CABINET

Venue: **Town Hall, Moorgate Street, Rotherham. S60 2TH**

Date: **Wednesday, 20 February 2013**

Time: **10.30 a.m.**

A G E N D A

1. Questions from Members of the Public

2. To determine if the following matters are to be considered under the categories suggested in accordance with the Local Government Act 1972.

3. To determine any item which the Chairman is of the opinion should be considered as a matter of urgency.

4. Declarations of Interest

5. Minutes of the previous meeting held on 6th February, 2013 (copy supplied separately)

6. Rotherham Local Plan Steering Group (Pages 2 - 8)
   - Strategic Director of Environment and Development Services to report.

7. Revenue Budget and Council Tax Setting (Pages 9 - 37)
   - Strategic Director of Resources to report.

8. Capital Programme Budget 2013/14 to 2015/16 (Pages 38 - 49)
   - Strategic Director of Resources to report.

9. Treasury Management Strategy & Prudential Indicators 2013/14 (Pages 50 - 77)
   - Strategic Director of Resources to report.

10. Corporate Risk Register (Pages 78 - 87)
    - Strategic Director of Resources to report.

11. Exclusion of the Press and Public
    The following items are likely to be considered in the absence of the press and public as being exempt under Paragraph 3 of Part 1 of Schedule 12A to the

Local Government Act 1972 (as amended March 2006) (information relating to the financial or business affairs of any particular person)

12. Strategic Acquisitions (Pages 88 - 93)
    - Strategic Director of Neighbourhoods and Adult Services to report.

13. Dalton Cluster Invitation to Tender (Pages 94 - 99)
    - Strategic Director of Neighbourhoods and Adult Services to report.

14. Capital Programme - Capital Receipts Update (Pages 100 - 110)
    - Strategic Director of Resources to report.

15. Tender Report for Modular Classrooms at Aston Hall Junior and Infant School (Pages 111 - 113)
    - Strategic Director of Children and Young People's Services to report.

Agenda Annex

Cabinet Meeting – 20th February, 2013

Take notice, in accordance with Regulation 5 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, that the following reports are to be considered in the private part of the meeting without having provided the required twenty-eight days' notice:-

- **Tender Report for Modular Classrooms at Aston Hall Junior and Infant School**

  An exemption under Paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972 is requested, as this report seeks authority to accept a tender for the construction of a modular building to form additional teaching space for increase in pupil numbers.

  The report recommends that a decision be made to accept the tender submitted.

The Chair of the Overview and Scrutiny Management Board has agreed that the item is urgent and cannot reasonably be deferred.

Jacqueline Collins
Director of Legal and Democratic Services
8th February, 2013.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**CABINET**
2.	**Date:**	**20TH FEBRUARY, 2013**
3.	**Title:**	**MINUTES OF A MEETING OF THE ROTHERHAM LOCAL PLAN MEMBERS' STEERING GROUP HELD ON 18TH JANUARY, 2013**
4.	**Directorate:**	**ENVIRONMENT AND DEVELOPMENT SERVICES**

5. Summary

In accordance with Minute No. B29 of the meeting of the Cabinet held on 11th August, 2004, minutes of the Rotherham Local Plan Members' Steering Group are submitted to the Cabinet.

A copy of the minutes of the Rotherham Local Plan Members' Steering Group held on 18th January, 2013 is therefore attached.

6. Recommendations:-

That progress to date and the emerging issues be noted, and the minutes be received.

7. Proposals and Details

The Council is required to review the Unitary Development Plan and to produce a Local Development Plan under the Planning and Compulsory Purchase Act 2004.

The proposed policy change of the new Coalition Government should be noted re: the Localism Bill and implications for the LDF.

8. Finance

The resource and funding implications as the LDF work progresses should be noted.

9. Risks and Uncertainties

- Failure to comply with the Regulations.
- Consultation and responses to consultation.
- Aspirations of the community.
- Changing Government policy and funding regimes.

10. Policy and Performance Agenda Implications

There are local, sub-region and regional implications. The Local Development Scheme will form the spatial dimension of the Council's Community Strategy.

11. Background Papers and Consultation

Minutes of, and reports to, the Rotherham Local Plan Members' Steering Group.

Attachments:-

- A copy of the minutes of the meeting held on 18th January, 2013.

Contact Name : Karl Battersby, Strategic Director,
Environment and Development Services
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ROTHERHAM LOCAL PLAN STEERING GROUP
Friday, 18th January, 2013

Present:- Councillor Smith (in the Chair); The Mayor (Councillor Pickering); Councillors Dodson, Godfrey, The Mayor (Councillor Pickering) and Whelbourn.

together with:- Andy Duncan, Noel Bell and Nicholas Ward (Planning Service) and Carolyn Jones (Ecology Development Officer)

Apologies for absence were received from Councillors Clark, McNeely and Whysall and from Bronwen Knight (Planning Service and Sumera Shabir (Legal Service).

58. MINUTES OF THE PREVIOUS MEETING HELD ON 13TH DECEMBER, 2012

Consideration was given to the minutes of the previous meeting of the Rotherham Local Plan Steering Group, held on 13th December, 2012.

Agreed:- That the minutes of the previous meeting be approved as a correct record for signature by the Chairman.

59. ROTHERHAM BIODIVERSITY ACTION PLAN 2012 REVIEW

Consideration was given to a report presented by the Ecology Development Officer seeking support for the revised Rotherham Biodiversity Action Plan and acceptance of the plan within the environmental evidence base of the Rotherham Local Plan.

The report stated that the Rotherham Biodiversity Forum partners published the first Rotherham Biodiversity Action Plan (RBAP) in 2004, which was adopted by the Borough Council. The plan was based on the protection and enhancement of habitats and species prioritised both nationally and locally; the plan provided a comprehensive assessment of the nature conservation value of the Borough area. The 2004 RBAP has been successful in enabling delivery of biodiversity action via targeted site management, project development, guiding survey and monitoring effort. The 2004 RBAP has also formed a key element of the environmental evidence base within the planning framework to highlight the need for habitat and species protection, retention and enhancement.

Since 2004, the national priorities for conservation action have expanded and been refined and new legislation and Government information has been published to guide the next era of biodiversity delivery. Therefore, it is now an appropriate time to review the RBAP to take stock of delivery to date and in the light of the new thinking and increased Government focus.

The review process has involved reassessment of national, regional and local priorities in terms of habitats and species and consideration of a number of key Government documents. The presence of nationally prioritised habitats in Rotherham has been identified, data has been obtained on which prioritised species have been associated with these habitats and again their presence in Rotherham has been identified.

The following are the key changes in the 2012 RBAP document:-

: The addition of new habitat action plans for traditional Orchards and Inland Rock and Brownfield Land arising from new national habitat priorities;
: The expansion of the pond action plan to cover all water based habitats;
: The identification of additional local priority habitats associated with each key habitat group;
: The grouping of habitats into groups in line with national principles;
: The change from Ancient and Species-rich Hedgerows to Hedgerows acknowledging the importance of all hedgerows;
: The identification of locally recorded species with each key habitat group;
: The acknowledgement of recent legislation, strategies and other plans which influence biodiversity action;
: The alignment of actions and delivery timescales with regional and national plans and strategies.

The 2012 RBAP will continue to support the preparation and delivery of the Rotherham Local Plan, providing supporting evidence for Core Strategy policies and for future development management policies, particularly in respect of biodiversity, geodiversity, green infrastructure and landscape.

The Rotherham Biodiversity Action Plan (2012) will support biodiversity action and delivery until at least 2020 in line with the England Biodiversity Strategy. Objectives, targets and programmes of action will be prepared with this date in mind but it is acknowledged that action will be needed to continue beyond 2020. The executive summary of the 2012 RBAP was included as an appendix to the submitted report.

The Steering Group made suggestions about the benefits of wide-ranging consultation with local people about the contents of this Action Plan and commented on the following issues:-

: the importance of preserving habitats for a variety of species, some of which might be located very near to developed areas;

: the importance of all hedgerows;

: specific areas within the Rotherham Borough which are habitats for species, but which might also be required for future development;

: the RBAP has been considered by the Cabinet Member for Health and Wellbeing and will also be submitted to the Health and Wellbeing Board and to the Cabinet, prior to formal approval by the Council.

Agreed:- (1) That the report be received and its contents noted.

(2) That the 2012 Rotherham Biodiversity Action Plan be supported and accepted within the Local Plan system.

60. BASSINGTHORPE FARM PROGRESS

The Planning Policy Manager reported on the progress with the Bassingthorpe Farm area and the prospective development of this greenfield site:-

: groundworks are being carried out, a mining engineering study report of specific, former mine-working areas has been prepared and the necessary remediation works will be recorded in a viability assessment report; estimates are being prepared of the costs of these required works;

: discussions about the prospective development continue with the various owners of land in this area;

: the Local Plan Core Strategy will include a concept framework about Bassingthorpe Farm and there may be targeted consultation with specific stakeholders (eg: the Environment Agency);

: transportation modelling is taking place, to assess the likely impact of the increased amount of vehicular traffic on the developed area.

The Steering Group discussed a number of issues:-

: the Strategic Housing Land Availability Assessment identifies land with the potential for future development; currently, there was only an initial projection of the number of houses which might be built within the Bassingthorpe Farm area and, as such, did not have any bearing on the five-years' projection of housing development in the whole Rotherham Borough area;

: future public consultation would benefit from the availability of a 'virtual tour' of a scale model of the proposed development;

: all aspects of this proposed large scale development are currently under consideration, include measures to prevent flooding and the necessary infrastructure to support the new community;

: some areas within the overall site will be retained as green space, whilst others might not prove to be viable for development (an assessment of viability will be undertaken).

Agreed:- That further progress continue to be reported to future meetings of the Local Plan Steering Group.

61. STRATEGIC HOUSING LAND AVAILABILITY ASSESSMENT UPDATE

Consideration was given to a report presented by the Senior Planner

concerning Rotherham's Strategic Housing Land Availability Assessment, a key part of the evidence base which will support and inform the preparation of the Local Plan and planning decisions.

The report stated that a Strategic Housing Land Availability Assessment (SHLAA) is a process that identifies land with potential for future housing development. All local planning authorities are expected to undertake a SHLAA in order to identify an adequate supply of land for housing. This is an important function of the planning system and an evidence-based policy approach is a key principle of the National Planning Policy Framework (NPPF).

The figures within the SHLAA showed that, in terms of the overall fifteen year supply of housing land, there is potentially enough land to allow for both of the scenarios detailed in the report. However, there is not a large enough supply of deliverable sites to meet the five year supply, plus 20%. This means that there is the potential opportunity for developers to submit applications for planning permission to build on non-allocated sites. The importance of allocating new sites for development, as quickly as practicable, was acknowledged.

Members discussed: (i) the probable availability of land for housing in future years; and (ii) developers retaining land in their ownership for future development. It was noted that the SHLAA is reviewed and refreshed each year.

Agreed:- (1) That the report be received and its contents noted.

(2) That this Steering Group notes the findings of the updated Strategic Housing Land Availability Assessment.

62. ROTHERHAM CORE STRATEGY WHOLE PLAN VIABILITY ASSESSMENT

Consideration was given to a report presented by the Senior Planner stating that the Council, in conjunction with Roger Tym and Partners, have produced a whole plan viability assessment of the Core Strategy, as required by the National Planning Policy Framework. The submitted report provided further information on the assessment, which will form part of the evidence base for preparing the Local Plan.

The Steering Group discussed the contents of the Whole Plan Viability Assessment final report, including these issues:-

: the value of land for affordable housing and for residential and commercial development;
: the impact of the Community Infrastructure Levy (education; transport; green spaces);
: whether there should be a lower levy to encourage development in areas less attractive to the market.

Agreed:- (1) That the report be received and its contents noted.

(2) That the contents and the findings of the Core Strategy Whole Plan Viability Assessment document, as now submitted, be noted.

63. ANY OTHER BUSINESS

Steering Group Members noted that the decision of the Secretary of State for Communities and Local Government was awaited in respect of the possible revocation of the Yorkshire and Humber Regional Spatial Strategy.

64. DATE, TIME AND VENUE OF NEXT MEETING

Agreed:- That the next meeting of the Rotherham Local Plan Steering Group take place at the Town Hall, Rotherham on Friday, 15th February, 2013, commencing at 10.00 a.m.

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	**Meeting:**	**Cabinet**
2)	**Date:**	**20th February 2013**
3)	**Title:**	**Proposed Revenue Budget and Council Tax for 2013/14**
4)	**Directorate:**	**Resources**

5. Summary

This report proposes a Revenue Budget for 2013/14 based on the outcome of the Council's Financial Settlement. It provides details of:

- The progress of the Budget process since July 2012 (including confirmation of the Local Government Financial Settlement)
- The ongoing principles reflected in the Budget and spending plans
- The Council's recommended Revenue Budget for 2013/14
- Savings proposals from Directorates
- Precepts and levies made on the Council by other authorities
- Proposed Council Tax levels for the coming financial year, and
- Proposed future developments in the 3 year Medium Term Financial Strategy (MTFS) 2013/14 to 2015/16.

As required by legislation, the report also contains the Director of Financial Services (the Council's Responsible Financial Officer) assessment of the robustness of the estimates included within the Budget and the adequacy of the reserves for which the Budget provides.

6. Recommendations:-

1. That Cabinet recommend to Council that on the 6th March 2013:

(a) They approve:-

(i) a General Fund Revenue Budget for 2013/14 of £221.474m to be allocated to services as set out in this report.

(ii) No increase (for a third year running) in the Council Tax in respect of this Council's own Budget giving an annual Band D Equivalent Council Tax of £1,230.03

(b) They note and accept the comments and advice of the Director of Financial Services, provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the Budget and the adequacy of reserves for which the Budget provides.

2. **That Cabinet agree that the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils and Parish Meetings within the Borough be incorporated, when known, into the recommendation to the Council on 6th March 2013**.

7. Proposals and Details

Background

The Ongoing Financial Challenge

Since the Coalition Government came to power and implemented its Spending Reduction Plans to address the fiscal deficit, Local Government has seen substantial reductions in funding.

The unprecedented reduction in funding has required Rotherham Council to address funding gaps of £30.3m in 2011/12, £20.4m in 2012/13 and £20.2m in 2013/14.

From April 2013 there will be an increase in financial risk transferred to local authorities through the Government's significant and ongoing reforms of both local government finance and Welfare (Benefits) systems. For example – the localisation of business rates retention, the abolition of Council Tax Benefit being replaced by a local Council Tax Reduction Scheme and the ongoing rolling into Formula Grant funding of specific grants at much reduced levels.

In addition the Government is placing greater restrictions on how local authority finances can be used through the Council Tax Excessiveness principles.

The next Government Spending Review (SR) announcement is now expected during the first 6 months of 2013 - we are aware from recent Government statements that significant public sector funding cuts will continue until at least 2018. For 2014/15, the provisional local government finance settlement will see Rotherham Council faced with a 9.1% reduction on 2013/14 funding levels. Nationally, the reduction is 8.9%.

Budget Principles

In July 2010, when the future plans of the newly elected Government for local government were becoming apparent, the Council recognised the importance of keeping its eye on the next few years ahead and avoiding hasty decisions that could cost it and the citizens of the Borough unnecessarily in the longer term.

We started early in redesigning services and budgets and over the last two years this work has reduced the Council's headcount by over 1,000 staff primarily from its support functions (commonly referred to as the 'back office') and management posts. This has also included the strategic re-positioning and reintegration of significant Council Partnerships back into the Council (Rotherham Brought Together (RBT) and 2010 Rotherham Limited).

Since the 2011/12 Budget process the Council has said that its focus must be on the customers it serves, the communities and businesses of Rotherham – and not our organisational structure.

To achieve this end, we identified a clear set of principles for considering Budget proposals. This has, as a **first course of action**, been to streamline our management and administration and to reduce as far as possible our back office costs – to date these costs have been reduced by over 15% with further significant

reductions being proposed for 2013/14. In addition, we have continued to identify areas where better ways of working could result in even greater efficiency and effectiveness. However, faced with such a significant budget deficit, the Council has still to make some tough choices which are reflected in the proposals put forward to Cabinet.

