

## **Amendment proposed by the Conservative Group (as amended)**

### **Budget 2010/11**

That the recommendations of the Cabinet of 8 February 2010 (Minute 18/10) on "Portsmouth City Council Budget 2010/11 to 2014/15" be amended as follows:-

#### **Recommendation 3.1 (a) be amended to**

**3.1 (a) the revised Revenue Estimates for the financial year 2009/10 and the Revenue Estimates for the financial year 2010/11 as amended by paragraphs (aa), (ab), (ac), (ad), (ae), and (af) below:-**

(aa) the following increases be made to Cash Limits for 2010/11 and 2011/12 to reinstate savings proposed by the Administration:-

	<b>2010/11</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
<b><u>Community Safety Portfolio</u></b>		
Reduce supplies, services and private contractors	28,000	28,000
<b><u>Culture and Leisure Portfolio</u></b>		
Parks – Bedding plant areas – convert 50% to sustainable planting (amend to convert 25%)	21,000	21,000
Parks – Close cricket square at Great Salterns	2,500	2,500
Parks – Change 1 football pitch at Sevenoaks to informal use	1,500	1,500
<b><u>Education, Children and Young People Portfolio</u></b>		
Delete Outdoor Education Service	25,000	50,000
<b><u>Environment Portfolio</u></b>		
Waste Management – Deletion of Waste Development Manager	32,800	49,200

	<b>2010/11</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
<b><u>Leader Portfolio</u></b>		
Lord Mayor – Reduce staffing in Lord Mayor's office	10,000	15,000
Civic Pride - Reduction in budget	5,000	5,000
Civic Events – Removal of lunch provision at Mayor Making	2,700	2,700
Civic Events – Reduced councillor/ officer representation at Caen Fair (accept £2,900 saving)	6,000	6,000
<b><u>PRED Portfolio</u></b>		
Planning Policy – Delete Urban Design Officer post	39,700	39,700
<b><u>Traffic and Transportation Portfolio</u></b>		
Off Street Parking – increases to various business permits including Hovertravel, magistrates court and Corner's Office	77,000	77,000
<b>Total</b>	<b><u>251,200</u></b>	<b><u>297,600</u></b>

(ab) the following reductions be made to Cash Limits for 2010/11 and 2011/12 to delete budget pressures proposed by the Administration:-

	<b>2010/11</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
<b><u>Community Safety Portfolio</u></b>		
CCTV – reinstatement of budget saving	50,000	50,000
Domestic Violence Prevention Scheme	93,200	-
<b><u>Culture and Leisure Portfolio</u></b>		
Southsea Library – former Woolworth's store – additional revenue costs	120,000	192,400
Grant to Portsmouth Grammar School towards Community Arts Festival ("Ghost Ship" Project)	20,000	-

	<b>2010/11</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
<b><u>Resources Portfolio</u></b>		
Anti-Poverty Co-ordinator	24,000	35,200
Anti- Poverty Strategy delivery costs	10,000	10,000
Oracle Systems Development Officer	50,000	50,000
Pensioner Grants Scheme	1,200,000	-
<b><u>Other Expenditure</u></b>		
Revenue Contribution to Capital Programme – reduce by LTP saving on Safer Road Partnership	11,000	-
<b>Total</b>	<b><u>1,578,200</u></b>	<b><u>337,600</u></b>

(ac) the following reductions be made to Cash Limits for 2010/11 and 2011/12 in respect of additional savings:-

	<b>2010/11</b>	<b>2011/12</b>
	<b>£</b>	<b>£</b>
<b><u>Education, Children and Young People Portfolio</u></b>		
Remove support to RANT	22,000	22,000
Uniform Grants	20,000	-
<b><u>Resources Portfolio</u></b>		
Move General Fund staff out of Chaucer House	88,000	88,000
<b><u>Traffic and Transportation Portfolio</u></b>		
Withdraw from Road Safety Partnership (additional savings net of withdrawal costs in 2010/11)	90,000	-
<b><u>Governance and Audit Committee</u></b>		
Introduce 4 yearly election cycle	-	41,000

	2010/11 £	2011/12 £
<b><u>Other Proposals</u></b>		
Remove PAs for 3 <sup>rd</sup> and 4 <sup>th</sup> tier managers and below	186,000	280,000
Impose 0% pay award	490,000	490,000
Pay only SSP for first 3 days of sick leave	900,000	1,400,000
<b>Total</b>	<b><u>1,796,000</u></b>	<b><u>2,321,000</u></b>

