

Agenda item:

Decision maker: Cabinet
City Council

Subject: Portsmouth City Council Budget 2010/11 to 2014/15

Date of decision: 8 February 2010 (Cabinet)
9 February 2010 (City Council)

Report by: Strategic Director and Section 151 Officer

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Summary

- 1.1 The report sets out the forecast overall financial position of the City Council for the period 2009/10 to 2014/15, and the Administration's proposals for Council Tax for 2010/11.

2. Purpose of Report

- 2.1 This report sets out the Budget proposals of the Administration for 2010/11 and future years and explains:-
- (a) the revised revenue budget and cash limits for the current year;
 - (b) changes to budgets already approved for 2009/10;
 - (c) the Local Government Finance Settlement for 2010/11;
 - (d) the process followed to prepare the budget for 2010/11;
 - (e) how, under the Administration's proposals, the savings target approved by the Cabinet on 7 December 2009 and by City Council on 15 December 2009 has been achieved, taking account of:-
 - the introduction of a Pensioners Household Cash Back Scheme for 2010/11
 - the proposed budget pressures for 2010/11, 2011/12 and 2012/13
 - the proposed budget savings to be made in 2010/11, 2011/12 and 2012/13;
 - (f) the proposed revenue budget and cash limits for 2010/11;

2. Purpose of Report (Continued)

- (g) a reminder of the proposals from the Local Strategic Partnership (LSP) for the allocation of Area Based Grant for 2010/11 which were approved in February 2009 when the Budget for 2009/10 was approved;
- (h) the forecast revenue budget and provisional cash limits for 2011/12, 2012/13, 2013/14, and 2014/15;
- (i) estimated Revenue Balances over the period 2009/10 to 2014/15;
- (j) the Medium Term Resource Strategy (MTRS) Reserve and its proposed use in 2010/11 and later years to meet the objectives of the MTRS and to achieve cashable efficiencies;
- (k) the forecast Collection Fund balance as at 31 March 2010;
- (l) the recommended council tax for 2010/11;
- (m) the Southsea Town Council precept for 2010/11;
- (n) the Non Domestic Rates poundage for 2010/11;
- (o) the statement of the Strategic Director and Section 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:

- (a) the revised Revenue Estimates for the financial year 2009/10 and the Revenue Estimates for the financial year 2010/11 as set out in the General Fund Summary (Appendix A); Portfolio Cash Limits for each service in respect of the revised budget for 2009/10 and budgets for 2010/11 as set out in Sections 5 and 9 respectively;
- (b) the release of funding from the contingency in 2009/10 in respect of the items detailed in paragraph 4.4;
- (c) the transfer of £40,000 funding from Concessionary Bus Fares for Companions to Verge Hardening as detailed in paragraph 4.6;
- (d) any further savings for 2009/10 arising within Portfolios and Service Units at the year end will be regarded as windfall savings and will accrue to either General Balances or the MTRS Reserve to support the achievement of savings to alleviate deficits in future years;

3. Recommendations (Continued)

- (e) the recommended budget savings for 2010/11 and their ongoing effect for 2011/12 and 2012/13 as set out in Appendix C;
- (f) the recommended budget pressures for 2010/11 and their ongoing effect in 2011/12 and 2012/13 as set out in Appendix D;
- (g) if, for any reason, any of the schemes detailed in Appendix D do not proceed, or underspend, the sum involved must not be used for any other purpose and will revert to revenue balances;
- (h) the recommended Pensioners Household Cash Back Scheme set out in paragraph 7.14 and Appendix E;
- (i) allocation of the Area Based Grant for 2010/11 as set out in Appendix F;
- (j) the Strategic Director and Section 151 Officer be given delegated authority to make any necessary adjustments to Cash Limits within the overall approved budget and budget forecasts;
- (k) managers be authorised to incur routine expenditure against the Cash Limits for 2010/11 as set out in Section 9;
- (l) the Revenue Forecast and the associated provisional Portfolio Cash Limits for 2011/12 onwards as set out in Section 10 and Appendices G and H respectively be noted;
- (m) the budget savings targets for the next four years of:-

	In Year Target £m	Cumulative Saving £m
2011/12	6.500	6.500
2012/13	5.500	12.000
2013/14	5.000	17.000
2014/15	6.000	23.000

- (n) that Heads of Service be instructed to start planning how the City Council will achieve the savings targets shown in paragraph 11.5;
- (o) the City Council will retain 100% of the Port's annual surpluses in 2010/11 and future years in order to fund other City Council services. In order to provide the surety of capital funding that the Port requires to enable it to plan and prosper over the short, medium and longer term, the approved Capital Strategy provides that, in future years, the City Council will seek to set aside a sum equivalent to 10% of the Port's turnover on an annual basis from Port surpluses;
- (p) the minimum level of revenue balances as at 31 March 2011 be increased to £4.7m to reflect the perceived budget risks;

3. Recommendations (Continued)

- (q) the sum of £42,000 be released from the MTRS Reserve to part fund the cost of converting flower beds to sustainable planting in line with the approved Green Planting Policy, as detailed in paragraph 13.4;
- (r) the Statement of the Strategic Director and Section 151 Officer in accordance with the Local Government Act 2003 as set out in Section 19;
- (s) the Non Domestic Rates poundage for 2010/11 of 41.4p, and 40.7p for small businesses, be noted:
- (t) the Strategic Director and Section 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 and Hampshire Fire and Rescue Authority precepts.

3.2 That it be noted that at its meeting on 11 January 2010 the Cabinet, in accordance with the Local Authorities (Calculation of Council Tax Base) Regulations 1992 made under Section 33(5) of the Local Government Finance Act 1992, calculated:-

- (a) the amount of **59,361.3** as its Council Tax base for the financial year 2010/11 in accordance with Regulation 3;
- (b) the amount of **6,702.9** as the tax base for the Southsea Town Council area for the financial year 2010/11 being the amount calculated by the City Council in accordance with Regulation 6;

3.3 That the following amounts be now calculated by the Council for the financial year 2010/11 in accordance with Sections 32 to 36 of the Local Government Finance Act 1992.

- (a) £523,057,028 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(5)(a) to (e) of the Act.
- (b) £365,963,928 Being the aggregate of the amounts which the Council estimates for the items set out in Section 32(3)(a) to (c) of the Act.
- (c) £157,093,100 Being the amount by which the aggregate at 3.3(a) above exceeds the aggregate at 3.3(b) above, calculated by the Council in accordance with Section 32(4) of the Act, as its budget requirement for the year

3. Recommendations (Continued)

(d) £88,879,843 Being the aggregate of the sums which the Council estimates will be payable for the financial year into its General Fund in respect of redistributed Non-Domestic Rates, Revenue Support Grant, and adjusted by the amount of the sums which the Council estimates will be transferred in the year from its Collection Fund into its General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988, (Council Tax Surplus) and pursuant to the directions under Section 84(4) of the Local Government Finance Act 1988 made on 7 February 1994 (Community Charge Surplus)

(e) £1,149.12 Being the amount at 3.3(c) above, less the amount at 3.3(d) above, all divided by the amount at 3.2(a) above, calculated by the Council, in accordance with Section 33(1) of the Act, as the basic amount of its Council Tax for the year.