By adopting a calm and measured approach and planning ahead it is possible for the Council to **protect services for those most in need**. Within the Budget, provision is made to:

- Ensure that safeguarding of children is a top priority through the provision of improved services for children in care and with Special Educational Needs,

- Support vulnerable families and individuals,

- Continue our investment in preventative services and early intervention,

- Reduce the time taken to provide new packages of care and supply equipment, assistive technologies and adaptations to safeguard adults when their life circumstances change,

- Continue to promote new business start ups and stimulate the local economy,

- Help Rotherham Credit Unions continue to provide financial support to residents who are in danger of being made homeless because of the economic downturn, and

- Continue to invest in infrastructure across the Borough – houses, schools, roads, customer services and town centre regeneration.

By adopting these Budget Principles and ensuring that budget proposals protect those most in need in the Borough, means that over 70% (c£14m) of the 2013/14 savings proposals will **not affect front line service delivery**. Equally, the budget proposals will see job losses contained at 50 to 60 full time equivalent posts.

Proposed General Fund Revenue Budget for 2013/14

Set out below is the proposed Net Revenue Budget for 2013/14 resulting from the budget principles referred to above, which is recommended in this report.

Directorate	Proposed Budget 2013/14
	£'000
Neighbourhoods & Adult Services	74,957
Children & Young People's Service	45,414
Environment & Development Services	34,802
Resources	23,955
Central Services (including ITA and other levies)	42,346
TOTAL NET REVENUE BUDGET	**221,474**

Note: Year-on-year budget comparisons are not provided as significant restructuring across the Council and changes to the funding regime (a number of former specific grants now being incorporated into Formula Grant from April 2013) makes the comparison meaningless.

The Budget outlined above will:

- protect funding that helps to provide vital services for those most in need in our community;
- continue to reduce management, administration and back office costs as far as possible; and
- enable the Council to continue to focus on service transformation, ensuring services continue to be equipped to deliver a high standard that is fully aligned to the Community Strategy and our Corporate Plan priorities and objectives.

In arriving at the proposed 2013/14 above, Directorate specific budget proposals have been considered and put forward, totalling £8.361m:

Children and Young People's Service	-£1.776m
Neighbourhoods and Adult Services	-£2.974m
Environment and Development Services	-£1.411m
Resources (back office)	-£2.200m

Detailed information relating to these proposals are presented in Appendix 1 to this report.

Other key savings proposals contributing to closing the Council's 2013/14 funding gap include:

Reviewing inflationary assumptions (£4m) and MTFS assumptions (£0.9m)
Realising benefits from improved cash flow management (£2.4m)

Maximising opportunities through joint working on Public Health/NHS (£0.8m)
Working with partner organisations to improve efficiency (£1m)
Maximising income from other sources (£0.8m)

The budget proposals also include a target to save £300k from the review of staff terms and conditions. Negotiations are currently taking place with Trade Unions around a number of options which could potentially deliver this saving.

Resources

As well as spending and cost pressures, the level of resources available to the Council is a key factor to consider in the development of the Budget and these are set out below.

Government Grants

From April 2013, the Localisation of Business Rates Retention and the introduction of a Council Tax Reduction Scheme has resulted in changes to government funding received by the Council to support its Revenue Budget. From 2013/14 the Council will retain just under half (49%) of the Business Rates it collects – 50% will be passed to Central Government and the remaining 1% is shared with the South Yorkshire Fire and Rescue Authority.

In the past Councils received Formula Grant composed of Revenue Support Grant (RSG) and a share of the national Business Rates Pool. The level of RSG was determined by an assessment of the Council's relative needs and was determined using a range of data, including population. Under the new local government finance regime the Council receives a Start Up Funding Allocation which is split between RSG and a new Baseline Funding Level which is retained Business Rates income and, in the Council's case, a top-up grant to bring the Council's funding up to the level of assessed relative need.

The Council's Start Up Funding Allocation for 2013/14 is set out in the table below:

	£'000
Revenue Support Grant (RSG)	84,302
Baseline Funding Level (Retained Business Rates)	34,304
Baseline Funding Level (Top Up Grant)	21,780
Total - Formula Grant for 2013/14	**140,386**

Several funding streams, which in the past were covered by separate specific grants (such as Council Tax Freeze Grant, Early Intervention Funding and Learning Disability and Health Reform Grant), have been subsumed within the above Funding Allocation which also includes Council Tax Reduction Scheme funding that replaces Council Tax Benefit Subsidy.

Specific Government Grants

Continuing the trend from previous recent years the coalition government has again reduced the number of specific grants available to local authorities. The remaining 2013/14 specific grants that have been confirmed and their value for the Council are set out below:

Specific Grant	**2013/14 £'000**
Public Health	13,790
Health Community Voice	236
New Homes Bonus	2,749
PFI Education (Revenue)	6,223
PFI Waste/Leisure (Revenue)	1,811
Housing Benefit Administration Grant	1,992
Council Tax Support – New Burdens Grant	179
Social Fund Administration Grant	163
Social Fund – crisis loans and grants	773
Community Right to Bid	8
Community Right to Challenge	9

From April 2013 the responsibility for Public Health transfers to Local Authorities – this is reflected in the transfer of the Public Health Grant included in the table above (£13.790m).

Dedicated Schools Grant (DSG) – The DSG single flat rate per pupil of £5,141.27 for 2012/13 has been revised for 2013/14 as a result of the Schools Funding Reform. 2013/14 DSG will be funded across 3 blocks; Schools, Early Years and High Needs. Instead of the same flat rate, each Block attracts different rates - £4,844.16 for the Schools Block and £3,870.32 for the Early Years Block. These individual rates are lower than the 2012/13 single rate with the funding freed-up being redirected to the High Needs Block based on 2012/13 notional planned High Needs spend.

The School's Pupil Premium is additional funding provided to schools, the value of which is based on 3 elements:

From April 2013 the 'Disadvantaged Premium' will be £900 per pupil compared to £623 for 2012/13. Pupils who have been eligible for Free Schools Meals in the last 6 months will attract this premium.

The Looked After Children Premium for children who have been looked after continuously for more than six months will be £900 per eligible pupil compared to £623 for 2012/13.

The Service Child Premium which funds children of Armed Services personnel has increased to £300 per pupil compared to £250 in 2012/13.

Year 7 Literacy and Numeracy Catch-up Premium was an additional resource for schools directed at additional literacy and numeracy catch-up support during Year 7. Schools are allocated £500 for each pupil not achieving level 4 at Key

Stage 2 in reading and/or maths. The rate per eligible pupil remains at £500 for 2013/14.

Devolved Formula Capital funding for Schools is subject to review as part of the Schools Funding Reform and the LA will not be notified of 2013/14 allocations until this work is complete. The allocation for 2012/13 was £0.853m.

Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2012/13 was £5.3m)

The level of Council Tax

It is proposed that there will be **no rise in the Council Tax for the third year running**. This will enable the Council to qualify for the Council Tax Freeze grant described below. A zero increase on the tax levied in 2012/13 would mean a **Band D Council Tax (for the Council only) of £1,230.03** and would mean a Band A Tax of £820.02, a Band B Tax of £956.69 and a Band C Tax of £1093.36 per year. **87% of properties in Rotherham are classed as Band A (55%), Band B (19%) or Band C (13%).**

The planned level of Council Tax also takes account of a net £1.413m surplus balance expected on the Collection Fund as at 31 March 2013. This is expected to be generated by the Council continuing to achieve a higher rate of collection for Council Tax than the 97% expected when setting the previous years' tax levels.

As required by legislation (the Local Government Finance Act 1992), and as in previous years, a formal report will be brought to Council on March 6th setting out details of the proposed Council Tax calculations for the Council, parished areas and including the precepts from the South Yorkshire Police and South Yorkshire Fire and Rescue Authorities (which are due to be declared later this month) - it is currently expected that the Police Authority will increase their Council Tax precept by £5 per annum (for a Band D equivalent property) and the Fire and Rescue Authority increase will be within the range of 1.9% to 2%.

A Cabinet meeting on 30 January 2013 approved Rotherham's Council Tax Base for 2013/14 of 63,631.44 Band D Equivalent properties after adjusting for expected losses on collection, the impact of introducing the Council's Council Tax Reduction Scheme and revisions to the discretionary discounts and exemptions for empty properties and second homes. These changes have resulted in a reduction of 16.2% in the number of Band D equivalent properties in the Council Tax Base compared to 2012/13

Council Tax Reduction Scheme (CTRS) - To compensate for the reduction in the Council Tax Base arising from the introduction of the CTRS the Council is being allocated Council Tax Support Funding of £17.51m within its 2013/14 Funding Allocation - the resources allocated are 10% less than the estimated cost of Council Tax Benefits in 2013/14. The South Yorkshire Police and Fire and Rescue Authorities will also receive this grant, but the resources allocated to the Council include provision for Parish Councils. The Council has allocated £0.219m funding to parishes in the Borough on the basis of the number and cost of claims in their area to allow them to set the same Band D Council Tax as in 2012/13.

Council Tax Freeze Grant - to support authorities that are not increasing their Council Tax the Government has again put forward an un-ringfenced grant for 2013/14. This will be payable to authorities setting their basic Council Tax for 2013/14 at a level which is no more than the basic amount of Council Tax set for 2012/13. The grant is equivalent to a 1% increase in the 2012/13 tax level - in Rotherham's case the estimated grant is £0.938m, which has been taken into account in determining the Council's Net Budget. This Grant will be paid for two years – 2013/14 and 2014/15. The implications of the grant being withdrawn after 2014/15 year will be reflected in the update to our Medium Term Financial Strategy (MTFS) projections. The Council has accepted this grant to mitigate the impact of an increase in Council Tax on all residents and to particularly protect vulnerable and low income families across the Borough.

Council Tax Reduction Transitional Grant – From April 2013, in line with the Government's Welfare Reform agenda, the Council will implement its Council Tax Reduction Scheme. The Scheme has been designed to protect vulnerable groups by retaining income disregards, allowances and premiums and by taking up the Government's Transitional Grant Support Scheme (£0.468m) the Council has again taken steps to minimise the financial pressure placed on low income families and individuals across Rotherham brought about by the Government's welfare reform. Working age claimants will receive a maximum support entitlement of up to 91.5% of the Council Tax due.

On these planning assumptions the level of Council Tax available to the Council to fund services in 2013/14 will be £78.269m.

Funding the Budget

It is proposed that the financing of the Council's proposed Net Budget of £221.474m for 2013/14 is as follows:-

	£'000
Formula Grant (including retained Business Rates and 11/12 CT freeze grant)	140,386
Collection Fund Surplus	1,413
2013/14 Government Grant to compensate Council for Freezing Council Tax at 2012/13 level	938
Council Tax Support Transitional Grant (2013/14 only)	468
Which will leave to be raised from Council Tax – a standstill on the Council Tax levied in 2012/13	78,269
Funding Total	**221,474**

Medium Term Financial Strategy (MTFS)

The 2013/14 Revenue Budget will be used as the baseline for the update of the Medium Term Financial Strategy (MTFS) 2013-2016. As part of the process of developing the Budget, the MTFS is being refreshed to take account of ongoing Government announcements. This will include the 2014/15 provisional settlement issued with the 2013/14 Final Settlement on 4th February which shows a planned resource reduction for Rotherham of 9.1% on 2013/14 funding levels. The MTFS will be further updated following the next Spending Review (SR) announcement which the Government has said it will release within the first 6 months of 2013. The refreshed MTFS will also include predictions of the future level of resources available to the Council and the predicted demand for, and cost of, services.

8. Finance

The proposals for the 2013/14 Budget and Council Tax contained within this report are put forward having regard to several factors. These are:

- that the assumptions about the level of resources and reserves available to support the 2013/14 Revenue Budget are sound.

- that the budget proposals upon which the Budget is predicated will be actioned by elected Members and officers, as appropriate, and that this will be done having full and proper regard for the Council's financial position. The prospects for this are good.

- that through the ongoing rigorous challenge of service design and delivery, other scrutiny and strategic and service planning processes the Council will ensure the sustainability of its annual Budget and other financial plans as well as the resilience of its overall financial position. Again the prospects are good.

This report recommends:

- The Council Tax **to remain at £1,230.03 at Band D equivalent for the fourth year running** (i.e. no increase on the 2010/11 level),

- a General Fund Revenue Budget for Rotherham Council in 2013/14 of £221.474m.

- For information, the following general assumptions with respect to inflation have been provided for within the Budget:

    - An overall 1% increase in staff pay in line with the Local Government Employers' Organisation proposals.
    - A general price inflation rate of nil %, and where known in relation to specific items of expenditure, a specific provision for inflation if significantly different. **In line with Council policy, it is expected that all such pressures will be contained within Directorate Cash Limit budgets**.
    - Average income inflation of 2.5%.

9. Risks and Uncertainties – Report of the Director of Financial Services

The Chief Financial Officer of an Authority (in Rotherham Council's case the Director of Financial Services) is required by Section 25 of the Local Government Act 2003 to report to the Authority when it is making the statutory calculations required to determine its Council Tax, and the Authority is required to take that report into account. The report should deal with:

- The robustness of the estimates included in the Budget; and
- The adequacy of reserves for which the Budget provides.

The report does not have to be a separate document and so I have included my comments in this report and Cabinet is asked to take account of them.

The budget setting process has been challenging given the unprecedented scale of the funding reductions required and the timescales in which to achieve them. Delivery of £20.2m savings following delivery of over £50m savings in the previous two years presents a significant challenge (to all Councils) in formulating a robust and sustainable budget and preserving a financially resilient overall financial position.

By establishing a clear set of budget principles and taking a calm and measured approach and planning ahead, the Council has put itself in a strong position to ensure that the Budget proposals are robust and deliverable, whilst ensuring that vital public services continue to be available to those in our community that are most in need of them. Overall, the Council is successfully reconfiguring its services to align activity with the likely level of available funding.

The Council continues to have a strong track record of delivering savings and making further efficiencies year on year while maintaining high service standards. It also has a strong financial governance framework to ensure that the Council continues to manage closely the delivery of the proposals in the Budget so as to preserve the resilience of the Council's overall financial position.

From April 2013 the Localisation of Business Rates and the introduction of the Council Tax Reduction Scheme both transfer significant financial risks from Central Government to a local authority which could put pressure on collection rates which will have a direct impact on future resources available to the Council. In Rotherham we have a strong track record of collecting both business rates and council tax income and therefore I believe the collection level assumptions included in setting this budget adequately reflect this increase in risk.

As Director of Financial Services for the Council, I consider that the budget proposals and estimates included within the proposed Budget are robust. The MTFS will be kept under continuous review with particular reference to giving early consideration to developing the 2014/15 budget.

Reserves

The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2013/14 Budget and to give time for serious action to be taken to bring the Budget back into balance, so as to ensure its sustainability for the future.

I have conducted a detailed review of the level and purpose of the Council's reserves, together with their operational arrangements (in line with recommended best practice). The review, incorporating a risk assessment of each reserve, has guided my decision regarding the prudence of the level of reserves available to draw upon, if necessary, during 2013/14.

The Council's reserves are expected to be £48.9m by 31st March 2013, and this is broadly in line with the Council's current financial plan.

The majority of reserves (£41.8m) are mostly held as ring fenced to particular statutory services including Schools and Housing Revenue Account and to meet long term contractual PFI obligations (£31.9m). The balance is earmarked for specific needs.

This means that approximately £7.1m is generally available to safeguard the Council against the potential financial risks in the financial plan. Based on an assessment of those risks and the likelihood of them occurring I consider this to be a prudent level. However, given the speed of government funding and policy change over last 2 to 3 years and the need to continue to deliver unprecedented funding reductions it will be imperative that the adequacy of the reserves position is monitored carefully as part of the ongoing assessment of the financial risks facing the Council.

