

SCRUTINY MANAGEMENT PANEL

Minutes of the meeting of the Scrutiny Management Panel held on Friday, 4 February 2022 at 2.30 pm at the Civic Offices, Portsmouth

Present

Councillor Simon Boshier (in the Chair)

Councillors Stuart Brown
Cal Corkery (Standing Deputy for George Fielding)
Graham Heaney
Leo Madden
Scott Payter-Harris
Linda Symes
Benedict Swann
Rob Wood

Officers

Mr Chris Ward, Director of Finance and S.151 Officer

1. Apologies for Absence (AI 1)

Apologies for absence were received from Cllr George Fielding. Cllr Cal Corkery was in attendance as Standing Deputy.

2. Declarations of Members' Interests (AI 2)

There were no declarations of interest from the members present.

3. Minutes of the meeting held on 29 January 2021 and the special meeting held on 15 September 2021 (AI 3)

RESOLVED that the minutes of the meeting held on 29 January 2021 be signed by the Chair as a correct record, subject to the location being amended to a Virtual Meeting rather than the Council Chamber.

RESOLVED that the minutes of the 15 September 2021 meeting be confirmed and signed by the Chair as a correct record.

4. Presentation on Portsmouth City Council Budget and Council Tax 2022/23 and Medium Term Budget Forecast 2023/24 to 2025/26 (AI 4)

(TAKE IN A PRESENTATION ON THE BUDGET)

The S.151 Officer introduced the item and explained that the meeting was an opportunity for members of the panel to ask questions on the proposals in the budget prior to it being considered by Cabinet and recommended to Council for approval.

The panel was first advised of the headlines, which were:

- Savings of £1.825m against the £1m minimum requirement agreed by Council;
- New spending of £1m;
- A 2.99% increase in Council Tax, 1% of which being a Social Care Precept; and
- £67.8m of new Capital Investment.

Whilst the budget forecast might vary, the forecast was balanced over the coming three years with no savings required for 2023/24.

As background context the panel was reminded that since 2011/2012 the Council had made £104m in savings, which represented 48% of controllable spend.

Portsmouth City Council was a low tax authority at 10% less than the average statistic of near neighbours and had a low tax base due to Band B properties being the average as opposed to the national average of Band D.

Whilst the Covid pandemic continued to have a significant influence on the budget, budget pressures in Adult & Children's Social Care remained the primary drivers of cost. Of the £9.6m key spending pressures, £3.9m was in respect of Children's Social Care and £3.3m was in respect of Adult Social Care. Inflation accounted for £1.7m

In terms of the Financial Strategy, the overall aim was for in year expenditure to match in year income over the medium term whilst continuing the drive towards regeneration of the city. For the period 2022/23 to 2024/25 the aim was to reduce net expenditure by £3m.

Before considering the 2022/23 Budget the panel received an update on the 2021/22 Budget which realised a 9% spending increase, although this had been more than offset by increased funding. The net overall position was broadly balanced with a net reduction in the use of general reserves of £79k versus budget.

In preparing the 2022/23 Budget the biggest challenges had been around accommodating pressures associated with the Covid 19 pandemic and around social care. Following public consultation, 78% of respondents had supported an increase in Council Tax, with the most popular increase being 2%.

The following service priorities were outlined:

- Collecting bins and keeping the city clean;

- Ensuring older people and vulnerable adults are looked after and supported to live independently; and
- Supporting education, early years and children with special educational needs.

The following capital investment priorities were detailed:

- Building new homes in the city, including flats offering special care for elderly residents;
- Investing in greening projects across the city; and
- Creating better facilities for sustainable transport such as cycling and walking.

The S.151 Officer detailed the 2022/23 Local Government Finance Settlement which in real terms would realise a net increase of £5.7m (7.3%). This was made up of:

- An increase in the social care grant of £2.5m;
- A new "2022/23 Services Grant" which had been described as a one-off and could not be relied upon for future years; and
- A reduction in New Homes Bonus of £0.1m.

All other elements of the settlement would be inflation linked at 3.2%, however it was highlighted that the Consumer Price Index was currently tracking at 5.4%.

The future of local government funding would be impacted by the 'Levelling Up agenda' and the Fair Funding Review, had been delayed until 2023/24. The Business Rates Retention and Reset had also been delayed until 2023/24 and the impact of these changes on the council's finances was uncertain.

