CABINET

Venue:	**Bailey Suite, Bailey Hlouse, Rawmarsh Road, Rotherham**	**Date:**	**Wednesday, 24 February 2010**
		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. Minutes of the previous meeting held on 10th February, 2010 (copy supplied separately)

5. Revenue Budget Monitoring for the period ending 31st January, 2010 (report herewith) (Pages 1 - 8)
   - Strategic Director of Finance to report.

6. Proposed Revenue Budget and Council Tax for 2010/11 (report herewith) (Pages 9 - 22)
   - Strategic Director of Finance to report.

7. Capital Programme Budget 2010/11 to 2012/13 (report herewith) (Pages 23 - 37)
   - Strategic Director of Finance to report.

8. Prudential Indicators and Treasury Management and Investment Strategy 2010/11 to 2012/13 (report herewith) (Pages 38 - 67)
   - Strategic Director of Finance to report.

9. Local Government Reform – Consultation on Draft Statutory Guidance on the Duty to Respond to Petitions (report herewith) (Pages 68 - 76)
   - Chief Executive to report.

10. Local Authority Business Growth Incentive - Rotherham South Area Assemblies Devolved Budget Proposals (report herewith) (Pages 77 - 81)
    - Strategic Director of Neighbourhoods and Adult Services to report.

11. Rotherham Investment Board (report herewith) (Pages 82 - 87)
    - Strategic Director of Environment and Development Services to report.

12. Rawmarsh Joint Service Centre, Barbers Avenue, Rawmarsh - Appropriation (report herewith) (Pages 88 - 90)
    - Strategic Director of Environment and Development Services 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 of any particular individual (including the Council)):-

14. Potential Capital Receipts from the Sale of Commercial Ground Rents (report herewith) (Pages 91 - 102)
    - Strategic Director of Environment and Development Services to report.

15. Former Guest and Chrimes Site and Proposals for a New Community Stadium, Rotherham (report herewith) (Pages 103 - 110)
    - Strategic Director of Environment and Development Services to report.

16. Hellaby Depot (report herewith) (Pages 111 - 126)
    - Strategic Director of Environment and Development Services to report.

 Agenda Item 5

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1	**Meeting:**	**Cabinet**
2	**Date:**	**24th February 2010**
3	**Title:**	**Revenue Budget Monitoring for the period ending 31 January 2010**
4	**Directorate:**	**Financial Services**

5 Summary
This report provides details of progress on the delivery of the Revenue Budget for 2009/10 and covers the first 10 months of the 2009/10 financial year.

6 Recommendations

Cabinet is asked to

- **Note the contents of this report, and**
- **Require further intervention and action be taken by Directorates before the end of the financial year, with a view to minimising overspends.**
- **Note the progress made to date in reducing the pressures on the Council's Revenue Budget.**

7.1 Proposals and Details

This is one of a series of reports setting out details of spending against budget by Directorate. This report covers the first 10 months of the 2009/10 financial year – April to January. In accordance with the agreed MTFS and Budget timetable a monthly revenue budget monitoring report will be presented at SLT with reports through to Cabinet on a quarterly routine. Ad hoc additional reports regarding any specific budget issues will be prepared and reported through to SLT and Cabinet as and when required.

7.2. The Overall Position

Service Area	**Annual Budget 2009- 10 £'000**	**Projected Out-turn 2009- 10 £'000**	**Variance After actions (over/under spend) £'000**	**%**
Children & Young People Services	37,957	41,965	+4,008	+10.6
Environment and Development Services	45,558	45,784	+226	+0.5
Neighbourhoods and Adult Services	76,867	77,657	+790	+1.0
Chief Executives	8,855	8,815	-40	-0.4
Financial Services	10,449	10,449	0	0
Central Services	30,514	30,729	+215	+0.7
Other Issues (see page 9)	650	-1,999	-2,649	n/a
TOTAL	**210,850**	**213,400**	**+2,550**	**+1.2**
Housing Revenue Account	**0**	**-2,083**	**-2,083**	**n/a**

The main areas contributing to this projected overspend position are as follows:

<u>Children and Young People Services</u> (+£4.008m)

The Directorate is currently forecasting an overspend of £4.008m for the financial year 2009/10. This is an increase of £0.216m on the projected overspend of £3.792m for the period to the end of October reported to Cabinet on 18 November 2009. The principal reasons for this are:

- An increase in the number of children in residential out-of-authority placements (+2 and 1 extension) and an increase in the number of children in independent foster care (+2 and 3 extensions), (+£363k).
- These additional costs have been offset by reduced pressures on S17 payments (for the prevention of children entering care) and S23 payments (expenses relating to Looked After Children such as legal fees, special guardianship allowances and agency costs) (-£145k).

Environment and Development Services (+£0.226m)

The Directorate is forecasting an overspend of £0.226m. This is a reduction of £0.394m on the forecast reported to Cabinet on 18 November 2009 for the period ended 31 October 2009. The principal reasons for this reduction are as follows:

- Increased savings from the new Waste Management Contract (-£151k)
- Use of insurance monies received in settlement of claims resulting from the flooding experienced by the Borough in 2007 (-£200k).
- A reassessment of the level of income likely to be earned by the design and construction trading accounts, where a prudent assessment had been reported previously (-£150k).
- These savings have been offset by a reduction in savings on the Business Unit (+£50k) as a result of a reassessment of savings on staffing costs and from reduced income from markets (+£25k) and from building control fees (+£30k).

Neighbourhoods and Adult Services (+£0.790m)

The Directorate is forecasting an overspend of £0.790m. This is a reduction of £0.249m on the forecast as at the period ending 31 October and reported to Cabinet on 18 November 2009. The principal reasons for this are:

Adult Services (+£69k)

Pressures on the service have reduced by £156k from £225k to £69k. Previously reported underlying budget pressures on Adult Services have reduced to by £0.2m from £2.3m to £2.1m, whilst identified management actions offsetting these now stand at £2.031m. In summary, there have been reductions in the following pressures:

- The additional cost to the Council of delays in shifting the balance of Home Care for Older People to the independent sector has reduced because more clients than previously estimated have been moved into less expensive independent sector care (-£128k);
- The cost of the increased demand for Direct Payments within Physical and Sensory Disabilities and Older People's Services has been reduced by the application of government grant to this area (-£75k);
- There have been further planned delays in developing new supported living schemes for Leaning Disability Day Care clients (-£107k).

These reductions in pressures have been offset by slight increases in the following areas:

- Independent Sector Home Care for those with Physical and Sensory Disabilities (+£40k) as a result of a slight increase in client numbers.
- An increase in the number of those with Physical and Sensory Disabilities needing residential and nursing care short stays (+£85k).

Neighbourhoods (+£0.721m)

Overall spending pressures have reduced by £93k from those reported to Cabinet on 18 November 2009. Those on the **Independent Living Service**

have reduced slightly by £18k. The principal spending pressure remains on the Independent Support Service Wardens. The service is the subject of a full management review, with the potential to integrate this area with Domiciliary Care within Adult Services being an option that is being explored. Continuation of the service in its current format will result in a projected overspend in 2009/10 of £0.617m, a £10k reduction on the position reported previously.
In the case of **Housing and Neighbourhood Services** continuing careful housekeeping such as vacancy management and restricting non-essential spend has reduced the projected overspend by £75k from £166k to £91k.

Financial Services

At this stage of the financial year the Directorate is forecasting a balanced budget for 2009/10.

Chief Executive (-£40k)

The previous report to Cabinet on 18 November 2009 reported a balanced budget. The Directorate has now identified a forecast saving of £40k as a result of vacancies and staff secondments in the Chief Executive's department (-£53k), additional income received and vacancies in Human Resources (-£33k) offset by additional costs for Statutory Notices within legal and Democratic Services (+£46k).

Central Services (+£0.215m)

As previously reported provision had been made in the Council's 2008/09 revenue and capital final accounts for the settlement of the Council's liability in the legal case brought by the Ibstock Brick Company Ltd for additional costs incurred as a result of the Council's actions at a former landfill site. The company has accepted the Council's offer of a final settlement. However, the costs of the Council's external legal advisers have now been billed for which there is insufficient revenue budget provision.

Other Issues

In addition to the above pressures the following further items had been identified previously and reported to Cabinet on 18 November 2009.

- **Maltby Academy Deed of Gift (+£500k)**

It was proposed that the remaining spending pressures identified in that report be partially offset by the following:

- **Application of the Council's Contingency Fund (-£650k)**
- **Overprovision for the 2009 pay award (-£700k) –** This is now reflected in Directorate budgets shown in the table above**.**
- **Additional Local Authorities Business Growth Incentives Scheme (LABGI) Grant (-£180k).**

The net effect of these items reduced the pressure on the budget by £1.030m.

Since the last report the following additional sources of income have been identified.

VAT Refunds (-£1.119m)
Under EU law UK taxpayers may recover overpaid VAT, over-declared VAT or under-deducted VAT if it has not been claimed at any time between 1973 and1997. However, in this country the VAT Regulations of 1995 introduced a three-year time limit for any claims for incorrectly paid input tax (tax on purchases made) for the period 1973 to 1997.

The introduction of this three-year time limit for claims was contested through the European Court of Justice on the basis that this breached Community law. This view was upheld by the Court. In the UK the position was tested in the Fleming case which went to the House of Lords on appeal in January 2008. The Lords decided that input tax incurred pre-May 1997 was uncapped (i.e. not subject to the three-year time limit). This meant that unless and until Parliament or Her Majesty's Revenues and Customs (HMRC) announced to all taxpayers that a transitional period was being introduced, the three-year limitation period could not start to run.

HMRC accepted that this judgement also applied to the recovery of output tax (tax included in prices or charges made). As a result of this judgement HMRC took a pragmatic approach in January 2008 by announcing that it would pay all output tax and input tax claims that accrued before 4 December 1996 and 1 May 1997 respectively and that it would make a further announcement in due course. This gave UK taxpayers a small window of opportunity in which to determine if they had any outstanding VAT claims for the period 1973 to1997 and to submit them with claims for interest to HMRC.

Legislation was introduced in the Finance Act 2008 to provide a transitional period to 31 March 2009 during which eligible businesses could make claims for rights that accrued before the introduction in 1997 of the three-year time limit for claims. This applied to businesses registered for VAT between 1 April 1973 and 1 May 1997 who either declared more output VAT than they were liable for, or claimed less input tax than they were entitled to.

The Council has taken this opportunity to submit claims for output tax. This recovery of output tax has been applied to three main areas of service i.e. culture (mainly theatre admission prices), general sports provision, such as pool hire and sports hall hire, and sports courses (e.g. where a charge is made for coaching).
The Council can reasonably expect to recover about £1m by 31 March 2010. In addition the Council has recovered a further £119k of VAT during the normal course of regularly reviewing its taxation liabilities.

Yorkshire Forward Income (-£0.500m)
Additional income of £0.5m has been received from the Homes and Communities Agency to reimburse the Council for legal and marketing costs incurred by the Council in selling land which it had regenerated with the assistance of grant aid in prior financial years.

In summary the net effect of these further two Other Issues reduces the pressures on the budget by a further £1.619m. This is reflected in the table at paragraph 7.2 on page 2 of this report. This substantially reduces the overall forecast budget deficit to £2.550m.

Meanwhile work is actively progressing to identify further savings or additional income to reduce this remaining budget deficit. This further work has identified costs that have been incurred by the Revenue Budget of the Council in 2009/10 and in prior years for the development of Private Finance Initiative (PFI) projects (Schools, Leisure Facilities and Waste Disposal) that, under a change in accounting rules that operate from this financial year, can be charged to capital. These costs are currently being quantified and discussions are ongoing with the Council's external auditors to ensure that all costs identified for transfer fulfil all accounting standard requirements. If approval is given then this would take the current forecast overspend significantly towards a balanced budget by the year end.

Agency and Consultancy Savings
As part of the budget setting process for 2009/10 it was agreed that the Council would find savings of £250k from its budgets for agency and consultancy services. Members, through the Value for Money Review Panel, have requested that regular updates on the achievement of this target be included in future budget monitoring reports. The following table shows an analysis of Agency spend in 2009/10 to the end of December by Directorate. The table also shows an analysis between spend against the Council's approved list of suppliers and spend against other suppliers or 'off-contract suppliers'. These costs are included within the Directorate forecast outturn positions reported in 7.2 above.

Directorate	**Contract Suppliers**		**Off- Contract Suppliers**		**Total**
	£'000		**£'000**		**£'000**
Children & Young People's Service (Excluding Schools)	837		114		951
Neighbourhoods & Adult Services	336		43		379
Environment & Development Services	469		192		661
Chief Executive and Financial Services	42		42		84
TOTAL	**1,684**		**391**		**2,075**

Currently equivalent information for spend on consultants is being collated and will be included in future budget monitoring reports for the new financial year 2010/11.

<u>Housing Revenue Account (HRA)</u> (-£2.083m)

The principal factors contributing towards the projected surplus are:

- A change in the 2009/10 Housing Revenue Account Subsidy Determination for the Council issued at the end of March 2009 now means that the Council receives payments from the government rather than having to make payments, i.e. it is in ‘positive subsidy’ position rather than a ‘negative’ one. The budget for the HRA set early in 2009 was based on the Council being a payer to the government. This has resulted in an additional £2.349m of subsidy over that which has been budgeted.

- However, this has been offset by an under recovery of rent against the level that was budgeted originally (+£1.188m). This is because of the decision to change the rent increase for 2009/10 in accordance with the government’s subsidy determination. This has been offset by a reduction in the level of other rental losses of £0.444m. Overall this under recovery of rent has reduced by £0.400m since the previous report to Cabinet and is the main reason why the projected surplus on the HRA has increased from £1.655m to £2.083m.

- In addition, it is estimated that the level of depreciation that is required to be charged to the Housing Revenue Account in accordance with recommended accounting practice will be £0.529m less than originally estimated.

8. Finance

The financial issues are discussed in section 7 above.

9 Risks and Uncertainties

Management actions have been put in place to address some of the issues identified to date and work is being undertaken to identify further actions. As these take effect they will be monitored to enable the impact of the actions to be assessed. Careful scrutiny of expenditure and income across all services and close budget monitoring therefore remain essential.

10. Policy and Performance Agenda Implications

The delivery of the Council’s Revenue Budget within the parameters agreed at the start of the current financial year is essential if the objectives of the Council’s Policy agenda are to be achieved. Financial performance is a key element within the assessment of the Council’s overall performance framework.