10. Policy and Performance Agenda Implications

A balanced and sustainable Budget and a financially resilient overall financial position is fundamental to the delivery of the Council's planned level and range of services during the coming financial year in support of its stated key priorities.

11. Background Papers and Consultation

- Council Tax Base Report 2013/14 – Council 30th January 2013
- Local Government Financial Settlement – 4th February 2013

Consultation with SLT, elected Members and Trade Unions.

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BUDGET 2013/14 - DIRECTORATE SAVINGS PROPOSALS

Appendix 1

CHILDREN & YOUNG PEOPLE'S SERVICE					
Proposal Ref:	**Action**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**Impact Statement**
CYPS 1	**M2 Structure review**				
	Currently there are 22 M2 managers. Reduce to 20	100			Potentially reduces supervision and management oversight. Removes flexibility across the service. Posts have been taken from front door and looked after service.
CYPS 2	**Section 17 & 23 reduction**				
	Reduce Section 17 and Section 23 budgets by 10%	33			Demands more likely to increase as a consequence of welfare reform. Budgets to be added to the Social Fund which is to be managed by RMBC.
CYPS 3	**LAC Transport Review**				
	Rationalise & improve system efficiencies	30			Further service review to take place to reduce costs
CYPS 4	**Inter Agency Adoptions**				
	Reduce Inter agency adoptions as means of last resort at £27k a child	54	54	54	This would be a conscious decision that agency costs too high. Risk is permanency for children will not be achieved. This could impact on the best interests of the child and reputational damage for the authority.
CYPS 5	**Workforce Planning**				
	Reduce support for professional development	10			Reduce expenditure in this area in line with reduced staff numbers

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
CYPS 6	**Family Recovery/Think Family**				
	Remove one post & review non pay costs	44			Currently 1 vacant post. Consolidate roles to provide improved service & avoid duplication
CYPS 7	**Disabled Children Short Breaks**				
	Remove one post from the Disability Team & review commissioned services	155			Reduce short break provision to benchmarked average
CYPS 8	**Integration of Youth Services (IYS)**				
	Connexions TUPE - 1st October (£300K achieved in 12/13 so £940K total)	640			Efficiencies gained through configuration of services with little or no impact. £640k is 9.7% of all IYSS Budgets. Councils are encouraged to secure where practicable sufficient services and activities to improve the well being of children and young people
CYPS 9	**Educational Psychology**				
	Service Level Agreement developed with Schools for delivery of services	238			Work around individual children and young people affected in addition to early intervention work, as part of the pre-statutory work, group work, classroom management. 4 posts at risk if schools do not buy back services via SLA.
CYPS10	**School Effectiveness Service**				
	School Improvement staff transfer to Learners First - First Phase. CYPS retain statutory functions only - School Standards	35			CYPS commission Learners First to deliver school improvement outcomes.
CYPS 11	**Early Years**				
	Review of current roles within the service	110			Consolidate roles to provide improved service & avoid duplication
CYPS 12	**Childrens Centres**				
	Review of provision	123			3% efficiency across all Children's Centres

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
CYPS 13	**Review of Parenting & Early Help Services**				
	Review of current roles within Parenting, Early Help & Education Welfare Services	204	146		Consolidate roles to provide improved service & avoid duplication
TOTALS		**1,776**	**200** **1,976**	**54** **2,030**	
NEIGHBOURHOODS & ADULT SERVICES					
Proposal Ref:	**Action**	**2013/14 £'000**	**2014/15 £'000**	**2015/16 £'000**	**Impact Statement**
NAS 1	Reconfigure in house Care Enabling Services - This proposal is to streamline the service in a sustainable way by reducing the available hours across the service to a minimum, focus on reablement , the promotion of self directed support and independence of our customers.	700			• Contracts for 254 staff will change with an estimated reduction of 58 WTE's (70 staff), all the staff have applied for VER. • There will be no In House home care maintenance service
NAS 2	Jointly commissioned Occupational Therapy service transferring to Rotherham Foundation Trust on 01/04/11 with 10% per year efficiency requirement in the new three year contract -	45			• This is the third year of a three year saving proposal • Staff employed by RFT - efficiencies achieved through consolidation in management headcount . • Will achieve better value for money with better outcomes for customers
NAS 3	Jointly commissioned Rotherham Equipment and Wheelchair service transferring to Rotherham Foundation Trust on 01/04/11 with 10% per year efficiency requirement in the new three year contract.	40			• This is the third year of a three year saving proposal • Staff employed by RFT - efficiencies achieved through consolidation in management headcount • Will achieve better value for money with better outcomes for customers

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
NAS 4	Review service provision model of in house residential care for older people at Lord Hardy Court and Davies Court.	870			• Potential reduction of 53 staff • There are 7 vacant care assistant posts at Davies Court and 6 care assistant plus 5 domestic assistant vacant posts at Lord Hardy Court. • Any delays in making a final decision will require savings to be spread over two years • Risk of public challenge and adverse impact on the council's reputation • Provides for a staff/resident ratio better than the independent sector but may impact on the quality of care provided and customer satisfaction rates

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
NAS 5	Review contractual inflation clauses in Independent Sector residential care contracts. Now based on applicable published October ONS Inflation indicators.	146			• The preferred revised inflation formula will result in an increase of 1.66% this is below the Council's standard inflation assumption of 2% and less than the current formula of 1.85% • Representative Provider group will need to agree this approach • The Council has previously honoured its commitments and this is seen as sharing the burden • The inflation clause was significantly amended last year to deliver savings • May put pressure on some providers due to the current economic climate
NAS 6	Defer the balance of funding for the development of a specialist respite care service (Physical & Sensory Disability Services) for one year. This relates to an Investment included within the MTFS	186	-186		• Last year the development of specialist respite care service (Physical & Sensory Disability Services) was deferred for one year. • The service will take two years to fully implement so the budget requirement was spread over two years • As a result the budget for the second year can now be deferred one year • There is no risk associated with this proposal
NAS 7	Reduction in printing, postage and general procurement budgets	40			No impact - realignment of budgets with revised service delivery model and move to Riverside House
NAS 8	Increased savings from reconfiguration of day care services for people with a learning disability	150			• Full year impact of a savings proposal agreed in 2012/13 to reconfigure day care services. • There are 9 vacancies covering 4.8 FTEs • There is ongoing consultation on the final service delivery model and staffing structure
NAS 9	Capitalise the Assistive Technology Budget for one year using part of the Adult Social Care Capital Grant Allocation	400	-400		• D of H Circular – Specific Revenue and Capital Grant Allocations – Capital Investment in Community Capacity – Includes Assistive Technology, Equipment and Minor adaptations as suggested spending priorities for this funding. • Capital funding is one off and will not provide a recurrent solution.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
NAS 10	Capitalise the REWS equipments purchase budget one year using part of the Adult Social Care Capital Grant Allocation	190	-190		• D of H Circular – Specific Revenue and Capital Grant Allocations – Capital Investment in Community Capacity – Includes Assistive Technology, Equipment and Minor adaptations as suggested spending priorities for this funding. • Capital funding is one off and will not provide a recurrent solution.
NAS 11	Reduction in Learning and Development budgets	80			• External Service – required in order to ensure vulnerable adults are provided with safe and effective services. • Best in Class/valued by customers/inspectorates. Unit cost not high – No specific comparator information, service externalised as part of 2011/12 MTFS. Already implementing member decisions from the MTFS which improves VfM includes saving £195k
NAS 12	Revision to existing MTFS submission ' **To decommission 30% of residential care and commission extra care to achieve a net saving of £1.5M.**'due to slippage on implementation and changes to the service delivery model.	-490	270		• Since the MTFS proposal was submitted the adult social care and public funding landscape has changed significantly. • The thinking around ECH as a first choice option for older adults has changed and a shift to personal budgets and support to live at home has largely replaced this as a default model • The Independent Living Fund has closed to all new applicants. • The CSR has imposed further cuts to public services above the 30% over four years; cuts to the Supporting People Programme; reduced access to capital funding programmes; and Welfare Reforms and Localism policies, which are reshaping the benefits profile for many vulnerable people – • Advanced plans to commission a 73 unit ECH scheme in Thurcroft in a partnership arrangement between Barratt (builder) and Chevin (RSL housing provider) were terminated (notified May 2012).

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
NAS 13	RDASH - contract efficiency savings	180			•Low risk for staff – Affects 3 posts but there are sufficient vacancies in the current establishment.
NAS 14	Additional Health funding for Social Care	367			• Provisional indication from DoH of national increase in Health funding to support Adult Social Care. Spending areas must be agreed with health partners. • Additional funding earmarked against pressures/investment requirements within the MTFS in respect of Supported Living and Direct Payments within Learning Disability Services.
NAS15	Fairer charging to HRA of Neighbourhoods costs	70			No impact. Refers to an insufficient contribution made currently by the HRA to the cost of lighting of staircases and Members Leadership Fund
TOTALS		**2,974**	**-506** **2,468**	**0** **2,468**	

ENVIRONMENT & DEVELOPMENT SERVICES

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact statement
EDS 1	Business Centres: Split any surplus 60:40 - i.e. 60% back into RMBC and 40% retained for business related activity (mainly building maintenance, upgrades etc) as per external funding rules.	30			Calculated from generating £50,000 surplus each year, this is a risk and depends on occupancy levels and rents achieved but is estimated by Officers this is achievable.
EDS 2	Planning: Bring scanning back in house	9			No impact to service
EDS 3	Additional Income through planning - 15% rise in fees, offset against proposed government changes to applications (which will mean less applications and therefore fees)	27			Risk in terms of Government changes to (a) Fees at 15%; and (b) permitted development and reduced applications and fees
EDS 4	Reduction in opening hours at Clifton Park Museum & Archives/Local Studies & reduction in staffing budgets	20			Reductions in opening hours for public access at Clifton Park Museum and Archives & Local Studies
EDS 5a	Customer Services: Move more services into the councils centralised customer contact teams (such as customer contact for Community protection, Green Spaces, Environmental Health).	50			This will help the council to answer more customer queries with fewer staff through economy of scale.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 5b	Customer Services: Merge the Council's staff helpdesks (such as HR Helpdesk, ICT Service Desk and Caretakers Helpdesks) into the Council's main Customer Contact Centre.	60			This will enable us to answer more customer queries with fewer staff, through economy of scale and improved flexibility.
EDS 5c	Customer Services: Implement improved online, mobile app and automated telephone reporting facilities and ask customers to use them when reporting streetpride or waste management problems.	60			Increased efficiency - minimal impact
EDS 5d	Customer Services: Implement a computerised switchboard for our internal staff.	20			Increased efficiency - minimal impact
EDS 5e	Customer Services: Develop further self service options for Housing Services and ask customers to use them. (EG customers use website, mobile phone apps or automated telephone line to access to information around bills, balances, applications and repairs reporting).	20	60		Increased efficiency - minimal impact
EDS 5f	Customer Services: Develop further self service options for the Revenues Service (Council Tax and Business Rates) and ask customers to use them. (EG customers use website, mobile phone apps or automated telephone line to access information around bills, balances, discounts, and reporting change in circumstances).	20	40		Increased efficiency - minimal impact
EDS 5g	Customer Services: Implement cash payment machines and offer support to customers to use them when making payments to the Council and keep a residual service at Riverside House.	80			Increased efficiency - minimal impact. Increasing the number of services which can be paid at Post Office and Paypoint Networks may be seen to support local businesses.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 5h	Customer Services: Reduce the number of sites that customers can obtain council tax or benefit services face to face. Provide a telephony and supported self service offer from the library for customers in Swinton and Dinnington localities and close the Customer Service Centres at these sites. Offer a permanent face to face council tax or benefits service from Riverside House, Rawmarsh, Aston and Maltby. Offer appointment based services at other locations across the borough to meet the needs of our deprived communities.	80			Customers will be able to access services via self service kiosks, public access computers or via public access telephone at their local library.
EDS 6	Customer Services: Review and streamline the administration processes for the Rothercard service.	20			Increased efficiency - minimal impact
EDS7	**Planning** - Do not temporarily fill 3 maternity absences within Planning's Development Control (will temporarily reduce officers from 11 to 8)	39	-39		We will target the remaining staffing team to delivering major applications and those of significance to the local economy. May be an impact in terms of time to determine more minor applications.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 8	**Scale back the Heritage Service** This option would **reduce the opening hours** for Clifton Park Museum & Regimental Museum by 1 day a week and the Archives and Local Studies searchroom **half a day per week**. Further consideration would need to be given to seasonal opening hours, which may meet customer demand more appropriately. Boston Castle would be maintained. The other historic sites would be monitored but not developed. The Art Gallery change over would reduce from 4 temporary exhibitions to 2 a year and the heritage cases at Riverside would reduce from 2 changeovers to 1 a year. The annual Open Art Exhibition would cease. Education and outreach work would be scaled back, although school visits would still be prioritised. Use of freelancers (covering their own costs) would be considered to deliver this element of work.	70	12		1) Opening hours would be affected, although reasonable access to the museum and the archives and local studies searchroom would be maintained. 2) Changeovers of temporary exhibitions both at Clifton Park Museum and Riverside House would not be as frequent 3) Education and outreach work would be scaled back 4) No collections development work would be undertaken affecting the amount of information/objects available to the public impacting upon their research, limiting exhibitions 5) Service should be able to maintain accreditation although it would need to be reviewed and scaled back appropriately. 6) Historic sites would not be developed
EDS 9	Vehicle usage review to see if savings can be made by paying private mileage rather than using fleet vehicles. (EDS)	30			This could be a saving department by department depending on annual mileage. Whilst the savings proposal is against EDS the proposal will require consultation with staff and managers as the savings will be delivered in the Directorates where the mileage charge is incurred.
EDS 10	Reduced Non Contractual Overtime and administration	7			Small Impact

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 11	Re-negotiation of Waste Treatment Contract	103			Re-negotiation of the contract position in terms of the quantity of waste to be delivered to this waste outlet and the gate fee to be paid for the processing of waste. The quantity of waste taken out of this facility will be re-distributed to other disposal/treatment outlets.
EDS 12	Review of the Operation of Household Waste Recycling Centres - Cessation of Free Discretionary Visits and Re-assessment of the Permit Policy	75			The current permit system be re-aligned to cover only Car Derived Vans and Single Axle Trailers. The Cessation of Free Discretionary visits to Household Waste Recycling Centres.
EDS 13	Household Waste Recycling Centres - Potential Income from Waste Electrical and Electronic Equipment	40			The Four Household Waste Recycling Centres (HWRC's) are classed as Designated Collection Facilities for the collection of Small and Large Waste Electrical and Electronic Equipment (WEEE). Our current WEEE partner has offered a rebate for the scrap value on Small and Large Items delivered to the HWRC's.
EDS 14	Change to workforce contractual arrangements "Removal of task and finish"	tbc			The removal of 'task & finish' will ensure the workforce are available for the full working day. Efficiency savings can the measured to determine the necessary workforce requirement and savings realised.
EDS 15	Grounds Maintenance: Stop take home of Streetpride vehicles by Grounds Maintenance staff	20			Staff currently use Streetpride vehicles to travel to/from work - saving would be from fuel and criminal damage.
EDS 16	Pest Control: Delete 1 Pest Control Operative Post and van	19			5 posts down to 4, leading to reduced capacity to respond to workload but this can be managed. This post is currently vacant.
EDS 17	Green Spaces: Reduce Rother Valley Country Park computer maintenance and equipment budgets	10	20		1) Assumes broadband/networking issues have been resolved. 2) More efficient equipment replacement programme (e.g. earlier sale to maximise receipt, discounted purchasing)

