

Amendment proposed by the Administration (incorporating Labour Amendment at City Council 9 February 2010)

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 (u), (v), (w), (x), (y), and (z) below:-

- (u) the following increases be made to Cash Limits for 2010/11 and 2011/12 to reinstate savings proposed in the report:-

	2010/11	2011/12
	£	£
<u>Culture and Leisure Portfolio</u>		
Parks - Reduce fertiliser to sports pitches by 50%	5,000	-
Parks – Grass over some rose beds but retain Southsea Rose Garden and Victoria Park Rose Garden	3,800	-
<u>Education, Children and Young People Portfolio</u>		
Uniform Grants	20,000	-
Total	28,800	0

- (v) the following reductions be made to Cash Limits for 2010/11 and 2011/12 to delete budget pressures proposed in the report:-

	2010/11	2011/12
	£	£
<u>Resources Portfolio</u>		
Support to the Community	10,000	10,000
<u>Traffic and Transportation Portfolio</u>		
Highways and Transport Improvements	90,000	90,000

	2010/11 £	2011/12 £
<u>Other Expenditure</u>		
Revenue Contribution to Capital Programme – reduce by LTP saving on Safer Roads Partnership	60,000	-
Total	160,000	100,000

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

	2010/11 £	2011/12 £
<u>Traffic and Transportation Portfolio</u>		
Safer Roads Partnership – saving in ABG	87,000	-
Total	87,000	0

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

	2010/11 £	2011/12 £
<u>Community Safety Portfolio</u>		
Domestic Violence Prevention Scheme	93,200	-
<u>Culture and Leisure Portfolio</u>		
Grant to Portsmouth Grammar School towards Community Arts Festival ("Ghost Ship" Project)	20,000	-
New Theatre Royal – contribution towards fund-raising costs	5,000	-
<u>Resources Portfolio</u>		
Grant to Dot to Dot – Citywide arts development	10,000	10,000
<u>Traffic and Transportation Portfolio</u>		
Concessionary Fares – increase value of bus tokens for disabled from £40 to £45	20,000	20,000
Verge Hardening (North of the City)	70,000	70,000
Total	218,200	100,000

- (y) if the schemes detailed in (x) do not proceed for any reason, the sums involved cannot be used for any other purpose and will revert to revenue balances.
- (z) General Fund Summary - (Appendix A) be amended as follows:-

	2010/11	2011/12
	£	£
1. Reinstate MTRS savings proposed in the report as listed in recommendation 3.1(u) above and amend Portfolio Cash Limits accordingly	28,800	-
2. Reduction in Cash Limits for 2010/11 and 2011/12 for budget pressures not approved as recommended in 3.1(v) above	(160,000)	(100,000)
3. Reduction in Cash Limits for 2010/11 and 2011/12 for additional savings as recommended in 3.1(w) above	(87,000)	-
4. Increase in Cash Limits for 2010/11 and 2011/12 for budget pressures approved as recommended in 3.1(x) above	218,200	100,000
Total	0	0

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 (u), (v), (w), (x), (y), and (z) 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 (u), (v), (w), (x), (y), and (z) 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 £23m. 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 non-targeted Pensioner Household Cash Back Scheme or Discount Scheme, as this would be regressive and an inefficient means of assisting those most in need. The one year scheme will have a limited impact and will be accessible by pensioner households regardless of income and irrespective of other residents living in the property.

Budget pressures of £3.470m (including £649,000 used to fund capital schemes and £1.2m for the Pensioner Household Cash Back Scheme) have been added compared with a forecast of £1.5m. Budget savings, many of which result in real reductions to services amount to £11.870m.

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.

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 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 report on the Capital Programme, appearing elsewhere on the Agenda, refers to the acquisition of the former Woolworth's site. In my view it is inappropriate to utilise the MTRS Reserve to fund the acquisition of this site as it will considerably reduce the resource available to fund future Spend to Save Schemes and redundancy

costs. In addition, it results in additional revenue costs of some £234,000 per annum in the steady state.

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 will have to be met from the MTRS Reserve, if the savings for 2010/11 as proposed by the Administration are approved, and 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.

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. Provision for a 1% pay award has also been included; whilst employers have proposed a pay freeze for 2010/11, and Portsmouth is part of the national pay negotiations, there is currently no agreement with the Trade Unions. Instead of allocating provision for the pay award within the proposed cash limits, it is considered more prudent to hold the potential costs within the contingency. 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

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

ADMINISTRATION BUDGET 2009/10 TO 2014/15 (Incorporating Labour Amendment)

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 £
11,687,200	Community Safety	4,026,900	4,521,300	3,378,200	3,459,400	3,542,400	3,631,000
34,907,700	Culture & Leisure	12,449,100	11,178,500	10,783,600	11,167,200	11,364,300	11,644,200
21,132,900	Education Children & Young People's Services	34,038,200	33,663,300	29,528,300	30,201,500	30,873,800	31,589,800
48,026,000	Environment	16,352,800	16,164,300	16,511,900	17,035,700	17,532,100	18,058,200
8,591,400	Health & Social Care	45,937,600	46,255,750	42,307,300	43,955,800	45,214,400	46,911,300
402,300	Housing	8,611,800	15,935,100	8,472,500	8,537,800	8,615,100	8,696,300
28,411,100	Leader	414,100	400,300	401,900	411,900	421,800	432,400
(5,522,100)	Resources	28,458,600	28,952,450	28,804,900	29,602,200	30,423,400	31,297,900
16,156,700	Planning Regeneration Economic Development	(5,190,700)	(4,381,100)	(5,021,100)	(5,556,500)	(5,543,300)	(5,524,500)
480,000	Traffic & Transportation	16,020,300	15,216,900	14,823,200	15,090,300	15,416,200	15,692,100
(74,600)	Governance & Audit Committee	489,200	576,900	613,500	634,900	547,900	677,300
	Licensing Committee	(76,900)	(75,400)	(71,500)	(68,300)	(63,600)	(58,300)
164,198,600	Portfolio Expenditure	161,531,000	168,408,300	150,532,700	154,471,900	158,344,500	163,047,700
	<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	5,523,900	3,378,400	4,003,600	4,030,100	4,030,100
(240,000)	Revenue Contributions to Capital Reserve	1,050,100	1,574,000	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	6,250,600	7,479,500	8,876,200	10,496,400	12,249,600
5,731,800	Other Expenditure	10,418,400	13,398,400	12,203,500	14,773,800	16,986,000	19,129,800
169,930,400	TOTAL NET EXPENDITURE	171,949,400	181,806,700	162,736,200	169,245,700	175,330,500	182,177,500
	FINANCED BY:						
5,131,172	Contribution (to) from Balances and Reserves	6,472,572	6,516,200	6,303,945	11,935,188	17,089,450	22,952,627
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
169,930,400		171,949,400	181,806,700	162,736,200	169,245,700	175,330,500	182,177,500
	BALANCES & RESERVES						
14,508,437	Balance brought forward at 1 April	19,573,000	13,100,428	6,584,228	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)	(6,516,200)	(2,184,228)	0	0	0
9,377,266	Balance carried forward at 31 March	13,100,428	6,584,228	4,400,000	4,400,000	4,400,000	4,400,000
4,400,000	Minimum Level of Balances	4,400,000	4,700,000	4,400,000	4,400,000	4,400,000	4,400,000
5,131,172	Underlying Budget Deficit / (Surplus)	6,472,572	6,516,200	6,303,945	11,935,188	17,089,450	22,952,627