11. Background Papers and Consultation

- Proposed Revenue Budget and Council Tax for 2009/10 Report to Cabinet 25 February 2009.

- Revenue Budget Monitoring for the Period ending 30 June 2009 – Report to Cabinet on 29 July 2009.
- Revenue Budget Monitoring for the Period ending 31 August 2009 – Report to Cabinet on 23 September 2009.
- Revenue Budget Monitoring for the Period ending 31 October 2009 – Report to Cabinet on 18 November 2009.
- Strategic Directors and Service Directors of the Council

Contact Name: David Barker, Strategic Finance Accountant, *Central Finance 22017* *David.Barker@rotherham.gov.uk*

Agenda Item 6

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	**Meeting:**	**Cabinet**
2)	**Date:**	**24 February 2010**
3)	**Title:**	**Proposed Revenue Budget and Council Tax for 2010/11**
4)	**Directorate:**	**Financial Services**

5. Summary

This report provides details of:

- The progress of the Budget process since December 2009, (including confirmation of the Government Grant Settlement),
- The Council's recommended Revenue Budget for 2010/11,
- Spending plans for Directorates,
- The assumptions reflected in the Budget and spending plans,
- 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) 2010/11 to 2012/13.

As required by legislation, the report also contains the Strategic Director of Finance's assessment of the robustness of the estimates included within the Budget and the adequacy of the reserves for which the Budget provides.

6. Recommendations:-

1. That Cabinet recommend to Council that on the 3rd March 2010:

(a) They approve:-

(i) a General Fund Revenue Budget for 2010/11 of £216.985m to be allocated to services as set out in this report.

(ii) the use of £1.3m from the Collection Fund Surplus in support of the Council Tax level.

(iii) an increase in the Council Tax of 2.7% in respect of this Council's own Budget giving an annual Band D Council Tax of £1,230.03

(iv) the establishment of a general Contingency Fund of £0.650m within the Revenue Budget to mitigate potential risks and uncertainties within the Budget.

(b) They note and accept the comments of the Strategic 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 Civil Defence Authority and the various Parish Councils and Parish Meetings be incorporated, when known, into the recommendation to the Council on 3rd March 2010.

7. Proposals and Details

Background – the Budget Process

As in recent previous financial years the Council's Budget process began by identifying the level of future funding required by the Council to finance its existing policy framework, before moving on to consider the Council's response to changing circumstances, new service requirements and policy developments in response to stakeholders' and tax payers' needs within and beyond Rotherham. This process ensures that the allocation of resources is clearly aligned to corporate priorities and objectives, which are:

- Rotherham Learning
- Rotherham Achieving
- Rotherham Alive
- Rotherham Safe
- Rotherham Proud

plus two cross-cutting themes:-

- Sustainable development
- Fairness

As well as producing a Budget in accordance with the priorities of the Council as set out in its Corporate Plan and its Medium Term Financial Strategy the process results in a proposed Budget which is balanced and affordable in 2010/11 and sustainable over the medium term.

The current Budget process began in July 2009 when Cabinet agreed the Budget timetable. During the Autumn, Budget assumptions were agreed including the savings to be achieved from a number of cross-cutting budgets. These budgets have been the subject of reviews by joint Member and officer working groups and have involved trade union colleagues. In addition, Directorates have submitted proposals for efficiency savings and for essential extra investments and developments in services. These proposed investments and savings have been prioritised and have formed the basis for further discussion and consultation with all elected Members and other stakeholders including the public, partner organisations, the business community and trade unions.

Draft General Fund Revenue Budget for 2010/11

The draft net Budget resulting from this process, which is recommended in this report, is set out below with the original approved Budget for 2009/10 shown for purposes of comparison. This shows the considerable additional investment in the Council's front-line services described in detail below:-

Budget 2009/10 Approved March 2009		Draft Budget 2010/11	Change	Percentage Change
£'000		£'000	£'000	%
77,337	**Neighbourhoods & Adult Services**	76,638	-699	-0.90
38,094	**Children & Young People's Service**	40,450	+2,356	+6.18
45,373	**Environment & Development Services**	45,100	-273	-0.60
10,507	**Financial Services**	10,229	-278	-2.65
9,014	**Chief Executive**	8,909	-105	-1.16
	Central Services:			
18,372	**South Yorkshire Passenger Transport Levy**	18,739	+367	+2.00
650	**Contingency Fund**	650	0	0
11,292	**Other Central Services**	16,270	+4,978	+44.08
210,639	**TOTAL**	**216,985**	**6,346**	**3.01**

The Budget outlined above will:

- enable the Council to deliver its corporate priorities by harmonising available resources with its priorities

- secure funding for those proposed investments identified as highest priority

- make a positive difference to the wellbeing of the people of Rotherham by promoting investments in key local priorities. These include:-

Safeguarding children and young people (£3.3m) - ensuring that there are adequate resources for safeguarding young people. Additional spend is targeted primarily at ensuring adequate fostering or residential placement services, and additional contact and support workers.

Safeguarding vulnerable adults (£1.3m) – to improve further the Council's performance in safeguarding vulnerable adults and reflecting the increasing demand for services resulting from the projected changes in the age profile of the local adult population.

Devolved budgets for Area Assemblies (£140k) – helping to ensure that local priorities for services are identified and acted upon

South Yorkshire Integrated Transport Authority Levy - a 2% increase in the levy was approved by the Integrated Transport Authority on February 4th 2010. The additional cost of this increase to the Council is £0.367m and this will protect vital tendered bus services across the Borough.

Provision has been made in the proposed Budget for the revenue consequences of the Council's **continuing capital investment across the Borough** in schools, pools, roads, customer services and in regenerating the town centre.

The level of Council Tax - to keep any increase in the Council Tax as low as possible whilst delivering service priorities a reduction from last year's increase of 2.9% to the proposed 2.7% increase for 2010/11 will cost £0.180m. The increase proposed in this report is the lowest in over a decade, and would make 2010/11 the 5th year in a row with the inflationary increase falling.

Wherever possible the opportunity has been taken to maximise the use of available grant funding, e.g by the flexible application of Area-Based Grant (£0.345m) and anticipation of reward grant for successfully achieving outcome targets under the second round of Local Public Service Agreements (£0.850m).

There has also been a 0.4% increase in the Council Tax base. This is estimated to yield an additional £0.365m. Further details are given in the next section of this report.

The following Council-wide savings or additional sources of funding have been identified for 2010/11:

- **Cross-cutting savings (-£2.9m) –** further details of these are given in **Appendix 1**.

- **Additional Council-wide savings proposals identified (-£3.3m) –** further details of these are given in **Appendix 1.**

In addition the following savings targets have been considered and put forward by Directorates, totalling £5.985m.

Children and Young People's Service - £0.844m
Neighbourhoods and Adult Services -£3.735m
Environment and Development Services -£1.016m
Financial Services -£0.190m
Chief Executive - £0.200m.

A careful review has been undertaken of the Council's reserves and balances and it has freed up the following items to support the Budget proposed for 2010/11

- **Invest to Save Fund** – a review of the Fund has identified that £80k could be used to support the Revenue Budget.
- **Insurance Fund -** a review of the Fund has identified that £100k could be used prudently to support the Revenue Budget.

Dedicated Schools Grant (DSG) - It should be noted that the above net Budget includes schools-related expenditure for Rotherham schools wholly covered by the specific and ring-fenced Dedicated Schools Grant of £172.414m, a 1.3% cash increase over the final allocation for 2009/10.

Overall these proposals are designed to put the Council in a robust position to meet the challenges ahead.

Resources

In developing the Revenue Budget, as well as spending and cost pressures the level of resources available to the Council next year has been considered.

Comprehensive Spending Review 2007 (CSR)

The introduction of multi-year government grant settlements in 2006 has provided a greater degree of certainty over the resources available to the Council and assisted in the preparation of the coming year's Budget. The current Settlement covers the 3 financial years between 2008 and 2011. The outcome of the 2007 CSR was reported to Members on 14 November 2007. Barbara Follett, the Minister for Local Government confirmed in her statement on 20 January 2010 that the third year of the settlement would not change from the indicative figures already published for 2010/11 two years ago in January 2008. The latest Pre-Budget Report published by the government on 10 December 2009 indicated that it was maintaining its public spending plans for 2010/11. Briefly, for local government these are as follows:

- There will be a 1% average annual growth in real terms expenditure over the three years 2008/09 to 2010/11.
- Resources available for Revenue Support Grant and National Non-Domestic Rates will increase in cash terms by 2.6% for 2010/11.
- Within the overall grant allocation, the amount distributed to local authorities in Business Rates (NNDR) has increased by 10.3% in 2010/11, reflecting a surplus on the national rates pool.
- Central government expects relatively low Council Tax increases in 2010/11. The Minister of State, in her letter to councils of 20 January 2010, has indicated that this increase is expected to be lower than the average Band D rise for 2009/10 which was 3%. She has also stated that she will not hesitate to use her capping powers as necessary to protect council taxpayers from excessive increases, including requiring authorities to re-bill if that proves necessary.
- Further cash efficiency savings – The CSR2007 did not set specific efficiency targets for individual councils (unless they were agreed as part of the Local Area Agreement) but assumed cash releasing efficiency gains of 3% a year. This assumption was revised in the Chancellor of the Exchequer's Budget Statement in March 2009 which increased the efficiency savings target in 2010/11 to 4%. Although there are no individual efficiency targets for councils performance against a National Performance Indicator (NI 179 – Value for Money) is assessed as part of the annual Council's Comprehensive Area Assessment (CAA). Information

on the Council's efficiency savings has also to be included in information that accompanies all Council Tax bills.

Government Grant – 2010/11 is the third year of the three-year Local Government Finance Settlement following the completion of the CSR. The Final Settlement for 2010/11 can be summarised as follows:

	£'000
Revenue Support Grant (RSG)	15,639
National Non-Domestic Rates – share of the national pool	107,703
Total - Formula Grant	**123,342**

In Rotherham's case formula grant has increased by 3.7% over 2009/10, which compares favourably with the position in other Authorities. This is consistent with the MTFS projections but the allocation has been scaled back to fund the damping arrangements which guarantee minimum grant increases of 1.5% for education and social services authorities.

- Nationally grant has increased by 2.6%.
- Metropolitan Districts have received an average increase of 2.5%.
- Authorities in the Yorkshire and Humber region have received a rise of 2.9%.
- The Council's increase is higher than the average increase for education authorities at 2.8%.

In the case of the National Non-Domestic Rates element of formula grant the rates multiplier set by the government will be 41.4p for standard charges and 40.7p for small businesses. This represents a 1.4% reduction on the 2009/10 values and reflects (a) the fall in the September Retail Prices Index (RPI) on which any increase/decrease for the following year is based and (b) the revaluation of properties that will come into effect from 2010/11.

Other Government Grants
Nationally, £51.6bn of specific grants have been allocated, an increase of 4.7%. More specifically:

- Children's and Education grants (including DSG) have risen by 5.8%.
- Adult Social Services grants have risen by 26.5%. Rotherham's allocation of £1.6m is 24.8% higher due to an increase of £0.3m in Social Care Reform Grant.
- Area Based Grants now include Supporting People Grant. Rotherham's allocation is £22.2m. National Area Based Grants also now include £210m for free personal care at home. This grant will rise to £420m in a full year. However, the government's estimated total cost of the scheme is £670m and the government is expecting the difference to be met by further efficiency savings in local government.

Council Tax - The proposed Revenue Budget would require a 2.7% rise in the Council Tax. As required by legislation, and as in previous years, a formal report will be brought to Council on March 3rd 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 Civil Defence Authorities (which are due to be declared later this month).

The Local Government Finance Act 1992 requires that the Council set a Council Tax for the financial year 2010/11 by 11th March 2010. Council Tax levels must be determined for both parished and unparished areas of the Borough for each Council Tax Band (A to H); taking into account the precepts from the South Yorkshire Police Authority and the South Yorkshire Fire and Civil Defence Authority.

A Cabinet meeting on 20 January 2010 agreed a Council Tax base for 2010/11 of 75,071.21 Band D Equivalent properties after adjusting for losses on collection, allowances, reliefs and discounts granted. This represents an increase of 0.4%, or 297 Band D Equivalent properties, over the 2009/10 Base.

The planned level of Council Tax includes the use of £1.3m from the surplus balance expected on the Collection Fund as at 31 March 2010. This has been generated by the Council achieving a higher rate of collection for Council Tax than the 97% expected when setting the previous years' tax levels.

Funding the Budget

It is proposed that the financing of the Council's Budget of £216,985,000 for 2010/11 is as follows:-

	£'000
Formula Grant	123,342
Collection Fund Surplus	1,303
Which will leave to be raised from Council Tax – an increase of 2.7% on the Council Tax levied in 2009/10	92,340
Funding Total	**216,985**

This would result in a Band D Council Tax (for the Council only) of £1,230.03 an increase of 2.7% over the Tax for 2009/10 of £1,197.64. This would mean a Band A Tax of £820.02, a Band B Tax of £956.69 and a Band C Tax of £1,093.36 per year. 80% of properties in Rotherham are classed as Band A (46%), Band B 19% or Band C (15%) and will pay a lower amount of Council Tax than the figure quoted at Band D.

Medium Term Financial Strategy (MTFS)

The 2010/11 Revenue Budget outlined above represents the third year of the three covered by the current Medium Term Financial Strategy (MTFS) 2008-2011. As part of the process of developing the Budget, the MTFS (which was agreed in July 2008 and updated in July 2009) is also under review and the period covered by the Strategy will be extended to 2013. A draft revised MTFS will be brought forward for Members' consideration early in the new financial year. The MTFS will include predictions of the future level of resources available to the Council, and the predicted demand for, and cost of, services. Likely grant settlement details and changes in grant beyond 2010/11 are not currently available. However, it is expected that the level of resources available to local government will be significantly constrained after the forthcoming General Election as, whichever party of government is returned, it will have to realign the public finances in order to start to reduce the high level of public sector borrowing that has been generated to support the economy in the wake of the severe world economic downturn.

8. Finance

The proposals for the 2010/11 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 2010/11 Revenue Budget are sound. The multi-year Grant Settlement has again allowed a greater degree of certainty in preparing resource projections for 2010/11 and a prudent use of available reserves has been assumed, which means that the resource projections are robust.