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 18	Green Spaces: Remove Third Party Funding grant	15			1) Facilitates the release of funding for environmental projects through the Landfill Community Fund (available from – Biffaward, WREN, Veiolia etc). Work is done in partnership with local Friends groups, TARAs, BTCV and Groundwork 2) Council would no longer be able to match Landfill Community Fund, resulting in fewer capital projects (e.g. play area renewal, environmental schemes).
EDS 19	Green Spaces: Stop providing service to bowling greens at Barkers Park, Bradgate Park (x2), Greasbrough Park, Maltby Coronation Park and Valley Park (x2) (retain at Clifton Park).	30			Users would have to pay actual cost (£5k per year) or lease green from RMBC.
EDS 20	Sports Development: Remove Space for Sports and Arts grant	15			Minimal impact as budget has been used for alternative purposes in recent years
EDS 21	On cost to be charged on vehicle hire to schools and non contributing organisations.	5			This charge would off set the cost of running the hire desk.
EDS 22	Driving assessments for taxi drivers chargeable prior to badges being issued.	5			An income plus would make sure that driving standards are the same as Council staff.
EDS 23	Implementing charges for general training of drivers and escorts who are employed by transport contractors	5			Potentially charging £10 per person which will help towards cost of provision
EDS 24	Purchase a mobile CCTV parking enforcement system - Invest to save.	20			This is an invest to save initiative which will require an initial capital investment of around £70k. Will allow greater enforcement of illegal parking. For example; outside schools and hot spots such as Wellgate and Fitzwilliam Road without the need for CEO attendance.
EDS 25	Upgrade subway fittings to LED units - Invest to Save	10			This is an invest to save initiative which will require an initial capital investment of around £65,000. The original business case is now being re-visited to take account of the recent announcement of a likely 15% in the electricity tarriff.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 26	Upgrade main road lighting to LED - Invest to save.	60			This is an invest to save initiative which will require an initial capital investment of around £400,000 - This is to replace 800 No 250w SON lanterns initially and could be rolled out to other arterial routes. The original business case is now being re-visited to take account of the recent announcement of a likely 15% in the electricity tarriff.
EDS 27	Upgrade other arterial routes to LED - Invest to save	30	30	30	This is to replace 5,500 150w SON units over a 3 year period. At today's prices (£500 / unit) the investment cost is £2,750,000, but I would anticipate the cost of the lanterns to reduce by 10-15% by the end of the 3 year period to £2,475,000. The original business case is now being re-visited to take account of the recent announcement of a likely 15% in the electricity tarriff.
EDS 28	Deillumination of highway bollards	40			This is an invest to save initiative which will require an initial capital investment of around £450,000 - This is to replace 3000 illuminated bollards. However permission is needed from the Department for Transport and a decision is unlikely to be made soon. As such given the lead in time for procuring the replacement following this decision this has been treated as not achievable in 13/14. It will be re-visited when a decision is made by Dft so that robust figures can be obtained.
EDS 29	Green Spaces: Increase income target at Rother Valley Country Park Water sports by increasing charges in March and introducing vending machines	9	4		Increase charges when Water sports reopens in March rather than in April
EDS 30	Green Spaces: Increase income target at Rother Valley Country Park café by making improvements to service availability	4			1) New coffee machine on hire, post-mixed soft drinks, new chiller display (already ordered). 2) Estimated increase in income is net of costs.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
EDS 31	Green Spaces: New income target - charging Parish Councils for play area inspection	9			Charge parish councils £20 per month per play area for inspections.
EDS 32	Trees and Woodlands: Introduce additional fees for administration of tree works for **Schools, NAS and** Parish Councils	5			Fee will be added to works recharge. Otherwise service remains unchanged.
EDS 33	Rotherham MBC's own communications network in the town centre	10	20		The development of a town centre communications network utilising existing ducts and circuits with additional links funded through invest to save could yield significant savings to existing communications costs from BT and Virgin
EDS 34	New maintenance contract for CCTV incorporating non proprietary equipment through a SYP Invest to save initiative		35		The invest to save initiative by SYP to centralise the CCTV control rooms also means that further equipment nearing the end of its natural life will be replaced using SYP funding further increasing savings. The invest to save initiative amounts to approximately £150,000 of new equipment for Rotherham.
EDS 35	Trees and Woodlands	70			Maintain a reactive only service on the council's tree assets. 80% of the budget relates to highways and public open spaces which deals with approx 65 reports & inspections per month
EDS 36	Sports Development - Herringthorpe Stadium	60			Management of stadium by Athletics Club under licence. Council to retain repairs and maintenance element. Retain the Sports Development activity which attracts external funding (£380k in 12/13) and consider possible funding from Public Health.
EDS37	Accounting opportunity - capitalisation of the procurement of waste collection (Black/Green) bins	100			Annual spend on replacement bins is in region of £130k-£140k. Cost is currently charged to revenue. Suggest capitalise and finance through prudential borrowing - the financing cost to be met by service. Saving would be net of this.
TOTAL ALL OPTIONS		**1,411**	**182** **1,593**	**30** **1,623**	

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
	RESOURCES DIRECTORATE				
	General:				
Res 1	External Trading of Resources Management	100	50		No adverse impact on service delivery
	Financial Services:				
Res 2	Reduction & realignment of staffing resources	385	120		Impact on service mitigated through enhancement in financial systems automation leading to improved business process efficiencies
Res 3	Reduction in non pay costs through business process changes (linked to financial system improvements)	20			Impact on service mitigated through enhancement in financial systems automation leading to improved business process efficiencies. Staff reductions through vacancies, severance and voluntary reduction of staff hours.
Res 4	Delivering additional value through improving both service offer & business processes (ONE OFFS)	25	-25		No adverse impact on service delivery
Res 5	Reduction in external audit fees through improved financial management / financial reporting	80			No adverse impact on service delivery
	Revenues, Benefits and Payments Services:				
Res 6	Contract changes with third parties	38			No adverse impact on service delivery
Res 7	Staffing changes (vacancies, VER and end of pay protection)	112			Potential slight adverse impact on service performance standards in collecting taxes and benefits assessment at a time of substantial welfare reform. Staff reductions through severance and vacancies.
	Human Resources & Payroll Services:				
Res 8	Cross cutting budgets: reduction in non pay spend	30			Work is being aligned to meet service priorities and also the commercial requirements associated with the new Doncaster Shared Service contract. Impacts on SLA's and service response times to
Res 9	Service & staffing changes / reorganisation	135			
Res 10	Potential increase in third party charges	35			
	Legal & Democratic Services:				
Res 11	Staffing costs Eric Manns / Town Hall	20			Dependent on decant from Eric Manns building and outcome of a review of secretariat support.
Res 12	Staffing costs Legal Services	10			Dependent on decant from Eric Manns building and outcome of a review of secretariat support.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
Res 13	Staffing / Non staffing costs Information Governance Unit	33			Maximisation of external income and staffing review.
Res 14	Staffing costs Corporate Mail Room	17			Reduction of 1 x fte Band C to be absorbed within existing resources with no major impact
Res 15	Staffing Costs Management Support	20			Dependent on a review of current service provision.
	Asset Management and Audit:				
Res 16	Internal Audit: Staffing (vacancy, gradings, redundancy)	110			Lower audit activity. Accepts an increase in the risk of a lack of controls and/or an increase in errors and irregularities going undetected, as a result. 2 vacant posts
Res 17	Insurance & risk mgt: Savings from reduced claims and insurance premiums	100			No adverse impact on service delivery
Res 18	ICT: Staffing changes (vacancies, VER)	310			Potential for some reduction in support for services, although critical tasks from any vacated posts will be distributed across remaining resources. Saving delivered through vacant posts and VER/VS
Res 19	Emergency Planning & HS: Staffing (possible VER, redundancy)	60			Lower inspection and proactive (eg training) activity. Accepts an increase in the risk of failure and consequent potential reputation and financial penalties.
Res 20	Asset Mgt: Staffing changes (vacancies, VER)	170			Critical tasks from any vacated posts will be distributed across remaining resources. 2 vacant posts
	Commissioning, Policy and Performance:				
Res 21	Commissioning and Procurement: A reduction in posts arising out of ongoing review.	100			Potentially could impact on the delivery of further efficiencies for the council
Res 22	Performance & Quality: Further reductions in posts to deliver savings.	100			Potential impact on inspections and external scrutiny
Res 23	Community Engagement: further reduction in posts. This team lost 4 posts in the last review and its budget reduced by £180k. This saving would reduce a team of 8 posts down to 5, one post funded by income.	115			E&D work is now more embedded into service areas and can pick a lot of this work up. Team to develop income generation strategy.
Res 24	Design Team: Review of current provision following reintegration from RBT	25			This needs to be considered in the light of potential transfer of additional non-core public health creative services staff from NHS Rotherham.

Proposal Ref:	Action	2013/14 £'000	2014/15 £'000	2015/16 £'000	Impact Statement
Res 25	Adjustments to non pay spend budgets across all CPP Teams	50			Minimal impact
TOTAL		**2,200**	**145**	**0**	
CUMULATIVE			**2,345**	**2,345**	

TOTAL (ALL)		**8,361**	**21**	**84**	
CUMULATIVE			**8,382**	**8,466**	

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	**Meeting:**	**Cabinet**
2	**Date:**	**20th February 2013**
3	**Title:**	**Capital Programme Budget 2013/14 to 2015/16**
4	**Directorate:**	**Resources**

5 Summary

The purpose of this report is to enable the Council to review and approve the capital programme for the financial years 2013/14 to 2015/16.

6 Recommendations

CABINET IS ASKED TO:

NOTE THE CONTENTS OF THIS REPORT; AND

RECOMMEND THE APPROVAL OF THE UPDATED CAPITAL PROGRAMME 2013/14 TO 2015/16 BY FULL COUNCIL.

7 Proposals and Details

7.1 Background - The Capital Programme

Ongoing restrictions on Government funding for local government capital investment plans continue to limit the level of funding available to regenerate and enhance the Borough's infrastructure.

Concurrently, the Council has continued to be proactive in looking to rationalise its asset and buildings portfolio so as to realise revenue savings and potential capital receipts from any future asset sale. Generally, such capital receipts are expected to be used to reduce future capital financing costs so as to reduce the revenue cost of borrowing in support of the Council's Medium Term Financial Strategy.

The Capital Programme 2013/14 to 2015/16

The budget process that has led to the recommended capital programme for 2013/14 to 2015/16 ensures that Council's capital investment plans are aligned with strategic priorities and available funding. The financial implications of the programme are reflected in the Council's Medium Term Financial Strategy (MTFS) and Treasury Management and Investment Strategy.

Over the three year period of this programme the Council intends to invest £134.724m in capital schemes across the Borough, including £61.767m which will be invested in regeneration and enhanced infrastructure schemes in 2013/14. It should be noted that a number of central government and other funding agencies grant funding notifications have not been received at this time, which has limited the development and inclusion of schemes in the 2015/16 financial year. Once those notifications are received, scheme reports will be brought forward for approval by Members for inclusion in the programme.

Current expenditure plans and profiles are reflected in the Directorate summary forecast capital spend table presented below. A detailed copy of the programme for each Directorate is attached at Appendices 1 to 4.

Directorate	**2013/14 Estimate £m**	**2014/15 Estimate £m**	**2015/16 Estimate £m**
Children & Young People's Service	9.906	3.453	1.850
Environment & Development Services	16.954	6.962	0.650
Neighbourhoods & Adult Services	33.647	29.288	29.481
Resources	1.260	1.273	0.000
TOTAL	**61.767**	**40.976**	**31.981**

7.2 Children and Young People's Services Capital Programme 2013/14 to 2015/16

The proposed spend for 2013/14 is £9.906m, with a further £5.303m of investment in the following years of the current programme. At this time the government grant allocations for the coming years is yet to be confirmed so the projects shown in the programme are based on the existing allocations.

A copy of the current full programme is attached to this report at Appendix 1. Commentary on the main aspects of the programme and the nature of the spend is given below.

Primary Schools

Spend on Primary Schools is expected to be £1.370m in 2013/14, the investments in this area being as follows:

- Work will continue on the **Maltby Lilly Hall** new school project (£0.472m) which will create six new classrooms together with associated facilities and external play areas. Completion is expected to be in September 2013.

- The **Flanderwell Primary School** development (£0.898m) will continue until August 2013 and will provide permanent accommodation and facilities, consisting of a 5 classroom single storey building. This is necessary as the number of pupils in the catchment area exceeds places available.

Secondary Schools

Spend on Secondary Schools is expected to be £4.961m in 2013/14 with a further £0.100m in the subsequent years. The investments in this area are:

- Funding will be made available under the **Support to Schools** heading (£0.100m) to pay for essential capital works at PFI schools, which fall outside of the original long term contract.

- Investment will continue to be made through the **Access Initiative** project (£0.188m) to improve facilities in line with Disability Discrimination Act requirements.

- Completion of the **Maltby Academy** project (£4.523m) is planned for 2013/14 following commencement in September 2012. The scheme will deliver extensive refurbishment of existing buildings plus a new sports hall and teaching block. The Council continues to have an interest in the buildings until finalisation of the proposed long term lease of the assets to the Academy and is providing professional and technical support for the project.

- Essential remedial works are still planned to renovate and improve facilities at **Swinton Community School** (£0.150m), including re-roofing and re-wiring. Following the rejection of a bid for funding under the Priority Schools Building Programme a thorough review of the works to be carried out is to be conducted and a further report will be brought to Members in due course.

Other Projects

The other major investments are:

- Using Government funding minor enhancement works will be carried out at schools. The **Capitalised Minor Enhancements** programme in 2013/14 is forecast to be £2.517m with a further £3.450m over the following two years.

- **Devolved Formula Capital Grant** is paid annually to schools for them to use on small capital projects. In 2013/14 £0.853m is expected to be available for them to spend with a further £1.653m to be allocated in the subsequent years.

- The programme for **Property Adaptations** will be £0.205m in 2013/14, with a further £0.305m to be spent in the remaining years in this programme. This investment will be used to improve the homes of foster carers, allowing greater capacity for fostering placement and improving their quality of life. It will reduce the need for Independent Fostering, delivering substantial future revenue savings.

Environment and Development Services (EDS) Capital Programme 2013/14 to 2015/16

The whole EDS programme covers regeneration schemes, cultural and leisure, flood alleviation, waste management and infrastructure related schemes.

The proposed spend for 2013/14 is £16.954m with a further £7.612m of investment in subsequent years. At this time grant allocations for the coming years is yet to be confirmed so the projects shown in the programme are based on the existing allocations. A copy of the full programme is attached to this report at Appendix 2. Commentary on the main aspects of the EDS programme and the changes to planned spend are shown below:

Culture and Leisure

The overall programme spend in 2013/14 is expected to be £0.884m. The investments in this area are:

- A delay to the completion of the **Clifton Park** restoration project (£0.226m) was caused by the insolvency of the contractor. The

funding body has agreed to a one year extension of the project which will now be completed in 2013/14.

- Agreement has been reached in principal to build an extension to **Brinsworth Library** (£0.499m) on the Parish Council site. It is anticipated that work will be completed in 2013/14.

- The **Library and Information Service** review was concluded in November with a new service redesign model being proposed. Following this, a review of the current buildings configuration is being undertaken to ensure alignment with the proposed service redesign. It is anticipated that any works required will now be carried out in 2013/14 (£0.159m).

Highways

The Council's highways continue to be a priority for investment and current plans are for £23.056m to be invested over the next three years, with £15.444m of that expected to be spent in 2013/14. The programme reflects that 2014/15 is the final year for the current round of Government funding, consequently schemes for 2015/16 will be brought forward once notification of the new allocation is received.

Commentary on the main aspects of the Highways programme and the nature of spend is given below:

- The **A57 Improvement Scheme** (£8.050m) has commenced and been reprofiled in line with contractors revisions, which will see the scheme completed over a 65 week rather than a 72 week period.

- The **LTP Integrated Transport Block** (£1.534m) will continue to fund projects within the five main schemes, Bus Projects, Connectivity, Local Safety, Network Management and Smarter Choices.

- The **Highways Maintenance** programme (£2.478m) will continue to cover major Borough wide works including the resurfacing of Meadowbank Road, Rotherham and Main Street in Wingfield.