(f) Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
766.08	893.76	1,021.44	1,149.12	1,404.48	1,659.84	1,915.20	2,298.24

Being the amounts given by multiplying the amount at 3.3(e) 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 listed in different valuation bands.

3.4 That it be noted that for the financial year 2010/11 Hampshire Police Authority are provisionally recommending the following amounts in 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

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
97.50	113.75	130.00	146.25	178.75	211.25	243.75	292.50

3. Recommendations (Continued)

- 3.5 That it be noted that for the financial year 2010/11 Hampshire Fire and Rescue Authority are provisionally recommending the following amounts in 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

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
40.92	47.74	54.56	61.38	75.02	88.66	102.30	122.76

- 3.6 That having calculated the aggregate in each case of the amounts at 3.3(f), 3.4 and 3.5 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the financial year 2010/11 for each of the categories of dwellings shown below (subject to the Strategic Director and Section 151 Officer being authorised to implement any variation arising from the final notification of the Hampshire Police and Hampshire Fire and Rescue Authority precepts):

Valuation Bands

A	B	C	D	E	F	G	H
£	£	£	£	£	£	£	£
904.50	1,055.25	1,206.00	1,356.75	1,658.25	1,959.75	2,261.25	2,713.50

- 3.7 That the nil precept approved by Southsea Town Council on 21 January 2010 for the financial year 2010/11 be noted.

4. Revised Budget 2009/10

- 4.1 When the budget for 2009/10 was approved, the total revenue balances and reserves expected to be available at 31 March 2010 were £9.377m. The revised estimates for 2009/10 (General Fund Summary - Appendix A) show that balances and reserves are now estimated at £13.100m, an improvement of £3.723m.
- 4.2 A summary of the main reasons for the improvement in balances is shown overleaf:-

4. Revised Budget 2009/10 (Continued)

	£'000	£'000
Increase in balances as at 1 April 2009 on closing of accounts	5,065	
Windfall savings	2,983	
Planned underspendings carried forward	5,113	
Efficiency savings	446	
Additional funding (ABG, Performance Reward Grant and LABGI)	<u>678</u>	14,285
Less		
Contribution to MTRS Reserve	5,583	
Additional carry forwards from 2008/09 to 2009/10	271	
Bring forward future year's budget allocation	278	
Windfall Costs	1,512	
Increase in Contingency	1,743	
Revenue Contributions to Capital (Berth 2 Extension)	1,000	
Other minor changes	<u>175</u>	10,562
Improvement in Balances at 31 March 2010		<u>3,723</u>

Whilst the total effect of these changes represents an overall improvement in the City Council's balances as at 31 March 2010, this is largely related to £5.1m of planned underspendings in the current year which are to be carried forward and spent in 2010/11. The improvement in balances is therefore only temporary. In real terms, the City Council's financial position has deteriorated by £1.4m in the year and will require the City Council to draw on balances in the sum of £6.5m to balance the budget compared with the planned withdrawal of £5.1m.

4.3 Factors affecting the revised budget include:-

- (i) An increase in balances at 31 March 2009 of £5.065m arising from the overall 2008/09 underspending.
- (ii) £5.583m, comprising the 2008/09 underspending plus the anticipated surplus on the Collection Fund, was approved to be transferred to the Medium Term Resource Strategy Reserve to fund future Spend to Save/Spend to Avoid Cost Initiatives, service rationalisation etc.

4. Revised Revenue Budget 2009/10 (Continued)

- (iii) Identification of windfall and corporate efficiency savings by Strategic Directors.

	£'000
Windfall savings include	
- Reduction in inflation and pay awards	1,931
- Council Tax Benefits	850
- Adjustment for appropriations	48
- Improved Port income	154
Efficiency savings include	
- Procurement savings	246
- Recruitment advertising savings	200
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	3,429
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- (iv) In accordance with the normal budget process, Services have requested carry forwards of Cash Limit from 2009/10 into 2010/11 totalling £5.113m. This represents a cash flow adjustment and has no effect on the City Council's overall financial position.
- (v) A revenue contribution to capital of £1m arising from the Cabinet's decision to fund the modification of Berth 2 from Port Surpluses.
- (vi) An increase to the contingency provision amounting to £1.743m to cover releases already made or recommended in paragraph 4.4 plus other anticipated liabilities. Some of the significant releases from contingency in 2009 causing this overspend are the Pyramids, Portsmouth Outdoor Centre, and LPR.

4.4 The following transfers from the Contingency Provision in 2009/10, which are reflected in this budget, have not yet been formally approved:-

- (i) Staff Club - £43,000

Members approved the closure of the Staff Club as part of the Budget for 2009/10. However, the Staff Club remained open so that Members could give the Staff Club Management Committee an opportunity to consider taking over responsibility for the operation of the club. Although several meetings took place, it became clear that the Management Committee felt unable to accept the financial responsibility for the Staff Club and steps were taken to close it and dispose of the assets. Costs incurred until closure amounted to £43,000.

4. Revised Revenue Budget 2009/10 (Continued)

(ii) Pyramids - £250,000

Subject to conditions being met, the City Council approved the transfer of the Pyramids to Southsea Leisure on 30 July 2009. The original planned date of transfer was early November 2009. However, due to difficulties that Southsea Leisure have been encountering in satisfying the conditions, the transfer will be delayed. In February 2009, the City Council approved funding to keep the Pyramids open up to the transfer, but as it is unlikely that completion will now take place until March 2010, additional funding of up to £250,000 is required.

(iii) CCTV - £50,000

The approved budget for 2008/09 incorporated a budget saving of £50,000 per annum (commencing in 2009/10) in respect of the CCTV service. This saving was to be achieved by a combination of a contribution from Hampshire Constabulary to CCTV costs and from a review of camera usage. It has not been possible to achieve this saving without a detrimental effect on the service so it is proposed that the £50,000 shortfall in 2009/10 be funded from the contingency. A budget pressure to reinstate the £50,000 is included in the recommended budget pressures for 2010/11 and future years.

(iv) Southsea Town Council Referendum - £13,000

On 15 December 2009 the City Council agreed an all-postal poll be undertaken as part of the governance review of Southsea Town Council. Although a budget of £25,000 had been identified to conduct the review, the estimated cost of an all-postal ballot is estimated to be higher than the sum available. It is therefore proposed that any additional costs, up to a maximum of £13,000 be funded from the contingency in 2009/10

(v) Victoria Swimming Centre Site Security - £165,000

Significant costs have been incurred in making the Victoria Swimming Centre secure prior to demolition. In addition it was necessary to employ 24 hour security guards until all the security arrangements had been put in place. It is proposed that the total estimated costs of these measures amounting to £165,000 be funded from the contingency provision in 2009/10.

4. Revised Revenue Budget 2009/10 (Continued)

- (vi) HR Intervention (Systems Thinking) - £27,000

Funding to backfill posts to enable the relevant staff to be released to undertake the next phase of the HR Intervention project.

- 4.5 It is recommended that the City Council endorse the release of the items described in paragraph 4.4 from the contingency provision in 2009/10.
- 4.6 Within the budget for 2009/10 approved by City Council on 10 February 2009 was a budget pressure of £40,000 to provide Concessionary Fare Bus Passes for Companions when accompanying Disabled Concessionary Bus Pass/Token holders. Following a challenge to this decision, on the grounds of equalities, an extensive consultation exercise is being undertaken. However, it is anticipated that this concession may have to be withdrawn in order to avoid a large increase in costs. It is therefore proposed that, should the scheme become too expensive, the funding of £40,000 per annum be removed from the concessionary fares budget and be used to supplement the budget for verge hardening.