- that the service plans 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 Value for Money Review process and other scrutiny and strategic planning processes the Council will ensure the sustainability of its annual Budget and other financial plans. Again the prospects are good.

This report recommends:

- a Council Tax increase of 2.7% (from £1,197.64 to £1,230.03 at Band D), which will necessitate the use of £1.3m from the estimated Collection Fund surplus.

- a General Fund Revenue Budget for Rotherham Council in 2010/11 of £216,985,000.

- The establishment of a £0.650m Contingency Fund to address potential Budget and service pressures and to mitigate any risks associated with the assumptions underlying the Budget, for example on pay and price increases. For information, the following general assumptions with respect to inflation have been provided for within the Budget:

    - A nil% increase in pay, although actual pay increases are still subject to negotiation. The employers' organisation has recently indicated that no pay award will be offered for 2010/11.

    - A general inflation rate of 0%, and where known in relation to specific items of expenditure, a specific provision for inflation if significantly different.

Should the inflation rate vary from these assumptions, a call on the Contingency Fund may be considered **but in the first instance, in line with Council policy, it is expected that all such pressures will be contained within Directorate Cash Limit budgets**.

9. Risks and Uncertainties – Report of the Strategic Director of Finance

The Chief Financial Officer of an Authority (in Rotherham Council's case the Strategic 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.

Like everything else, Budgets involve risks. These include the possibility that the resources available prove insufficient to meet the pressures falling on services, that resources are not accurately focused on key priorities, that the Budget may not be sustainable, that it may be diverted by unanticipated events, or that it may simply be poorly managed. Therefore a great deal of effort and careful management is needed in delivering the Budget and to assist in this Members will receive regular reports of progress against the Budget during the coming year.

It is important to understand that most of the following risks will, *other than in the most exceptional of circumstances*, need to be contained by Directorates within their cash-limited budgets.

Each Strategic Director has sought to identify the various risks within their part of the Budget, and to attribute a degree of probability to those risks. Corporate and service risk registers and risk mitigation action have been considered, and I have also assessed the estimated financial risks for each service area arising out of the Budget process, and have concluded that there is a reasonable likelihood that they will prove to be containable. However, elected Members and Strategic Directors will still need to ensure that they have proper regard for the management of risks, and that they take action to further embed a culture of risk management across the Council.

Budget Pressures

Considerable additional resources have been provided in these Budget proposals for the safeguarding of both young people and vulnerable adults. **First and foremost in the case of vulnerable young people and adults it is essential that their needs are appropriately, and fully, met. Additionally, careful financial management must be exercised in these service areas, given the identified pressures.**

Other risks include:

- Possible variances from the anticipated cost increases, particularly in respect of pay awards, where a prudent but realistic provision of 0% has been made, and in respect of fuel prices. An allocation of £0.650m in the proposed Revenue Budget is to be used to provide a Contingency Fund. Not only does this mitigate the risks associated with the inflation assumptions but it will also help to provide a degree of flexibility to respond to unforeseen issues.

- Gas and electricity price levels remain volatile and therefore it is not possible to provide guarantees in respect of market movements. Within this context the Council has negotiated revised and more flexible contracts for its energy supplies to run from June 2009 until the end of May 2010 for gas and from November 2009 to the end of October 2010 for electricity. Work is progressing on negotiating more flexible successor contracts although prices are currently not available. To repeat the statement in my previous Budget Reports, the most obvious way to reduce risk is to take action to reduce energy consumption across the Council's property portfolio by means of good housekeeping, which will also enable the Council to meet its commitments under sustainable development.

- Elected Members and Strategic Directors must be alert to the need for flexibility to enable the Council to respond to an uncertain and difficult financial climate. This is further highlighted by the recent economic downturn which has made the management of the Council's finances more challenging. This includes:

    - the increased cost of/reduced access to capital investment funds; and
    - reduced income/collection rates for the Council

- All organisations, whether in the public, private or voluntary sector, can be subject to fraud or corruption. Rotherham Council's Fraud and Corruption Policy states clearly that it will do everything that it possibly can to prevent abuses of responsibility and privilege. Nevertheless, the possibility can never be fully ruled out and vigilance will be required if we are to succeed.

- In the event of an emergency such as a storm or flood which activates the Bellwin scheme of support from the Government, the Council is required to find the first part of any cost up to around £0.761m. In 2007/08 the Council needed to call on this scheme in the aftermath of the June 2007 storms and flooding damage within the Borough.

- The VAT regulations as they affect local authorities have recently been under review by Her Majesty's Revenue and Customs (HMRC) in order to simplify them. However, no changes to these regulations have yet been recommended, although there are plans to conduct a further review and to consult at a later date. Under the current regulations, if the "de minimis" level is breached, the immediate cost to the Council would be around £2.0m. Whilst the risk is assessed as low to medium, the lack of clarity regarding the potential implications from any further review could adversely affect the Council's position in the later years covered by the current MTFS.

- The Council has continued to make significant progress in implementing the outcomes of the Equal Pay process during 2009/10. The position was reported to Cabinet on 29 April 2009. There remains further work for the Council in this area and therefore there continues to be some financial uncertainty and risk, although at a reduced level to that previously reported.

- A contribution of £1.3m from the Collection Fund surplus is proposed to support an increase of 2.7% in Council Tax levels. This contribution is possible again because collection rates have remained above the 97% assumed in determining the Council Tax base. Performance against collection targets will need to be closely monitored during the coming year.

- Local Government Pension scheme – The last triennial valuation of the South Yorkshire Pension Fund has been completed and the outcomes have been in line with the Council's Budget predictions in the MTFS. However, the next triennial valuation is due at 31 March 2010 with the results reflected in contributions made by the Council from April 2011. This will be the first valuation since the new pension scheme rules were implemented in April 2008. The Fund's recent performance has been affected by difficulties in the financial markets which have resulted in reduced asset valuations. In addition increases in the longevity of pensioners will be expected to have an impact on actuarial assumptions which determine the value of the long-term liabilities of the fund and which will affect the level of the employers' contributions to be made by the Council from 2011/12. Until these issues are worked through this issue remains one of risk for the Council beyond 2010/11.

The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2010/11 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 the decision taken on the recommended amount available to support the Budget in 2010/11. The detailed outcomes from this review of the Council's reserves policy are summarised below. It is to be noted that this review has freed up £0.100m from the Insurance Fund and £80k from the Invest to Save Fund to support the Budget in 2010/11, as referred to earlier in this report.

The Council's reserves are expected to be £34.7m by 31st March 2010. The reserves position at 31 March 2010 is broadly in line with the Council's Medium Term Financial Strategy.

The majority of reserves (£31.6m) at 31 March 2009 are held to meet specific needs, or are ring-fenced to particular services (including Schools and Housing Revenue Account balances). Over the last year, these reserves are forecast to reduce by about £4m principally reflecting a planned use of balances held for Schools Delegated Budgets (-£2.7m), the Invest to Save Fund balance supporting the Budget in 2009/10 (-£0.6m) and use of the PFI reserves to support the running costs of completed school and leisure projects (-£0.6m).

From those Reserves available to support the Budget, £1.7m of LABGI funding received in prior years was carried forward and will be applied in 2009/10. This means that approximately £7.2m is available to safeguard the Council against the risks outlined in this report, plus any others unforeseen. I consider this to be a prudent level. The position will be monitored carefully throughout the year. The reserves position at 31 March 2010 is expected to be in line with the current financial plan.

Policy and Performance Agenda Implications

A balanced and sustainable Budget 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

- Revenue Support Grant Settlement – 20th January 2010
- Calculation of the Council Tax Base for 2010/11 –report to Cabinet 20th January 2010
- Medium Term Financial Strategy 2008-2011
- Use of Reserves – LAAP Bulletin No. 55

Consultation with SLT, elected Members, Trade Unions, business community.

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APPENDIX 1

	£000
CROSS-CUTTING SAVINGS PROPOSALS	
Overtime working	-310
Mileage/subsistence/hotel/travel/etc	-122
Agency usage, consultancy	-1,000
Procurement	-500
Re-profiling of the workforce - Administrative Support	-250
Printing & reprographics	-400
Use of Area Based Grant increases above 1%	-345
Review of the Capital Programme	0
Total Cross-cutting Proposals	-2,927
ADDITIONAL SAVINGS PROPOSALS	
Asset Management Review savings (Process/People & Buildings)	-275
Full Management review	-600
Top-slicing non-pay budgets	-309
Review of provision for pay award	-1,000
Review of procurement of professional services	0
Review of policy and performance resources	-100
Further review of administrative/back-office support functions	-51
Review of external funding resources	0
Treasury Management savings	-100
ICT savings	-320
Insurance Fund contribution	-100
Contribution from other reserves and balances (e.g. Invest to Save Fund)	-80
	-2,935
External support for Children and Young People	-275
Severance Budget	-300
Increase in Council Tax Base	-365
Collection Fund Surplus	-300
Total Additional Savings	-4,175

Agenda Item 7

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1	**Meeting:**	**Cabinet**
2	**Date:**	**24th February 2010**
3	**Title:**	**Capital Programme Budget 2010/11 to 2012/13**
4	**Directorate:**	**Financial Services**

5 Summary

The purpose of this report is to enable the Council to recommend a capital programme for approval for the financial years 2010/11 to 2012/13.

The report reiterates the ongoing impact on the Council of the current economic down turn, which has led to reductions in the level of capital receipts estimated as being available to fund the capital programme. The reduction of receipts available has significant implications for the resources available to fund the Council's capital programme for both 2009/10 and in future years.

6 Recommendations

CABINET IS ASKED TO:

RECOMMEND THE APPROVAL OF THE 2010/11 TO 2012/13 CAPITAL PROGRAMME BY FULL COUNCIL.

7. Proposals and Details

7.1 Background - The Capital Programme

The budget process that has led to the recommended capital programme for 2010/11 to 2012/13 ensures that Council's capital investment plans are aligned with its strategic priorities. The financial implications of the programme are reflected in the Council's Medium Term Financial Strategy (MTFS) and Treasury Management and Investment Strategy.

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

	2010/11 Estimate	**2011/12 Estimate**	**2012/13 Estimate**
Directorate	**£m**	**£m**	**£m**
Children and Young People's Service	24.695	28.270	76.067
Environment /Development Services	37.822	17.254	16.334
Neighbourhoods/ Adult Services	42.536	20.462	19.383
Financial Services	5.598	0.618	0
TOTAL	**110.651**	**66.604**	**111.784**

7.3 Children and Young People's Services Capital Programme 2010/11 to 2012/13

The total proposed expenditure over the period of the programme is £129.032m. A copy of the full programme is attached to this report at Appendix 1.

The programme for Children and Young People's Services is now fully reflective of the ambitious "Building Schools for the Future" programme that is a cornerstone of the Government and Rotherham's drive to improve educational attainment through rebuilding and refurbishing the Borough's secondary schools. Consequently, initial estimates for schemes to the value of £7.750m, £10.950m and £76.067m have been added for 2010/11, 2011/12 and 2012/13 financial years. This is for works at Maltby Academy, Maltby Hill Top, Lilly Hall, Aston, Swinton and St Pius.

In addition, the programme includes:

- Investment of £10.320m in information and communication technologies in schools and other learning centres to enhance and support the learning and development experience for children of the Borough; and

- Development of a shared locality-based facility at Kimberworth with Rotherham NHS which will further improve joint working and enhance the support facilities and services for children.

Environment and Development Services (EDS) including Culture and Leisure Capital Programme 2010/11 to 2012/13

The total proposed expenditure over the period of the programme is £71.410m. A copy of the full programme is attached to this report at Appendix 2.

There have been no major new schemes added to the programme from 2010/11 onwards. However, several important customer focussed or regeneration related schemes will make considerable progress or be completed in 2010/11. These are the Rawmarsh Joint Service Centre, the public realm on the High Street, the new civic accommodation, refurbishment of the Town Hall, and the refurbishment and extension at Boston Park.

The Council is also investing for the future in the Borough's infrastructure. Therefore, work at Ulley reservoir is due to complete in 2010/11. Likewise significant sums will be spent on the continuing structural enhancement of the principal and non-principal road network, strengthening bridges, improving the Rotherham townscape, the provision of a new Streetpride depot at Hellaby, and the Weirside public realm.

Additionally, re-profiling has taken place for the period 2011/12 onwards for major schemes such as the Waverley Link Road and A57/M1/Todwick crossroads.

Neighbourhoods and Adults Services Capital Programme 2010/11 to 2012/13

The total proposed expenditure over the period of the programme is £82.381m. A copy of the full programme is attached to this report at Appendix 3.

The majority of expenditure in 2010/11 is in respect of the Decent Homes work; adapting and improving homes where residents are disabled; the Pathfinder scheme and investment in non-traditional dwelling types.

The Decent Homes programme is due to finish in December 2010. Consequently, the expenditure previously incurred in this area has been significantly revised downwards to reflect the expected completion of the programme.

The major new additions to the programme from 2010/11 onwards are in respect of the funding received to enable the Council to build new houses for the first time since 2001/02. The Council has been extremely successful in bidding for resources in both available phases and will spend £7.656m in 2010/11 and £1.111m in 2011/12. Phase 1 will amount to 36 new properties at Thrybergh, whereas phase 2 will amount to 41 properties in Maltby and West Melton.

Financial Services Capital Programme 2010/11 to 2012/13

The total proposed expenditure over the period of the programme is £6.216m. A copy of the programme is attached to this report at Appendix 4.

Besides the ongoing ICT strategy, in 2010/11 and 2011/12, the Council will provide investment towards the Digital Region project. This is a partnership between the four South Yorkshire authorities and the private sector to provide fibre-optic 'superfast' broadband infrastructure connectivity to over 97% of the resident and business population of the County.

Funding of the Programme

7.4 The table shown below outlines the funding strategy associated with the schemes profiled above. The current and expected future economic and financial conditions means that there is likely to be risks associated with some of these funding sources. Therefore, the risks and mitigating factors are explained where relevant to a particular funding source.

