

# Outline Medium Term Financial Strategy

2016 to 2019





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## Foreword by Leader

Our Medium Term Financial Strategy (MTFS) for 2016 to 2019 has been developed to help navigate the Council through this challenging time for Rotherham and all of local government. There has never been a more challenging time for the Council and the sector; our resource base has been reducing since 2010 and will continue to reduce as the Government seeks to continue its fiscal strategy to tackle the national deficit before the end of this Parliament. The way of funding local government has significantly changed over this period and the Government has recently signalled its intention to end its revenue support grant to local government. Equally, the policy environment is fundamentally changing whilst at the same time we are experiencing high levels of additional demand, in particular on our social care services. The time is therefore right to review our Financial Strategy.

Funding levels for local government are falling rapidly. Since 2010 alone, Councils have seen a reduction in core funding of around a third and we know this trend is set to continue over the next few years up to 2020. Reliance is increasingly being placed on local councils to grow their own local economy, to raise additional income from Business Rates and Council Tax as their core funding from Government is reduced year on year. Achieving this local growth is at the heart of

the Sheffield City Region Devolution Proposal with Government to help 'kick start' the city region economy, which is complemented by our ambitious Rotherham Growth Plan 2015 to 2025 that was recently approved by Council on October 21st.

The scale of the future reduction in funding is likely to be considerable and raises a number of questions about how local authorities will have to adapt how they will work with an ever decreasing capacity to spend. So far, most of the Council's response has been in the form of "efficiencies" and scaling back rather than stopping services. Although there will always be opportunities to continue to make further efficiencies in the way we deliver services, we know that these will no longer be enough to meet the scale of the challenge ahead. More difficult decisions are going to have to be made but having an effective Strategy should provide the space and time for these decisions to be considered and balanced recognising the needs and priorities of the communities we are here to serve.

Against the backdrop of significantly reducing resources there is growing upwards pressure on the money we are having to spend. Particular pressure points being in our Children's Service as we look to implement our new strategy for improving the way we look after those children and families that need our support to help them keep safe

from harm, thrive and achieve their potential. The same is also true in Adult Social Care resulting from an aging population that will see increasing demand for services both in numbers and the complexity of care required. This Financial Strategy sets out the framework for how we will approach these challenges by ensuring we put value for money at the heart of all we do and making sure that strong financial management is a key foundation for how this Council carries out its business. We do, however, accept that difficult choices will have to be made about where we spend our money but in doing so we will remain focussed on the priorities that you have been keen to tell us during the public consultation events held throughout the Borough over the last year, 2015. These are embedded in our new Vision for the Borough and will be at the heart of our decision-making.

Ensuring the Council has clear priorities and a Medium Term Financial Strategy is a prerequisite for progress towards ending the Government Intervention into the Council.

This Strategy has been brought forward whilst Commissioners have held executive authority but the Strategy should be adopted by the Council. Execution of the Strategy will pass to Councillors as Executive Authority is restored.



Councillor Chris Read  
**Leader of Rotherham Council**



Sir Derek Myers  
**Lead Commissioner**

## Purpose - What is this document for?

Rotherham MBC wants to plan more confidently for the future and wants to have a better grip on its priorities and to feel as though it has options in order to rise to the challenges it faces.

A Medium Term Financial Strategy (MTFS) sets out a framework for understanding the challenges the Council faces and looks at the options for how these challenges may be met. It should also support the authority's organisational aims and objectives and these in turn should support the Council's overall Vision for the area. The Council does not operate in isolation it works closely and together with its partners – the Strategy will be shared with these partners and it is based upon a good understanding of what local people have said is important to them during the public consultation events held during 2015.

During the summer of 2015, Senior Councillors and the Commissioners, supported by partners, met with over 1,400 people across Rotherham in 27 roadshow sessions, at the Rotherham Show, at the 'Chamber Means Business' event and in an online survey, in order to listen to their views and ask them to vote on their priorities for the future and to help to define a new Vision for Rotherham and a new Community Strategy for the Borough. The results of the consultation are reflected in this Strategy.

This Financial Strategy follows and updates the Council's last MTFS running from 2015/16 to 2017/18. That document served well to describe past budget reductions and to provide detailed budget assumptions and proposed ways forward. Nothing in that document is irrelevant but the Council needs wider ownership of an updated MTFS to inform future choices and decision making and ultimately drive improvement and change.



# Executive Summary

This MTFS commits the Council to urgent and persistent work to:

- *Design and begin to implement a sustainable service to children and families, prioritising the most important interventions.*
- *Re-design its Adult Social Care services to make services more relevant to individual need and from this reduce expenditure on non-essential service costs.*
- *Work harder to get more value from the existing or modestly increased budgets for street and environmental services.*
- *Plan to increase housing, inward investment and jobs growth, to contribute towards income growth.*
- *Seek to work with partners and stakeholders to reduce our underlying cost base.*
- *Seek opportunities to generate more money responsibly, to replace lost government grant.*
- *Settle in 2016/17 on a new strategy for customer access using web access as much as possible to reduce transaction costs.*
- *Consider in 2016/17 a new plan to promote social cohesion and identify any resource requirements.*
- *Revise its 30 year HRA Business Plan in the light of new constraints*
- *Consider a new Workforce Strategy.*
- *Utilise the 2015 public consultation results to ensure that our focus remains on our residents' priorities and that these are at the heart of informing decision-making.*
- *Spread understanding and ownership of the many other ways the Council has to adjust to less money and changing local circumstances.*



# 1 The Wider Context – the Challenges

## Less Core Funding – Government Grant

Local Government has to change because the current Government wants to spend less and given it wants to protect the NHS, schools, defence spending and international aid, the rest of public sector expenditure will receive less grant support. Preparing for the November 2015 Spending Review, the Chancellor of the Exchequer has indicated that unprotected departments, such as Local Government, should identify savings of up to 40 % over the next three years.

The Council's ability to replace this loss of funding relies mostly upon growing its income from Council Tax and Business Rates. However, the Government has put in place a number of real and powerful constraints which hinder a council's ability to achieve this, which mean the Council has to prepare for less money overall year on year for the rest of this Parliament.

Our working assumption is that the Council will have to manage with a reduction in its government funding allocation of on average 9 % a year for the next 3 years. The final figures for 2016/17 and beyond will not be known until early in the New Year, 2016. It is highly likely, therefore, that the financial projections contained in the Council's MTFS will need keeping under review once the national policy and public spending picture becomes clearer. This will be ever important given the Government's stated intention to phase out government grant funding and move towards a more financially self-sufficient local government sector model as part of its ongoing devolution agenda.

This is likely to require local councils to fund spending plans solely from local income (Council Tax, Business Rates and fees and charges) generated in their area.

The current working assumption, reported in July 2015, is that the gap between likely available resources and current spending expectations if rolled forward is £20m in 2016/17, building to at least £41m over the next 3 years.

These figures more than likely will get worse - children's social care expenditure is still increasing, the adult services budget is under pressure and there could be deterioration in the Council's ability to achieve its income expectations, some of which like Business Rates and car parking income are intrinsically linked to prevailing local economic conditions. Equally, changes in national policy (e.g. the implementation of the national living wage) and the extent to which government financial support is provided to the sector to help implement this will also be key factors.

## Demography

The Council is not in control of who lives locally but we need to anticipate how the population will change. Firstly, the Borough has a lower churn than some other metropolitan areas, particularly London boroughs and large cities, which tend to attract young people and new arrivals into the country. The evidence is that inward migration into Rotherham is by people who are looking to settle and overall the Council should embrace population and jobs growth. The area has many natural attractions for the next generation of the local population



and those moving in to enjoy a good life, with access to great early years centres and schools, affordable housing, an efficient road network and great countryside and is likely to continue to become more diverse, as the migration pattern of the last decade continues.

The predicted population growth for the Borough over the next 6 years is 2.5 % or 6,500 and although the local economy, not the Council, has most of the levers to positively impact on this rate, if the Council were very proactive about promoting local economic and housing growth, then this figure could increase to 15,000 over ten years. In the 2015 consultation, local people voted by nearly 2-1 for more homes for sale and more homes to rent and 82 % supported more businesses locally and 94 % considered more jobs a priority, indicating a high level of support for housing development and business growth within the Borough. Overall demand for school places may not rise as the 5 to 15 age group has been in decline, although schools may provide more places for out of borough children.

