

## Summary Sheet

**Council Report – 2<sup>nd</sup> March, 2016**

**Title: Revenue Budget Setting Report 2016/17**

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

Yes

### **Strategic Director Approving Submission of the Report**

Interim Strategic Director of Finance and Customer Services – Stuart Booth

**Report Author(s)** Pete Hudson – Chief Finance Manager

**Ward(s) Affected:** All

### **Executive Summary**

This report proposes a Revenue Budget for 2016/17 based on the outcome of the Council's Financial Settlement, budget consultation and the consideration of Directorate budget proposals through the Council's formal Budget and Scrutiny process (Overview and Scrutiny Management Board).

It also sets out the estimated budget position for 2017/18 and 2018/19. This report should be read in conjunction with the HRA budget report (agreed at full Council on 27<sup>th</sup> January 2016), the Capital Strategy and the Treasury Management Strategy (included on this agenda). Although this report contains proposals to balance the revenue budget for 2016/17, significant further early work needs to be undertaken in the new financial year in order to bring forward further proposals for Member/Commissioner consideration to enable the Council to establish a clear and sustainable financial plan for addressing the estimated financial gap that remains over the next two years (2017 to 2019). It will also need to start longer term planning for the period up to 2020 given the Government's four-year settlement offer and the proposed fundamental changes in local government finance thereafter.

This report also provides feedback from both public and partners in relation to the budget proposals in the light of their recent publication on the Council's website for consultation until 12<sup>th</sup> February 2016, as well as the extensive programme of

engagement on the public priorities for the Council during 2015 which informed the “Views from Rotherham” report (Appendix 3).

## **Recommendations**

That Council:-

- Approves as set out in this report the proposals for a balanced revenue budget for 2016/17 and the impact of the budget proposals in 2017/18 and 2018/19
- Approves the investment proposals as set out in the budget report (Appendix 2) noting that some of this investment is required to address inherent budget pressures and some is required to provide scope for growth and improvement.
- Approves the proposed use of Reserves as set out in this report
- Notes and accepts the comments and advice of the interim Strategic Director of Finance and Customer Services (Section 151 Officer), provided in compliance with Section 25 of the Local Government Act 2003, as to the robustness of the estimates included in the Budget and the adequacy of reserves for which the Budget provides.
- Notes the consultation feedback from the public and partners following publication of Directorate budget savings proposals on the Council’s website for public comment through to 12<sup>th</sup> February 2016 (Section 5 of this report and Appendix 3)
- Approves the proposed use of Capital Receipts to fund the first £2m of severance costs arising from service reconfiguration to deliver efficiencies and improved outcomes for clients and residents. See Efficiency Strategy (Appendix 4)
- Notes the planned review of Habershon House Outdoor Education Centre which will report back to Cabinet in June 2016 (Paragraph 3.27)
- Approves:
  - An increase in the basic amount of Council Tax (i.e. the Borough’s element excluding precepts) of 3.95% - this being comprised of a 2% precept for Adult Social Care services (a new precept announced in the provisional settlement in December 2015 for Authorities with Adult Social Care responsibilities) and a 1.95% increase in the Council’s own basic level of Council Tax.
  - That the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils and Parish Meetings within the Borough be incorporated, when known, into the recommendation to the Council on 2nd March 2016.

## **List of Appendices Included**

Appendix 1 – Summary of Directorate Budget Savings Proposals 2016/17 – 2018/19

Appendix 2 – Summary of Investment Proposals 2016/17 – 2018/19

Appendix 3 – Feedback from the public and partners on the Budget Proposals 2016/17 to 2018/19.

Appendix 4 – Efficiency Strategy showing proposed use of Capital Receipts

Appendix 5 – Updated Outline Medium Term Financial Strategy 2016 – 2019

## **Background Papers**

- Council Tax Base Report 2016/17 – Council 27<sup>th</sup> January 2016
- Housing Rents 2016/17 – Council 27<sup>th</sup> January 2016
- Final Local Government Financial Settlement – 8th February 2016

## **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Overview and Scrutiny Management Board (OSMB) meetings – 23<sup>rd</sup> October 2015, 26<sup>th</sup> November 2015, 15<sup>th</sup> January 2016, 22<sup>nd</sup> January 2016, 12<sup>th</sup> February 2016.

Commissioner Manzie Decision Making meetings – including those on 30<sup>th</sup> November 2015 and 28<sup>th</sup> January 2016 (and letter dated 29<sup>th</sup> January 2016) considering the formal budget consideration reports of OSMB.

Cabinet/Commissioners' Decision Making Meeting – 23<sup>rd</sup> February, 2016

Full Council – 2<sup>nd</sup> March 2016

**Council Approval Required: Yes**

**Exempt from the Press and Public: No**

## **Title: Revenue Budget Setting Report 2016/17**

### **1. Recommendations**

That Council:-

- Approves, as set out in this report, the proposals for a balanced revenue budget for 2016/17 and the impact of the budget proposals in 2017/18 and 2018/19
- Approves the investment proposals as set out in the budget report (Appendix 2) noting that some of this investment is required to address inherent budget pressures and some is required to provide scope for growth and improvement.
- Approves the proposed use of Reserves as set out in this report
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- Notes the planned review of Habershon House Outdoor Education Centre which will report back to Cabinet in June 2016 (Paragraph 3.27)
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  - An increase in the basic amount of Council Tax (i.e. the Borough's element excluding precepts) of 3.95% - this being comprised of a 2% precept for Adult Social Care services (a new precept announced in the provisional settlement in December 2015 for Authorities with Adult Social Care responsibilities) and a 1.95% increase in the Council's own basic level of Council Tax.
  - That the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils and Parish Meetings within the Borough be incorporated, when known, into the recommendation to the Council on 2nd March 2016.

