

Overview and Scrutiny Management Board

1.	Date of meeting:	20 June 2018
2.	Title:	Budget Setting Process 2019/20 and Medium Term Financial Challenge
3.	Directorate:	Finance & Customer Services

1.0 Introduction

- 1.1 This paper sets out in outline the Council's budget setting process for 2019/20 and the anticipated scale of the financial challenge in the medium term. The Chief Executive and the Strategic Director – Finance & Customer Services are attending the OSMB meeting to discuss the issues in detail.

2.0 Budget Setting Process 2019/20

- 2.1 Following Council approval on 28th February 2018 of the Budget for 2018/19 and Medium Term Financial Strategy to 2020/21, Cabinet Budget Working Group met in March to review the work that had already been done in developing budget options for 2019/20 and to agree a timeline for the budget setting process.
- 2.2 The Strategic Leadership Team Change Board and Cabinet BWG have continued to meet on a monthly basis to review progress on the development of projects to deliver savings and to consider budget options for a two-year budget plan across 2019/20 and 2020/21.
- 2.3 The outline timetable for the budget setting process for 2019/20 is to have identified budget options to meet the estimated budget gaps for 2019/20 and 2020/21 by September and to agree options for public consultation, supported by narrative on budget principles and approach by late September/Early October. Within the timeline, OSMB consultation on budget options is planned to commence on 3rd October. There is then a detailed process of review of budget options by OSMB and Cabinet BWG throughout October and November.
- 2.4 Finalisation of the budget proposals for 2019/20 is planned by the end of December following receipt of the Provisional Local Government Finance Settlement for 2019/20 which is expected to be issued by the Government in early December.
- 2.5 The Budget and Council Tax 2019/20 report, incorporating the MTFs, will be considered as follows :
- OSMB 13th February 2019
 - Cabinet 18th February 2019
 - Council Budget Meeting 27th February 2019

2.6 Service Design Criteria have been agreed with Cabinet, which are guiding the development of budget options. The criteria are listed below:-

- Enable more people to help themselves and each other, through customer insight, early help, early intervention, prevention and a strengths based approach to delivery.
- Rationalise the Council's estate, reducing the number of face to face delivery locations and ensuring that any delivery sites are co-located alongside other public services.
- Share/integrate Council services with other public services where it makes sense to do so.
- Move more transactions with residents online, with face-to-face delivery the exception rather than the rule.
- Seek income generation opportunities that leverage the Council's assets and resources and consider commercial opportunities.
- Define, but continuously review, the Council's core offer and stop delivering non-core services and/or seek income from residents/businesses to fund non-core services. Consider around statutory and non-statutory service provision.
- Consider withdrawal from the delivery or provision of services where there is a functioning local market and facilitate market growth aiming to keep value local.
- Use incentives and sanctions in more creative ways to influence the behaviour of residents that better helps themselves and reduces cost to the Council.
- Create the conditions for economic growth, employment and inward investment.
- Test the 6 by 6 model for tiers of management/spans of control and benchmark against standard approaches.
- Invest in the Council's enabling functions, to drive efficiency, productivity and performance of council services, benchmarking with others.
- Consider where there are invest to save opportunities to speed up service change.
- Consider the needs of Neighbourhoods to inform service redesign.

3. Medium Term Financial Challenge

- 3.1 The Leader and Chief Executive attended OSMB on 7th December 2017 to give a presentation on Shaping Rotherham's Future which set out the Council's Medium Term Financial Challenge. The presentation is attached to this report.
- 3.2 The presentation highlighted the national context as described in reports by the Local Government Association which estimates national funding gaps by 2020 of £2bn for Children's Services and £2.3bn for Adults Services.
- 3.3 The Government is also proposing to make changes to councils funding from 2020/21, including a move to 75% Business Rates retention and the associated rolling in or phasing out of other Government Grants.
- 3.4 A House of Commons Briefing Paper "Reviewing and Reforming Local Government Finance", issued on 30th May 2018, sets out a summary timeline for information to councils for funding in 2020/21 :
- The Government intends to implement the Fair Funding Review as of 1st April 2020 for the 2020/21 financial year. This will be done via the Local Government Finance Settlement
 - The Government's intention is to publish a series of technical consultations during mid-2018 followed by "broad outlines" of the new system in Autumn or Winter 2018
 - "Indicative Numbers" comprising the allocations to individual authorities following implementation, will then be made available in Spring to early Summer 2019, followed by final numbers in Autumn 2019
- 3.5 The Budget and Council Tax 2018/19 report, approved at Council on 28th February 2018 set out the estimated Budget Gaps which the Council needed to address over the Medium Term :
- 2019/20 £15.8m
 - 2020/21 £13.9m
 - **Total £29.7m**
- 3.6 The report also described the key financial challenges for the Council across the Medium Term within the Report of the Council's Responsible Finance Officer (Section 25 Statement). The following are extracts from that Statement:

- 3.6.1 *“The Strategic Director of Finance & Customer Services gives her assurance that the budget estimates for 2018/19 are robust overall when considered in conjunction with the budget risk contingency identified within the report and alongside the identification of the reserves which would need to be utilised if that risk should be realised. The current spending levels in social care services are not sustainable beyond 2018/19 and need to be addressed during 2018/19 in order that the Council can maintain a sound financial position.”*
- 3.6.2 *“This assurance is therefore 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:*
- Successful application of the investment in Children’s Safeguarding as well as robust management of demand pressures to secure a sustainable financial position in line with the budget allocated for Children and Young People’s Services.*
 - Successful management of the demand pressures in Adult Social Care within the budget allocated through completion of the service development programme.”*
- 3.6.3 *“Additionally, early progress in addressing budget savings for 2019/20 and beyond is essential if the Council is to maintain a robust approach to its budget and financial management. The required savings are significant and the challenge and time required to identify options, develop robust proposals and implement decisions should not be underestimated.”*
- 3.6.4 Monthly demand management meetings are being held for Children’s and Adults Services, chaired by the Leader and attended by the Cabinet Members, Strategic Directors, Chief Executive and Strategic Director – Finance & Customer Services.
- 3.6.5 The 2017/18 Financial Outturn Report and the 2018/19 Financial Monitoring Report for May will both be published on 25th June for the Cabinet meeting of 9th July. The MTFS is being updated for consideration by Cabinet in September.
- 3.6.6 The Chief Executive and the Strategic Director – Finance & Customer Services will discuss in detail the financial challenge issues and the Council’s approach to meeting the challenge, at the OSMB meeting.

4. Name and contact details

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Background Papers

Council 28th February 2018 – Budget and Council Tax 2018/19