Secondly, Rotherham's population is ageing. The population over 85 years old is forecast to increase by 3 % per annum so it is likely that there will be 25 % more people over the age of 85 by 2021, where experience tells us there will be more demand for local health and social care services if individuals are not in a position to care for their own needs. Rotherham's population over 65 is also expected to rise by 2 % per annum which is above the regional average and of these residents, 15 % are more likely to be living in a care home. This pressure is likely

to be compounded by the welcome news that more adults with a moderate or severe disability are living beyond 65 years of age.

Thirdly, areas of Rotherham are becoming more deprived. The 2015 Index of Multiple Deprivation shows a slight deterioration in Rotherham's rank from 53rd to 52nd most deprived out of 326 districts in England. However, this underlying ranking does not show that the deprivation in the poorest 10 % of the Borough has increased significantly. 50,000 Rotherham residents (20 % ) live in areas within the most deprived 10 % of England and nearly 9,000 of these residents (3.3 % ) in Ferham, Eastwood, East Herringthorpe and Canklow are in the most deprived 1 % of England.

## Regional and Government Policy

Arguably areas like Rotherham might become more attractive if the South East of England continues to overheat and access to affordable housing continues to be in crisis. This might cause employers to relocate out of the South East or other areas beyond the South East to become attractive relocation opportunities for individuals and families. The Government may also seek to relocate some Government functions.

The Government has committed to supporting "Fracking" as a potential new energy industry. Two thirds of Rotherham has been identified as potential exploration areas. Local planning permissions will be needed. The Council will need to consider carefully the balance between employment and other opportunities and environmental considerations.

## Welfare Changes

Welfare changes are an ongoing experiment as part of the Government's overhaul of welfare policy. The Government believes they increase incentives to return to work, improve fairness and will save £20bn in national expenditure by 2020 but many households will continue to see real decreases in income which are likely to further limit life opportunities, increase debt (including Council rent and Council Tax debt) and have other social implications. The Council will need to continue to understand the ongoing welfare changes and their effects on both residents and families and demand for Council services as the next phase of these (reduction in Tax Credits, implementation of Universal Credits) take hold. Tightening rules on benefit entitlement for migrants risks increasing expectations on the Council to act as last resort relief for those who are homeless, or need support.

## Devolution

The Government has a Devolution Bill before Parliament. On the face of it this appears to contain opportunities for groups of local authorities to put forward a case for having expenditure decisions now taken by parts of Central Government devolved to regional or sub-regional areas. Rotherham is part of the Sheffield City Region which has recently announced an 'in principle' devolution deal worth at least an additional £900 million in funding to the region over the next 30 years, which would bring more control of spending on; affordable housing, economic investment,

public transport, skills training and business support to help the city region further 'kick start' its local economy.

The 'in principle' agreement will now be subject to Government announcements in the Comprehensive Spending Review, public consultation and approval by all nine councils that make up the Sheffield City Region. The Borough will need to be thoughtful about how it exerts its influence as there will undoubtedly be opportunities – to use new and existing funds more effectively – and some risks – aligned to increased financial independence from government and additional managerial and administrative costs.

## The Economic Cycle

Rotherham has had more than its fair share of changes in major industries and changes in world markets which have had very significant impacts for local employment prospects. The local economy is not now as reliant on single industries but Rotherham cannot ignore the recent difficulties in the steel industry and the retail and service sectors are still affected by consumer confidence and the nature of the local population. The Borough wants to support more, better jobs and wants to encourage more local people to upgrade their own skills so as to be able to improve their own standards of living and achieve their ambitions.

Any significant increases in the prevailing inflation and interest rates will increase returns on Council cash deposits but increase

tensions from pay restraint and make contract cost rises and borrowing more expensive. The Council will need to keep abreast of changing economic conditions and model likely scenarios.

Over the course of this strategy period, there are also bound to be a number of new issues which require consideration, adjustment and new thinking. Some of these we might be able to anticipate but others may currently be unknown.

## Technology

All of us, to varying degrees, now expect technology to be part of our lives and part of the way we do business. We need to make it easy for people to do business with the Council online whilst recognising that there will still be a proportion of the population that will still want to do business on the telephone or indeed face to face. Simple transactions are cheaper to handle online and therefore this Strategy proposes the Council should move to a position where the lowest cost option for transacting business is always encouraged and/or non-essential services required.

Similarly new technology can enable staff to be more efficient and record keeping to be more purposeful. The Council can use data to better understand its own business. Using technology more often requires a capital investment. There should be a financial pay-back if there is a consequent reduction in staffing levels but the maintenance and replacement costs of Information Technology (IT) need to be planned in. Overall, as a proportion of its spend, the Council is likely to need to increase spending devoted to technology and modern communications.

## Social Cohesion

The Council wants to see itself as a promoter and manager of place and that means we have to be thoughtful about the Council's role in promoting a local climate which builds on Yorkshire's proper reputation for friendliness. We want to ensure that all communities in of the population feel they have got a chance to prosper. The Council has duties under the Equality Act and will want to promote equality of opportunity and ensure there is no unlawful discrimination. The consequences of ignoring community tensions are likely to include disruption in local life and additional costs and, although, a more proactive set of Council ambitions need not be a major expense, it may well give rise to expenditure which is not currently planned in existing Council budgets.

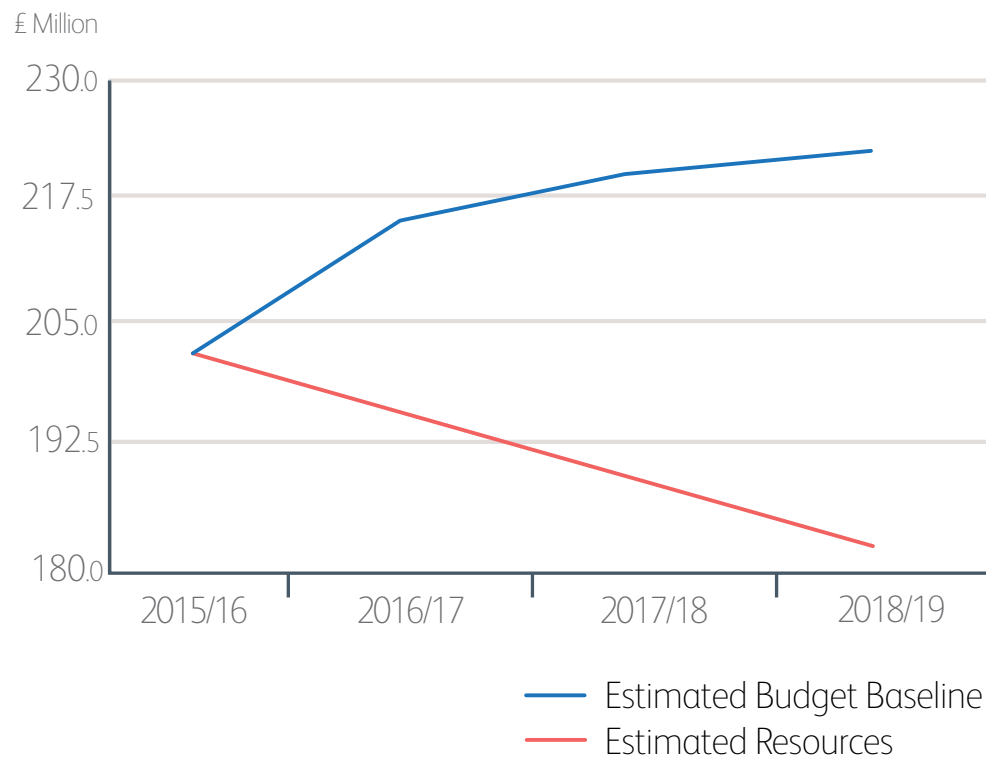


## Financial projections to 2019

The Council has navigated its way through the resource reductions over the last five years largely by improving its efficiency track record. This of course becomes more and more challenging to achieve and therefore means we need to think, plan and deliver further and further forward. We do not have a strong track record in doing this, particularly in terms of putting in place clear plans allowing us to focus on the medium term position facing the Council. Doing this and projecting our financial planning assumptions forward over the next 3 years is essential to ensuring our success.