### **2. Background**

#### Introduction

- 2.1 Following the serious findings of the Professor Jay, Ofsted and Corporate Governance Inspection (CGI) reports, and with the support of Government appointed Commissioners, Rotherham Council is one year into recovery.
- 2.2 During 2015, extensive consultation has taken place with the Rotherham public, businesses and partners, led by the Leader of the Council and Lead

Commissioner Sir Derek Myers, to determine what matters most to the people of Rotherham. The feedback from these widespread consultation events, which engaged around 1,800 people in total, has resulted in both a reshaped Vision for the Council and a refreshed set of key priorities (see paragraph 2.14 below).

- 2.3 A programme of activity has been focused on improving the Council following the appointment of Commissioners. Many of the key actions which were set out in the corporate “Fresh Start” Improvement Plan, published on 26<sup>th</sup> May 2015 have been achieved. In February 2016 the Council saw a partial return of powers allowing it to again directly manage a number of Council functions. The key exceptions to this where executive decision making powers still sit with the Government-appointed Commissioners, are Children’s and Adults Social Care where there is still much work to do to fully address the remaining recommendations from the Jay, Ofsted and CGI reports.
- 2.4 The refresh of the Council’s Vision and priorities and the need to undertake further work within the statutory services of Children’s and Adult Social Care has inevitably led to an extensive review of working practices. In some service areas additional investment is required in order for the Council to be able to respond positively to the recommendations in the Jay, Casey and related Ofsted reports; and ultimately become a Council meeting its best value duties.
- 2.5 Alongside this need for additional high performing investment, significant Government funding reductions at a national level in public spending as part of central Government’s deficit reduction strategy, mean that in 2016/17 and subsequent years the financial climate for the Council will continue to be extremely challenging. It is imperative that, for the Council to move forward, our strategic priorities are clear, as is the need to focus on them within our decision-making processes.
- 2.6 This report sets out the proposed Budget for 2016/17 based on available resources, feedback from communities and partners, and is in response to the final Local Government Finance Settlement for the Council issued by the Government on 8th February 2016.

### Background

- 2.7 On 9<sup>th</sup> December 2015 Full Council approved an outline Medium Term Financial Strategy (MTFS) for 2016/17 to 2018/19. At that time the outline MTFS included estimated funding gaps in each of the next three years of £19.6m, £12.2m and £9.2m respectively.
- 2.8 This report recommends implementation of budget proposals which will allow the Council to set a balanced budget for 2016/17 and start to make a significant contribution to address the funding gaps for 2017/18 and 2018/19 respectively. The MTFS has been updated to reflect these budget proposals and attached as Appendix 5 to this report. Work to identify options for addressing the remaining funding gap for 2017-19 will continue over the coming months and will be provided to Members for their consideration. The aim is to have a clear, sustainable financial plan during 2016.

- 2.9 Over the last 5 years (2011/12 to 2015/16) the Council has successfully responded to the significant and unprecedented financial reductions imposed on local government as part of the Government's austerity programme. Over this 5 year period, the Council has addressed a cumulative funding gap of £117m.
- 2.10 For 2016/17 the Council is required to address a further £21m funding gap (which increased from the £19.6m referenced in paragraph 2.7 to address the provisional finance settlement for the council, include essential investment requirements, and reflect additional corporate savings). This report contains the budget proposals to meet that significant challenge in 2016/17 and set the direction for further savings beyond this through to 2018/19. The proposed Directorate savings contribute £11.9m towards meeting this funding gap and are set out in paragraph 3.18 in summary and in more detail at Appendix 1.
- 2.11 In addition, since April 2013, local Councils have been required to manage an unprecedented transfer of financial risk through the Government's significant and ongoing reforms of both local government finance and welfare (benefits) systems. For example – the localisation of business rates retention and the abolition of Council Tax Benefit being replaced by a local Council Tax Reduction Scheme.
- 2.12 Equally, the Government continues to place restrictions on how local authority finances can be used through the Council Tax Excessiveness principles, requiring a local referendum if the proposed council tax increase is 2% or greater. For councils with Adult Social Care responsibilities, however, the Government has increased this threshold by a further 2% from 2016/17 to encourage Authorities to generate further local funding in recognition of the significant funding challenges facing this particular service area.
- 2.13 In meeting the year on year significant financial challenges presented, the Council has demonstrated a successful track record in delivering its financial plans. However, it is recognised that into the future this will only be sustainable if the Council maintains a clear focus on its corporate plan priorities and key outcomes and puts in place a new, different relationship with its citizens, residents and other stakeholders.

#### Refreshing the Council Vision and Priorities

- 2.14 During 2015 extensive consultation and engagement took place with the residents, businesses and wider partners across the borough. A significant programme of 'consultation roadshows' were led by the Leader of the Council and Lead Commissioner Sir Derek Myers, which engaged around 1,800 people across Rotherham. Feedback from these events has been brought together in the "Views from Rotherham" report and has been used to shape a new vision and set of headline priorities for the Council to develop the new outline Corporate Plan 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:

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

- 2.15 The Council is now working to finalise its new Corporate Plan for the next Municipal Year (following the first version approved by Full Council on 9<sup>th</sup> December 2015) structured around the delivery of this new vision, so that it can be embedded in all the Council does.
- 2.16 The proposed revenue budget for 2016/17 as set out in section 3 below similarly aligns with this new Vision and will be integral to delivering the Council's corporate priorities.

### 3. Key Issues

#### Final Local Government Settlement 2016/17

- 3.1 The table below shows the Final Local Government Settlement for the Council announced on 8th February 2016 and shows no change to the Provisional Settlement issued on 17<sup>th</sup> December 2015.