Funding	**2010/11**	**2011/12**	**2012/13**
	£m	**£m**	**£m**
Grants & Contributions	49.225	33.930	88.315
Supported Borrowing	14.459	4.461	0.946
Unsupported Borrowing	29.097	12.921	6.489
Usable Capital Receipts	0.673	0.530	0.570
Major Repairs Allowance	14.667	12.762	12.964
Revenue Contributions	2.530	2.000	2.500
Total	**110.651**	**66.604**	**111.784**

Funding Sources:

Grants and Contributions

The Council is expecting to receive significant levels of external cash funding over the period of the programme. These funding sources are received from Government Departments and other Government agencies. The money from the Government is predominantly given to be spent at the Council’s discretion in areas such as Education, Housing, Social Services and Transport. However in other cases this money is given to be spent on specific schemes that will be supported by a business case and an application for funding to the relevant grant awarding body.

Supported Borrowing

In addition to Central Government grants, the Government also gives the Council authority to borrow money to finance the capital programme. Again, this is primarily for areas such as Education, Housing and Transport, although a small amount of money is given for Social Services as well. The borrowing is “supported” because the Government builds an amount of money into the annual Revenue Support Grant settlement to cover the costs of interest and providing for the eventual repayment of the principal borrowed that would otherwise fall on the Council taxpayer.

Previously, Councils have received three year funding allocations linked to the Government’s three-yearly spending review periods to help Councils in their capital planning and prioritisation over the medium term. However, the Government has postponed the next spending review until after the General Election. Therefore, 2010/11 is the last year where these funding sources have been confirmed, with the exception of funding related to the Housing Revenue Account, which is still to be confirmed. Assumptions have therefore had to be made as to likely resource levels in order to produce a three year capital programme. Therefore, the programme will need to be reviewed when the resource allocations are confirmed.

Unsupported (Prudential) Borrowing

By implication “unsupported” borrowing is that which the Council receives no central Government support for in respect of the capital financing costs. The revenue implications of this borrowing are included within the Council’s budget and have been built into the financial planning assumptions used in updating the Council’s Treasury Management Strategy and Medium Term Financial Strategy.

Capital receipts

The Council’s capital investment plans are also supported by capital receipts generated from the sale of General Fund and Housing Revenue Account surplus land and buildings.

- **General Fund**

The level of receipts that the Council can expect to generate has recently come under significant pressure due to the unprecedented volatility in the property market, which makes it difficult to predict with any great certainty the likely value of future planned disposals.

In considering its future years programme, the Council has taken positive steps to identify alternative future funding strategies so as to minimise the level of capital spend to be financed by capital receipts to a more realistic level.

- **Housing Revenue Account**

As in previous years, the Housing Investment Programme is supported by right to buy receipts, of which the Council has no direct control. The Council therefore monitors the level generated closely. Work is currently being undertaken to identify opportunities for ensuring spend is matched with expected funding levels. The proposed usage of receipts from 2010/11 onwards has been risk adjusted to take account of likely disposals in these financial years.

Major Repairs Allowance (MRA)

This is a Housing specific grant. The MRA is part of authorities' overall housing resources, together with other elements of housing subsidy and capital allocations/Single Capital Pot. MRA resources can be used for capital expenditure on HRA assets, but authorities are expected to use the MRA resources in line with the priorities set out in their HRA business plans and in a way consistent with the purposes for which the MRA is provided.

Allocations are only confirmed on a yearly basis. Therefore the period from 2011/12 onwards is necessarily an estimate that will be subject to review. Furthermore, the Government is consulting on major changes to the current Housing subsidy system. The proposals are for Councils to keep all rental income, which would mean that this source of funding may not be received in future. Councils would then fund capital expenditure by borrowing and the capital financing costs would be met by rental income.

Revenue Contributions

Where a Directorate service area has a revenue budget allocation available it may use it to fund the acquisition or enhancement of a capital project.

8. Finance

These are contained within the body of this report.

9. Risks & Uncertainties

The capital programme is funded through a number of sources; borrowing, both supported and unsupported (i.e. prudential borrowing), capital grants/contributions, major repairs allowance, revenue contributions and capital receipts. Any uncertainty over the funding of the programme rests on confirmation that grants/contributions and capital receipts continue to be available in coming years. The specific nature of these risks is outlined in greater detail above. Where funding sources are volatile in nature the risks will be managed by reviewing and where necessary amending the programme.

10. Policy and Performance Agenda Implications

The preparation of the Medium Term Financial Strategy incorporating a profiled capital programme and the associated revenue consequences, together with regular monitoring, highlights the Council's commitment to sound financial management which forms a key component of the 'Use of Resources' element of the Comprehensive Performance Assessment framework.

12. Background Papers and Consultation

- Monitoring returns from Directorates for the period to the end of December 2009.

Contact Name: Andy Sidney, C*entral Finance, ext. 22025*

	ESTIMATED EXPENDITURE		
CHILDREN AND YOUNG PEOPLES DIRECTORATE	**2010/11 £'000s**	**2011/2012 £'000s**	**2012/13 £'000s**
PRIMARY			
SWINTON QUEEN NEW SCHOOL	4,621		
RAWMARSH MONKWOOD - EXTENSION	1,841		
SECONDARY			
SUPPORT TO SCHOOLS	400	400	
ACCESS INITIATIVE	600	600	
BSF - MALTBY ACADAMY	1,418	3,745	14,150
BSF - MALTBY HILLTOP	673	1,240	8,051
BSF - LILLY HALL	292	161	3,866
BSF - ASTON	1,578	5,128	16,400
BSF - SWINTON	1,522	272	14,100
BSF - OAKWOOD	1,397	249	11,000
BSF - ST PIUS	871	155	8,500
BSF - ICT COSTS		10,320	
ST BERNARDS - CONTRIBUTION	477		
CITY LEARNING CENTRES			
CLC RAWMARSH	150		
CLC WINTERHILL (OLD HALL)	135		
CLC RAWMARSH - EXTENSION	145		
CLC WINTERHILL - EXTENSION	1,039		
MINOR ENHANCEMENTS	900	1,900	
OTHER SCHEMES TOTAL			
KIMBERWORTH CO-LOCATION	2,260		
DEVOLVED FORMULA CAPITAL GRANT	4,100	4,100	
HARNESSING TECHNOLOGY	276		
TOTAL CHILDREN AND YOUNG PEOPLE CAPITAL PROGRAMME	**24,695**	**28,270**	**76,067**

	ESTIMATED EXPENDITURE		
ENVIRONMENT AND DEVELOPMENT SERVICES	**2010/11 £'000s**	**2011/2012 £'000s**	**2012/13 £'000s**
CULTURE AND LEISURE			
WHITE CITY LAUGHTON COMMON	51		
BOSTON PARK	792	361	39
WHARF ROAD, KILNHURST	5		
ULLEY RESERVOIR REHABILITATION	1,000		
THRYBERGH RESERVOIR STRAT MAIN	50	50	
DOVECOTE GALLERY AT CLIFTON PARK MUSEUM	56		
STRAT REV LIBS- THPEHES&WSETT	676		
HIGHWAYS			
WEST BAWTRY ROAD/WHISTON CROSSROADS	50		
A57 TO M1 TO TODWICK CROSSROADS - MAJOR SCHEME		4,517	9,190
WAVERLEY LINK ROAD	435	1,413	7,052
STRUCTURAL MAINTENANCE (PRN* AND NON PRN)	1,733		
STREET LIGHTING	132		
INTEGRATED TRANSPORT	2,115		
BRIDGE ASSESSEMENT & STRENGTHENING	651		
STRATEGIC SCHEMES - BRIDGES	3,200		
WASTE MANAGEMENT			
LIDGETT LANE	153		
MAGILLA	285		
FLOODING			
WHISTON BROOK	11		
ROTHERHAM'S GATEWAYS			
GATEWAYS ADF WATH ROAD, BRAMPTON	300		
MASTERPLAN			
ROTHERHAM TOWNSCAPE HERITAGE INITIATIVES	1,590	388	
ROTHERHAM TOWNSCAPE HERITAGE INITIATIVES - PUBLIC REALM, HIGH ST	930		
CORPORATION ST			
WESTGATE ACQUISITIONS	750		

ENVIRONMENT AND DEVELOPMENT SERVICES	ESTIMATED EXPENDITURE 2010/11 £'000s	2011/2012 £'000s	2012/13 £'000s
FLOOD ALLEVIATION			
FLOOD ALLEVIATION SCHEME			
DON BRIDGE/OLD GRAFTON BRIDGE	46		
CHANTRY BRIDGE FLOOD DEFENCE	670		
WESTGATE DEMONSTRATOR PROJECT			
WEIRSIDE PUBLIC REALM	3,298		
ECONOMIC REGENERATION			
BELLOWS ROAD	1,500		
MINOR STRATEGIC INVESTMENT			
HIGHTHORNE ROAD BARRIER	78		
ASSET INFORMATION DEVELOPMENT	85		
BOOTS FOUNTAIN	50		
MAINTENANCE INVESTMENT			
CENTENARY MARKETS ALARM SYSTEM	12		
ROTHERHAM ECONOMIC REGENERATION FUND			
HOUSING MARKET PATHFINDER- INVESTIGATIONS AND ENABLING WORKS	48		
ENVIRONMENTAL IMPROVEMENT SCHEME ITEMS	8		
MAGNA - CONTINUATION	134		
TOWN CENTRE BUSINESS VITALITY SCHEME-PRIVATE PROPERTIES	79		
TOWN CENTRE BUSINESS VITALITY SCHEME-RMBC PROPERTIES	113		
PROJECTS IN DEVELOPMENT	405		
ASSET MANAGEMENT			
ASTON CUM AUGHTON CSC	100		
RAWMARSH CSC	6,281	275	
"PRIORITY A" SCHEMES			
PRINCIPAL ROAD NETWORK	1,500		

	ESTIMATED EXPENDITURE		
ENVIRONMENT AND DEVELOPMENT SERVICES	**2010/11 £'000s**	**2011/2012 £'000s**	**2012/13 £'000s**
NEW DEPOT ACQUISITION	957		
TOWN CENTRE DESIGN WORK	140		
NEW CIVIC ACCOMMODATION	5,100	10,200	
ACCESS IMPROVEMENT PROGRAMME	200		
DONCASTER GATE PROCMNT		12	
TOWN HALL REFURBISHMENT	1,970		
TOTAL ENVIRONMENT AND DEVELOPMENT SERVICES CAPITAL PROGRAMME	**37,738**	**17,216**	**16,281**

	ESTIMATED EXPENDITURE		
NEIGHBOURHOOD SERVICES DIRECTORATE	**2010/11**	**2011/2012**	**2012/13**
	£'000s	**£'000s**	**£'000s**
HOUSING INVESTMENT PROGRAMME			
DECENT HOMES PHASE 2			
REFURBISHMENT	8,240	6,100	6,000
WINDOWS	5,000	500	250
ENVIRONMENTAL WORKS	5,400	1,000	1,000
DECENT HOMES VOID PROGRAMME	1,500	1,500	1,500
CAPITAL MANAGEMENT FEE	1,679	975	971
OTHER DECENT HOMES SCHEMES			
REPLACEMENT OF CENTRAL HEATING	700	500	500
NON-TRADITIONAL EXTERNAL INSULATION FAÇADE		600	1,027
ELECTRICAL BOARD & BOND	50	60	60
CO METERS TO VULNERABLE PROPERTIES	25	25	25
REPLACEMENT OF COMMUNAL DOORS (HIGH SECURITY)		300	250
OTHER CAPITAL PROJECTS			
COMMUNITY CENTRE IMPROVEMENTS		350	350
ASBESTOS REMOVAL		82	87
FLAT DOOR REPLACEMENT		600	522
DISTRICT HEATING CONVERSIONS	200	300	300
DISABILITY DISCRIMINATION ACT WORKS	100		
ONE-OFF PROPERTIES	400	200	200
VICTIM SUPPORT/SAFER HOMES SCHEME	50		
EPC IMPROVEMENTS		410	410
CAPITALISED REVENUE REPAIRS	60	60	60
FAIR ACCESS TO ALL			
DISABLED FACILITIES GRANT (PRIVATE SECTOR)	1,478	1,508	1,525
DISABLED ADAPTATIONS (PUBLIC SECTOR)	1,800	1,900	1,900
REGENERATION/NEIGHBOURHOOD RENEWAL			

	ESTIMATED EXPENDITURE		
NEIGHBOURHOOD SERVICES DIRECTORATE	**2010/11**	**2011/2012**	**2012/13**
	£'000s	**£'000s**	**£'000s**
HOME ASSISTANCE LOANS	61	70	70
MALTBY TRANSFORMATIONAL CHANGE	165	800	800
DINNINGTON TRANSFORMATIONAL CHANGE	602	1,400	1,400
PRIVATE SECTOR INTERVENTION	410	400	400
THURCROFT	158		
PATHFINDER PROJECTS	2,479		
NON-TRADITIONAL INVESTMENT	1,850	1,075	1,323
SHELTERED HOUSING MODIFICATIONS	480		
GARAGE SITE INVESTMENT	100	100	100
OTHER PUBLIC SECTOR			
BOND/RENT IN ADVANCE	50	50	50
HCA NEW BUILD			
WOOD STREET/SCHOOL STREET PHASE 1	4,356		
NEWLAND AVE/STONE PARK CL/ALBERT RD PHASE 2	3,300	1,111	
NEIGHBOURHOODS NON-HIP PROGRAMME			
SAFER STRONGER COMMUNITIES FUND	82		
LANDFILL SITES	919		
OVERPROGRAMMING		-1,589	-1,773
HOUSING CAPITAL PROGRAMME	**41,694**	**20,387**	**19,308**
ASSISTIVE TECHNOLOGY (PCT)	221		
SUPPORTED LIVING	3		
MENTAL HEALTH SUPPORTED CAPITAL EXPENDITURE	214		
SOCIAL CARE IT INFRASTRUCTURE CAPITAL GRANT	98		
ADULT SOCIAL SERVICES SINGLE CAPITAL POT	230		

	ESTIMATED EXPENDITURE		
NEIGHBOURHOOD SERVICES DIRECTORATE	**2010/11** **£'000s**	**2011/2012** **£'000s**	**2012/13** **£'000s**
ADULT SERVICES CAPITAL PROGRAMME	766		
TOTAL NEIGHBOURHOOD SERVICES CAPITAL PROGRAMME	42,461	20,387	19,308

	ESTIMATED EXPENDITURE		
FINANCIAL SERVICES DIRECTORATE	**2010/11 £'000s**	**2011/2012 £'000s**	**2012/13 £'000s**
ICT STRATEGY	4,096	50	
DEFINE WEB STRATEGY	70		
DIGITAL REGIONS	1,432	568	
TOTAL FINANCIAL SERVICES CAPITAL PROGRAMME	**5,598**	**618**	

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**24th February, 2010**
3.	**Title:**	**Prudential Indicators and Treasury Management and Investment Strategy 2010/11 to 2012/13**
4.	**Directorate:**	**Financial Services**

5. Summary

In accordance with the Prudential Code for Capital Finance, the Secretary of State's Guidance on Local Government Investments, the CIPFA Code of Practice for Treasury Management in Local Authorities and with Council policy, the Strategic Director of Finance 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 2010/11 to 2012/13 (Appendix A)
ii. A Minimum Revenue Provision (MRP) Statement which sets out the Council's policy on MRP (Appendix A)
iii. An Annual Treasury Strategy in accordance with the CIPFA Code of Practice on Treasury Management including the Authorised Limit (Appendix B)
iv. An Annual Investment Strategy in accordance with the CLG investment guidance (Appendix B)

6. Recommendations

Cabinet is asked to recommend Council:

1. **Approve the prudential indicators and limits for 2010/11 to 2012/13 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 2010/11 to 2012/13 and the Authorised Limit Prudential Indicator (Appendix B)**

4. **Approve the Investment Strategy for 2010/11 to 2012/13 (Appendix B and Annex B1)**

5. **Approve the revision to the Council's Constitution at Annex B3 which seeks to nominate the Audit Committee as the responsible body for the Council on scrutinising the Treasury Management Strategy & policies.**

7. Proposals and Details

The Strategic Director of Finance 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 2009/10 Treasury Management Strategy was approved by Council on 4 March 2009. This report updates the currently approved indicators for the period 2009/10 to 2011/12 and introduces new indicators for 2012/13. The Strategy was drawn up in association with the Council's treasury management advisors, Butlers (part of ICAP Securities Ltd).

