CABINET

Venue:	**Town Hall, Moorgate Street, Rotherham. S60 2TH**	**Date:**	**Wednesday, 26 February 2014**
		Time:	**10.30 a.m.**

A G E N D A

1. To consider 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 5th February, 2014 (copy supplied separately)

6. Scrutiny Response to Hospital Discharges (report herewith) (Pages 2 - 5)
   - Director of Public Health to report.

7. Proposed Revenue Budget and Council Tax for 2014/15 (report herewith) (Pages 6 - 26)
   - Director of Finance to report.

8. Prudential Indicators and Treasury Management and Investment Strategy 2014/15 to 2016/17 (report herewith) (Pages 27 - 54)
   - Director of Finance to report.

9. Corporate Priorities (report herewith) (Pages 55 - 63)
   - Strategic Director of Environment and Development Services to report.

10. Local Government Declaration on Tobacco Control (report herewith) (Pages 64 - 71)
    - Director of Public Health to report.

11. Recorded Votes at Budget Meetings (report herewith) (Pages 72 - 73)
    - Chief Executive to report.

12. Sheffield City Region Combined Authority - Appointment of Representatives (report herewith) (Pages 74 - 77)
    - Chief Executive to report.

13. 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).

14. Disposal of land At Sanctuary Fields, North Anston (advance notice given) (report herewith) (Pages 78 - 83)
    - Director of Environment and Development Services to report.

15. Capital Programme - Capital Receipts Update (report herewith) (advance notice given) (report herewith) (Pages 84 - 89)
    - Strategic Director of Environment and Development Services to report.

16. Discretionary Rate Relief Review (advance notice given) (report herewith) (Pages 90 - 94)
    - Director of Finance to report.

17. Discretionary Rate Relief Top Up Review (advance notice given) (report herewith) (Pages 95 - 105)
    - Director of Finance to report.

18. Community Amateur Sports Clubs Review (advance notice given) (report herewith) (Pages 106 - 108)
    - Director of Finance to report.

19. Update regarding LBI HF Liabilities (report herewith)* (Pages 109 - 112)
    - Director of Finance to report.

In accordance with Section (7) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012 the Chairman of the Overview and Scrutiny Management Board has agreed that the item marked (*) contains a decision which needs to be acted upon as a matter of urgency and which cannot be reasonably deferred (see notice attached)

Cabinet Meeting – 26th February, 2014

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

- **Update regarding LBI HF Liabilities**

  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 contains commercially sensitive information.

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

Jacqueline Collins
Director of Legal and Democratic Services
18th February, 2014.

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1	**Meeting:**	Cabinet
2	**Date:**	26 February 2014
3	**Title:**	Response to Scrutiny Review of Hospital Discharges
4	**Directorate:**	Neighbourhoods and Adult Services

5 **Summary**

Rotherham as a health and social care community admits more patients into hospital with long-term conditions at any one time, above the national average. Patients are admitted into acute hospital beds that do not necessarily require that acute level of care.

The number of emergency admissions continues to rise year on year, and this year there is to date a 7.6% increase in emergency admissions compared to last year. There is a significant increase in the number of frail elderly people being admitted to hospital.

Following concerns based on anecdotal evidence, that there was a problem with out of hours discharges (late at night or weekend) and patients being discharged without adequate support arrangements in place. Elected Members requested a spotlight review to be undertaken to look into these concerns.

A spotlight review took place between May and August 2013 and a report with a number of recommendations was presented to the Health Select Commission. This report provides a response and an action plan in response to those recommendations.

6 **Recommendations**

- **Cabinet receives this paper and supports the response to the Scrutiny recommendations, outlined in the attached action plan.**
- **This response is taken, with the outcome of the Business Process re-engineering review to Urgent Care Management Committee of the Clinical Commissioning Group on 13.11.13 for endorsement of those actions relating to NHS Services.**

7 **Proposals and Details**

7.1 The recommendations of the Spotlight review have been welcomed, and have been addressed through effective joint work between NHS Rotherham and RMBC. Good progress has been made in addressing the recommendations, as can be seen from the attached plan, which has been agreed by the Clinical Commissioning Group, and the Rotherham Foundation Trust.

7.2 The potential for unsafe discharges will continue to be monitored by the recently re-activated multi-agency Operational Discharges Group; a progress report will be presented to Health Select Commission in 6 months, as outlined in the attached plan.

7.3 The Spotlight Review was informed of and welcomed the initiation of a Business Process Re-engineering Review which had been commissioned by the Urgent Care Management Committee, a sub-group of the Clinical Commission Group which has multi-agency membership, including senior management from Health and Wellbeing. A project was initiated and a steering group set up to analysis the admission-to -discharge process of both the acute and community hospital. Outcomes of the business process re-engineering analysis will be presented to NAS Directorate Leadership Team and thereafter to the Urgent Care Management Committee for agreement and action.

8 **Finance**

The recommendations being forwarded can be implemented without any additional resources being required.

9 **Risks and Uncertainties**

The recommendations in this report have been taken forward by strategic leads within NHS/RMBC to minimise risk and improve outcomes for patients.

Communication – effective communication is the key to ensure proposed recommendations are implemented and to avoid unnecessary misconceptions about discharges.

Monthly meetings are held by the Operational Discharges Group to monitor recurring themes, address day to day issues and identify any training needs. This Operational Group will ensure that standards are set and maintained and that any customer issues are addressed.

10 **Background Papers and Consultation**

- Scrutiny Review of Hospital Discharges (September 2013)
- Community Care Delayed Discharge Act 2003

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Cabinet's Response to Scrutiny Review of Hospital Discharges

Recommendation	**Cabinet Decision** *(Accepted/ Rejected/ Deferred)*	**Cabinet Response** *(detailing proposed action if accepted, rationale for rejection, and why and when issue will be reconsidered if deferred)*	**Officer Responsible**	**Action by** ***(Date)***
1. That ways should be considered as to how to involve community services more effectively with complex cases and their discharge arrangements.	Accepted	A Business Process Review is underway. It is looking at how Community Services can be better engaged with admission & discharge processes. Report will be presented to Urgent Care Management Committee	Michaela Cox	13.11.13
2. The perception of problems relating to discharge is not supported by factual information therefore; feeding this back to elected Members should be a priority. Methods to achieve this should be explored. Any individual issues raised with an Elected Member need to be fed in by the most appropriate route.	Accepted	Factual information in relation to complaints, concerns raised relating to discharges needs to be checked and validated by managers prior to feeding back to Members to ensure accuracy. The Scrutiny Report contains information which should reassure Elected Members. To consider Healthwatch taking this issue up. A formal request to Healthwatch to undertake a review and keep a watching brief on issues.	Michaela Cox Maxine Dennis Complete	Ongoing Complete
3. Communications are key within the discharge process and scope to improve this should be explored. Literature in plain language and making the process understandable for vulnerable patients should be considered.	Accepted	A leaflet and information on website to be developed. Learning from customer's forum to review. Review the scope to improve communications with staff, consultants and patients regarding discharge processes.	Maxine Dennis Maxine Dennis	31.12.13 31.12.13
4. The Care Co-ordination Centre and its discharge support service are supported by members and they request that a progress report on this is brought to the Health Select Commission in 6-12 months.	Accepted	Progress report to be provided on Care co-ordination Centre in 6-12 months.	Maxine Dennis	April 2014

5. Members welcomed the re-activation of the Operational Discharges Group and requested a progress report on their work in 6-12 months. This should also go to the Health Select Commission.	Accepted	Progress report to be provided on the Operational Discharges Group in 6-12 months.	Maxine Dennis	April 2014
6. Members endorse the implementation of the business process re-engineering as a result of this review and request that the outcomes are monitored by the Health Select Commission.	Accepted	Outcomes of business process re-engineering will be presented to the Health Select Commission in a report by January 2014	Michaela Cox	31 January 2014
7. The policy on speeding up delayed discharges due to patient choice should be looked at as part of the business re-engineering process.	Accepted	The policy on delayed discharges due to patient choice will be reviewed and completed.	Maxine Dennis	April 2014
8. Cabinet should consider whether social care services should be provided at a greater level out of hours to move towards a 7 day week service, however, members noted the potential resource implication of this.	Accepted	Current 7 day operation is considered to be adequate under the present operation, however if procedures change we may need to review this. Requirements in future grant conditions will result in a service review.	Michaela Cox	Complete

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	**Meeting:**	**Cabinet**
2)	**Date:**	**26th February 2014**
3)	**Title:**	**Proposed Revenue Budget and Council Tax for 2014/15**
4)	**Directorate:**	**Resources (for ALL)**

5. <u>Summary</u>

This report proposes a Revenue Budget for 2014/15 based on the outcome of the Council's Financial Settlement. It provides details of:

- The Local Government Financial Settlement
- The new Corporate Priorities and new Budget Principles reflected in the Budget and spending plans
- The Council's recommended Revenue Budget for 2014/15
- Savings proposals from Directorates and Central Services
- 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) 2014/15 to 2016/17.

As required by legislation, the report also contains the Director of Finance's (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. <u>Recommendations</u>:-

1. That Cabinet recommend to Council that on the 5th March 2014:

(a) They approve:-

(i) a General Fund Revenue Budget for 2014/15 of £208.885m to be allocated to services as set out in this report.

(ii) An increase (for a first time in four years) in the Council Tax of 1.9% in respect of this Council's own Budget giving an annual Band D Equivalent Council Tax of £1,253.34.

(b) They note and accept the comments and advice of the Director of Finance, 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 5th March 2014.

7. Proposals and Details

7.1 Background: The Ongoing Financial Challenge

The implications of the Government's austerity programme, which is seeing unprecedented reductions to local government funding, are now starting to be clear. In Autumn 2010 we identified the need for just over £62m of savings from the Council's budget up until 2014/15. Since then, additional Government funding reductions have mostly increased that to over £93m (a 50% additional increase). So far the Council has had to address funding gaps of £30.3m in 2011/12, £20.4m in 2012/13, £20.2m in 2013/14 and £23.0m in 2014/15.

Moving forward, the Council's expectation is that it will have an additional estimated resources funding gap of £23m in 2015/16 and that its funding is likely to continue to reduce at a similar rate to that experienced over the last 4 years, until possibly 2020.

In addition, since April 2013, local Councils are having to manage an unprecedented transfer of financial risk 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.

Equally, the Government continues to place restrictions on how local authority finances can be used through the Council Tax Excessiveness principles.

In meeting the year on year significant financial challenges presented, the Council has demonstrated a successful track record in delivering its financial plans. To this end the Council is, in the current year (2013/14), moving towards a balanced budget. However, it is recognised that into the future this will only be sustainable if the Council redefines and refocuses its corporate plan priorities (and budget principles that have served it well) and has a new, different relationship with its citizens, residents and other stakeholders.