	<b>Final Settlement</b>
	£'000
Revenue Support Grant	39,405
Business Rates Top Up	22,817
Retained Business Rates	35,930
<b>Settlement Funding Assessment (SFA)</b>	<b>98,152</b>

- 3.2 The Settlement figures include the Government's estimate of what it believes a Council will have by way of Retained Business Rates resource. Council's will, where appropriate, substitute their own estimate of a realistic level of retained business rates funding. The difference between the Government's and the Council's own estimate of retained business rates is only £8k for the year. (Government estimate £35.938m, Council estimate £35.930m)
- 3.3 In addition to the Settlement Funding Assessment above, other sources of Government non-ringfenced grant funding is also available to support the budget. The 2016/17 allocations are set out in the table below:

<b>Funding Source</b>	<b>£'000</b>
New Homes Bonus	5,999

New Homes Bonus – Top Slice Refund (Estimated)	100
Business Rates: Section 31 Grants	1,618
Business Rates: Renewable Energy	159
Business Rates: Enterprise Zone	305
<b>TOTAL</b>	<b>8,181</b>

3.4 The total level of Government non-ringfenced grant available to support the budget in 2016/17 is £106.333m (SFA £98.152m plus non-ringfenced grants £8.181m).

#### Proposed Increase in Council Tax

- 3.5 The Council is proposing to increase its own Council Tax (ie excluding Parish, Fire and Police precepts) by a total of 3.95%. This consists of two elements:
- a) A 1.95% increase in respect of contributing towards the Council's overall budget position; and
  - b) A further 2% increase specifically in respect of a precept for Adult Social Care services (following a Government announcement encouraging Authorities with Adult Social Care responsibilities to generate an extra 2% income by applying this new precept).
- 3.6 A 3.95% increase on the tax levied in 2015/16 would mean a **Band D Council Tax (for the Council only) of £1,328.20** and would mean a Band A Tax of £885.47, a Band B Tax of £1,033.05 and a Band C Tax of £1,180.63 per year. **86% of properties in Rotherham are classed as Band A (54%), Band B (19%) or Band C (13%).**
- 3.7 The planned level of Council Tax also takes account of a planned use of £4m (net) surplus on the Council's Collection Fund (Council Tax and Business Rates) as at 31 March 2016. This is a direct result of the Council continuing to achieve its excellent record in collecting Council Tax by achieving a higher rate of collection than the 97% expected when setting the previous years' tax levels and minimising its cumulative arrears, (which currently equate to £67 per property, which is one of the lowest levels for a Metropolitan Council).
- 3.8 The proposed increase in Council Tax is not recommended lightly. The alternative was to further reduce valued, frontline services at a time when demand for these services by vulnerable children and adults is increasing and the Council, alongside the Sheffield City Region, are proactively looking to stimulate the economy to bring about jobs and prosperity in the borough and city region which will bring about an increase in the future resources available to the Council.
- 3.9 As required by legislation (the Local Government Finance Act 1992), and as in previous years, a formal report will be brought to Council on March 2nd setting

out details of the proposed Council Tax calculations for the Council, parished areas and including the precepts from the South Yorkshire Police and South Yorkshire Fire and Rescue Authorities - it is currently expected that the Police Authority will increase its precept by £5 per annum (for a Band D equivalent property). The proposed increase for the Fire and Rescue Authority is 1.97% as confirmed at its meeting on 15<sup>th</sup> February 2016.

- 3.10 The Council meeting on 27th January 2016 approved Rotherham's Council Tax Base for 2016/17 of **67,149.57 Band D Equivalent properties** after adjusting for expected losses on collection, the impact of the Council's Council Tax Reduction Scheme and discretionary discounts and exemptions for empty properties and second homes.
- 3.11 Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 3.95%, this will generate a total Council Tax of **£89.188m** available to support the Council to fund services in 2016/17.

#### Financing the Proposed 2016/17 Revenue Budget

- 3.12 The table below shows the total available (non-ringfenced) resources to support the proposed revenue budget of £199.521m for 2016/17:

	<b>£'000</b>
Settlement Funding Assessment	98,152
New Homes Bonus (including top-slice refund)	6,099
Business Rates: Section 31 Grants, Renewable Energy and Enterprise Zones	2,082
Use of Collection Fund Balance	4,000
<b>Which will leave to be raised from Council Tax – a 3.95% increase on the Council Tax levied in 2015/16</b>	<b>89,188</b>
<b>Funding Total</b>	<b>199,521</b>

#### Proposed Use of Reserves

- 3.13 The Council's outline Medium Term Financial Strategy approved by Council on 9<sup>th</sup> December (and updated as Appendix 5 to this report) includes the planned use of the Council's Transformation Reserve to specifically contribute to the funding of Children's placements over the next three years:- £3m in 2016/17, £2m in 2017/18 and £1m in 2018/19 respectively. This additional funding is factored into the proposed Directorate Cash Limit Budgets shown in the table below in section 3.15.

- 3.14 This proposed budget also assumes use of £2m from the General Grant Reserve for 2016/17, in part utilising the grant one-off secured by Commissioners from the Department for Communities and Local Government (DCLG) in November 2015.

Proposed Directorate Budgets 2016/17

- 3.15 Set out below is the proposed Net Revenue Budget for 2016/17 including the Directorate Cash Limit Budgets utilising the funding resources set out in section 3.12 above, and assuming implementation of the proposed budget savings included within this report and detailed at Appendix 1:

<b>Directorate</b>	<b>Proposed Budget 2016/17</b>
	<b>£'000</b>
Adult Care & Housing	68,873
Children & Young People's Service	55,877
Regeneration & Environment Services	44,972
Finance, Customer Services and Corporate Services	16,023
Central Services	13,776
<b>TOTAL NET REVENUE BUDGET</b>	<b>199,521</b>

- 3.16 The proposed Central Services budget (£13.776m) shown in the table above includes the following key budgets:

- Integrated Transport Authority Levy and other levies (£15m)
- Capital Financing and PFI adjustments (£2.5m)
- Use of reserves and DCLG grant (see 3.14 & 3.15 above) (-£5m)
- Voluntary severance budget (£1m)
- Supplier discounts and dividends (-£0.8m)
- Local Taxation Collection (Grants and recovery of court fees) (-£0.6m)

It also includes the following 'unallocated' investments and savings:

- A contingency budget ring-fenced for Social Care (Adults and Children) to meet any unforeseen increases in demand for services. Allocations from this contingency will be formally considered by Commissioners during the course of the forthcoming year (£1m);
- Budget to fund the equivalent of a 1% pay award. This will be allocated to budgets later in the year once pay negotiations have been finalised (£957k);
- Budget to fund staff increments (£808k);

- Public Health savings to be allocated to General Fund services that deliver Public Health outcomes (-£555k); and
- Budget saving proposed to be delivered from the renegotiation of staff terms and conditions of employment, effective from October 2016. (-£1m) (Full year effect £2m).