(ad) the following increases be made to Cash Limits for 2010/11 and 2011/12 to meet budget pressures:-

	2010/11 £	2011/12 £
<b><u>Culture &amp; Leisure Portfolio</u></b>		
Portacabin changing facility at Sevenoaks Road	15,000	15,000
<b><u>Resources Portfolio</u></b>		
10% Discount for Pensioners	850,000	850,000
<b><u>Traffic and Transportation Portfolio</u></b>		
Reinstate subsidy to No 16 Bus Route	17,000	17,000
<b><u>Other Expenditure</u></b>		
Increase Revenue Contribution to Capital for the following schemes:-		
- Southsea Seafront	400,000	-
- Cosham Community Centre Association - repairs	113,000	-
- Stamshaw and Tipner Leisure Centre renovations	100,000	-
- Drayton Institute	150,000	-
Revenue implications of additional capital schemes	50,000	50,000
<b>Total</b>	<b><u>1,695,000</u></b>	<b><u>932,000</u></b>

(ae) if the schemes detailed in (ad) do not proceed for any reason, the sums involved cannot be used for any other purpose and will revert to revenue balances.

(af) General Fund Summary - (Appendix A) be amended as follows:-

	2010/11 £	2011/12 £
1. Reinstate MTRS savings proposed by the Administration as listed in recommendation 3.1(aa) above and amend Portfolio Cash Limits accordingly	251,200	297,600
2. Reduction in Cash Limits for 2010/11 and 2011/12 for budget pressures not approved as recommended in 3.1(ab) above	(1,578,200)	(337,600)
3. Reduction in Cash Limits for 2010/11 and 2011/12 for additional savings as recommended in 3.1(ac) above	(1,796,000)	(2,321,000)
4. Increase in Cash Limits for 2010/11 and 2011/12 for budget pressures approved as recommended in 3.1(ad) above	1,695,000	932,000
5. Contribution to Revenue Reserves	(1,428,000)	(1,429,000)
<b>Total</b>	<b>0</b>	<b>0</b>

**Recommendation 3.1 (a) be amended to**

**3.1 (a) the revised portfolio cash limits for each service in 2010/11 as set out in Section 8 as amended by paragraphs (aa), (ab), (ac), (ad), (ae), and (af) above.**

**Recommendation 3.1 (g) be deleted as a contribution from the MTRS reserve towards the cost of converting flower beds to sustainable planting is no longer required as result of the reinstatement of the saving in (aa) above.**

**Recommendation 3.1 (l) be amended to**

**3.1 (l) the Revenue Forecast and associated provisional Portfolio Cash Limits for 2010/11 onwards as set out in Section 10 and Appendices G and H respectively as amended by paragraphs (aa), (ab), (ac), (ad), (ae), and (af) above be noted.**

## **STRATEGIC DIRECTOR AND SECTION 151 OFFICER'S COMMENTS**

**Under Recommendation 3.1(r), the Strategic Director and Section 151 Officer advises as follows:-**

**The Local Government Act 2003 requires the Chief Financial Officer of every Local Authority to report on the following matters:-**

- The robustness of the Budget made for the purposes of setting the Council Tax; and**
- The adequacy of proposed financial reserves.**

**A minimum level of revenue reserves must be specified within the budget report and, should the level of reserves fall below this minimum figure, eg. if there are overspendings in a previous year, the Chief Financial Officer has a duty to report this to the Council with recommendations as to the action that should be taken to rectify the shortfall. The Local Authority must take full account of this information when setting the Budget Requirement.**

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

**Whilst the proposed budget is deliverable on both legal and financial grounds, the proposed nil per cent increase in Council Tax for 2010/11 could have a severe effect on the Services that the City Council can deliver in the future. Compared with a modest Council Tax increase of say 2.5%, a 0% Council Tax change will result in a loss of income of £1.7m to the Council and will only exacerbate the difficult financial times ahead when more savings are widely anticipated. Once forfeited this reduces the base income of the Council which can never be replaced. As a result of holding the Council Tax at 2009/10 levels, the savings to be found over the next four years will increase to £21.5m taking account of the additional savings proposals included in this amendment. Given the scale of the forecast underlying budget deficits over the next four years, the City Council should be maximising the resources available to it in order that its forecast deficits do not increase further.**

**In addition, a nil per cent increase in Council Tax for 2010/11 is not in accordance with the City Council's Medium Term Resource Strategy which was based on the need to levy the maximum increase in Council Tax each year allowed by the Government's capping criteria. This is of particular concern at a time when there are indications that Formula Grant funding will be reduced following the General Election and that the Public Sector will be particularly adversely affected by saving requirements. The true impact of this will clearly be**

dependent on any incoming government. The City Council is already a low tax authority and has one of the lowest Unitary Authority Band D tax levels. A more prudent approach would be to maintain Council Tax income at as high a level as possible in order to offset expected savings in future years, particularly those in difficult areas eg where the City Council supports vulnerable people.