5. Revised Cash Limits 2009/10

- 5.1 The revised Cash Limits for 2009/10 take account of:-

- items released from Contingency in the current year
- windfall savings and windfall costs
- adjustments to 2009/10 Cash Limits to reflect forecast underspendings, additional unavoidable costs and other City Council decisions as described in Section 4.

- 5.2 The table overleaf sets out the revised Cash Limits for 2009/10 and those items outside the Cash Limit (ie. capital charges, levies and insurance premiums) which together form the Revised Budget for each Portfolio.

5. Revised Cash Limits 2009/10 (Continued)

PORTFOLIO	Revised Cash Limits 2009/10 £'000	Items Outside the Cash Limit £'000	Revised Budget 2009/10 £'000
Community Safety	4,027	0	4,027
Culture and Leisure	11,162	1,252	12,414
Education, Children and Young People	31,152	2,886	34,038
Environment	15,256	1,097	16,353
Health and Social Care	44,799	1,139	45,938
Housing	2,530	6,082	8,612
Leader	393	0	393
Planning, Regeneration, & Economic Development	(7,863)	2,672	(5,191)
Resources	27,347	1,112	28,459
Traffic and Transportation	11,639	4,381	16,020
Governance and Audit Committee	447	43	490
Licensing Committee	(78)	1	(77)
PORTFOLIO EXPENDITURE	140,811	20,665	161,476

6. Local Government Finance Settlement 2010/11

- 6.1 2010/11 will be the final year of the Government's 3 Year Grant Settlement which covered the years 2008/09, 2009/10 and 2010/11. On 20 January 2010, the Parliamentary Under-Secretary of State confirmed the Final Grant Settlement for 2010/11 which is exactly in line with the Government's previous announcement as part of the 3 Year Grant Settlement and is also exactly as built into the City Council's Budget Forecasts.
- 6.2 In summary, the grant allocated to Portsmouth City Council for 2010/11 is as follows:-

6. Local Government Finance Settlement 2010/11 (Continued)

	2010/11
	£m
Relative Needs Amount	57.162
Less Relative Resources Amount	<u>(8.577)</u>
	48.585
Central Allocation	39.198
Floor Damping	<u>(0.264)</u>
Total Grant	<u>87.519</u>
Adjusted Grant for previous year	<u>86.123</u>
Cash increase over previous year's grant	1.396
% increase over previous year's grant	1.62%

In cash terms, the grant has increased by 1.62% over the grant received for 2009/10 (adjusted to reflect the grants subsumed, new burdens and transfers of responsibility).

- 6.3 In 2010/11, the City Council will no longer be a "floor authority" and will therefore receive a Formula Grant Settlement in excess of the guaranteed minimum increase. This however, is a consequence of a reduction in the "floor" to 1.5% rather than being due to an increase in grant to cover needs. The City Council's increase in 2010/11 amounts to £1.396m or 1.62%.
- 6.4 Looking further into the future, it is widely anticipated that the main Formula Grant will, at best, remain static but more likely reduce (at least in real terms) for several years whilst the economy recovers and the national debt is reduced. As a consequence, the City Council's forecast for future years has been reduced from a 1% year on year increase to a 1% year on year reduction from 2011/12 to 2014/15 inclusive. This has had the cumulative effect of reducing the originally anticipated resources available to the Council by £17.5m (£1.7m in 2010/11) over the period.
- 6.5 The rationale for the 1% reduction is based on indications from both of the main political parties that major cuts will be made to Public Sector funding after the general election in 2010. It also assumes that the future funding methodology will continue to include "Damping" or a "Floor" whereby Local Authority Formula Grant cannot change year on year by less than a minimum amount. It is now anticipated that the "Floor" set will be negative (minus 1%) as opposed to a positive floor.

6. Local Government Finance Settlement 2010/11 (Continued)

- 6.6 Barbara Follett, the Under Secretary of State announced the following on 26 November 2009:

"I am pleased that the average band D council tax increase this year was 3.0% - the Government expects to see it fall further next year while authorities protect and improve front line services.

We expect the average Band D council tax increase in England to fall to a 16 year low in 2010-11. We remain prepared to take capping action against excessive increases set by individual authorities and requiring them to rebill for a lower council tax if necessary."

Area Based Grant

- 6.7 In addition to confirmation of the Local Government Finance Settlement, the City Council has also received confirmation of funding from the Area Based Grant for 2010/11, the third year of a three year settlement. The Area Based Grant is a pooled grant made up largely of previous specific grants.
- 6.8 The allocation of this grant is determined by the City Council. However, the City Council engages with the Local Strategic Partnership and seeks their recommendations on how best to achieve local, regional and national priorities. In 2009/10 the City Council approved allocations for two years, 2009/10 and 2010/11. Some funding from 2009/10 has been carried forward into 2010/11 and this is reflected in the cash limits. The Local Strategic Partnership have reviewed the grant allocations and made their recommendations to the Leader of the Council which broadly include passporting additional awards of grant to the following:-

- Local Economic Assessment Duty
- Children's Trust Fund Accounts
- Designated Teacher Funding
- Implementation of Surface Water Management Plans

In addition the LSP recommended that £50,000 be allocated to an initiative entitled Family Intervention Programme Plus. The Administration has included these recommendations within the budget. Details of the changes are included within Appendices C and D. The revised allocation of grant for 2010/11 as supported by the Local Strategic Partnership is set out in Appendix F of this report.

7. Revenue Budget Process 2010/11

- 7.1 On 9 October 2007, the City Council considered a report on the Budget Process for 2008/09 and future years, and approved Budget Principles for 2008/09 and 2009/10. On 7 and 15 December 2009 respectively, the Cabinet and City Council approved two minor adjustments to these principles:-

7. Revenue Budget Process 2010/11

- The requirement for the Cabinet to publish its budget proposals prior to the City Council's budget setting meeting be changed from two weeks to one week.
- The requirement that proposed Budget Amendments be published one week in advance of the City Council budget setting meeting be deleted.

The revised Budget Principles are set out in Appendix B.

- 7.2 The Budget Report for 2009/10 approved on 10 February 2009 recommended that the savings needed to meet the forecast budget deficit in 2010/11 be apportioned across Portfolios pro rata to 2009/10 Cash Limits, although it was recognised that Members might wish to review the apportionment of the savings required, particularly if corporate priorities were revised.
- 7.3 Following a review of all budget assumptions for 2010/11, the Leader requested that the majority of assumptions relating to additional service costs be deleted and Heads of Services be invited to re-submit budget pressures for these items if they were still relevant.
- 7.4 At the same time, the Government announced that the City Council's annual cashable efficiency savings target had been increased from 3.1% to 4.2% for 2010/11. In cash terms, this equated to savings of approximately £5.66m. In previous years Portsmouth had had to use all of the efficiency savings achieved to reduce the budget deficit. For the first time in 2010/11, the efficiencies target exceeds the budget deficit savings target. Assuming the budget savings target is met, the additional efficiency savings achieved would therefore be available to be reinvested in high priority services.
- 7.5 Heads of Service were set an overall savings target for 2010/11 comprising two elements:-

	£m	% of 2009/10 Cash Limit
Savings Target:-		
- to meet revised budget deficit	2.0	1.4
- to meet efficiencies target	6.0	4.3
	<u>8.0</u>	<u>5.7</u>

Officers were asked to ensure that all potential savings they put forward were deliverable. To qualify as an efficiency saving, there must be no diminution of service and the saving must be cashable. Ideally the service would be able to achieve additional or more outputs for the same resource.