7.2 Corporate Priorities

The Council's new Corporate Priorities have been developed to provide a focus on essential services:

- Stimulating the local economy and helping local people into work
- Protecting our most vulnerable people and families, enabling them to maximise their independence
- Ensuring all areas of Rotherham are safe, clean and well-maintained
- Helping people to improve their health and wellbeing and reducing inequalities within the Borough

These Priorities are underpinned by the Council's new Budget Principles adopted for setting the 2014/15 Budget.

7.3 Budget Principles

Our previous Budget Principles served us well and enabled us to protect (to a large extent) front line services to the public. We have:

- Significantly reconfigured and reduced headcount (a 1,024 reduction in posts). Within this support (back-office) services have seen a 28% reduction over 4 years and front-line services a 12% reduction.
- Reduced management costs by over 20%
- Re-positioned and reintegrated significant Council Partnerships back into the Council (Rotherham Brought Together (RBT) and 2010 Rotherham Ltd).
- Strengthened our commissioning and procurement arrangements and renegotiated a significant number of contracts to increase value for money to the Council
- Invested in new technologies to facilitate new ways of working leading to greater efficiencies, improved performance and improved customer engagement
- Looked for opportunities to develop and offer our services to other public sector bodies through shared services. e.g. the Council provides Human Resources and Payroll services to Doncaster Council and School Academies
- Reduced or stopped funding to partners for services that are no longer considered to be a priority
- Significantly rationalised our operational buildings to both reduce our running costs and the cost of servicing our outstanding debt on capital investment schemes.

The new Budget Principles adopted by Cabinet (3rd July 2013) underpin the new Corporate Priorities to ensure our limited resources are even more effectively targeted. These are to:

- Focus and deliver on business and jobs growth;
- Help people to help themselves wherever possible;
- Provide early support to prevent needs becoming more serious and;
- Continue to adopt strong financial management and governance and tight control on spending

To enable this, the Council will:

- Focus on the things **most important** to all local people
- Shift scarce resources to areas of greatest need, including **targeting and rationing** services to a greater extent than at present
- **Limit spending to clearly essential items** when tested against the new budget principles
- **Stop doing things** that are not important to all local people
- **Promote local** – aim to maximise spending power within the Borough across the supply chain

By continuing to adopt 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.

7.4 Proposed General Fund Revenue Budget for 2014/15

Set out below is the proposed Net Revenue Budget for 2014/15 resulting from the budget principles referred to above, which is recommended in this report.

Directorate	**Proposed Budget 2014/15**
	£'000
Neighbourhoods & Adult Services	73,294
Children & Young People's Service	43,151
Environment & Development Services	48,030
Resources	10,387
Central Services (including ITA and other levies)	34,023
TOTAL NET REVENUE BUDGET	**208,885**

Note: Year-on-year budget comparisons are not provided as significant restructuring across the Council and changes to the funding regime for Councils, 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 Corporate Plan priorities and objectives.

In arriving at the proposed 2014/15 budget above, Directorate specific budget proposals have been considered and put forward, totalling £14.419m:

Children and Young People's Service	£3.008m
Neighbourhoods and Adult Services	£7.015m
Environment and Development Services	£3.099m
Resources (back office)	£1.297m

Detailed information relating to these proposals are presented in Appendix 1 to this report. Other key savings proposals contributing to closing the Council's 2014/15 funding gap include:

Reviewing MTFS planning assumptions: £2.751m
Realising benefits from improved cash flow management: £2.200m
Working with partner organisations to improve efficiency: £1.000m
Maximising income from other sources: £1.750m

The budget proposals also include a target to save £0.644m from the review of staff terms and conditions. Trade Unions have been consulted around a number of options to deliver this saving.

7.5 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.

The Council's Start Up Funding Allocation for 2014/15 is set out in the table below:

	£'000
Revenue Support Grant (RSG)	70,112
Baseline Funding Level	34,627
Baseline Funding Level (Top Up Grant)	22,204
Total - Settlement Funding Assessment 2014/15	**126,943**

7.6 The level of Council Tax

The Council has, by prudently managing its finances and tackling the financial challenges early, managed to avoid increasing its Council Tax for four years during a time when residents are facing their own considerable financial strain in a difficult economic and financial climate. This is no longer sustainable given the increasing and prolonged financial challenges facing the Council. The choice made has not been taken lightly; the alternative was to further reduce valued, front line services. The proposed 1.90% increase in Council Tax will bring in an additional £0.538m income (after losses on collection) to the Council which will avoid for example, having to significantly reduce Library provision across the Borough and/or significantly reducing the up-keep and maintenance of our Urban Parks and Play Areas.

A 1.9% increase on the tax levied in 2013/14 would mean a **Band D Council Tax (for the Council only) of £1,253.34** and would mean a Band A Tax of £835.56, a Band B Tax of £974.82 and a Band C Tax of £1114.08 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 £1.504m surplus balance for Council Tax expected on the Collection Fund (Council Tax and Business Rates) as at 31 March 2014. 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 5th 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 - it is currently expected that the Police Authority will increase their precept by 1.95% (for a Band D equivalent property) and the Fire and Rescue Authority by 1.975%.

A Cabinet meeting on 15th January 2014 approved Rotherham's Council Tax Base for 2013/14 of 64,179.01 Band D Equivalent properties after adjusting for expected losses on collection, the impact of the Council's Council Tax Reduction Scheme and discretionary discounts and exemptions for empty properties and second homes.

Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 1.9%, this will generate a total Council Tax of £80.438m available to support the Council to fund services in 2014/15.

7.7 Funding the Budget

It is proposed that the financing of the Council's proposed Net Budget of £208.885m for 2014/15 is as follows:-

	£'000
Settlement Funding Assessment	126,943
Collection Fund Surplus	1,504
Which will leave to be raised from Council Tax – a 1.9% increase on the Council Tax levied in 2013/14	80,438
Funding Total	**208,885**

7.8 Medium Term Financial Strategy (MTFS)

The 2014/15 Revenue Budget will be used as the baseline for the update of the Medium Term Financial Strategy (MTFS) 2014-2017. As part of the process of developing the Budget, the MTFS is being refreshed to take account of ongoing Government announcements and the predicted demand for, and cost of services. This will include the 2015/16 provisional settlement issued with the 2014/15 Final Settlement on 5th February 2014 which shows a planned resource reduction excluding specific grants for Rotherham of around 9% on 2014/15 funding levels.

Current expectations are that funding to Local Government will continue to reduce at a similar rate until possibly 2020.

7.9 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 2014/15 specific grants that have been confirmed and their value for the Council are set out below:

Specific Grants	2014/15 £'000
Public Health	14,176
Local Reform and Community Voices	243
New Homes Bonus (including Refund)	1,365
S31 Business Rate Grants	2,187
PFI Education (Revenue)	6,223
PFI Leisure (Revenue)	1,811
Housing Benefit Administration Grant	1,832
Council Tax Support – New Burdens Grant	156
Local Welfare Provision (Admin & Programme Funding)	923
Community Right to Bid	8
Community Right to Challenge	9

7.10 Schools Specific Grant Funding

Dedicated Schools Grant (DSG) – The DSG rates per pupil for the Schools Block and the Early Years Block for 2014/15 are £4,844.16 and £3,870.32 respectively, which are the same values as 2013/14. The funding for the High Needs Block continues to be the 2012/13 baseline plus additional funding supporting the additional responsibility for payments to Non Maintained Special Schools and Post 16 High Needs funding previously directed to schools.

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

- From April 2014 the 'Disadvantaged Premium' will be £1,300 per pupil for Primary School children and £935 for Secondary School children compared to £900 for 2013/14. 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 for one day or more, and including children who have been adopted from care or who leave care under a special guardianship or residence order (now referred to as Pupil Premium Plus), will be £1,900 per eligible pupil compared to £900 for 2013/14.

- The Service Child Premium which funds children of Armed Services personnel has remained at £300 per pupil.

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 2014/15.

Devolved Formula Capital funding for Schools is £705k for 2014/15. The allocation for 2013/14 was £838k.

Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2013/14 was £6.078m).

8. Finance

The proposals for the 2014/15 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 2014/15 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 is increased by 1.9% **to £1,253.34 at Band D equivalent**,

- a General Fund Revenue Budget for Rotherham Council **in 2014/15 of £208.885m.**

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

    - An overall 1% increase in staff pay (excluding Chief Officers) 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 inflationary pressures will be contained within Directorate Cash Limit budgets**.
    - Income inflation - agreed on a service by service basis.

9. Risks and Uncertainties

9.1 Report of the Director of Finance

The Chief Financial Officer of an Authority (in Rotherham Council's case the Director of Finance) 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 ongoing funding reductions required and the timescales in which to achieve them. Delivery of £23m savings following delivery of over £70m savings in the previous three 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 new 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 transferred significant financial risks from Central Government to a local authority which will put pressure on the level of income collectable and overall 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 Finance 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 2015/16 budget.

9.2 Reserves

The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2014/15 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 2014/15.

The Council's reserves, based on the latest monitoring, are expected to be £53.2m by 31st March 2014, and this is broadly in line with the Council's current financial plan.

The majority of reserves (£45.3m) are mostly held as ring fenced to particular statutory services including Schools and Housing Revenue Account and to meet long term contractual PFI obligations (£35.6m). The balance is earmarked for specific needs.

This means that approximately £7.9m would be 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 3 to 4 years and the strong likelihood of 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 Reduction Scheme report – Cabinet 16th October 2013
- Council Tax Base Report 2014/15 – Council 29th January 2014
- Local Government Financial Settlement –5th February 2014

Consultation with SLT, elected Members and Trade Unions.