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 late 2009 CLG also issued, for consultation, proposals to make changes to the Capital Finance system which included revisions to CLG's Investment Guidance. These proposals are in line with the outcomes from the publications & reports issued and take account of the changes to CIPFA's Code of Practice and Guidance Notes. Members may recall the consultation was the subject of a report to this Committee in December 2009.

This report is fully reflective of the changes to guidance issued by CIPFA and the proposals put out for consultation by CLG.

The main changes/proposals resulting from the revised Code of Practice and CLG Investment Guidance are summarised at Appendix C to this report.

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 Strategic Director of Finance took a series of actions to evaluate the Council's Annual 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 invested any surplus funds with the Bank of England's Debt Management Office (DMO).

In particular, we have continued to operate treasury management guidelines that have tightened the criteria within the approved strategy 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 and has restricted further the criteria for selecting counterparties and the money and time limits used when compared to those in the currently approved Strategy

In addition, the Council has significantly reduced its investment levels over the last 12 months as market conditions have dictated that it was 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 have therefore reduced from previous years but have been effectively and prudently managed by significantly reducing expected capital financing costs. This has enabled the Council to stay within its capital financing budget cash limit. This is a significant achievement given the difficult economic and financial conditions prevailing throughout the financial year.

Counterparty List

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

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

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

* Based on maximum of 20% of the investment portfolio

** Provides maximum flexibility

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

Taking into account the current market conditions and future economic and financial outlook whilst retaining sufficient flexibility to react to changing market conditions, it is proposed to retain the currently approved criteria which are fully reflective of Butler's 2008 review recommendations.

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

7.3 Prudential Indicators

7.3.1 Capital Expenditure, Capital Financing Requirement & Affordability

The Prudential Indicators submitted for approval are summarised as:

	2009/10 Revised	2010/11 Estimated	2011/12 Estimated	2012/13 Estimated
Capital Expenditure	£158.056m	£110.651m	£66.604m	£111.784m
Capital financing requirement	£549.194m	£581.499m	£583.865m	£574.646m
Authorised limit for external debt	£715.131m	£726.315m	£731.300m	£784.646m
Operational boundary for external debt	£654.194m	£681.499m	£683.865m	£674.646m
Ratio of financing costs to net revenue stream – Non HRA	8.65%	10.40%	12.94%	13.91%
Ratio of financing costs to net revenue stream – HRA	14.65%	15.28%	16.70%	16.68%
Incremental impact of capital investment decisions on the Band D Council Tax	£30.57	£20.59	£19.79	£7.55
Incremental impact of capital investment decisions on housing rents levels	£0.00	£0.00	£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 2010/11 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 2009/10 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 reduced to reflect the expected investment strategy.

	2010/11	**2011/12**	**2012/13**
Interest Rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2010/11			
		Lower	**Upper**
Under 12 months		0%	20%
12 months to 2 years		0%	25%
2 years to 5 years		0%	30%
5 years to 10 years		0%	35%
10 years to 20 years		0%	40%
20 years to 30 years		0%	45%
30 years to 40 years		0%	50%
40 years to 50 years		10%	60%
50 years and above		30%	100%
Maximum Funds invested > 364 days			
Funds invested > 364 days	£m 12	£m 10	£m 8

7.4 <u>Minimum Revenue Provision Policy</u>

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 11 of Appendix A. A further clause (d) has been inserted to confirm that in terms of timing MRP charges will be matched to depreciation charges for the same assets.

7.5 Revision to the Council's Constitution

One element of the revised CIPFA Treasury Management Code of Practice is that the clauses to be adopted as part of the Council's constitution be amended. This revision is shown at Annex B3 for approval.

The key change is that a body (committee, board or group) be responsible for ensuring effective scrutiny of the treasury management strategy and policies, before making recommendations to Council. It is recommended the Audit Committee would be the responsible body for the Council. In recent years it has carried out this responsibility.

8. Finance

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

The assumptions supporting the capital financing budget for 2010/11 and for the future years covered by the MTFS of the Council have been reviewed in light of the current economic and financial conditions and the revised future years' capital programme.

The proposed Treasury Management and Investment Strategy is not forecasted to have any further revenue consequences than those identified and planned for in both the Council's 2010/11 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 volatile 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 – 18 February 2009 & 16 December 2009
Cabinet – 25 February 2009
Council – 4 March 2009
The Audit Commission's report 'Risk and Return',
The CLG Select Committee report on local authority investments
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 Consultation on Investment Guidance – November 2009
The Local Government Act 2003

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Appendix A

PRUDENTIAL INDICATORS 2010/11 TO 2012/13

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 2012/13.

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 2010/11 to 2012/13 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 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 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:

	2009/10 Revised £m	**2010/11 Estimated £m**	**2011/12 Estimated £m**	**2012/13 Estimated £m**
Children & Young People's Services	20.594	24.695	28.270	76.067
Env & Dev Services	54.699	37.822	17.254	16.334
Neighbourhoods & Adult Services	79.025	42.536	20.462	19.383
Financial Services	3.738	5.598	0.618	0.000
Total expenditure	**158.056**	**110.651**	**66.604**	**111.784**
Capital receipts	5.034	0.673	0.531	0.570
Capital grants, capital contributions & sources other capital funding	68.869	66.422	48.692	103.779
Total financing	**73.903**	**67.095**	**49.223**	**104.349**
Net financing need for the year	**84.153**	**43.556**	**17.381**	**7.435**

The Capital Financing Requirement (the Council's Borrowing Need)

8. 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.

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

	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
CFR – Non Housing	275.735	294.709	296.676	287.660
CFR – Housing	273.459	286.790	287.189	286.986
Total CFR	**549.194**	**581.499**	**583.865**	**574.646**
Movement in CFR	**75.801**	**32.305**	**2.366**	**-9.219**
Net financing need for the year (above)	84.153	43.556	17.381	7.435
Less Non Housing MRP/VRP and other financing movements	-8.352	-11.251	-15.015	-16.654
Total movement	**75.801**	**32.305**	**2.366**	**-9.219**

10. 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), although it is also allowed to undertake additional voluntary payments (VRP) where it is prudent to do so.

11. 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 Strategic Director of Finance 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.

    The Council is recommended to approve the following MRP policy in relation to the charge for the 2010/11 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 between 2007/08 and 2009/10 where the expenditure is funded by both supported and unsupported borrowing will be calculated on the basis of equal instalments over the expected useful life of the asset; and,

    (c) The MRP charge in relation to capital expenditure incurred between 2007/08 and 2009/10 where the expenditure is funded by a capitalisation directive will be calculated on the basis of equal instalments over the specified period(s) set down within the regulations.

    (d) The timing of each MRP charge to the revenue account will be in line with the Council’s depreciation policy for that asset.

Affordability Prudential Indicators

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

13. 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.

14. **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 ambitious capital investment plans.

Ratio of financing costs to Net Revenue Stream				
	2009/10 Revised %	2010/11 Estimated %	2011/12 Estimated %	2012/13 Estimated %
Non-HRA	8.65	10.40	12.94	13.91
HRA	14.65	15.28	16.70	16.68

15. The estimates of financing costs include all current commitments and the proposals contained in the proposed 2010/11 Revenue Budget and updated future years' Capital Programme.

16. **Estimates of the incremental impact of capital investment decisions on the Council Tax** – This indicator identifies the revenue costs associated with changes to the capital programme. The assumptions are based on the budget, but will invariably include some estimates, such as the level of government support, which is not published over a three year period.

    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 2010/11 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					
	Original 2009/10 £	**Revised 2009/10 £**	**Proposed Budget 2010/11 £**	**Projection 2011/12 £**	**Projection 2012/13 £**
Council Tax - Band D	30.18	30.57	20.59	19.79	7.55

For each financial year the impact at Band A is £20.38, £13.73, £13.19 and £5.03 respectively.

17. **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					
	Original 2009/10 £	**Revised 2009/10 £**	**Proposed Budget 2010/11 £**	**Projection 2011/12 £**	**Projection 2012/13 £**
Weekly Housing Rent levels	0.00	0.00	0.00	0.00	0.00

Appendix B

TREASURY MANAGEMENT STRATEGY 2010/11 – 2012/13

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 will adopt the revised Code

3. As a result of adopting the Code, the Council also adopted a Treasury Management Policy Statement (Cabinet March 2004). The revised Code recommends an amendment to the Treasury Management Policy Statement and the revised Statement is shown at Annex B3 for approval.

4. 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.

5. This Strategy covers:

   (a) The Council's debt and investment projections;
   (b) The Council's estimates and limits on future debt levels;
   (c) The expected movement in interest rates;
   (d) The Council's borrowing and investment strategies;
   (e) Treasury performance indicators, and;
   (f) Specific limits on treasury activity.

(a) Debt and Investment Projections 2010/11 – 2012/13

6. 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	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
External Debt				
Debt at 1 April	416.296	419.194	491.499	533.865
Expected change in debt	2.898	72.305	42.365	40.781
Debt at 31 March	419.194	491.499	533.864	574.646
Investments				
Total Investments at 31 March	7.000	40.000	45.000	50.000
Investment change	-78.010	33,000	5.000	5.000

Ex SYCC	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
External Debt				
Debt at 1 April	102,012	102,012	96,412	96,412
Expected change in debt	0	-5,600	0	0
Debt at 31 March	102,012	96,412	96,412	96,412
Investments				
Total Investments at 31 March	0	0	0	0
Investment change	0	0	0	0

7. The related impact of the above movements on the revenue budget are:

	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
Revenue Budgets				
Interest on Borrowing	20.463	22.027	26.714	29.591
Related HRA Charge	-10.870	-12.078	-14.096	-14.741
Net General Fund Borrowing Cost	9.593	9.949	12.618	14.850
Investment Income	1.350	0.600	1.125	2.400

(b) Limits to Borrowing Activity

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

9. 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 2009/10 and the following two financial years. This allows some flexibility for limited early borrowing for future years.

	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
Gross Borrowing	419.194	491.499	533.865	574.646
Investments	7.000	40.000	45.000	50.000
Net Borrowing	412.194	451.499	488.865	524.646
CFR	549.194	581.499	583.865	574.646
CFR less Net Borrowing	**137.000**	**130.000**	**95.000**	**50.000**

10. The Strategic Director of Finance 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.

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

12. **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.

13. **The Operational Boundary for External Debt** –This indicator is based on the probable external debt during the course of the year; it is not a limit.

    The Council is asked to approve the following Authorised Limit and Operational Boundary:

Authorised Limit for External Debt	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
Borrowing	715.131	726.315	731.300	784.646
Other long term liabilities	0	0	0	0
Total	715.131	726.315	731.300	784.646

Operational Boundary for External Debt	2009/10 Revised £m	2010/11 Estimated £m	2011/12 Estimated £m	2012/13 Estimated £m
Borrowing	654.194	681.499	683.865	674.646
Other long term liabilities	0	0	0	0
Total	654.194	681.499	683.865	674.646

14. Borrowing in advance of need - The Council has some flexibility to borrow funds this year for use in future years. The Strategic Director of Finance may do this under delegated power 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 Strategic Director of Finance will adopt a cautious 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. Borrowing in advance will be made within the constraints that

    - It will be limited to no more than 50% of the expected increase in borrowing need (CFR) over the three year planning period; and

    - Would not look to borrow more than 18 months in advance of need.

    These limits have been set looking ahead to the medium to long-term but in the short-term it is expected that borrowing in advance will be limited to no more than 10% and would not be undertaken more than 3 months in advance of need.

15. 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.

(c) Expected Movement in Interest Rates

Medium-Term Rate Estimates (averages)

Annual Average %	Bank Rate	Money Rates		PWLB Rates *		
		3 month	1 year	5 year	20 year	50 year
2009/10	0.5	0.8	1.4	3.2	4.4	4.6
2010/11	1.0	1.5	2.6	4.0	5.0	5.2
2011/12	2.0	2.5	3.3	4.3	5.3	5.3
2012/13	4.5	4.8	5.3	5.3	5.5	5.3

* Borrowing rates

16. Short-term rates are expected to remain constant for some time. The recovery in the economy has possibly commenced and there is a danger that the early reversal of rate cuts could trigger a dip back to negative growth.

17. The extension of credit to the corporate and personal sectors has improved modestly, but banks remain nervous about the viability of counterparties.

18. The main reason that the economy may take some time to recover fully is expected to be weak consumers' expenditure growth, the combination of the desire to reduce the level of personal debt and job uncertainty is likely to weigh heavily upon spending.

19. With inflation set to remain subdued in the next few years (though a sharp increase is forecast for the next few months), the pressure upon the Monetary Policy Committee to increase rates will remain moderate and largely to counter the effects of external cost pressures as commodity prices strengthen. The outlook for long-term fixed interest rates is a lot less favourable.