7. Revenue Budget Process 2010/11 (Continued)

- 7.6 Heads of Service were also asked to review vigorously those budget pressures that were incorporated into the forecast for 2010/11 and 2011/12 and to resubmit a budget pressure if they were still required to ensure that costs or pressures had not changed. Heads of Service were also invited to submit bids for new budget pressures that could not be absorbed within existing cash limits. A provision of £1.5m had been included in the forecast budget for 2010/11 to fund these unavoidable budget pressures.
- 7.7 On the assumption that the total target savings would be met, it was anticipated that Members would be able to redirect some of the efficiency savings towards high priority services. Heads of Service were therefore invited to outline how they would utilise their efficiency savings if they were able to reinvest them within their own or another service.
- 7.8 Initially savings totalling £4.069m in 2010/11, (but rising to £4.271m by 2011/12), were submitted together with budget pressures totalling £8.052m in 2010/11. As several Heads of Service had failed to achieve their target savings, Officers were instructed to identify additional savings, even if not supported by the Head of Service. As a result, additional savings totalling £3.034m were submitted.
- 7.9 The Administration have reviewed the potential savings offered by Officers, and carefully considered all budget pressures. The impact on service delivery and performance of recommended savings and rejected budget pressures has been fully explained to Members. Where necessary, additional information has been requested from Officers and the Leader's Budget Group, comprising Councillors Gerald Vernon-Jackson, Hugh Mason and Leo Madden, have met with each Head of Service to discuss and review each budget saving and budget pressure put forward.
- 7.10 Inflation has been allowed for all services for 2010/11 although the value of this has been much reduced to reflect the impact of the economic recession.
- 7.11 During the year the forecast has been regularly updated to reflect changes in circumstances and changes caused by the current economic downturn. On 15 December 2009 a report was presented to the City Council outlining changes to the Budget Forecast and its key assumptions since the Budget for 2009/10 was agreed by City Council on 10 February 2009. The report also provided details of the savings to be achieved based on increases in Council Tax ranging from 0% to 5% over the next four financial years.
- 7.12 The Administration is very conscious of the impact that the economic recession is having on the people of Portsmouth and is keen to help residents by keeping the Council Tax increase as low as possible for 2010/11. At the same time the Administration is keen to protect the high priority services that make a difference to the lives of many of the people of Portsmouth. Overall the Administration has aimed to make savings of £8.4m in 2010/11 by:-

7. Revenue Budget Process 2010/11 (Continued)

- reviewing all the items included in the original forecast;
- making efficiency savings;
- reducing back office costs; and
- reducing service costs where the impact on outcomes can be minimised.

7.13 The savings and budget pressures recommended by the Administration are shown in the following Appendices:-

- Appendix C Budget Savings deducted from Cash Limits
- Appendix D Budget Pressures added to Cash Limits

7.14 During 2009, the Finance and Resources Scrutiny Panel reviewed a notice of motion which proposed a Discount for Pensioners on Council Tax. The proposed scheme, which was based on a similar scheme implemented in Southampton, would have given households where all occupants were over 65 years of age, a discount of 10%, with the exception of households receiving Council Tax Benefit. This would have given a discount ranging from £68 to £270 to approximately 8,200 households. The Administration considers that a more equitable approach would be to introduce a Pensioner Household Cash Back Scheme to provide a one-off £50 cash back payment of £50 to all state pensioner households to help them meet living costs such as the unexpectedly high heating costs they will have incurred as a result of the recent cold weather. Cash back payments would go to approximately 21,500 households, irrespective of other residents living in the property. Details of the scheme are set out in Appendix E. It is estimated that the scheme will cost £1.2m in 2010/11.

7.15 Elsewhere on the Agenda is a report on the Capital Programme for 2009/10 to 2014/15. The report sets out new schemes that it is proposed will start in 2010/11. Capital resources are limited and in balancing the priorities for both the Revenue Budget 2010/11 and the Capital Programme 2010/11 and beyond, the Administration consider that in order to realise their Capital Programme objectives, it is important to make additional savings from the Revenue Budget 2010/11 and transfer the funds that those savings release to the Capital Programme. This amounts to a one-off Revenue Contribution to Capital of £709,000 in 2010/11.

8. Revenue Budget 2010/11

8.1 For 2010/11, the City Council net spending will be £181,806,700. This amounts to a net increase in spending of £11,876,300 or 6.99% over the original 2009/10 budget of £169,930,400. Much of this increase (£7.669m or 4.5%) relates to the inclusion of the Supporting People Grant within the Area Based Grant and therefore counting towards net Expenditure. Previously this was funded by a specific ring-fenced grant which did not count against net Expenditure. Full reasons for the changes are shown overleaf, together with details of the corresponding increase in funding.

8. Revenue Budget 2010/11 (Continued)

£'000

Total increase in Expenditure comprises:-

Increases in Expenditure:

- Planned carry forwards from 2009/10 into 2010/11 (net)	4,921
- Area Based Grant	7,499
- Forecast Budget Pressures	5,002
- Budget Pressures 2010/11 (see Appendix D)	3,412
- Insurance Premiums and Levies	181
- Windfall Costs	402
- Savings in forecast not achieved	363
- Approved or Forthcoming Approved Items	451
- Change to Port forecast	643
- Increase in AMRA	536
- Revenue Contributions to Capital	2,525
- General Increase in Contingency	3,658
- Other minor unavoidable costs	30
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	29,623

Less Reductions in Expenditure

- 2008/09 Carry Forwards falling out	2,511
- Ongoing effect of 2009/10 Savings	1,806
- Net full year effect of previous years' budget pressures	104
- Deletion of growth in original forecast	6,135
- Ongoing effect of Spend to Save Schemes	262
- Corporate Efficiency Savings	461
- Reduction of Inflation allowed	743
- Budget Savings 2010/11(see Appendix C)	5,677
- Other minor changes	48
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Total Increase in Expenditure

11,876

£'000

Funded by:

Increase in use of General Balances	1,385
Increase in external funding ie.RSG and NNDR	1,378
Funding from Area Based Grant	7,499
Increase in contribution from Collection Fund	1,614

Total Increase in Funding

11,876

8. Revenue Budget 2010/11 (Continued)

8.2 To achieve the savings target of £8.4m referred to in paragraph 7.12, the Administration is recommending the following proposals:-