It is difficult to justify any Pensioner Discount Scheme, as this would be regressive and an inefficient means of assisting those most in need. The proposed ongoing scheme will have a limited impact and will only be accessible by pensioner households not in receipt of Housing Benefits.

Budget pressures of £3.577m (including £1,401,000 used to fund capital schemes and £0.850m for the 10% Discount for Pensioners Scheme) have been added compared with a forecast of £1.5m. Budget savings, many of which result in real reductions to services amount to £13.416m.

Whilst it is recognised that the revenue contribution to capital increases the available resources to fund new capital schemes, Members have recommended new non-time critical capital schemes rather than fully fund the backlog of key maintenance works identified by the Interim Head of Asset Management. The risks associated with this are spelt out in more detail in the report on the capital programme. Strategic Directors would support additional funding for landlord's maintenance works.

Estimates and forecasts have been prepared to include all known significant financial factors over the medium term in order to inform spending decisions. Specific items that have impacted on the budget and forecasts for future years include the Formula Grant assumptions, prudential borrowing for the Port Terminal and BSF, provision for future year capital demands at the Port in line with the Capital Strategy, provision for MMD losses, increases in demand for Social Care and Landlords Maintenance, and Council Tax increases.

The forecast prepared for future years therefore illustrates the expected costs the City Council will incur in order to deliver current levels of service.

The most volatile budgets are those of Adult and Children's Social Care. Whilst concerns have been raised that costs in 2010/11 will exceed the available cash limit, a risk based provision has been allowed within the proposed minimum level of revenue balances.

The contingency provision has been prudently increased for 2010/11 to take account of anticipated calls on the budget where the timing and value is not yet known. Provision has been made in respect of a late budget pressure from the Children's Service reflecting an increase in the number of children requiring care and also for additional demands on the landlord's maintenance budget.

Portsmouth is currently part of the national pay negotiations and, in the event the Conservative Group wish to impose a 0% pay award, it will be necessary to withdraw from this arrangement. Experience shows that other local authorities who have withdrawn from national negotiations pay either the same or in excess of the increase agreed nationally. Local authorities have an obligation to negotiate with their employees on pay and conditions and it is not known what impact there will be on relations with staff and Trade Unions, and potentially services if the City Council decides to withdraw from the national arrangements. The Conservative Group therefore accept that it would be prudent to allow for say half a per cent pay award to remain within the contingency for 2010/11. In the event that the sum is not required, it will count towards the savings target in future years.

I propose to exercise tight control on the allocation of contingency monies throughout the financial year

Payment of Statutory Sick Pay only for the first three days of any period of sickness will also be dependent upon the City Council withdrawing from national terms and conditions. The potential impact of this proposal on delivery of service and relations with Trade Unions and staff is not yet known.

The City Council will not be able to change Teachers' terms and conditions of employment.

This amendment proposes the deletion of PA posts to all 3<sup>rd</sup> and 4<sup>th</sup> tier managers across the authority, resulting in a potential saving of some £280,000 in a full year. The Conservative Group accept that full year savings will not be achieved in 2010/11 because a full review will need to be undertaken to assess the full impact of this proposal.

Assuming that the proposed ongoing savings outlined in paragraph 10.3 are found, by 2014/15, the underlying forecast deficit is expected to increase to some £5.0m to £6.0m per annum reflecting the difference between increases in annual expenditure and the forecast increase in Council Tax and Revenue Support Grant. It is my opinion that this level of savings is not achievable by efficiencies alone and that future service reductions are inevitable. Consideration should

be given to strengthening the Efficiencies Board mentioned in paragraph 14.4 with a view to identifying all savings required to balance the budget.

Portfolio holders will be given regular budget updates by Heads of Service to ensure that action to address any potential over or underspend is taken promptly.

Quarterly budget monitoring reports will be presented to the City Council.

All future overspendings will be deducted from the following year's Cash Limits

Prudential Indicators 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 2011/12 and future years.