Working with the Local Government Association (LGA), the Council has established projections for its income and expenditure for the period 2016 to 2019. Chart 1 below shows these projections

**Chart 1:- Projected Income vs. Expenditure 2016-2019**



# 2 The Objectives of the Medium Term Financial Strategy

## Objective One:

**To ensure that we seek to protect the services on which our residents place most priority.**

### **Key Themes**

- **Vision for the Borough**
- **Political Ideas**
- **Being Clear on our Corporate Priorities and What is Not a Priority**
- **Urgent Issues to Address**

Ensuring priorities direct and drive our resources forms the key focus of this Financial Strategy, through this focus we will ensure that those resources are expended on the services and issues most important to the residents and businesses of the Borough. It is clear that we are now operating in a very different external environment than previous financial strategies therefore the focus of this objective reflects the choices the Council will need to make about where reductions in expenditure are focused, thereby ensuring that those services most important to our residents and businesses are protected wherever possible.

### **Vision for the Borough**

Rotherham is not “one place” and work over the summer has reconfirmed that many residents feel a great sense of local loyalty to the area that they have chosen to live in. Many people live in the Borough but work elsewhere. We have 20 % of our local population working in Sheffield and 19 % in other adjoining areas. In the east and south

of the Borough, Sheffield may be a more relevant area for them to shop or take their leisure, whereas in the north of the Borough there may be a similar association with Barnsley.

We recognise that Rotherham is a place of 10 significant places and 15 smaller settlements. We continue to think it efficient to organise Borough wide services and indeed, we are likely to want to discuss with neighbouring authorities whether or not we can jointly scale up some services to improve efficiency. There will be other services, particularly care of vulnerable adults and management of the local street scene, where we want to look at other opportunities for devolving responsibility for local priorities to administrative arrangements below the level of the Council. This might imply a different responsibility for the seven Area Assemblies and some Parish and Town Councils.

## The Political Ideas Alive in the Country and Within Other Organisations that are Relevant to Rotherham

Currently the next General Election is set for 2020 but prior to this there will be a political debate about the UK's presence in Europe which could have economic impacts.

The ideas alive within the Labour Party may well influence a Labour administration in Rotherham.

The Council needs its financial strategy to be realistic and to take account of the challenges and constraints discussed above but also to serve the overall ambitions of the organisation.

During the summer of 2015, an exercise was held to consult local people both face to face and online. The 'Views from Rotherham' consultation was based on Council leaders, Commissioners and partners meeting people from businesses, the local workforce, primary schools, colleges, communities, political parties, the voluntary sector and faith groups and an online survey. Over 1,400 people responded. In light of the outcomes of this consultation with residents and employees and working with its partners, the Council has refreshed its 'Vision' for the local area

## Being Clear on Our Vision and Corporate Priorities

Rotherham is our home, where we come together as one community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper and where no one is left behind.

To achieve this as a Council we must work in a modern, efficient way, to deliver sustainable services in partnership with our local neighbourhoods, looking outwards, yet focused relentlessly on the needs of our residents. To this end we set out four priorities:

- Every child making the best start in life,
- Every adult secure, responsible and empowered,
- A strong community in a clean, safe environment,
- Extending opportunity and planning for the future.

Drawing on this vision and these priorities we can state the following:

### *"Every Child Making the Best Start in Life"*

We accept in full our responsibilities to assess vulnerable children where they appear to be in need of support or protection. We want to ensure that we are good corporate parents to those children who are in our care. Increasingly we want to avoid children

coming onto costly protection plans or entering care, by the persuasion of good multi-agency early help services.

*“Every adult secure, responsible and empowered”*

We want to ensure that no vulnerable adults are at risk and that those who are dependent on drugs or suffer from enduring mental illness are not a risk to themselves or others.

The Council will have to show leadership by defining a vision for the future of services to children and services for adults. This is because both of these services are currently spending more than the Council is likely to be able to afford in the medium term.

The public will rightly have high expectations of good quality care generously available to those who need it but the Council is unlikely to be able to meet all these expectations without fatally compromising the quality and range of other services which the Council would also expect its residents to enjoy such as; good quality cleansing and waste management; repairs to roads and other open access amenities such as parks, libraries etc. The Council also needs to maintain its responsibilities for regulation including key services of planning and licensing.

The Council will therefore be active in leading a discussion about what is reasonable in all of these financial circumstances and proposing and then refining, after consultation, a balance between whether the services that are made available are subject to a charging regime and how this might operate.

*“A strong community in a clean, safe environment”*

We understand that local people expect the Council to keep their places clean, to repair potholes and to stop areas feeling neglected. In the 2015 consultation 92 % said this was a priority for them. We know that the local people appreciate that litter, vandalism, anti-social behaviour, graffiti, fly tipping and careless driving all contribute to urban degradation and we know that a sense of pride in local areas can reduce overall costs.

We will be a strong critical friend to South Yorkshire Police and examine options to add to visible joint enforcement capability particularly in Central Rotherham Areas of the town.

The Council does not have any money of its own - all of its funding has either been paid through tax or user charges and it, therefore, wants to find ways of sharing dilemmas about how to make best use of these funds to secure these popular and necessary environmental improvements. We will examine whether, by devolving





some responsibility and authority for such expenditure decisions to areas below the level of the Council itself, we can improve the targeting of expenditure decisions to improve local impacts.

Yorkshire people are plain speaking and warm and people in Rotherham are amongst the best of Yorkshire folk. We know that most local people take it as a matter of honour that they care about their area; are interested in their neighbours and want to see their young people thrive. The Borough has a rich array of local charities and 600 voluntary groups and we ought to see this grow.

#### *“Extending Opportunity and Planning for the Future”*

For new employment and housing opportunities to be maximised the Council will need to be forward thinking, looking at roads and public transport infrastructure and planning ahead for new community facilities. The Council wants the area to be ‘open for business’. The Council will need to maintain some investment in economic and housing development, in concert with its city region partners.

The Council has prudential borrowing powers that it can use to fund an investment in infrastructure subject to a robust business case being put forward. For example, the Borough can potentially benefit from a new high speed rail station at Meadowhall and the other public transport improvements which will be associated with this. The proposed tram-train service from Sheffield is also welcome.

#### *‘A Modern and Efficient Council’*

The Council is changing and is committed to very high standards. We want to be modern, transparent and efficient, challenging ourselves to reduce costs wherever it is responsible to do so and comparing ourselves regularly with others both in local government and in other sectors ensuring that we have taken on board new ideas and new techniques.

The Council wants to be well thought of by its public. We will communicate well, and ensure basic administrative processes are efficient and effective.

We want to be open about the fact that the Council will have to do less in the future and some of the things that a Council has traditionally done will have to be done by others, perhaps with a new mix of funding from the Council, some local fundraising and some voluntary effort. Where public money is concerned, we will need to set some minimum standards so that any organisation in receipt of public money knows what is expected of it.

As part of our new model of working, we are interested to know how local Councillors might spend less time in the Town Hall and more time working with local communities and interest groups in their wards making things happen that local people think are important. The best Councillors do this naturally already.

## What is Not as Much of a Priority?

Amongst all of the individuals in communities of the Borough, there will be many who are passionate about individual causes or believe that the Council ought to prioritise a particular issue. Part of being open and honest about the Council's future vision and financial strategy is to accept that not everything can be a priority and therefore this section seeks to propose where the Council is consciously not going to prioritise expenditure. This does not mean that there will not be any expenditure at all but more likely that expenditure will be limited to those pragmatic arrangements, which, either meet a minimum requirement or produce a return on investment.

For the Borough of Rotherham, the Council believes that:

- a) It cannot at this time prioritise being a Green Council: - when that means spending taxpayers' money on initiatives which do not themselves lead to savings. However this might mean that the Council could invest in energy saving initiatives or indeed energy production to help alleviate fuel poverty, if a business case supported such investment. Local people seem to support this pragmatic approach. "Becoming more environmentally friendly" received one of the lower levels of support of all possible spending priorities – 58 %
- b) There will be human circumstances where it will be highly desirable for the Council

to offer subsidised services to those who would like to have them such as: older people who are struggling to cope with the chores of everyday life. However, such desirable provision is likely to be beyond the Council's ability. Local people seem to recognise this as in the 2015 consultation, respondents recognised that providing routine support was less of a priority than services necessary to preserve an individual's ability to stay out of hospital or institutional care. Also in the 2015 consultation, although protection of children was ranked as a high priority, by 93 %, a clear majority of responses thought helping parents whose children were not critically at risk, was a lower priority (43 %).

