

## **Summary Sheet**

### **Council Report**

Cabinet and Commissioners Decision Making Meeting – 13 February 2017

#### **Title:**

Budget and Council Tax 2017/18

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

Yes

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

Strategic Director of Finance and Customer Services – Judith Badger

#### **Report Author**

Pete Hudson – Chief Finance Manager

#### **Ward(s) Affected:**

All

## **Executive Summary**

This report proposes the Council's Budget and Council Tax for 2017/18 based on the outcome of the Council's Provisional Local Government 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) alongside a review of the financial planning assumptions within the Medium Term Financial Strategy.

In setting the proposed 2017/18 Budget, Cabinet are asked to recommend to Council an increase of 1.99% in the Council's basic Council Tax and a further 3% increase for the Adult Social Care precept; a combined increase of 4.99% for 2017/18.

Although this report contains proposals to balance the revenue budget for 2017/18, further work needs to be undertaken to bring forward proposals for future years to enable the Council to establish a clear and sustainable financial plan which addresses the estimated £42m financial gap that remains over the next two years (2018 to 2020).

This Budget incorporates over £10m of additional investment in Children's safeguarding and over £3m of additional direct investment in Adult Social Care alongside indirect budget increases resulting from increased costs of current service provision. It will enable the reinstatement of the Joseph Rowntree Foundation Living Wage rate from April 2017 for the Council's own staff and will also provide £100k funding to help to partially mitigate the impact of Welfare Reform on the most vulnerable – through the provision of a budget for food parcels and crisis loans.

Whilst doing this, the Budget minimises, as much as possible, the adverse impact on universal services (those which benefit all Rotherham residents as opposed to targeted services for people with specific needs) and also provides some additional income streams related to leisure activities. The Budget will provide resources to support and enable the delivery of the specific savings included within this report and to assist with the development and delivery of the further £42m savings that are required over the next two financial years.

This report also provides feedback from both public and partners in relation to the budget proposals that were published on the Council's website for consultation until 3<sup>rd</sup> January 2017.

## **Recommendations**

That Cabinet recommend to Council:

- Approval of the Budget and Financial Strategy for 2017/18 as set out in the report and appendices, including the need to deliver £24m of budget savings and a basic Council Tax increase of 1.99%.
- Approval of the Government's proposals for the maximum Adult Social Care precept of 3% on Council Tax for 2017/18 to fund additional costs and investment in Adult Social Care Services.
- Approval that the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils within the Borough be incorporated, when known, into the recommendation to the Council on 8th March 2017.
- That an updated Medium Term Financial Strategy (MTFS) is brought back to Cabinet in 2017/18 after the accounts for 2016/17 have been closed.
- Approval of the proposed use of reserves as set out in Section 3.5, noting that there may be a variation subject to the Final Local Government Finance Settlement and that the final determination will be approved as part of reporting the outturn for 2016/17.
- Approval that any changes resulting from the Final Local Government Finance Settlement be reflected in the Budget report to Council on 8<sup>th</sup> March with the balance of any change being reflected in a change in the required use of reserves.

- That it notes and accepts the comments and advice of the 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 (Section 3.9).
- That it notes the consultation feedback from the public and partners following publication of Directorate budget savings proposals on the Council's website for public comment from 1<sup>st</sup> December 2016 to 3<sup>rd</sup> January 2017 (Section 5).
- Approval of the use of in-year Capital Receipts to maximise capitalisation opportunities arising from service reconfiguration to deliver efficiencies and improved outcomes for clients and residents, and thereby minimise the impact of costs on the revenue budget as included in the Flexible use of Capital Receipts Strategy 2017/18 (Appendix 5).
- Approval of the proposed Capital Strategy as presented in Section 3.7 and Appendix 3A and 3B, to a value of £280.240m. This requires prudential borrowing of £49.636m to fund non-HRA schemes over the five year period, for which provision has been made in the revenue budget for the associated financing costs.
- That the approved Capital Strategy budget be managed in line with the following key principles:
  - (i) Any underspends on the existing approved Capital Programme in respect of 2016/17 be rolled forward into future years, subject to an individual review of each carry forward by the Strategic Capital Investment Group.
  - (ii) In line with Financial Regulation 13.8, any successful grant applications in respect of capital projects will be added to the Council's approved Capital Programme. This will include projects that are included within the Development Pool, where funding has yet to be identified.
  - (iii) Capitalisation opportunities and capital receipts flexibilities will be maximised, with capital receipts earmarked to minimise revenue costs.
- Approval of the prudential indicators and limits for 2017/18 to 2019/20 contained in this report. (Appendix 4 – Section 3.1 – 3.4)
- Approval of the Minimum Revenue Provision Policy Statement which sets out the Council's policy (Appendix 4 – Annex A).
- Approval of the Treasury Management Strategy for 2017/18 to 2019/20 and the Authorised Limit Prudential Indicator (Appendix 4 – Section 3.5); and,

- Approval of the Investment Strategy for 2017/18 to 2019/20 (Appendix 4 – Section 3.5.5).

### **List of Appendices Included**

Appendix 1 – Summary of Directorate Budget Savings Proposals 2017/18 – 2019/20

Appendix 2 – Fees and Charges 2017/18

Appendix 3A – Capital Strategy 2016-2021- Projects that have not yet commenced and new projects for inclusion in the Capital Strategy 2017-2022

Appendix 3B – Summary Capital Strategy by Project 2016-2022

Appendix 4 – Treasury Management Matters

Appendix 5 – Flexible use of Capital Receipts Strategy 2017/18

Appendix 6 – Statutory Resolution of Council Tax 2017/18. *(This information is not available in time for the Cabinet Report but will be included in the Budget Report to Council on 8<sup>th</sup> March 2017).*

Appendix 7 – Reserves – value and use

### **Background Papers**

- Council Tax Base Report 2017/18 – Council 25<sup>th</sup> January 2017
- Housing Rents 2017/18 – Council 25<sup>th</sup> January 2017
- Provisional Local Government Financial Settlement – 15<sup>th</sup> December 2016
- Capital Programme Budget Setting Report 2016/17-202/21 – Council 2<sup>nd</sup> March 2016
- Prudential Indicators and Treasury management and Investment Strategy 2016/17 – 2018/19
- MTFs Update Report to Council – 7<sup>th</sup> December 2016
- December Financial Monitoring report – Cabinet 13<sup>th</sup> February 2017
- CIPFA – The Prudential Code for Capital Finance in Local Authorities 2011 (as amended 2012) and related Guidance Notes 2013
- CIPFA – Treasury Management in the Public Services – Code of Practice and Cross-Sectoral Guidance Notes
- CIPFA – Treasury Management in the Public Services – Guidance Notes for Local Authorities including Police Authorities and Fire Authorities
- Communities and Local Government Investment Guidance – March 2010
- The Local Government Act 2003

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

Overview and Scrutiny Management Board (OSMB) meetings – 18<sup>th</sup> November 2016, 2<sup>nd</sup> & 16<sup>th</sup> December 2016 and 3<sup>rd</sup> February 2017

Council – 8<sup>th</sup> March 2017

Treasury Management Report - Audit Committee - 8<sup>th</sup> February 2017.

### **Council Approval Required:**

Yes

### **Exempt from the Press and Public:**

No

## **Title: Budget and Council Tax 2017/18**

### **1. Recommendations**

That Cabinet recommend to Council:

- 1.1 Approval of the Budget and Financial Strategy for 2017/18 as set out in the report and appendices, including the need to deliver £24m of budget savings and a basic Council Tax increase of 1.99%.
- 1.2 Approval of the Government's proposals for the maximum Adult Social Care precept of 3% on Council Tax for 2017/18 to fund additional costs and investment in Adult Social Care Services.
- 1.3 Approval that the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils within the Borough be incorporated, when known, into the recommendation to Council on 8th March 2017.
- 1.4 That an updated Medium Term Financial Strategy (MTFS) is brought back to Cabinet in 2017/18 after the accounts for 2016/17 have been closed.
- 1.5 Approval of the proposed use of reserves as set out in Section 3.5, noting that there may be a variation subject to the Final Local Government Finance Settlement and that the final determination will be approved as part of reporting the final outturn for 2016/17.
- 1.6 Approval that any changes resulting from the Final Local Government Finance Settlement be reflected in the Budget report to Council on 8<sup>th</sup> March with the balance of any change being reflected in a change in the required use of reserves.
- 1.7 That it notes and accepts the comments and advice of the 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 (Section 3.9).
- 1.8 That it notes the consultation feedback from the public and partners following publication of Directorate budget savings proposals on the Council's website for public comment from 1<sup>st</sup> December 2016 to 3<sup>rd</sup> January 2017 (Section 5).
- 1.9 Approval of the use of in-year Capital Receipts to maximise capitalisation opportunities arising from service reconfiguration to deliver efficiencies and improved outcomes for clients and residents, and thereby minimise the impact of costs on the revenue budget as included in the Flexible use of Capital Receipts Strategy 2017/18 (Appendix 5).

- 1.10 Approval of the proposed Capital Strategy as presented in Section 3.7 and Appendix 3A and 3B, to a value of £280.240m. This requires prudential borrowing of £49.636m to fund non-HRA schemes over the five year period, for which provision has been made in the revenue budget for the associated financing costs.
- 1.11 That the approved Capital Strategy budget be managed in line with the following key principles:
- (i) Any underspends on the existing approved Capital Programme in respect of 2016/17 be rolled forward into future years, subject to an individual review of each carry forward by the Strategic Capital Investment Group.
  - (ii) In line with Financial Regulation 13.8, any successful grant applications in respect of capital projects will be added to the Council's approved Capital Programme. This will include projects that are included within the Development Pool, where funding has yet to be identified.
  - (iii) Capitalisation opportunities and capital receipts flexibilities will be maximised, with capital receipts earmarked to minimise revenue costs.
- 1.12 Approval of the prudential indicators and limits for 2017/18 to 2019/20 contained in this report (Appendix 4 – Section 3.1 – 3.4).
- 1.13 Approval of the Minimum Revenue Provision Policy Statement which sets out the Council's policy (Appendix 4 – Annex A).
- 1.14 Approval of the Treasury Management Strategy for 2017/18 to 2019/20 and the Authorised Limit Prudential Indicator (Appendix 4 – Section 3.5); and,
- 1.15 Approval of the Investment Strategy for 2017/18 to 2019/20 (Appendix 4 – Section 3.5.5).

## **2. Background**

**This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2017/18 and the medium term, which need to be considered by Council.**

- 2.1 Local Context – Government Intervention & the impact on the Council of Public Sector Funding Cuts.
- 2.2 Revenue Budget Position 2016/17 – as at December 2016.
- 2.3 Provisional Local Government Finance Settlement 2017/18.
- 2.4 Approach to the Budget Strategy for 2017/18 and the Medium Term Financial Plan to 2019/20.
- 2.5 Fees and Charges.

## 2.1 **Local Context**

- 2.1.1 Following the findings of the Professor Alexis Jay (August 2014), Ofsted (November 2014) and Corporate Governance Inspection (CGI) (February 2015) reports, and with the support of Government appointed Commissioners, Rotherham Council is now nearing two years into its recovery and improvement journey. The progress made against the 'Fresh Start' Improvement Plan, published in May 2015, has been regularly reported in the published Commissioners' Reports to Government. The most recent of these, in November 2016, confirmed that 82% of the 108 separate actions in the plan's first phase had been delivered and completed to the required standards and timescales, with all ongoing activity reflected in a re-assessed phase two action plan from May 2016 (endorsed by Council in July 2016). The November 2016 Commissioners' update report noted that steady progress had been made by that point in terms of the delivery of phase two activity; and the Commissioners' next report to Government, in February 2017, will provide a more substantive update on phase two progress to the end of the 2016 calendar year.
- 2.1.2 In the light of the positive "phase one" progress around one third of the Council's services were returned to the authority's control around 12 months ago, from February 2016. Following recommendations made by Commissioners, Council control of critical licensing functions returned from December 2016. The Commissioners' most recent update report in November 2016 recommended to the Secretary of State that consideration be given to the return of more powers relating to economic growth, partnership working, community safety, adult social care, performance management, audit, waste and ground maintenance.
- 2.1.3 Over the last 6 years (2011/12 to 2016/17) the Council has responded to the significant and unprecedented financial reductions imposed on local government as part of the Government's austerity programme. Over this 6 year period, the Council has addressed a cumulative funding gap of £138m.
- 2.1.4 For 2017/18 the Council is required to address a £24m funding gap. This represents the initial estimated funding gap for the year of £13m (as detailed in the June 2016 MTFS Update report to Cabinet) plus a further £11m additional budget approved by Council on 7<sup>th</sup> December 2016. This investment recognised the significant demand pressures primarily within Children's Social Services but also Adult Social Care Services and the corporate support provided to these services, to realise greater savings into the near future.
- 2.1.5 This report contains the budget proposals to meet the significant challenge in 2017/18 and sets the direction for further savings through to 2019/20 and beyond.
- 2.1.6 The proposed Directorate savings contribute £11.096m towards meeting the 2017/18 funding gap and are set out in summary in Table 5 and in detail at Appendix 1.

