

Committee Name and Date of Committee Meeting

Cabinet – 15 February 2021

Report Title

Budget and Council Tax 2021/22 and Medium Term Financial Strategy

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

Yes

Strategic Director Approving Submission of the Report

Judith Badger, Strategic Director of Finance and Customer Services

Report Author(s)

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Ward(s) Affected

All

Report Summary

This report proposes the Council's Budget and Council Tax for 2021/22, based on the Council's Provisional Local Government Finance Settlement for 2021/22, budget consultation and the consideration of Directorate budget proposals through the Council's formal Budget process alongside a review of the financial planning assumptions within the Medium Term Financial Strategy.

In setting the proposed 2021/22 budget, Cabinet are asked to recommend to Council, an increase of 1.99% in the Council's basic Council Tax and an Adult Social Care precept of 1.0%.

This report proposes the revenue budget for 2021/22, an updated capital programme to 2023/24 and the updated Medium Term Financial Strategy (MTFS) to 2022/23

Recommendations

That Cabinet recommend to Council

1. Approval of the Budget and Financial Strategy for 2021/22 as set out in the report and appendices, including the proposed budget adjustments and investments, a basic Council Tax increase of 1.99% and an Adult Social Care precept of 1.0%.
2. Approval of the updated Medium Term Financial Strategy (MTFS) to 2022/23, including the carry forward of the 2020/21 £4m budget contingency and £3.5m Treasury Management Savings in a Budget Strategy Reserve.

3. Approval of the Reserves Strategy as set out in Section 2.8 noting that the final determination of Reserves will be approved as part of reporting the financial outturn for 2020/21.
4. To note and accept 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 2.12).
5. To note the consultation feedback from the public and partners following public consultation on the Council's budget for 2021/22 which took place from 5th January 2021 to 26th January 2021 (Section 4).
6. Approval of the proposed increases in Adult Social Care provider contracts as set out in Section 2.4.
7. Approval of the investment proposals set out in Section 2.7 and Appendix 2.
8. Approval of the Council Fees and Charges schedules for 2021/22 attached as Appendix 7.
9. Application of the Business Rates Reliefs as set out in Section 2.9, in line with Government guidance.
10. Approval of the proposed Capital Strategy and Capital Programme as presented in Section 2.10 and Appendices 3A to 3F.
11. Approval of the Treasury Management matters for 2021/22 as set out in Appendix 4 of this report including the Prudential Indicators, the Minimum Revenue Provision Policy, the Treasury Management Strategy and the Investment Strategy.
12. Approval of the Flexible use of Capital Receipts Strategy 2021/22 (Appendix 5).
13. Approval to transfer any 2020/21 revenue outturn position underspend into the Council's reserves, to be held within the Budget Contingency Reserve.
14. Approval to transfer any 2020/21 un-ringfenced Covid funding balances into the Council's reserves to meet Covid related pressures and costs in 2021/22.
15. Approval that the Capital Programme budget continues to be managed in line with the following key principles:
 - (i) Any underspends on the existing approved Capital Programme in respect of 2020/21 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2020/21 report to Cabinet.

- (ii) In line with Financial and Procurement Procedure Rules 6.17 and 13.9, any successful grant applications in respect of capital projects will be added to the Council's approved Capital Programme on an ongoing basis.
- (iii) Capitalisation opportunities and capital receipts flexibilities will be maximised, with capital receipts earmarked to minimise revenue costs.

List of Appendices Included

Appendix 1	Council Tax Base 2021/22
Appendix 2	Proposed Revenue Budget Investments
Appendix 3A	Proposed Capital Investments Summary
Appendix 3B	Capital Investment Proposals
Appendix 3C – 3F	Capital Programme 2020/21 to 2023/24
Appendix 4	Prudential Indicators and Treasury Management and Investment Strategy 2021/22 to 2023/24
Appendix 5	Flexible use of Capital Receipts Strategy 2021/22
Appendix 6	Placeholder - Statutory Resolution of Council Tax 2021/22 (to be included in the Budget and Council Tax 2021/22 report to Council 3 March 2021).
Appendix 7	Fees and Charges Proposals 2021/22
Appendix 8	Background to the Budget & Financial Strategy
Appendix 9	Budget Consultation 2021/22
Appendix 10	Initial Equality Screening Assessment (Part A)

