retained underspendings accumulated in Portfolio Earmarked Reserves in the first instance and once depleted from the following year's Cash Limits.
- 15.14 Prudential Indicators are accurately calculated based on the Council's audited Balance Sheet, notified income streams and in depth financial appraisals of proposed capital schemes. These are published and reviewed on a regular basis to ensure that the City Council complies with the concepts of Affordability, Prudence, and Sustainability. The City Council has agreed to consider Prudential Borrowing for "Spend to Save Schemes" only, as it is currently unaffordable for any other purpose given the forecast budget deficits in 2021/22 and future years.
- 15.15 Future years' budgets will remain challenging due to continued funding reductions and uncertainties. The Council's forecasts provide for a savings target of £1.0m in 2021/22, a further £1.0m in 2022/23 and a further £1.0m in 2023/24.

#### **(b) The Adequacy of Proposed Financial Reserves**

- 15.16 During 2019/20, a review of the level and nature of all revenue reserves and balances has been undertaken. All of the City Council's potential financial risks over the next few years and the probability of each risk happening has been assessed. The outcome from this review concludes the need to maintain the minimum level of General Reserves of £8.0m as at 31 March 2021 (£8.0m in the current year).



- 15.17 Balances provide a buffer against unexpected costs such as pay awards, inflation, shortfalls in income and overspends and enable the City Council to manage change without undue impact on the Council Tax or immediate reductions to services. They are a key element of strong financial standing and resilience as they mitigate risks such as increased demand and other cost pressures.
- 15.18 The level of balances held will be higher than the minimum level recommended. This prudent approach is being taken for a number of specific reasons as set out in Section 13. The position will continue to be reviewed and reported to Members on an annual basis.
- 15.19 As previously mentioned, the Council will maintain Portfolio Earmarked Reserves to retain accumulated Portfolio underspends in order that Portfolios can better manage any known or unknown cost pressures that arise. It is forecast that Portfolio Reserves will amount to £1.1m as at 31 March 2020 which will be available for 2020/21.
- 15.20 The MTRS Reserve is the Council's primary vehicle for funding Spend to Save and Spend to Avoid Costs Initiatives, Feasibility Studies and redundancy costs. Taking account of all approvals from this reserve and future estimated redundancy costs over the next 4 years, it is estimated that the Reserve will have an uncommitted balance of £8.1m. In order for this Reserve to continue in this capacity, it will be necessary to replenish it from any non Portfolio underspendings, transfers from other reserves no longer required or alternatively from the Revenue Budget.
- 15.21 The Council maintains a number of other Earmarked Reserves for specific purposes, all of which are at the levels required to meet known future commitments. The major reserves include the following:
- Revenue Reserve for Capital – to fund the Capital Programme
  - Highways PFI Reserve – to fund future commitments under that contract
  - Off Street Parking Reserve – to fund investment in transport
  - Insurance Reserve – to fund potential future liabilities
- 15.22 The Council's contingency provision for 2020/21 has been set on a risk basis at £10.3m and reflects anticipated calls on the budget where the timing and value is not yet known. The use and application of the contingency will continue to be exercised tightly.

## **16. Conclusion**

- 16.1 The proposed Budget 2020/21 has been prepared to incorporate the resolution of Full Council in February 2019 to make savings amounting to £2.5m and provides for an overall Council Tax increase of 3.99%, of which 2.0% is passported directly to provide services for Adult Social Care.

- 16.2 The proposals within this report are made as part of a co-ordinated package of measures for both the Revenue Budget and Capital Programme that are aligned with the approved Medium Term Financial Strategy with its stated aim that:

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

- 16.3 The proposed Budget for 2020/21 is financially balanced, robustly based and provides sufficient cover for anticipated and potential financial risks within the year. Furthermore, the overall financial health of the Council currently remains sound providing a good degree of resilience against an uncertain future.
- 16.4 Due to prudent financial management over a number of years, the scale of savings is now at more moderate levels and the forecast budget deficit for the 3 year period 2021/22 to 2023/24 has reduced to £3.0m amounting to £1.0m per annum for each of the next 3 years.
- 16.5 Funding uncertainty still remains, particularly in 2021/22 when the Local Government funding system changes to 75% Business Rate Retention alongside the simultaneous implementation of the Fair Funding review; combined these have the potential to affect the Councils forecasts either positively or negatively by circa £4m.
- 16.6 Given the level of savings required over the next 3 years of £3.0m, the degree of uncertainty that exists and the inevitable financial pressures that the Council will face, it is important that the Council continues to follow its Medium Term Financial Strategy and maintain Reserves at adequate levels. The Council should also be particularly mindful of the potential future income or reduced demand / costs that the Council could derive through the delivery of its Capital Programme. This is likely to be the biggest influence on enabling jobs, growth and overall improved prosperity within the City.