- Grant funding has allowed the Council to proceed with the **LSTF Main Bid** project (£1.282m) and in 2013/14 work will continue on schemes including:

    - improvements to the intelligent transport system in the Dearne Valley corridor which will introduce traffic systems and signals that respond to traffic conditions, electronic variable message signs and car park capacity signs;
    - accessibility and bus improvements to the A633 in Rotherham;
    - canal towpath improvements between Rotherham and Sheffield.

- Anticipated spend on **Other Highways Projects** (£1.450m) will include investment to:

- signalise the junction of Oldgate Lane, Thrybergh and the TATA steel access route;
- install new tracking equipment into vehicles to allow the tracking of salting activities, navigate winter service drivers along routes without the need for route familiarisation training and provide automated salting;
- refurbish the deck and joint on Crinoline bridge;
- install a new culvert at Hellaby Brook.

Other investments

The Council has, in 2013/14, continued to invest in the Borough's infrastructure, in particular:

- **Rotherham Townscapes Heritage Initiative** (£0.525m) continues to deliver improvements to the town centre, investing in the renovation of shop frontages, structural works and roof replacements. Work on these improvements will continue into 2013/14 including completion of the High Street/Church Street public realm works.

- **Town Centre Business Vitality Scheme** (£0.077m) is designed to encourage and support new independent niche retail businesses to open up in the Rotherham town centre. These schemes have slipped into 2013/14 as some applications for support could not be processed either because they were outside the designated support zone or because they duplicated existing retail outlets.

Neighbourhoods and Adults Services Capital Programme 2013/14 to 2015/16

The forecast spend for 2013/14 is £33.647m, with a further £58.769m planned in the remainder of the programme. A copy of the full revised programme is attached to this report at Appendix 3.

Adult Services

In 2013/14 Adult Services will receive £0.723m PSS grant, an increase of just over 1% on 2012/13, with a further £0.738m to be received in 2014/15. The Service is currently in the process of developing projects to utilise this grant and these will be brought forward in future reports to Members.

Currently firm plans are in place, with total expenditure anticipated to be £0.654m, which will see the development of the following projects:

- The **Transformation Project** (£0.064m) will see the introduction of systems which will help the Council share relevant social care data with other Yorkshire and Humber Councils, creating a more efficient service.

- The **Assistive Technology** scheme (£0.400m) will enable people requiring care support services to live independently within their own home through the purchase of telecare equipment. This equipment includes fall detectors and monitoring alarms.

- **Rotherham Equipment and Wheelchair Service (REWS)** (0.190m) – the purchase of equipment, after Occupational Therapist assessment, to support people within their own homes. Equipment will include a range of specialist bath and shower aids and mattresses which will be managed by Rotherham Foundation Hospital Trust.

Neighbourhood Services

For 2013/14 the Service is expected to spend £32.993m with a further £58.769m to be invested during the remaining period of the programme. A copy of the full programme is attached to this report at Appendix 3 and the most notable items are detailed below.

Improving Council Housing & Housing Services (£27.803m) – The projects within this area of investment have been revised to reflect schemes identified from the refreshed housing condition survey, which drives the identification and delivery of the Housing Investment Programme.

Notable investments in this area are:

- **Refurbishment Works** (£13.863m) will be carried out to improve the quality of the housing stock both internally and externally across the borough.

- **Environmental Works** (£1.491m) – the scheme aims to address crime and health and safety issues through small scale projects, such as the installation of fencing and the renovation of paths, which fall outside of the general repairs regime.

- The **Decent Homes Void Programme** (£1.813m) is on-going with the aim of renovating approximately 150 void properties in 2013/14, allowing them to be re-let to tenants.

- **Replacement of Central Heating** systems (£2.990m) will continue to modernise the heating systems in Council Houses across the Borough, with up to 1,500 systems earmarked for replacement in 2013/14.

- **Non-traditional Investment** (£1.400m). The investment in this area will deliver the renovation of 56 properties in Swallownest and 83 properties in Rawmarsh. It is also hoped that work will also commence, in 2013/14, on a further 97 properties in Rawmarsh.

- **Strategic Acquisitions** (£2.166m). The Council will continue to increase its housing stock with the acquisition of existing housing or

new build units. Opportunities have already been identified in the Wath, Wickersley, Thrybergh and Rawmarsh areas and work will continue to identify other potential purchases.

Fair Access To All: Disabled Adaptations (£3.091m) – Work will continue to ensure these demand led works are completed within the statutory timescales.

Investment into **Neighbourhood Regeneration & Renewal** (£1.750m) will continue with the most notable projects being:

- **Canklow Phase 1 & 2** (£0.450m) will continue to deliver the phased regeneration programme on Warden Street with the acquisition of properties in preparation for demolition.

- **Bellows Road, Rawmarsh, Service Centre Clearance** (£0.585m)**.** 2013/14 will see the delivery of the new retail provision, which is scheduled for completion in December 2013. Following on from that, once all remaining tenants have been relocated, the remainder of Bellows Road will be demolished and the site prepared for residential development.

- **Garage Site Investment** (£0.500m) which will see the renovation of a number of garage sites, making them safe and secure for use, most notably in Rawmarsh and Wath.

Neighbourhoods Improvements Non-HIP Programme (£0.349m) – the majority of the spend in this area will be on the **Landfill Sites** (£0.330m) where issues with legal negotiations, contractual obligations and surveys led to the project slipping into 2013/14 and 2014/15. Work is continuing to resolve these issues which will then allow the Council to improve the gas/leachate systems and restore the land.

Resources Capital Programme 2013/14 to 2015/16

Overall the 2013/14 programme is expected to spend £1.260m, with a further £1.273m to be invested in the ensuing years, as the Council continues to invest in its **ICT infrastructure** as part of its ICT Strategy. The Strategy is focussed on ensuring the Council is able to support effectively the services it delivers and promote new, innovative, ways of working that will result in greater efficiencies and effectiveness. A copy of the programme is attached to this report at Appendix 4.

7.3 Funding of the Programme

The table shown below outlines the funding strategy associated with the schemes profiled above and detailed in the Appendices 1 to 4.

Funding	**2013/14 Estimate**	**2014/15 Estimate**	**2015/16 Estimate**
	£m	**£m**	**£m**
Grants & Contributions	23.452	10.694	2.779
Supported Borrowing	0.188	0.000	0.000
Unsupported Borrowing	8.568	1.851	0.700
Usable Capital Receipts	1.412	0.782	0.332
Major Repairs Allowance (HRA)	19.480	20.164	21.664
Revenue Contributions	8.667	7.485	6.506
Total	**61.767**	**40.976**	**31.981**

7.4 Amount of Capital Expenditure on a Ward Basis

The table shown below shows the expenditure associated with the schemes profiled above, and detailed in the Appendices 1 to 4, on a Ward basis.

Ward	2013/14 Estimate	2014/15 Estimate	2015/16 Estimate
	£m	£m	£m
Anston & Woodsetts	0.038	0.038	0.035
Boston Castle	1.514	0.536	0.034
Brinsworth & Catcliffe	0.537	0.037	0.035
Dinnington	0.063	0.038	0.035
Rawmarsh	0.639	0.054	0.051
Hellaby	0.571	0.054	0.051
Holderness	3.608	0.033	0.031
Hoober	0.060	0.015	0.014
Keppel	0.060	0.060	0.056
Maltby	4.545	0.022	0.020
Rother Vale	0.025	0.025	0.023
Rotherham East	0.063	0.063	0.059
Rotherham West	0.094	0.044	0.042
Silverwood	0.092	0.037	0.035
Sitwell	0.036	0.036	0.034
Swinton	0.195	0.045	0.042
Valley	1.678	1.572	0.057
Wales	3.644	0.049	0.027
Wath	0.178	0.127	0.055
Wickersley	0.934	0.036	0.034
Winfield	0.076	0.051	0.030
All Wards	43.117	38.004	31.181
Total	**61.767**	**40.976**	**31.981**

8. Financial Implications

These are contained within the body of this report. Any revenue implications from the revised programme have been fully reflected in the Council's latest revenue forecast and its updated Medium Term Financial Strategy.

9. Risks & Uncertainties

The Capital Programme is funded through a number of sources: borrowing (both supported and unsupported), capital grants & contributions, revenue contributions and capital receipts. Any uncertainty over the funding of the Programme rests on confirmation that grants/contributions and capital receipts continue to be available in

coming years. Where funding sources are volatile in nature the risks will be managed by continually keeping the programme under review.

10. Policy and Performance Agenda Implications

The preparation of the Medium Term Financial Strategy incorporating a profiled capital programme and the associated revenue consequences, together with regular monitoring, highlights the Council's commitment to sound financial management.

11. Background Papers and Consultation

- Capital Programme Monitoring 2012/13 to 2014/15 Report to Cabinet.
- Project / Scheme monitoring reports
- Monitoring returns and Programme setting details from Directorates.

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RESOURCES CAPITAL PROGRAMME 2013/14 - 2015/16
FINANCIAL SUMMARY STATEMENT

CAPITAL INVESTMENT BY PROJECT	ESTIMATED SPEND AND FUNDING STATEMENT		
	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s
ICT			
ICT STRATEGY (2)	560	573	
ICT REFRESH	700	700	
RESOURCES CAPITAL PROGRAMME	**1,260**	**1,273**	**0**

SOURCES OF FUNDING	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s
SUPPORTED CAPITAL EXPENDITURE (REVENUE)			
GRANTS AND CONTRIBUTIONS			
REVENUE CONTRIBUTION	230	230	
USABLE CAPITAL RECEIPTS			
PRUDENTIAL BORROWING	1,030	1,043	
EARMARKED RESERVES			
MAJOR REPAIRS ALLOWANCE			
RESOURCES CAPITAL PROGRAMME	**1,260**	**1,273**	**0**

RESOURCES CAPITAL INVESTMENT BY WARD 2013/14 - 2015/16

RESOURCES CAPITAL INVESTMENT BY WARD	Estimated Spend		
	2013/14 £'000s	2014/15 £'000s	2015/16 £'000s
ANSTON & WOODSETTS	0	0	0
BOSTON CASTLE	0	0	0
BRINSWORTH & CATCLIFFE	0	0	0
DINNINGTON	0	0	0
RAWMARSH	0	0	0
HELLABY	0	0	0
HOLDERNESS	0	0	0
HOOBER	0	0	0
KEPPEL	0	0	0
MALTBY	0	0	0
ROTHER VALE	0	0	0
ROTHERHAM EAST	0	0	0
ROTHERHAM WEST	0	0	0
SILVERWOOD	0	0	0
SITWELL	0	0	0
SWINTON	0	0	0
VALLEY	0	0	0
WALES	0	0	0
WATH	0	0	0
WICKERSLEY	0	0	0
WINGFIELD	0	0	0
ALL WARDS	1,260	1,273	0
RESOURCES CAPITAL PROGRAMME	**1,260**	**1,273**	**0**

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**20th February 2013**
3.	**Title:**	**Prudential Indicators and Treasury Management and Investment Strategy 2013/14 to 2015/16**
4.	**Directorate:**	**Resources**

5. Summary

In accordance with the Prudential Code for Capital Finance, the Secretary of State's Guidance on Local Government Investments, the CIPFA Code of Practice for Treasury Management in Local Authorities and with Council policy, the Director of Financial Services is required, prior to the commencement of each financial year to seek the approval of the Council to the following:

i. The Prudential Indicators and Limits for 2013/14 to 2015/16 (Appendix A)
ii. A Minimum Revenue Provision (MRP) Statement which sets out the Council's policy on MRP (Appendix A)
iii. An Annual Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management including the Authorised Limit (Appendix B)
iv. An Investment Strategy in accordance with the CLG investment guidance (Appendix B)

6. Recommendations

Cabinet is asked to recommend Council:

1. **Approve the prudential indicators and limits for 2013/14 to 2015/16 contained in Appendix A to the report**

2. **Approve the Minimum Revenue Provision Statement contained in Appendix A which sets out the Council's policy on MRP**

3. **Approve the Treasury Management Strategy for 2013/14 to 2015/16 and the Authorised Limit Prudential Indicator (Appendix B)**

4. **Approve the Investment Strategy for 2013/14 to 2015/16 (Appendix B – Section (e) and Annex B1)**

7. Proposals and Details

The Director of Financial Services has delegated authority to carry out treasury management activities on behalf of the Council. This report is produced in order to comply with the CIPFA Code of Practice for Treasury Management in Local Authorities, the CIPFA Prudential Code for Capital Finance in Local Authorities and the CLG Investment Guidance.

The Council's 2012/13 Treasury Management Strategy was approved by Council on 7 March 2012, whilst a Mid Year report which updated the 2012/13 approved indicators was approved by Council on 30 January 2013. This report updates the currently approved indicators for the period 2012/13 to 2014/15 and introduces new indicators for 2015/16.

The Strategy was drawn up in association with the Council's treasury management advisors, Sector Treasury Services Ltd, part of The Capita Group plc.

7.1 Background

During 2009 three key documents were published, the first two of which resulted in the main from the impact of the Icelandic banking issues:

- the Audit Commission report 'Risk and Return',
- the CLG Select Committee report on local authority investments; and,
- CIPFA's revised Prudential Code.

In addition CIPFA fully revised its guidance on Treasury Management and published the following two documents towards the end of 2009:

- Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes; and,
- Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities

In March 2010 CLG confirmed changes to the Capital Finance system which included revisions to CLG's Investment Guidance. These were in line with the outcomes from the publications & reports issued (and referred to above) and take account of the changes to CIPFA's Code of Practice and Guidance Notes.

During 2011 CIPFA published updates to the Treasury Management Code of Practice, the Treasury Management Guidance Notes and the Prudential Code. These incorporated minor revisions to the previous guidance.

This report is fully reflective of the changes to guidance issued by CIPFA and the CLG.

7.2. Review of the Currently Approved Investment Strategy

Following the events of October 2008 and in light of the current and on-going economic & financial climate, the Director of Financial Services took a series of actions to evaluate the Council's Investment Strategy and manage the treasury management function.

The Council's investment policy's continuing primary governing principle is the **security** of its investments, although yield or return on investments is also a consideration.

The revised operational guidelines enhanced the weighting towards 'security' even further at the expense of yield or return. Although seeking to minimise investment default risk, it does not eliminate it. Eliminating risk altogether is only possible if the Council only invested any surplus funds with the Bank of England's Debt Management Office (DMO).

These actions were reinforced within the currently approved strategy whereby the criteria for choosing counterparties were tightened. We continue to operate the treasury management guidelines well within the boundaries set by the approved selection criteria so as to minimise the risks inherent in operating a treasury management function during volatile and adverse economic and financial conditions. To this end, the Council has continued to invest any surplus funds primarily with the Bank of England's Debt Management Office.

In addition, investment levels over the last 12 months remain low as market conditions still dictate that it continues to be prudent to defer borrowing plans and to fund on-going capital commitments through the use of the Council's internal cash-backed resources.

Actual returns on investment opportunities remain subdued when compared to previous years but have been effectively and prudently managed by significantly reducing expected capital financing costs by delaying borrowing plans. This has enabled the Council to stay within its capital financing budget cash limit and for budget savings to be put forward in support of both the Council's 2012/13 and 2013/14 revenue budget. This is a significant achievement given the difficult economic and financial conditions prevailing throughout the current financial year.

Counterparty List

At the present time the Council's counterparty list for investments uses the following criteria:

	Fitch	Moody's	Standard & Poor's	Money Limit	Time Limit
Upper Limit Category	F1+/AA-	P-1/Aa3	A-1+/AA-	£20m	5years
Middle Limit Category	F1/A-	P-1/A3	A-1/A-	£10m	364 days
Lower Limit Category *	All Building Soc's ranked 1 to 10 All Building Soc's ranked 11 to 20			£5m £1m	6 months 3 months
Debt Management Office	-	-	-	Unlimited **	6 months
Money Market Funds ***	-	-	-	£20m	n/a
UK Single Tier & County Councils	-	-	-	£20m	5 years
Council's Bank (Co-op)	-	-	-	£10m	364 days

The above money limits are exclusive of bank balances held by schools

* Based on maximum of 20% of the investment portfolio

** Provides maximum flexibility

*** Based on maximum of 20% of the investment portfolio

Taking into account the current market conditions and future economic and financial outlook, whilst retaining sufficient flexibility to react to changing market conditions, it is proposed to retain the currently approved criteria.