- 2.1.7 The Council's Medium Term Financial Strategy and Capital Strategy documents will be updated to reflect this Budget Report and the figures and details announced in the Final Local Government Finance Settlement when it is received. This will include annual funding forecasts up to 2019/20 and will reflect any economic and legislative changes, and adjustments for other factors impacting the Council's budget. The MTFS update will be brought to Cabinet in 2017/18 following closure of the 2016/17 accounts.
- 2.1.8 One of the Council's key priorities within its budget strategies has been to limit the impact of the cuts on services for the most vulnerable people and those in need whilst continuing to ensure delivery of universal services. This remains a priority, but it is also important to recognise that this commitment is becoming increasingly difficult to sustain in the face of the ongoing funding reductions. The Council's vision, as set out in the 2016/17 Corporate Plan, sets out four headline priorities, all of which aim to protect the most vulnerable in Rotherham and provide greater opportunities for more people to prosper, namely: *every child making the best start in life; every adult secure, responsible and empowered; a strong community in a clean, safe environment; and extending opportunity, prosperity and planning for the future.*
- 2.1.9 There is a further, cross-cutting theme to be a *modern and efficient Council* which includes specific commitments to look at technological, digital and other innovative solutions that can reduce the Council's costs, offer local tax-payers increased value for money, and also improve services despite the budget challenges faced. The Council's new Digital Strategy, presented to the 12<sup>th</sup> September 2016 Cabinet and Commissioners Decision Making meeting is a critical element of this and 2017 will see sustained focus on the implementation of the actions needed to deliver the strategy.
- 2.1.10 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. Whilst the Council will continue to drive savings through continued modernisation and efficiency and improving value for money for Rotherham residents, it is inevitable that the full range of services currently provided will not be able to be provided or provided to the same extent in the future, and service cuts will be inevitable.

## **2.2 Revenue Budget Position 2016/17**

- 2.2.1 The December revenue financial monitoring position, elsewhere on this agenda, shows a forecast outturn of £343k. This forecast outturn is after the additional £8.456m budget approved by Council on 7<sup>th</sup> December 2016 which will need to be funded from the Council's available reserves. This assumption has been built into the Budget and reserves planning and strategy.



- 2.2.2 Most of the budget savings for 2016/17 have been delivered in full with the exception of the £1m saving in respect of changes to staff terms and conditions of employment. Extensive dialogue has been undertaken with Trade Union colleagues over several months and it is anticipated that the saving (£2m full year effect) will be delivered from April 2017. The Budget proposed in this report assumes that to be the case.
- 2.2.3 Whilst it is anticipated that the stringent procurement and recruitment controls currently in place will further reduce the current forecast overspend position, it is also necessary to be mindful of the continued demand related cost pressures on services, particularly those in relation to social care and also winter road maintenance - which is dependent on weather conditions for the remainder of the year. The final outturn will impact the Council's reserves position and this impact will be reflected in the MTFs update to Cabinet in the new financial year following closure of the 2016/17 accounts.
- 2.2.4 The 2016/17 budget remains under close scrutiny with monthly monitoring reports and updates being provided to the Strategic Leadership Team (SLT) and Cabinet Members.

## **2.3 Provisional Local Government Settlement 2017/18**

- 2.3.1 Table 1 below shows the Provisional Local Government Settlement for the Council announced on 15th December 2016. At the time of writing the Final Settlement has not been announced. A verbal update will be provided at the meeting in order that any differences to the Provisional Settlement can be reflected in the report to Council on 8<sup>th</sup> March 2017.

**Table 1 – Provisional Settlement Funding Assessment**

	<b>Provisional Settlement</b>
	£'000
Revenue Support Grant	28,943
Business Rates Top Up	27,692
Retained Business Rates – assumed by Government	32,262
<b>Provisional Settlement Funding Assessment (SFA)</b>	<b>88,897</b>

- 2.3.2 The Provisional 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. This proposed budget assumes the Government estimate. Any variation will be reflected in the MTFs Update report to Cabinet.
- 2.3.3 In addition to the Provisional Settlement Funding Assessment above, other sources of Government non-ringfenced grant funding is also available to support the budget. The 2017/18 allocations are set out in Table 2 below:

**Table 2 - Further Provisional Settlement Resources (non-ringfenced)**

<b>Funding Source</b>	<b>£'000</b>
New Homes Bonus	5,218
Business Rates: Section 31 Grants	1,664
Business Rates: Renewable Energy	147
Business Rates: Enterprise Zone	284
<b>TOTAL</b>	<b>7,313</b>

2.3.4 Therefore the total level of Government non-ringfenced grant available to support the budget in 2017/18 is £96.210m (SFA £88.897m plus non-ringfenced grants £7.313m).

2.3.5 In addition to the above non-ringfenced funding the Council also receives Specific Grant Funding. Where known the values are shown in Table 3 below:

**Table 3 – Specific Grants**

<b>Specific Grants</b>	<b>2017/18 £'000</b>
Public Health	16,734
PFI: Education (Revenue)	6,223
PFI: Leisure (Revenue)	1,811
PFI: Waste (Revenue)	1,781
Adult Social Care Support Grant (one-off)	1,351
Improved Better Care Fund	1,090
Housing Benefit Administration Grant	1,129
Local Council Tax Support Administration Subsidy	426
High Needs Strategic Planning Fund	110

2.3.6 The Public Health specific grant allocation has been confirmed for 2017/18 as £16.734m and is £423k less than the 2016/17 allocation. This is in line with what was announced during 2015. The grant is currently ring-fenced and carries conditions on how it can be used. The government has announced that it will be shortly consulting on fully funding local authorities' public health spending for current public health duties from their retained business rates receipts as part of the move to 100% rates retention.

2.3.7 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.

2.3.8 The Council has also received a one-off Social Care Support Grant of £1.351m for 2017/18 from Central Government. This will be used to fund:

- £481k - Investment approved by Council – 7<sup>th</sup> December 2016 for Brokerage Team, Direct payments and Project Support (time limited)
- £489k – Continuation of service provision during progression of the Adult Social Care Development Programme for 2017/18 (one-off).

- £381k (balance) – support the balance of the investments in Adult Social Care services in excess of the 3% Adult Social Care precept.

2.3.9 The Council has received confirmation of a £1.090m allocation from the Improved Better Care Fund for 2017/18. It is currently unknown whether this funding comes with conditions, and if so, what those conditions might be. It is anticipated that more information will be provided in the Final Settlement. It is proposed that once this clarification is provided, Cabinet will determine how this funding will be used.

2.3.10 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 and the ongoing costs of implementing Welfare Reform changes.

2.3.11 High Needs Strategic Planning Fund is a one-off grant of £110k for 2017/18 and has been used to partially fund some of the investment approved by Council for CYPS High Needs services on 7<sup>th</sup> December 2016.

2.3.12 In addition to the above the Council also receives funding for allocation to schools:

- Dedicated Schools Grant (DSG) – The DSG rate per pupil for the Schools Block for 2017/18 is £4,777.49, a reduction of £59.16 from 2016/17 following re-alignment of the DSG blocks. The rate per pupil for the Early Years block is £4,085.00, an increase of £214.68 from 2016/17 due to the introduction of a new national Early Years funding formula. The funding for the High Needs Block continues to be the re-aligned 2016/17 baseline plus additional funding for placements and top-up funding for both 2016/17 and 2017/18 less direct funding of places by the EFA to academies and independent providers.
- School's Pupil Premium is additional funding provided to schools, the value of which is based on 3 elements:
  - 'Disadvantaged Premium' will continue to be £1,320 per pupil for Primary School children and £935 for Secondary School children, the same as in 2016/17. 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 2016/17.
  - The Service Child Premium which funds children of Armed Services personnel remains at £300 per pupil.

- 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 2016/17 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 in 2017.
- Devolved Formula Capital funding for Schools is estimated at £348k for 2017/18. The allocation for 2016/17 was £516k.
- Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2016/17 was £2.667m).

## **2.4 Approach to the Budget for 2017/18 and the Medium Term Financial Strategy to 2019/20**

- 2.4.1 During the summer the Council set the strategic framework to support the development of the budget for 2017/18 through to 2019/20, and in particular the approach to developing investment and savings options to address the funding gap to 2019/20. The proposed approach is designed to ensure that investment and savings options are not considered in isolation or directorate silos, but instead contribute to the principles and priorities as set out within the Corporate Plan and Medium Term Financial Strategy.
- 2.4.2 Rotherham MBC has a proven track record of delivering significant savings. Between 2011 and January 2017 the Council has made savings of £138m and reduced its headcount by 1,700 staff (over 1,000 full time equivalent staff), whilst minimising the tax burden on households when real term incomes for Rotherham residents have not been increasing. As set out below, the Council is facing ongoing financial challenges. Further reductions in Government funding as a result of its deficit reduction plans; rising cost pressures such as the National Living Wage; increasing demand for services as a result of a growing population and changing demographics in Rotherham; and the impact of inflation all contribute to the financial challenges ahead.
- 2.4.3 This budget challenge means that the Council must be responsible in its budget setting approach, prioritising investment and savings proposals that best contribute to the Council's priorities and the needs of Rotherham's residents, and ensure that best value is demonstrated across the breadth of Council services.
- 2.4.4 However, whilst the Council is inevitably becoming *smaller in size*, the strategy for the future is to ensure that the Council is *bigger in influence*. This means a changing role for the Council. Stronger civic leadership, greater collaboration, integration and shared services with other public services. It also means a new social contract between residents and the Council that builds on individual and community assets to enable people to live more independently, for longer, with the support of their family, social networks and local neighbourhood resources. And it also means a clear focus and prioritisation of resource – and in some cases stopping doing things that the Council has traditionally done before.

- 2.4.5 It is also important to underline the continuing spending power of the Council despite funding cuts. With a current proposed revenue budget of £204.826m in 2017/18, the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region. The challenge is to ensure the sustainability of the Council to deliver services, keep the Council Tax rate as low as possible for residents and deliver against the Council's stated priorities. This means making carefully considered investment and savings decisions through to 2020 and in some cases making real cuts and reductions in service provision.
- 2.4.6 This budget strategy is set against the particular demand pressures and cost challenges facing Rotherham. In part these pressures arise from the good news that more new homes are being built in Rotherham, attracting more people into the area. But this impacts on the provision of universal services such as environment and waste services. Residents are living longer, but with more long term conditions which is stretching already squeezed health and social care budgets. Rotherham's schools are performing well, particularly when set against its City Region comparators, but this is placing strain on our school budgets and work is required to develop a sustainable approach for the dedicated schools grant budget.
- 2.4.7 The particular challenges factored into the budget strategy for investment and savings include:
- **Demographic changes** – Using ONS population projections, Rotherham's population is forecast to grow by 4,400 by 2021 or 1.7%. However this population growth is within particular age groups likely to increase pressure on Council services, especially social care. This includes a significant rise in the over 75 population, by 15% from 22,200 to 25,600 and a further rise in the over 85 population by 15% from 5,900 to 6,800. Within the older population a significant proportion are living with frailty and other long term conditions. For example, on average Rotherham men live for 21 years and women 22 years with poor health. At the other end of the age spectrum, there is a forecast increase of 1,800 (or 5.1%) of the predominantly school age (5-15) population. Only by changing the way the Council delivers support to older people in Rotherham, particularly focusing on connecting people to community assets to keep people as independent as possible for as long as possible and integrating care pathways with the CCG and acute service providers, will it be possible to respond to this increasing demand and deliver high quality care. This means joining up health, housing and social care services more effectively. Similarly, it is important to ensure that the delivery model to support schools through traded services is as efficient, enterprising and responsive as possible.

- **Increasing safeguarding costs, particularly with children and young people** – As the Council transforms the way it delivers children's services and becomes a child centred borough, there is a corresponding increase in the numbers of Looked After Children in Rotherham. The most recent analysis suggested that without further investment and intervention the LAC population will continue to rise from 489 (as at December 2016) by 48 per year. The budget challenge is to safely and sustainably reduce the LAC population through the investment agreed in December to provide coordinated early help, targeted and evidence based early intervention, and drive down the unit costs of high cost placements where it is safe to do so.
- **Poor health, low incomes and worklessness** – Rotherham is one of the 20% most deprived districts/unitary authorities in England and about 23% (11,300) of children live in low income families. Life expectancy for both men and women is lower than the England average, with life expectancy 9.5 years lower for men and 7.0 years lower for women in the most deprived areas of Rotherham than in the least deprived areas. Worklessness is concentrated in particular local neighbourhoods of the Borough predominantly near the town centre. Today, Rotherham has 13,320 residents claiming sickness benefits, of which 64% have been claiming for more than 2 years (8,590), despite the economic gains in the City Region. Within these claimants, almost half are as a result of mental and behavioural disorders. The budget challenge is to leverage the investment at a city region and national level directed at employment support, including the forthcoming Work and Health Programme. Similarly, the Council must make the most of its investment in public health interventions (such as drug and alcohol and mental health services) and other levers at its disposal (including housing) to ensure that employment is at the front and centre of wider health and social support services in Rotherham.
- **A productivity gap, predominantly due to low skills, with competitor Boroughs and regions** - Skills already account for the significant gap in productivity between Rotherham and the Sheffield City Region and the South East of England. Within Rotherham, 32% of people aged 16-64 have no qualifications or are qualified to below NVQ level 2 (Dec-15). Forecast employment patterns suggest that the move towards higher level skills requirements will only increase over the next ten years. The budget challenges include continuing to drive educational attainment in Rotherham schools so that young people are equipped with the skills in demand by the workforce of tomorrow and to maximise the benefit gained from the £880k Apprenticeship Levy contribution. This Government levy has been introduced with a target that 2.3% of the workforce (for organisations with more than 250 employees) should be apprentices. For the Council this would be around 125 apprentices in 2017/18.