## **17. Integrated Impact Assessment (EIA)**

- 17.1 Consideration of the impact of budget pressures and proposed savings on all customers, services and staff has been taken into account in formulating this budget. The savings proposals set out within this report are proposals only for the purposes of setting Portfolio Cash Limits and the overall City Council Budget. Whilst most are likely to be implemented, there will be some that require further consultation and appropriate Integrated Impact Assessments to be considered before any implementation can take place. For this reason, Portfolio holders have the discretion to alter, amend or substitute any proposal with an alternative proposal following appropriate consultation.
- 17.2 A city-wide budget consultation took place during October and November to help inform how to make £7.5m of savings over the period 2020/21 to 2022/23 as well as how the Council should prioritise its spending plans. The consultation took the form of a survey questionnaire which was also supplemented by consultation events at various locations across the City.

17.3 The Scrutiny Management Panel also met to consider the proposals contained within this report and have the opportunity to make their representations to the Cabinet prior to their recommendation to the City Council. A public meeting of the Scrutiny Management Panel was held on the 31 January 2020 where a presentation was made of the proposed Council Tax and Revenue Budget 2020/21, the Council's future financial forecasts for 2021/22 to 2023/24 and the proposed Capital Investment plans.

## **18. City Solicitor's Comments**

18.1 The Cabinet has a legal responsibility to recommend a Budget and Council Tax amount to the Council and the Council has authority to approve the recommendations made in this report.

18.2 The S.151 Officer has a statutory duty under the Local Government Act 2003 to report on the robustness of the budget proposals and adequacy of reserves. The S.151 Officer's Statement within this report fulfils those obligations.

## **19. S.151 Officer's Comments**

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

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Signed by: Section 151 Officer

**Appendices:**

<b>A</b>	General Fund Summary
<b>B</b>	Forecast Expenditure 2020/21 to 2023/24
<b>C</b>	Indicative Budget Savings 2020/21

**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:

<b>Title of document</b>	<b>Location</b>
Budget Working Papers	Office of Director of Finance & Resources
Local Government Finance Settlement 2020/21	Office of Director of Finance & Resources

The recommendation(s) set out above were approved / approved as amended / deferred / rejected by the City Council on 11 February 2020.

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

## APPENDIX A

### Calculation of the Council Tax 2020/21

<b><u>Portsmouth City Council</u></b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£</b>	<b>£</b>
Gross Expenditure	478,744,767	481,710,889
LESS: Gross Income	(362,673,725)	(384,940,505)
Net Expenditure 2020/21	116,071,042	96,770,384
LESS: Government Grants	(32,216,438)	(17,054,314)
Council Tax Requirement - Portsmouth City Council Purposes	<b>83,854,604</b>	<b>79,716,070</b>
Council Tax Base	57,735.2	57,075.4
Council Tax - Portsmouth City Council Purposes at Band D		
<u>83,854,604</u>		
57,735.2 =	<b>£1,452.40</b>	<b>£1,396.68</b>

<b><u>Hampshire Police &amp; Crime Commissioner Precept</u></b>	<b>12,208,685</b>	<b>11,498,410</b>
Council Tax - Hampshire Police & Crime Commissioner Purposes at Band D	<b>£211.46</b>	<b>£201.46</b>

<b><u>Hampshire Fire and Rescue Authority Precept</u></b>	<b>3,987,193</b>	<b>3,864,575</b>
Council Tax - Hampshire Fire and Rescue Authority Purposes at Band D	<b>£69.06</b>	<b>£67.71</b>

### The Council Tax to be levied for all bands in 2020/21 will be as follows :

		Portsmouth City Council £	Police & Crime Commissioner For Hampshire £	Hampshire Fire & Rescue Authority £	TOTAL 2020/21 £	TOTAL 2019/20 £
Estimated Valuation as 1 April 1991						
Up to £40,000	A	968.27	140.97	46.04	1,155.28	1,110.57
£40,001 - £52,000	B	1,129.64	164.47	53.71	1,347.82	1,295.66
£52,001 - £68,000	C	1,291.02	187.96	61.39	1,540.37	1,480.76
£68,001 - £88,000	D	1,452.40	211.46	69.06	1,732.92	1,665.85
£88,001 - £120,000	E	1,775.16	258.45	84.41	2,118.02	2,036.04
£120,001 - £160,000	F	2,097.91	305.44	99.75	2,503.10	2,406.23
£160,001 - £320,000	G	2,420.67	352.43	115.10	2,888.20	2,776.42
£320,001 and over	H	2,904.80	422.92	138.12	3,465.84	3,331.70