Contact Name:
Stuart Booth, *Director of Finance, ext. 22034, stuart.booth@rotherham.gov.uk*

BUDGET 2014/15 - DIRECTORATE SAVINGS PROPOSALS

Directorate: CYPS					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
CYPS 1	**Early Years including Children's Centres:** Develop a foundation years service with a multi agency team approach.* FTE/Post numbers are estimated and will be confirmed after the consultation.	835	1,365	0	10 /(15)*
CYPS 2	**Special Educational Needs and Disability Services (SEND):** Develop integrated multi agency team to deliver all SEND services. * FTE/Post numbers are estimated and will confirmed after the review.	600	600	0	3 /(3)*
CYPS 3	**Business Support:** Review of business support teams across the Service in the light of the various reviews on-going. *FTE/Post numbers are estimated and will be confirmed after completion of the reviews.	300	0	0	20 / (20)*
CYPS 4	**Integrated Youth Support:** Not fill vacancies left from the recent restructure & reduce overheads. * FTE/Post numbers are estimated and will be confirmed after the consultation. Loss of posts over the two years is estimated to be around 80.	754	220	0	22 / (26)*
CYPS 5	**Leaving Care Services** Develop an in-house Leaving Care Service which works alongside the Looked After Children's social care teams and the IYSS and is co-located with the social care teams.	180	0		0
CYPS 6	**Catering -** full service review	300	0	0	0
CYPS 7	**Safeguarding Legal Service -** Management post voluntary severance - to be replaced by lower graded post	39			0
TOTAL		**3,008**	**2,185**	**0**	**55 /(64)**
CUM.			**5,193**	**5,193**	

BUDGET 2014/15 - DIRECTORATE SAVINGS PROPOSALS

Directorate: NAS					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
	Adult Services				
H&WB1	Review of Community Support/Sitting Service to reduce service to match reduction in demand. Saving can be achieved by vacant posts.	80	0	0	3.8(7)
H&WB2	Integrate Mental Health Older People's Social Work Team within mainstream Assessment & Care Management staff. Savings can be achieved through vacant posts.	153	0	0	3.6(5)
H&W3	Reduce the cost of commissioned Learning Disability Residential Care placements	400	200	0	0
H&W4	Review and reduce high cost care packages for clients in commissioned Supported Living provision.	200	0	0	0
H&W5	Review processes and reduce staffing in the whole Assessment and Care Management resource. Savings achieved by vacancies and Voluntary Severance.	247	0	0	5.9(7)
H&W6	Withdraw an investment proposal for additional PDSI respite provision due to changes in demand.	186	0	0	0
H&W7	Increase Health Support for Social Care funding	230	0	0	0
H&W9	Capitalise REWS and Assistive Technology budgets	590	-590	0	0
H&W10	Review and reduce allocation of Learning Disabilities respite care to a level consistent with other comparable local authorities	200	0	0	0
H&W11	Phase out Health and Well Being checks delivered by former resident sheltered wardens and restructure Enabling Service. Subject to consultation and option appraisal.	275	275	0	40(56)
H&W 12	Review commissioned Learning Disabilities support (employment and leisure) services which are providing poor VFM	248	0	0	0
H&W 13	Review management structure in Learning Disabilities In House Residential Care	40	0	0	1(1)
H&WB 14	Review and Recommission independent sector Learning Disabilities Health Residential and Nursing Care Services	240	0	0	0
H&WB 15	Re-commission In House Client Community Support to increase choice and reduce costs	300	0	150	5(8)
H&WB 16	Additional income from the review of Non Residential Care Fees and Charges	75	0	0	0

Directorate: NAS					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
	Housing General Fund				
HSH1	Stop funding Groundwork Dearne Valley.	64	0	0	0
BR1	Bereavement Services Partnership – reduction in repairs and maintenance budget.	10	0	0	0
Furn Homes	Furnished Homes - Reclassification of service leading to further business development & commercial opportunites	1,500	0	-1500	0
	Public Health				
PH1	Increase in Public Health grant allocation.	250	0	0	0
PH2	Re-alignment of priorities for Tobacco Control contract	140	0	0	0
PH3	Oral Health Promotion service re-alignment	40	0	0	0
PH4	Review School Nursing Service contract	100	0	0	0
PH5	Contraceptive Service Re-alignment	80	0	0	0
PH6	Cease contribution to NHS Falls Service	75	0	0	0
PH 7	Review provision of Chlamydia screening	50	0	0	0
PH 8	Phase Breast Feeding initiatives into Health Visiting Contract	0	23	0	0
PH 9	Reduce investment in Promoting Workplace Health including personal health and health protection	20	0	0	0
PH10	Review contracts for weight management services	89	0	0	1(1)
	Matrix Managed Services				
	Commissioning				
Comm 1	Review Supporting People contract and transfer of funding for concierge to Housing Benefit eligible funding stream.	24	0	0	0
Comm 2	Review Supporting People contract for group sessions for women with HIV.	10	0	0	0
Comm 3	Reconfigure current Homeless Provision with Supporting People.	60	20	0	0

Directorate: NAS					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
Comm 4	Allow contract with Tassibee to expire in 2014	12	0	0	0
Comm 5	Review Day care contract provision with Sense and Scope	40	0	0	0
Comm 6	Review of Learning Disabilities VCS services and recommissioning.	65	0	0	0
Comm 7	Review source of funding for Lifeline Alcohol awareness service.	124	0	0	0
Comm 8	Review Supporting People floating support contract for offenders	47	0	0	0
Comm 9	Review Supporting People floating support contract for substance/alcohol misuse	44	0	0	0
Comm 10	Review Supporting People floating support contract for mental health clients	36	0	0	0
Comm 11	Leaving Care Accommodation and Floating Support service provision – Joint Review with CYPS	13	0	0	0
Comm 12	Review annual contract increase for Residential and Domiciliary care independent sector providers	375	0	0	0
	Performance & Quality				
P&Q1	Review Performance & Quality Team. Savings achieved through vacant posts	75	0	0	4(4)
	Procurement				
Proc1	Review Staffing within Procurement Team	70	0	0	0.8(1)
	Community Engagement				
CC1	Review Staffing within Community Cohesion team	30	0	0	1(1)
	General				
VS1	Additional approved VS/VER within Adults and Neighbourhoods	108	0	0	5.3(8)
TOTAL **CUM.**		**7,015**	**-72** **6,943**	**-1,350** **5,593**	**71.4 / (99)**

BUDGET 2014/15 - DIRECTORATE SAVINGS PROPOSALS

Service : EDS					
Proposal Ref:	**Action**	**2014/15** **£'000**	**2015/16** **£'000**	**2016/17** **£'000**	**2014/15** **FTE/(Posts) Decrease**
Streetpride					
SP 1	Domestic Refuse Collection - Investigate 4 day working week	0	60	0	0
SP 2	Household Waste Recycling Centres - Closure of sites on a "rolling programme", using intelligence to determine "quiet site days"	26	0	0	0
SP 3	Commercial Waste - Undertake a thorough review of the Commercial Waste Service, include for links to the spare capacity in the PFI plant. A staff saving is included and there is a current vacancy	45	0	0	0
SP 4	Introduce seasonal collections of green waste	122	200	0	0
SP 5	Waste Service - Undertake a fundamental re-design of waste operations	0	0	200	0
SP 6	Renegotiation of Interim waste disposal contracts	100	0	0	0
SP 7	Home to school transport - reduced demand on service	115	0	0	0
SP 8	New arrangements for the supply and maintenance of vehicles at the end of the existing contract	0	100	0	0
SP 9	Increase the expected vehicle life, spreading the acquisition costs	0	0	250	0
SP 10	Reduce/delete non-operational posts in Leisure and Community Services'	52	0	0	1.6/(2)
SP 11	Reduction in (revenue funded) Sports Development activity to one manager	100	0	0	1.5/(2)
SP 12	RVCP - reduction in various operational budgets	40	0	0	0
SP 13	RVCP - invest to save proposals including caravan park & associated facilities	0	80	120	0
SP 14	Clifton Park - reduction in various operational budgets	40	0	0	0
SP 15	Herringthorpe Athletics Stadium - closure or transfer to 3rd party	18	0	0	0
SP 16	Thrybergh Country Park - invest to save proposals including building upgrades and introduction of new play facilities.	0	30	40	0
SP 17	Reduction in highways maintenance budget. **Note:** will need reinstating in 2015/16 if central government funding is not increased as predicted.	200	-200	0	0
SP 18	Street lighting, de-illumination of bollards, further investment of LED in residential streets, selective switch off of lighting (eg Principal Roads)	104	107	44	0
SP 19	Parking - staffing restructure, 1fte vacant.	20	0	0	1/(1)

Service : EDS					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
SP 20	The A57 capital scheme is funded by Major Schemes Grant, LTP and Prudential Borrowing. This scheme is underspending. Analysis of proposed highways revenue expenditure for 14/15 indicates that £500k of that expenditure could be legitamately be capitalised, with this balance taken up and funded by the amounts not need for the A57. As such a one year cut can be made to the 14/15 revenue budget, although this will be required in 15/16 as the expenditure shifts back to being revenue in nature	500	-500	0	0
SP 21	Depot - review of roles and responsibilities	12	0	0	0
SP 22	Increased fee income target charged to the Local Sustainable Transport Fund revenue fund	25	0	0	0
SP 23	Car Parking: Invest to save (pay on exit)	10	0	0	0
SP 24	Charging Blue Badge holders to park at RSH	13	0	0	0
SP 25	Review traffic management arrangements to reduce scheme costs	100	0	0	0
SP 26	Staffing savings from Traded Services review allowing the release of 3 staff.	64	0	0	2.6/(3)
Regeneration, Planning & Culture					
RPC 1	Economic Development: Lose one member of the team, as salaries are the only part of budget that can take a large enough cut to make a 10% saving. Actual figure will be dependent on which member of staff went, but £40k is about the average when on-costs included. Member of staff currently on year career break if they didn't come back then saving is approximately £25k	40	0	0	1/(1)
RPC 2	Economic Development: One member of staff on maternity leave	11	-11	0	0
RPC 3	Advocacy & appeals service: Reduction in agency/additional hours budgets and non-pay budgets	25			0
RPC 4	Staff reduction, as salaries are the only part of budget that can take a large enough cut to make a 10% saving. Actual figure would be dependent on which member of staff was made redundant, but c. £40k (with on costs)	40	0	0	1.1/(2)
RPC 5	Policy & Partnerships budget: temporary non-fill of a vacant post	29	-29	0	0
RPC 6	Building Control: Increase in application fees (£25 increase per application)	15	0	0	0
RPC 7	Combination of reduced expenditure and generation of additional income following theatre refurbishment. This effects an 18.5hrs post which is currently vacant.	53	10	0	0.5/(1)
RPC 8	Community Arts: Cessation of service	44	0	0	1.3/(2)

Service : EDS					
Proposal Ref:	Action	2014/15 £'000	2015/16 £'000	2016/17 £'000	2014/15 FTE/(Posts) Decrease
RPC 9	Five options are in the process of being costed fully. It is likely that the final savings figure will be a combination of aspects of all the proposals. As such at present it is not possible to present a final figure, only a range of possibly delievrable figures	151	0	0	0
RPC 10	Business Centres: Reallocation of a number of Units to paying customers	30	0	0	0
RPC 11	Markets: Reduce costs and efficiency improvements	15	0	0	0
RPC12	Policy & Partnerships: Review of staffing levels	20	0	0	0
Business Support					
BUS 1	Council-wide Commissioning led saving on Advice related services (not all EDS)	65	0	0	0
Asset Management, Internal Audit & ICT					
AM 1	Internal Audit: Reduce service to a minimum and generate income by carrying out additional work for schools.	35	0	0	1.7/(2)
AM 2	ICT: Reduce operating costs and contract prices and increase the ICT recharge to the Housing Revenue Account	170	150	0	2/(2)
AM 3	ICT: Capitalise the pay costs of staff involved in systems development	80	0	0	0
AM 4	Emergency Planning: Non-pay savings and reduced staff hours. Equates to 5% per year on a budget of £112k and matches the savings required by Sheffield City Council on this shared service.	5	6	0	0
AM 5	Health & Safety: Some non-pay savings and a reduction in the size of the service.	30	10	0	1/(1)
AM 6	Facilities Services: Transfer training activities and the Schools Connect ICT Team from the CENT training centre	30	20	0	2.3/(4)
AM 7	Estates: Reduce the net cost of the Energy Management Team by reducing the size of the service and charge services for initiatives introduced	60	25	0	0
AM 8	Estates: Reduce the cost of the administration of the public buildings repairs contract	25	25	0	1/(1)
AM 9	Estates: Transfer or close uneconomical community buildings. Offer leases to current users of community buildings, for users to take over responsibility for running the buildings and thereby reduce the Council's costs	20	30	0	0
AM 10	Cleaning: Adjust cleaning specification by 10% for Council buildings. Adjust charges to external and other non-general users	110	0	0	1/(1)
AM 11	Facilities Services - 5% increase to non pfi schools	110	0	0	0

