

Title

Financial and service changes – proposals for consideration and public consultation prior to Budget-setting for 2016/17

Is this a Key Decision and has it been included on the Forward Plan?

No

Director Approving Submission of the Report

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Ward(s) Affected

All

Executive Summary

Commissioners and Cabinet Members are asked to note a number of financial and service changes that officers are continuing to work on in order to deliver a balanced budget for the Council from 2016/17, in line with the outline Medium Term Financial Strategy (MTFS) and the new vision for the Council, prior to the formal Budget-setting report for 2016/17 which will be presented to the full Council meeting on 2nd March 2016.

Specifically, it seeks approval of Commissioner Myers for the content of this report to form the basis of further public and partner consultation on these financial and service changes, to inform the final Budget-setting. It is proposed that these further views are invited by 5.00pm on Friday, 12th February 2016.

Recommendations

That Advisory Cabinet notes and Commissioner Myers:

- Agrees the content of this report to form the basis of further public and partner consultation on the financial and service implications of the Council setting a balanced Budget from 2016/17 onwards
- Confirms that the Council is minded to take up the flexibility of a 2% levy on Council Tax for Adult Social Care, following central Government's Provisional

Local Government Settlement announcements, to support a balanced budget in 2016/17 and ongoing service modernisation

- Notes that specific, detailed consultations with service users, delivery partners and contractors as appropriate are ongoing (including further Equalities Assessments)
- Notes that detailed consultation with staff and Trade Unions on the workforce implications of these proposals is ongoing.

List of Appendices Included

Appendices A to E – Savings Proposals (Grouped by Directorate)

Appendix F – Forecast Financial Implications of Adult Social Care Development Programme

Background Papers

Outline Medium Term Financial Strategy 2016-2019, 9th December 2015

Budget 2016/17 and MTFS Progress Update – feedback on savings proposals from Overview and Scrutiny Management Board, 30th November 2015

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview & Scrutiny Management Board has considered detailed savings proposals related to this report at formal meetings held on:

- 2nd October 2015
- 23rd October 2015
- 26th November 2015

Further OSMB meetings are scheduled for 15th and 22nd January 2016.

Council Approval Required

Council approval of the final Budget for 2016/17 will be required at the full Council meeting on 2nd March 2016.

Exempt from the Press and Public

No

Main Report: Financial and service changes – update for consideration and public consultation prior to Budget-setting for 2016/17

1. Recommendations

1.1 That Advisory Cabinet notes and Commissioner Myers:

- 1.1.1 Agrees the content of this report to form the basis of further public and partner consultation on the financial and service implications of the Council setting a balanced Budget from 2016/17 onwards
- 1.1.2 Confirms that the Council is minded to take up the flexibility of a 2% levy on Council Tax for Adult Social Care, following central Government's Provisional Local Government Settlement announcements, to support a balanced budget in 2016/17 and ongoing service modernisation
- 1.1.3 Notes that specific, detailed consultations with service users, delivery partners and contractors as appropriate are ongoing (including Equalities Assessments)
- 1.1.4 Notes that detailed consultation with staff and Trade Unions on the workforce implications of these proposals is ongoing.

2. Background

Budget reductions to date

- 2.1 Since 2010 the Council has had to deliver budget reductions of £117 million and now has around 1,500 fewer jobs. This has generated significant and cumulative financial and other resource pressures on the Council and the services it provides. This context has already informed a range of service efficiencies, funding reductions and other changes across the organisation over the last 5 years. The financial and other resource pressures on services are forecast to continue through to at least the end of the decade as central Government continues to reduce its spend on public finances as part of its deficit reduction strategy. A key priority for the Council since setting the 2015/16 Budget in March 2015 has been to ensure it is able to set a balanced budget for 2016/17 and that it is working towards having robust plans in place to deliver a sustainable, longer term Medium Term Financial Strategy. Inevitably this requires further reductions in the resources available for the delivery of services and the number of staff the Council employs to deliver them.

The context of a new Council Vision

- 2.2 In taking forward proposals to meet this significant budget challenge over the next three years, the Council has examined the services it must provide to fulfil its duties and legal obligations. In addition to specific legislative requirements there is also an ongoing need for the Council to enable democratic leadership and set a positive strategic direction for the future of Rotherham, despite the financial challenges it faces.

- 2.3 In this context a new vision for Council has been set out by the Leader, which was presented to the Commissioners' Public Meeting with Councillors on 28th October 2015¹, as follows.