- c) We are likely to have to reduce our range of open access facilities including libraries and to reduce maintenance costs for public open space. It may be necessary to declare which public open spaces the Council can maintain and at what sort of amenity value level.
- d) The Council is unlikely to be able to subsidise community facilities which are available for local groups, but it would like to see these facilities maintained, providing that responsibility can be transferred to local management and that users will meet all or least a greater share of the costs.
- e) The Council is likely to be a modest supporter of the arts and other community initiatives, simply because this desired expenditure does not compete well with

other duties that the Council must attend to. We may wish to look at being a minor contributor to activities which, with some Council support, stand a much better chance of securing support from others.

- f) Local people do not support the Council being very interventionist in some public health issues such as helping people with obesity. In the 2015 consultation less than one in four thought this a priority. Public Health funding might be targeted more at children's future health and helping adult abuse survivors.

## The Most Urgent Issues to Address

Because of the cost of children in care and the high numbers of children in need and having protection plans, Children's Services spending is currently running ahead of budget expectations and it is likely it will prove difficult to reduce this expenditure significantly in the next 2 years.

However, the Council must plan to bring its Children's Services into a sustainable and affordable cost mode. This will mean:

- a) responsibly reducing the looked after children population and looking after more of children closer to home;
- b) responsibly reducing the number of children needing full scale protection plans;
- c) offering a wider range of early help services designed to 'nip problems in the bud' and

promote families' abilities to access help without formal assessment and support.

- d) Ensuring the services we do provide are provided at the right cost and value, including buying from other providers.

We will make careful decisions about affordable investment levels in services such as the Youth Service, support to children with disabilities and Children's Centres.

Having a confident plan for a sustainable Children's Services is probably the Council's number one priority but there are other parts of the Council which also require urgent action.

Services to vulnerable adults in Rotherham have not moved with the times and are financially unsustainable in their current format. Modern services will need to promote greater choice but we also need to be more realistic about who can be helped and on what terms.

As part of this process the Council's staff terms and conditions need to be centred around customer requirements rather than staff convenience.

The re-imagining of Adult Social Care is the second biggest priority for the Council.

The Council has a large road network and keeping this in good repair, attending to other street scene demands and making sure that the Council is active in dealing with fly tipping and roadside litter is an uphill battle. Because of the gap between expectations

and available resources, the Council will need to work very hard to ensure that its delivery mechanisms for these services are hyper-efficient and the staff are managed with skill and ambition. The Council will need to think about whether or not it can take any other opportunities for increasing revenues to support this service, perhaps by offering to act as an enforcement agent for vehicle license evasion.

The Council will want to improve the street scene in all resident areas, but particularly those marked by highest levels of deprivation. Most of these improvements need to come from increased productivity from existing resources. This is the third highest priority.

Rotherham Town Centre - as a matter of civic pride, the Council will want to arrest any further decline in the Town Centre, consolidate the retail core and add in other uses, including promoting a cinema or near-cinema site and a wider range of restaurants, eating places and night life. The Council will need to compete with other out of town entertainment sites and have an agreed offer of 'free parking'. It will also mean

developing sites in the town centre to add to the residential population and acting to ensure that central wards including Eastwood Village, Ferham are well regulated, kept clean and safe and do not feel like a place apart.

Given the overall commitment to local jobs and housing growth, the Council will need to ensure it has the right capability to promote such opportunities and ensure they are seized. This might mean setting up units of specialists, shared with other councils or ring-fencing certain receipts into setting up a local housing and economic development company.

Investment in various economic activities will always compete badly against more urgent requirements underlined by statutory duties and therefore we would want to see if there is any capacity that can be in part paid for by the fruits of its own success with an Economic Development Fund which meets a significant proportion of these costs. This will also need to be considered alongside any City Region Devolution Deal.



## Objective Two:

**To manage our finances in accordance with our core financial principles and to give the community continued confidence in the financial stewardship of the Council.**

### Key themes

- **Balanced Budget**
- **Core Financial Principles**
- **Balances and Reserves**
- **A 10 Year Vision for the Financial Health of the Council**
- **New Skills and Disciplines to Implement this Strategy**

### Balanced Budget

Over the last few years the Council has worked hard to maintain financial stability. Given the ongoing turbulent economic and financial environment we are likely to face, maintaining financial stability will be essential in order to be able to address those matters requiring 'Urgent Attention' while ensuring that we give more of a medium to long term focus on the Borough and its emerging Vision and Priorities. This will require both officers and the organisation itself to adopt and adhere to a set of Core Financial Principles.

working families who contribute their taxes for the common good. The Council wants to seek Best Value in all its activities.

The Council budget will change every year and periodically there must be a rigorous process of looking at new responsibilities and new demands (the imperatives) and comparing these to a list of budget reduction opportunities and requirements. The heart of this is the Council knowing where every £1 is spent. This confidence can only be developed over time.

### Core Financial Principles

Bearing in mind the contents of the emergent vision outlined above: a safe, well-kept and friendly Rotherham with a reliable and efficient Council which is able to articulate its ambition and longer term objectives and is clear on what it will and will not do, it is possible to articulate the important principles of our financial strategy, based around the values set by the current administration:

Financial efficiency should be taken as a core value. For money to be wasted or not properly used is an offence against the hard

The Council will want to be a good employer but will be active in discussing with its staff and their Trade Union representatives the inevitable tension between the number of jobs that it can properly retain and the payment that is attached to those jobs. The Council will pay at least the living wage to its own staff and influence others to meet this standard where it can.

The Council will be ever mindful of its legal duties, well informed about what it must do and the quality standards that it must expect to deliver as a minimum requirement. It will take account of the views and judgements of external inspectors and regulators and any

advice received from third parties outside the Council which, should at the present time, include those appointed as Commissioners.

The Council will always respect its tax relationship with local people, but will make the case for tax increases where it has the right argument. Given the current and medium term future spending pressures on children's and adult social care services, the Council is likely to seek to increase Council Tax above inflation over the next planning period. In the 2015 consultation, the protection of children was ranked as the highest priority and a clear majority of respondents supported above inflation Council Tax rises if services improved over what they would be otherwise.

The Council will always seek to manage its different financial activities in a way which understands the relationship between them. Therefore there needs to be a deliberate attempt to join up the Council's revenue budget planning, its capital strategy, its investment ambitions, its expectations, around changes in local tax rate, its Treasury Management (the management of its cash balances), its debt collection and recovery efforts and the range of price points it charges for services.

The Council will seek to run itself as one organisation, avoiding unhelpful and inelegant competition between parts of the Council and ensuring that all departments of the Council work together and indeed that the Council works with its partners in a way that avoids duplication, waste and 'friction costs'.

The Council will look to develop further its long term financial planning and reporting processes to ensure our resources are fully aligned to our agreed priorities and to better understand its service cost drivers and likely future demand for its services which will support better decision making.

The Council will work with its neighbours, voluntary organisations or any partners if it can reduce costs, improve services or plan better for the future. In the 2015 consultation three quarters wanted the Council to work closely with the voluntary sector; 61 % with other councils; 84 % with the NHS and 90 % with the police.

The Council will seek to plan ahead, to avoid rushed decision-making and create budget capacity for investment in its services, the Borough and with partner organisations.

## Balances and Reserves

The Council needs to maintain an appropriate level of General Fund balances to maintain financial stability and to manage any identified and increased financial risk. This has been set at a minimum of 5 % of net operating expenditure for the financial strategy. In determining the minimum level of balances, key factors include:

The risks inherent in the budget;

- The level of specific reserves and associated financial provisions;
- The future risks the Council may be exposed to;
- The Council's history in delivering services within the budgetary provision set.

During the period of the financial strategy the minimum level of General Fund balances will be 5 % . However this will need to be closely monitored and, if appropriate, reviewed given that Children's Services are currently investing much needed additional resources and it is likely it will prove difficult to significantly reduce this expenditure in the next 2 years. Equally, there is an ongoing, significant risk shift from central government to local government as grant funding is reduced. These, plus any other significant financial risks, will need to be effectively identified, quantified and managed to ensure that the available General Fund balance is reasonable to protect the Council from these potential risks.

Alongside general balances it is vital the Council has an appropriate level of reserves and provisions to support the delivery of the resident's priorities and to protect our services where possible.