- **Changing expectations and perceptions of public services** – Residents and communities are becoming more informed, and more assertive, demanding more flexibility and in some cases choice of provider. Expectations for public services now mirror features typically attributed to private sector services – delivery, timeliness, information, professionalism, and staff attitude, often on a 24/7 basis. The budget challenge is to respond to these changes through a faster paced transformation of the Council's corporate core, building the enabling functions to make the council more efficient and effective. But there must also be an increase in the active involvement of local residents and communities so that they are better able to help themselves and each other, through a strength and asset based approach to delivery of services such as adult social care and children's services.
- **Changing access routes and shift to different technology and media** – The speed of development of new forms of communication, information sharing and data processing enables people to work, learn, socialise and connect in different ways. However, public services are struggling in many cases to keep pace with different ways of choosing, accessing and using public services. The budget challenge is to drive the pace of change to digital by default, rationalising out-dated delivery models whilst ensuring accessibility for all.

2.4.8 The budget strategy for 2017-2020 also reflects the potential impact of the devolution deal, which includes a commitment from Government to provide an additional £30m per year for 30 years to the SCR, as well as wider funding and powers. Whilst the precise details are being worked through, it is anticipated that the devolution agreement will positively impact on the budget in terms of:

- Increasing funding in the drivers for growth, including skills, infrastructure, housing and transport, directly benefiting Rotherham residents, enabling Rotherham's regeneration resources and budget to go further.
- Stronger City Region working and collaboration, which, when taken on a case by case basis, will enable efficiency gains to be made where services are duplicated or where centres of excellence can be established.
- Increased (and retained) business rate income as a result of faster economic growth facilitated by better business support and infrastructure, such as ultra-fast broadband.

2.4.9 Whilst these upside opportunities as a result of the devolution agreement are unquantified at the moment, the Council will be working closely with the LEP and City Region colleagues to factor in the latest forecasts into the ongoing budget work. Similarly, work is already underway to identify further collaboration / shared services opportunities where it makes sense for Rotherham to do so.

2.4.10 The health and social care landscape is also evolving at a City Region level, with a greater focus on the integration of health and social care to improve outcomes and address the considerable system wide budget challenge. Within Rotherham, work is focused on locality working to ensure that the health and social care system is safe and sustainable, and addresses key budget challenges such as unplanned admissions to residential care and delayed discharge.

#### **2.4.11 Investment and savings options: principles and priorities**

The Council has developed a set of budget principles to guide decision making and ensure the budget and associated investment/savings options are focused, coherent and reflect the wider priorities of the Borough. These principles are outlined below, including the particular strategic priorities in developing options to address the funding gap, ensuring that Rotherham's public services are sustainable, affordable and fit for the future.

***a) Keep residents, particularly vulnerable children and adults, safe from harm and enable more people to live independently for longer***

2.4.12 The biggest areas of spend in the Council are adult and children's social care services. Significant investment is being made in the delivery of the Children's Improvement Plan and LAC numbers will only begin to decrease in the medium term as the impact of early help and more targeted earlier intervention takes effect. The demographic pressures highlighted above will continue to put pressure on adult care services. However unless demand for high cost care packages can be reduced, particularly reactive and unplanned spend, the Council will be unable to deliver the wider budget priorities. This requires increased collaboration across different areas of Council spend, including specialist housing, public health and the role of the voluntary and community sector. The strategic approach is therefore to:

- Strengthen early help and early intervention work with both children and adults to prevent complex problems escalating, collaborating with partner agencies in Rotherham to deliver support in a joined up, sequenced and integrated way;
- Collaborate with City Region and CCG commissioning partners to integrate health and social care work at a locality and local neighbourhood level, reducing unplanned admissions to residential care and strengthening step down care provision;
- Develop an asset and strength based approach to engaging and supporting residents and communities, working with children and families rather than doing things for them, providing high support and high challenge and empowering children and families to make positive decisions about their lives;
- Focus on identifying alternative delivery models for very high cost cohorts across learning disabilities, children and adults, ensuring best value is achieved from commissioned services and explore the latest commercial vehicles such as social investment and outcome based contracting;
- Ensure public health provision is integrated with the wider health, care and wellbeing priorities of the Council, including for example ensuring sufficient prioritisation and focus on employment as a meaningful outcome. The Council will also explore alternative investment and delivery models to ensure maximum value is gained from our contracted provision where this is in place;



- Increase the volume and quality of housing options for older people (reflecting the Rotherham Housing Strategy 2016-19 and the Older People Housing Delivery Plan), including building more new specialist homes in the right locations; increasing the use of assistive technology; pilot a 'health village' service offer within people's homes; and improve hospital discharge and step down accommodation from hospital;
- Increase the pace and scale of alternative delivery models such as telehealth and telecare, to enable more older people with long term conditions to live independently in their homes, joining up housing support and adult care services; and
- Manage (and regularly report on) key risks to the budget, particularly monitoring the transition from children's to adult services.

***b) Drive inclusive growth and ensure Rotherham's residents are connected to local good quality job opportunities***

2.4.13 The Rotherham Growth Plan 2015-2025 maps out a programme of investment in economic growth and infrastructure including transport, housing, the town centre, skills and business support. This will be delivered through a capital investment strategy which will prioritise investment in these drivers for growth, particularly critical infrastructure and housing, and a focus on strategic development projects / sites including the Advanced Manufacturing Innovation District; widening the network of Business Incubation Centres and driving the pace of the Town Centre Master Plan with the Forge Island development. This investment will facilitate increased income to the Council through the New Homes Bonus, Council Tax income and retained Business Rates. To make this happen, the strategic budget priorities are to:

- Strengthen the Corporate Enabling Services to provide more capacity and capability to lead the growth agenda in Rotherham, particularly the work required to influence and negotiate with SCR partners and investors;
- Continue to invest resources to work closely with the LEP and wider Sheffield City Region colleagues to influence strategic investments and commissioned programmes that best benefit Rotherham. This includes for example devolved responsibilities within employment and skills support to better connect residents to growth opportunities, particularly targeting people on long term sickness related benefits;
- Build homes of a high standard that meet the needs of Rotherham's growing population, accelerating delivery of three strategic housing areas at Waverley, Bassingthorpe Farm, and Dinnington East. This means shifting from delivering 600 homes a year to 900 homes;
- Work with SCR and LEP colleagues to ensure that Work and Health Programme provision directly benefits Rotherham's residents, and work closely in the design of devolved employability and skills programmes within SCR; and
- Make the most of the Council's expected £880k Levy commitment for Apprenticeships, ensuring the delivery of high quality Apprenticeship provision linked to the Council's priorities.

***c) Protect Rotherham's green spaces and improve the quality of the public realm, ensuring our streets are clean and safe***

2.4.14 Economic growth is not only about investing in bricks and mortar – the strategy is to promote Rotherham as good place to live and work, which means a vibrant cultural sector, good quality green spaces, clean and tidy streets and neighbourhoods that residents are proud to call home. The strategic budget priorities are therefore to:

- Ensure the effective delivery of the additional £10m investment in the quality of roads in Rotherham, removing pot holes and responding to resident feedback on high priority street scene improvements;
- Ensure that street, waste and environment services are delivered through the most effective and efficient delivery models. This includes reviewing the infrastructure and rationalising the estate (including depots) required to meet future population needs;
- Provide a high quality, comprehensive library service to Rotherham residents that shifts money from property to tangible resources that benefit users directly including books, technology, and research;
- Review waste management arrangements within Rotherham and at a city region level, to determine how wider operational savings can be made from joint working and collaboration. This includes opportunities to maximise income from commercial waste exit and opportunities to re-finance PFI at an appropriate time; and
- Review corporate transport and fleet arrangements to identify cost savings, income generation opportunities and methods of improving customer outcomes. This will include passenger transport arrangements; fleet; and staff travel.

***d) Become a smaller, more efficient, more connected organisation, working as one Council with a stronger leadership and influencing role***

2.4.15 Over the last six years the Council has experienced a significant fall in overall funding with a corresponding reduction in staffing, with good strides made towards greater efficiency savings. However, much more can be done to become a leaner, more efficient organisation – ensuring that precious resources are spent where they are needed most. This means stripping out unnecessary cost and duplication in buildings and services; developing the culture of the council away from departmental silos; changing the way the Council works to be more digitally enabled; investing in functions that will enable the Council to perform better at lower cost; and ensuring value for money from the considerable commissioned spend in Rotherham. To achieve this, the strategic approach to the budget is to:

- Complete a comprehensive, planned review of procurement within the Council to identify where, how and when better value can be created from the £219m of addressable spend (recognising both committed and uncommitted spend) across Social Care, Public Health, Capital Projects, Housing Improvement and General Revenue Funds;
- Deliver a robust organisational review that appraises enabling, professional and business support services, reviewing staff levels, structures and functions, developing an organisation blueprint that is fit for the future, delivers real term cost savings and builds upon the laying foundations report to continue to strengthen corporate governance and

oversight to address the issues identified within the Corporate Governance Review. This approach will start to develop options for the 'future council', the shape of the Council in the medium to long term to meet the changing context and landscape;

- Work with managers, staff and unions to develop a more flexible workforce, recognising the greater integration of services and the shift towards more generic competencies and skills across previous departmental silos such as family based working; asset and strength based approaches; and more commercially aware decision making.
- Centralise enabling functions and areas of spend to improve strategic fit and oversight of impact and value for money, including workforce development and communications;
- Identify and strip out unnecessary agency and consultancy spend, introducing more robust recruitment and approval mechanisms to ensure that where consultancy/agency staff are used it is business critical;
- Ensure the infrastructure and estate is fit for purpose for a smaller, leaner organisation and offers good value for money. This includes reviewing financing options for Riverside House and estate and property rationalisation, facilitated by digital access to Council services;
- Strengthen the enabling services, building capacity and capability to enable the council to lead and influence within Rotherham and the Sheffield City Region; drive the quality and performance of front line services; and build on the good work to improve governance and accountability. This will be funded by savings identified within the organisational review, re-directing spend from transactional to strategic resources including performance, commissioning, research and intelligence; and
- Continue the progress made towards 'digital by default', increasing the pace of transformation to enable more residents to access services online across multiple access points.

***e) Adopt a more commercial, outward facing approach to doing business, generating income and leveraging the resources and assets of our partners in Rotherham***

2.4.16 As the role of Rotherham MBC evolves, and the Council becomes a smaller, more focused organisation, so the way in which the Council collaborates with other public sector partners in Rotherham and Sheffield City Region must develop and change. The devolution agreement and opportunities to collaborate presents new opportunities to make savings *and* secure income. Similarly, the Council must better lever the assets, resources and capacity of the thriving voluntary and community sector that has weathered the storm of significant budget cuts across the public sector. There are clear opportunities to generate increased income to the Council by adopting a more commercial approach, ensuring the best possible deal for Rotherham's tax payers is achieved. The Council will look to capitalise on new and emerging alternative delivery models and funding vehicles to share risk and reward linked to long term economic and social outcomes. The strategic priorities for the budget are to:

- Continue to invest in building the capacity of the voluntary and community sector, streamlining funding, ensuring grant and application processes are proportionate, and prioritising investment in those areas that help to build community capacity, resources and assets;
- Ensure a commercial approach to housing and development that secures a good deal for the Council and enables the re-investment of surplus. Similarly, implementing the housing strategy will ensure the housing stock profile better meets demographic changes and alternative specialist housing options including extra care developments are accelerated to meet demand and reduce cost for high cost residential care placements;
- Build on the existing collaboration with other local authorities and public service partners in the SCR to increase the scope and level of collaboration where it makes sense to do so for Rotherham. This includes potential strategic projects linked to high cost social care services such as SCR-wide adoption services; different areas of Adult Social Care; and strategic planning and transport;
- Consider alternative delivery vehicles and funding models across the Council where there is a strong evidence base, exploring the role of social investment, outcome based contracting and risk/reward contracting models; and
- Undertake a comprehensive review of traded services and charged for services, developing options for more enterprising, commercially focused traded service models, including services delivered to schools; the level of subsidy and/or cost recovery from residents for particular services; and a Review of the Council Tax Reduction Scheme (CTRS).