3.17 The table below shows the proposed movement in Directorate budgets from 2015/16 to 2016/17:

Directorate	(Adjusted) Budget 2015/16	Less: Net Savings Proposals for 2016/17		Investment		Proposed Budget 2016/17	Change 2015/16 to 2016/17	
		Approved 2015/16	Proposed 2016/17	Growth / Funded Pressures	Inflation		£'000	%
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	%
Adult Care & Housing	69,937	2,226	-5,045	492	1,263	68,873	-1,064	-1.5
Children & Young People's Services	43,913	131	-1,388	12,037	1,184	55,877	+11,964	+27.2
Regeneration & Environment	46,310	-934	-2,754	403	1,947	44,972	-1,338	-2.9
Finance, Customer Services & Corporate Services	16,828	90	-2,114	792	427	16,023	-805	-4.8
<b>TOTAL</b>	<b>176,988</b>	<b>1,513</b>	<b>-11,301</b>	<b>13,724</b>	<b>4,821</b>	<b>185,745</b>	<b>+8,757</b>	<b>+4.9</b>

3.18 The proposed Directorate budget savings are shown in Appendix 1. The summarised position is shown in the table below:

Directorate	2016/17	2017/18	2018/19
	£'000	£'000	£'000
Children & Young People's Services (including Early Help)	1,388	555	375
Adult Care & Housing (including Furnished Homes)	5,045	3,931	2,154
Regeneration & Environment (including Property rationalisation)	2,620	799	514
Finance, Customer Services & Corporate Services	2,007	996	1,214
Additional Directorate Voluntary Severance savings (not already included in budget proposals)	241	-99	0
<b>Sub Total</b>	<b>11,301</b>	<b>6,182</b>	<b>4,257</b>
Public Health	555	294	199
<b>TOTAL</b>	<b>11,856</b>	<b>6,476</b>	<b>4,456</b>

- 3.19 The impact of these budget proposals on the number of staff employed by the Council and its services is shown in section 9.1.
- 3.20 The above savings also include additional savings which can be delivered as a result of voluntary severance applications which have been supported in-year where the loss of the post(s) is not already included in savings proposal which have been subject to public comment. In 2016/17 this amounts to £241k.
- 3.21 Other key corporate savings proposals contributing to closing the Council's 2016/17 funding gap include:
- Reviewing and updating MTFs planning assumptions (including proposed 3.95% increase in Council Tax) : £3.2m
  - Realising benefits from re-profiling the cost of servicing Council capital investment loans and reviewing the cost of the Council's Private Finance Initiative (PFI) arrangements: £7.5m
  - Planned review of staff terms and conditions of employment - to be implemented from October 2016: £1.0m (£2m full year effect)
  - Reduction of the Council's budget for Voluntary severance budget: £2.0m
- 3.22 The £2m reduction to the Voluntary severance budget above is predicated on the first £2m of costs associated with staff leaving the Council in 2016/17 through reconfiguration of services to deliver improvement and efficiencies, being funded through the use of Capital Receipts. This is a new flexibility announced by the Government in the last Autumn Statement (Guidance issued under the Local Government Act 2003). More detail is shown in the Efficiency Strategy at Appendix 4.

#### Impact of the proposed 2016/17 Revenue Budget

- 3.23 The Budget outlined above will:
- provide additional funding to both protect vital services for those most in need in our community, but also recognises the overwhelming need to provide further support for victims and survivors of Child Sexual Exploitation and targeted early preventative work with vulnerable young people;
  - progress the ongoing transformation of the Council's Adult Social Care Services to provide better services enabling more vulnerable adults to live independently, safely and improve their quality of life;
  - enable the Council to continue to positively take forward and address the findings in the Professor Jay, Ofsted and Louise Casey reports to help the Council become 'fit for purpose' at the earliest opportunity;
  - focus on corporate and service transformation, ensuring services continue to be equipped to deliver a high standard of service for the citizens, businesses and stakeholders of the Borough that is fully aligned to the Borough's new Community Strategy and the Council's Corporate Plan priorities; and
  - Continue to reduce management, administration and support costs as far as is sensible to do so.

3.24 The key impact of the proposed budget on each Directorate is shown below:

### Children and Young People's Services

- 3.25 Investment of £12m is proposed to both meet current and forecast levels of demand for services and to fully respond to the recommendations in the Jay, Casey and Ofsted reports. Details of these proposed investments are to both address an historic underfunding of the looked after children placements budget, recognise the more recent increase in demand for services and to provide a much needed increase in Social Worker and Leadership capacity to reduce caseloads to safe levels that enable the needs of the child to be sufficiently assessed and met.
- 3.26 The proposed reshaping of the Early Help offer will see a more targeted approach to the provision of Youth Services in support of the work to help identify, assess and meet the needs of vulnerable children at an earlier stage preventing escalation. The availability of universal provision will continue through other services such as leisure and support to the community and voluntary sector.
- 3.27 A review is proposed to take place on Habershon House Outdoor Education Centre due to the projected income not meeting the full cost of providing the facility. This review will be reported to Cabinet in June where a decision will be made on its future operation based on a Value for Money assessment. Prior to this date, the budget will transfer from Early Help to Central Services. To make good any projected budget deficit, (subject to any future decision on its future operation), if it were required between now and June by viring such an amount (£31k annual estimate) from the Contingency budget established in the 2016/17 budget to meet future demand pressures in social care.

