

**CABINET/COMMISSIONERS'
DECISION MAKING MEETING
Tuesday, 23rd February, 2016**

Present:- Councillors: Read (in the Chair), Alam, Lelliott, Roche, Sims, Wallis, Watson and Yasseen.

Commissioners: Newsam and Ney.

Apologies for absence were received from Commissioner Kenny and Commissioner Sir Derek Myers.

27. DECLARATIONS OF INTEREST

There were no Declarations of interest to report.

28. QUESTIONS FROM MEMBERS OF THE PUBLIC

There were no questions from members of the public.

29. REVENUE BUDGET SETTING REPORT 2016/17

Consideration was given to a report introduced by Councillor Read, Leader of the Council, which proposed a Revenue Budget for 2016/17 based on the outcome of the Council's Financial Settlement, budget consultation and the consideration of Directorate budget proposals through the Council's formal Budget and Scrutiny process (Overview and Scrutiny Management Board).

Although the report contained proposals to balance the revenue budget for 2016/17, significant further early work needed to be undertaken in the new financial year in order to bring forward further proposals for Member/Commissioner consideration to enable the Council to establish a clear and sustainable financial plan for addressing the estimated financial gap that remained over the next two years (2017 to 2019). It would also need to start longer term planning for the period up to 2020 given the Government's four-year settlement offer and the proposed fundamental changes in Local Government finance thereafter.

This report also provided feedback from public and partners in relation to the budget proposals in the light of their recent publication on the Council's website for consultation until 12th February, 2016, as well as the extensive programme of engagement on the public priorities for the Council during 2015 which informed the "Views from Rotherham" report.

In addition, the Leader referred to items which had also been considered as part of the budget process which included looking at the best financial arrangements to protect frontline services, changes to capital reprofiling, PFI debt and Council Tax increase of 1.95% in addition to the 2% Adult Social Care precept which would maximise spending.

As a result of public consultation there was to be a further look at two service areas, which included the town centre visitor centre and school crossing patrol wardens, both of which were deferred for a year.

In terms of budget process, as expected, funding to Children and Young People's Services had increased by £12 million with a further £50k being added to long term support for child sexual exploitation. The R.i.D.O. budget had also been protected in order to match the objective in growing jobs and maximising business rates as had Streetpride budgets as a result of direct requests from the public.

Councillor Alam, Cabinet Member for Corporate Services and Finance, also recommended the report as this set out the estimated budget position for 2017/18 and 2018/19 and was read in conjunction with the HRA budget report (agreed at full Council on 27th January, 2016), the Capital Strategy and the Treasury Management Strategy.

As part of the budget setting process it was suggested that a review be undertaken of Habershon House Outdoor Education Centre due to the projected income not meeting the full cost of providing the facility. This review would be reported to Cabinet in June and a decision made on its future operation based on a Value for Money assessment.

Stuart Booth, Interim Strategic Director of Finance and Customer Services, as Section 151 Officer, reported on the robustness of the estimates included in the budget and the adequacy of the reserves for which the budget provided for.

The budget setting process had been challenging given the unprecedented scale of the ongoing funding reductions required and the timescales in which to achieve them in formulating a robust and sustainable budget and preserving a financially resilient overall financial position. The report recognised the need for the Council to become more self-sufficient in the future with more revenue support coming from council tax, business rates, fees and charges and the increasing importance of growing the local economy with Rotherham's involvement in the City Region.

There was a clear need for redefining the relationship with citizens moving forward and the report recognised the need for increasing council tax and the introduction of the new Adult Social Care precept.

In terms of the reserves it was noted the Council held a level of uncommitted reserves that could be drawn on, if required, to support the 2016/17 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. The review undertaken, incorporating a risk assessment of each reserve, guided the decision regarding the prudence of the level of reserves available to draw upon, if necessary, during 2016/17. The Council's reserves, based on the latest monitoring, are expected to be £84.115m at 31st March, 2016.

Commissioner Ney offered formal advice to the proposals in relation to the revenue budget for 2016/17 and the Capital Programme 2016/17 to 2020/21 which had emerged from the work of the Budget Working Group which involved the Leader, the Cabinet Members and Commissioners.

This approach allowed the Council to make sufficient progress in its arrangements for financial management of the authority to achieve an Outline Medium Term Financial Strategy and a Capital Strategy and to make proposals to balance the budget in 2016/2017.