Service : EDS					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
AM 12	Facilities - Services - moving from input (ie. number of cleaning hours) to output (ie. standard of cleanliness) contract specifications will achieve savings by improving methods of working and achieving the same levels of cleanliness in less time.	40	0	0	0
AM 13	Land and Property - (i) implementation of more streamlined and efficient processes to enable the service to generate more income using the same level of resources and / or maintain income while using a lower level of resources. (ii) Charging commercial rates to external clients	50	0	0	1/(1)
AM 14	Design and Projects - (i) implementation of more streamlined and efficient processes to enable the service to generate more income using the same level of resources and / or maintain income while using a lower level of resources. (ii) Charging commercial rates to external clients	60	0	0	1/(1)
Communications					
COMMS 1	Restructuring of existing RMBC corporate marketing and design functions, along with the Public Health creative services team. To improve consistency, co-ordination and innovation; enhance use of resources and create improved opportunities for innovation, income generation and value for money.	30	0	0	1/(1)
TOTAL		**3,099**	**113**	**654**	**22.6 / (28)**
CUM.			**3,212**	**3,866**	

BUDGET 2014/15 - DIRECTORATE SAVINGS PROPOSALS

Directorate: Resources					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
Revs & Bens					
R&B 1	Additional cost recovery of court fees	90	0	0	0
R&B 2	Reduction in non pay costs linked to bailiffs and translation costs	22	0	0	0
R&B 3	Reduction in print and postage non pay costs linked to the review of the Design & Print Unit	55	0	0	0
R&B 4	Reduction in non pay costs linked to Gandlake solution (self Service solution as part of the customer channel shift programme)	10	0	0	0
R&B 5	Reduction in staffing - linked to externalisation of printing and postage function. (Vacant Post)	20	0	0	1.0 / (1)
R&B 6	Contain certain Government 'new burdens' within current service provision - release un-ringfenced grant monies	34	-34	0	0
R & B 7	Reconfiguration of service - achieved through VER/VS approvals	136	0		5.4 / (6)
Finance					
Fin 1	Realignment of staffing structure/costs/income generation (1 vacant post and 4 VER/VS approvals)	242	0	0	4.7 / (5)
Fin 2	Remove revenue funding supporting the External Funding Team	92	0	0	4.0 / (4)
Fin 3	Reduction in Audit Fees	81	0	0	0
HR & P					
HR 1	Staffing changes	100	0	0	4.0 (4)
HR 2	Fees and charges - Advert income, CRB check income, salary scarifice income and additional payroll income	100	-10	-10	0
HR 3	DMBC HR&P Contract Inflation	62	0	0	0
HR 4	RMBC Policy decision on electronic payslips - all employees switch to ePayslips	30	0	0	0
HR 5	Trade Union Secondments	5	5	0	0
Legal & Democratic					
L&D 1	Additional income from design and production of ID Badges to external clients.	8	0	0	0

Proposal Ref:	Action	2014/15 £'000	2015/16 £'000	2016/17 £'000	2014/15 FTE/(Posts) Decrease
L&D 2	Additional income from greater use of Town Hall catering services and John Smiths Room for both internal and external events.	7	0	0	0
L&D 3	Retain Legal Services Sect.106 work in-house	15	0	0	0
L&D 4	Additional income from Academy conversions	10	0	0	0
L&D 5	Police Crime Panel support work.	53	0	0	0
L&D 6	Electronic Mail Room developments will support the reduction of 1 x fte	20	0	0	1.0 / (1)
L&D 7	Re-evaluation of Staffing Support for Central Functions including Town Hall and Members	83	0	0	2.0 / (3)
L&D 9	Anticipated IT licence fee reduction	0	9	0	0
L&D 10	Review of non-pay budgets	11	0	0	0
L&D 11	Members Allowances (frozen at 2013/14 rates)	11	0	0	0
TOTAL		**1,297**	**-30**	**-10**	**22.1 / (24)**
CUM.			**1,267**	**1,257**	

BUDGET 2014/15 - CENTRAL SAVINGS PROPOSALS

Central Services					
Proposal Ref:	**Action**	**2014/15 £'000**	**2015/16 £'000**	**2016/17 £'000**	**2014/15 FTE/(Posts) Decrease**
Cent 1	Capital Receipts - Revenue savings for 4 years by refinancing capital spend funded via prudential borrowing.	1,300	0	0	0
Cent 2	Insurance Fund - discount provision (one-off) for time value of money	300	-300	0	0
Cent 3	RMBC share of SYITA levy savings	1,000	0	0	0
Cent 4	Collection Fund - use of expected surplus on Fund	1,500	-1,500	0	0
Cent 5	Reduce Sundry Accounts Bad Debt Provision as a result of improving collection performance	50	-50	0	0
Cent 6	Planning Assumption change: Increase in Council Tax income resulting from more dwellings in the Council Tax Property Base	300	0	0	0
Cent 7	Removal of Council Contingency Budget	600	0	0	0
Cent 8	(Council-wide) Staff Terms & Conditions: Reduce pay protection from 3 to 2 years (£50k), cease excess travel payments (£28k), mark Long Service by other than financial means (£66k), Move to bi-ennial increments from 2015/16 (£300k) and one day pay reduction / one day additional leave (£200k).	644	-200	0	0
Cent 9	Business Support review	60	0	0	1.4 (2)
Cent 10	Capital Financing (remove provision for interest rate risk on market loans and revision to expected take-up of net borrowing).	550	0	0	0
Cent 11	Planning Assumption Change: Revise Council Tax income collection rate assumption (by 0.5% to 96.5%)	409	-409	0	0
Cent 12	Planning Assumption Change: Provisional Settlement: Notification of New Homes Bonus and Capitalisation top-slice refunds	952	0	0	0
Cent 13	One-off use of un-ringfenced grant flexibilities	250	-250	0	0
Cent 14	Planning Assumption Change: Revised actuarial outcome from Local Government Pension Scheme Triennial Revaluation reducing future pensions cost pressure reflecting most affordable/sustainable option to recover pension deficit over 22 years.	430	0	0	0
TOTAL		**8,345**	**-2,709**	**0**	**1.4 (2)**
CUM.			**5,636**	**5,636**	

ALL	**YEAR**	**22,764**	**-513**	**-706**	**172.5 / (217)**
Services	**CUMULATIVE**		**22,251**	**21,545**	

Agenda Item 8

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**26 February 2014**
3.	**Title:**	**Prudential Indicators and Treasury Management and Investment Strategy 2014/15 to 2016/17**
4.	**Directorate:**	**Resources**

5. Summary

In accordance with the Prudential Code for Capital Finance, the Secretary of State's Guidance on Local Government Investments, CIPFA's 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 2014/15 to 2016/17 (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 Department for Communities and Local Government (CLG) investment guidance (Appendix B)

Albeit a technical and complex report the key messages for Cabinet Members are:

a. Investments - the primary governing principle will remain **security** over return and the criteria for selecting counterparties reflect this. Table of criteria amended to reflect forthcoming change in Council bankers. Cash available for investment will remain low resulting in low returns.
b. Borrowing - overall this will remain fairly constant over the period covered by this report and the Council will remain under-borrowed against the borrowing requirement due to the cost of carrying debt. New borrowing will only be taken up as debt matures.
c. Governance - strategies reviewed by Audit Committee on 5th February with continuing monitoring which includes Mid-Year and Year End reporting.

6. Recommendations

Cabinet is asked to recommend Council:

1. **Approve the prudential indicators and limits for 2014/15 to 2016/17 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 2014/15 to 2016/17 and the Authorised Limit Prudential Indicator (Appendix B)**
4. **Approve the Investment Strategy for 2014/15 to 2016/17 (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 2013/14 Treasury Management Strategy was approved by Council on 6 March 2013, whilst a Mid Year report which updated the 2013/14 approved indicators was approved by Council on 11 December 2013. This report updates the currently approved indicators for the period 2013/14 to 2015/16 and introduces new indicators for 2016/17.

The Strategy was drawn up in association with the Council's treasury management advisors, Capita Asset Services, 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 2013/14 and 2014/15 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
The Council's Bankers	-	-	-	£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.

The Co-operative Bank is undergoing a restructuring to strengthen its financial position and as part of the restructuring strategy the bank will be withdrawing from providing banking services to Local Authorities. For individual authorities this takes place at the time contracts run out which in the Council's case is the end of March 2015. To ensure the transfer between provider runs smoothly it is suggested the Council should re-tender for its banking services early with a new contract start before the end of 2014. Specific reference to the Co-operative Bank has therefore been removed in the above table of criteria for selecting counterparties. A general reference allows for the eventuality that the new provider also does not meet the Council's minimum investment criteria and an exception for day-to-day banking is required. Progress reports on the tendering of banking services will be presented to Members in due course.

7.3 Prudential Indicators

7.3.1 Capital Expenditure, Capital Financing Requirement & Affordability

The Prudential Indicators submitted for approval are summarised as:

	2013/14 Revised	2014/15 Estimated	2015/16 Estimated	2016/17 Estimated
Capital Expenditure	£82.395m	£59.348m	£42.030m	£32.439m
Capital financing requirement	£754.447m	£749.856m	£761.685m	£750.984m
Authorised limit for external debt (RMBC)	£774.908m	£765.376m	£762.910m	£761.685m
Operational boundary for external debt (RMBC)	£617.775m	£614.912m	£619.925m	£617.585m
Authorised limit for external debt (Former SYCC)	£96.121m	£96.121m	£96.121m	£86.709m
Operational boundary for external debt (Former SYCC)	£96.121m	£96.121m	£96.121m	£86.709m

	2013/14 Revised	2014/15 Estimated	2015/16 Estimated	2016/17 Estimated
Ratio of financing costs to net revenue stream – Non HRA	8.18%	9.14%	8.59%	8.10%
Ratio of financing costs to net revenue stream – HRA	18.17%	17.52%	16.06%	15.32%
Incremental impact of capital investment decisions on the Band D Council Tax	£3.46	£6.69	£4.06	£4.35
Incremental impact of capital investment decisions on housing rents levels	£0.03	£0.13	£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 2014/15 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 2013/14 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	2014/15	2015/16	2016/17
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 2014/15		
	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	2014/15	2015/16	2016/17
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 2014/15		
	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 2014/15 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 other than those identified and planned for in both the Council's 2014/15 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 – 13 February & 30 October 2013, 5 February 2014
Cabinet – 20 February & 27 November 2013
Council – 6 March & 11 December 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 2014/15 TO 2016/17

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 2016/17.