### Adult Social Care

- 3.28 The Council has recently published a new Vision and Strategy for improving our Adult Social Care Services, with the ambition that adults with disabilities and older people and their carers will be supported to become independent and resilient so they can live good quality lives and enjoy good health and well-being.
- 3.29 A programme of changes has been started to ensure that the Council delivers its services in a manner that puts individuals needing support at the centre of plans, and that services are:
- Customer focused rather than service led with better collaborative working between different parts of the Council, the NHS and other partners;
  - Changed from being reactive to preventative with earlier intervention, better support for carers maximising resilience;
  - Offering a simpler customer journey so that people can get help as quickly as possible;
  - More accessible especially in the evening and at weekends;

- Making greater use of a wider range community assets, services and resources and of alternatives such as supported living extra care scheme and Shared Lives to minimise the use of residential and nursing care; and
- Focussed on improving outcomes for customers and carers.

3.30 Nationally there has been significant and rapid change in the way adult care is delivered and Rotherham wants to implement good practice. The Council has placed more people in residential care and in traditional community services compared to other authorities. Homecare has not been used effectively and the current customer journey and referrals process are not operating as effectively as they need to. Our Strategy and Vision will ensure the Council's Adult Care Services are delivered efficiently and in line with those of other councils to achieve better outcomes for people at lower cost.

3.31 At a time when the Council is having to save money and demonstrate real improvements in the value for money it offers, the transformation of Adult Services is a key element to achieving this. However, in doing this the Council recognises that Service has a number of significant cost pressures and is therefore looking to invest about £1.8m in 2016/17 to help offset these pressures, which will be funded from the proposal to take up the 2% Adult Social Care Precept.

3.32 The 2% Adult Social Care precept will generate an additional £1.716m income to support the Adult Social Care budget.

3.33 The 2% Adult Social Care precept will be utilised to support Adult Social Care services as shown in the table below:

<b>Use of Adult Social Care Precept</b>	<b>£'000</b>
Meeting additional costs of social worker and other related staffing costs	1,094
Increased cost of Adult Social Care contracts with care providers	637
Meeting the cost of assessment for Deprivation of Liberty Safeguards (DOLS) Regulations	100
General (non-contract) inflation	11
<b>TOTAL</b>	<b>1,842</b>

3.34 In addition to the above budgets supported by the 2% precept, a £1m Social Care contingency budget has been created (Paragraph 3.16) and will be allocated, subject to demand, to Adults and Children's social care during the course of 2016/17.

#### Regeneration and Environment

3.35 There is significant growth potential in the Borough and the wider Sheffield City Region. Continuing to restore business confidence and making Rotherham a place for 'doing business' will help attract much needed inward investment and will be integral to Rotherham's future economic ambition. Rotherham has ambitious targets in the Local Plan for new housing, with a

need for 958 new homes a year. It also has a jobs target of 1,000 a year and 750 net new businesses over the next 5 years. This correlates to the growth ambitions set out in the Sheffield City Region (SCR) Strategic Economic Plan and more locally with the Council's Growth Plan. The Council also has a major role to play in helping drive this growth and enterprise, both as a facilitator and also in terms of a potential deliverer, as a major land and property owner. The Council working with the SCR, through the proposed devolution deal, will now be in a fairly unique position to drive growth and investment in the region. The Council will look to maximise the opportunities created by connecting residents and businesses with skills and employment opportunities and supporting the inward investment in housing and in transportation and highways infrastructure.

- 3.36 The key investments in this Directorate represent replacement of lost grant funding with revenue budget to support the Rotherham Investment Development Office (RIDO) – a service critical for attracting inward investment into the borough if it is to grow and thrive (£160k).

#### Finance, Customer Services and Corporate Services

- 3.37 The budget proposals from these Directorates reflect the overall current and future planned downsizing of the Council, improvements and efficiencies through streamlining operations, improving systems and a reduction and re-prioritisation of support for frontline services.

- 3.38 The key budget growth items for these Directorates represent the additional costs of the new corporate management structure (£356k) and additional one-off costs for the Borough's all-out elections in May 2016 (£72k) and one-off costs for the Statutory Local Plan Inquiry (£100k).

#### Specific Grant Funding

- 3.39 The Council also receives a number of specific grants. The 2016/17 specific grants that have been confirmed and their value are set out below:

<b>Specific Grants</b>	<b>2016/17 £'000</b>
Public Health	17,157
PFI: Education (Revenue)	6,223
PFI: Leisure (Revenue)	1,811
PFI: Waste (Revenue)	1,781
Housing Benefit Administration Grant	1,183
Local Council Tax Support Administration Subsidy	TBC
Special Educational Needs and Disability Reform Grant	169

- 3.40 Public Health Grant: The confirmed allocation for 2016/17 is £17.157m and is £1.319m less than the 2015/16 allocation (when adjusted for the in-year effect of transferring funding for 0-5 years Children's services). The service did have a £1.011m in-year reduction in 2015/16. The £1.319m reduction represents a 7.14% loss of grant, or £308k (1.67%) additional loss of grant in 2016/17. Rotherham's 2016/17 grant reduction of 1.67% compares well with many Authorities who have seen a reduction of 2.3%, and the national average being a 2.2% reduction. The grant will reduce further in 2017/18 to £16.734m; a further reduction of £423k (2.5%). The Public Health Grant is currently ring-fenced and carries conditions on how it can be used. The Government has confirmed that the ring-fence will stay in place for the next two financial years 2016/17 and 2017/18.
- 3.41 Private Finance Initiative (PFI) Grants: the Council receives an annual fixed grant in respect of each of its three PFI schemes. This grant is used to help fund the monthly contract payments to the individual contractors. As such, this grant is not available to support the wider Council budget.
- 3.42 Housing Benefit Administration Grant and Local Council Tax Administration Subsidy: Grant and subsidy towards the administration costs of the Housing Benefit and Council Tax Support schemes.