2.4.17 Taken together, the above principles and priorities, whilst by no means an exhaustive list, give a strong sense of the proposed strategic direction of the budget and the associated investment/saving requirements to both deliver the Council's priorities and achieve a balanced budget, including addressing the £42m funding gap. The following sections describe the practicalities of the approach to generating the detailed options for Members to consider within this strategic framework.

2.4.18 Work is already underway to develop the detailed options for Members to consider and prioritise to address the funding gap beyond 2017/18. This is being done on a phased basis, recognising that some areas require significant, complex and detailed analysis whilst others are more straightforward quick wins. The phased approach is as follows:

2.4.19 The Council has developed a long list of potential investment and saving options reflecting the above principles and priorities. This includes both the 'big ticket' budget challenges and service level 'quicker wins'. The approach to developing this long list has been both top down, identifying strategic reviews that are cross council, and bottom up, from within directorates. The long list is continuing to develop as additional support is focused on addressing the budget challenge, with further lines of enquiry and potential options being added as the detail of the respective options is investigated. The big ticket areas of focus are summarised below:

Principle	Big ticket budget priorities (indicative)
<p>a) Keep residents, particularly vulnerable children and adults, safe from harm and enable more people to live independently for longer</p>	<ul style="list-style-type: none"> <li>• Asset and strength based approach to the delivery of services, particularly adult social care, to balance ownership and responsibility between local government, residents and their neighbourhood / social networks.</li> <li>• Review of high cost care packages across Children's and Adult services, ensuring unit costs and delivery models present best value and contribute to the wider objectives of independence and resilience.</li> <li>• Deliver the Children's Improvement Plan, particularly early help and early intervention alongside good social work practice and low caseloads to safely and sustainably reduce the number of LAC.</li> <li>• Integrate health and social care provision with CCG commissioned services to reduce unplanned admissions particularly targeted at high risk cohorts – predominantly older people with long term conditions.</li> <li>• Leverage the public health budget to get best value from commissioned services and align spend to the wider priorities of the Council.</li> <li>• Ensure that our social care staffing models reflect best practice and the most efficient and effective way of organising ourselves to respond to the safeguarding needs of the population.</li> </ul>
<p>b) Drive inclusive growth and ensure Rotherham's residents are connected to local good quality job opportunities</p>	<ul style="list-style-type: none"> <li>• Strengthen the corporate core to facilitate an increased influencing role with public service partners and the Sheffield City Region.</li> <li>• Targeted use our capital investments and in particular housing budgets to support the pace of growth we need to generate more income.</li> <li>• Ensure that the Apprenticeship Levy works for the Council by investing in high quality apprenticeship provision aligned to business needs.</li> </ul>

<p>c) Protect Rotherham's green spaces and improve the quality of the public realm, ensuring our streets are clean and safe</p>	<ul style="list-style-type: none"> <li>• Undertake a comprehensive infrastructure and property review and rationalisation to ensure that more of the Council's budget is spent on front line rather than property costs.</li> <li>• Explore options for more efficient and effective delivery of waste, highways and leisure facilities.</li> <li>• Taking a place-based approach to reviewing provision across universal services such as Libraries, Service Centres and Leisure to ensure more money is spent on resources and less on property – improving the quality of resources and accessibility across the Borough.</li> <li>• Review transport and fleet arrangements within the Council and with service users, identifying more efficient and effective ways of supporting people with access and transport needs.</li> </ul>
<p>d) Become a smaller, more efficient, more connected organisation, working as one Council with a stronger leadership and influencing role</p>	<ul style="list-style-type: none"> <li>• Undertake a comprehensive review of procurement within the Council, identifying options for driving down cost and improving outcomes.</li> <li>• Undertake a Corporate Enabling Services organisational review to identify the most appropriate staffing and resource model for the Council's evolving needs, including identifying savings from support areas such as business support and investing in enabling functions such as Legal to support the Council deliver its priorities more effectively.</li> <li>• Strip out discretionary spend in areas such as agency staff and consultancy spend through more effective governance and controls.</li> <li>• Increase the pace of digital transformation within the Council, including resident/customer access.</li> </ul>
<p>e) Adopt a more commercial, outward facing approach to doing business, generating income and leveraging the resources and assets of our partners in Rotherham</p>	<ul style="list-style-type: none"> <li>• Continue to engage with and support the voluntary and community sector and ensure funding is streamlined and aligned to our organisational priorities, building on the community assets / strength based approach detailed with a) above.</li> <li>• Undertake a comprehensive review of traded / subsidised services, developing options to increase income where it is right to do so.</li> <li>• Drive the pace of shared services with other Councils (and other public service partners where appropriate) where it benefits Rotherham.</li> <li>• Explore alternative investment models such as social finance to ensure Rotherham's resources go further and we capture the very best insight and innovation to benefit Rotherham residents.</li> </ul>

2.4.20 Work is progressing to develop the detail for each option, some of the options will take time to develop and implement and feed into budget proposals for 2018/19 and 2019/20.

2.4.21 Scoping and analysis is already underway to support the development of coherent options for a number of the big ticket themes, prioritising the complex, high cost (but potentially high benefits) areas which will make a material difference to the £42m estimated funding gap for 2018/19 and 2019/20. External support has been commissioned to provide granular analysis and expert insight where required because of the level of complexity and potential savings on offer. This includes for example:

- Procurement review
- Organisational review
- Traded services review

2.4.22 The reviews are being phased recognising the level of internal and external resources required to undertake each project effectively. Additional lines of enquiry are also being explored where more radical options to address the funding gap may be generated.

2.4.23 Recognising the level of complexity, risk and importance in delivering options that address the funding gap, governance and programme management arrangements are being strengthened at a corporate and directorate level. The proposed 2017/18 budget includes £400k for the next three years to fund the necessary resources to ensure strong internal programme management and the necessary pace to secure substantial savings options for consideration as part of the 2018/19 budget. The high level principles of the proposed approach are as follows:

- Develop the series of reviews and options into a coherent and structured programme, with clarity of accountability, full visibility, and appropriate reporting and management arrangements in place;
- Develop each option (at an appropriate level) into strategic business cases which provide sufficient information for Members to qualify them on an informed basis;
- Once qualified, strategic business cases will be developed into full business cases to provide cost/benefit certainty on a phased basis;
- Ensure that there is a full view of business cases to avoid double counting of benefits on a cross-Council basis;
- Ensure that the workforce implications of business cases are clear and factored early into the planning process (e.g. the treatment of in-year savings reflect the consultation process required);
- Ensure that there is a centrally driven, standard way of delivering business cases – ensuring quality and benefits realisation;
- Ensure each directorate is supported to develop and then deliver the business case;
- Re-shape corporate and directorate governance to oversee both the development of options and business cases and also the delivery of benefits/savings;
- Monitor benefits/savings realisation, track progress against deliverables and report on risks; and

- Strengthen the resources within the corporate core to lead the budget process and provide resources at the right level to deliver good quality business cases.

2.4.24 As Business Cases are developed it is proposed that they will be brought forward for Member consideration during 2017/18 to maximise the potential of delivering savings at the earliest opportunity. These will include Equalities Assessments and consultation requirements.

## **2.5 Fees and Charges**

2.5.1 Schedules of Fees and Charges on which the 2017/18 Budget are based are shown in Appendix 2. The Regeneration and Environment service fees and charges are not included and will be considered in a separate report to Cabinet in March.

2.5.2 Some specific increases to charges fees and charges were consulted on as part of the 2017/18 Budget consultation including:

- F&CS 2A – Increase in summons costs for Council Tax and Business Rates from £48 to £54.
- R&E 26 – Increase charges for Pest Control services
- R&E 8A – increase room hire charges at Clifton Park Museum
- R&E 11A – Increase Business Centre charges
- R&E 13 – Increase Local Land Charge (Search) fees

## **3. Key Issues**

**This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2017/18 and the medium term, which need to be considered by Council.**

- 3.1 Budget Proposals 2017/18 to 2019/20.
- 3.2 Future Challenges for Services and the Impact of Spending Reductions and Savings Plans.
- 3.3 Council Tax Proposals for 2017/18.
- 3.4 Financing the proposed 2017/18 Revenue Budget.
- 3.5 Reserves and Balances within the Council's Budget Strategy.
- 3.6 Medium Term Financial Plan 2017/18 – 2019/20.
- 3.7 Capital Strategy / Capital Programme Update.
- 3.8 Treasury Management Matters.
- 3.9 Report of the Strategic Director of Finance and Customer Services (the Council's Responsible Financial Officer).

### **3.1 Budget Proposals 2017/18 to 2019/20**

3.1.1 The proposed 2017/18 Budget includes the £11.005m 2017/18 investment approved by Council on 7<sup>th</sup> December 2016 in the MTFs Update report. This is shown in summary in Table 4 below:



**Table 4 – 2017/18 Approved Investments – Council 7<sup>th</sup> December 2016**

<b>Investment</b>	<b>£m</b>
Children & Young People – Pressures and increased demand	8.346
Children & Young People – Investments (net) to deliver future years savings	1.331
Adult Care – Investments to deliver future years savings and support for delivering the Adult Social Care Development Programme	0.481
Corporate Services – Investment – largely to support Operational Directorates (predominantly Legal services)	0.847
<b>TOTAL</b>	<b>11.005</b>

3.1.2 The proposed 2017/18 Budget also includes funding for the following:

- Funding to enable the reinstatement of the Joseph Rowntree Foundation Living Wage rate for the Council's own staff from 1<sup>st</sup> April 2017 (£510k).
- Funding to partially mitigate the impact of Welfare Reform on Rotherham's most vulnerable residents, through the provision of a budget for food parcels and crisis loans (£100k).
- Funding for the Government's Apprenticeship Levy, payable from 1<sup>st</sup> April 2017 (£880k).
- Funding for Children's Services to maintain levels of Social Work provision whilst staff undertake training and development (£489k).
- Funding for the Adults Safeguarding Board (£20k).
- Funding to provide resources to support the delivery of savings in the 2017/18 Budget and to assist the development and delivery of the further £42m savings that are required over the next two financial years (£1.2m).

### Savings

3.1.3 The Council consulted with the public, staff and partners on budget savings proposals of £11.230m. The proposed budget for 2017/18 includes implementation of £11.036m of these. In addition a further saving of £60k has been identified for 2017/18 which relates to the opportunity to generate £60k additional income from the Rotherham Show in relation to the renting of 'pitches'. This increases the Directorate savings to £11,095.6m. The summary of the proposals by Directorate is set out in Table 5 below. More detailed information is available at Appendix 1.

**Table 5 – Summary Directorate Budget Savings Proposals 2017/18 – 2019/20**

Directorate	2017/18	2018/19	2019/20
	£'000	£'000	£'000
Assistant Chief Executive	52.0	40.0	0.0
Finance & Customer Services	667.0	-60.0	0.0
Adult Care & Housing	4,332.0	0.0	0.0
Public Health	679.5	179.5	0.0
Children & Young People's Service	2,159.0	591.0	0.0
Regeneration & Environment	3,206.4	904.0	-500.0
<b>TOTAL</b>	<b>11,095.9</b>	<b>1,654.5</b>	<b>-500.0</b>

3.1.4 Details of the budget savings consulted on but which are not incorporated in the proposed 2017/18 budget are shown in section 5.2 of this report.

3.1.5 The following factors have also enabled the Council to prepare a balanced budget for 2017/18:

- Corporate Savings - largely from the review of Capital Financing, Pensions and Contingencies budgets (£5.913m).
- Changes to Council Tax, Adult Social Care precept and the Council Tax base (£2.052m).
- Provisional Settlement Announcement / Funding changes (£2.583m).
- Use of Reserves (£5.295m).

#### Budget realignments

3.1.6 Over the last year a great deal of work has been undertaken to review the current budget detail and ensure it is robust and that previously agreed savings along with detailed budget allocations are sustainable and reliable. Therefore the proposed budget for 2017/18 includes budget realignments in respect of budget savings agreed in prior budget rounds for 2017/18 and 2018/19 in respect of assumptions around the downsizing of the Council and therefore a reduced requirement for support services. There are a number of reviews currently taking place or about to commence and the findings from these reviews and any associated savings proposals will be brought back for Member consideration.

3.1.7 The Budget also includes further minor realignments to address largely technical matters. e.g. Reduced levels of HRA funding contributions, reductions to Directorate income budgets associated with the charge out for printing – lower printing volumes due to reduced staffing levels and the remaining staff printing less, etc.

#### Amendment to Library Strategy Budget Proposal

3.1.8 On 12<sup>th</sup> September Members approved, following consultation, the 'Library Strategy and Future Library & Customer Service Offer'. Since the approval of this report the service has been made aware of two factors which impact on the **method** of delivery of the savings:

- a) Previously the Corporate Transport Unit advised that the requirement for a multi-purpose vehicle will in all probability necessitate the acquisition and modification of a larger vehicle than either of the two models currently used - for Book Link and the internal delivery service. A larger vehicle results in a more expensive lease than a smaller vehicle. Even allowing for the fact that the service would be operating with a reduced fleet, the annual lease on the larger vehicle is likely to match or exceed the combined cost of the existing leases. Consequently there would be little or no monetary saving possible from this source and it would be difficult to meet the £12k approved savings requirement.
- b) A larger vehicle would result in an increase to the fully laden weight compared to the vans currently used. This would in turn place restrictions on who was able to drive. Current legislation enables anyone in possession of a current standard car driving licence (category B) to drive a van up to 3,500kgs. This is the fully laden weight of the current Book Link van and the internal delivery van. If someone is expected to drive a vehicle between 3,500kgs and 7,500kgs they will only be able to do so if they possess a standard car driving licence (category B) and have passed the test before 1<sup>st</sup> January 1997. Anyone who has passed the test after this date and who is expected to drive a vehicle weighing between 3,500kgs and 7,500kgs will have to take a separate test with cost implications for the authority. There is also the risk that very few staff would be eligible to drive without passing the additional driving test.