	£'000	£'000
Total Savings Target		<u>8,400</u>
<u>Delete</u> Budget Pressures included in Original Forecast (reviewed as part of budget process)		
- Culture and Leisure - Grounds Maintenance Contract	(17)	
- Children's Services - Full cost recovery for Court Proceedings under Children's Act	(150)	
- Education and Young People - Support to Wessex Youth Offending Team	(24)	
- Environment - Flood Management – Sea Defences and Drainage	(150)	
- Environment - Landfill Tax	(114)	
- Housing - Ending of Safer Stronger Communities Grant	(300)	
- Housing - Potential Loss of Homelessness Grant	(400)	
- Adult Social Care – increase in Commissioning costs	(300)	
- Social Care – Loss of Supporting People Funding	(258)	
- Port Contribution to Capital Expenditure	(1,600)	
- Landlord's Repairs and Maintenance	(1,000)	
- Highways - Lighting, Traffic Signals etc – increase in electricity supply contract	(269)	
- Municipal Elections – Safeguarding Local Democracy	(25)	
- Registrar of Births Deaths and Marriages – loss of income	(28)	
- General Pressures included in Original Forecast	<u>(1,500)</u>	(6,135)
Recommended Budget Savings (Appendix C)		<u>(5,677)</u>
Gross Savings		(11,812)
<u>Less</u> Budget Pressures (Appendix D)	1,503	
Cost of Pensioners Household Cash Back Scheme	1,200	
Revenue Contribution to Capital	<u>709</u>	
Net Savings		<u>3,412</u> <u>(8,400)</u>

8. Revenue Budget 2010/11 (Continued)

- 8.3 The Local Strategic Partnership have reviewed the allocation of Area Based Grant for 2010/11 even though this was approved by City Council in February 2009. Savings have been made to the recommended grant allocation following adjustments to reflect underspendings carried forward from 2009/10. Appendix F sets out the allocations for 2010/11 recommended to the City Council. These allocations are included within the Portfolio cash limits. It is recommended that the allocations of Area Based Grant for 2010/11 as set out in Appendix F be approved.
- 8.4 As reported earlier in this report, the Government is expecting average council tax increases for 2010/11 to be substantially below 5% and has stated that it will not hesitate to use its powers to cap excessive increases
- 8.5 The Cabinet are fully aware of the current economic downturn and the impact that this is having on the people of Portsmouth and have already implemented a range of measures to support those residents suffering hardship. These measures include:-
- Credit Crunch pages on the City Council's website and a special edition of Flagship contained advice and guidance for residents
 - Information on benefits and support available
 - Support for small business in the form of loans and early payment of invoices
- 8.6 The proposals put forward in this budget will result in the target savings of £8.4m being achieved and a nil per cent Council Tax increase for 2010/11.
- 8.7 The budget proposed by the Administration sets a nil Council Tax increase so there is no risk of being capped in 2010/11.

9. Cash Limits 2010/11

- 9.1 Cash Limits have been adjusted to reflect:-
- inflation
 - reductions to Cash Limits to take out the recommended Budget savings
 - recommended budget pressures
 - other refinements.
- 9.2 The table overleaf shows the proposed Cash Limits for 2010/11 and also those items outside Cash Limits (ie. capital charges, levies and insurance premiums), which together form the budget for each service.

9. Cash Limits 2010/11 (Continued)

PORTFOLIO	Cash Limits 2010/11 £'000	Items Outside the Cash Limit £'000	Budget 2010/11 £'000
Community Safety	4,428	0	4,428
Culture and Leisure	9,862	1,283	11,145
Education, Children and Young People	30,739	2,904	33,643
Environment	15,031	1,133	16,164
Health and Social Care	45,117	1,139	46,256
Housing	9,834	6,102	15,936
Leader	400	0	400
Planning, Regeneration, & Economic Development	(7,091)	2,710	(4,381)
Resources	27,804	1,148	28,952
Traffic and Transportation	10,923	4,381	15,304
Governance and Audit Committee	532	45	577
Licensing Committee	(77)	1	(76)
PORTFOLIO EXPENDITURE	147,502	20,846	168,348

- 9.3 Managers will be expected to contain their expenditure in 2010/11 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 2010/11 but mindful of the requirement to make savings in future years. Budget Principles for 2010/11 (shown in Appendix B) also provide that any overspends against the current year's Cash Limit will become first call on 2011/12 Cash Limits. Similar rules will apply for future years.
- 9.4 Managers have delegated authority to incur committed routine expenditure within their approved revenue budget. 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.
- 9.5 These Cash Limits will be adjusted under the delegated authority of the Strategic Director and Section 151 Officer to reflect minor transfers of budgets which come to light after the budget has been approved eg changes to the assumptions on the pay award and any other virements.

9. Cash Limits 2010/11 (Continued)

9.6 Managers will be required to report their forecast outturn position to the relevant Portfolio holder on a regular basis. The Leader will continue to meet with Strategic Directors and Portfolio holders on a regular basis to review the overall budget position and the City Council will receive a report on the overall budget position every quarter.

10. Forecast Expenditure 2011/12, 2012/13, 2013/14 and 2014/15

10.1 The forecasts for 2011/12 to 2014/15 currently assume:-

- a 0% increase in council tax for 2010/11, and a 2.5% per annum increase from 2011/12 onwards
- an annual allowance for inflation from 2011/12 onwards for all services
- the ongoing effect of budget pressures and savings included in the 2010/11 budget
- an allowance of £1.5m in 2011/12 and a further allowance of £1.5m in 2012/13, 2013/14 and 2014/15 for other general unavoidable budget pressures
- a further allowance for other known budget pressures including Social Care, Landlords Maintenance, provision for MMD losses, and BSF costs, and an assumption of a steady state for other budgets
- changes to the Port dividend for 2011/12, 2012/13, 2013/14 and 2014/15 to reflect current forecasts
- provision for future investment in Port infrastructure of £1.6m per annum from 2011/12 onwards through direct funding in line with the Capital Strategy
- a forecast reduction of 1% per annum in Formula Grant for 2012/13, 2013/14 and 2014/15

10.2 The medium term financial forecasts are shown in Appendix F.

10.3 The revised forecast underlying budget deficits and associated savings targets based on the revisions above are set out overleaf.

10. Forecast Expenditure 2011/12, 2012/13, 2013/14 and 2014/15 (Continued)

	Underlying Budget Deficit	In Year Target	Cumulative Saving
	£m	£m	£m
2011/12	6.304	6.500	6.500
2012/13	11.935	5.500	12.000
2013/14	17.089	5.000	17.000
2014/15	22.953	6.000	23.000

- 10.4 The savings target for 2010/11 was based on an underlying budget deficit of between £10.4m and £25.0m at 31 March 2014. Once the underlying budget deficit had been funded, and assuming a 2.5% tax increase, it was estimated that there would be a need to find efficiency savings in the order of £4m per annum since this is the sum by which forecast annual increases in expenditure exceed annual increases in Council Tax and Formula Grant.
- 10.5 The underlying deficit has now increased to between £5m and £6m per annum, mainly because the Formula Grant is expected to reduce by 1% per annum compared with an original forecast 1% increase. However, it also reflects the fact that some of the savings included as part of the £8.4m are deemed to be “one – off”. For example net Area Based Grant savings of £258,300 relating to 2010/11 only have been accepted, and £100,000 of the waste disposal savings are for one year only.
- 10.6 The savings targets set out above have been set to accord with the minimum level of General Balances that the Council is required to hold based on its risk profile but also to enable a managed reduction in its spending and its services over a realistic period. It is recommended that the savings targets of £6.5m for 2011/12, £5.5m for 2012/13, £5.0m for 2013/14 and £6.0m per annum thereafter as set out in paragraph 10.3 be approved by the Council.
- 10.7 Net expenditure is increasing by approximately £5.0m - £6.0m per annum over and above forecast increases in Council Tax and Revenue Support Grant.
- 10.8 Section 11 of this report sets out how these savings are to be apportioned across Portfolios.