### Schools Funding

- 3.43 Dedicated Schools Grant (DSG) – The DSG rates per pupil for the Schools Block and the Early Years Block for 2016/17 are £4,836.65 and £3,870.32 respectively. The rates remain the same as they were in 2015/16. The funding for the High Needs Block continues to be the 2014/15 baseline plus additional funding for placements and top-up funding for both 2015/16 and 2016/17 less direct funding of places by the EFA to academies and independent providers..
- 3.44 The School's Pupil Premium is additional funding provided to schools, the value of which is based on 3 elements:
- The 'Disadvantaged Premium' will continue to be £1,320 per pupil for Primary School children and £935 for Secondary School children, the same as in 2015/16. Pupils who have been eligible for Free Schools Meals in the last 6 months will attract this premium.
  - The Looked After Children Premium for children who have been looked after for one day or more, and including children who have been adopted from care or who leave care under a special guardianship or residence order (referred to as Pupil Premium Plus), will be £1,900 per eligible pupil, the same value as in 2015/16.
  - The Service Child Premium which funds children of Armed Services personnel remains at £300 per pupil.
- 3.45 Year 7 Literacy and Numeracy Catch-up Premium is an additional resource for schools directed at additional literacy and numeracy catch-up support during Year 7. In 2015/16 schools were allocated £500 for each pupil not

achieving level 4 at Key Stage 2 in reading and/or maths. The rate per eligible pupil is to be confirmed early 2016.

- 3.46 Devolved Formula Capital funding for Schools is estimated at £459k for 2016/17. The allocation for 2015/16 was £556k.
- 3.47 Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2015/16 was £3.115m).

### Developing the Medium Term Financial Strategy

- 3.48 The Council's budget strategy has been to limit, as far as possible, the impact of funding cuts on front line services – particularly on our most vulnerable residents, whilst looking to grow the local economy to maximise future income generation potential.
- 3.49 The climate of continued funding cuts from Government and the pace of growth in the local economy has made this strategy difficult to maintain. More will be done to review how we can further transform services to deliver further savings and to look for opportunities for joining up or rationalising service arrangements where this is sensible to do so and will reduce costs. However, the further planned government funding cuts over the period to 2019/20 mean that it is inevitable that some of the future savings the Council will have to deliver will inevitably impact on frontline services.
- 3.50 This report proposes a balanced budget for 2016/17, however more work is to be done to address the estimated funding gaps in the MTFs of £6m and £9.5m for 2017/18 and 2018/19 respectively.
- 3.51 The above funding gaps also exclude a number of cost pressures in the system which need further consideration in future iterations of the MTFs. These include:
- Any need for additional investment in Children's Social Care;
  - Demographic pressures in Adult Social Care;
  - The impact of the Pensions Triennial Revaluation which will impact from April 2017;
  - The impact of the new 0.5% Apprenticeship Levy which will also fall on the Council from April 2017; and
  - Implementation of the National Living Wage both for Council Staff and particularly by Contractors and Clients.
- 3.52 The updated MTFs reflecting the latest financial information included in the Final Local Government Settlement announced on 8<sup>th</sup> February 2016 is attached as Appendix 5 to this report.

## **4. Options considered and recommended proposal**

- 4.1 These are set out in Section 3 above.

## 5. Consultation

- 5.1 In addition to the extensive public and partner consultation roadshows which took place during 2015 for the public to provide feedback on Council services and what was most important to them, consultation on the specific Directorate budget proposals has also taken place with the closing date for comments being 12<sup>th</sup> February 2016. The feedback from the budget consultation is summarised at Appendix 3 of this report.
- 5.2 A total of 57 responses were received to the corporate consultation exercise by the deadline (5.00pm Friday 12<sup>th</sup> February 2016), including 23 via an online form on the council website, 26 by email, and 8 in writing. These 57 responses do not reflect any responses that have been sent directly to the service concerned. Specifically, the Leisure and Green Spaces Service has received an additional 9 responses on the proposal linked to the biological records centre, including a petition submitted by Yorkshire Naturalists' Union. It should be noted that this proposal would not take effect until 2017/18 and the service is committed to engaging with respondents to consider alternative options.
- 5.3 The school crossing patrol proposals, particularly at Laughton Junior and Infants School, have also attracted additional representations, with at least six people contacting the service directly and other feedback channelled via the school(s). An officer has visited Laughton school to discuss the proposals and dialogue continues in relation to all affected crossings. In light of comments and feedback received the final proposed budget for 2016/17 focusses on an approach where the Council works collaboratively with schools and other local partners as appropriate to develop shared funding models. This means that the Council will now not progress in 2016/17 a savings proposal for the value of £25k. (i.e. Ceasing funding for low risk crossing sites).
- 5.4 The Council's Overview and Scrutiny Management Board (OSMB) has closely reviewed and challenged the budget proposals included in this report. The budget process has included the referral of outline savings proposals to OSMB for its formal consideration as part of the Council's budget scrutiny process. OSMB has held formal sessions to consider these savings proposals (2nd October, 23rd October and 26th November 2015, 15<sup>th</sup> and 22<sup>nd</sup> January and 12<sup>th</sup> February 2016 with the associated information placed in the public domain), as well as the potential financial implications of the Adult Social Care Development Programme.
- 5.5 Commissioner Manzie wrote to the chair of OSMB on 29<sup>th</sup> January setting out her responses to a number of specific questions and queries raised by members. Following a final budget scrutiny meeting on 12<sup>th</sup> February it was recommended that the proposal relating to the potential closure of the Visitors Centre should be deferred as further work was needed on the wider implications on other Council services using the building. E.g. Theatre Box Office.