20. While the UK's fiscal burden should ease in the future, this will be a lengthy process and deficits over the next two to three financial years will require a significant programme of gilt issuance by the Government rather than the purchasing of gilts through Quantitative Easing.

21. The Quantitative Easing programme has ended (although the initiative remains open), now the economy is returning to a recovery path. With growth back on the agenda and inflation challenging the upper limit of the Government's target range, the majority of MPC members may feel enough assistance has been given to ensure lack of credit is no longer a fundamental threat to the welfare of the economy

22. Given the likely absence of the Bank of England as the largest buyer of gilts it is likely that other investors will require an incentive to continue to buy gilts. This incentive will take the form of higher interest rates.

(d) Borrowing and Debt Strategy 2010/11 – 2012/13

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

24. The Strategic Director of Finance, 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 2010/11 – 2012/13

25. 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)

26. A development in the revised Codes and the CLG consultation paper is for Members to consider and approve security and liquidity benchmarks. Yield benchmarks are currently widely used to assess investment performance and have previously been reported on.

27. The application of discrete security and liquidity benchmarks is more subjective in nature and will take time to develop fully. Detail of the current approach to this reporting issue is included at Annex B2.

28. The benchmarks will be simple targets (not limits) and actuals will vary from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmarks is that officers will monitor the current and trend position and amend the operational strategy depending on any changes. Any variations against the benchmarks will be reported, with supporting reasons in the mid-year or annual reports.

29. 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.

30. The Strategic Director of Finance 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.

31. 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.

32. Credit rating information is supplied by our treasury consultants 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.

33. 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-
Individual	C	n/a	n/a
Support	3	n/a	n/a
Financial Strength	n/a	C	n/a

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

- **Building Societies** – the Council will use the top 20 Building Societies ranked by asset size.

- **Money Market Funds** – AAA

- **UK Government** – Debt Management Office

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

Under normal circumstances where Council investment levels are higher a limit of 35% will be applied to the use of Non-Specified investments. This percentage has been calculated based upon the expectation that investment levels may increase as economic and financial conditions improve, together with the limit set for long-term investments and use of the Co-operative Bank plc in managing the daily cash-flow.

Investment levels are significantly reduced but due to the nature of the remaining investments it does mean that early in the new financial year this percentage will be exceeded. Current investments include two non-specified long-term investments agreed when investment levels were significantly higher and when the day-to-day management of the Council's cash-flow is taken into account this could result in up to 100% of the Council's investments falling within the non-specified category. It is expected that both long-term investments will be repaid by the end of April 2010 and the Council will be able to operate within the limit set from that time.

34. Additional requirements under the Code of Practice now require the Council to supplement credit rating information. 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.

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

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

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

* Based on maximum of 20% of the investment portfolio

** Provides maximum flexibility

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

36. The proposed criteria for Specified and Non-Specified investments and lending list are shown in Annexes B1 for Member approval.

37. 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.

38. 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) Sensitivity to Interest Rate Movements

39. The table below highlights the estimated impact of a 1% increase/decrease in all interest rates to treasury management costs/income for next year. That element of the debt and investment portfolios which are of a longer term, fixed interest rate nature will not be affected by interest rate changes.

	2010/11 Estimated + 1% £m	**2010/11 Estimated - 1% £m**
Revenue Budgets		
Interest on Borrowing	0.192	-0.192
Related HRA Charge	0.111	-0.111
Net General Fund Borrowing Cost	0.081	-0.081
Investment income	0.400	-0.400

(g) <u>Treasury Management Prudential Indicators and Limits on Activity</u>

40. There are four further treasury activity limits, which were previously prudential indicators. The purpose of these limits 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 variable interest rate exposure – This identifies a maximum limit for variable interest rates based upon the debt position net of investments.

- Upper limits on fixed interest rate exposure – Similar to the previous limit this covers a maximum limit on fixed interest rates.

- 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.

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

	2010/11	2011/12	2012/13
Interest rate Exposures			
	Upper	**Upper**	**Upper**
Limits on fixed interest rates	100%	100%	100%
Limits on variable interest rates based on net debt	30%	30%	30%
Maturity Structure of fixed interest rate borrowing 2009/10			
		Lower	**Upper**
Under 12 months		0%	20%
12 months to 2 years		0%	25%
2 years to 5 years		0%	30%
5 years to 10 years		0%	35%
10 years to 20 years		0%	40%
20 years to 30 years		0%	45%
30 years to 40 years		0%	50%
40 years to 50 years		10%	60%
50 years and above		30%	100%
Maximum Funds invested > 364 days			
Funds invested > 364 days	£m 12	£m 10	£m 8

(h) Treasury Performance Indicators

42. 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 2009/10:

- 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

(i) Treasury Management Advisers

43. The Council uses Butlers as its treasury management advisors. 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.

44. Whilst the advisers provide support to the internal treasury function, under current market rules and the CIPFA Code of Practice the final decision on treasury matters remains with the Council. This service is provided to the Council under a contractual agreement which is subject to regular review.

(j) Member and Officer Training

45. The Council recognises the increased Member consideration of treasury management matters and the need to ensure officers dealing with treasury management are trained and kept up to date requires a suitable training process for Members and officers. In response to the revised treasury management guidance and advice, the Council has been proactively identifying opportunities to enhance the level of expertise and knowledge of treasury management matters for both Members and officers through the provision of suitable training and development. To this end, the Council has:

- Regularly reported to Members of the Council's Audit Committee on treasury management matters over the last 18 months;

- Responded positively to the various treasury management consultation processes and external reviews conducted;

- Supported the Capital and Treasury Management Accountant to undertake the CIPFA accredited Association of Corporate Treasurers' course 'Certificate in International Treasury Management – Public Finance' so as to enhance the expertise and knowledge of officers undertaking treasury management functions; and,

- Put in place arrangements to provide Members of the Audit Committee and other Members with a series of training and development sessions to enhance their awareness of treasury management matters in a local government environment.

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 Investment Guidance on 12th March 2004, 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 adopted the Code in March 2004 and will apply its principles to all investment activity.

In accordance with the Code, the Strategic Director of Finance 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

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:

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

2.3 Non-Specified Investments

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

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

Non specified investments would include any sterling investments with:

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

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

3. A Building Society which is ranked in the top 20 by asset size. Investments will be restricted to:

   - 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 Strategic Director of Finance, and new counterparties will be added to the list if and when they meet the minimum criteria.

Annex B2

Security, Liquidity and Yield Benchmarking

A proposed development for reporting is Member consideration and approval of security and liquidity benchmarks in addition to those previously reported for yield.

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

   - 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

2. **Security and liquidity** – these benchmarks are already intrinsic to the approved treasury strategy through the counterparty selection criteria and some of the prudential indicators. However they have not previously been separately and explicitly set out for Member consideration. Proposed benchmarks for the cash type investments are below and these will form the basis of future reporting in this area. In the other investment categories appropriate benchmarks will be used where available.

2.1 Liquidity – This is defined as "having adequate, though not excessive cash resources, borrowing arrangements, overdrafts or standby facilities to enable it 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). In respect of this area the Council seeks to maintain:

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

A proposed method of monitoring the availability of liquidity and the inherent risks arising from the investment periods within the portfolio is to use the Weighted Average Life (WAL) of the portfolio. A shorter WAL would generally represent less risk.

2.2 Security – In the context of benchmarking, assessing security is a much more subjective area to assess. Security is currently evidenced by the application of minimum credit quality criteria to investment counterparties, primarily through the use of credit ratings supplied by the three main credit rating agencies (Fitch, Moody's and Standard and Poor's). Whilst this approach embodies security considerations, benchmarking levels of risk is more 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. Based on current investments this would equate to approximately £18,000 compared to £72,000 as at 31/03/2009

Annex B3

Treasury Management Clauses to form part of the Council's Constitution

1. This Council will create and maintain, as the cornerstones for effective treasury management:

    - A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;

    - Suitable Treasury Management Practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

2. The Council will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid year review and an annual report after its close, in the form prescribed in its TMPs.

3. The Council delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the Strategic Director of Finance, and for the execution and administration of treasury management decisions to the Chief Accountant, who will act in accordance with the Council's policy statement and TMPs and CIPFA's Standard of Professional Practice on Treasury Management.

4. The Council nominates Audit Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

Appendix C

Procedural requirements:

CLG Investment Guidance (currently for Consultation)

- Investment Strategies should continue to be submitted to Full Council
- Additional reports can be taken Full Council to amend the Investment Strategy as and when required
- Investment Strategies should be published and available free of charge
- More detail to be included for borrowing in advance of need (also Code of Practice)

CIPFA Treasury Management Code of Practice

- Code emphasises that the final decision for treasury activity lies with the Full Council
- Requirement for a mid-year treasury monitoring report in addition to the Strategy and Annual reports
- Emphasises the need for those charged with governance to be fully trained
- Requirement to document use of supplementary credit and counterparty information, in addition to credit ratings
- Officers are required to explicitly follow policies and procedures

CIPFA Prudential Code

- Movement of Treasury Management Prudential Indicators to Code of Practice
- Reminder that authorities cannot borrow to on-lend
- Definitions changed to incorporate IFRS terminology

Strategy:

CLG Investment Guidance (currently for Consultation)

- Emphasises investment priorities should be security and liquidity before yield
- Credit ratings should not be the only source on credit risk, other information should also be used
- Specified investments determined by High Credit Quality (change from High Credit Rating)
- Strategy should set out a limit (£) on use of non-specified investments
- Use of Treasury Advisors and scope of the service should be covered in the Strategy
- Borrowing in advance of need procedures and reporting should be covered in the Strategy

CIPFA Treasury Management Code of Practice

- Requirement to nominate a responsible body for ensuring effective scrutiny of strategy and policies
- Includes Treasury Management Indicators previously contained in the Prudential Code as Prudential Indicators
- Increased emphasis on managing risk
- Should consider use of country, sector and group limits
- Documented records of counterparties used
- Use of all three credit rating agencies (& Lowest Common Denominator approach per CIPFA TM Panel Bulletin March 2009)
- Consider application of issues arising on rating watches
- Benchmarking should consider risk as well as return
- Clear on use of and services provided by advisors

CIPFA Prudential Code

- Reminder that prime objectives are security, liquidity and then yield
- Maturity Structure of Borrowing – greater detail required in the Strategy where most of debt is in the greater than 10 year’s band. The period greater than 10 years should be broken down into several ranges.

Agenda Item 9

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**24th February, 2010**
3.	**Title:**	**Local Government Reform – Consultation on draft statutory guidance on the duty to respond to petitions**
4.	**Directorate:**	**Chief Executive's**

5. Summary

Sections 10 to 22 of the Local Democracy, Economic Development and Construction Act 2009 (c. 20) provide a statutory duty for principal local authorities to handle and respond to petitions. This includes making provision for the submission of e-petitions and adopting a "scheme for handling petitions". The Act provides that the Secretary of State may issue statutory guidance; provide a model scheme; and make an Order setting out requirements and exclusions.

Ahead of commencing the new duty, the Government is now consulting on a draft guidance paper including a model scheme and draft Order. This report gives an overview of the consultation and provides for the Council to make a response.

6. Recommendations

That Cabinet:

a) **Consider the suggested responses to the consultation included in <u>Appendix A</u> together with comments received from the Performance and Overview Scrutiny Committee and make a response to Government.**

b) **Agree that the Council and local partners should now consider how the requirements of the duty can be incorporated into the CCI Framework and align with "Calls for action".**

c) **Receive a further report when final details of the "Model Petition Scheme" are available and commencement dates known.**

7. Proposals and Details

Sections 10 to 22 of the Local Democracy, Economic Development and Construction Act 2009 (c. 20) provide a statutory duty for principal local authorities to handle petitions made to the authority including the making of a scheme for the handling of petitions. The scheme will be required to set out how the Council handles petitions in accordance with the details of the duty. The scheme will require the approval of the full Council and to be published on the Council's web site.

The proposals set out that the Council will have flexibility to determine the details of the scheme subject to meeting the following minimum requirements:-

- Anyone who lives, works or studies in the local authority area, including under 18's, can sign or organise a petition and trigger a response;
- A facility for making electronic petitions is provided by the local authority;
- Petitions must be acknowledged within a time period specified by the local authority;
- Among the many possible steps that the principal local authority may choose to take in response to a petition, the following steps must be included in the scheme:-

    - taking the action requested in the petition;
    - considering the petition at a meeting of the authority;
    - holding an inquiry;
    - holding a public meeting;
    - commissioning research;
    - a written response to the petition organiser setting out the authority's views on the request in the petition; and
    - referring the petition to an overview and scrutiny committee.

- Petitions with a significant level of support trigger a debate of the full council. Councils will determine this threshold locally but it must be no higher than 5 per cent of the local population;
- Petitions with a requisite level of support, set by the local authority, trigger a senior local government officer to give evidence at a meeting of the authority's overview and scrutiny committee; and
- Petition organisers can prompt a review of the local authority's response if the response is felt to be inadequate.

The Council may also include other information in the scheme including how petitions will be handled which do not qualify for consideration under the scheme.

<u>E-petitions</u>

The Act requires the same requirements for electronic petitions as for paper petitions, except for the following:-

- The Council will only be required to respond to e-petitions made through the Council's e-petition facility;

- The Council will need to decide, when a request to host an e-petition is received, whether the petition is appropriate for publishing on the web site;
- The Council will decide what equates to a signature on an e-petition; and
- The Council will be required to provide a facility for people to submit petitions to the authority electronically. In addition to this, the Council will be able to choose to respond to e-petitions submitted by other means and should indicate in the petition scheme how these types of petitions will be dealt with.

Should the Council decide not to host an e-petition, an explanation of the reasons would be required.

Responding to petitions

As a minimum, a petition scheme must apply if a petition:-

- Calls for the authority to take action;
- Is signed by the requisite number of people who live, work or study in the local area;
- Is made under another enactment but does not qualify under that enactment;
- If made electronically, is made through the authority's e-petition facility;

The Council will be able to require information to verify signatures, but may also choose to take account of signatures that give no address or association with the area. To verify signatures of e-petitions, the provision of an e-mail address or post code may be required.