In acknowledging this progress (in the context of very challenging financial circumstances) which would enable the Cabinet to make decisions and recommend to full Council a revenue budget and the council tax level for 2016/17. The Commissioners considered it important that the further work was needed and highlighted this to the Cabinet as formal advice.

In particular, the Cabinet was asked to ensure that further progress was made on the following:-

- Developing the MTFs for the full four year period, ensuring synergy with the Growth Plan and moving on from an annualised approach to budget setting.
- Utilising a themed corporate, strategic and crosscutting approach to drive out further efficiencies and avoid 'salami slicing'.
- Moving towards greater sustainability in balancing the budget which avoids depletion of reserves or the danger of creating a financial precipice.
- Prioritising work on those measures used to balance this budget but which are not yet fully developed and may be challenging, including the review of staff terms and conditions.

Councillor Read, Leader of the Council, welcomed the formal advice from Commissioner Ney on behalf of the Commissioners and accepted it in its entirety.

Councillor Steele, Chairman of the Overview and Scrutiny Management Board, expressed his concern, however, with the collection of business rates, especially if there was uncertainty in the economy and the importance was stressed by Commissioner Ney on the need to dovetail the Medium Term Financial Strategy with the Growth Plan as this would begin to deliver greater certainty in the business rates environment. This would identify what could and could not be relied upon and some of the uncertainty would be removed as the Council moved to a four year budget position.

Recommended:- That the Council be asked to:-

- **Approve as set out in this report the proposals for a balanced revenue budget for 2016/17 and the impact of the budget proposals in 2017/18 and 2018/19.**

- **Approve the investment proposals as set out in the budget report (Appendix 2) noting that some of this investment is required to address inherent budget pressures and some is required to provide scope for growth and improvement.**
- **Approve the proposed use of Reserves as set out in this report.**
- **Note and accept the comments and advice of the interim Strategic Director of Finance and Customer Services (Section 151 Officer), 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.**
- **Note the consultation feedback from the public and partners following publication of Directorate budget savings proposals on the Council's website for public comment through to 12th February 2016 (Section 5 of this report and Appendix 3).**
- **Approve the proposed use of Capital Receipts to fund the first £2m of severance costs arising from service reconfiguration to deliver efficiencies and improved outcomes for clients and residents. See Efficiency Strategy (Appendix 4).**
- **Note the planned review of Habershon House Outdoor Education Centre which will report back to Cabinet in June 2016 (Paragraph 3.27).**
- **Approve:-**
 - **An increase in the basic amount of Council Tax (i.e. the Borough's element excluding precepts) of 3.95% - this being comprised of a 2% precept for Adult Social Care services (a new precept announced in the provisional settlement in December 2015 for Authorities with Adult Social Care responsibilities) and a 1.95% increase in the Council's own basic level of Council Tax.**
 - **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 2nd March, 2016.**

30. CAPITAL PROGRAMME BUDGET SETTING REPORT - 2016/17 TO 2020/21

Consideration was given to a report presented by Councillor Alam, Cabinet Member for Corporate Services and Budgeting, which detailed the Council's new Capital Strategy and the proposed Capital Programme for the period 2016/17 to 2020/21 and to confirm that there were adequate levels of resources available to finance the Capital Programme.

Cabinet were, therefore, asked to approve the Capital Strategy and the Capital Programme before formal approval by full Council at the meeting on 2nd March, 2016.

The Capital Strategy and proposed Capital Programme 2016/17 to 2020/21 set out the Council's future capital investment plans, which would ensure that investment decisions were clearly aligned with the Council's strategic priorities and vision for Rotherham.

The Strategy set out the seven Golden Rules for determining which projects would be approved for inclusion in the Capital Programme. These rules prescribed the governance and approval procedures that must be followed and the framework under which the Capital Programme would operate.

The report also illustrated the total Capital Programme, its arrangements, and the delivery of the key strategic projects, which included various schemes including £17 million for the town centre, £73 million for improving highways and infrastructure, £151 million for housing and neighbourhood investment and £43 million on highway schemes through the Sheffield City Region.