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 2014/15 to 2016/17 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:

	2013/14 Revised £m	**2014/15 Estimated £m**	**2015/16 Estimated £m**	**2016/17 Estimated £m**
Children & Young People's Services	21.108	10.948	6.307	3.257
Env & Dev Services	24.420	14.239	7.239	0.650
Neighbourhoods & Adult Services – Non HRA	4.786	3.156	1.950	1.897
Resources	2.389	0.957	0.470	0.470
Total Non-HRA	**52.703**	**29.300**	**15.966**	**6.274**
HRA	29.692	30.048	26.064	26.165
Total HRA	**29.692**	**30.048**	**26.064**	**26.165**
Total expenditure	**82.395**	**59.348**	**42.030**	**32.439**
Capital receipts	1.815	0.782	0.332	0.332
Capital grants, capital contributions & sources other capital funding	69.371	50.967	31.939	30.937
Total financing	**71.186**	**51.749**	**32.271**	**31.269**
Net financing need for the year	**11.209**	**7.599**	**9.759**	**1.170**

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 will have £127.405m within the CFR at 1 April 2014 in respect of such schemes.

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

	2013/14 Revised £m	**2014/15 Estimated £m**	**2015/16 Estimated £m**	**2016/17 Estimated £m**
CFR – General Fund	449.637	442.210	454.039	443.338
CFR – HRA	304.810	307.646	307.646	307.646
Total CFR	**754.447**	**749.856**	**761.685**	**750.984**
Movement in CFR	**-0.589**	**-4.591**	**11.829**	**-10.701**
Movement in CFR represented by:				
Net financing need for the year (above)	11.209	7.599	9.759	1.170
Net financing need for the year (OLTL - Waste PFI)	0.000	0.000	13.518	0.000
Less General Fund MRP/VRP and other financing movements	11.798	12.190	11.448	11.871
Movement in CFR	**-0.589**	**-4.591**	**11.829**	**-10.701**

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 2014/15 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 2014/15 Revenue Budget and updated future years’ Capital Programme. The “non HRA” figures from 2014/15 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				
	2013/14 Revised %	2014/15 Estimated %	2015/16 Estimated %	2016/17 Estimated %
Non-HRA	8.18	9.14	8.59	8.10
HRA	18.17	17.52	16.06	15.32

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 2014/15 and the Council's Medium Term Financial Strategy, **and does not indicate additional requirements of Rotherham council tax payers**.

Incremental impact of capital investment decisions on the Band D Council Tax				
	Revised 2013/14 £	Proposed Budget 2014/15 £	Projection 2015/16 £	Projection 2016/17 £
Council Tax – Band D	3.46	6.69	4.06	4.35

For each financial year the impact at Band A is £2.31, £4.46, £2.71 and £2.90 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 2013/14 £	Proposed Budget 2014/15 £	Projection 2015/16 £	Projection 2016/17 £
Weekly Housing Rent levels	0.03	0.13	0.00	0.00

Appendix B

TREASURY MANAGEMENT STRATEGY 2014/15 – 2016/17

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 2014/15 – 2016/17

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	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
External Debt				
Borrowing at 1 April	488.437	487.507	482.424	480.084
Expected change in debt	-0.930	-5.083	-2.340	-10.868
Other long-term liabilities (OLTL) at 1 April	129.338	127.405	125.617	137.501
Expected change in OLTL	-1.933	-1.788	11.884	-2.126
Borrowing at 31 March	614.912	608.041	617.585	604.591
CFR – the borrowing need	754.447	749.856	761.685	750.984
Under/(over) borrowing	139.535	141.815	144.100	146.393
Investments				
Total Investments at 1 April	15.479	20.000	10.000	10.000
Investment change	4.521	-10.000	0.000	0.000
Total Investments 31 March	20.000	10.000	10.000	10.000
Net borrowing	594.912	598.041	607.585	594.591

Ex SYCC	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
External Debt				
Borrowing at 1 April	96.121	96.121	96.121	86.709
Expected change in debt	0.000	0.000	-9.412	-10.000
Borrowing at 31 March	96.121	96.121	86.709	76.709
Investments				
Total Investments at 1 April	0.000	0.000	0.000	0.000
Investment change	0.000	0.000	0.000	0.000
Total Investments 31 March	0.000	0.000	0.000	0.000
Net borrowing	96.121	96.121	86.709	76.709

(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 2014/15 and the following two financial years. This allows some flexibility for limited early borrowing for future years.

RMBC	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
Borrowing	614.912	608.041	617.585	604.591
Investments	20.000	10.000	10.000	10.000
Net Borrowing	594.912	598.041	607.585	594.591
CFR	754.447	749.856	761.685	750.984
CFR less Net Borrowing	**159.535**	**151.815**	**154.100**	**156.393**

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)	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
Borrowing	645.570	637.971	625.409	624.184
Other long term liabilities	129.338	127.405	137.501	135.375
Total	774.908	765.376	762.910	759.559

Separately, the Council is also limited to a maximum HRA CFR through the HRA self-financing regime. This limit remains unchanged until there is any change in Government legislation.

HRA Debt Limit	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 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)	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
Borrowing	96.121	96.121	96.121	86.709
Other long term liabilities	0.000	0.000	0.000	0.000
Total	96.121	96.121	96.121	86.709

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)	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
Borrowing	488.437	487.507	482.424	480.084
Other long term liabilities	129.338	127.405	137.501	135.375
Total	617.775	614.912	619.925	615.459

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

Operational Boundary for External Debt (Former SYCC)	2013/14 Revised £m	2014/15 Estimated £m	2015/16 Estimated £m	2016/17 Estimated £m
Borrowing	96.121	96.121	96.121	86.709
Other long term liabilities	0.000	0.000	0.000	0.000
Total	96.121	96.121	96.121	86.709

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 second quarter of 2015. This is despite inflation being around the Monetary Policy Committee inflation target and unemployment approaching 7% at which point the Bank of England had indicated it may consider increasing the rate. The outlook for borrowing rates continues to be uncertain and difficult to predict. Short-term rates to one-year are expected to remain at current levels. The outlook for long-term interest rates continues to be 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 2014/15
- Borrowing interest rates are currently attractive but are less likely to remain so. 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 2014/15 – 2016/17

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 2014/15 – 2016/17

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 bankers, **currently 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, currently 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 Bankers	-	-	-	£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	2014/15	2015/16	2016/17
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 2014/15		
	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	**2014/15**	**2015/16**	**2016/17**
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 2014/15		
	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) Treasury Performance Indicators

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 2014/15:

- 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 Capita Asset Services a subsidiary of The Capita Group plc as its treasury management advisors.

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, currently 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%	0.10%	0.13%
AA	0.02%	0.04%	0.14%	0.28%	0.40%
A	0.09%	0.25%	0.44%	0.62%	0.83%
BBB	0.21%	0.61%	1.07%	1.61%	2.13%

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 0.21% (e.g. for a £1m investment the average loss would be £2,100).

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 2014/15 is 0.09% which means that for every £1m invested the average potential loss would be £900. This position remains unchanged from 2013/14.

The Council's Treasury advisers maintain a continuous review of the risk position by the inclusion the Council's daily investment position within their online model.

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 2014/15 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

Agenda Item 9

RMBC – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**26th February 2014**
3.	**Title:**	**Corporate Priorities**
4.	**Directorate:**	**Environment and Development Services**

5. Summary

The report provides a summary of responses to the corporate priorities consultation process and includes the draft corporate plan for comment and approval.

6. Recommendations

That cabinet:

1) Agree that, in light of the broadly supportive consultation responses, the draft corporate priorities are approved
2) Consider and agree the overall plan (see appendix) subject to any required amendments

7. Proposals and Details

Background

Various discussions at member and senior officer level highlighted the need to review the corporate priorities in the context of changes in the external environment and realities and pressures now facing the council.

The draft priorities agreed by the strategic leadership team and members prior to consultation were:

- Stimulating the local economy and helping local people into work
- Protecting our most vulnerable people and families, enabling them to maximise their independence
- Ensuring all areas of Rotherham are safe, clean and well maintained
- Helping people to improve their health and wellbeing and reducing inequalities within the borough

A number of commitments were identified to sit beneath these priorities (see appendix).

Consultation

Consultation on the draft priorities was integrated with the “Money Matters” budget consultation.

An online discussion forum was launched, incorporating a specific topic on the corporate priorities, and a stakeholder event was held at New York Stadium on 13th November.

Further consultation took place via area assemblies, the parish council network, Fairs Fayre and Carers’ Rights Day.

Though people’s main focus was – understandably – on budget issues, the limited specific feedback received on corporate priorities (summarised below) was broadly positive.

From the online forum

- ‘Priorities fine, but represent “status quo”. They could be more distinct and aspirational, particularly in relation to promoting Rotherham to the outside world as a great place to visit or live. To reflect this, a suggested alternative for P1 is: “*Making Rotherham into a must see, must visit, must work, must live kind of place.* A place that attracts visitors, friends, families, and businesses.”’

- ‘Priorities are an excellent starting point, but are they fit for purpose and deliverable given the scale of the financial challenge? Maybe communities should be taking more responsibility, for instance for the look and feel of their neighbourhood or looking after those who are elderly are vulnerable. The priorities and aspirations should be owned by the people of Rotherham not just the council.'

- 'Need to identify problems first then come up with solutions. Suggested problems are: health/premature death, unemployment, early pregnancy, non-integration of communities.'

<u>From the event at New York Stadium</u>

There was limited direct feedback on the corporate priorities as the event's discussion workshops focused primarily on budget issues, but a range of relevant responses are summarised below.

Economy
- The council and partners need to continue representing Rotherham in the outside world to bring in business, making sure the good things about Rotherham are heard nationally and internationally. Employers also need to know that Rotherham is a safe place for their employees to locate their families.
- We need to insist on "buy local" as much as legally possible and maximise local spend to benefit local businesses and communities. Non-local delivery leads to loss of money to the Rotherham economy.