Petitions will need to cover relevant matters, which are described as relating to the economic, social or environmental well-being of the area. These may cover the functions of partner organisations as well as those functions delivered directly by the Council. However, should a petition call for an action that is contrary to Council policy, then it will be sufficient to refuse the request providing that an explanation is given.

Vexatious petitions may be refused under the scheme. It is recommended that the same criteria be used as that in guidance for dealing with freedom of information requests.

The consideration of petitions may also be refused if the issue is the subject of legal proceedings; relates to individual members of the community or are excluded matters. Excluded matters are to be set out by Order. These will include issues relating to planning and licensing decisions. However, petitions relating to systemic failure in planning and licensing matters would not be excluded. Petitions submitted under the statutory provisions of other Acts will continue to be covered under the provisions of the relevant Acts.

In responding to petitions, the Council will be required to be proportionate to the seriousness of the issue raised.

Petition debates

The Act requires that petitions which receive a significant level of support should be debated at a meeting of the full Council. Principal local authorities will be required to set out in their petition scheme the number of signatures needed to trigger a debate as part of the authority's response. This debate may be added to the agenda of a normal meeting of the full Council.

The scheme will need to provide for the petitioners to present their petition and could provide for members to ask questions of the petitioners as part of the debate. It is expected that such a debate will result in a decisions of the full council.

It will be for the Council to set the threshold of the number of signatures required to trigger a debate, but this must not be more than 5% of the local population. Petitions calling for a debate must fall within the provisions of the scheme, not including any excluded matter for debate, or call for any officer to give evidence.

Petitions calling officers to account

The Council's petition scheme must allow for petitions to trigger a senior member of council staff to attend a meeting of the Council's overview and scrutiny committee and answer questions about their work. The guidance to be followed in the questioning of officers is that already applied under the Local Government Act 2000 (c. 22). The Council will need to set a threshold for the minimum number of signatures required to trigger this action. The model scheme suggests a minimum of 750 signatures as a threshold.

The Council must determine which senior offices the provisions apply to. The head of paid service and the most senior officers responsible for the delivery of services are suggested. It will be a matter for scrutiny to decide who to call to giver evidence. When asked to give evidence, this will be restricted to issues related to the job and no other matters personal detail.

The Council will be required to give notice to petitioners detailing when an officer is to give evidence at scrutiny. Petitioners should also be provided with a report of any findings and recommendations made by scrutiny.

Petition reviews

Section 17 of the Act provides for appeal. If a petition organiser is not satisfied with the way the Council has dealt with a petition, this section gives the organiser the power to ask the overview and scrutiny committee to review the Councils response to the petition. The overview and scrutiny committee will decide whether the steps taken by the executive in response to the petition were adequate.

The overview and scrutiny committee will bear in mind the list of potential steps which could be used to respond to the petition set out in the Act. An adequate response is likely to be proportionate to the issue set out in the petition and the level of support the petition has received.

If the committee has reason to be concerned about the adequacy of the authority's response it may decide to carry out a full review of the issues raised in the petition.

If the committee thinks that the authority is seriously neglecting its responsibility to listen to local people, the committee can arrange for the full council to carry out the review function.

The Council will be required to inform the petitioners of the outcome of a review and post the results on the Councils web site.

The consultation also asks about implementation timetable, with there being no fixed dates at present. The paper seeks views on when the duty should commence and if the commencement should be staggered, suggesting that the e-petitions duty could be commenced twelve months after the other provisions.

The consultation questions along with suggested responses from the Council are set out in **Appendix A**.

The detail of implementing the new duty will be the subject of a future report.

8. Finance

Direct financial implications are likely to arise from the introduction of the e-petitioning facility. Work is currently underway to assess the software requirements including gaining experience from authorities where e-petitioning has been piloted.

9. Risks and Uncertainties

There are currently no commencement dates for the duty, with the Government stating that this will be addressed following the consultation.

The key risk is the unknown additional demand that may be brought about by the duty. Implications are likely to include:

- Administration of the e-petitions facility;
- Time spent responding to an increased number of petitions; and
- Facilitating the work of scrutiny in dealing with referrals; taking evidence from senior officers and making reports.

10. Policy and Performance Agenda Implications

The Council has a long history of handling and responding to petitions. The new duty builds on the Council's approach, with the required “scheme” providing greater clarity to the community.

Opportunity should be taken locally to view the duty in the context of the Rotherham partnership's approach to community consultation and involvement (CCI Framework). This is important as some petitions are likely to involve the functions of local partner organisation either action in their own right or in partnership with the Council.

There is also scope to develop the duty to provide a seamless policy approach. This would link the work of Area Assemblies and the implementation of "calls for action"; all dealing with community engagement in the economic, social and environmental well-being of the Borough.

In addition to responding to the consultation, it is recommended that the Council and local partners should now consider how the requirements of the duty can be incorporated into the CCI Framework and align with "Calls for action".

The outcomes arising from the new duty are likely to impact on performance against National Indicator No. 4 (% of people who feel they can influence decisions in their locality).

11. Background Papers and Consultation

The Performance and Overview Scrutiny Committee considered the proposed responses at its meeting on 19th February. Cabinet will be informed of the Committee's views as part of the presentation of this report.

Background papers

Local Democracy, Economic Development & Construction Act 2009 (c. 20)
Consultation on draft statutory guidance on the duty to respond to petitions

Contact Name:
Steve Eling, Principal Policy Officer, extension 54419, steve.eling@rotherham.gov.uk

Appendix A

Petitions questions

Main guidance
Question 1:
Does the guidance clearly set out the key principles and requirements of the petitions duty?

We are happy that the key principles are set out in the guidance.

Question 2:
Are there any existing areas in the guidance which require further clarification?

We have some concern about the definition of "systemic failure". Whilst we appreciate that there will always be scope for opinion over what constitutes systemic failure, and what does not, we believe that the relatively loose description set out in the guidance may well lead to petitions being used as a means of appeal against licensing and planning decisions.

We are also concerned about the guidance in relation to vexatious petitions. We do not feel that the guidance under the Freedom of Information Act 2000 is an adequate starting point as in our opinion this is widely abused. We believe that a stronger definition should be included providing statutory weight to the Council being able to reject what might be termed "phishing" petitions similar to FOI phishing.

Question 3:
Are there any additional areas which you feel this statutory guidance should cover? If so, please state what they are and why you feel they should be included.

We welcome the ability to handle petitions relating to the broader economic, social and environmental well-being of the area. However, this will raise expectations among the community that we will be able to deal with issues not directly under the Council's control. In fact, the examples given in the guidance and model scheme would lead people to believe this.

We note that statutory guidance is only being given to the Council and that only officers of the Council are included for the purposes of giving evidence. We would suggest that there should be consistency across public bodies as part of delivering local petition schemes. We would suggest that this could be provided through statutory guidance issued under section 24, Duty of public authorities to secure involvement: guidance, of the 2009 Act.

Question 4:
Are there any additional areas which, while not appropriate for statutory guidance, you would like to see covered by the expert practitioners in their sector-led guidance?

Not that we have identified at this stage.

Question 5:
Are there any areas covered in this statutory guidance which you feel would be more appropriately covered by the expert practitioners in their sector-led guidance? If so, please state what they are and why you feel they should be addressed in this way.

Not that we have identified at this stage.

Model scheme
Question 6:
Do you think the model scheme is clearly expressed and easy for people to use? Please explain your reasons.

The model scheme is reasonably clear; however, there needs to be greater clarity or more examples of what is covered by other enactments.

Question 7:
Do you think the standards set out in the model scheme are achievable and appropriate to citizens' expectations?

As referenced above, the examples given could lead to false expectations.

Question 8:
Do you think there is anything that should be added to the model scheme?

Yes, people should know what they can expect from a range of public organisations in the area and not just the Council.

Draft order
It is our intention to ensure that the petitions duty enables people to express their views on issues of local concern and to know that their views have been listened to. It is also our intention to ensure there is a balance between this aim and the requirements placed on local authorities by the duty. On this basis ministers have set out the Government's intention to exclude from the duty matters for which there are already established processes in place for people to have their say. The aim of the draft order at Annex B is to achieve this intention, however we are aware that there may be other matters which we should consider excluding for other reasons. We would therefore value your views on the following:

Question 9:
Do you agree with the categories we have excluded in the order? If you do not agree with the categories please explain why you do not think they should be excluded.

We agree with the categories specifically excluded. Whilst we agree with the terms et out in article 2 (c), we think that this needs to be expanded in the guidance for the reasons set out above.

Question 10:
Do you think there should be additional categories excluded? If so, please state what they are and why you feel they should be excluded.

Not at this stage, but we think the Government should review this following experience of implementing the duty, say after a year.

Additional questions – Next steps
Question 11:
Following on from this consultation, what do you consider the most appropriate timescale for bringing the petitions duty into force? Please explain your reasons.

It should be possible to commence the duty this year. However, this will need to be assessed against the practicalities of implementation including how partner organisations will be involved. If this is covered in the final statutory guidance, this may shorten the timescale.

Question 12:
Initial discussions with both the local government and technology sector indicate that it would be wise to stagger the implementation of the e-petition element of the duty, bringing the e-petition requirements into force 12 months after the other elements of the duty are commenced. Do you agree? Please explain your reasons.

We agree with a phased approach. This would enable local government to address the technology issues alongside assessing the impact of the new duty and likely requirements for e-petitioning.

ROTHERHAM BOROUGH COUNCIL – REPORT TO CABINET

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**24th February, 2010**
3.	**Title:**	**Local Authority Business Growth Incentive - Rotherham South Area Assemblies Devolved Budget proposals**
4.	**Directorate:**	**Neighbourhoods and Adult Services**

5. Summary

This report provides an update on the proposals from the Wentworth South Area Assembly Co ordinating Group for projects identified to be funded through Local Authority Business Growth Incentive (LABGI) within the 09/10 financial year.

These proposals were approved on 15th February 2010 by the Cabinet Member for Housing and Neighbourhoods for recommendation to Cabinet on 24th February 2010.

These proposals support the corporate objective of devolved decision-making in the Borough through Area Assemblies and the delivery of local projects and actions which meet Corporate Objectives and community priorities as identified in the Area Plans of the Area Assemblies.

6. Recommendations

That Cabinet

i. Approves the project proposals to be funded from LABGI.

7. Proposals and Details

In 2009 the Wentworth South Area Assembly Coordinating Group agreed several projects identified below but which have either not been able to commence for various reasons or have had to be re profiled.

- The Baby Doll Project (£6,400 LABGI) did not go ahead because partnership agreement and coordination of delivery could not be agreed within the timescales
- The Embedded Fire-fighter Project (£6,000 LABGI) did not go ahead because of staffing issues and the recent industrial action which affected the delivery of the project
- The installation and erection of the gate at Mungy Lane was less than anticipated which led to a £5,500 (LABGI) under spend
- There was a £1,520 (LABGI) under spend on the Wednesday Project because the Youth Worker left and the Youth Centre found other funding to carry out activities

In order to ensure that the LABGI funding is spent within the timescales and has the desired impact on the local area the Wentworth South Coordinating Group have met to consider a series of new project proposals which are detailed at the end of this report.

Total available from re profiling projects	Total cost of new projects submitted	Total available from existing LABGI available	Total available to spend on new projects
£19,420	£21,818	£2,398	£21,818

Because of timescales and the fact that LABGI funding ceases in 2010 the project proposals have not been through any element of public voting. The approval of the new projects will use all the under spend as detailed above meaning that all the LABGI funding for Wentworth South has been allocated.

8. Finance

Local Authority Business Growth Incentive (LABGI) awarded over two years 2008/09 and 2009/10. Each Area Assembly was allocated £100,000 to be spent approximately £35,000 in 2008/09 and £65,000 in 2009/10.

9. Risks and Uncertainties

Risks around the timescales and delivery of projects have been managed and through auditing and monitoring of the Area Assemblies Devolved Budget have resulted in the withdrawal of the funding for the projects identified and the subsequent replacement projects. If the project proposals are not approved then this may result in the LABGI funding being underutilised.

10. Policy and Performance Agenda Implications

The development of devolved budgets for Area Assemblies has clear linkages with the key Corporate Strategic Themes and contributes towards the aims of Strategic Objective 1 of the NAS Service Plan 2008-11

To **provide integrated local services** so that;

- People can exercise choice, retain their independence, be offered protection and have equality of access.

- Communities are active and shape local services to meet their characteristics and needs.

- Neighborhoods are safe, free from crime and places to be proud of.

The development of devolved budgets for Area Assemblies is a key driver in meeting element three of the Outcomes Framework - **Making a Positive Contribution** by engaging residents and community groups in discussing and identifying community/area/spending priorities and participating in the proposals for the development of projects.

11. Background Papers and Consultation

The Community Empowerment White Paper: Communities in Control: Real People, Real Power: July 08

Local Government White Paper: Strong and Prosperous Communities 2006

Local Government and Public Involvement in Health Act 2007

Contact Name: Jan Leyland, Neighbourhood Partnership Team Manager Ext 3103

Project and Project Sponsor	Ward	Cost	Strategic Link	Link to Area Plan	Timescale
Oldfield Road/ Laudsdale Road - To supply and fit security fencing on Laudsdale Road repair existing fencing to Oldfield Road –	Valley	£1,404	Safe Sustainable	Community Safety	Feb-Mar 2010
Praise Pod - Dalton Foljambe Primary School	Valley	£1,750	Learning Achieving	Facilities for children and young people. Opportunities to access learning.	Feb-Mar 2010
Outdoor Furniture - Silverwood Children's Home	Valley	£1,000	Learning Proud	Facilities for children and young people. Opportunities to access learning.	Feb-Mar 2010
Refurbishment of Community Centre - Dukes Place Tenants Association	Valley	£1,000	Proud Alive	Increased community facilities	Feb-Mar 2010
Rawmarsh World War II Memorial - EDS	Rawmarsh	£5,360	Safe Proud	Increased community facilities	Feb-Mar 2010
Remedial Tree Works 2010 Rotherham Ltd.	Rawmarsh	£1,064	Safe	Community Safety	Feb-Mar 2010
Redecoration of Kilnhurst Resource Centre - Kilnhurst Action Group	Silverwood	£1,900	Learning Achieving	Increased community facilities	Feb-Mar 2010

Project and Project Sponsor	Ward	Cost	Strategic Link	Link to Area Plan	Timescale
Community Graden - Thrybergh Country Park Countryside Ranger	Silverwood	£500	Learning Achieving Alive	Access to learning	Feb-Mar 2010
High Greave Place Path Works - 2010 Rotherham Ltd.	Valley	£4,000	Safe Proud	Community Safety	Feb-Mar 2010
Diversionary Activities following installation of MUGA lighting at Herringthorpe Valley Park	Valley	£1,000	Safe, Proud, Achieving	Activities for young people	Feb-March 2010
Community Arts Project - Bonded Warehouse, Thrybergh	Valley	£850	Proud	Activities for young people	Feb-march 2010
Installation of Wooden Posts on green space nr Shelly Drive	Valley	£1,150	Safe Proud	Community safety / Improve standards of road and pavements and cleaner streets	Feb-March 2010
Wilson Avenue - removal of tree stump and tarmac area	Rawmarsh	£840	Safe, Proud	Community safety / Improve standards of road and pavements and cleaner streets	Feb-March 2010

Agenda Item 11

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1.	**Meeting:**	**Cabinet**
2.	**Date:**	**24th February, 2010**
3.	**Title:**	**Rotherham Investment Board**
4.	**Directorate:**	**Environment and Development Services**

5. Summary

A request for members to note and approve the proposals to establish an investment board which will be tasked with establishing an inclusive, Rotherham wide, strategic approach for the development of the place experience and reputation of Rotherham in order to improve its economic competitiveness and attractiveness for business and investment.