3.1.9 It is therefore proposed that the method of achieving the savings approved by Members in September is amended. This will not adversely affect customers and can be accommodated within the overall approved reduction to budget. The proposed revised recommendations are:

1. To continue to operate the existing delivery van as the leasing arrangement has a few more years left to run.
2. The current Book Link van came to the end of its leasing period in August, 2016 and the lease is currently renewed on a monthly rolling contract. The leasing company will not allow the Council to continue this arrangement indefinitely. The proposal is therefore to acquire a replacement vehicle for Book Link on a like-for-like basis. The fully laden weight would be 3,500kgs.
3. The annual leasing cost will be similar to the current charge for Book Link and there will be no adverse implications for driver eligibility.
4. The introduction of a new timetable for Book Link and the delivery van will allow the service to build in greater flexibility to vehicle deployment. This may, in future, enable the development of additional vehicle based public services.

### **3.2 Future Challenges for Services and the Impact of Spending Reductions and Savings Plans**

#### Impact of the proposed 2017/18 Revenue Budget

##### 3.2.1 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 investment in Children's Services including 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.

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

#### **Children and Young People's Services (CYPS)**

##### 3.2.3 CYPS has statutory responsibilities for the safeguarding of children and young people. The Directorate is focused on supporting children and young people; parents and carers, who have to rely more than most on targeted and specialist services to make changes and prepare young people for adulthood, which will see them become more independent.

##### 3.2.4 Ensuring that children and young people can thrive, reach their potential and go on to lead successful adult lives is at the heart of what the service does. It is recognised that every family needs help sometimes and that by delivering services in a way that helps them to be stronger, they can be more resilient and go on to help themselves. When families do need help, identifying the needs and providing appropriate support at the earliest point is critical to them achieving the best outcomes but also simultaneously building sustainable Children's Services.

- 3.2.5 The future model for CYPS is based on the principles of prevention and intervening earlier to support families, to avoid their needs from escalating; when statutory intervention is required it is based on best social care practice which should lead to a higher quality and lower cost model over the longer term. Good social care practice has been proven to deliver better outcomes for children at a lower cost. Reducing resources means that the Directorate will need to build on existing partnerships and develop new working arrangements with our communities, families, and third sector organisations to deliver better outcomes.
- 3.2.6 Critical to Rotherham's ambition to be a child-centred borough, children and young people represent one of the most important investments that can be made to secure a vibrant, healthy and productive long term future for Rotherham people.
- 3.2.7 CYPS continue to face significant and sustained cost pressures driven by rising demand for services and the outlook remains challenging. The drive to improve professional social work practice is ongoing and 2016/17 has seen some significant achievements regarding permanent recruitment to social care posts. The number of vacant posts has fallen below 10%, from 18% which has led to a reduction in the reliance on agency staff. However, the realities of the local and national picture remain and the budget needs to reflect the reliance that all local authorities have on a minority of agency staff. The number of looked after children in Rotherham has risen by 14.5% from April to December 2016 which has exaggerated the gap between the placement budget and estimated placement costs.
- 3.2.8 The CYPS Sustainability Strategy was presented to Cabinet on 14<sup>th</sup> November 2016, and ratified at full Council on 7<sup>th</sup> December. It seeks to address the budget gap over a five year period to 2020/21 through a mixture of immediate funding support and investment linked to medium and longer term sustainable savings. The budget proposals for CYPS will start to deliver savings in 2017/18 and, over the medium term, will reduce expenditure whilst continuing to protect the most vulnerable in society. The proposals seek to address the growing numbers of Looked after Children and change the proportion of placement settings in favour of in-house foster care which is widely acknowledged as providing the best outcomes for children in care and is the most cost effective setting from a budgetary point of view. If the budget proposals have the desired effect then over the next four years the growth in placement numbers will initially plateau and then start to slowly reduce from the end of 2017/18.

### **Public Health**

- 3.2.9 The Local Authority statutory duties for Public Health services are mainly outlined in the Health and Social Care Act 2012. These include the duty to improve Public Health through several mandated and non-mandated functions.

3.2.10 The value of the Public Health grant for 2018/19 is £16.734m a reduction of £423k or 2.5%. The grant will remain ring-fenced for the delivery of public health functions for all ages. The Government have indicated that the grant will continue to be reduced by 2.6% for a further two years to 2019/20.

3.2.11 Life expectancy in Rotherham is almost 2 years below the English average, reflecting a range of health inequalities. Also, health inequalities within the borough are demonstrated by a 9 year gap in life expectancy for men and a 7 year gap for women, between the most deprived areas and the least deprived.

3.2.12 Savings proposals have been identified affecting a range of non-mandated functions funded by Public Health for 2017/18. The emphasis has been on reviewing the need for existing levels of funding and identifying any activity which can cease or be commissioned differently.

### **Adult Social Care**

3.2.13 The Adult Care Development Programme is the overarching strategy to transform Adult Care. The aim of the programme is to embed Care Act 2014 principles and to build upon them in terms of a focus on strengths based assessments, investing in prevention and early intervention and maximising community assets. In order to achieve these aims, there is a need to review and develop existing services, both directly delivered and externally commissioned.

3.2.14 Nationally, the provision of social care for adults has undergone enormous change over the past generation. The pace of change has accelerated over the past few years as the demand for more personalised services continues to grow, traditional models of care are seen to be outdated and not delivering independence, choice and control and pressure on the system grows from more demand and less resources. These changes have now been reinforced with the introduction of the Care Act.

3.2.15 The Council's ambition is that adults with disabilities and older people and their carers in Rotherham are supported to be independent and resilient so that they can live good quality lives and enjoy good health and wellbeing. This vision also supports the Council's financial challenge, in terms of mitigating rising demand for statutory services within the context of reducing budgets.

3.2.16 The strategy which will enable these outcomes to be delivered contains key elements and these define the Adult Care Development Programme. The Council must:

- ensure that information, advice and guidance is readily available (e.g. by increasing self-assessment) and there are a wide range of community assets which are accessible,
- invest in services that embed prevention and early intervention. These reduce and delay entry into more expensive statutory services,
- focus on maintaining independence through re-ablement and rehabilitation,
- improve our approach to personalised services – always putting users and carers at the centre of everything we do,

- develop integrated services with partners and where feasible single points of access,
- ensure we “make safeguarding personal”,
- commission services effectively working in partnership and co-producing with users and carers,
- use our resources effectively.

3.2.17 There are a number of key external drivers which impact upon the transformation both in terms of cost and capacity:

- National increases in the cost per hour of home care, driven by incremental increases in the national minimum wage,
- Demand for social care is increasing nationally, due to demographics,
- People needs are becoming more complex across all cohorts for example dementia prevalence rates are rising,
- Deprivation of Liberty Safeguards,
- The current provider market availability is restricted and there is a need for growth in a range of sectors.

3.2.18 Working with partners through the Adult Care Improvement Board to identify joined up ways of working to reduce duplication, improve efficiency and provide a better experience for the customer. The Rotherham Place plan has been effective in bringing partners together to look at what are the key priorities for our communities. Developing a prevention framework to start to engage early with people, and providing good information and signposting, will be key to managing future demand and to reduce the reliance on care services.

3.2.19 Adult Social Care through the delivery of the Development Programme will demonstrate improvements in value for money and contribute to the overall financial pressures facing the Council. The Council recognises the increasing cost pressures in terms of more complex needs and demographics and is therefore looking to provide further investment funded by the proposal to take up the 3% Adult Social Care Precept and use of the non-recurrent Adult Social Care Grant allocation in 2017/18.

### **Housing - General Fund**

3.2.20 The Housing General Fund budget supports the Area Assemblies, Community Engagement, Homelessness and advice services, income from the Furnished Homes scheme and Strategic Housing and Investment team.

### **Housing Revenue Account (HRA)**

3.2.21 The Housing Revenue Account is a statutory ring-fenced account that the Council has to maintain in respect of the income and expenditure incurred in relation to its council dwelling and associated assets.

3.2.22 Changes to the Government’s policy on social housing rents resulted in the requirement to reduce dwelling rents by 1% over four years from April 2016. To comply with the legislation rents will be reduced by 1% for a second year from April 2017.

3.2.23 To support the Housing Capital Programme there will need to be a planned transfer from HRA Reserves of £1.159m in 2017/18 in order to support capital investment in existing stock including strategic acquisitions, in line with the HRA Business Plan.

3.2.24 The Council have been chosen as one of the first wave of local authority partnerships to receive funding under the new Starter Homes Land Fund, to build new starter homes for first time buyers, to support the wider growth and regeneration of local areas including town centre sites and to help young first time buyers on the housing ladder.

3.2.25 Rotherham has also been awarded £6.1m under the governments Shared Ownership and Affordable Homes Programme for new homes across the borough including a mix of shared ownership and rent to buy properties.

### **Regeneration and Environment**

3.2.26 The Directorate has identified 4 key themes as a focus for the next three years. These key themes are linked to the need to plan future service provision and expenditure within a climate of ongoing budget cuts from Government but also to look to explore key opportunities to substitute budget reductions with income generation through a more commercial approach to conducting business.

These key themes are:

- Growth
- Modernisation - running a modern and efficient council
- Being more commercial
- Engaging and empowering communities

### **Promoting Growth**

3.2.27 If Rotherham is successful in encouraging regeneration investment, business growth and development and housing development this will contribute to the future financial sustainability of the Council through increased employment and wealth creation for residents, increased income in the form of business rates and increased Council Tax and New Homes Bonus. 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 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.



### 3.2.28 Modernisation – Running a Modern and Efficient Council

Modernisation covers a wide range of options including the use of ICT and other technology solutions, exploring different delivery models such as shared services and partnering, private sector delivery, exploring the use of the community and voluntary sector to deliver services through the use of community asset transfer and better use of the Council's assets i.e. buildings and land to increase yields or divest itself of liabilities.

### 3.2.29 Being more Commercial

There are many areas of opportunity for the Council to adopt a more commercial approach to service delivery. Rotherham has opportunities it can capitalise on as the owner of strategic assets, a skilled workforce and services which could easily be 'traded' to a wider market.

3.2.30 It is essential that in the coming months and years, non-statutory services that are at risk of further cutbacks, or indeed complete cessation, explore sustainable funding solutions linked to increased income generation activity or indeed full commercialisation.

### 3.2.31 Engaging and Empowering Communities

This approach links in very closely with the Council's desire to promote locality delivery of services and functions and relates not only to improved service delivery but also to rationalisation of assets, joint service commissioning as well as community asset transfer and co-production and delivery within the community and voluntary sector.

## **Corporate Support Services – Finance and Customer Services and Assistant Chief Executive**

3.2.32 The Corporate Services support the delivery of key Council services, adding value by promoting the most effective use of resources, ensuring compliance with both Council regulations and national legislation and providing advice, assistance and a cross-cutting perspective.

### **Finance & Customer Services**

This directorate provides the following services:

- Finance/Accountancy
- Revenues and Benefits
- Corporate Procurement Services
- Internal Audit
- Insurance
- Legal Services
- Customer, Information & Digital Services (CIDS)

3.2.33 It is recognised that, to continue to support the Council, Finance and Customer Services needs to be strong and appropriately resourced and skilled, but also that future service provision and expenditure needs to be planned within the context of ongoing reductions in Government funding and significant changes to the funding of local government.

3.2.34 The Directorate is committed to continuing to provide outstanding, high quality professional and support services that are valued by all our customers, both internal and external, by further developing the skills of our staff to meet the current challenges of local government. The Directorate is eager to take advantage of the opportunities provided by the Review of Corporate Services that is currently underway, to modernise and develop services further and to learn from best practice.

3.2.35 New ways of working will be explored, service provision, staffing level and resources will be benchmarked and best practice promoted to ensure that the Directorate (and the Council) are focussed on the Council's key objectives and priorities and that the Directorate continues to develop and refine its service offer.

#### **Assistant Chief Executive Directorate**

3.2.36 Assistant Chief Executive's is a new directorate formed as a direct result of Phase 1 of the Improvement Plan. The directorate has 5 distinct areas:

- Human Resources
- Communications
- Democratic Services
- Policy & Partnerships
- Performance & Risk

3.2.37 The key areas of work in 2016 have included development of a new Council Corporate Plan, development of a Performance Management Framework, development and embedding of a Strategic Risk Register and the approach to risk strengthening the Scrutiny function, launch of workforce values and behaviours framework, supporting the Rotherham Together Partnership, development of a new workforce strategy, support to all the council's senior officer recruitment and draft of a Rotherham Compact.