Rotherham is our home, where we come together as a 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:

- 1 Every child making the best start in life*
- 2 Every adult secure, responsible and empowered*
- 3 A strong community in a clean, safe environment*
- 4 Extending opportunity, prosperity and planning for the future*

- 2.4 This vision – including the underpinning, cross-cutting priority of ensuring a modern, efficient organisation - now forms the core of the Council's new Performance Management Framework and Corporate Plan, the first versions of which were agreed at the full Council meeting on 9th December 2015 for finalisation in the coming months. Maintaining the Council's ability to deliver this vision for Rotherham needs to be central to the way it manages its finances in the coming years – including, for example, through the ongoing implementation of critical children's and adult social care service improvements, a new 10 year Economic Growth Strategy, a refreshed Health and Wellbeing Strategy, and a renewed Safer Rotherham Strategy.

Medium Term Financial Strategy, 2016-2019

- 2.5 The Council has set out a three-year strategy for managing its financial challenges in its outline Medium Term Financial Strategy (MTFS), as approved at the meeting of full Council on 9th December 2015. The outline MTFS sets out a minimum budget challenge (or "funding gap") of £41million over the next three years from 2016/17 (based on a 9% reduction in Settlement funding from central Government per year for 3 years) and highlights how this will be approached. The breakdown of this challenge by each year is summarised in the table below; and these ongoing reductions present significant additional risk for the Council in terms of its ability to deliver services effectively for the communities and businesses of Rotherham.

Table 1: Medium Term Financial Strategy: Minimum Budget Challenge and Savings Targets, 2016-17 to 2018/19

Year	Budget Challenge/Funding Gap
2016/17	£19,648m
2017/18	£12,246m
2018/19	£9,189m
Total over three years	£41,083m

¹ See <http://moderngov.rotherham.gov.uk/ieListDocuments.aspx?CId=1015&MId=13382&Ver=4>

Recent announcements: Provisional Local Government Settlement

- 2.6 Recent announcements by the Department for Communities and Local Government (DCLG) as part of the Provisional Local Government Settlement (17th December 2015) have led to a further worsening of the Council's forecast budget challenge for 2016/17, of £349,000.
- 2.7 Members and Commissioners are asked to note that consultation on the Provisional Settlement continues until 15th January 2016, with the finalised settlement for Rotherham not due until February 2016. Nevertheless, current forecasts are that, nationally, the Settlement Funding Assessment (SFA) for local government will be reduced by a further 31.8% over the period to 2019/20 and this appears broadly consistent with the assumptions informing the Council's MTFS.

Latest forecast Budget Challenge for 2016/17 and beyond

- 2.8 In addition to the revised, forecast 2016/17 position in the light of the Provisional Settlement, there are a number of additional unavoidable or essential service pressures which have been identified in the coming years, in addition to the assumptions that informed the MTFS, for which the Council must be in a position to have budgetary provision. The Council's current forecasts suggest that these additional pressures could add up to a further £6.5million to the budget challenge in 2016/17 and could be repeated up to this level in the future years of the MTFS period.
- 2.9 These "growth" pressures include the need to ensure that the Council is in a position to support and deliver future growth and prosperity, in line with the new Council vision, at the same time it manages declining funding for statutory functions, such as social care, in a way that can still promote better long term outcomes for service users. In this regard ensuring positive economic growth in Rotherham, as part of a successful wider Sheffield City Region, is critical. Doing so will help ensure a more prosperous Rotherham, with less reliance on public funding, greater levels of external investment across the borough, as well as greater levels of direct income for investment in services through the authority's share of business rates. The Council's Budget must also allow for the continued investment in a stronger corporate approach at the Council, following the conclusions of the Corporate Governance Inspection report (February 2015), associated central Government Intervention and the various service improvement programmes that are now in place to invest in better long-term service outcomes and greater value for money in the future.
- 2.10 The total forecast cumulative Budget challenge over the next three year period is now expected to be in the order of **£48.1million**; with around £20.9million of this falling in 2016/17 - £14.6million in 2017/18 and £12.4million in 2018/19.
- 2.11 In line with the outline MTFS forecasts the Council has already indicated that it is likely for its workforce to reduce by a further 30% (around 1,500) over the next ten years. Job losses of around 500 (300 in 2016/17) have been indicated in current savings proposals over the next three years as expenditure is reduced further.

The precise workforce implications of the funding reductions will continue to be assessed on an ongoing basis, with Trade Unions, as the details of the saving proposals are finalised.

Savings proposals identified and role of Scrutiny to date

2.12 In order to manage the Council's resources most effectively in such financially challenging times, and plan early for a balanced and sustainable budget from 2016/17 onwards in line with the outline MTFS, a process has been underway since the start of the financial year to identify and consider proposals at a corporate and service level that will help deliver the overall budget challenge.