In essence, the counterparty list provides the Council with the opportunity to maximise security of any invested funds by allowing all funds to be placed with the DMO and UK Single Tier and County Councils and reducing the maximum level and time of investments that can be placed with financial institutions that do not meet all the upper limit credit rating criteria

7.3 Prudential Indicators

7.3.1 Capital Expenditure, Capital Financing Requirement & Affordability

The Prudential Indicators submitted for approval are summarised as:

	2012/13 Revised	2013/14 Estimated	2014/15 Estimated	2015/16 Estimated
Capital Expenditure	£77.173m	£61.767m	£40.976m	£31.981m
Capital financing requirement	£762.679m	£759.101m	£748.509m	£736.987m
Authorised limit for external debt (RMBC)	£773.336m	£761.002m	£748.559m	£736.987m
Operational boundary for external debt (RMBC)	£608.696m	£602.844m	£589.972m	£576.166m
Authorised limit for external debt (Former SYCC)	£100.000m	£100.000m	£100.000m	£100.000m
Operational boundary for external debt (Former SYCC)	£96.412m	£96.121m	£96.121m	£96.121m
Ratio of financing costs to net revenue stream – Non HRA	8.83%	7.94%	8.69%	8.70%
Ratio of financing costs to net revenue stream – HRA	19.45%	18.36%	17.20%	15.77%
Incremental impact of capital investment decisions on the Band D Council Tax	£23.30	£2.70	£2.07	-£1.82
Incremental impact of capital investment decisions on housing rents levels	£0.00	£0.10	£0.00	£0.00

It should be noted that only schemes in the Council's approved capital programme are included in the indicators as listed and that there may be further schemes pending approval. Any additional approvals will normally have to be funded from unsupported borrowing as all identified available resources have been allocated. This would impact on the prudential indicators above.

It should further be noted that the impact on Band D Council Tax, as shown in the table above, indicates the impact of the Council's capital investment plans as already budgeted for within the proposed Budget for 2013/14 and the Council's Medium Term Financial Strategy, **and does not indicate additional requirements of Rotherham council tax payers**.

7.3.2 Treasury Management Prudential Indicators and Limits on Activity

There are four treasury prudential indicators, the purpose of which is to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. The indicators submitted for approval are shown below.

The limits for interest rate exposures are consistent with those approved within the Mid Year report on the 2012/13 Strategy; in line with the requirements of the new Code the maturity structure detail has been updated and extended; and the investment limits beyond 364 days have been maintained to reflect the continued investment strategy.

RMBC	**2013/14**	**2014/15**	**2015/16**
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rate debt based on fixed net debt	100%	100%	100%
Limits on variable interest rate debt based on variable net debt	30%	30%	30%

RMBC Maturity Structure of fixed interest rate borrowing 2013/14		
	Lower	**Upper**
Under 12 months	0%	35%
12 months to 2 years	0%	35%
2 years to 5 years	0%	40%
5 years to 10 years	0%	40%
10 years to 20 years	0%	45%
20 years to 30 years	0%	50%
30 years to 40 years	0%	50%
40 years to 50 years	0%	55%
50 years and above	0%	60%

RMBC Maximum Funds invested > 364 days			
	1 to 2 years	2 to 3 years	3 to 5 years
Funds invested > 364 days	£m 10	£m 8	£m 6

Former SYCC	2013/14	2014/15	2015/16
Interest Rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on net debt	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%

Maturity Structure of fixed interest rate borrowing 2013/14		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	70%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%

7.4 Minimum Revenue Provision Policy

Communities & Local Government Regulations require Full Council to approve a Minimum Revenue Provision Statement in advance of each financial year. The policy put forward for approval is set out in section 12 of Appendix A.

8. Finance

Treasury Management forms an integral part of the Council's overall financial arrangements.

The assumptions supporting the capital financing budget for 2013/14 and for the future years covered by the MTFS of the Council have been reviewed in light of the current economic and financial conditions and the revised future years' capital programme.

The proposed Treasury Management and Investment Strategy is not forecasted to have any further revenue consequences than those identified and planned for in both the Council's 2013/14 Revenue Budget and approved MTFS.

9. Risks and Uncertainties

The proposed Treasury Management and Investment Strategy seeks to minimise the risks inherent in operating a Treasury Management function during these difficult economic and financial conditions.

Operational Treasury Management guidelines will continue to be kept in place and reviewed to ensure they are appropriate given the circumstances faced, supported by regular monitoring to ensure that any risks and uncertainties are addressed at an early stage and hence kept to a minimum.

10. Policy and Performance Agenda Implications

Effective Treasury Management will assist in delivering the Councils' policy and performance agenda.

11. Background Papers and Consultation

Audit Committee – 15 February & 21 November 2012, 13 February 2013
Cabinet – 22 February 2012
Council – 7 March 2012 & 30 January 2013
CIPFA – The Prudential Code for Capital Finance in Local Authorities
CIPFA – Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes
CIPFA – Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities
CLG Investment Guidance – March 2010
The Local Government Act 2003

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Appendix A

PRUDENTIAL INDICATORS 2013/14 TO 2015/16

Introduction

1. The Local Government Act 2003 requires the Council to adopt the CIPFA Prudential Code and prepare and publish prudential indicators. Each indicator either summarises the expected activity or introduces limits upon the activity, and reflects the underlying capital programme. This report updates currently approved indicators and introduces new indicators for 2015/16.

2. Within this overall prudential framework there is a clear impact on the Council's treasury management activity, either through borrowing or investment activity. As a consequence the Treasury Management Strategy for 2013/14 to 2015/16 is included as Appendix B to complement these indicators. Some of the prudential indicators are shown in the Treasury Management Strategy to aid understanding.

The Capital Expenditure Plans

3. The Council's capital expenditure plans are summarised below and this forms the first of the prudential indicators. A certain level of capital expenditure is grant supported by the Government; any decisions by the Council to spend above this level will be considered unsupported capital expenditure. This unsupported capital expenditure needs to have regard to:

   - Service objectives (e.g. strategic planning);
   - Stewardship of assets (e.g. asset management planning);
   - Value for money (e.g. option appraisal)
   - Prudence and sustainability (e.g. implications for external borrowing and whole life costing);
   - Affordability (e.g. implications for the council tax and rents)
   - Practicality (e.g. the achievability of the forward plan).

4. The revenue consequences of capital expenditure, particularly the unsupported expenditure, will need to be paid for from the Council's own revenue resources.

5. This capital expenditure can be paid for immediately (by applying capital resources such as capital receipts, capital grants etc., or revenue resources), but if these resources are insufficient any residual expenditure will add to the Council's borrowing need.

6. The key risks to the plans are that the level of Government support has been estimated and is therefore subject to change. Similarly some of estimates for other sources of funding, such as capital receipts, may also be subject to change over this timescale. For example, anticipated asset sales resulting from the Council's on-going asset rationalisation programme may be deferred due to the on-going impact of the current economic & financial conditions on the property market.

7. The Council is asked to approve the summary capital expenditure projections below. This forms the first prudential indicator:

	2012/13 Revised £m	**2013/14 Estimated £m**	**2014/15 Estimated £m**	**2015/16 Estimated £m**
Children & Young People's Services	21.088	9.906	3.453	1.850
Env & Dev Services	20.292	16.954	6.962	0.650
Neighbourhoods & Adult Services – Non HRA	3.256	3.419	1.869	1.311
Resources	10.714	1.260	1.273	0.000
Total Non-HRA	**55.350**	**31.539**	**13.557**	**3.811**
HRA	21.823	30.228	27.419	28.170
Total HRA	**21.823**	**30.228**	**27.419**	**28.170**
Total expenditure	**77.173**	**61.767**	**40.976**	**31.981**
Capital receipts	1.604	1.412	0.782	0.332
Capital grants, capital contributions & sources other capital funding	59.968	51.599	38.343	31.599
Total financing	**61.572**	**52.421**	**39.125**	**31.281**
Net financing need for the year	**15.601**	**8.756**	**1.851**	**0.050**

8. Other long term liabilities - the above financing need excludes other long-term liabilities, such as PFI and leasing arrangements which already include borrowing instruments.

<u>The Capital Financing Requirement (the Council's Borrowing Need)</u>

9. The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The capital expenditure above which has not immediately been paid for will increase the CFR.

10. Following accounting changes the CFR includes any other long term liabilities (e.g. PFI schemes) brought onto the balance sheet. Whilst this increases the CFR, and therefore the Council's borrowing requirement, these types of scheme include a "borrowing facility" and so the Council is not required to separately

borrow for this scheme. The Council currently has £129.338m within the CFR in respect of such schemes.

11. The Council is asked to approve the CFR projections below:

	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
CFR – General Fund	457.886	452.142	441.550	430.028
CFR – HRA	304.793	306.959	306.959	306.959
Total CFR	**762.679**	**759.101**	**748.509**	**736.987**
Movement in CFR	**3.916**	**-3.578**	**-10.592**	**-11.522**
Movement in CFR represented by:				
Net financing need for the year (above)	15.601	8.756	1.851	0.050
Less General Fund MRP/VRP and other financing movements	11.685	12.334	12.443	11.572
Movement in CFR	**3.916**	**-3.578**	**-10.592**	**-11.522**

MRP Policy Statement

12. The Council is required to pay off an element of the accumulated General Fund capital spend each year through a revenue charge (the Minimum Revenue Provision - MRP). In addition, it is also allowed to make additional voluntary payments (VRP) where it is prudent to do so.

13. CLG Regulations require Full Council to approve an MRP Statement in advance of each year. Detailed rules have been replaced by a single duty to charge an amount of MRP which the Council considers 'prudent'. The Director of Financial Services will, where it is prudent to do so, use discretion to review the overall financing of the capital programme and the opportunities afforded by the regulations to maximise the benefit to the Council whilst ensuring it meets its duty to charge a 'prudent' provision. To provide maximum flexibility into the future the recommended MRP policy has been amended to include the use of the annuity method in addition equal instalments method.

    The Council is recommended to approve the following MRP policy in relation to the charge for the 2013/14 financial year:

    (a) The MRP charge in relation to borrowing for capital expenditure incurred prior to 2007/08 will be unaffected by the regulations;

    (b) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by both supported and unsupported borrowing will be calculated using the expected useful life of the asset at the point the asset is brought into use. The calculation of the provision will

be either the annuity method or the equal instalments method depending on which is most appropriate; and

(c) The MRP charge in relation to capital expenditure incurred since 2007/08 where the expenditure is funded by a 'capitalisation directive' (e.g. equal pay) will be calculated on the basis of the specified period(s) set down within the regulations. The calculation of the provision will be either the annuity method or the equal instalments method depending on which is most appropriate.

14. No MRP charge is currently required for the HRA. With the move to self-financing, the HRA will be required to charge depreciation on its assets, which will be a revenue charge. To alleviate the impact of this charge falling on the tenants, new HRA regulations will allow the Major Repairs Allowance to be used as a proxy for depreciation for the first five years.

15. Repayments included in annual PFI or finance leases are applied as MRP.

Affordability Prudential Indicators

16. The previous sections cover those prudential indicators that are used to monitor the impact the capital programme has on the Council's borrowing position.

17. Within this framework prudential indicators are used to assess the affordability of the capital investment plans. Further indicators are used to provide an indication of the impact the capital programme has on the overall Council's finances. The Council is asked to approve the following indicators.

18. **Actual and Estimates of the ratio of financing costs to net revenue stream** – This indicator identifies the trend in the cost of capital (borrowing and other long term obligation costs net of investment income) against the net revenue stream of the Council. The trend reflects the Council's prioritisation of its capital investment plans.

19. The estimates of financing costs include all current commitments, the proposals contained in the proposed 2013/14 Revenue Budget and updated future years' Capital Programme. The "non HRA" figures from 2013/14 onwards also reflect the changes to Council funding brought about by Local Government Reform which increases the level of general grant funding included within the Net Revenue Stream.

Ratio of financing costs to Net Revenue Stream				
	2012/13 Revised %	2013/14 Estimated %	2014/15 Estimated %	2015/16 Estimated %
Non-HRA	8.83	7.94	8.69	8.70
HRA	19.45	18.36	17.20	15.77

20. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with proposed changes to the capital programme compared to the Council's existing commitments and current plans.

    Only schemes in the Council's approved capital programme are included in the indicators and there may be further schemes pending approval. Any additional approvals will normally have to be funded from unsupported borrowing as all identified available resources have been allocated. This would impact on the prudential indicators above.

    The impact on Band D Council Tax, as shown in the table below, indicates the impact of the Council's capital investment plans as already budgeted for within the proposed Budget for 2013/14 and the Council's Medium Term Financial Strategy, **and does not indicate additional requirements of Rotherham council tax payers**. The figures from 2013/14 onwards reflect the lower number of Band D properties in the Council's council tax base as a result of the introduction of the Council Tax Reduction Scheme.

Incremental impact of capital investment decisions on the Band D Council Tax				
	Revised 2012/13 £	**Proposed Budget 2013/14 £**	**Projection 2014/15 £**	**Projection 2015/16 £**
Council Tax – Band D	23.30	2.70	2.07	-1.82

For each financial year the impact at Band A is £15.53, £1.80, £1.38 and -£1.21 respectively.

21. **Estimates of the incremental impact of capital investment decisions on Housing Rent levels** – Similar to the Council tax calculation, this indicator identifies the revenue cost of proposed changes in the housing capital programme compared to the Council's existing approved commitments and current plans expressed in terms of the impact on weekly rent levels.

Incremental impact of capital investment decisions on the Housing Rent levels				
	Revised 2012/13 £	**Proposed Budget 2013/14 £**	**Projection 2014/15 £**	**Projection 2015/16 £**
Weekly Housing Rent levels	0.00	0.10	0.00	0.00

Appendix B

TREASURY MANAGEMENT STRATEGY 2013/14 – 2015/16

1. Treasury Management is an important part of the overall financial management of the Council's affairs. The prudential indicators in Appendix A consider the affordability and impact of capital expenditure decisions, and set out the Council's overall capital framework. The Treasury Management Strategy considers the effective funding of these decisions. Together they form part of the process which ensures the Council meets balanced budget requirement under the Local Government Finance Act 1992. There are specific treasury prudential indicators included in this Strategy which require Member approval.

2. The Council's treasury activities are strictly regulated by statutory requirements and a professional code of practice (the CIPFA Code of Practice on Treasury Management – revised November 2009). The Council adopted the Code of Practice on Treasury Management (Cabinet, March 2004) and adopted the revisions to the Code in March 2010.

3. The Council's constitution (via Financial Regulations) requires an annual strategy to be reported to Council outlining the expected treasury activity for the forthcoming 3 years. A key requirement of this report is to explain both the risks, and the management of the risks, associated with the treasury service. A further report is produced after the year-end to report on actual activity for the year, and a new requirement of the revision of the Code is that there is a mid-year monitoring report.

4. This Strategy covers:

   (a) The Council's debt and investment projections;
   (b) The Council's estimates and limits to borrowing activity;
   (c) The expected movement in interest rates;
   (d) The Council's borrowing and debt strategy
   (e) The Council's investment strategy;
   (f) Treasury Management prudential indicators and limits on activity;
   (g) Treasury performance indicators
   (h) Policy on the use of external service advisers

(a) Debt and Investment Projections 2013/14 – 2015/16

5. The borrowing requirement comprises the expected movement in the CFR and any maturing debt which will need to be re-financed. The table below shows this effect on the treasury position over the next three years for both the Council and the ex-SYCC debt that the Council administers on behalf of the other South Yorkshire local authorities. The table also highlights the expected level of investment balances.