Early support
- Prevention and early intervention is important. This should be a priority in its own right and should be more explicit.
- Need to focus on parenting skills and good parenting so that children's services and youth services don't have to pick up the costs of poor parenting.
- Preventative interventions for disabled people and older people are important so they can live independently for longer, reducing care costs in the long term.
- Focus on prevention rather than early intervention for vulnerable families

Targeting services
- Review discretionary services, but don't make cuts that will affect the most vulnerable
- Advice and support on social issues, such as healthy living or good parenting, are often only needed, or needed to a greater extent, in more deprived areas. Level of service delivery should be based on local need.
- Needs-based targeting should focus on people rather than place, including certain communities whose needs are greater
- Should look at what assets people already have and not just what people are lacking, tapping into local skills and knowledge

Supporting the most vulnerable
- Support for carers shouldn't be cut as they make a huge financial contribution
- There is no funding for autism in adults; there should be working opportunities for this to happen.
- Disabled people need more support to travel to work
- Increase direct payments and let people choose what they want to do, rather than day care services. We should embrace 'personalisation'.

Helping people to help themselves

- People need knowledge and information to help themselves e.g. money management.
- Need to break down bureaucracy to enable people in the community to run their own groups - the "bureaucracy" can put them off
- Funding is needed to empower communities to make long term savings

Miscellaneous

- Importance of libraries in providing computer access
- Clean and safe is a more important priority than well maintained luxuries and events such as 'Rotherham by the Sea'.
- Not a specific suggestion, but it was emphasised that decisions should be underpinned by clear priorities, principles and values, rather than just cuts for the sake of saving money. Short term cuts can be counter-productive in the long run – we need to take a long term strategic view, despite immediate pressures
- Linked to this, it was pointed out that even if we have to withdraw services, we can work with local people to tackle inequalities and help to create happier, fairer communities.

On the whole, feedback from the online forum and the consultation event seems to support the draft priorities and commitments. Some of the more specific points will be picked up in service plans.

Corporate plan

To augment the plan on a page, the draft corporate plan (appended) includes the following brief sections:

- *Context* – quickly setting out the major financial and structural changes facing the council
- *Priorities* – a succinct rationale for each of the priorities
- *Performance management* – summarising monitoring arrangements and the outcomes we hope to achieve over the three years of the plan.

8. Finance

There are no direct financial implications as the new priorities / plan on a page will be published on the website rather than in hard copy form.

Operating within the agreed budget principles, financial and service planning must align to the corporate priorities if we are to ensure that resources are effectively targeted.

9. Risks and Uncertainties

Clearly the new corporate priorities have taken shape against a backdrop of huge financial pressures. It will be important to ensure that, in line with these new priorities, the council maintains a focus on achieving the best outcomes for local people rather than being driven purely by cost savings and efficiencies.

At the same time, expectations must be carefully managed so that the public and other stakeholders understand that the council will no longer be able to provide the same range of services or provide ongoing services to the same extent as previously.

It should also be noted that there are statutory duties for the council that sit outside of the corporate priorities. The council will want to look at the level of discretion it has in complying with these duties and the consequent resource requirements.

10. Policy and Performance Agenda Implications

We must ensure that the council's policy framework is properly aligned beneath the corporate priorities and that appropriate performance management arrangements are in place to effectively monitor progress and highlight problems at an early stage.

It is important to ensure that a clear golden thread is visible throughout: corporate priorities → outcomes → directorate/service plans → suite of outcome measures.

Officers are currently working with a sub-group of the self-regulation select commission to finalise performance management arrangements, including progress measures / key indicators.

11. Background Papers and Consultation

As outlined in the paper, extensive consultation has taken place with a wide range of stakeholders.

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Rotherham Council Corporate Plan *2013-16*

Priority 1: Stimulating the local economy and helping local people into work

- *We will use the council's buying power and influence to increase the use of the local supply chain and local labour*
- *We will market Rotherham as an attractive business location by investing in initiatives to promote business growth*
- *We will focus on lifelong learning to improve the qualifications, skills and economic wellbeing of children, young people and their families*

Priority 2: Protecting our most vulnerable people and families, enabling them to maximise their independence

- *We will intervene early to prevent problems developing and protect children, young people, families and vulnerable adults from all forms of abuse, violence and neglect*
- *We will ensure that all adults in need of support and care get help early and have more choice and control to help them live at home*

Priority 3: Ensuring all areas of Rotherham are safe, clean and well maintained

- *We will make sure that Rotherham's roads and footpaths are safe to use and that their condition is at least as good as the national average*
- *We will improve the quality of public spaces through better management of street cleansing and grounds maintenance*
- *We will reduce anti-social behaviour and crime and ensure people feel safe where they live*

Priority 4: Helping people to improve their health and wellbeing and reducing inequalities within the borough

- *We will work with communities to deliver services that are tailored to local conditions*
- *We will respond quickly to people's needs, mitigating the effects of poverty and helping them to thrive*
- *We will ensure that people are able to live in decent affordable homes*

The way we will do business

- *Talking and listening to all our customers and treating everyone fairly and with respect*
- *Supporting and enabling our communities to help themselves, whilst meeting the needs of the most vulnerable*
- *Getting it right first time, reducing bureaucracy and getting better value for money*
- *Working with partners to ensure people get the services and support they need as early as possible*
- *Having the right people, with the right skills, in the right place, at the right time*

Context

- *Substantial reductions to council funding* – we have made cumulative savings of around £70m between 2011 and 2014 with further significant year on year reductions confirmed for 2014/15 and 2015/16. This trend is almost certain to continue until at least 2018. In addition, local authority funding is changing so that an increasing proportion derives from business rates and bonuses paid for building new homes, rather than being allocated by government according to local need.
- *Demographic pressures increasing need* – the ageing population is one of the major challenges facing local government, with increasing pressure on adult social care services. The care bill, which is likely to come into force in 2015, will result in further cost and activity pressures, for example an increase in the number of assessments and new assessments and support for carers.
- *Welfare reform* – the government's Welfare Reform Act aims to simplify the benefits system and ensure "work pays", but in the difficult economic climate its ongoing implementation is causing hardship and uncertainty for some of our vulnerable communities and for the council itself. In general, benefits are being reduced and where people are unable to find work (e.g. due to poor skills, high costs of childcare, disability or ill health) their resources can be stretched to the limit. There is a risk of more children living in conditions of neglect, people falling into rent arrears and facing eviction, and the additional stresses of a reduced income exacerbating health problems. All of this combines to put more pressure on support services provided by the council and our partners. The introduction of a localised council tax support scheme (with reduced funding) and – at some stage – universal credit brings further challenges and risks.
- *Devolution and service transformation* – a range of recent and ongoing developments signal a shift in the way local services are configured and delivered and in the relationship between central government; local authorities and their partners; and local communities. These include:
    - The 2011 Localism Act providing new community powers to bid, build and challenge on public assets and services and to develop neighbourhood plans.
    - "Whole place" and neighbourhood level community budget pilots exploring the benefits of joined up services and aligned budgets
    - Service integration now seen as central to the health and social care agenda, catalysed by the new better care fund
    - Growth deals promising further devolution of economic growth resources and powers to private/public local enterprise partnerships.

These factors led to us identifying a small number of budget principles that will enable the council to operate effectively within the funding available. These are:

- Focus and deliver on business and jobs growth
- Help people to help themselves wherever possible
- Provide early support to prevent needs becoming more serious
- Continue strong financial management and governance and tight control on spending.

Reflecting this new financial reality and structural changes, the corporate priorities provide a framework for the council, working with our partners, to deliver the best possible outcomes for local people.

The priorities

Priority 1: Stimulating the local economy and helping local people into work

To respond to the financial challenges and funding changes set out above, we will need an increased emphasis on business and jobs growth. This will have a direct impact on the council's finances and will also provide more opportunities for people to move from benefits into employment.

We will try to make the "Rotherham pound" go further by procuring more of our goods and services locally and will work with partners to improve people's skills and qualifications, ensuring they meet the needs of businesses.

Priority 2: Protecting our most vulnerable people and families, enabling them to maximise their independence

Supporting the most vulnerable people in our society and protecting them from abuse, violence and neglect will remain a central priority for the council.

Identifying problems and intervening at the earliest possible stage will enable us to prevent needs becoming more serious and will be more cost effective in the long run.

Priority 3: Ensuring all areas of Rotherham are safe, clean and well maintained

This is an area that local people consistently tell us is extremely important to them and so it will continue to be a key priority.

Though our performance is generally good on crime, reduced funding is presenting real challenges for street cleaning and road maintenance services. To address this, we must work with communities to engender pride in local areas, helping us to create and maintain quality public spaces and safe environments.

Priority 4: Helping people to improve their health and wellbeing and reducing inequalities within the borough

There remains a strong correlation between poor health and deprivation and there is a large gap in life expectancy between the most and least deprived areas in the borough.

In the context of welfare changes, we will need to take targeted action to build the resilience of people and communities, giving them the tools to overcome hardship and fulfil their potential. More self-reliant and healthier communities will also require less support, reducing costs for public services in the longer term.

Business principles

In light of the factors set out above, it is felt that our current business principles remain fit for purpose:

- Talking and listening to all our customers and treating everyone fairly and with respect
- Supporting and enabling our communities to help themselves, whilst meeting the needs of the most vulnerable
- Getting it right first time, reducing bureaucracy and getting better value for money
- Working with partners to ensure people get the services and support they need as early as possible
- Having the right people, with the right skills in the right place at the right time

Performance management

Directorate and service plans will be aligned beneath the four priorities and eleven commitments, representing a “golden thread” that demonstrates each service’s contribution to corporate objectives.

For each commitment, a range of indicators will be monitored regularly to provide a comprehensive measure of progress. These comprise a mix of milestones for key projects, local measures and relevant national indicators.

Performance reporting will be quarterly via our strategic leadership team (officers), cabinet (executive) and self-regulation select commission (scrutiny).

By 2016, successful delivery of the corporate plan will see:

- More people with relevant skills and qualifications
- An environment that enables businesses to flourish
- Roads and footpaths that are safe to use
- Vulnerable people getting early help to protect them and prevent problems worsening
- Those in need of support and care having more choice and control to live independently
- Better quality public spaces
- More people feeling safe where they live
- People having greater influence on how local services are delivered
- Resilient communities where people in poverty are helped to thrive
- Everyone able to live in decent housing

 Agenda Item 10

ROTHERHAM BOROUGH COUNCIL – REPORT FOR CABINET

1.	**Meeting**	**Cabinet**
2.	**Date**	**26/02/14**
3.	**Title**	**Local Government Declaration on Tobacco Control**
4.	**Directorate**	**Public Health**

5. Summary

Based on the Nottingham Declaration on Climate Change, which has been signed up to by over 200 councils, the Local Government Declaration on Tobacco is a response to the enormous and ongoing damage smoking does to our communities. It is a commitment to take action, a statement about a local authority's dedication to protecting their local community from the harm caused by smoking, a demonstration of local leadership and an acknowledgement of best practice.

RMBC already meets six of the seven commitments within the Declaration, and by joining the Smokefree Action Coalition it would meet all seven.

The declaration was formally launched at the Public Health England Conference in September 2013 and currently has 17 signatories.