5.6 A number of the service specific budget proposals require further consultation and this will take place over the forthcoming months and in accordance with relevant statutory requirements. These specific proposal references are:

- CYP57 B – Safeguarding children and families: review of internal residential care provision
- EDS5 B - Libraries and customer services: closure of mobile library service
- EDS5 D - Libraries and customer services: replace face-to-face cashiers with payment kiosks at Riverside House
- EDS5 E - Libraries and customer services: introduce online benefit claims and risk-based verification at Riverside House
- EDS5 F - Libraries and customer services: introduction of online benefit claims in joint service centres
- EDS5.1 H - Libraries and customer services: retain library provision in all existing locations; moving to single staffing in 7 libraries; extending self-serve; supporting further partner/ community involvement
- EDS7 B – Registrars: removal of registration of births and deaths at Rotherham General hospital
- EDS7 C – Registrars: move service delivery from face-to-face to more telephony and online for “tell us once” bereavement
- EDS26 C option b - Streetpride: Leisure and green spaces: withdraw free parking for blue badge holders at Rother Valley country park on weekdays
- CYP5: Review of Early Help offer
- Adult Social Care Development Plan: All proposals

## 6. Timetable and Accountability for Implementing this Decision

6.1 The Council is required to set its annual budget by no later than 10<sup>th</sup> March each year. Strategic Directors are responsible for ensuring the delivery of savings proposals within their Directorate Cash Limit approvals.

6.2 Where appropriate, detailed Implementation Plans will be drawn up and maintained, to ensure close monitoring of savings delivery or providing early warnings if there is a potential for the savings target not to be achieved. In this instance this will provide maximum opportunity to identify potential remedial actions to be identified and implemented to maintain spend within the approved budget limit.

## 7. Financial and Procurement Implications

7.1 The financial implications are set out in detail in Section 3 above.

7.2 In summary, the report recommends **a 3.95% increase in Council Tax** (excludes precepts other than the Adult Social Care precept) **and a 2016/17 General Fund Revenue Budget for the Council of £199.521m.**

7.3 It should be noted that the proposed budget includes:

- A 1% increase for staff pay awards
- A general price inflation rate of nil %, and where known in relation to specific items of expenditure, a specific provision for inflation if significantly different. **In line with Council policy, it is expected that all such inflationary pressures will be contained within Directorate Cash Limit budgets.**
- Income inflation - agreed on a service by service basis.

#### Four Year Offer

- 7.4 The Government is allowing Councils until 14<sup>th</sup> October 2016 to decide if they wish to take up the four year funding offer. Work will take place over the coming months and Members will be advised of the implications of taking up this offer, as more detail is released by Government.
- 7.5 The proposals in this report enable the Council to set a balanced budget for 2016/17, however, an estimated funding gap exists for 2017/18 and 2018/19 of £6m and £9.5m respectively, as set out in the Medium Term Financial Strategy. (Appendix 5)

### **8. Legal Implications**

- 8.1 When setting the budget, the Council must be mindful of the potential impact on service users. In particular, Section 149 of the Equality Act 2010 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 (age; disability; gender re-assignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation). The detail of the analysis of the budget proposals undertaken so far is described in section 11 below. However, case law has clarified that there is no obligation on a local authority to carry out an equality impact analysis of the high level strategic budget setting process. Once the budget has been set and as spending decisions are made service by service, and as policies are developed within the constraints of the budgetary framework, proposals will be further considered by Members and will be subject to an appropriate and proportionate assessment of any equality implications.
- 8.2 In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
- 8.3 In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other; and that they are

acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between different elements of the community and the interests of Council Tax and Business Rate payers in developing the budget proposals set out in this report.

## 9. Human Resources Implications

- 9.1 The expected impact of the budget proposals within this report on the number of Full Time Equivalent (FTE) staff/posts to be lost is shown in the table below:

2016/17	2017/18	2018/19
FTE	FTE	FTE
346.6	180.6	69.7

- 9.2 During 2015/16 146 staff (120 FTE) left the Council through Voluntary Severance or Voluntary Early Retirement.
- 9.3 Since 2010 the Council has reduced its headcount by over 1,500. The current headcount is 5,669 (4,085 full-time equivalent posts).

## 10. Implications for Children and Young People and Vulnerable Adults

- 10.1 See sections 3.25 to 3.33 above.

## 11 Equalities and Human Rights Implications

- 11.1 All budget savings proposals have had an Equalities Assessment, most of which were not required to be detailed due to the nature of the proposals. However, some proposals did require full, detailed Equalities Assessments – these are:-

Savings Proposal Reference	Summary of proposal	Status	Further Comments
<b>Regeneration &amp; Environment Services</b>			
EDS 05 B	Closure of mobile library service (B)	EA underway and Service Manager scoping detailed consultation	Consolidation of book link service and delivery van
EDS 05 D	Libraries and customer services: Replace face to face cashiers with payment kiosks at Riverside House	EA underway	
EDS 05 E, F	Libraries and customer services: Introductions of online benefit claims and Risk based verification	EA complete	i.e. at Riverside house (E) and within Joint service centres (F)

Savings Proposal Reference	Summary of proposal	Status	Further Comments
EDS 05.1 H	Libraries and customer services: retain library provision in all existing locations; moving to single staffing in 7 libraries	EA underway and detailed consultation being planned	
EDS 07 B, C	Registrars: removal of registration of births and deaths at Rotherham General hospital; and channel shift from face-to-face to telephony/online for "tell us once" bereavement	EA underway	
EDS 22	Parking charges - proposed increases	EA complete	
EDS 26 C	Rother Valley Country park – blue badge parking charges	EA complete	Increase car park charges Withdraw free parking for blue badge holders on weekdays
<b>Finance &amp; Customer Services</b>			
RES 19 A	Town Hall catering	EA complete	
RES 21 B	Legal services - increase income and top slice supplies and service budgets	EA complete	
<b>Children and Young People's Services</b>			
CYPS 7 B	Safeguarding children and families: review of internal residential care provision	EA underway	
CYPS 11A	All saints public toilets	EA complete	Saving to be achieved by implementing a turnstile facility.
CYPS 15	School crossing patrols	EA complete	
<b>Public Health</b>			
PH01 A	1.8% efficiencies in integrated sexual health services	EA complete	
PH02 B	1.8% efficiencies in alcohol and drugs treatment contracts	EA complete	

## **12. Implications for Partners and Other Directorates**

- 12.1 These are set out in the savings proposals at Appendix 1 and in the Equalities Assessments.