RMBC	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
External Debt				
Borrowing at 1 April	471.540	479.358	475.439	464.355
Expected change in debt	7.818	-3.919	-11.084	-12.172
Other long-term liabilities (OLTL) at 1 April	131.343	129.338	127.405	125.617
Expected change in OLTL	-2.005	-1.933	-1.788	-1.634
Borrowing at 31 March	608.696	602.844	589.972	576.166
CFR – the borrowing need	762.679	759.101	748.509	736.987
Under/(over) borrowing	153.983	156.257	158.537	160.821
Investments				
Total Investments at 1 April	0.000	20.000	10.000	10.000
Investment change	20.000	-10.000	0.000	0.000
Total Investments 31 March	20.000	10.000	10.000	10.000
Net borrowing	588.696	592.844	579.972	566.166

Ex SYCC	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
External Debt				
Borrowing at 1 April	96.412	96.121	96.121	96.121
Expected change in debt	-0.291	0.000	0.000	-9.412
Borrowing at 31 March	96.121	96.121	96.121	86.709
Investments				
Total Investments at 31 March	0.000	0.000	0.000	0.000
Investment change	0.000	0.000	0.000	0.000
Total Investments 1 April	0.000	0.000	0.000	0.000
Net borrowing	96.121	96.121	96.121	86.709

(b) <u>Limits to Borrowing Activity</u>

6. Within the prudential indicators there are a number of key indicators to ensure the Council operates its activities within well defined limits

7. For the first of these the Council needs to ensure that its total borrowing net of any investments, does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2013/14 and the following two financial years. This allows some flexibility for limited early borrowing for future years.

RMBC	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
Gross Borrowing	608.696	602.844	589.972	576.166
Investments	20.000	10.000	10.000	10.000
Net Borrowing	588.696	592.844	579.972	566.166
CFR	762.679	759.101	748.509	736.987
CFR less Net Borrowing	**173.983**	**166.257**	**168.537**	**170.821**

8. The Director of Financial Services reports that the Council has complied with this indicator in the current year and does not envisage difficulties for the future. This view takes into account approved commitments and existing plans.

9. A further two prudential indicators control or anticipate the overall level of borrowing. These are:

10. **The Authorised Limit for External Debt** – This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all council's plans, or those of a specific council, although no control has yet been exercised.

    The Council is asked to approve the following Authorised Limit for RMBC:

Authorised Limit for External Debt (RMBC)	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
Borrowing	643.998	633.597	622.942	613.004
Other long term liabilities	129.338	127.405	125.617	123.983
Total	773.336	761.002	748.559	736.987

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit is currently:

HRA Debt Limit	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
Total	336.623	336.623	336.623	336.623

The Council is also asked to approve the following Authorised Limit for the former SYCC:

Authorised Limit for External Debt (Former SYCC)	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
Borrowing	100.000	100.000	100.000	100.000
Other long term liabilities	0.000	0.000	0.000	0.000
Total	100.000	100.000	100.000	100.000

11. **The Operational Boundary for External Debt** –This is the limit beyond which external borrowing is not normally expected to exceed. In most cases this would be a similar figure to the CFR, but may be lower or higher depending on the levels of actual borrowing.

The Council is asked to approve the following Operational Boundary for RMBC:

Operational Boundary for External Debt (RMBC)	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
Borrowing	479.358	475.439	464.355	452.183
Other long term liabilities	129.338	127.405	125.617	123.983
Total	608.696	602.844	589.972	576.166

The Council is also asked to approve the following Operational Boundary for the former SYCC:

Operational Boundary for External Debt (Former SYCC)	2012/13 Revised £m	2013/14 Estimated £m	2014/15 Estimated £m	2015/16 Estimated £m
Borrowing	96.412	96.121	96.121	96.121
Other long term liabilities	0.000	0.000	0.000	0.000
Total	96.412	96.121	96.121	96.121

12. Borrowing in Advance of Need - The Council has some flexibility to borrow funds in advance for use in future years. The Director of Financial Services may do this under delegated powers where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or help meet budgetary constraints. Whilst the Director of Financial Services will adopt a prudent approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund debt maturities.

13. Risks associated with any advance borrowing activity will be subject to appraisal in advance and subsequent reporting through the mid-year and annual reporting mechanism.

14. Debt Rescheduling - As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be potential opportunities to generate savings by switching from long term debt to short term debt. These savings will need to be considered in the light of the current treasury position and the size of the cost of debt repayment (premiums incurred).

15. The reasons for any rescheduling to take place will include:

- The generation of cash savings and/or discounted cash flow savings;
- Helping to fulfill the treasury strategy; and,
- Enhancing the balance of the portfolio (amending the maturity profile and/or the balance of volatility.

(c) <u>Expected Movement in Interest Rates</u>

16. The Bank Rate, currently 0.50%, underpins investment returns and is not expected to start increasing until the first quarter of 2015 despite inflation currently being above the Monetary Policy Committee inflation target. The outlook for borrowing rates is also uncertain and difficult to predict. Short-term rates to one-year are expected to remain at current levels for some time. The outlook for long-term interest rates is favourable in the near future but is expected to become less so.

17. This challenging outlook has several key treasury management implications:

- Investment returns are likely to remain relatively low during 2013/14
- Borrowing interest rates are currently attractive but may remain low for some time. The timing of any borrowing will therefore be monitored carefully.
- There will remain a cost of carrying capital – any borrowing undertaken that results in an increase in investments will incur an incremental cost as the cost of borrowing is greater than the likely investment return.

(d) Borrowing and Debt Strategy 2013/14 – 2015/16

18. The Council is currently maintaining an under-borrowed position. This means that the CFR has not been fully funded with loan debt as cash supporting the Council's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as investment returns are low and counterparty risk is high and will be maintained for the borrowing excluding the HRA reform settlement.

19. The uncertainty over future interest rates increases the inherent risks associated with treasury activity. As a result the Council will continue to take a prudent approach to its treasury strategy.

20. The Director of Financial Services, under delegated powers, will take the most appropriate form of borrowing depending on the prevailing interest rates at the time, taking into account the risks shown in the forecast above. It is likely shorter term fixed rates may provide lower cost opportunities in the short to medium term.

(e) Investment Strategy 2013/14 – 2015/16

21. The primary objectives of the Council's investment strategy are:

    - Firstly to safeguard the timely repayment of principal and interest (security);
    - Secondly to ensure adequate liquidity; and,
    - Thirdly to produce an investment return (yield)

22. As part of this Strategy Members need to consider and approve security and liquidity benchmarks in addition to yield benchmarks which are currently widely used to assess investment performance and have previously been reported to Members. The proposed benchmarks are set down in Annex B2.

23. The primary principle governing the Council's investment criteria is the security of its investments, although the yield or return on the investment is also a key consideration. After this main principle the Council will ensure:

    - It maintains a policy covering both the categories of investment types it will invest in, criteria for choosing investment counterparties with adequate security, and monitoring their security. This is set out in the Specified and Non-Specified investment sections of Annex B1.

    - It has sufficient liquidity in its investments. For this purpose it will set out procedures for determining the maximum periods for which funds may prudently be committed. These procedures also apply to the Council's prudential indicators covering the maximum principal sums invested as set out in Annex B1.

24. The Director of Financial Services will maintain a counterparty list in compliance with the following criteria and will revise the criteria and submit them to Council

for approval as necessary. These criteria are different to those which are used to select Specified and Non-Specified investments.

25. The rating criteria use the lowest common denominator method of selecting counterparties and applying limits. This means that the application of the Council's minimum criteria will apply to the lowest available rating for any institution. For instance if an institution is rated by two agencies, one meets the Council's criteria, the other does not, the institution will fall outside the lending criteria. This is in compliance with a CIPFA Treasury Management Panel recommendation in March 2009 and the CIPFA Treasury Management Code of Practice.

26. Credit rating information is supplied by our treasury advisors on all active counterparties that comply with the criteria below. Any counterparty failing to meet the criteria would be omitted from the counterparty list. Any rating changes, rating watches (notification of a likely change) and rating outlooks (notification of a possible long term change) are provided to officers almost immediately after they occur and this information is considered before any dealing.

27. The criteria for providing a portfolio of high quality investment counterparties (both Specified and Non-Specified investments) is:

- **Banks** – the Council will use banks which are rated by at least two rating agencies and have at least the following Fitch, Moody's and Standard and Poors' ratings (where rated):

	Fitch	Moody's	Standards & Poor's
Short-term	F1	P-1	A-1
Long-term	A-	A3	A-
Viability	bb+	n/a	n/a
Support	3	n/a	n/a
Financial Strength	n/a	C	n/a

To allow for the day to day management of the Council's cash flow the Council's own bank, **the Co-operative Bank plc** will also be retained on the list of counterparties if ratings fall below the above minimum criteria.

- **Building Societies** – the Council will use the top 20 Building Societies ranked by asset size but restricted to a maximum of 20% of the investment portfolio

- **Money Market Funds** – AAA – restricted to a maximum of 20% of the investment portfolio

- **UK Government** – Debt Management Office

- **UK Single Tier & County Councils** – (i.e. Metropolitan Districts, London Boroughs, County Councils, Unitary Authorities)

A limit of 35% will be applied to the use of Non-Specified investments within the investment portfolio, excluding day to day cash management through the Council's own bank, the Co-operative Bank plc.

28. Whilst the above criteria relies primarily on the application of credit ratings to provide a pool of appropriate counterparties for officers to use, additional operational market and sovereign information will continue to be applied before making any specific investment decision from the agreed portfolio of counterparties.

29. The time and monetary limits for institutions on the Council's Counterparty List are as follows and represent no change from those currently approved (these will cover both Specified and Non-Specified Investments):

	Fitch	Moody's	Standard & Poor's	Money Limit	Time Limit
Upper Limit Category	F1+/AA-	P-1/Aa3	A-1+/AA-	£20m	5years
Middle Limit Category	F1/A-	P-1/A3	A-1/A-	£10m	364 days
Lower Limit Category *	All Building Soc's ranked 1 to 10 All Building Soc's ranked 11 to 20			£5m £1m	6 mths 3 mths
Debt Management Office	-	-	-	Unlimited **	6 months
Money Market Funds ***	-	-	-	£20m	n/a
UK Single Tier & County Councils	-	-	-	£20m	5 years
Council's Bank (Co-op)	-	-	-	£10m	364 days

The above money limits are exclusive of bank balances held by schools

* Based on maximum of 20% of the investment portfolio

** Provides maximum flexibility

*** Based on maximum of 20% of the investment portfolio

30. The proposed criteria for Specified and Non-Specified investments and monitoring of counterparties are shown in Annex B1 for Member approval.

31. In the normal course of the Council's cash flow operations it is expected that both Specified and Non-specified investments will be utilised for the control of liquidity as both categories allow for short term investments.

32. The use of longer term instruments (greater than one year from inception to repayment) will fall in the Non-specified investment category. These instruments will only be used where the Council's liquidity requirements are safeguarded. This will also be limited by the long term investment limits.

(f) Treasury Management Prudential Indicators and Limits on Activity

33. There are four further treasury activity limits the purpose of which are to contain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of an adverse movement in interest rates. However if these are set to be too restrictive they will impair the opportunities to reduce costs. The limits are:

- Upper limits on fixed interest rate exposure – This identifies a maximum limit for fixed interest rates based upon the fixed debt position net of fixed interest rate investments.

- Upper limits on variable interest rate exposure – as above this limit covers a maximum limit on variable interest rates based upon the variable debt position net of variable interest rate investments.

- Maturity structures of borrowing – These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

- Total funds invested for greater than 364 days – These limits are set to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

For the purposes of these indicators the Council's market debt is treated as fixed. Whilst a percentage of the debt may be subject to variation on specific call dates each year, over the Strategy period any such variations are thought unlikely and the debt can be regarded as fixed.

34. The activity limits (prudential indicators) for Member approval are as follows:

RMBC	**2013/14**	**2014/15**	**2015/16**
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rate debt based on fixed net debt	100%	100%	100%
Limits on variable interest rate debt based on variable net debt	30%	30%	30%

RMBC Maturity Structure of fixed interest rate borrowing 2013/14		
	Lower	**Upper**
Under 12 months	0%	35%
12 months to 2 years	0%	35%
2 years to 5 years	0%	40%
5 years to 10 years	0%	40%
10 years to 20 years	0%	45%
20 years to 30 years	0%	50%
30 years to 40 years	0%	50%
40 years to 50 years	0%	55%
50 years and above	0%	60%

RMBC Maximum Funds invested > 364 days			
	1 to 2 years	2 to 3 years	3 to 5 years
Funds invested > 364 days	£m 10	£m 8	£m 6

Former SYCC	2013/14	2014/15	2015/16
Interest Rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates based on total debt	100%	100%	100%
Limits on variable interest rates based on total debt	30%	30%	30%

Former SYCC Maturity Structure of fixed interest rate borrowing 2013/14		
	Lower	**Upper**
Under 12 months	0%	50%
12 months to 2 years	0%	70%
2 years to 5 years	0%	100%
5 years to 10 years	0%	100%

(g) <u>Treasury Performance Indicators</u>

35. The Code of Practice on Treasury Management requires the Council to set performance indicators to assess the adequacy of the treasury function over the year. These are distinct historic indicators, as opposed to the prudential indicators, which are predominantly forward looking. The results of the following two indicators will be reported in the Treasury Annual Report for 2013/14:

- Debt – Borrowing - Average rate of borrowing for the year compared to average available
- Investments – Internal returns above the 7 day London Interbank Bid rate (LIBID) which is the rate at which a bank is willing to borrow from other banks

(h) Policy on the use of external service advisors

36. The Council uses Sector Treasury Services Ltd as its treasury management advisors. Sector Treasury Services Ltd is a subsidiary of The Capita Group plc.

37. The company provides a range of services which include:

- Technical support on treasury matters, capital finance issues and the drafting of Member reports;
- Economic and interest rate analysis;
- Debt services which includes advice on the timing of borrowing;
- Debt rescheduling advice surrounding the existing portfolio;
- Generic investment advice on interest rates, timing and investment instruments; and,
- Credit rating/market information service comprising the three main credit rating agencies.

38. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the Council recognises that responsibility for treasury management decisions remains with the Council at all times. The service is provided to the Council under a contractual agreement which is subject to regular review.

Annex B1

Treasury Management Practice (TMP) 1 (5) – Credit and Counterparty Risk Management

1. Overview

The Office of the Deputy Prime Minister (now CLG) issued Revised Investment Guidance in March 2010, and this forms the structure of the Council's policy below.

The key intention of the Guidance is to maintain the current requirement for councils to invest prudently, and that priority is given to security and liquidity before yield.

In order to facilitate this objective the guidance requires this Council to have regard to the CIPFA publication Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. This Council has adopted the Code will apply its principles to all investment activity.

In accordance with the Code, the Director of Financial Services has reviewed and prepared its treasury management practices. This part, TMP 1(5), covering investment counterparty policy requires approval each year.

2. Annual Investment Strategy

The key requirements of both the Code and the investment guidance are to set an annual investment strategy, as part of its annual treasury strategy for the following year, covering the identification and approval of the following:

- The guidelines for investment decision making, particularly non-specified investments.
- The principles to be used to determine the maximum periods for which investments can be made.
- The specified investments the Council may use.
- The non-specified investments the Council may use.

This strategy is to be approved by full Council.

The investment policy proposed for the Council is detailed in the paragraphs below.

2.1 Strategy Guidelines

The main strategy guidelines are contained in the body of the treasury strategy statement.

2.2 Specified Investments

These investments are sterling investments of not more than one-year maturity. If they are for a longer period then the Council must have the right to be repaid within 12 months if it wishes.

These are low risk assets where the possibility of loss of principal or investment income is small.