The Government sets two criteria when it considers if an authority should be capped. These are set out below together with the limits set for 2009/10:

- The Council Tax Increase (5.0%)
- The Increase in the Council's Budget Requirement (5.0%)

For a Local Authority to be capped they must breach the limits for both criteria. The Government has discretion to alter the limits applied to the criteria each year in accordance with its own views as to what is deemed to be excessive. Unfortunately, these limits are not made known to Local Authorities until after all Local Authorities have set their Budgets and Council Tax. The budget proposed by the Administration sets a nil Council Tax increase so there is no risk of being capped in 2010/11.

For the future, it is important that Members continue to keep the momentum for achieving savings, particularly in the light of the current downturn in the economy. Members will need to have regard to the capping limits set by the Government for future years and the likely downward trend of financial settlements, and the impact this will have on their ability to meet budget pressures. It is my view that savings for future years will be met mainly from staffing and consequent service reductions, and Members will need to carefully assess the impact this will have on services provided.

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

The proposals put forward in this budget ensure that estimated revenue balances are increased to a minimum level of £4.7m for 2010/11, the minimum level that meets the assessed level of risk.

Balances provide a buffer against unexpected costs such as pay awards, inflation and overspendings 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 costs.

As outlined in paragraph 12.4, work has been undertaken during 2009/10 to review the level and nature of all revenue reserves and balances. The exercise has identified and assessed all of the City Council's potential financial risks over the next few years and the probability of each risk happening. The outcome from this review reaffirms the need to increase the level of General Balances as at 31 March 2011, albeit by a slightly lower figure than was originally estimated when the 2009/10 budget was prepared.

Whilst the minimum balance of £4.7m, which represents 3.0% of the City Council's Net Expenditure before Government Grants, is deemed to be sufficient to cover the current assessed level of risk for 2010/11, the forecast risks for 2011/12 onwards indicate that the level of balances held can be marginally reduced to £4.4m. However, the position will continue to be reviewed and reported to Members on an annual basis.

The Conservative Amendment makes a contribution to Revenue Reserves of £1,428,000 in 2010/11 and £1,429,000 in 2011/12 as a result of identifying additional savings.

The MTRS Reserve was originally established to fund any Spend to Save and Spend to Avoid Costs Initiatives, (as opposed to service cuts), and to fund Feasibility Studies and redundancy costs.

The Conservative Capital Amendment deletes the proposed acquisition of the former Woolworth's site and reinstates the funding from the MTRS Reserve that was to be used to fund its acquisition. The Amendment also deletes the additional revenue costs of some £234,000 per annum in the steady state.

**The proposed reinstatement of part of the saving to convert bedding areas to sustainable planting will also reinstate £42,000 into the MTRS Reserve as the Spend to Save proposal set out in paragraph 13.4 and recommendation 3.1 (q) of the report is no longer required.**

**The MTRS Reserve will continue to be used to achieve the required budget savings target and the Government's Efficiencies Target. Potential redundancy costs of circa £750,000 resulting from the proposals of the Administration, together with a further £350,000 as a result of the proposals of the Conservative Group, will have to be met from the MTRS Reserve. These have been factored into the forecast. However, if the Reserve is to help implement any radical efficiencies in future years, it will be necessary to replenish it from any underspendings identified when the final accounts for 2009/10 are prepared. In addition, the programme of projects to achieve efficiencies across the City Council identified by the Efficiency Board may need pump priming.**

#### **CITY SOLICITOR'S COMMENTS**

The City Solicitor is satisfied that it is within the City Council's powers to approve the recommendations as set out, and supports the advice of the Section 151 Officer given above.