# GENERAL FUND SUMMARY - 2019/20 to 2023/24

# APPENDIX A

Original Budget 2019/20 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Budget 2019/20 £	Original Budget 2020/21 £	Forecast 2021/22 £	Forecast 2022/23 £	Forecast 2023/24 £
29,428,800	Children & Families	29,650,500	36,049,800	38,889,000	39,136,600	40,071,900
2,085,700	Community Safety	2,084,100	2,658,900	2,676,300	2,705,200	2,785,900
9,732,460	Culture Leisure & City Development	9,906,860	11,504,900	12,193,100	12,546,800	12,540,800
24,283,257	Education	24,580,357	21,047,200	21,321,400	21,577,100	21,840,700
14,283,513	Environment & Climate Change	14,349,713	14,080,100	14,505,100	15,121,100	14,087,100
47,682,279	Health, Wellbeing & Social Care	47,882,379	51,013,400	53,789,400	56,002,200	58,189,500
11,105,728	Housing	11,135,528	8,469,500	8,620,500	9,181,300	9,358,800
(9,681,818)	Leader	(11,999,818)	(24,229,200)	(25,641,400)	(27,377,200)	(28,082,900)
21,408,334	Resources	22,677,834	25,459,700	27,041,100	27,676,500	28,081,700
17,012,607	Traffic & Transportation	18,068,307	21,206,100	22,313,400	23,421,900	25,434,500
(228,095)	Licensing Committee	(223,495)	(129,000)	(133,100)	(137,300)	(141,600)
<b>167,112,765</b>	<b>Portfolio Expenditure</b>	<b>168,112,265</b>	<b>167,131,400</b>	<b>175,574,800</b>	<b>179,854,200</b>	<b>184,166,400</b>
	<u>Other Expenditure</u>					
8,018,900	Pension Costs	7,803,800	1,470,700	1,506,200	1,542,600	5,579,900
9,489,000	Contingency Provision	8,534,500	10,345,500	4,631,000	4,631,000	4,631,000
6,600,000	Revenue Contributions to Capital Reserve	11,379,900	10,000,000	3,000,000	3,000,000	0
(570,600)	Transfer to / (from) Other Reserves	(7,630,400)	2,926,500	1,405,500	2,036,200	36,200
(28,643,765)	Treasury Management	(27,068,765)	(19,983,600)	(18,372,200)	(18,488,200)	(18,918,600)
2,995,700	Other Expenditure	4,780,700	2,697,900	2,621,400	3,145,000	3,145,000
<b>(2,110,765)</b>	<b>Other Expenditure</b>	<b>(2,200,265)</b>	<b>7,457,000</b>	<b>(5,208,100)</b>	<b>(4,133,400)</b>	<b>(5,526,500)</b>
<b>165,002,000</b>	<b>TOTAL NET EXPENDITURE</b>	<b>165,912,000</b>	<b>174,588,400</b>	<b>170,366,700</b>	<b>175,720,800</b>	<b>178,639,900</b>
	<b>FINANCED BY:</b>					
(42,690)	Contribution (to) from Balances and Reserves	20,238	2,579,937	2,165,650	3,843,153	3,036,470
0	Revenue Support Grant	0	11,669,696	0	0	0
66,700,841	Business Rates Retention	66,834,896	55,391,749	62,276,977	64,422,667	66,629,273
17,054,314	Other General Grants	17,767,331	20,546,742	20,400,921	20,229,795	20,013,451
81,289,535	Council Tax	81,289,535	84,400,276	85,523,152	87,225,185	88,960,706
<b>165,002,000</b>		<b>165,912,000</b>	<b>174,588,400</b>	<b>170,366,700</b>	<b>175,720,800</b>	<b>178,639,900</b>
	<b>BALANCES &amp; RESERVES</b>					
23,022,170	Balance brought forward at 1 April	23,022,156	23,001,918	20,421,981	18,256,331	14,413,178
42,690	Deduct (Deficit) / Add Surplus for Year	(20,238)	(2,579,937)	(2,165,650)	(3,843,153)	(3,036,470)
<b>23,064,860</b>	<b>Balance carried forward at 31 March</b>	<b>23,001,918</b>	<b>20,421,981</b>	<b>18,256,331</b>	<b>14,413,178</b>	<b>11,376,708</b>
<b>8,000,000</b>	<b>Minimum Level of Balances</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>	<b>8,000,000</b>
<b>(42,690)</b>	<b>Underlying Budget Deficit / (Surplus)</b>	<b>20,238</b>	<b>2,579,937</b>	<b>2,165,650</b>	<b>3,843,153</b>	<b>3,036,470</b>