6. Recommendations

- **That RMBC becomes a member of the Smokefree Action Coalition (SFAC)**
- **That RMBC signs the Local Government Declaration on Tobacco Control**

7. Proposals and details

Based on the Nottingham Declaration on Climate Change, which has been signed up to by over 200 councils, the Local Government Declaration on Tobacco is a response to the enormous and ongoing damage smoking does to our communities. It is a commitment to take action and a statement about a local authority's dedication to protecting their local community from the harm caused by smoking.

Further, it is a demonstration of local leadership and an acknowledgement of best practice. The best way to tackle smoking is through a comprehensive approach working with all partners. The Local Government Declaration on Tobacco Control can be a catalyst for local action showing the way for partners both inside and outside the local council.

The declaration was formally launched at the Public Health England Conference in September 2013 and currently has 17 signatories.

Many of the early signatories will already be leaders in the field. Early signatories are not only sending a message of their commitment to their local community but also to other councils who need to make further progress; they will lead the way for other councils and set the standard for local tobacco control.

The declaration commits the local authority to:

1. Act at a local level to reduce smoking prevalence and health inequalities and to raise the profile of the harm caused by smoking to our communities
2. Develop plans with our partners and local communities to address the causes and impacts of tobacco use
3. Participate in local and regional networks for support
4. Support the government in taking action at national level to help local authorities reduce smoking prevalence and health inequalities in our communities
5. Protect our tobacco control work from the commercial and vested interests of the tobacco industry by not accepting any partnerships, payments, gifts and services, monetary or in kind or research funding offered by the tobacco industry to officials or employees
6. Monitor the progress of our plans against our commitments and publish the results
7. Publicly declare our commitment to reducing smoking in our communities by joining the Smokefree Action Coalition, the alliance of organisations working to reduce the harm caused by tobacco

RMBC already delivers commitments 1-6. It is not currently a member of the Smokefree Action Coalition. Membership of the Smokefree Action Coalition (SFAC) would be a further demonstration of the council's commitment to tobacco control.

The SFAC is a coalition of over 170 local and national organisations and has wide membership among the Royal Colleges, the public health professional bodies, local councils and health charities. It campaigns for tobacco control at a national level and provides a network of support and advice to local public health professionals. Membership of the SFAC gives local councils a national platform to make the case for Central Government action to reduce the level of smoking in support of local authorities. However, no member is required to agree with every policy position and all members would be contacted ahead of their name being put to a specific public statement (e.g. a briefing on a particular issue). There is no charge to become a member of the Coalition and RMBC can become a member through a simple online application.

How does the Local Government Declaration on Tobacco Control differ from the Rotherham Smokefree Charter?
This declaration is specifically for local government and reflects its responsibilities for tobacco control, whereas the local charter is a simpler approach that can be adopted by any organisation within the borough. The Declaration relates specifically to RMBC's leadership role in delivering tobacco control. The implementation of the Rotherham Smokefree Charter is an example of local action that supports the commitment 1 of the Declaration.

8. Finance

No financial commitment is required.

9. Risks and uncertainties

None.

10. Policy and Performance Agenda Implications

Smoking/tobacco use is one of the priority measures within the Joint Health and Wellbeing Strategy. Signing the Declaration would be an additional demonstration of RMBC's commitment to reducing tobacco use.

11. Background Papers and Consultation

See briefing note at appendix 1.

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Keywords: Smoking, Tobacco, Smokefree

Officer: Alison Iliff

Director: John Radford

Local Government Declaration on Tobacco Control

Appendix 1: Briefing Note

(Text in bold is taken from the Declaration)

Smoking is the single greatest cause of premature death and disease in our communities

Every year in England more than 80,000 people die from smoking related diseases. This is more than the combined total of the next six causes of preventable deaths, including alcohol and drugs misuse. Smoking accounts for one third of all deaths from respiratory disease, over one quarter of all deaths from cancer, and about one seventh of all deaths from heart disease. On average a smoker loses 10 years of life. The earlier you quit, the less life you lose.[1]

Supporting information and resources on smoking and tobacco control, by English region and down to local authority level, for use by Councillors, officers and local decision-makers, can be found at **www.ash.org.uk/localtoolkit.**

Information on the burden of illness and disease caused by smoking, for each local authority in England, can be found at **http://www.tobaccoprofiles.info/tobacco-control**

Reducing smoking in our communities significantly increases household incomes and benefits the local economy

The annual cost of smoking to the UK national economy has been estimated at £13.7 billion. A smoker consuming a pack of twenty cigarettes a day will spend around £2,500 a year on their habit. Based on 2009 prices, poorer smokers proportionately spend five times as much of their weekly household budget on smoking than do richer smokers. If poorer smokers quit they are more likely to spend the money they save in their local communities. [2]

Reducing smoking amongst the most disadvantaged in our communities is the single most important means of reducing health inequalities

About half of all smokers in England work in routine and manual occupations. Workers in manual and routine jobs are twice as likely to smoke as those in managerial and professional roles. The poorer and more disadvantaged you are, the more likely you are to smoke and as a result to suffer smoking-related disease. Ill-health caused by smoking is therefore much more common amongst the poorest and most disadvantaged in society**.** Smoking rates are also

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1 ASH, *Facts at a Glance*, http://www.ash.org.uk/files/documents/ASH_93.pdf (Accessed 11th April 2013)

2 ASH, *The Economics of Tobacco*, http://www.ash.org.uk/files/documents/ASH_121.pdf (Accessed 11th April 2013)

higher among particular ethnic groups, the prevalence rate among Afro-Caribbean men is 37% and among Bangladeshi men it is 36%. [3]

Smoking is an addiction largely taken up by children and young people

Two thirds of smokers start before the age of 18, and across the UK more than 200,000 children aged between 11 and 15 start to smoke every year, even though it is illegal to sell cigarettes to anyone below the age of 18. Two thirds of smokers say they began before they were legally old enough to buy cigarettes. [4] Research shows that by the age of 20, four fifths of smokers regret they ever started. Growing up around smoke puts children at a major health disadvantage in life. Children exposed to tobacco smoke are at much greater risk of cot death, meningitis, lung infections and ear disease, resulting in around 10,000 hospital admissions each year. [5]

Smoking is an epidemic created and sustained by the tobacco industry

The tobacco industry (outside China) is dominated by four multinationals, Japan Tobacco International and Imperial Tobacco (which together account for 85% of the UK market), British American Tobacco and Philip Morris International. These firms are some of the most profitable in the world: the global tobacco market is worth about £450 billion a year. Between 2006 and 2011 Imperial Tobacco increased its UK operating margins from 62% to 67%. [6]

The tobacco industry needs to recruit 200,000 smokers a year to maintain current levels of consumption, replacing those smokers who have quit or who have died from diseases related to their addiction. The great majority of these new smokers will be under 18 years old. Although tobacco advertising is now banned in the UK, the tobacco multinationals use packaging of their products to try to attract young people in general, with specific brands aimed at target groups such as young women. [7]

The illicit trade in tobacco funds the activities of organised criminal gangs and gives children access to cheap tobacco

HM Revenue and Customs estimate that in 2010/11, the illicit market in cigarettes accounted for about 9% of the UK market, and the illicit market in hand-rolled tobacco accounted for about 38% of the UK market. The total amount of revenue lost to the Exchequer was estimated at £1.20 billion for cigarettes and £0.66 billion for hand-rolled tobacco. (All figures are mid-range estimates).

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3 ASH, *Smoking Statistics Who Smokes and How Much*, http://www.ash.org.uk/files/documents/ASH_106.pdf (Accessed 11th April 2013)

4 Office for National Statistics, *General Lifestyle Survey 2011, Chapter 1 Smoking*, http://www.ons.gov.uk/ons/rel/ghs/general-lifestyle-survey/2011/rpt-chapter-1.html (Accessed 11th April 2013)

5 *Smoking: Children*, http://www.ash.org.uk/localtoolkit/docs/cllr-briefings/Children.pdf (Accessed 11th April 2013)

6 ASH, *The UK Tobacco Industry*, http://ash.org.uk/files/documents/ASH_123.pdf (Accessed 11th April 2013)

7 Plain Packs Protect Campaign, *Smoking Facts for Kids*, http://www.plainpacksprotect.co.uk/plain-packaging-children-teenager-smoking-facts-infographic.aspx (Accessed 11th April 2013)

Recent research in the North of England showed that over half of smokers aged 14 to 17 have been offered illicit tobacco, and that buying rates amongst these age groups are higher than amongst older smokers.

Local authorities are key players in tackling the illicit trade, through trading standards departments and through their local partnerships with police, customs and health professionals. Regional partnerships to tackle illicit tobacco include the North of England Tackling Illicit Tobacco for Better Health Programme, the South of England Partnership and the East of England Partnership. [8]

As local leaders in public health we welcome the:

Opportunity for local government to lead local action to tackle smoking and secure the health, welfare, social, economic and environmental benefits that come from reducing smoking prevalence;

As you will know from 1st April 2013, the public health function has been transferred from the National Health Service to local authorities. Each top tier and unitary authority has its own health and wellbeing board and a Director of Public Health, and these local authorities are responsible for commissioning stop smoking and other relevant services. [9]

Commitment by the government to live up to its obligations as a party to the World Health organization's framework convention on Tobacco control (FCTC) and in particular to protect the development of public health policy from the vested interests of the tobacco industry;

The Framework Convention on Tobacco Control (FCTC) [10] is the world's first public health treaty, negotiated through the World Health Organisation. It has been ratified by more than 170 countries, including the UK. Key provisions include support for: price and tax measures to reduce the demand for tobacco products; public protection from exposure to tobacco smoke; regulation of the contents of tobacco products; controlling tobacco advertising, promotion and sponsorship; measures to reduce tobacco dependence and promote cessation; tackle Ilicit trade in tobacco products; and end sales to children. Article 5.3 commits Parties to protecting their public health policies from the commercial and vested interests of the tobacco industry and the UK has explicitly committed to live up to this obligation in chapter 10 of the Tobacco Control Plan for England.[13]

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8 All Party Parliamentary Group on Smoking and Health, *Report on the Illicit Trade in Tobacco Products*, http://www.ash.org.uk/APPGillicit2013 (Accessed 11th April 2013)

9 Department of Health, *A Short Guide to Health and Wellbeing Boards*, http://healthandcare.dh.gov.uk/hwb-guide/ (Accessed 11th April 2013)

10 World Health Organisation, ***Framework Convention on Tobacco Control***, http://www.who.int/tobacco/framework/WHO_FCTC_english.pdf (Accessed 11th April 2013)

We commit our Council to …

Act at a local level to reduce smoking prevalence and health inequalities and to raise the profile of the harm caused by smoking to our communities;

Develop plans with our partners and local communities to address the causes and impacts of tobacco use, according to our local priorities and securing maximum benefit for our communities;

Participate in local and regional networks for support; and

Monitor the progress of our plans against our commitments and publish the results.