# GENERAL FUND SUMMARY (Conservative Amendment)

## CONSERVATIVE BUDGET 2009/10 TO 2014/15

# APPENDIX A

Original Estimate 2009/10 £	NET REQUIREMENTS OF PORTFOLIOS	Revised Estimate 2009/10 £	Estimate 2010/11 £	Estimate 2011/12 £	Estimate 2012/13 £	Estimate 2013/14 £	Estimate 2014/15 £
	Community Safety	4,026,900	4,406,100	3,355,800	3,436,400	3,518,900	3,606,900
11,687,200	Culture & Leisure	12,449,100	11,078,500	10,630,000	11,009,800	11,203,100	11,479,000
34,907,700	Education Children & Young People's Services	34,038,200	33,646,300	29,556,400	30,230,200	30,903,200	31,619,900
21,132,900	Environment	16,352,800	16,197,100	16,561,600	17,086,600	17,584,200	18,111,600
48,026,000	Health & Social Care	45,937,600	46,255,750	42,307,300	43,955,800	45,214,400	46,911,300
8,591,400	Housing	8,611,800	15,935,100	8,472,500	8,537,800	8,615,100	8,696,300
402,300	Leader	414,100	424,000	431,000	441,800	452,400	463,700
28,411,100	Resources	28,458,600	28,332,450	29,279,600	30,078,700	30,901,400	31,777,700
(5,522,100)	Planning Regeneration Economic Development	(5,190,700)	(4,429,400)	(5,070,200)	(5,606,900)	(5,594,900)	(5,577,400)
16,156,700	Traffic & Transportation	16,020,300	15,220,900	14,918,700	15,188,200	15,516,500	15,794,900
480,000	Governance & Audit Committee	489,200	576,900	572,500	592,800	504,800	633,100
(74,600)	Licensing Committee	(76,900)	(75,400)	(71,500)	(68,300)	(63,600)	(58,300)
<b>164,198,600</b>	<b>Portfolio Expenditure</b>	<b>161,531,000</b>	<b>167,568,300</b>	<b>150,943,700</b>	<b>154,882,900</b>	<b>158,755,500</b>	<b>163,458,700</b>
	<u>Other Expenditure</u>						
113,500	Precepts	113,500	116,300	119,200	122,200	125,300	128,400
(117,500)	Portchester Crematorium - Share of Dividend	(117,500)	(120,000)	(122,500)	(125,000)	(127,500)	(130,000)
1,444,400	Compensatory Added Years Payments	1,444,400	1,444,400	1,444,400	1,444,400	1,444,400	1,444,400
2,961,000	Contingency Provision	1,778,600	4,133,900	1,488,400	2,113,600	2,140,100	2,140,100
(240,000)	Revenue Contributions to Capital Reserve	1,050,100	2,326,000	1,600,000	1,600,000	1,600,000	1,600,000
(1,355,900)	Transfer to / (from) Other Reserves	(2,168,900)	(656,000)	(217,900)	(217,900)	(217,900)	(217,900)
(2,599,200)	Asset Management Revenue Account	(4,108,000)	(734,800)	(1,477,600)	(929,700)	(364,800)	25,200
5,525,500	Other Expenditure	12,426,200	6,300,600	7,529,500	8,926,200	10,546,400	12,299,600
<b>5,731,800</b>	<b>Other Expenditure</b>	<b>10,418,400</b>	<b>12,810,400</b>	<b>10,363,500</b>	<b>12,933,800</b>	<b>15,146,000</b>	<b>17,289,800</b>
<b>169,930,400</b>	<b>TOTAL NET EXPENDITURE</b>	<b>171,949,400</b>	<b>180,378,700</b>	<b>161,307,200</b>	<b>167,816,700</b>	<b>173,901,500</b>	<b>180,748,500</b>
	<b>FINANCED BY:</b>						
5,131,172	Contribution (to) from Balances and Reserves	6,472,572	5,088,200	4,874,945	10,506,188	15,660,450	21,523,627
86,141,946	Formula Grant	86,141,946	87,519,485	86,644,290	85,777,847	84,920,069	84,070,868
10,698,900	Area Based Grant / LABGI	11,376,500	18,197,400				
67,958,382	Collection Fund	67,958,382	69,573,615	69,787,965	71,532,664	73,320,981	75,154,005
<b>169,930,400</b>		<b>171,949,400</b>	<b>180,378,700</b>	<b>161,307,200</b>	<b>167,816,700</b>	<b>173,901,500</b>	<b>180,748,500</b>
	<b>BALANCES &amp; RESERVES</b>						
14,508,437	Balance brought forward at 1 April	19,573,000	13,100,428	8,012,228	4,400,000	4,400,000	4,400,000
(5,131,172)	Transfers to / (from) General Reserves						
	Deduct (Deficit) / Add Surplus for Year	(6,472,572)	(5,088,200)	(3,612,228)	0	0	0
<b>9,377,266</b>	<b>Balance carried forward at 31 March</b>	<b>13,100,428</b>	<b>8,012,228</b>	<b>4,400,000</b>	<b>4,400,000</b>	<b>4,400,000</b>	<b>4,400,000</b>
<b>4,400,000</b>	<b>Minimum Level of Balances</b>	<b>4,400,000</b>	<b>4,700,000</b>	<b>4,400,000</b>	<b>4,400,000</b>	<b>4,400,000</b>	<b>4,400,000</b>
<b>5,131,172</b>	<b>Underlying Budget Deficit / (Surplus)</b>	<b>6,472,572</b>	<b>5,088,200</b>	<b>4,874,945</b>	<b>10,506,188</b>	<b>15,660,450</b>	<b>21,523,627</b>