## APPENDIX B

### BUDGET AND FORECAST EXPENDITURE 2019/20 to 2023/24

	<b>Budget 2020/21 £'000</b>	<b>Forecast 2021/22 £'000</b>	<b>Forecast 2022/23 £'000</b>	<b>Forecast 2023/24 £'000</b>
Service Cash Limits	115,621	124,062	128,340	132,650
Contingency	10,346	4,631	4,631	4,631
Debt financing costs	30,158	31,769	31,653	31,223
Levies and insurance premiums	1,369	1,371	1,373	1,375
Other income/expenditure	17,095	8,533	9,723	8,762
	<b>174,589</b>	<b>170,366</b>	<b>175,720</b>	<b>178,641</b>
<u>Less</u>				
- Council Tax Income	84,400	85,523	87,225	88,961
- Revenue Support Grant	11,670	0	0	0
- Business Rates Retention	55,392	62,277	64,423	66,629
- Other General Grants	20,547	20,401	20,230	20,013
	<b>172,009</b>	<b>168,201</b>	<b>171,878</b>	<b>175,603</b>
<b>Budget (Deficit)/Surplus</b>	<b>(2,580)</b>	<b>(2,165)</b>	<b>(3,842)</b>	<b>(3,038)</b>

Deficits in 2021/22 to 2023/24 reflect future savings requirements

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# INDICATIVE BUDGET SAVINGS 2020/21

## Appendix C

Indicative Savings Proposal			Saving 2020/21 £	Saving 2021/22 £	Saving 2022/23 £
<b><u>Children and Families Portfolio</u></b>					
<b>Children and Families Portfolio Total</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Community Safety Portfolio</u></b>					
<b>Community Safety Portfolio Total</b>			<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Culture and City Development Portfolio</u></b>					
<b><u>Director of Culture, Leisure &amp; Regulatory Services</u></b>					
001	Income generation from sites on the seafront	No impact - Avoids cuts to services	50,000	50,000	50,000
002	Reduction in IT software costs	No impact - Avoids cuts to services	2,000	2,000	2,000
<b>Culture and City Development Portfolio Total</b>			<b>52,000</b>	<b>52,000</b>	<b>52,000</b>
<b><u>Education Portfolio</u></b>					
<b><u>Director of Regeneration</u></b>					
003	Ceased commercial sign production activity at PCMI which was not covering manufacturing costs	This was a loss making operation. Its closure has now increased the financial resources available to the Employment, Learning & Skills Service resulting in increased social benefit to the community	30,000	30,000	30,000
<b>Education Portfolio Total</b>			<b>30,000</b>	<b>30,000</b>	<b>30,000</b>
<b><u>Environment and Climate Change Portfolio</u></b>					
<b><u>Director of Housing, Neighbourhood &amp; Building Services</u></b>					
004	Savings arising from re-negotiation of the Waste Disposal contract in 2015	No impact - Avoids cuts to services	200,000	200,000	200,000
005	Waste Managers Post deleted	Limited Impact on Service as duties have now been transferred to existing staff	54,000	54,000	54,000
<b>Environment and Climate Change Portfolio Total</b>			<b>254,000</b>	<b>254,000</b>	<b>254,000</b>

# INDICATIVE BUDGET SAVINGS 2020/21

## Appendix C

Indicative Savings Proposal			Saving 2020/21 £	Saving 2021/22 £	Saving 2022/23 £
<b><u>Health, Wellbeing and Social Care Portfolio</u></b>					
<b><u>Director of Adult Services</u></b>					
006	Provision of a robust reablement/rehabilitation service, providing the right reablement focused care at the right time, in the right place to prevent admissions into hospital and more expensive long term care	An effective reablement/rehabilitation service, will provide packages of care to meet the individual needs of the person to enable them to lead independent healthy lives at home. Therefore the outcome for service users is greater independence and more effective support. This preventative approach will avoid more expensive care costs	604,000	604,000	604,000
<b><u>Health, Wellbeing and Social Care Portfolio Total</u></b>			<b>604,000</b>	<b>604,000</b>	<b>604,000</b>
<b><u>Housing Portfolio</u></b>					
<b><u>Director of Housing, Neighbourhood &amp; Building Services</u></b>					
007	Enter into a Power Purchase Agreement for electricity costs with the HRA	No impact - Avoids cuts to services	50,000	50,000	50,000
008	Savings from procurement of Supporting People Contracts	No impact - Avoids cuts to services	57,000	57,000	57,000
009	Disabled Facilities Grant administration provided to Third Parties which can be charged for	No impact - Avoids cuts to services	50,000	50,000	50,000
<b><u>Housing Portfolio Total</u></b>			<b>157,000</b>	<b>157,000</b>	<b>157,000</b>
<b><u>Leader Portfolio</u></b>					
<b><u>Director of Regeneration</u></b>					
010	Additional commercial rental income from the expansion of Dunsbury Business Park	No impact - Avoids cuts to services	270,000	270,000	270,000
011	Property Investment Income - Lakeside	No impact - Avoids cuts to services	386,800	386,800	386,800
<b><u>Leader Portfolio Total</u></b>			<b>656,800</b>	<b>656,800</b>	<b>656,800</b>