These would include the following investment categories:

1. The UK Government Debt Management Office.

2. UK Single Tier & County Councils – (i.e. Metropolitans District, London Boroughs, County Councils, Unitary Authorities)

3. Money Market Funds that have been awarded AAA credit ratings by Standard and Poor's, Moody's or Fitch rating agencies and restricted to 20% of the overall investment portfolio

4. A bank or a building society that has been awarded a minimum short-term rating of F1 by Fitch, P-1 by Moody's and A-1 by Standard and Poor's rating agencies. For Building Societies investments will be restricted to 20% of the overall investment portfolio and:

   - a maximum of £5m for a period not exceeding 6 months if the society is ranked in the top 10 by asset size; or
   - a maximum of £1m and a period not exceeding 3 months if the society is ranked 11 to 20 by asset size.

2.3 Non-Specified Investments

Non-specified investments are any other type of investment not defined as specified above.

The criteria supporting the selection of these investments and the maximum limits to be applied are set out below.

Non specified investments would include any sterling investments with:

1. A bank that has been awarded a minimum long term credit rating of AA- by Fitch, Aa3 by Moody's and AA- by Standard & Poor's for deposits with a maturity of greater than 1 year.

2. The Council's own bank, the Co-operative Bank plc, if ratings fall below the above minimum criteria.

3. A Building Society which is ranked in the top 20 by asset size. Investments will be restricted to 20% of the overall investment portfolio and:

   - a maximum of £5m for a period not exceeding 6 months if the Society is ranked in the top 10 by asset size; or
   - a maximum of £1m and a period not exceeding 3 months if the Society is ranked 11 to 20 by asset size.

3 The Monitoring of Investment Counterparties

The credit rating of counterparties will be monitored regularly. The Council receives credit rating information from the Council Treasury Management advisors on a daily basis, as and when ratings change, and counterparties are checked promptly.

On occasions ratings may be downgraded after the date on which an investment has been made. It would be expected that a minor downgrading would not affect the full receipt of the principal and interest.

Any counterparty failing to meet the minimum criteria will be removed from the list immediately by the Director of Financial Services, and new counterparties will be added to the list if and when they meet the minimum criteria.

Annex B2

Security, Liquidity and Yield Benchmarking

These benchmarks are targets and so may be exceeded from time to time with any variation reported, with supporting reasons in Mid-Year & Annual Treasury Reports.

1. **Security and liquidity** – these benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators, e.g. the maximum funds which may be invested for more than 364 days, the limit on the use of Non-specified investments, etc.

1.1 Security – Security is currently evidenced by the application of minimum criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies. Whilst this approach embodies security considerations, benchmarking the levels of risk is more subjective and therefore problematic.

One method to benchmark security risk is to assess the historic level of default against the minimum criteria used in the Council's investment strategy.

Credit Rating	*1 year*	*2 years*	*3 years*	*4 years*	*5 years*
AAA	*0.00%*	*0.02%*	*0.06%*	*0.09%*	*0.13%*
AA	*0.02%*	*0.04%*	*0.14%*	*0.28%*	*0.36%*
A	*0.09%*	*0.25%*	*0.43%*	*0.60%*	*0.79%*
BBB	*0.23%*	*0.65%*	*1.13%*	*1.70%*	*2.22%*

The Council's minimum long term rating criteria (over one year) is "AAA" meaning the average expectation of default for a three year investment in a counterparty with a "AAA" long term rating would be 0.06% of the total investment (e.g. for a £1m investment the average potential loss would be £600).

The Council's minimum long term rating criteria (up to one year) is "BBB" and the average expectation of default for such an investment would be 0.23% (e.g. for a £1m investment the average loss would be £2,300).

These are only averages but do act as a benchmark for risk across the investment portfolio.

The Council's maximum security risk benchmark for the estimated maximum portfolio during 2013/14 is 0.09% which means that for every £1m invested the average potential loss would be £900.

1.2 Liquidity – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable the Council at all times to have the level of funds available to it which are necessary for the achievement of its business/service objectives" (CIPFA Treasury Management Code of Practice). The Council seeks to maintain:

- Bank overdraft - £10m
- Liquid, short term deposits of at least £3m available with a week's notice.

The availability of liquidity and the inherent risks arising from the investment periods within the portfolio is monitored using the Weighted Average Life (WAL) of the portfolio. This measures the time period over which half the investment portfolio would have matured and become liquid

A shorter WAL generally represents less risk and in this respect the benchmark to be used for 2013/14 is:

- 0.08 years which means that at any point in time half the investment portfolio would be available within 28 days.

2. **Yield** – These benchmarks are currently widely used to assess investment performance and the Council's local measure of yield is:

- Internal returns above the 7 day London Interbank Bid rate (LIBID) which is the rate at which a bank is willing to borrow from other banks

ROTHERHAM BOROUGH COUNCIL – REPORT TO AUDIT CABINET

1.	**Meeting:**	Cabinet
2.	**Date:**	20 February 2013
3.	**Title:**	Corporate Risk Register
4.	**Directorate:**	Resources

5. Summary

Attached to this report is the current corporate risk register summary. The summary shows the risks associated with the Council's most significant priorities and projects, and actions being taken to mitigate these risks.

The Council's key current risks continue to relate to the financial pressures faced by the Council and the implications of the Welfare Reforms. The report summarises the management actions that are being taken to mitigate these and other risks in the register.

Risks relating to funding the capital programme, personalisation of adults care services, commissioning and highways have been removed from the corporate risk register. This does not mean these risks will no longer be monitored; rather they will now be reviewed at directorate level. They can be re-instated at corporate level at any point in time in the future if/as appropriate.

New risks relating to economic growth and public health and well-being have been added to the register and an entry has been included recognising opportunities to promote the Council's achievements and enhance its reputation.

6. Recommendations

Cabinet is asked to:

- **note the corporate risk register summary attached at Appendix A**
- **confirm the current assessment of the Council's top corporate risks**
- **indicate any further risks or opportunities that it feels should be added to the risk register.**

7 Proposals and Details

7.1 Format

This report contains the latest position on the Corporate Risk Register. The corporate risk register summary is attached at **Appendix A**. The corporate risk register summary reflects the current risk assessments for each corporate priority or project in the corporate risk register.

This covering report highlights the top inherent risks.

There are 3 overall categories of risk (RED, AMBER, GREEN) representing varying degrees of exposure. Each category contains a range of risk scores, so there are varying degrees of risk within each category. Appendix A shows the risk category and score for each priority or project included in the register before and after risk mitigation actions.

7.2 Highest inherent risks

The risk register summary shows risks in descending inherent risk order, to emphasize the most significant risks faced by the Authority. The top risks are:

- Managing Government budget reductions - unable to maintain key services due to budgetary limits.

Budget proposals for 2013/14 have been finalised. Cabinet and Strategic Leadership Team (SLT) continue to meet on a regular basis and plan to begin early to consider the landscape for 2014/15 onwards. Ultimately, Cabinet will make decisions that ensure the Council can provide priority services within available resources.

Government announcements indicate austerity measures will continue for several years yet, including further cuts for local government.

- Welfare Reforms

Various Government reforms, including proposals relating to Council Tax and Benefits, could have major implications for residents and services. Corporate and partnership working groups are considering the implications and identifying actions required, and key reports are being presented to Members as appropriate.

- Unable to deliver effective Children's Services within budget.

Ongoing action is being taken by management to provide services within the budget available. Cabinet is being kept informed of the relevant financial challenges as part of the budget monitoring and budget setting processes and makes decisions accordingly.

- Digital Region

The Council is continuing to work with other shareholders to secure the future of the project and minimise financial risks associated with ongoing trading performance.

The summary at **Appendix A** provides more details of the actions being taken to mitigate these and other risks recorded in the corporate risk register.

7.3 Key developments / changes during the period

The risk associated with the Localism Act has been reduced from Red to Amber as a result of a lowering of the inherent risk of provisions in the Act having a significant detrimental impact on Council services, and the arrangements put in place to manage the implications (risks) of the Act.

The financial position of the Municipal Mutual Insurance company is still under review by the administrators. It is expected that the Council is likely to have to provide for some losses in its 2012/13 accounts, although the precise amount will not be known until information is received from the administrators about the Council's potential liability.

Risks relating to funding the capital programme, personalisation of adults care services, commissioning and highways have been removed from the corporate risk register, although they can be re-instated at any point in time in the future if/as appropriate.

New risks relating to economic growth and public health and well-being have been added to the register. Local economic growth is a key Council priority and becomes increasingly important to the borough from 2013/14 when business rates are localised. This is both in terms of income to the Council through business rates and the creation of wealth and better opportunities for businesses and residents.

Public health responsibilities transfer to the Council formally from April 2013. There are many health challenges that our communities face, and we will aim to quickly put in place joined up, early intervention and prevention policies and strategies to assist our residents.

An entry has been included recognising opportunities to promote the Council's achievements. High level performance in adult care, improving school attainment, the successful delivery of major projects and an increasing recognition of Rotherham as a leader in delivering services to others, all provide opportunities to enhance the Council's reputation and secure further potential benefits.

8. Finance

The risks contained in the register require ongoing management action. In some cases additional resources may be necessary to implement the relevant actions or mitigate risks. Any additional costs associated with the risks should be reported to the SLT and Members for consideration on a case by case basis.

9. Risks and Uncertainties

It is important to review corporate risks on an ongoing basis, to ensure risks relating to the Council's key projects and priorities are effectively monitored and managed by the Strategic Leadership Team and Members.

10. Policy and Performance Agenda Implications

Risk Management is part of good corporate governance and is wholly related to the achievement of the objectives in the Council's Corporate Plan.

11. Background Papers and Consultation

This report reflects the latest updates provided by the respective 'lead officers'.

The register was agreed by SLT on 4 February 2013

Contact Names:

Colin Earl, Director of Audit and Asset Management, x22033
Andrew Shaw, Insurance and Risk Manager, x22088

Appendices

Appendix A Corporate Risk Register Summary

APPENDIX A: SUMMARY CORPORATE RISK REGISTER

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0027	Managing Government budget reductions - unable to maintain key services due to budgetary limits	**25**	**Martin Kimber** • High priority, driven through Strategic Leadership Team and Cabinet • Further actions to mitigate budget reductions are being identified	**20**	**All Priorities**
0037	Welfare Reform: • Significant pressures arising from the localisation of various resources (such as local Council Tax and Social Fund), including a reduction in overall funding available, limited administration capacity and reduced collection of Council Tax • Potential major impact of reduced housing benefits, leading to higher debts, increasing demand for shrinking services, and increasing poverty and vulnerability. Potential to increase gap in communities' needs • Negative overall impact on the local economy, with spiralling consequences. • Potential increase in crime.	**25**	**Karl Battersby** • Corporate and partnership working groups considering implications of welfare reform and actions required • Effective communications especially in relation to discretionary benefits administered by the Council and arrangements for assisting those in need to access benefits • Corporate Policy on the top 11 deprived areas.	**16**	**All Priorities**

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0022	Unable to deliver effective Children's Services within budget	**25**	**Joyce Thacker** • Review of all service provision and structures continues • Continuous monitoring of budget and reporting to SLT / Cabinet • Council committed additional £875k for 12/13. • Work continues in relation to reviews of service provision and structures in line with more restrictive financial parameters.	**16**	**Priority 2 -** Providing quality education **Priority 3** - Care and protection for those people who need it most
0033	Funding of the Digital Region Project to provide comprehensive broadband facilities across South Yorkshire	**20**	**Martin Kimber** • South Yorkshire Councils are adopting a proactive approach to the project, including support • A critical review report has been agreed by the DRL Company and procurement is now underway for a new operator to take over the running of the network, including operating costs and revenue generation.	**16**	**Priority 1:** No community left behind
0036	Localism Act 2011 (Part 2): Implementation requires substantial preparation, management and subsequent maintenance, relating to: • Community "right to challenge" • Neighbourhood planning requirements • Tenure reform and the Council's Tenancy Strategy • Assets of community value.	**20**	**Martin Kimber** • All strands are being reviewed and progressed by relevant policy, service and support officers. • Working groups are established for specific projects (eg assets of community value) • Council Tax implications are being factored into budget planning.	**12**	**All Priorities**

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1 -25	Links to Corporate Priorities
0021	Failure to sustain improvement in Children's Services	**20**	**Joyce Thacker** • Ofsted profile improved from 62.6% (inspected settings good or better) in March 2011 to 69.9% in April 2012 • Progress is being made on OFSTED inspection recommendations • Positive GCSE attainment results achieved for the 11/12 Academic year. • Key Stage 2 –Pupils on Free School Meals are performing well below the national average. Overall attainment in English and Maths continues to improve, but lag behind average. • Key Stage 4 - In 2012, attainment at 5+A*-C increased by 3.6% to 32.9% but remains 3.4% below average. Action is being led by the School Effectiveness Service. Attainment for non-Free School Meals pupils increased by 3.2% and is 2% above the national average. • Child Sexual Exploitation (CSE) – significant improvement in practice since 2010. Continued work to identify and tackle CSE. • Foster Care – review being completed following recent case. Recruitment of in house Foster Carers continues to meet stretching targets.	**12**	**Priority 2 -** Providing quality education **Priority 3** - Care and protection for those people who need it most

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1-25	Links to Corporate Priorities
0040	Developing economic growth, increase business rates income and increase opportunities for residents	**20**	**Karl Battersby** • Significant and previously successful inward investment activity • Detailed support programme for local businesses • High quality start up facilities • Maximising location and transport advantages.	**12**	**All Priorities**
0041	Improving health and well-being	**20**	**John Radford** • Health and Well-being strategy in place • Strong focus on prevention, advice and support • Good partnership working • Formal transfer of responsibilities from the NHS to RMBC is on track for April 2013.	**12**	**Priority 1:** No community left behind
0030	Schools Collaboration- impact of schools commissioning on LA services	**16**	**Joyce Thacker** • Monitoring of schools' appetite for change is ongoing • Positive discussions have been held with the Rotherham School Improvement Partnership and Teaching School Alliance re schools' appetite • Arrangements are being improved in relation to income generation • Portfolio of services review completed. • Work continues in relation to the new schools funding arrangements effective from 2013 onwards.	**12**	**Priority 2 -** Providing quality education

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1-25	Links to Corporate Priorities
0031	Academies, Free Schools and other school settings - Potential impact on LA schools and the Council e.g. loss of revenue, falling pupil numbers, reduced attainment, breakdown in relationships etc	**16**	**Joyce Thacker** • There are currently no free school applications active within the Borough. • Maximise potential for income generation with Academies through the provision of quality services via competitive SLA agreements. • Continue to enhance current strong working relationships with converted Academy Trusts and proposed future Academy Trusts. • Continue to work with Academies to gain commitment to the Rotherham School Improvement Partnership. • School Governing Bodies continue to meet in whole Learning Community meetings, exploring the implications of Academy conversion, collaborative / partnership working and other models.	**12**	**Priority 2 -** Providing quality education
0039	Municipal Mutual Insurance (MMI): Insurance Liabilities MMI has gone into administration following a landmark ruling by the Supreme Court ruling on Employer's Liability relating to asbestos claims. As a stakeholder, the Council will have to contribute to any company deficits resulting from the ruling.	**16**	**Martin Kimber** • Administrators have been appointed. • The situation continues to be monitored and any implications will be reported to members when clarity emerges. • Consideration will be given to the need to create a provision in the 2012/13 accounts based on information available at the end of the financial year.	**9**	**All Priorities**

No	Risk	Pre Controls 1-25	Lead officer Key Actions/Updates	Post Controls 1-25	Links to Corporate Priorities
0042	Maximising reputation opportunities; enhancing reputation as a leading authority, delivering services to others, attracting businesses, positive Public recognition.	**12**	**Martin Kimber** • Highlighting good performing service delivery • Emphasizing major achievements including successful business development • Successful delivery of services to others • Regional and national awards • Responding to Public consultation • Strong communications	**9**	**All priorities**
0035	Failure to minimise property ownership and maximise the use of retained properties. Failure to maximise savings and benefits from the roll out of WorkSmart arrangements to all relevant staff.	**12**	**Martin Kimber** • Asset management strategy being finalised • Future options for extending Worksmart to staff in non-central buildings, to facilitate further property rationalisation	**6**	**Priority 5** Improving the Environment

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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