3.2.38 It has been recognised through a number of peer reviews that there needs to be a strengthening of both the Council's corporate governance arrangements and the level of resource in some of the corporate functions. An external review has already identified that the level of HR resource is significantly smaller compared to similar size councils. Similarly, an LGA external review has identified that the council needs to establish and resource a corporate performance function if it is to embed a council wide performance framework.

3.2.39 The functions provided by the directorate support the delivery of key Council services and whilst good progress has been made in establishing corporate governance arrangements the ongoing challenges include embedding those arrangements and ensuring that the Council's key corporate functions are proactively working across the organisation and enabling services to deliver within the principles of best value and support other directorates to meet the future challenges.

### 3.3 **Council Tax Proposals for 2017/18**

3.3.1 The Council is proposing to increase its own Council Tax (ie excluding Parish, Fire and Police precepts) by a total of 4.99%. This consists of two elements:

- a) A 1.99% increase in respect of contributing towards the Council's overall budget position; and
- b) A further 3% increase specifically in respect of a precept for Adult Social Care services (following a Government announcement allowing Authorities with Adult Social Care responsibilities to generate an extra 3% income by applying this precept).

3.3.2 The 3% Adult Social Care precept will generate an additional £2.719m income to support the Adult Social Care budget.

3.3.3 The 3% Adult Social Care precept will be utilised to fund most of the additional investment in Adult Social Care services as shown in Table 6 below:

**Table 6 – Use of Adult Social Care Precept 2017/18**

<b>Use of Adult Social Care Precept</b>	<b>£'000</b>
Meeting the cost pressure of children who reach adulthood (Transitions)	1,087
Increased cost of Adult Social Care contracts with care providers linked to the National Living Wage	750
Pay Award – estimated at 1%, and changes to Social Worker terms and conditions of employment	497
Deprivation of Liberty Safeguards (DOLS)	100
Contract Inflation	637
Adults Safeguarding Board	20
Non contractual inflation	12
<b>TOTAL</b>	<b>3,103</b>

3.3.4 A 4.99% increase on the tax levied in 2016/17 would mean a **Band D Council Tax (for the Council only) of £1,394.48** and would mean a Band A Tax of £929.65, a Band B Tax of £1,084.60 and a Band C Tax of £1,239.55 per year. **86.3% of properties in Rotherham are classed as Band A (54.0%), Band B (19.3%) or Band C (13.0%).**

- 3.3.5 The planned level of Council Tax also takes account of a planned use of £3m (net) surplus on the Council's Collection Fund (Council Tax and Business Rates) as at 31 March 2017. 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 £68 per property, which is one of the lowest levels for a Metropolitan Council).
- 3.3.6 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.
- 3.3.7 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 8th 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) and a proposed increase for the Fire and Rescue Authority of 1.97%.
- 3.3.8 The Council meeting on 25th January 2017 approved Rotherham's Council Tax Base for 2017/18 of **68,235.14 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.
- 3.3.9 Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 4.99%, this will generate a total Council Tax of **£95.152m** available to support the Council to fund services in 2017/18.

### **3.4 Financing the Proposed 2017/18 Revenue Budget**

- 3.4.1 The table below shows the total available (non-ringfenced) resources to support the proposed revenue budget of £204.826m for 2017/18:

**Table 7 – Funding the 2017/18 Revenue Budget**

	<b>£'000</b>
Settlement Funding Assessment	88,897
New Homes Bonus (including top-slice refund)	5,218
Business Rates: Section 31 Grants, Renewable Energy and Enterprise Zones	2,095
Proposed use of Reserves	10,464
Use of Collection Fund Balance	3,000
Council Tax	95,152
<b>Funding Total</b>	<b>204,826</b>

## Proposed Directorate Budgets 2017/18

- 3.4.2 Set out below in Table 8 is the proposed Net Revenue Budget for 2017/18 including the Directorate Cash Limit Budgets utilising the funding resources set out in Table 7 above, and assuming implementation of the proposed budget savings included within this report and detailed at Appendix 1:

**Table 8 – Directorate Budgets 2017/18**

<b>Directorate</b>	<b>Proposed Budget 2017/18</b>
	<b>£'000</b>
Adult Care & Housing	61,894
Children & Young People's Service	62,164
Regeneration & Environment Services	43,387
Finance, Customer Services	13,541
Assistant Chief Executive	5,367
Central Services	18,473
<b>TOTAL NET REVENUE BUDGET</b>	<b>204,826</b>
<i>Public Health (Specific Grant)- Includes £16.734m 2017/18 grant plus £396k use of Public Health grant reserve.</i>	17,130

- 3.4.3 The proposed Central Services budget (£18.473m) shown in the table above includes the following key budgets:
- Levies - Integrated Transport Authority, Coroners, Apprenticeship Levy, etc. (£12.8m)
  - Former South Yorkshire County Council Debt (£2.1m)
  - Capital Financing and PFI adjustments (£2.6m net)
  - Voluntary severance budget (£700k)

It also includes the following 'unallocated' investments and savings which will be allocated to the appropriate services once it is known where they will impact:

- 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 (£1m);
- Joseph Rowntree Foundation Living Wage (£0.5m)
- Budget saving to be delivered from the renegotiation of staff terms and conditions of employment (-£2m).

## **3.5 Reserves and Balances within the Council's Budget Strategy**

- 3.5.1 A review of the Council's reserves has been carried out and consideration given to the use of £5.295m to support the 2017/18 Budget providing time for further action to be taken to deliver the substantial further savings required over the two financial years 2018/19 to 2019/2020.

- 3.5.2 The purpose and need for the reserves currently held, the previous planned use and a risk assessment of each reserve has enabled a changed use to be proposed alongside the use of £8.456m to fund the additional investment (mainly into Children's safeguarding services) made during the current financial year and approved by Full Council in December 2016.
- 3.5.3 Within the proposed Budget is also the planned replenishment of these reserves over the medium term in order to secure the Council's ongoing financial stability and to provide the capacity for future budget planning choices or investment decisions.
- 3.5.4 The Council's reserves at 1<sup>st</sup> April 2016 were £99.673m and are listed in Appendix 7. These reserves are set aside for specific purposes and were planned for current and future use within previous budget decisions and in the medium term financial planning assumptions.
- 3.5.5 Whilst the majority of these reserves are either ring-fenced and subject to conditions of use or are earmarked for specific use determined previously by the Council, the approach taken in this budget is to replenish them in future years and hence maintain the value over the medium term or to fund within the base budget the costs that would have been funded from the reserves. In essence the strategy is to use some reserves earlier than was previously planned and to replenish them later.
- 3.5.6 It is proposed that all reserves currently committed to supporting the 2017/18 budget remain as per previous plans. However, there is a planned use of reserves in 2018/19 totalling £1.674m covering a variety of items. It is proposed that this value of reserve be utilised to contribute to funding the 2016/17 outturn and that the relevant budgets in 2018/19 be increased to take account of the removal of reserve funding.
- 3.5.7 It is further proposed to utilise for the 2016/17 outturn, £4.936m currently uncommitted in the Transformation Reserve which was always intended to fund improvements within the Council, along with a currently uncommitted value of grant totalling £1.163m. The remaining £0.683m for the 2016/17 outturn will be funded from using part of a reserve previously allocated for supporting the 2019/20 budget.
- 3.5.8 The funding for the 2017/18 reserves use beyond those previously included in budget plans (£5.169m) will consist of £2.087 of future planned reserve funding that would have supported the 2019/20 budget and (expected to be in the region of £3.208m) from the Pensions Deficit Reserve given the positive outcome from recent negotiations with the pension fund actuaries in relation to future payments to the pension fund.
- 3.5.9 The proposed budget includes £3m per annum from 2018/19 to replenish the reserves that are being used to support the 2016/17 and 2017/18 budgets.

3.5.10 The above proposals are the basis used for the formulation of the proposed budget and revised medium term financial strategy but the final determination will be formally approved when the outturn for the current financial year is known and reported. All future planned use of reserve will be subject to further future consideration as part of budget planning in future years.

### **3.6 Medium Term Financial Strategy 2017/18 – 2019/20**

3.6.1 The Medium Term Financial Strategy and the Capital Strategy will be updated to reflect this Budget Report and the figures and details announced in the Final Local Government Settlement when it is received. This will include annual funding forecasts up to 2019/20 and will reflect any economic and legislative changes (for example – the outcome of key Business Rates Appeals) and will contain adjustments for other factors impacting the Council's budget. The MTFS update will be brought to Cabinet in 2017/18 following the closure of the 2016/17 accounts.

3.6.2 The Council's budget strategy has been to limit, as far as possible, the impact of funding cuts on front line services – particularly on the most vulnerable residents, whilst looking to grow the local economy to maximise future income generation potential.

3.6.3 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 services can be further transformed 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.

3.6.4 This report proposes a balanced budget for 2017/18. However more work is to be done to address the estimated £42m funding gap in the MTFS in the next two financial years. The summary MTFS position is shown in Table 9 below.

**Table 9 – MTFS Estimated Funding Gap 2017/18 – 2019/20**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cumulative Funding Gap (7th December Council)	24.130	31.984	50.847
Savings & Adjustments	-24.130	-13.212	-9.338
<b>Revised Cumulative Funding Gap</b>	<b>0</b>	<b>18.772</b>	<b>41.509</b>
<b>Annual Funding Gap</b>	<b>0</b>	<b>18.772</b>	<b>22.737</b>

### 3.7 Capital Strategy / Capital Programme Update

- 3.7.1 The Capital Strategy and proposed Capital Programme 2017-2022, which sets out the Council's future capital investment plans, will ensure that investment decisions are clearly aligned with the Council's strategic priorities and vision for Rotherham.
- 3.7.2 The Council's Capital Strategy and Capital Programme (2016-2021) was approved by Council on the 2<sup>nd</sup> March 2016. Minute 146 below:  
**Resolved:- That the new Capital Strategy, as presented in Appendix A and Capital Programme, as presented in Appendix B (for £279.095m in the period 2016/17 to 2020/21), which will require prudential borrowing of £53.602m to fund non-HRA schemes over the five year period, for which provision has been made in the revenue budget for the associated financing costs, be approved.**
- 3.7.3 Further updates to the Capital Programme were approved by the Cabinet/Commissioners Decision Making Meeting of the 11<sup>th</sup> April 2016 in relation to the Housing Investment Programme 2016/17 and the CYPS Capital Programme 2016-2018 and in addition, Cabinet/Commissioners Decision Making Meeting of the 11<sup>th</sup> July 2016 approved carry forwards totalling £4.363m from 2015/16 into the 2016/17 Capital Programme.
- 3.7.4 The challenge for the future is to drive transformation, to help define Rotherham as an attractive place to live, further improve the quality of life for all residents, increase their overall social and economic prospects and enable them to participate fully in the life of the Town. Important to the delivery of these aspirations for the Town will be:
- To support, promote and drive the role and continuing growth of the town centre and Borough as a city region driver, as a focus for employment growth, through a strengthening and diversification of its economic base. This will be complemented through the ongoing development of the Advanced Manufacturing Park and the establishment of an Advanced Manufacturing Innovation District.
  - To support investment in highways infrastructure, which will help connect people to jobs, education, shopping, recreation and services.
  - Realising the ambition to improve the Town Centre offer, making it an attractive place for people to live, work, shop and enjoy their leisure time.
  - The delivery of housing, both to improve existing Council housing and to facilitate the provision of new housing in the Borough, through major developments such as Waverley and Bassingthorpe Farm, in order to meet regional housing demand.
  - To ensure Council-owned buildings such as office spaces, schools, markets, libraries and museums are adequately maintained, to ensure services can continue to be delivered to the public.
  - To maintain the operational functionality of the Council's ICT infrastructure, including lap-tops, telephony, servers and network equipment as well as modernising how the Council works.
  - To drive organisational efficiency and service transformation through the use of capital funding on an invest to save basis.



- 3.7.5 The Capital Strategy and the detailed Capital Programme stems from the priorities outlined above and sets out the process by which the Council will allocate its finite capital resources, to maximise their contribution to the delivery of the Council's Vision and priorities. Together, both the Strategy and the detailed Programme have been informed by Directorate Asset Management Plans, and other key Council strategies such as the Growth Plan, the Transport Strategy, the Housing Strategy and the Digital Council Strategy. It will also be informed by the developing Town Centre Master Plan, which is soon to conclude and be published.
- 3.7.6 The Capital Strategy will deliver a Capital Programme that is affordable and sustainable, and contributes to the Borough's economic growth. It will also ensure that the Council is able to fully contribute to the delivery of the SCR Strategic Economic Plan and maximise the potential for securing capital funding from the SCR and the Devolution Deal.
- 3.7.7 One of the key aims of improving the Council's management of its capital resources is to embed the importance of having an integrated approach across revenue and capital within the organisation. This is to ensure that the two key strategic documents, the Capital Strategy and Medium Term Financial Strategy (MTFS) interlink, to ensure that the delivery and financing of the Capital Programme fully reflects the principles of the MTFS. This will be done by ensuring that the revenue implications of capital projects are reflected within the MTFS and in revenue budgets (such as the cost of borrowing and savings generated through invest to save schemes).
- 3.7.8 The revenue impact of the Capital Strategy is reflected in the Council's Revenue Budget and Council Tax Setting Report and the prudential borrowing requirement arising from the Capital Programme is reflected in the Prudential Indicators and Treasury Management and Investment Strategy.