# INDICATIVE BUDGET SAVINGS 2020/21

## Appendix C

Indicative Savings Proposal			Saving 2020/21 £	Saving 2021/22 £	Saving 2022/23 £
<b><u>Resources Portfolio</u></b>					
<b><u>Director of Corporate Services</u></b>					
012	Network consolidation and simplification arising from the ongoing implementation of the IT strategy to move to Cloud based services	Improved resilience as the number of supported network lines will reduce from up to three separate lines into a building to one line	5,000	5,000	5,000
013	Reduction in website and hosting licensing costs	No impact - Avoids cuts to services	16,600	16,600	16,600
014	Reduction in Public Relations management software and media monitoring contracts	No impact - Avoids cuts to services	3,600	3,600	3,600
015	Additional income generated through the PortCreative agency model, which sells market research, marketing and communications, design and digital services externally	No impact - Avoids cuts to services	15,000	15,000	15,000
016	Renegotiation of Multi Function Device (MFD) Contract (i.e. photocopier, scanner & printer)	No impact - Avoids cuts to services	54,000	54,000	54,000
017	Phase out VPN two factor authentication (security tokens) and replace with Windows 10 built in solution	No impact - Avoids cuts to services	35,000	35,000	35,000
018	Delete vacant Training and Contract Manager post	No further impact - Avoids cuts to services	54,000	54,000	54,000
<b><u>Director of Culture, Leisure &amp; Regulatory Services</u></b>					
019	Transfer of Coroner service to Hampshire County Council (HCC) and associated change to the cost apportionment between HCC & PCC	No impact - Avoids cuts to services	150,000	150,000	150,000

# INDICATIVE BUDGET SAVINGS 2020/21

## Appendix C

Indicative Savings Proposal			Saving 2020/21 £	Saving 2021/22 £	Saving 2022/23 £
<b><u>Director of Finance</u></b>					
020	Increased take up of salary sacrifice scheme for employee Additional Voluntary Contributions (AVC) to their pensions - Employers National Insurance saving	No impact - Avoids cuts to services	5,000	5,000	5,000
021	Revenue & Benefits activity currently undertaken at one area housing office is relocated to the Civic Offices resulting in a reduction in management overhead	Limited impact, customers are using Area Offices less frequently as on-line facilities are available which are more convenient and the Civic Offices are in close proximity	33,000	33,000	33,000
022	Charge the HRA with an equitable apportionment of bank charges. Currently no charge is made to the HRA for banking arrangements	No impact - Avoids cuts to services	46,000	46,000	46,000
023	Reduction in annual insurance premium costs	No impact - Avoids cuts to services	50,000	50,000	50,000
024	Reduce Council Tax discount relating to properties undergoing renovation to nil (From 40%)	Beneficial to local residents as it will encourage building works to proceed efficiently	115,000	115,000	115,000
025	Commencement of the phased increase in the empty homes premium to the maximum permitted by Regulation (i.e. to charge 200% of the Council Tax due on properties that been empty for 5 years or more) - Decision previously approved in February 2019	The premium in itself provides an incentive to property owners to bring properties back into usage	65,000	65,000	65,000
<b><u>Director of Public Health</u></b>					
026	Health Watch contract review	No impact - Avoids cuts to services	4,000	4,000	4,000
<b>Resources Portfolio Total</b>			<b>651,200</b>	<b>651,200</b>	<b>651,200</b>
<b><u>Traffic and Transportation Portfolio</u></b>					
<b><u>Director of Regeneration</u></b>					
027	Increase Pay & Display Parking income by an average 1.93%	Discourages the use of cars as the preferred travelling method to enter Portsmouth, whilst not immediately affecting businesses	95,000	95,000	95,000
<b>Traffic and Transportation Portfolio Total</b>			<b>95,000</b>	<b>95,000</b>	<b>95,000</b>
<b>Grand Total</b>			<b>2,500,000</b>	<b>2,500,000</b>	<b>2,500,000</b>