It is for local authorities to decide on their priorities. Any Council wishing to take a systematic approach to tobacco control will of course need to monitor and measure progress against agreed plans, and it is strongly recommended that this be done through publicly accessible reports, discussed and agreed in a public forum.

Join the Smokefree Action Coalition

The Smokefree Action Coalition is an alliance of over 100 organisations including medical royal colleges, the British Medical Association, the Trading Standards Institute, the Chartered Institute of Environmental Health, the Faculty of Public Health, the Association of Directors of Public Health and ASH. The Coalition was created during the successful campaign for legislation ending smoking in enclosed public places (Health Act 2006), and has also engaged with Government on a wide range of tobacco control issues, including the introduction of standardised ("plain") packaging for tobacco products. [11] More information about the Coalition and how to join can be obtained from Hazel Cheeseman at ASH, which provides the secretariat for the SFAC. Email: hazel.cheeseman@ash.org.uk

Protect our tobacco control strategies from the commercial and vested interests of the tobacco industry by not accepting any partnerships, payments, gifts and services, monetary or in kind or research funding offered by the tobacco industry to officials or employees

Article 5.3 of the FCTC states that: *"in setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry in accordance with national law"*. WHO guidelines on implementing Article 5.3, which were also supported by the UK Government, state that the obligations under this Article apply *"to government officials, representatives and employees of any national, state, provincial, municipal, local or other public or semi/quasi-public institution or body within the jurisdiction of a Party, and to any person acting on their behalf".* They also recommend that public bodies covered by Article 5.3. should introduce *"measures to limit interactions with the tobacco industry and ensure the transparency of those interactions that*

11 Smokefree Action Coalition, http://www.smokefreeaction.org.uk/ (Accessed 11th April 2013)

occur; reject partnerships and non-binding or non-enforceable agreements with the tobacco industry; and avoid conflicts of interest for government officials and employees". [12]

The Declaration does not contain specific commitments in relation to Councils' pension fund investments in the tobacco industry. Councils may wish to review these investments and may conclude that the tobacco industry is not an appropriate investment. Decisions of this kind must be made by trustees on advice and in accordance with their legal duties.

Support the government in taking action at national level to help local authorities reduce smoking prevalence and health inequalities in our communities;

"Healthy Lives, Healthy People: A Tobacco Control Plan for England" was published by the Department of Health in 2011. It included commitments to implement legislation to end tobacco displays in shops; consult on "plain" (standardised packaging of tobacco products; use tax to maintain the high price of tobacco products to cut smoking prevalence; promote effective local enforcement of tobacco legislation, particularly on the age of sale of tobacco; encourage more smokers to quit through local stop smoking services; and publish a 3-year marketing strategy for tobacco control. [13] The Government has consulted on standardised packaging and as at 17th May 2013 was still considering whether or not to proceed.

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12 World Health Organisation, *Guidelines for implementation of Article 5.3 of the WHO Framework Convention on Tobacco Control*, http://www.who.int/fctc/guidelines/article_5_3.pdf (Accessed 11th April 2013)

13 Department of Health, *Tobacco Control Plan for England* (2011), https://www.gov.uk/government/publications/the-tobacco-control-plan-for-england (Accessed 11th April 2013)

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**26th February 2014**
3.	**Title:**	**Recorded Votes at Budget Meetings**
4.	**Directorate:**	**Resources**

5. Summary

To implement the requirements of the Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 in relation to recording of votes relating to budget decisions.

6. Recommendations

That Cabinet notes the content of the report and recommends that Council:-

1. Amends Standing Orders to add Standing Order 19 C, to provide that:-

   "Immediately after any vote is taken at a budget decision meeting there must be recorded in the minutes the names of the persons who cast a vote for the decision or against the decision or who abstained from voting.

   For these purposes a budget decision means a meeting of the authority at which it –

   (i) makes a calculation (whether originally or by way of substitute) in accordance with any of sections 31A, 31B, 34 to 36A, 42A, 42B, 45 to 49, 52ZF, 52ZJ of the Local Government Finance Act 1992(6); or
   (ii) issues a precept under Chapter 4 of Part 1 of that Act."

7. Proposals and Details

The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2014 were approved by Parliament on 31st January 2014 and came into force on 25th February. These regulations require authorities to amend their Standing Orders to provide for a record of the voting upon any budget proposal to be made, and for that to be reflected in the minutes. This covers not only the substantive motion setting the budget, council tax or issuing precepts but also any amendments on those budgets. The amendment to the Council's Standing Orders achieves this.

8. Finance

None

9. Risks and Uncertainties

None

10. Policy and Performance Agenda Implications

None

11. Background Papers and Consultation

None

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 Agenda Item 12

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1	**Meeting:**	**Cabinet**
2	**Date:**	**26th February 2014**
3	**Title:**	**Sheffield City Region Combined Authority: Appointment of Representatives**
4	**Directorate:**	**Resources**

5 Summary

To provide an update with regard to the establishment of the Sheffield City Region and to nominate appropriate representatives.

6 Recommendations

That Cabinet recommends to the Council:-

- that the Leader of the Council be appointed to represent Rotherham Borough Council on the Sheffield City Region Combined Authority;

- that a member of the Council be appointed as the Council's substitute member of the Combined Authority in the absence of the Leader of the Council;

- that a member of the Council be appointed as a second rotational member of the Combined Authority to discharge the role set out in paragraphs 7.7 and 7.8 of the report;

- that two members of the Council be nominated to be appointed by the Combined Authority to its proposed Transport Committee;

- that Standing Order 7 be amended to provide for questions in relation to the business of the Combined Authority to be asked of the Council's representative on the Authority; and

- that further consideration be given to the representation of the Council on the Scrutiny Committee of the Combined Authority following the determination by the Authority of its detailed Scrutiny arrangements.

7. Proposals and Details

<u>Background</u>

7.1 The nine Sheffield City Region local authorities have submitted a Scheme to the Secretary of State for the creation of a Combined Authority to be established for the Sheffield City Region pursuant to relevant provisions of the Local Government Economic Development and Construction Act 2009.

7.2 Formal consultation was undertaken by the Secretary of State and the nine local authorities have expressed their formal approval in response to that consultation exercise.

7.3 The Secretary of State has laid an Order before Parliament which brings the new Combined Authority into being as a legal entity on the 1st April 2014. The formal name of the Authority will be the Barnsley, Doncaster, Rotherham and Sheffield Combined Authority.

7.4 There is a requirement for each of the nine participating authorities to appoint appropriate representatives to the new Combined Authority.

<u>Current Position</u>

7.5 The Order makes provision, in response to the Scheme submission, for there to be four constituent and five non-constituent members comprising the nine local authorities within the Sheffield City Region. The four South Yorkshire local authorities will be the constituent members and the five non-South Yorkshire District Councils will be the non-constituents members.

7.6 It is not possible under the relevant legislation for all nine local authorities to be constituent members given that the County Councils for Derbyshire and Nottinghamshire are not to be members of the Combined Authority. However it is possible for members of non-constituent authorities appointed to a Combined Authority to be given voting rights by the constituent authority members in respect of particular identified matters. Such voting rights would be conferred by the constituent members on a meeting by meeting basis.

<u>Second Rotational Members</u>

7.7 The legislation also provides that there must be a majority of members of a Combined Authority who are members of its constituent authorities. This presents a difficulty in the case of the Sheffield City Region Authority where only four of the nine relevant members will be constituent authority members. The constitution therefore been drafted, and this is contained in the Order laid by the Secretary of State, for each of the four South Yorkshire local authorities to nominate an additional member to sit on the Combined Authority so as to achieve the requisite majority.

7.8 The constitution in particular provides therefore for each constituent authority to appoint a second “rotational member”. Two of such four "rotational members " would on a rotating basis be appointed formally as members of the Combined Authority but they would not be required as a matter of course to attend meetings or to vote. The expectation is that decisions of the Combined Authority will be taken on a consensus basis hence their attendance would not be required. However for reasons of legal certainty to comply with the legislation such additional "rotational" members are required to be appointed.

7.9 Whilst it is not specifically provided for in the constitution and Order it is anticipated that each of the authorities will nominate their Leader as their representative on the Combined Authority. The Order and constitution provides for a substitute member to be appointed to represent the relevant authority in the absence of their representative. Such substitute member would need to be a different person from the Second Rotational member.

Transport Committee Members

7.10 The constitution for the Combined Authority also provides for there to be a Transport Committee (to be known as Transport for Sheffield City Region [TfSCR] to which would be delegated certain non-strategic transport functions. This is to avoid the meetings of the Combined Authority having excessively long agendas dealing with relatively non-strategic matters. Given the call on the time of members of the Combined Authority, who it is anticipated will be Council Leaders, it will be advantageous for Transport Committee members to be comprised of other co-opted members from the constituent and non-constituent authorities. The relevant legislation on co-opted member rights has been modified by the Order and so allows for a local authority member of a constituent authority, nominated to a committee of the Combined Authority on which their authority is represented, to be given voting rights.

7.11 Each of the nine authorities is therefore required to submit nominations to the Combined Authority for membership of the Transport Committee.

7.12 The Transport Committee is not a continuation in another form of the existing Integrated Transport Authority given that the strategic transport functions of the ITA will be transfer to and discharged by the Combined Authority. The ITA will be dissolved.

7.13 It is being proposed by the Sheffield City Region Leaders that the Transport Committee membership be similar to that of the ITA together with each of the non-constituent authorities nominating a member, 17 members in all. This would be reviewed after 12 months. The formal composition of the Transport Committee will need to be determined by the Combined Authority following 1st April 2014 but it is anticipated that the views of the Sheffield City Region Leaders will be followed and hence the Council should on that basis nominate two members to be appointed to the Transport Committee. The view of the SCR Leaders is that it would be appropriate for such nominations to include a member with Cabinet responsibility for transport matters although it is for each authority to determine who to nominate to the Combined Authority.

Scrutiny Arrangements

7.14 The Scheme submission proposed that Scrutiny of the business of the Combined Authority be left to be addressed through the Scrutiny arrangements of the participating authorities. The Order is more prescriptive and requires the Combined Authority to establish its own Scrutiny Committee. The Combined Authority will need to determine the precise composition of its Scrutiny Committee and the number of members which each participating authority would be required to nominate.

Questions to the Council in relation to Combined Authority Business

7.15 The Council's Standing Orders provide for an opportunity to ask formal questions of designated members of Joint Authorities. It would be appropriate to amend Standing Orders to allow for a similar facility to ask questions at the Council in respect of the business of the Combined Authority.

8. Finance

As contained in the report.

9. Risks and Uncertainties

The new proposals provide more formal governance arrangements throughout the region and should therefore enhance the robustness of those arrangements.

10. Policy and Performance Agenda Implications

The new Combined Authority will support the Council in its transport, economic and regeneration function.

11. Background Papers and Consultation

- Combined Authority Scheme submitted of the Secretary of State.
- Secretary of State’s consultation on the Combined Authority Scheme proposal.

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