11. Provisional Cash Limits 2011/12, 2012/13, 2013/14 and 2014/15

- 11.1 In previous years, target savings have been allocated across services according to MTRS Categories but by 2007/08 it was considered that base budgets for services were “about right”. Since then, the basis of apportionment of the savings target each year has been pro rata to cash limits.

11. Provisional Cash Limits 2011/12, 2012/13, 2013/14 and 2014/15 (Continued)

- 11.2 Given that the City Council considers that base budgets are deemed to be “about right”, their relativity against each other is also deemed to be “about right”. It follows therefore that as a first stage in the planning process, any savings targets should be apportioned pro rata across services. It is recognised that the high spending (and often high priority) services such as Adult Social Care and Children’s Services will therefore attract a larger savings target than lower spending services. It is also recognised that making savings in these high priority / high spending areas has been difficult to achieve in the past, including for 2010/11, due to increasing pressures. Nevertheless, it is recommended that in the first instance, savings targets are allocated pro rata to services. The savings identified will then enable Members to see the potential impact of keeping the relativity of service budgets intact.
- 11.3 The outcome of this approach is likely to lead to a number of savings proposals from all services being unacceptable to Members and so, as part of the planning process, Services will be asked to identify pro rata savings in excess of the recommended target. This will then offer greater choice to Members and allow more informed decisions about allocating resources to priorities. At that stage, Members would then have the discretion to accept actual savings based on the impact on the Council’s priorities as a whole.
- 11.4 It should also be recognised that the Government is expecting 4.2% of annual cashable efficiency savings in 2010/11 and it is anticipated that the target for future years will also be at this level. It would be reasonable to expect that every service ought to be able to achieve (or get close to) this minimum level of savings, with little or no degradation to overall service provision.
- 11.5 Assuming that the minimum savings targets for 2011/12, 2012/13, 2013/14 and 2014/15 identified in paragraph 10.3 are apportioned pro rata to 2010/11 cash limits, Heads of Service will be required to achieve the savings shown overleaf:-

11. Provisional Cash Limits 2011/12, 2012/13, 2013/14 and 2014/15 (Continued)

PORTFOLIO	(Pro Rata to 2010/11 Cash Limits)			
	Savings 2011/12 £'000	Cum Savings 2012/13 £'000	Cum Savings 2013/14 £'000	Cum Savings 2014/15 £'000
Community Safety	183	338	479	648
Culture and Leisure	408	753	1,067	1,444
Education, Children and Young People	1,272	2,348	3,327	4,501
Environment	622	1,148	1,627	2,201
Health and Social Care	1,867	3,447	4,883	6,606
Housing	407	751	1,064	1,440
Leader	17	31	43	58
Planning, Regeneration, & Economic Development (excludes Port & Property)	100	185	262	354
Resources	1,150	2,124	3,009	4,071
Traffic and Transportation	452	834	1,182	1,599
Governance and Audit Committee	22	41	57	78
Portfolio Target Savings	6,500	12,000	17,000	23,000

11.6 It is recommended that Heads of Service start to plan how they will achieve the savings targets shown in paragraphs 11.5.

11.7 Taking account of these savings and a wide variety of other assumptions, as set out in paragraph 10.1, provisional forecast Cash Limits for 2011/12 to 2014/15, which provide a basis on which Members and Service Managers can plan for future years, are set out in Appendix G.

12. Estimated Revenue Balances 2009/10 to 2014/15

12.1 General Fund revenue balances brought forward into 2010/11 are anticipated to be £13.100m. after transfers to and from other reserves.

12.2 On 10 February 2009, the City Council agreed that the level of minimum General Balances would be increased to £4,400,000 by 31 March 2010.

12. Estimated Revenue Balances 2009/10 to 2014/15 (Continued)

- 12.3 The forecast balance at 31 March 2010 will therefore exceed the minimum sum but this reflects the significant carry forwards of £5.1m which are of a temporary nature. The remaining sums in balances are needed to retain funds for spreading the savings required over future years so that service reductions can be phased in a managed way. Assuming the savings required to fund the forecast deficit in 2010/11 are achieved, revenue balances as at 31 March 2011 are forecast to be £6.584m.
- 12.4 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.
- 12.5 Each risk has been considered along with the probability of it happening. Principle risks not covered elsewhere within the budget are set out below:-

	2010/11	2011/12	2012/13
	£m	£m	£m
Deficit on Collection Fund	0.1	0.1	0.1
Demand Led Pressures	3.9	3.6	3.6
Major Capital Developments	0.3	0.3	0.3
Major Disasters Contingencies	0.4	0.4	0.4
Minimum Level of Balances	4.7	4.4	4.4

- 12.6 The outcome shows that for 2010/11 the City Council should hold a minimum of £4.7m in General Balances to cover these major risks. It is therefore recommended that the minimum level of revenue balances be increased from £4.4m to £4.7m at 31 March 2011. This figure is expected to reduce to £4.4m from 2011/12 onwards. At this time last year it was forecast that minimum balances of £6.2m would be needed for 2010/11 although it was not a recommendation at that stage. The forecast higher level of balances reflected the need to accrue for untaken employee leave under International Financial Reporting Standard Rules. New draft regulations have changed this requirement.
- 12.7 The minimum level of balances for 2011/12 and future years will be reviewed again as part of the annual budget process. In the interim, the forecast savings target for future years will incorporate the implementation of the above changes to the level of minimum balances. Any balances in excess of this can continue to be used to minimise the level of Council Tax and spread the savings required over future years.

12. Estimated Revenue Balances 2009/10 to 2014/15 (Continued)

12.8 The statement below gives details of the general balances in hand at 31 March 2009, together with the proposed use of reserves from 2009/10 to 2014/15, and the resultant balances at 31 March 2015 assuming that the target savings recommended in Section 10.4 are achieved.

	General Balances
	£'000
Balances 1 April 2009	19,573
Reserves utilised 2009/10	(6,473)
Estimated balances 31 March 2010	13,100
Reserves utilised 2010/11	(6,516)
Estimated balances 31 March 2011	6,584
Reserves utilised 2011/12	(2,184)
Estimated balances 31 March 2012	4,400
Reserves utilised 2012/13	0
Estimated balances 31 March 2013	4,400
Reserves utilised 2013/14	0
Estimated balances 31 March 2014	4,400
Contribution to Reserves 2014/15	0
Estimated balances 31 March 2015	4,400

13. Medium Term Resource Strategy Reserve

13.1 The MTRS Reserve was originally established from the windfall savings achieved on the Asset Management Revenue Account in 2003/04. Since then the City Council has applied the Reserve to fund:-

- the first year costs of the Moving Towards Excellence Review
- Spend to Save and Spend to Avoid Cost initiatives
- Pump priming for Efficiency Initiatives
- Feasibility Studies
- One-off redundancy costs arising from proposed savings
- One-off reduction in the increase in Council Tax for 2007/08

13.2 The Reserve has been replenished by transfers of underspendings in the Final Accounts as agreed by Members.

13.3 The Capital Strategy, which was approved by the Cabinet on 12 January 2009 and City Council on 4 February 2009, now endorses the use of the MTRS Reserve to fund Invest to Save Capital Schemes if funds allow.