## A 10 Year Vision for the Financial Health of the Council

The main purpose of this Strategy is to map out how the Council might more systematically make financial decisions over the next three years but it also helps to describe a vision for the Council in 10 years' time which we believe should have the following intrinsic characteristics:

- a) The Council will need to look at how it can become more financially self-sufficient and less dependent on government grants where it can only ever be a supplicant.
- b) To that end, the Council will seek to become more entrepreneurial, looking to exploit commercially and use properly its assets, including: property holdings; land; buildings and its human talent, to earn money from willing purchasers and customers.
- c) The Council will plan responsibly to enable and support a growing population in the Borough thereby increasing its Council Tax base and spreading its overheads over a wider population.
- d) The Council will work to increase its business base, by adding to the pool of those who pay Business Rates and having a more diverse and less dependent economic base.
- e) The Council will become an organisation in which its subsidy for services to those in need is more transparent but it will also remain willing to provide services where individuals or their families are willing to pay the real costs without subsidy.
- f) The Council will ensure that anybody who lives locally, who acts in a way which is inimical to the interests of their neighbours, and their communities, will understand that as far as is within the Council's enforcement powers, they will have to bear a penalty cost and that any proceeds beyond the costs of such enforcement will, wherever lawful, contribute to the wellbeing of the many.



g) The Council will be looking at stepping in where there is market failure. In other Council areas this has included: providing finance for local businesses; providing group insurance schemes; providing group energy schemes; providing extra services to schools and academies.

h) The Council will be smaller. At the end of 2015 the Council employs 4,138 FTE staff and it is likely that in 10 years, the staff numbers will have reduced by around 30 % to c3,000, unless there is a reversal of current trends or the Council is given further powers under any devolution settlement. In future there might be 'sponsored staff' working for other agents, partners or independent organisations where the Council is the main source of funds. We may also host staff working for functions that become local under "devolution".

i) The Council will be working in partnership with all other parts of the local state with lead professionals working with the most dependent households trying to ensure they are in work, managing long-term health problems well and not causing aggravation to their neighbours.

j) A greater number of smaller organisations will be adding to the money that the Council provides with a range of voluntary effort, and local and professional fund-raising from other sources.

k) The Council will have its own housing company building and acquiring homes for rent and potentially even for sale on a

shared equity basis. Some of these homes will be at 'social rents' and others will be at market rents appealing to those who might be on different career paths, with more disposable income.

l) The Council will continue to be the principle democratic institution locally where all the big decisions are made but it will be used to working in concert with a variety of other smaller democratic institutions including Parish Councils and Area Committees and other quasi democratic institutions from the voluntary sector and civil society who will be helping people at a local level serve their own problems and support their neighbours.

## New Skills and Disciplines to Implement this Strategy

The Council recognises that it will need to grow its skill base and capabilities to implement this strategy by ensuring that it has:

a) The ability to analyse costs against activity and propose beneficial change.



- b) The ability to model various scenarios around housing growth and jobs growth in terms of the Council Tax base and business rates income.
- c) A more aggressive approach to bidding for external finance.
- d) Improved capability for evaluating investment opportunities.
- e) A more sophisticated prioritisation of the capital programme (bearing in mind the commitment to integrate this with all other financial instruments)
- f) Confidence in maintaining an agile workforce, with challenging skill mixes and salary levels and commitment to hiring staff at the minimum cost levels needed to ensure staff are motivated and will stay long enough to achieve objectives.
- g) Commercial skills to design, evaluate and market things that the Council believes it can sell to willing purchasers.
- h) Good project and programme management skills, to deliver complex change and development.
- i) The right skills to allow the Council to develop its housing development function.



## Objective Three:

**Ensuring our infrastructure is fit for purpose and supports our ambitions.**

### Key themes

- **Capital Strategy and Capital Governance**
- **Linkages to Other Funding Sources e.g. Sheffield City Region**
- **Asset Rationalisation & Disposals**

To deliver a long term vision for the Borough requires a fundamental shift in the resourcing of our assets and infrastructure to give a more appropriate balance between revenue and capital in this strategy.

### Capital Strategy and Governance

A five-year Capital Strategy is being put forward for consideration and approval as part of the 2016/17 budget. The Council already has a 3 year (2015-18) capital programme that will see £173m of investment in the Borough, but we are now looking to deliver a step change in this investment which further recognises the importance of capital investment in our built environment and infrastructure environment in bringing about economic growth (jobs, prosperity) and improving the attractiveness of the Borough as a place to live, learn, work, visit and play.

It is intended that the Capital Strategy will help drive the achievement of Rotherham's long term ambition and vision including corporate priorities. To help ensure our finite capital resources are appropriately prioritised and spent well we have introduced a new, more robust governance framework for prioritising and managing the capital programme and individual projects, which is aligned to best practice and Treasury Guidelines for managing such matters. This framework will help to ensure:

- Money is well-invested,
- Proposals are thoroughly assessed,
- Projects and programmes are delivered on time, to budget and are of the right standard,
- Benefits and costs are clearly-defined from the outset and are realistic and achievable.

### Linkages to Other Funding Sources

The Council needs to do more to lever in all available external funding for the Borough. This is ever more important as the Government is increasingly looking to devolve major funding programmes to a City Region level. Equally the Council is working with the Sheffield City Region Combined Authority (SCRCA) to deliver its Strategic Economic Plan. The SCRCA has more recently put forward proposals to Government on how it would like to further accelerate the implementation of this Plan, which focuses on delivering:

- An integrated 21st Century transport network,
- An area recognised for innovation, advanced manufacturing and business growth,
- More people learning, working in apprenticeships and higher skilled employment,
- 7,000 new homes per annum and increase commercial development.



With it has already come devolved funding programmes of £350m in the City Region and the recent devolution proposals will see a further single pot of £30m a year (60 % of which is capital funding) for 30 years to further the City Region's Strategic Economic Plan.

are likely to be more difficult to deliver. A Corporate Property Strategy sets out how the Council will manage its property portfolio over the next 5 years and how it will work with and challenge services on their proposed use of property to deliver services.

## Asset Rationalisation and Disposals

The Council has been actively rationalising its operational and non-operational estate for the last five years, which has delivered both capital receipts to help fund further investment priorities as well as revenue savings. The Council has about £22m of uncommitted capital receipts but because of the steps already taken further future receipts are not expected to be as significant and



## Objective 4:

### To Maximise the Council's Resource Base

#### Key themes

- Business Rates System
- Council Tax
- New Homes Bonus

Effectively managing the future resource base of the Council will be key to the long term sustainability of the Council. A significant and increasing amount of our resource will be driven by local decision making (Council Tax, Housing Rents and fees and charges) and local growth (Business Rates income and New Homes Bonus). The former will take on more prominence as the Council, along with its City Region partners, will, subject to “sign-off” of the Devolution Deal, become a pilot authority for retaining 100 % of any additional Business Rates growth beyond expected forecasts. This pilot is set to begin in April 2016, ahead of the Government's stated intention to end Revenue Support Grant funding to local councils by the end of this Parliament (2020).

Since 2010 Local Government has, and will continue to see, a significant and unprecedented shift in emphasis of funding available to councils. Being in a position to “grow your own” local resources will now become of paramount importance to local authorities and that is why we are working together across the City Region on delivering the Strategic Economic Plan; why we have published our own complementary Rotherham Growth Plan 2015-2025; and why we are investing in our built environment

and infrastructure hopefully to ‘kick start’ economic growth and prosperity in the Borough.

### Business Rates System

Since the introduction of the Business Rates Retention scheme in April 2013, Business Rates collected locally have become more of a key source of funding. Potentially, the Council benefits from being able to retain 49 % of any increased yield in locally generated Business Rates resulting from higher economic growth. This incentivises Rotherham to retain, develop and grow businesses already in the Borough as well as increasing the attractiveness of the town for other businesses to set up and to re-locate here. Equally, the Council carries the risk for any reduction in Rates yield.

Rotherham's forecast Business Rates income for 2016/17 is approximately £72.2m from some 7,500 business premises, of which the Council will retain £35.4m. The Council is largely dependent on this income from a relatively narrow economic base and a number of significant ratepayers – for example the top 50 business rates payers contribute about 33 % of the total Business Rates collected. Of the top 50 more than half

are retail businesses and the single largest ratepayer – Tata Steel is in an industry that is under significant economic and financial pressure nationally.

Equally, Business Rate valuation appeals and reductions in income due to changes in reliefs (e.g. schools becoming academies) will have a direct impact on Rotherham's level of future Business Rates income, all of which are outside of the Council's control and influence. For example, as a result of ongoing valuation appeals managed by the Government's Valuation Office Agency (VOA), the Council is forecasting a 4 % reduction in its Business Rates base in 2016/17.