2.13 This process has included the referral of outline savings proposals to Overview and Scrutiny Management Board (OSMB) for its formal consideration as part of the Council's budget scrutiny process. OSMB has held three formal sessions to date to consider these savings proposals (2nd October 2015, 23rd October 2015 and 26th November 2015², with the associated information placed in the public domain). Further meetings of OSMB are scheduled for 15th and 22nd January 2016 to consider a further grouping of proposals, as well as the potential financial implications of the Adult Social Care Development Programme. The table below summarises the total forecast savings and financial implications generated by these proposals.

Table 2: Summary of Savings Proposals considered by Overview and Scrutiny Management Board, for the 3 year period 2016 to 2016

Directorate	Total of savings proposals and financial implications referred for consideration by OSMB 2016-2019
	(£,000)
Children & Young People's Services (Appendix A)	1,399
Environment & Regeneration (Appendix B)	3,973
Finance and Corporate Services (Appendix C)	4,217
Public Health (Appendix D)	1,048
Neighbourhoods & Housing (Appendix E)	473
Forecast financial implications of Adult Social Care Development Programme (Appendix F)	9,180
Total	20,299

² The OSMB meeting on 26th November 2015 included discussion of all the savings the proposals collectively, with all proposals published as part of the meeting papers – see <http://modern.gov.rotherham.gov.uk/documents/g13483/Public%20reports%20pack%2026th-Nov-2015%2009.00%20Overview%20and%20Scrutiny%20Management%20Board.pdf?T=10>

- 2.14 This process to date, as summarised above, has identified £20,299m of savings, including £9,671m in 2016/17, towards meeting the overall budget challenge.
- 2.15 Full details of the specific proposals considered by and/or referred to OSMB to date are enclosed, by Directorate, at **Appendices A to E**. Separately, at **Appendix F**, are the forecast financial implications of the Adult Social Care Development Programme.
- 2.16 Given the level of the latest forecast budget challenge over the next three years (as noted at paragraph 2.10 above), officers are continuing to work on considering wider corporate measures and efficiencies, examining other available resourcing options (which may require use of reserves) and other technical accounting measures to ensure a balanced Budget proposal for 2016/17 (and future years as far as is possible at this stage) can be presented to the full Council meeting on 2nd March 2016. This needs to be achieved in such a way that helps preserve the Council's financial resilience, especially during the next two years, while it works towards delivering the corporate and service improvement changes required across the organisation.

3 Further Key Issues

Council Tax and Adult Social Care Precept

- 3.1 The Provisional Settlement confirmed central Government's expectations around local authority Council Tax increases in the coming years, re-confirming that any increase of 2% or more would be deemed excessive and would require a local referendum. The Council's MTFS calculations already assume a 1.95% increase in Council Tax for 2016/17 (worth around £1.673m). This will be subject to Council approval on an annual basis.
- 3.2 The Council Tax base report is subject to full Council approval on 27th January which determines the number of properties subject to Council Tax and is used to calculate the overall level of Council Tax resource to be raised once the inflationary increase is agreed.
- 3.3 In addition, Government announced proposals for a ring-fenced precept on Council Tax to raise funding for Authorities with Adult Social Care responsibilities. This is expected to be set at a maximum level of 2% and would raise around **£1.7m** in funding to target at care services in 2016/17. Allowing for this additional flexibility the Council's referendum threshold is now 4%.
- 3.4 This will present a further option for the Council in 2016/17 and potentially in future years, in supporting a balanced budget that can deliver better value for money for a modernised Adult Social Care service.
- 3.5 Confirm that they are minded to take up the flexibility of a 2% levy on Council Tax for Adult Social Care, following central Government's Provisional Local Government Settlement announcements, to support a balanced budget in 2016/17 and ongoing service modernisation

Other service savings currently in development

- 3.6 An ongoing programme of work is underway to modernise the Council's Early Help and Youth Services, to provide more targeted (rather than universal) services. At present it is forecast that this modernisation programme will deliver additional financial savings from 2016/17 onwards. A further, detailed report on these service changes and associated financial implications will be provided to Members in the coming weeks, which will also be subject to the necessary consultation requirements and equalities impact assessments.
- 3.7 During 2016/17 it is expected that further transformation work in service areas within Environment & Development Services Directorate and the Council's Performance and Quality Function, in the light of a range of current reviews, will potentially inform additional savings proposals.