6. Recommendations

i. **Members approve the establishment of the investment board**

ii. **Members note and approve the terms of reference for the board**

7. Proposals and Details

The Rotherham Investment Board will be a sub-board of the Partnership's Achieving Spoke. It is proposed that the board will have a remit to deliver actions that address the need identified in the Economic Plan to improve the image and identity of Rotherham, including creating a sense of place for Rotherham and building pride in the community.

This will be achieved by capturing the commitment of existing investors in the borough with a direct interest in supporting the borough's regeneration with the aim of: -

- Promoting the strength of Rotherham's business and investment offer
- Reviewing the business and investment offer and identifying improvements that can be made.
- Raising awareness of the transformational regeneration activity that is delivering a step change in the local business environment.
- Strengthening the relationship between the development industry and the local business community and creating opportunities in the supply chain.
- Generating more enquiries of the right quality for the existing and emerging product.

Specifically the board will be given responsibility to: -

- Draw up and agree a 3-year strategy for Rotherham that maximises the success and benefit from new investment in the town and delivers business and economic growth by identifying target sectors and intermediaries, devising a promotional strategy for internal and external audiences, pursuing local trading opportunities, and securing ambassadors for these developments from the local business community. The board will directly control a budget drawn from contributions made by the private sector members and matched by RMBC. Funding for the Council's contribution has already been secured through LABGI (minute B96 Cabinet meeting 15 October 2008 refers).

- Influence the core budgets of Rotherham Investment and Development Office (RIDO) and Barnsley and Rotherham Chamber and provide 'constructive challenge' to mainstream activities. The scope of activities includes retail and service sector investment and the Renaissance Projects as well as a traditional industrial focus. This will include reviewing how business and investment projects are handled and making recommendations for improvement.

- Arrange key organisational briefings with MPs, Yorkshire Forward, RMBC, South Yorkshire Partnership, PCT, colleagues and other partners (quarterly or as agreed with the board)

Terms of reference are attached at **Appendix 1**. The board members have identified a need to address the place experience at an early stage.

8. Finance

The board will directly control a budget drawn from contributions made by the private sector members and matched by RMBC. Funding for the Council's contribution has already been agreed from the Local Authority Business Growth Incentive (LABGI) to a maximum of £120,000. An initial approach will be made to Yorkshire Forward seeking funding for feasibility work.

Findings and recommendations from the board may have financial implications in implementation. Until the board begins to operate it is not possible to quantify what the recommendations will be and consequently the financial implications of those recommendations. Part of the board's role will be to identify partnerships and opportunities that can maximise resources to deliver what is needed.

9. Risks and Uncertainties

Partner Engagement

The principal risk attached to the proposal is that partners fail to engage with the board and do not commit to deliver the on the recommendations produced. It is essential that the work of the board gains widespread acceptance among partners and stakeholders. Potentially some recommendations may challenge established practices and ways of working. High level support may be required to drive forward with necessary changes. To mitigate this risk it is proposed to establish the board within the established Local Strategic Partnership structure. This will provide accountability and provide a mechanism for partners and stakeholders to influence and constructively challenge the work and recommendations of the board. An action plan detailing how the board proposes to engage stakeholders will be required as one of the first elements of the work plan.

Financing Activity

Gaining the commitment of private sectors partners to include a financial contribution is challenging in what is still a difficult economic climate. However, subject to the board being established the current partners are prepared to give that commitment. Public sector match funding has been agreed through the Local Authority Business Growth Incentive (LABGI) and it is necessary that the allocation is retained. Current private sector membership comprises UK Coal (Harworth Estates), TCN and St Paul's Developments. The members are supportive of the agenda and believe that if the terms of reference are endorsed it will be possible to expand and strengthen the board membership which will bring additional funding

The outcomes to be delivered by the board will deliver actions that help control the following risks listed on the Corporate Risk Register: -

Risk 19 - Public Satisfaction

The board will be set the objective of establishing an inclusive, borough wide, strategic approach for the development of the place experience and reputation of Rotherham in order to improve its economic competitiveness and attractiveness for business and investment. This will be delivered through an innovative partnership approach that draws on the commitment and skills of private and public sector partners to identify an agreed vision for the future that through consistent promotion can be used by other partners to build community pride. At an early stage establishing the board provides an opportunity to demonstrate that partners are committed to successfully developing Rotherham's economy and working together to achieve that goal.

Risk 36 – Economic Downturn

The objective of the board is to identify and drive forward actions that improve the strength of Rotherham's economy and the attractiveness of the business and investment offer relative to other similar locations. A strengthened local economy will provide greater resilience in managing the impact of national and global economic changes.

10. Policy and Performance Agenda Implications

The remit of the board closely aligns with both the Achieving and Proud themes in the Community Strategy. It proposes a partnership approach to create a sense of place for the borough which will improve Rotherham's image as a place to do business and thereby help stimulate economic growth. The successful establishment of the board is a key intervention in delivering Strand 1.6 of the Economic Plan: Maximising Rotherham's Image and Identity.

In improving Rotherham's attractiveness as a business location the work of the board will positively impact on the following National Indicators: -

NI 151 Overall Employment rate (working-age) – through the creation of employment opportunities
NI 166 Median earnings of employees in the area – through the attraction knowledge based and growth sector businesses and an improved employment market
NI 170 Previously developed land that has been vacant or derelict for more than 5 years – through the direct attraction of more investment
NI 171 New business registration rate – through the promotion of business friendly processes

11. Background Papers and Consultation

Leader
Cabinet Member for Economic Development, Planning and Transportation
Chief Executive
LSP Achieving Board
Barnsley and Rotherham Chamber of Commerce
UK Coal
TCN UK
St Paul's Developments

Appendix 1 –Terms of Reference

Contact Name : Tim O'Connell, Business Development Manager, Ext 54563 tim.oconnell@rotherham.gov.uk

Appendix 1

Rotherham Investment Board - Terms of Reference

1. **Title**
   Rotherham Investment Board

2. **Purpose**
   To establish an inclusive, borough wide, strategic approach for the development of the place experience and reputation of Rotherham in order to improve its economic competitiveness and attractiveness for business and investment

3. **Objectives**
   - To lead on the creation of an authentic place proposition for Rotherham Borough.
   - To plan and implement a co-ordinated Borough marketing plan in line with the new place proposition.
   - To coordinate and influence marketing, event and communication activity undertaken by the borough's existing investors.
   - To review existing projects, strategies and place interventions to ensure they are appropriately influencing the development and delivery of the place experience and promotion.

4. **Accountability**
   The group will provide progress reports to the Achieving Board.

5. Membership
The membership of the group shall consist of representatives from:
- Harworth Estates (UK Coal)
- TCN UK
- St Paul's Developments
- Barnsley & Rotherham Chamber of Commerce
- RiDO
- Rotherham Renaissance
- Key employer
- Major leisure operator
- Other developer partners / key investors

6. Frequency of Meetings
Meetings shall be held monthly.

7. Chair
Sue Anderson – Harworth Estates

7. Vice Chair
To be appointed

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	**Meeting:**	**Cabinet**
2)	**Date:**	**24th February, 2010**
3)	**Title:**	**Rawmarsh Joint Service Centre, Barbers Avenue, Rawmarsh - Appropriation** **Rawmarsh Ward 10**
4)	**Directorate:**	**Environment and Development Services**

5. Summary

To seek approval to appropriate land at Barbers Avenue from the Department of Culture and Leisure to the Department of Asset Management.

This report deals with the formal appropriation required in accordance with item 76, Appendix C of the Council's Financial Regulations.

6. Recommendations

That:-

(1) an appropriation of the former Rawmarsh Leisure Centre from the Department of Culture and Leisure to the Department of Asset Management at a value of £650,000 is approved.

(2) the Assistant Chief Executive, Legal and Democratic Services completes the necessary documentation.

(3) the Director of Central Finance amends the Council's financial records.

7. Proposals and Details

This report deals with the formal appropriation required under the Council's Financial Regulations. The asset is shown edged and hatched red at Appendix 1.

Cabinet resolved on 21 October 2009 to progress with the provision of a customer service centre on this site and allocate funds from the capital programme to enable its development with Council partners.

This asset has been declared surplus to requirements and an appropriation from the Department of Culture and Leisure to the Department of Asset Management needs to take place to comply with the Council's financial regulations.

8. Finance

The land to be appropriated has a value of £650,000.

9. Risks and Uncertainties

There are no risks associated with an appropriation

10. Policy and Performance Agenda Implications

Sustainable Development: The proposal will support the principles of sustainability by providing an asset to meet service delivery needs.

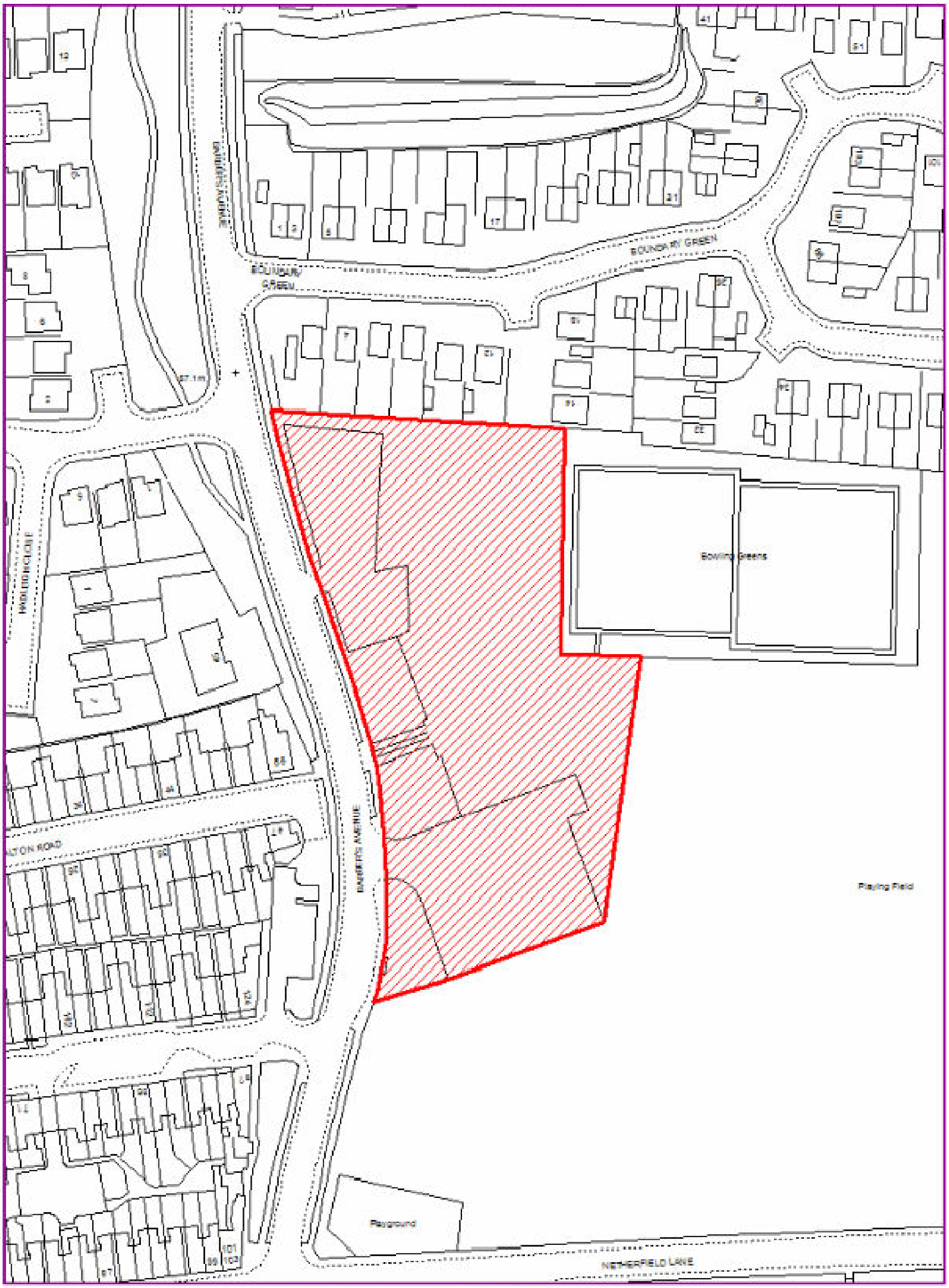
11. Background Papers and Consultation

21/10/09 Cabinet - Rawmarsh Customer Service Centre
27/1/2010 Capital Strategy and Asset Review Team – Rawmarsh Customer Service Centre
Director of Culture and Leisure
Director of Asset Management
Consultations with other parties have been carried out and will be reported verbally to the meeting..
Appendix 1

Contact Name:

Sharon Langton, Principal Estates Surveyor, Ext 2886, Sharon.langton@rotherham.gov.uk
Ian Smith, Director of Asset Management, Ext 3850, ian-EDS.smith@rotherham.gov.uk

Appendix 1



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RAWMARSH CUSTOMER SERVICE CENTRE
BARBERS AVENUE
RAWMARSH
ROTHERHAM

Rotherham Metropolitan Borough Council

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