As Rotherham only receives a lower proportion of its income from Business Rates (relative to other authorities) it is unlikely that it would qualify for a safety net payment from Government. To qualify would require a 9 % to 10 % reduction in the Council's Business Rates income. A key part of our Strategy, intrinsically linked to the SCR Strategic Economic Plan and the Borough's Local Growth Plan, is therefore to try to increase the Business Rates yield to support our future budget and to mitigate the risks of any reduction in rates income.

As well as Business Rates the Council also receives grants to support rates discounts for small businesses, retail premises, empty properties and new buildings etc. In addition the Council is able to retain rates income in relation to new renewable

energy developments and Enterprise Zones – although the latter is passported to the city region Local Economic Partnership (LEP). Our working assumptions for Business Rates income are shown in the table below:

**Table 1 Business Rates Income**

<b>Business Rates Retention Scheme</b>	<b>2015/16 £m</b>	<b>2016/17 £m</b>	<b>2017/18 £m</b>	<b>2018/19 £m</b>
Business Rates retained income	36.211	35.413	36.501	37.732
Section 31 Grants	2.465	1.618	1.664	1.720
Renewable Energy	0.155	0.159	0.162	0.169
Enterprise Zone Relief	0.299	0.305	0.315	0.324
Business Rates Top Up Grant	22.628	23.099	23.759	24.561
<b>TOTAL</b>	<b>61.758</b>	<b>60.594</b>	<b>62.401</b>	<b>64.506</b>

Retained Business Rates are part of the annual Settlement Funding Assessment (SFA) from the Government. The SFA also includes Revenue Support Grant (RSG) and Business Rates Top-up Grant. With the introduction of Business Rates Retention the Council's RSG funding has been reduced and it is anticipated that this pattern will continue for the life of the strategy.

The resource forecasts, assume reductions in Rotherham's overall Government Funding of 9 % per annum from April 2016 until 2018/19. This approach modelled a reduction in the Council's RSG allocation over the 4 year period of 65 % or £33.3m although this is partially offset by assumed increases in Business Rates income and Top-Up Grant in line with the Office of Budget Responsibility assumptions in relation to Retail Price Index (RPI) inflation.

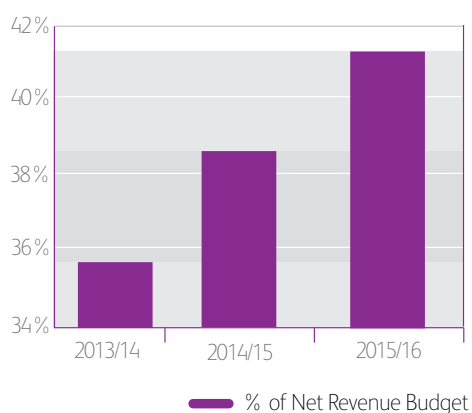
Overall, a funding reduction of 27.2 % over 3 financial years has been modelled. However recent announcements about the 100 % retention of Business Rates and the phasing out of RSG by the end of this decade and the indication of cuts in government funding of up to 40 % for unprotected services (a category which includes local government) are likely to mean that this will be reviewed in light of the forthcoming Spending Review. The table below sets out the current assumptions in this Strategy.

**Table 2 Projected Settlement Funding Assessments (SFA)**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Revenue Support Grant	50.925	38.436	27.666	17.649
Share of Business Rates Top up Grant	22.628	23.099	23.759	24.561
Baseline Business Rates Local Share	36.211	35.413	36.501	37.732
<b>Settlement</b>	<b>109.764</b>	<b>96.948</b>	<b>87.926</b>	<b>79.942</b>
<b>Year on Year Reduction %</b>		<b>-11.7%</b>	<b>-9.3%</b>	<b>-9.1%</b>
<b>Cumulative Reduction %</b>		<b>-11.7%</b>	<b>-19.9%</b>	<b>-27.2%</b>

## Council Tax

Council Tax remains a critical and increasing part of the Council's resource base as Chart 2 right shows.



## Improvements in Collection

As a Council we are good at collecting Council Tax and we are continually looking for ways to maintain and where possible drive up collection rates to ensure all those that can pay, do so. We are consistently collecting over 97 % of money owed in the same year and in 2014/15 (the latest year for which there are figures, Rotherham exceeded the all authorities average with an in-year collection rate of 97.2 % compared to 97.0 %). Our cumulative arrears are about £67 per property, which is also significantly lower than most other similar-sized councils and less than 43 % of the average for Metropolitan Authorities (£157).

By collecting more, we have been able to generate a surplus on our Collection Fund, which has been used to reduce future Council Tax increase. This Strategy currently assumes that the Collection Fund will generate a £3m surplus a year for use in the Budget.

## Increasing Council Tax Base

As with its Business Rates base, Rotherham's Council Tax base (i.e. the overall number of properties that the Council can collect Council Tax from) is limited compared to other authorities. Approximately, 87 % of domestic properties in Rotherham are in Council Tax Bands A to C – with 54.4 % in Band A and less than 1 % in Bands G and H – the highest value properties. This notwithstanding, increasing our Council Tax base provides a direct increase to the income available to the Council. This growth can come from two areas:



- a) Year on year the tax base has been growing by about 1 %, mostly as a result of building new properties in the Borough and reductions in the number and value of Council Tax Discounts and Exemptions granted by the Council – for example, the Council has been proactive in ensuring single person discount is only legitimately claimed and it has incentivised empty properties to be brought back into use.
- b) In addition, in 2013/14 the Government as part of its welfare reform programme, proposed that Council Tax Benefit would be localised from central to local government. In localising Council Tax support the Government reduced the funding for councils by 10 % and has continued to reduce its support in line with its reductions in grant funding. The challenge for Rotherham is to ensure an affordable local Council Tax Support Scheme is in place, that provides continued support to the most vulnerable residents within the community whilst seeking to protect the priorities of our residents overall. National regulations protect pensioners' benefits and Rotherham's current scheme requires all working age benefit claimants to pay a minimum of 8.5 % of their Council Tax liability. The number of working age claimants is gradually reducing as welfare changes encourage more people into work. At this stage, the Strategy assumes that the current qualifying minimum scheme will be retained although this will need to be considered alongside the future budget position.

This Strategy includes an assumption that the overall Council Tax Base will increase by 0.9 % a year.

### Increasing Council Tax

It is currently the Government's policy to prescribe a percentage increase in Council Tax that will trigger a local referendum (a mechanism to control increases). The trigger point for a local referendum has been announced over recent years by the Secretary of State for Communities & Local Government in February. For 2015/16 the threshold was 2 %. So, like a lot of other councils Rotherham has increased its Council Tax charges by just less than 2 % (1.95 % in 2015/16).

At this stage, the Strategy assumes a 1.95 % increase in 2016/17 and a 1 % increase in the following two years. In considering its future Council Tax decisions, the Council will need to balance the considerations of possible grant incentives to keep tax increases constrained, referendum threshold levels and the underlying financial needs of the Borough, which should be supported through local taxation decisions.

Table 3 below illustrates the projected income from Council Tax over the period 2016/17 to 2018/19 based on the above .

**Table 3: Projected Council Tax Income 2015-2019**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Council Tax	83.663	86.062	87.705	89.379
Collection Fund Surplus	2.000	3.000	3.000	3.000
<b>TOTAL</b>	<b>85.663</b>	<b>89.062</b>	<b>90.705</b>	<b>92.379</b>

## New Homes Bonus (NHB)

The New Homes Bonus grant incentivises councils for promoting house-building, including affordable housing units as well as bringing back into use empty properties. The majority of this resource is essentially top-sliced from the Revenue Support Grant (with any residual top-sliced funding not used being refunded to authorities). Again this is part of the shift in local government funding towards placing more emphasis on local economic growth. In Rotherham's case we generate about £1,400 per unit delivered, receiving an overall allocation of £5.02m in 2015/16 (with a refund of £0.2m this year).

This Strategy currently assumes that the scheme will continue in its current form and that the Council's share of the national allocation will increase by £1.1m a year until 2018/19. The Government is likely to clarify the future of the Scheme in the next Autumn Statement – (November 2015).