13. Medium Term Resource Strategy Reserve (Continued)

- 13.4 One of the budget savings recommended for approval requires funding from the Medium Term Resource Strategy Reserve. In accordance with the Green Planting Policy approved by the Executive Member for Culture and Leisure, it is proposed that 50% of the total area of 7,356 sq m of flower beds be converted to sustainable planting at a cost of £97,000. It is proposed that the total cost of the conversion be funded by £55,000 from Section 106 money with the balance of £42,000 being released from the MTRS Reserve. The revenue savings of £42,000 per annum have been brought into the budget.
- 13.5 Elsewhere on the Agenda is a report recommending that the former Woolworth's store in Palmerston Road Southsea be acquired and converted for use as a library and access point (to replace the existing library in Elm Grove). The Administration of the Council propose that the net capital costs of this scheme be funded from the MTRS Reserve.
- 13.6 The statement below provides details of the MTRS Reserve balances in hand at 31 March 2009, together with the proposed use of reserves in 2009/10, 2010/11 and 2011/12, and the resultant balance at 31 March 2012. It also reflects potential redundancy costs in 2010/11 as a result of proposals contained within this budget which could amount to circa £750,000 if the staff affected cannot be redeployed. The actual cost of redundancies will not be known until later in 2010/11. No costs beyond 31 March 2012 have been approved.

<u>MTRS Reserve</u>	£'000
Balance 1 April 2009	8,520
Used for Spend to Save or Spend to Avoid Cost Schemes, Feasibility Studies, and Redundancies 2009/10	(1,136)
Estimated balance 31 March 2010	7,384
Used for Spend to Save or Spend to Avoid Cost Schemes 2010/11 and the refurbishment of the former Woolworth's site in Palmerston Road	(3,074)
Estimated balance 31 March 2011	4,310
Used for Spend to Save or Spend to Avoid Cost Schemes 2011/12	(1,319)
Estimated balance 31 March 2012	2,991

14. Efficiency Savings

- 14.1 During 2009/10 the Government announced that the annual cashable efficiency target for all Local Authorities had been increased from 3.1% to 4.2% for 2010/11. For the City Council, this equates to savings of approximately £5.66m in 2010/11.
- 14.2 An efficiency is defined as “achieving the same outputs for less resource or additional outputs for the same resource”. Local Authorities are able to reallocate the savings achieved to meet local priorities unless they are used as savings to reduce any budget deficit.
- 14.3 Local Authorities are required to include specified information about efficiency performance on the face of the council tax bill. Additional information must also be included in the leaflet accompanying the council tax bills.
- 14.4 There is an Efficiencies Board, currently comprising Members and Officers, which oversees projects undertaken during the year. Specific projects undertaken during 2009/10 include reviews of advertising and transport arrangements. Savings achieved have been brought into the budget
- 14.5 Efficiency savings included within Appendix C amount to £2.8m. Savings from other approved efficiency savings eg the disposal of Pyramids have already been taken into account within the budget for 2010/11 and are reflected within Cash Limits.

15. Collection Fund Surplus

- 15.1 The Collection Fund is a fund maintained by the City Council into which are paid amounts collected in respect of Council Tax, Community Charge and Non Domestic Rate and out of which are paid the precepts of the Hampshire Police Authority, Hampshire Fire and Rescue Authority, payments to the Non Domestic Rate Pool and the City Council's own demand on the Fund. Payments to Southsea Town Council are not a precept on the Collection Fund but are a precept on the City Council's General Fund budget and as such is included as part of the Portsmouth City Council precept.

15. Collection Fund Surplus (Continued)

15.2 The consolidated Collection Fund for 2009/10 shows a balanced position for Non Domestic Rates and a surplus for Council Tax.

	Council Tax £'000	NDR £'000
<u>INCOME</u>		
Surplus brought forward	1,099	
Council Tax	67,129	
Council Tax Benefit	14,473	
Non Domestic Rate Income		71,388
Council Tax Estimated Deficit for 2008/09		
- Portsmouth City Council	0	
- Hampshire Police Authority	0	
- Hampshire Fire and Rescue Authority	0	
	82,701	71,388
<u>EXPENDITURE</u>		
Precepts - Portsmouth City Council (including Southsea Town Council)	67,959	
- Hampshire Police Authority	8,404	
- Hampshire Fire and Rescue Authority	3,566	
Increased Provision for Losses	1,172	
Payments to National Non Domestic Rate Pool		71,104
Payment to General Fund for NDR Collection Costs		284
	81,101	71,388
ESTIMATED BALANCE AT 31 MARCH 2010	(1,600)	0
To be apportioned between		
Portsmouth City Council	(1,360)	0
Hampshire Police Authority	(168)	0
Hampshire Fire and Rescue Authority	(72)	0
	(1,600)	0

16. Council Tax 2010/11

16.1 The estimated balance of £1.6m on the Council Tax element of the Collection Fund was approved by the Cabinet on 11 January 2010.

16.2 The City Council's determination of the 2010/11 Council Tax is shown below:-

- (i) the calculation of the Council Tax for 2010/11 in respect of City Council purposes is as follows:

	£
Gross expenditure	523,057,028
<u>Less</u> Gross Income	365,963,928
Net Expenditure 2010/11	<u>157,093,100</u>
<u>Less:</u> Revenue Support Grant/NDR Pool	87,519,485
	<u>69,573,615</u>
<u>Less:</u> Balance on Collection Fund at 31 March 2010 - Council Tax	1,360,358
City Council Tax Requirement	<u><u>68,213,257</u></u>
Council Tax Base (agreed by Cabinet 11 January 2010 under delegated powers)	59,361.3
Council Tax - City Council purposes at Band D $\frac{£68,213,257}{59,361.3} =$	£1,149.12

This amounts to an increase in Council Tax of 0%.

- (ii) Hampshire Police Authority have provisionally indicated that their precept for 2010/11 will be £8,681,590 and Council Tax for Police Authority purposes at Band D will be £146.25.
- (iii) Hampshire Fire and Rescue Authority have provisionally indicated that their precept for 2010/11 will be £3,643,597 and Council Tax for Fire and Rescue Authority purposes at Band D will be £61.38.
- (iv) The Council Tax to be levied for all bands in 2010/11 will be as shown overleaf:-

16. Council Tax 2010/11 (Continued)

Band	Valuation Range	Portsmouth City Council £	Hampshire Police Authority £	Hampshire Fire & Rescue £	Total £
A	Up to £ 40,000	766.08	97.50	40.92	904.50
B	£40,001 - £ 52,000	893.76	113.75	47.74	1,055.25
C	£52,001 - £ 68,000	1,021.44	130.00	54.56	1,206.00
D	£68,001 - £ 88,000	1,149.12	146.25	61.38	1,356.75
E	£88,001 - £120,000	1,404.48	178.75	75.20	1,658.25
F	£120,001- £160,000	1,659.84	211.25	88.66	1,959.75
G	£160,001- £320,000	1,915.20	243.75	102.30	2,261.25
H	£320,001 & over	2,298.24	292.50	122.76	2,713.50

The amount payable by any household will be affected by discounts, exemptions and benefit.