4. Options considered and recommended proposal

- 4.1 As set out in Section 2, a range of service-level proposals have already been referred and considered through the Council's budget scrutiny processes to help meet the total forecast Budget Challenge over the next three years. It is recommended that Cabinet Members and Commissioners agree that further, public and partner consultation on these proposals now takes place prior to the Council setting its budget for 2016/17 onwards at the full Council Meeting on 2nd March 2016.
- 4.2 It is recommended that this report and Appendices are published and made available on the Council's website, with comments from the public and partners formally requested by 5:00pm on Friday 12th February 2016. It is proposed that it responses are asked to be submitted ideally via e-mail to communityengagement@rotherham.gov.uk or in writing to the Council (clearly marked "Budget Consultation 2016").

5. Consultation

- 5.1 As noted above, formal consultation has taken place with OSMB since October 2015 on a range of specific savings proposals which have been developed to meet the Council's Budget challenge over the next three years. This has included making relevant proposals available to the public via the Council's website in advance of OSMB meetings. This report proposes that these proposals are subject to further public consultation prior to the final budget for 2016/17 being set (see also paragraph 4.2 above).
- 5.2 The Council's local strategic partners, through the Rotherham Together Partnership Chief Executive Officers Group have also been briefed and consulted at key stages in the process to date, to draw their attention to relevant specific savings proposals being put forward, particularly those likely to have most direct impacts on partner organisations.

6. Timetable and Accountability for Implementing this Decision

- 6.1 The majority of the specific service-level savings proposals put forward to help contribute to being able to set a balanced Council budget for 2016/17 and

beyond have already been subject to formal consideration in public meetings by OSMB.

- 6.2 As noted at paragraph 4.2 above, further views on these proposals are recommended to be sought by 12th February 2016. This will enable these views to be considered as part of a finalised proposed Budget at the full Council meeting on 2nd March 2016.

7. Financial and Procurement Implications

- 7.1. This report sets out the high level implications for services of the Council's overall Budget Challenge over the next three years, and particularly that in 2016/17. Detailed procurement implications for each individual proposal will need to be considered on a case by case basis, in line with the council's policy and statutory requirements.

8. Legal Implications

- 8.1 The Council is required to set its Council Tax, and in doing so set its 2016/17 budget, by no later than 10th March 2016. Wherever appropriate, savings proposals will be subject to consultation with the public, partners, clients and employees.

9. Human Resources Implications

- 9.1 As noted above, the funding reductions in forthcoming years are expected to have an ongoing and significant impact on the size of the Council workforce. The MTFS anticipates around a 30% further reduction in the numbers of jobs at the Council over the next ten years, with a reduction of around 500 jobs over the three year period of the MTFS (2016 to 2019).

10. Implications for Children and Young People and Vulnerable Adults

- 10.1 A central theme of the Council's new vision (see paragraph 2.3 above) is to ensure that every child in Rotherham can make the best start in life. A thorough and wide-ranging improvement plan for Children and Young People's Services is in place, following central Government intervention at the authority in the light of the Professor Jay (August 2014), Ofsted (November 2014) and Corporate Governance Inspection (February 2015) reports. This is leading to increased investment in the council's care services, including those specifically targeted at the victims and survivors of Child Sexual Exploitation (CSE).
- 10.2 The Council's Budget for 2016/17 onwards must ensure the continuation of an approach to modernise care services, improve outcomes for children and promote more effective intervention and prevention. Ultimately, in line with the outline MTFS, this will lead to more efficient and effective services, contained within the further reduced financial outlook for the Council as a whole.

11. Equalities and Human Rights Implications

- 11.1 In preparing its MTFS and Budget, the Council must be mindful of the potential impact on service users. Section 149 of the Equality Act 2010 in particular

imposes an obligation on Members to have due regard to protecting and promoting the welfare and interests of persons who share a relevant protected characteristic (such as: age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation). As noted above (ref para.) the equalities, diversity and any human rights implications of individual saving proposals are being assessed on a case-by-case basis.

12. Implications for Partners and Other Directorates

- 12.1 Partners have been engaged throughout the process to date, in a strategic sense through dialogue in the Rotherham Together Partnership Chief Executive Officers Group, as well as on case-by-case, according to the particular implications for partners of each individual budget saving proposal.

13. Risks and Mitigation

- 13.1 Each saving proposal developed as part of the budget-setting process to date has included a risk and impact assessment. These will continue to be monitored and further developed

14. Accountable Officers

Pete Hudson, Chief Finance Manager
Justin Homer, Head of Policy, Improvement & Partnerships

Financial Services approval: Stuart Booth, Interim Strategic Director, Finance & Corporate Services

Legal Services approval: Catherine A. Parkinson, Interim Assistant Director Legal and Democratic Services