## Housing Rents

Long term planning in the Housing Revenue Account is based on a 30 year Business Plan. The current Plan assumed that rent increases would follow nationally set rent convergence targets to 2015/16 and that rents would rise year on year by Consumer Price Index + 1.0%. This would enable significant investment in housing growth and development as well as funding the current level of responsive repairs and maintenance.

Recently, in the Summer Budget of July 2015, the Government announced its intention to enforce, via legislation, a percentage cut to social rents as well as other financial constraints, which if implemented will have a dramatic and significant impact on the Plan and the ability to deliver on its housing growth and development ambitions. Work to revise the Business Plan and modelling the impact of the changes is ongoing.

## Specific Grants

In addition to non-ringfenced grants such as RSG and the NHB the Council receives specific grants from several Government Departments in relation to a range of activities and duties. The largest of these is Dedicated Schools' Grant (DSG) - £125.3m in 2015/16. This is the main source of income for the schools' budget and is based on block allocations determined by the numbers of pupils. Although it is thought this may be protected in the forthcoming spending review, the DfE have not yet issued information on funding



for schools beyond 2015/16.

Aside from DSG, the Council estimates that it will receive some £34m in specific grants in 2015/16, although grant terms and conditions mean that the Council is not always free to determine how these resources are used. Recently additional grant has been accompanied by specific duties and responsibilities (for example in Adult Social Care) and the Council's policy has been that the grant will be used to address these new duties without creating an additional corporate budget pressure.

Many specific revenue grants have been subsumed within the Business Rates/ RSG settlement as part of the Council's mainstream funding - the Settlement Funding Assessment. The exceptions to this trend have been funding for Adult Social Care and Public Health, which have increased as a result of initiatives like the Better Care Fund. However, in many cases firm details of funding beyond 2015/16 are not available at this stage (pending the next Comprehensive Spending Review and Autumn Statement in November 2015).



# 3 Financial Strategy Planning Assumptions

## Key themes

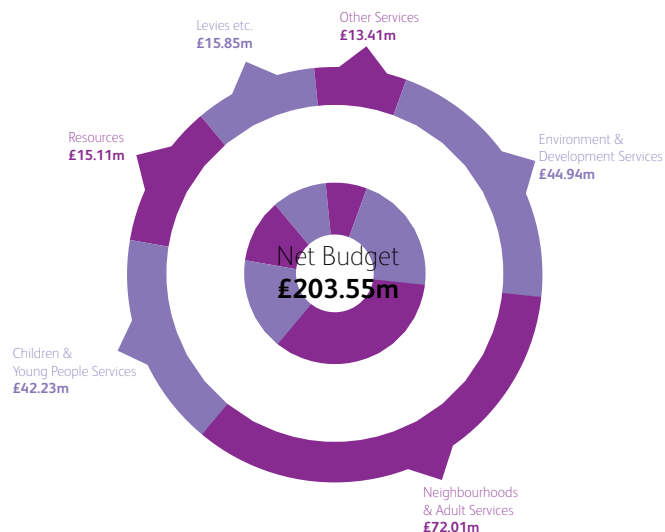
- Expenditure Plans
- The Financial Challenge
- How Do Other Councils Manage and How Does Rotherham Compare?

## Expenditure Plans

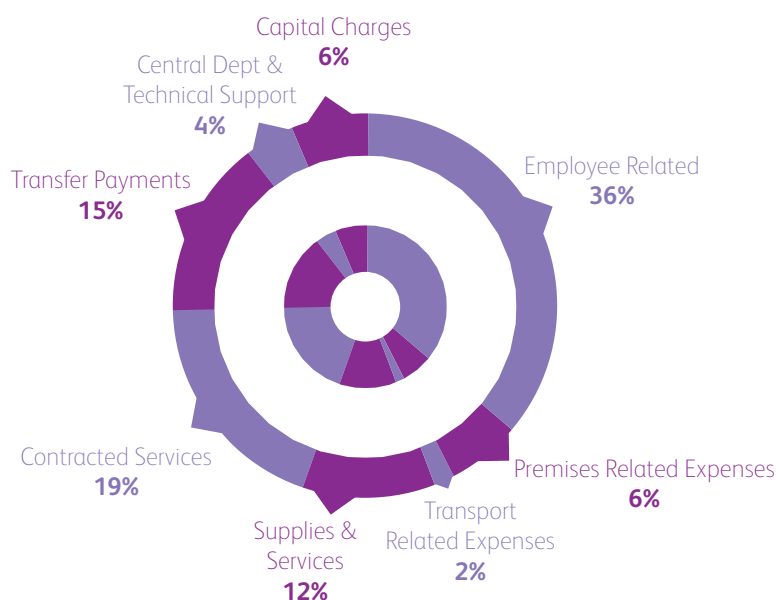
The Council set a 2015/16 Net Revenue Budget of £203.55m and the chart below shows how it was planned to spend that money by directorate and service. As the figures relate to the Net Revenue Budget, the expenditure shown is after taking into account income from specific grants (such as Dedicated Schools Grant) and fees and charges.

An alternative way of looking at the Council's spending plans is to consider what the Council spends its money on. Chart 4 overleaf analyses the proportion of the Council's Planned Gross Spending for 2015/16, before allowing for income from grants and charges, between different types of activity (employees, premises, supplies etc.). This shows that the largest element of Council spending is currently employee related expenditure, followed by contracted services and transfer payments (which are predominantly benefit payments like Council Tax Support and Housing Benefit).

**Chart 3: – How the Council Plans to Spend its Money in 2015/16 by Service**



**Chart 4: – How the Council Plans to Spend its Money in 2015/16**



- Meeting the cost of reducing the size of the workforce;
  - Reductions in Benefit Administration grant as Universal Credit is rolled out.

In addition, the Council working with Commissioners, is continuing to assess the likely investment required, particularly in children's social care services, to address the findings of the Professor Jay, OfSTED, and Louise Casey Reports and to establish the resources that need to be put in place to deliver a sustainable and affordable children's service that keeps children safe from harm. This work is ongoing at present, however this Strategy includes the following provisional investments:

## Budget Baseline

Moving forward from its 2015/16 budget the Council has established a present policies baseline budget for the years covered by this Strategy. This baseline includes: inflationary assumptions for pay, utilities, Business Rates and contracts and the need to make good in 2016/17 £6m of one-off savings used to balance the budget in 2015/16.

The Baseline also includes known cost pressures in particular:

- Reductions in the Education Services Grant as schools convert to become academies;
- The ending of National Insurance Contracting-Out from April 2016;
- The cost of implementing the Joseph Rowntree Foundation Living Wage for Council staff;

- Increasing the budget to meet the cost of children's social care placements on a reducing basis as the service implements its Sufficiency Strategy leading to a gradual reduction in the cost of care placements from 2017/18;
- Enhancing the capacity in children's leadership, management and social workers and business support;
- The planned savings in Special Educational Needs and Disability (SEND) services not delivered in previous year; and
- Implementing the Corporate-wide organisational review linked to the delivery of the Commissioners Corporate Improvement Plan – A Fresh Start.

As well as these spending pressures the Council has identified a number of savings which will help reduce the Budget Requirement

The Council's Baseline Budget after allowing for these assumptions is shown in the table 4 below.

**Table 4: Baseline Budget Requirement and What's Included**

	2016/17 £m	2017/18 £m	2018/19 £m
<b>Budget Baseline</b>	203.554	214.095	219.644
% increase year on year	5.2 %	2.6 %	1.3 %
<b>Composed of:</b>			
Inflation	2.506	2.315	2.950
Cost pressures	16.249	9.676	7.170
Less savings opportunities identified	-8.214	-6.442	-7.229
<b>TOTAL BUDGET REQUIREMENT</b>	<b>214.095</b>	<b>219.644</b>	<b>222.535</b>

Over and above these issues, there are a number of other cost pressures in the system that are at present still being quantified which will need further consideration prior to finalising the budget in each of the three following years – these are:

- The estimated ongoing need to invest additional resources in Children's social care;
- Demographic pressures in adult social care;
- The cost of implementing new rules on Deprivation of Liberty Safeguards (DOLS);
- Implementation of the National Living Wage both for Council Staff and particularly by Contractors and Clients;
- Costs of gritting during winter periods; and
- Reduced parking income as a result of declining demand.