The overall increase in tax is as follows:-

	2009/10 £	2010/11 £	Increase %
Portsmouth City Council Purposes*	1,149.12	1,149.12	0.00
Hampshire Police Authority	142.11	146.25	2.91
Hampshire Fire and Rescue	60.30	61.38	1.79
Total Charge – Band D Property	<u>1,351.53</u>	<u>1,356.75</u>	<u>0.39</u>

*Excludes Southsea Town Council Precept

17. Southsea Town Council Precept for 2010/11

- 17.1 Southsea Town Council met on 21 January 2010 and approved a nil precept for the financial year 2010/11. The precept was also nil for 2009/10. The tax base of 6,702.9 was reported to the Cabinet under delegated powers on 11 January 2010.

18. Non Domestic Rates

- 18.1 A five yearly business rate revaluation has been carried out by the Government to make sure each business pays its fair contribution and no more by ensuring the share of the national rates bill paid by any one business reflects changes over time in the value of their property relative to others. Overall the 2010 revaluation will not raise any additional money for the Government.

18. Non Domestic Rates (Continued)

- 18.2 The business rate poundage to be applied to valuations is 41.4p in 2010/11 (48.5p in 2009/10). In addition, the small business multiplier is 40.7p (48.1p in 2009/10). Both multipliers reflect the September RPI inflation figure and the change in total rateable value between the 2005 and 2010 rating lists.

19. Statement of the Strategic Director and Section 151 Officer in Accordance with the Local Government Act 2003

- 19.1 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

- 19.2 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.

19. Statement of the Strategic Director and Section 151 Officer in Accordance with the Local Government Act 2003 (Continued)

(a) Robustness of the Budget (Continued)

- 19.3 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.
- 19.4 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.
- 19.5 Budget pressures of £3.412m (including £709,000 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 £11.812m.
- 19.6 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.
- 19.7 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.

19. Statement of the Strategic Director and Section 151 Officer in Accordance with the Local Government Act 2003 (Continued)

(a) Robustness of the Budget (Continued)

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

- 19.8 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.
- 19.9 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.
- 19.10 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.
- 19.11 Quarterly budget monitoring reports will be presented to the City Council.
- 19.12 All future overspendings will be deducted from the following year's Cash Limits
- 19.13 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.
- 19.14 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%)

19. Statement of the Strategic Director and Section 151 Officer in Accordance with the Local Government Act 2003 (Continued)

(a) Robustness of the Budget (Continued)

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.

- 19.15 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

- 19.16 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.

19. Statement of the Strategic Director and Section 151 Officer in Accordance with the Local Government Act 2003 (Continued)

(b) The Adequacy of Proposed Financial Reserves (Continued)

- 19.17 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.

- 19.18 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

20. Conclusion

- 20.1 This year's budget should be one that prepares the ground to protect services and residents for next year and future years. Inevitably, Public Sector funding across the board will reduce significantly from next year. The City Council faces a challenging time over the medium term in aiming to deliver its priorities at a time when it must also reduce its spending. With a proposed nil per cent Council Tax increase for 2010/11 and the constraint of capping on future Council Tax increases, major reductions in services will be needed in future years together with reductions in staff who deliver those services.
- 20.2 The economic outlook continues to be uncertain and this may add further pressures to services. The City Council is not immune to the effects of the economic downturn and is experiencing much lower returns on its temporary investments as well as reduced receipts for its capital asset sales. It is important therefore that the Council continues its spending restraint and aims to maximise its income from Council Tax in order to provide a degree of protection for all current Council Services.
- 20.3 In order to achieve the target savings, Members and Officers need to start planning early in the new financial year.

21. Options Considered and Rejected

- 21.1 The Administration has carefully considered a wide range of options when formulating its budget proposals. These options include the level of council tax increase to be recommended, and all budget savings and budget pressures put forward for consideration by Officers. The proposals set out in this report will enable the City Council to continue to provide the services required by the people of Portsmouth within the limited resources available.

22. Duty to Involve

- 22.1 When the budget for 2008/09 was being prepared, the City Council employed consultants, Research for Today, to undertake a consultation exercise using SIMALTO software. Since many of the areas covered in the consultation exercise have not changed substantially, it was considered unnecessary to repeat it for the 2010/11 budget.
- 22.2 A budget consultation meeting with a wide range of representatives from the Business Community, Voluntary Sector, Local Strategic Partnership, Portsmouth Pensioners and the Trades Unions took place on 17 November 2009 and gave these groups an opportunity to meet with political Group Leaders and feed their views, comments and ideas into the budget process before any decisions were taken. A further consultation meeting with these groups is due to take place on 5 February 2010 to review and discuss the proposals contained within this report.

23. Implications

- 23.1 The implications of these budget proposals and how they would impact on services, human resources, corporate policies etc were considered by the Administration when this budget was formulated.

24. Corporate Priorities

- 24.1 The revenue budget of the City Council contributes to the delivery of all of the Corporate Priorities.

25. Equality Impact Assessment (EIA)

- 25.1 Consideration of the impact of budget pressures and savings on all customers and services has been taken into account in formulating this budget. Individual services will undertake any formal EIAs necessary when the areas affected by savings and budget pressures have been approved by City Council

26. Legal Implications

- 26.1 Cabinet and Council have authority to approve the recommendations made in this report. The proposal to make a Pensioner Household Cash-back scheme has been referred to Leading Counsel who advises that it is possible to make such a decision using powers under Local Government Act 2000 section 2.

The legislation requires the Council to consider its Sustainable Community Strategy. The Council's Strategy has 10 priorities of which the 10th is: 'Protect and support our more vulnerable residents by shaping public services to meet their needs'. One of the options the Strategy outlines to address this need is direct payments.

To fulfil its Disability Discrimination Act responsibilities, when the Council carries out any of its functions it needs to have due regard to the need to eliminate: unlawful discrimination, harassment of people that is related to their disabilities, the need to promote equal opportunities between disabled persons and others, the need to take steps to take account of disabled persons' disabilities, even where that involves treating disabled persons more favourably than other persons; the need to promote positive attitudes towards disabled persons and the need to encourage participation by disabled persons in public life. Regard has been given to this responsibility in preparing this report.

27. Head of Finance's Comments

27.1 All of the financial information is reflected in the body of the report.

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Signed by: Strategic Director and Section 151 Officer

Appendices:

A	General Fund Summary
B	Budget Principles
C	Recommended Budget Savings 2010/11
D	Recommended Budget Pressures 2010/11
E	Pensioners Household Cash Back Scheme – details of scheme
F	Area Based Grant
G	Forecast Expenditure 2011/11 to 2014/15
H	Cash Limits for 2011/12 to 2014/15

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:

Title of document	Location
Budget Working Papers	Office of Head of Financial Services
Local Government Finance Settlement 2010/11	Office of Head of Financial Services
Government response to consultation on the inclusion of efficiency information with council tax demand notices	Office of Head of Financial Services

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Leader of the City Council on 8 February 2010.

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Signed by: Leader of Portsmouth City Council