In respect of the council tax proposal, as detailed previously, the average council tax band in the city was Band B at £1,180.01 per annum, although only 57% of households paid council tax in full.

The proposal for 2022/23 was a general increase of 1.99%, with an increase for social care of 1%. The Hampshire Police & Crime Commissioner element was to increase by 4.42% and the Hampshire & Isle of Wight Fire & rescue Authority by 7.1%. The overall total increase to residents would be 3.33%.

Expenditure in 2022/23 would see an overall increase of 7.5% over 2021/22 as follows:

- £7.2m Adult and Children's Social Care;
- £2.4m Other;
- £2m Revenue contribution to capital; and
- £18.6m Contingency (including COVID related expenditure)

Funding in 2022/23 would realise an increase in Government funding of £5.7m, additional council tax of £2.6m and a "one-off" collection fund surplus of £1.8m. There would be no draw on general reserves.

Key risks to budget sustainability were:

- The "2022/23" Services Grant" of £3.3m which had been embedded into core spending;
- The redistribution of £60.6m as part of the Fair Funding Review;
- The impact of the Business Rate Reset which would see the redistribution of the £7.3m of growth;
- The continuing pressures for Adults and Children's Social Care; and
- The legacy of the Covid 19 Pandemic.

For the future forecasts 2023/24 to 2025/26 it was anticipated that inflation and pensions would create a pressure of £9.4m, social care £9.2m and Fair Funding & Business Rate Reset £3m.

To ensure a balanced budget it was anticipated that business rates would increase by £4.2m, council tax continue to increase annually by 2.99%, contributions to reserves decrease by £10.8m and other net savings of 0.3m.

The Capital Programme to 2026/27 would have £50.8m of capital resources to deliver the Capital Strategy. This comprised of £13.3m of corporate capital resources, £36.5m of borrowing available for invest to save schemes and £1m of reserves & contributions.

Capital investment proposals would total £67.8m and be used to provide significant investment into repairs and maintenance/health and safety generally to council owned properties.

Specific investments would include:

- Commercial Port (Masterplan);
- Waste collection fleet and depot expansion;
- Re-provision of leisure and community facilities (Bransbury Park);
- Digital infrastructure;
- Delivery of the local transport plan and other transport infrastructures; and
- Football facilities.

In response to questions raised by the panel the S.151 Officer:

- Confirmed that the £150 council tax refund would be funded by central government and would have a neutral impact on the council. The same applied to business rate relief.
- Explained that there was uncertainty in respect of government funding going forward, as the Local Government Settlement would be distributed differently and there could be a loss of business rate growth.

The latter possibly caused the most uncertainty, although some comfort could be taken that the Government had mentioned a transition period which could allow the council to accommodate any changes over a period of time through the management of reserves.

- Explained that not all Covid related expenditure had been covered by central government, however the council had set aside a fighting fund which met the shortfall.
- Confirmed that energy prices and staff pay had been factored into the inflation estimate of 4%. Whilst it was appreciated that the Council's external auditors had predicted inflation nationally to rise to 7.5% it was not believed that the council would be affected to this level. If over 4% this could be met through contingency in-year and if inflation continued to rise for an extended period, this could be factored into future budgets.
- Explained that in respect of making £1m of savings with inflation at the current level it was not anticipated that there would be an eventuality where this figure would need to be revisited. The council had reserves if the contingency was not sufficient, however it would take something exceptional to revisit this commitment.
- Confirmed that all assumptions would be revised annually, however the S.151 Officer was confident that savings would not need to be made in 2023/24. Savings would only be needed if something drastic occurred which affected the cost base.

In respect of a question about the panel names used in the Budget & Framework Procedure Rules regarding the process by which the budget and policy framework was developed; it was agreed that Cllr Madden, as Chairman of the Governance, Audit & Standards Committee would investigate the matter and ask that a report be brought forward to the committee if any updates to the wording were required.

The Chairman of the Panel thanked the S.151 Officer for his summary of the budget. Having sought the views of the Panel, the Chair advised that the Panel did not wish to forward any comment to Cabinet.

The meeting concluded at 3.52 pm.

Councillor Simon Boshier
Chair