## The Financial Challenge – Setting a Balanced, Sustainable Budget

Since 2010 the Council has already addressed a budget shortfall in its resources of £117m and recognises that the next five years are unlikely to get any easier for either the sector as a whole and this Council. Given the challenges it faces in bringing about significant improvement at a time when resources will become more finite the Council will become increasingly more dependent on generating its own local revenues to pay for services. By the time this decade ends local government is facing the prospect of no longer receiving government grant funding support.

Table 5 below summarises the financial challenge facing the Council for the period of this Financial Strategy 2016 to 2019.

**Table 5:- The Financial Challenge**

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m
Total Budget Requirement	203.554	214.095	219.644	222.535
Estimated Resources:				
-Government Funding (RSG)	-50.925	-38.436	-27.666	-17.649
-Business Rates	-61.758	-60.594	-62.401	-64.506
-Council Tax	-85.663	-89.062	-90.705	-92.379
-New Homes Bonus	-5.208	-6.355	-6.978	-6.918
<b>Total Estimated Resources</b>	<b>-203.554</b>	<b>-194.447</b>	<b>-187.750</b>	<b>-181.452</b>
<b>Cumulative Financial Challenge</b>	<b>0</b>	<b>19.648</b>	<b>31.894</b>	<b>41.083</b>
<b>In-Year Increase in Financial</b>			<b>12.246</b>	<b>9.189</b>



Managing this shortfall in resources over the term of the Strategy will be the Council's most challenging to date – as previously stated delivering the level of savings required from efficiency savings alone will not be enough.

### How do other Councils manage and how might Rotherham compare?

Austerity is not new and even before austerity became a requirement, many councils had been active in driving down their costs or looking for new ways of doing things. Sadly, there is not much empirical evidence to prove that any of the tactics or tools outlined below are sure to deliver either better or the same quality services at a reduced costs but there are lots of opinions about what works or should, in theory, work. This Strategy serves to describe how the Council will regard these options.

### Outsourcing

The Council does not believe that outsourcing to large national or supra-national companies is necessary or appropriate. It believes that it can be a good manager of efficiency through its own officers. However, it is perfectly willing to use local companies employing local labour to provide competitive market places for a range of routine services and supplies that the Council needs. The Council is very interested in seeing the voluntary sector offer to provide more services.

The Council does not believe a programme of market testing is necessary and fears

that such a programme would have its own costs and could lead to apparent short term benefits but long term reductions in quality and lost value.

The Council will also explore whether setting up Not for Profit Trusts to hold property or run services would be an effective option.

### Shared Services

The Council accepts that it should seek to share services with other councils and integrate services with the health service in a way that is designed to save money both in the short and long terms. It stands ready to talk to any partners about such propositions and expects to reduce management costs, property costs and other specialist overheads by forming such bigger, better integrated, operational models.

### Commercial services

Some councils have sought to maximise their earnings. Such opportunities are dependent on there being sufficient demand-for example for off street parking. Rotherham could look to see what it might do at Rother Valley Park to diversify its income sources.

The Borough needs a first class regional attraction. In the 2015 consultation, 72 % of respondents wanted a good range of things to do for teenagers and 67 % wanted a bigger range of low cost leisure activities. Other land holdings should be similarly examined, as potential sites to host affordable leisure activities. The Gulliver's campus in the Borough is a welcome addition.



## Pay Bill Re-engineering

This describes the ways in which in councils have sought to question whether highly skilled professional staff are the only answer, and have looked to see whether or not a smaller core of such staff could be supported by more modestly paid auxiliary or administrative staff. For example, fewer highly skilled social workers might be supported by family support workers and administrative staff. The Council is interested in thinking creatively about this and looking to learn from best practice elsewhere.

79 % of local people in the 2015 consultation said that the Council ought to help ensure young people had training or a job and therefore increasing apprenticeships and starter jobs would suit this purpose.

## Management Delaying

The Council believes that good managers add value by ensuring that money is spent well, by controlling quality and by leading service development. Nevertheless, the Council also accepts that managers are overheads and that overheads must be controlled and minimised wherever it is responsible to do so. The Council will reduce its managerial costs at least in line with its overall budget reductions each year and will periodically check its management structures against other councils'.

## Staff Spin-outs

This is the development and encouraging of staff to take their skills outside the Council and sell them back to the Council and, potentially, to other purchasers. The theory suggests that if staff are motivated by, in effect participating in the running of their own company, they will be more productive and more innovative. The Council notes that in the past there has been enthusiasm for this model from all three major political parties. However it also notes that such enterprises depend very much on having staff with the right motivation and particularly a entrepreneurial senior member of staff who does all the work and is able to lead staff to a different organisational form. The Council is ready to hear from staff who come up with such ideas but does not see itself as spending a lot of time and money seeking to engineer such transfers of responsibility.

## Cost Reviews

In theory benchmarking information is available which allows councils to compare what they are spending or what things appear to be costing, with other councils or potentially other institutions. It recognises that some of this benchmarking material may be of poor quality, nevertheless the Council commits to seeking to be transparent about its costs and comparing these to other organisations where this provides a good learning opportunity.

## Property Overhead Reductions

The Council accepts its duty to minimise its operational property costs by:

- a) Keeping properties under repair and therefore trying to hold down heating bills and other running costs.
- b) Sharing properties with others.
- c) Releasing properties where they are unoccupied.
- d) Moving from high cost accommodation to lower cost accommodation.
- e) Supporting responsible levels of home working.
- f) Working to join up with neighbours and other public bodies on a 'one public estate' to share opportunities for cost reductions.
- g) Looking to see whether transferring property into the ownership of a Trust would save on business rates.

## New Charges

Some councils have introduced new charges reflecting new services and activities which have grown up in public areas or have sought to make available public facilities to commercial companies. Examples might include; Community Infrastructure Levy (CIL) requiring licenses for professional dog walkers or those who provide fitness training in public

parks; or letting out some public land to those who provide, for example, professional five a side football leagues. The Council will approach such ideas on a case by case basis.

## 'Digital by Default'

Some authorities have sought to minimise their face to face contact costs by requiring most, if not all, service users to transact with their council online. The Council believes that some ability to transact with the Council over the telephone and face to face remains appropriate but recognises that through time more people will become familiar with transacting over the web and wishes to play its part in encouraging this direction of travel. It will be ambitious in seeking cost savings from this channel change.

## Crowdsourcing New Priorities

The Council no longer believes that it always knows best and will periodically seek to test the opinion of its local residents about complex dilemmas and choices. However it also recognises that it has duties towards unpopular causes (such as those misusing drugs) or where neglect of an issue might cause more community harm. It will therefore continue to assert this democratic right and responsibility to make the decisions in what it believes to be the community interest.

# 4 Delivering and Monitoring the Financial Strategy

## The Budget Process

This Strategy has set out the challenges and the options facing Rotherham MBC over the next 3 years. The underpinning Budget is being developed using a policy-led approach that is corporately owned and will consider and explore opportunities to modernise services, do things differently and ensure that the longer-term implications of both cutbacks and investments in the short-term are fully considered across all services.

As part of the new process two new arrangements have been set in place:

- A process of All Service Reviews (ASRs) and Major Projects across the Council; and
- A cross-cutting “Budget Strategy Group” (BSG), to support and challenge the ASRs and provide an ongoing strategic forum for taking the programme of work forward.

The BSG, in turn, advises a high level group of Commissioners and Elected Members – a “Budget Working Group” – on the key issues requiring action and decisions in preparing the 2016/17 budget and future years. The Member-led Budget Working Group (BWG), composed of the Leader, Deputy Leader and Advisory Cabinet has met regularly with Lead Commissioner Sir Derek Myers and Managing Director Commissioner Manzie to consider key/high spend saving proposals emerging from the ASR process and to ensure regular communication to wider Members, Partners and Staff on the progress of the Budget process.

Potential budget pressures are being considered and reviewed and are being scrutinised against the following criteria:

- Strategic fit to emergent vision;
- Requirements of new legislation whether or not funded by new grant;
- Demonstrable demand increases for a statutory function;
- Necessary to remedy a priority weakness.

In light of these factors, the Medium Term Financial Strategy presented will need keeping up-to-date. In particular, scrutiny Councillors may offer further refinement.

## Scrutiny

As part of the new policy-led approach to the Budget the Council’s Overview and Scrutiny Management Board (OSMB) now have overall responsibility for scrutinising the setting of the 2016/17 Revenue Budget and the establishment of the Medium Term Financial Strategy. OSMB is working with the Office for Public Scrutiny to ensure that an effective framework for undertaking this valuable scrutiny is put in place