### **The current Approved Capital Programme 2016-2021**

- 3.7.9 The table below shows the current forecast outturn position for the approved Capital Programme (2016-2021) by Directorate, following the November monitoring cycle as presented in the Financial Monitoring to the Cabinet/Commissioners Decision Making Meeting of the 9<sup>th</sup> January 2017. This is showing a forecast underspend of £3.603m in 2016/17. In addition, in respect of future years, the forecast against budget shows an underspend of £8.172m. The majority of this underspend relates to the Adult Care & Housing Directorate, following a review of current and future years HRA investment as a result of changes to Government policy leading to a reduction in available funding. Underspends in 2016/17 in the Regeneration & Environment and Children & Young People's Services Directorates have in the majority of cases been re-profiled into 2017/18.

**Table 10 – Capital Programme 2016/17 and 2017-2021**

Directorate	2016/17			2017 - 2021		
	Budget	Forecast	Variance	Budget	Forecast	Variance
<a href="#">Adult Care &amp; Housing</a>	31,699,956	30,352,488	-1,347,468	39,327,864	29,475,509	-9,852,355
<a href="#">Children &amp; Young Peoples Services</a>	8,311,136	8,016,993	-294,143	9,971,803	10,204,803	233,000
<a href="#">Finance &amp; Customer Services</a>	3,528,039	3,370,159	-157,880	2,365,600	2,396,775	31,175
<a href="#">Regeneration &amp; Environment</a>	17,880,012	16,076,915	-1,803,097	10,629,781	12,046,053	1,416,272
<b>Total</b>	<b>61,419,143</b>	<b>57,816,556</b>	<b>-3,602,587</b>	<b>62,295,048</b>	<b>54,123,140</b>	<b>-8,171,908</b>

**Table 11 – Cumulative Capital Programme 2016 - 2021**

Directorate	2016 - 2021		
	Budget	Forecast	Variance
<a href="#">Adult Care &amp; Housing</a>	71,027,820	59,827,997	-11,199,823
<a href="#">Children &amp; Young Peoples Services</a>	18,282,939	18,221,796	-61,143
<a href="#">Finance &amp; Customer Services</a>	5,893,639	5,766,934	-126,705
<a href="#">Regeneration &amp; Environment</a>	28,509,793	28,122,968	-386,825
<b>Total</b>	<b>123,714,191</b>	<b>111,939,695</b>	<b>-11,774,496</b>

3.7.10 In addition, as part of this Financial Monitoring Report to Cabinet, approval was given for three additions to the Capital Programme in 2016/17 totalling £277,000 and for a number of project variations, which largely represented the re-profiling of expenditure from 2016/17 to 2017/18. The revised position on the current Approved Capital Programme for future years following approval of these changes is as follows:

**Table 12 – Current Approved Capital Programme 2017 - 2021**

Directorate	2017 - 2021		
	Current Budget	Revised Budget	Variance
<a href="#">Adult Care &amp; Housing</a>	39,327,864	29,475,509	-9,852,355
<a href="#">Children &amp; Young Peoples Services</a>	9,971,803	10,778,803	+807,000
<a href="#">Finance &amp; Customer Services</a>	2,365,600	2,396,775	+31,175
<a href="#">Regeneration &amp; Environment</a>	10,629,781	12,046,053	+1,416,272
<b>Total</b>	<b>62,295,048</b>	<b>54,697,140</b>	<b>-7,597,908</b>

## New Projects for which approval is sought (2017-2022)

- 3.7.11 Appendix 3A of this report identifies the projects that were included in the Capital Strategy 2016-21 which have not yet progressed. In addition, it provides information on new projects that are being put forward for approval for inclusion in the refreshed Strategy. The information presented provides individual project descriptions, including details of the proposed profiled spend and resources, with new projects highlighted as such. Table 13 below summarises these projects being put forward for approval, summarised by investment theme:

**Table 13 – New Projects for which approval is being sought (2017-22)**

CAPITAL INVESTMENT THEMES	£000
TOWN CENTRE DEVELOPMENT	14,902
IMPROVING HIGHWAYS & INFRASTRUCTURE	75,201
HOUSING & NEIGHBOURHOODS INVESTMENT	94,472
KEY INVEST TO SAVE	14,525
BUILDINGS CRITICAL CONDITION	18,008
ICT CRITICAL CONDITION	3,435
GROWTH FUND	5,000
GRAND TOTAL	225,543

- 3.7.12 The proposed projects for which approval is being sought will focus on the following key str

- **Town Centre Development – £14.902m** – The Council has ambitions to continue the regeneration of the Town Centre offer, and has procured a Master Plan, which will determine which individual projects will be put forward as strategic priorities. These include:
  - Enhancements to the town centre offer and projects identified in the Master Plan.
  - Enhancements to the leisure/night time offer, including an ambition to bring a cinema to Rotherham.
  - Improvements to the Transport Interchange, to create a brighter, safer environment.
  - Development of key strategic sites, including Forge Island, Westgate/Sheffield Road and the water side.
  - Residential development in the town centre.
  - HE Campus development on the Doncaster Gate site.

**Budgets have been approved in 2016/17 for the acquisition of Forge Island - £1.751m and Riverside Precinct properties - £347k, totalling £2.098m, from the original 2016/17 allocation of £2.100m.**

- **Improving Highways and Infrastructure - £75.201m**

The new planned investment includes a further £10m investment in the Borough's unclassified roads network over the period 2017/18 – 2019/20 the outcome of which will be that the unclassified roads in Rotherham are at, or better, than the national average condition. In addition, it includes two key strategic projects:

- A Parkway Widening scheme - which will widen the Parkway from 2 lanes to 3 from the M1 to its junction with Europa Way at Catcliffe.
- The Waverley Link Road - which will connect Highfield Lane, Waverley to Woodhouse Mill, improving the connectivity of Waverley and the Advanced Manufacturing Park.

Both schemes are seeking Sheffield City Region and Department for Transport funding. The feasibility work for these projects is already included in the existing Approved Capital Programme.

In addition, indicative future years funding allocations in respect of Highways grant funded projects for maintenance and integrated transport have been included in the proposed programme.

- **Housing and Neighbourhoods Investment - £94.472m** – The annual Housing Investment programme will maintain decency standards, carry out stock improvements, aids and adaptations and new stock provision, energy efficiency and environmental works to our 21,000 council homes. This represents an additional new HRA investment of £73.982m in Council housing for the period 2018/19 – 2020/21 and follows a review of the HRA Business Plan. Planned works within the total programme include refurbishments to Council dwellings, replacements to central heating and district heating systems, works to void properties to bring them up to an agreed standard for lettings, and estate environmental works. In addition, there is a £14.800m programme to provide aids and adaptations to Council and private sector dwellings, to enable people to live independently in their homes for longer. This is complemented by additional investment in Assistive Technology, including Rothercare alarms and wheelchairs.
- **Key Invest to Save Schemes - £14.525m** – These projects include a potential Extra Care Housing Scheme on a site to be determined. The project is being developed by Adult Services and Housing and will be the subject of a report to Cabinet/Commissioners' Decision Making Meeting. This project meets cross-cutting objectives between Housing, Adults and Health services. Budget savings will be realised through property and service rationalisation, as the proposed Extra Care development will enable older people to live independently for as long as possible. This will reduce the pressure on existing budgets, as care packages can be added flexibly as and when required, based on need. The proposed scheme will provide complementary residential housing. In addition, an indicative figure of £4m in respect of revenue transformational expenditure, using the Government's capital receipts flexibilities is included in this theme, £2m per annum. This is alongside the £2m in the 2016/17 revenue budget.

- **Buildings Critical Condition Works - £18.008m** – Works focussed on maintaining the operational functionality of Council-owned buildings such as office spaces, schools, markets, libraries and museums. Projects include Education Funding Agency grant funded works to provide additional pupil places and deal with building condition issues on the Council's school estate. This includes a proposed new primary school at Waverley and major works at Aston Academy. In addition, works to the Council's operational buildings, to deal with backlog maintenance issues, to ensure that the Council's buildings are suitable for the provision of Council services.
- **ICT Critical Condition Works - £3.435m** – Works focussed on maintaining the operational functionality of the Council's ICT infrastructure, including lap-tops, telephony, servers and network equipment as well as modernising how the Council works. Projects identified within the new Programme include the following:
  - The replacement of essential IT networking equipment, server equipment and the Storage Area Network (SAN), which have reached the end of their useful life (£1.015m);
  - A continuation of the rolling programme of intelligent refresh of laptops to ensure they are fit for business use (£2.420m);

The Council is looking closely at how its services are delivered and is seeking to maximise the use of modern digital solutions to improve service delivery, generate savings and promote better engagement and information sharing with our partner organisations. To drive these improvements forward, the Council is currently finalising its new Digital Council Strategy and in doing so will be looking to bring forward how it plans to deliver services differently to its customers - the current expectation is that any such future capital investment decisions will be on an invest to save basis. Proposals will be developed in conjunction with Members, and business cases will be brought forward for individual projects in the coming months. The work plan within the Digital Council Strategy is reflected in this Capital Strategy. A separate report will be brought forward later in the year in respect of options for the replacement of the Council's HR and Payroll system. No funding has been included in the Capital Strategy for this.

- **Growth Fund - £5m** – A proposed investment fund to pump prime capital projects, which can be shown to bring forward development and enable economic growth, which if reliant on the private sector would either stall or be significantly delayed. This is identified as a priority within the Growth Plan, and builds on the Council's experience with the Advanced Manufacturing Park and the Town Centre High Street scheme.

### **Funding the Capital Programme**

3.7.13 Table 14 below shows how the Council proposes to fund the projects for which approval is being sought, together with the funding of the existing approved Capital Programme projects.

3.7.14 Total prudential borrowing of £40.353m will be used to support the funding of the new projects, giving a total prudential borrowing requirement of £49.636m, when the existing approved Capital Programme projects are taken into account. The revenue implications arising from this prudential borrowing are fully reflected in the Council's 2017/18 Revenue Budget and Council Tax Setting Report, its Medium Term Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy. In addition, it is proposed that £15.337m of capital receipts be used to support the funding of the new projects, £19.030m in total. This includes an indicative £4m from receipts anticipated to be received in 2017/18 and 2018/19 using the Government's flexibilities to fund revenue transformational expenditure. The Council has available receipts to fund its investment plans, as a direct result of reducing and rationalising its operational estate over the last 5 years. These receipts will be used to fund short-life ICT assets so as to minimise the revenue budget implications over the next 5 to 10 years and £7.902m towards the proposed town centre development project. The estimated funding profile for these projects for which approval is being sought is summarised in Table 14 below:

**Table 14 – The proposed funding of the Capital Strategy (2017-22)**

<b>FUNDING STREAMS</b>	<b>CURRENT APPROVED CAPITAL PROGRAMME</b>	<b>PROJECTS FOR WHICH APPROVAL IS BEING SOUGHT</b>	<b>TOTAL CAPITAL PROGRAMME</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Prudential Borrowing	9.283	40.353	49.636
Capital Receipts	3.693	15.337	19.030
Grant / Contributions	15.098	81.071	96.169
HRA	26.624	88.782	115.406
<b>Grand Total</b>	<b>54.697</b>	<b>225.543</b>	<b>280.240</b>

3.7.15 The Council's funding strategy in respect of the Capital Programme will be based on the following key principles:

- (i) Capitalisation opportunities will be maximised, where accounting rules allow.
- (ii) The Government's capital receipts flexibilities will be maximised to fund revenue transformational expenditure, with an indicative £2m of capital receipts built into the revenue budget for 2017/18 and 2018/19. As a general principle, capital receipts will be earmarked to minimise revenue costs.

## **Development Pool Projects**

3.7.16 The Development Pool projects represent some of the most significant proposals for capital investment within the Borough. These include projects which will deliver major improvements in key strategic areas such as highways, town centre regeneration, and housing and economic growth. However, these projects are in their embryonic stage and a number of them have not been costed. In addition, some of them have been identified as potential projects to be funded from the SCR. They are therefore attached from page 27 of Appendix A for information. These include the following ambition projects:

- Crinoline Bridge - £4m refurbishment works.
- New Rotherham Mainline Railway Station at Parkgate - £15.1m.
- Advanced Manufacturing Innovation District – Projects to stimulate growth.

3.7.17 It is recommended that Member approval be given for inclusion of these Development Pool Projects in the Capital Strategy, subject to detailed business cases being developed and funding packages being put in place. As they are developed, these projects will be brought through the relevant Officer and Member forums for consideration and evaluation before formal approval through the Cabinet and Commissioners Decision Making Meeting, to include them in the Capital Programme is sought.