## **13. Risks and Mitigation**

### **Report of the Interim Strategic Director of Finance and Customer Services (the Council's Responsible Financial Officer)**

- 13.1 The Responsible Financial Officer of an Authority (in Rotherham Council's case the Interim Strategic Director of Finance and Customer Services) is required by Section 25 of the Local Government Act 2003 to report to the Authority when it is making the statutory calculations required to determine its Council Tax, and the Authority is required to take that report into account. The report should deal with:
- The robustness of the estimates included in the Budget; and
  - The adequacy of reserves for which the Budget provides.
- 13.2 The report does not have to be a separate document and so I have included my comments in this report and Cabinet is asked to take account of them.
- 13.3 The budget setting process has been challenging given the unprecedented scale of the ongoing funding reductions required and the timescales in which to achieve them. Delivery of £21m savings following delivery of almost £117m savings in the previous five years presents a significant challenge (to all Councils) in formulating a robust and sustainable budget and preserving a financially resilient overall financial position whilst seeking to ensure that vital public services continue to be available to those in our community that are most in need of them.
- 13.4 From April 2013 the Localisation of Business Rates and the introduction of the Council Tax Reduction Scheme both transferred significant financial risks from Central Government to a local authority which put pressure on the level of income collectable and overall collection rates which will have a direct impact on future resources available to the Council. In Rotherham we have a very strong track record of collecting both business rates and council tax income and therefore I believe the collection level assumptions included in setting this budget adequately reflect this risk.
- 13.5 As the Chief Financial Officer for the Council, I consider that the budget proposals and estimates included within the proposed Budget are robust. Work will continue over the coming months to identify further savings options for Member consideration with an expectation that proposals to deliver a sustainable financial plan for 2017/18 and 2018/19 can be identified and planned for during 2016.

### Reserves

- 13.6 The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2016/17 Budget and to give time for serious action to

be taken to bring the Budget back into balance, so as to ensure its sustainability for the future.

- 13.7 I have conducted a detailed review of the level and purpose of the Council's reserves, together with their operational arrangements (in line with recommended best practice). The review, incorporating a risk assessment of each reserve, has guided my decision regarding the prudence of the level of reserves available to draw upon, if necessary, during 2016/17.
- 13.8 The Council's reserves, based on the latest monitoring, are expected to be £84.115m at 31<sup>st</sup> March 2016.
- 13.9 When reporting the development of the Medium Term Financial Strategy in July 2015 it was indicated the Council reserves as at 1<sup>st</sup> April 2015 were £118.113m in total. Within this amount was a sum of £34.783m arising from the approved amendments to the Council's Minimum Revenue Provision (MRP) profile for pre 2007/08 debt. This amount was earmarked to cover the equivalent future cost which would eventually arise from this re-profiling in later years. Working with its External Auditors, the Council has evaluated whether any of the sum set aside in the reserve could be prudently released early. In concluding this evaluation the Council's External Auditors indicated that the sum held in the earmarked reserve should no longer be held in a reserve in the Balance Sheet but retained in the Capital Adjustment Account, and could be released over a period of time by taking an annual MRP holiday. This proposed revised disclosure and change in accounting policy has been reflected in the Council's MRP Policy Statement that was approved by Council on the 27<sup>th</sup> January 2016 and is also affirmed in the Council's Treasury Management and Prudential Indicators 2016/17 to 2018/19 report that is presented on this Advisory Cabinet/Commissioner Agenda.
- 13.10 The estimated net impact of this change in disclosure as at 31<sup>st</sup> March 2016 means that £20.165m of the MRP Adjustment Account is to be transferred to the Capital Adjustment Account with the balance £14.618m retained in the Reserve initially for the purpose set out above. Further proposals on the future purpose of this reserve are intended to be presented to Members within the 2015/16 Revenue Outturn report.
- 13.11 This change in disclosure of £20.165m together with the planned use (£8.394m) of the Transformation reserve in 2015/16 has contributed to the reduction in the estimated reserves now reported.
- 13.12 The majority of earmarked reserves (£72.836m) are mostly held as ring fenced:
- to particular statutory services including Schools (£1.200m) and Housing Revenue Account (£23.325m);
  - to meet long term contractual PFI obligations (£12.261m);
  - subject to the above, to meet future MRP charges (£14.618m); and
  - to hold grant income received and committed to future years in line with the terms and conditions of the funding (£8.794m).
- 13.13 Within the balance (£12.638m), is a sum of £8.457m held within the Transformation Reserve. The balance on this reserve is committed to support the Revenue Budget (specifically Looked-After Children placements) over the

next three years, using £3m in 2016/17, £2m in 2017/18 and £1m in 2018/19 respectively. Whilst the balance of £2.457m on the Transformation reserve has not been specifically earmarked it is recommended that this is retained as reserve funding recognising both the ongoing improvement programme in particular council services, and other financial pressures on the Council's revenue budget.

13.14 A further sum of £2.101m is held in the Furnished Homes reserve. The balance on this reserve together with surpluses generated in future years is committed to support the Revenue Budget.

13.15 The remainder (£2.080m) has been generally earmarked for specific purposes or schemes by services.

13.16 Subject to the final outturn for 2015/16, this means that approximately £11.279m (5.75% of the proposed net revenue budget) would be generally available to safeguard the Council against the potential financial risks in the financial plan. Based on an assessment of those risks and the likelihood of them occurring I consider this to be a prudent level. However, given the continuing speed of government funding and policy changes over last 5 years and the very significant financial challenges facing local government and more specifically this Council it will be imperative that the adequacy of the reserves position is monitored carefully as part of the ongoing assessment of the financial risks facing the Council.

#### **14. Accountable Officer(s)**

Approvals Obtained from:-

Interim Strategic Director of Finance and Customer Services:- Stuart Booth

Interim Assistant Director of Legal Services:- Catherine Parkinson

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