Councillor Read, Leader of the Council, recommended this breakthrough process which ensured the Strategy was aligned to political priorities and the vision and that what was recommended for delivery was delivered. He also illustrated the inclusion of £13 million for invest to save schemes, £9 million of buildings critical condition works, £10 million on ICT critical condition works, £10 million additional highway resurfacing works and the purchase of 150 additional homes through the HRA.

Stuart Booth, Interim Strategic Director of Finance and Corporate Services, reiterated the breakthrough with the new Capital Strategy, which clearly articulated how it was affordable for the Borough and aligned to the priorities. The Council was working with the Sheffield City Region to drive forward growth and investment in the region.

The detailed Capital Strategy and Capital Programme stemmed from the priorities and careful consideration had been given to the maximum use of capital receipts and prudential borrowing to support the funding of the Programme.

Governance of the Programme would ensure best practice and HM Treasury guidance was followed.

Commissioner Ney informally advised the proposed Capital Programme 2016/17 to 2020/21 represented a significant investment predominantly in construction activity and suggested the Council should explore the scope to utilise its procurement process within the construction sector and its partnerships with developers to deliver additional benefit through apprenticeships, skills and pathways to employment for Rotherham residents and young people in the sector.

Recommended:- That Council be asked to approve the new Capital Strategy, as presented in Appendix A and Capital Programme, as presented in Appendix B (for £279.095m in the period 2016/17 to 2020/21), which would require prudential borrowing of £53.602m to fund non-HRA schemes over the five year period, for which provision had been made in the revenue budget for the associated financing costs.

31. PRUDENTIAL INDICATORS AND TREASURY MANAGEMENT AND INVESTMENT STRATEGY 2016/17 - 2018/19

Consideration was given to a report presented by Councillor Alam, Cabinet Member for Corporate Services and Finance, which detailed how the Local Government Act 2003 and supporting regulations required the Council to 'have regard to' the CIPFA Prudential Code and the CIPFA Treasury Management Code of Practice and prepare, set and publish prudential indicators and treasury indicators that ensured the Council's capital expenditure plans were affordable, prudent and sustainable in the long-term.

The Prudential Indicators and Treasury Management Strategy together formed part of the process which ensured the Council met the balanced budget requirement under the Local Government Finance Act 1992.

The report, therefore, set out the proposed Treasury Management Strategy Statement and Borrowing Limits for 2016/17 and Prudential Indicators for 2016/17 to 2018/19 and had been presented to Audit Committee in furtherance of its delegated role of scrutiny on Treasury matters, including the Treasury Management Strategy and related policies.

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 (Interim) Strategic Director of Finance and Customer Services was 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 2016/17 to 2018/19.
- ii. A Minimum Revenue Provision (MRP) Statement which set out the Council's policy on MRP.
- iii. An Annual Treasury Management Strategy in accordance with the CIPFA Code of Practice on Treasury Management including the Authorised Limit.
- iv. An Investment Strategy in accordance with the Department for Communities and Local Government (CLG) investment guidance.

Albeit a technical and complex report the key messages were:-

- a. Investments – the primary governing principle would remain **security** over return and the criteria for selecting counterparties reflected this. Cash available for investment would remain low, resulting in low returns;
- b. Borrowing – overall, this would remain fairly constant over the period covered by this report and the Council would remain under-borrowed against its borrowing requirement due to the higher cost of carrying debt. New borrowing would only be taken up as debt matures; and,
- c. Governance – strategies were reviewed by the Audit Committee with continuous monitoring which included Mid-Year and Year End reporting.

Stuart Booth, Interim Strategic Director for Finance and Corporate Services, confirmed the strategies are largely unchanged from previous years, but gave his assurance that; the prudential indicators required by statute fully took account of the Council's Capital plans; the revenue implications were fully contained within the proposed Revenue Budget; with regard to investments the governing principle continued to be security over return; the Council would remain under-borrowed against the borrowing requirement due to the higher cost of carrying debt; and governance of the strategies was through regular reporting to the Audit Committee.

Recommended:- That Council be asked to:-

- i. **Approve the prudential indicators and limits for 2016/17 to 2018/19 contained in the report.**
- ii. **Approve the Minimum Revenue Provision Policy Statement contained in Appendix A which sets out the Council's policy.**
- iii. **Approve the Treasury Management Strategy for 2016/17 to 2018/19 and the Authorised Limit Prudential Indicator.**
- iv. **Approve the Investment Strategy for 2016/17 to 2018/19.**