## **3.8 Treasury Management Issues**

3.8.1 Treasury Management is the management of the Council's cash flows, its banking, money market and capital transactions, the effective control of risks associated with these activities and the pursuit of optimum performance associated with those risks.

3.8.2 The Treasury Strategy has associated Prudential Indicators (PIs) which have to be approved by Council prior to 1<sup>st</sup> April each financial year in order to comply with the various statutory frameworks within which the treasury function has to operate.

3.8.3 The Prudential Code requires the Council to approve and monitor a minimum number of PIs in order to inform the capital decision making process and support capital investment decisions. These PIs are mandatory.

3.8.4 The Capital Finance Regulations 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement which sets out the methods the Council will use to determine the appropriate amount of MRP to charge against the revenue budget.

3.8.5 The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.

3.8.6 Details of the Treasury Management matters are contained in Appendix 4.

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

3.9.1 Section 25 of The Local Government Act 2003 requires the 'Chief Financial Officer' (The Strategic Director of Finance & Customer Services at Rotherham Council) to report to Council on the following matters in making decisions on the budget and financial strategy:

- the robustness of the estimates made for the purposes of the calculations;
- the adequacy of the proposed financial reserves.

3.9.2 In addition, it is recognised as good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its needs and risks.

3.9.3 The contents of this budget and financial strategy report is the mechanism by which positive assurances are made by the Strategic Director of Finance & Customer Services about the adequacy of the proposed financial reserves.

3.9.4 The Strategic Director of Finance & Customer Services gives her positive assurances that the budget estimates for 2017/18 are robust and sustainable in the medium term, based on the recommendations of this Budget Report and predicated on the Council approving those recommendations.

3.9.5 However, this assurance is predicated on the Council securing plans and actions to ensure that a number of significant risk areas within the budget are addressed and savings delivered, in particular:

- Delivery of £2m of 2017/18 budget savings from the review of Staff Terms & Conditions of employment which have not yet been finally determined.
- Successful application of the investment in Children's Safeguarding to secure a sustainable financial position whilst delivering the necessary service improvements.
- Successful management of the demand pressures in Adult Social Care within the budget allocated through completion of the service development programme.

3.9.6 Additionally, early progress in addressing budget savings for 2018/19 and 2019/20 is essential if the Council is to maintain a robust approach to its budget and financial management.

3.9.7 The key fundamental principles of the report's recommendations which the Strategic Director of Finance & Customer Services has considered in giving this positive assurance are:

- That the budget strategy for 2017/18 is approved as set out in the report and incorporating the agreement to the delivery of £24m of net budget reductions including £11.1m of direct service budget cuts.
- That Directorates manage their finances within clearly defined cash-limits and maintain strict adherence to Financial Regulations.



- That Council approves the updates to the Medium Term Financial Strategy to 2019/20 and agrees to the ongoing delivery of efficiencies and savings to address the remaining £42m shortfall in resources over current spending plans across 2018/19 and 2019/20.
- That the General Reserves Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Strategic Director of Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Constitution.

3.9.8 Section 3.5 of this report sets out the planned use of reserves in support of the budget while Appendix 7 shows the total revenue reserves currently held and set aside to mitigate additional financial risks and future known costs. The reserves position will need to be kept under review to ensure that the Council maintains a robust budget and sound financial base. This budget strategy proposes replenishing, over the medium term, the expected £13.751m reserves that will be required to support the £8.456m investment in 2016/17 and the £5.295m required to deliver a balanced budget in 2017/18 over and above the previously planned use.

3.9.9 The Council continues to operate in a tight financial climate by continuing to exercise the additional spending controls implemented towards the end of the current financial year including the application of stringent recruitment and procurement controls along with regular directorate budget challenge sessions involving Cabinet Members.

3.9.10 Within the current financial climate, effective and carefully planned use of reserves is ever more critical to the Council's ability to maintain a robust balanced budget whilst delivering its budget objectives to protect the most vulnerable people and those in need.

3.9.11 The planned use of reserves across the medium term will be reviewed during the forthcoming year as further information becomes available to inform future budget planning.

3.9.12 Achieving budget savings of this magnitude, whilst seeking to protect priority services as far as possible, requires a significant amount of service and financial planning. This can only be done effectively with the support of an integrated strategic approach to the level and use of the Council's reserves.

3.9.13 In considering the overall robustness of the budget proposals for 2017/18, account has been taken of the degree of transformation required in some areas and the time it will take to deliver some of the savings over the period. There are risks with some items until projects and plans have been fully developed but that is inevitable given the scale of the cuts involved. The planned use of reserves linked to both the revenue and capital budgets is integral and critical to this budget strategy and the overall robustness of the Council's finances. The importance of this should not be underestimated.

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

4.1 These are set out in Section 3 above.

#### **5. Consultation**

- 5.1 From 1<sup>st</sup> December 2016 to 3<sup>rd</sup> January 2017 the Council consulted with the public, staff and partners around the Directorate cuts and savings proposed for the 2017/18 budget. The Council asked the public to provide feedback on budget proposals via; local media, the Council website and social media.
- 5.2 Following consultation feedback and further work undertaken in respect of the budget savings proposed, three proposals have been withdrawn:
- R&E 9D (£60k) – Rotherham Foundation Trust have now confirmed that they do not wish to take up the office space at Bailey House. At this stage no alternative potential customer has been identified so this rent income is not guaranteed. Officers will continue to identify alternative suitable customers to occupy this space.
  - PH13 (£94k) and PH16 (£40k) – Business Regulation Services – Health & Safety and Trading Standards (tobacco control): following consultation, feedback and further review it is believed that these proposed service cuts would result in the Council being unable to meet minimum statutory levels of service. These budget proposals have therefore been withdrawn.
- 5.3 Personal responses are being prepared to each person who has provided feedback on the 2017/18 budget proposals and the responses given will be posted on the Council's website.
- 5.4 A total of 31 responses were received to the corporate consultation exercise by the deadline (5.00pm Tuesday 3 January 2017) by email, and separately responses from the Council's partners were received recognising the difficulties the Council is facing and hence supporting the proposals put forward.
- 5.5 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 (18<sup>th</sup> November and 2<sup>nd</sup> and 16<sup>th</sup> December 2016, with the associated information placed in the public domain), as well as the potential financial implications of the additional investment into Children's and Young Peoples Service and Adult Social Care, detailed in the agreed update to the Medium Term Financial Strategy.
- 5.6 The OSMB raised specific queries and challenge and received further information on some of the proposed savings and subsequently supported all the savings proposals put forward.

- 5.7 A number of the service specific budget proposals require further consultation prior to implementation and this will take place over the forthcoming months and in accordance with relevant statutory requirements.
- 5.8 With regard to the proposed changes to the Capital Strategy and Capital Programme, consultation has taken place with Members, Commissioners, and officers engaged in capital projects across Directorates. In addition, the capital programme is managed and monitored through SCIG.

## **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 4.99% increase in Council Tax** (excludes precepts other than the Adult Social Care precept) **and a 2017/18 General Fund Revenue Budget for the Council of £204.826m.**
- 7.3 It should be noted that the proposed revenue 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 – as reflected in the Fees and Charges shown in Appendix 2.
- 7.4 Any revenue implications from the Approved Capital Programme are fully reflected in the Council's 2017/18 Revenue Budget, its Medium Term Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy.

- 7.5 There is a requirement for all projects within the Capital Programme to be procured in line with the Council's Standing Orders and Financial Regulations. The Authority utilises national and regional framework arrangements for many of its capital contracts, including the YORbuild framework lists. This speeds up the procurement process, and ensures that the Council achieves value for money in the procurement of its capital contracts.
- 7.6 There also is a requirement for all new projects to follow the new Capital Programme Governance procedures. This includes the requirement to bring forward detailed business cases for full sign off, before the delivery of the project commences.
- 7.7 Treasury Management forms an integral part of the Council's overall financial arrangements. The assumptions supporting the capital financing budget for 2017/18 and for the future years covered by the MTFS of the Council have been reviewed in light of the current economic and financial conditions and the revised future years' capital programme.
- 7.8 The proposed Treasury Management and Investment Strategy is not forecasted to have any further revenue consequences other than those identified and planned for in both the Council's 2017/18 Revenue Budget and approved MTFS.

## **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.
- 8.4 All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are put in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and limit the financial impact on the Council arising from them.
- 8.5 It is a requirement that changes to the Council's prudential indicators and approved by Council.
- 8.6 It is also a requirement that the Council's Minimum Revenue Provision Policy Statement for each financial year is approved by Council.

## 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 Table 15 below:

**Table 15 – Implications of Budget Proposals on Staff/Posts**

<b>Budget Round</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>FTE</b>	<b>FTE</b>	<b>FTE</b>
Staff savings included in the 2017/18 Budget Round proposals	71.2	2.0	0
Staff savings agreed in the 2016/17 Budget Round (adjusted to reflect the latest forecast impact of the Adult Social Care Development Programme)	91.1	161.7	0
<b>Total FTE loss</b>	<b>162.3</b>	<b>163.7</b>	<b>0</b>

- 9.2 During 2016/17 123 staff (92 FTE) left the Council through redundancy or Voluntary Early Retirement.
- 9.3 Since 2010 the Council has reduced its headcount by over 1,700. The current headcount is 5,316 (3,869 full-time equivalent posts).

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

- 10.1 See sections 3.2.3 to 3.2.8 and sections 3.2.13 to 3.2.19 above.

- 10.2 There has been significant investment in Children and Young People Services in recent years and in the proposed 2017/18 budget demonstrating the Council's commitment to improving the service and better protecting children and young people. This budget includes over £10m of such investment in children's safeguarding (including the increase provided in 2016/17). The proposed 2017/18 budget also includes over £3m investment in Adult care services.
- 10.3 Projects included within the Capital Programme have been informed by the Children's Improvement Plan. They include the development of the Liquid Logic Children's and Adults' Social Care ICT system, to meet a key recommendation in the Jay report to "*Address the severe deficits in the ICS system as a matter of urgency and procure a replacement system*". In addition, they include projects to provide additional school places, and address underlying building condition issues. The Authority has a statutory obligation to provide sufficient pupil places in the Borough. This obligation extends to academy schools as well as local authority maintained schools. The Corporate Property Unit work closely with colleagues in CYPS to identify schools which are most in need of expansion, to deal with increasing pupil numbers. In addition, the programme includes property adaptations to foster care homes to create additional foster care places in the Borough.

## **11 Equalities and Human Rights Implications**

- 11.1 All budget savings proposals requiring full, detailed Equalities Assessments will be included in the report to Council on 8<sup>th</sup> March 2017.
- 11.2 Projects within the Capital Programme will ensure that as far as possible Council buildings are fully accessible, to enable all users to access Council services. In addition, projects within the Council's Digital Council Strategy will ensure that individual customer needs are met. The development of the Children's and Adults' Social Care ICT system will ensure equality of opportunity for a range of vulnerable groups, by providing timely and robust data, to enable all partners to work together and ensure that care and protection is available to those people who need it most.

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

- 12.1 The implications for Partners and Other Directorates of revenue budget savings proposals at Appendix 1 and in the Equalities Assessments.
- 12.2 Where the Council is working with partner organisations on specific capital projects, for example in Health, the Police and other government agencies, proposals have been developed in conjunction with these organisations.

### **13. Risks and Mitigation**

- 13.1 Over the last year the budget has been subject to significant in-depth work by the new senior leadership team and Cabinet Members to ensure a better understanding of previous decisions and detail within budgets. As such, the budget is considered to be robust and achievable. The Council currently has a healthy balance of reserves to mitigate overall budget risk in the short term and to support the budget in the medium term. The proposals include replenishing reserves that are being used and hence support a sustainable financial plan.
- 13.2 The Capital Programme is funded through a number of sources: Prudential borrowing, capital grants and contributions, revenue contributions and capital receipts. Any uncertainty over the funding of the Programme rests on confirmation that grants/contributions and capital receipts continue to be available in future years.
- 13.3 Finance work closely with Project Managers and the Corporate Property Unit, to monitor project expenditure and performance. Improvements that are being introduced to the Capital Programme governance arrangements and enhanced reporting requirements will ensure that Members will receive early notice of any specific project issues. This will enable early intervention to take place to bring projects back on timetable and cost, or if necessary, agree an additional capital programme funding approval. Where elements of the Programme are reliant on future grant funding, future projects will be continually reviewed to match the programme against funding availability.
- 13.4 The proposed Treasury Management and Investment Strategy seeks to minimise the risks inherent in operating a Treasury Management function during these difficult economic and financial conditions.
- 13.5 Operational Treasury Management guidelines will continue to be kept in place and reviewed to ensure they are appropriate given the circumstances faced, supported by regular monitoring to ensure that any risks and uncertainties are addressed at an early stage and hence kept to a minimum.

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

Judith Badger, Strategic Director of Finance and Customer Services

Approvals Obtained from:-

Strategic Director of Finance and Customer Services:-  
Judith Badger

Assistant Director of Legal Services:-  
Dermot Pearson

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