Background Papers

- Council Tax Base 2021/22 – Officer Delegated Decision record
- Housing Rents 2021/22 – Cabinet 21 December 2020, Council 13 January 2021
- Housing Revenue Account Business Plan 2020/21 – Cabinet 21 December 2020, Council 13 January 2021
- Provisional Local Government Financial Settlement – 17 December 2020
- Budget and Council Tax 2020/21 and Medium Term Financial Strategy – Council 26 February 2020
- December Financial Monitoring Report – Cabinet 15 February 2021
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2020/21 – Audit Committee 19 January 2021
- CIPFA – The Prudential Code for Capital Finance in Local Authorities 2011 (as amended 2012) and related Guidance Notes 2013

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board – 10 February 2021
Council – 03 March 2021

Council Approval Required

Yes

Exempt from the Press and Public

No

Budget and Council Tax 2021/22

1.	Background
1.1	This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2021/22, together with an updated Medium Term Financial Strategy to 2022/23.
1.2	Local Context
1.2.1	The Council has faced a considerable challenge during 2020/21 in its response to the global pandemic. The impact of COVID-19 has seen a significant shift in how the Council has been able to provide services and functions to residents. The Council has worked at a national, regional and local level to respond to the COVID-19 emergency and to ensure that critical services are delivered and that the most vulnerable residents are supported. The impact of the COVID-19 emergency has seen significant financial pressures for the Council due to additional expenditure and lost income and the delayed delivery of planned savings and cost reductions. Whilst these financial pressures will largely be covered in year by financial support grants from Government, the long term financial impact of COVID-19 and financial support available to the Council remain uncertain and therefore a key challenge.
1.2.2	In addition, in common with councils across the country, significant pressures remain in social care budgets. This budget reflects the delays in the planned cost reduction within social care services, caused primarily by the need to respond to COVID-19, but it also recognises that those costs must still be reduced over the short and medium term.
1.2.3	The Council remains committed to protecting the most vulnerable children and adults and to delivering improved value for money but has to ensure that social care services are delivered within the financial envelope set within this budget. The additional social care resources provided within the Finance Settlement for 2021/22 are welcome, but this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association. There is still therefore the need for the Council to transform the delivery of social care services in order to maintain effective service provision within the available funding.
1.2.4	Since the introduction of austerity measures in 2010, the Council has made savings in excess of £200m in response to the significant reductions in Central Government funding. The two-year budget for 2019/20 and 2020/21 set at Council in February 2019 and reviewed during 2020/21 required £34m of budget savings and cost reductions to be delivered to meet estimated funding gaps over the two years, including savings that had been agreed in previous years for delivery across this timescale. Delivery of over £16m of these savings and cost reductions will have been completed by the end of the current financial year.
1.2.5	This means that the Council still has to deliver a total of £18m of agreed budget savings across the timeline of this 2021/22 budget and the MTFs,

	<p>mostly from the transformation in delivery of social care services. A summary of the £18m savings is shown below :</p> <ul style="list-style-type: none"> • Adult Social Care £5.8m • Children’s Social Care £8.9m • Regen & Environment – savings on operational budgets £1.8m • Customer Services & Digital Programme efficiencies £1.6m • Total £18.1m
1.2.6	The expected financial outturn position for 2020/21 has been taken into account along with the level of reserves and opportunities to manage risk within the budget. The final position for reserves however will not be known until after the financial year end.
1.2.7	The current financial position (2020/21) highlights the significant financial challenges which the Council continues to face, largely as a result of demand for social care services and the impact of COVID-19. Also, the ongoing uncertainty in relation to future Government funding settlements requires caution to be taken regarding ongoing investment decisions. As such, while the proposed budget does allow for a small amount of investment in enhanced services over the year ahead the revenue investment proposals, as described in section 2.7, are included within the 2021/22 budget as investments for one year only and are removed for 2022/23.
1.3	Revenue Budget Position 2020/21
1.3.1	The December revenue financial monitoring position which is reported to Cabinet on 15th February 2021, on the same agenda as this budget report, shows a forecast year-end overspend of £22.2m on the General Fund, this is mitigated by planned savings the Council has been able to deliver in year, the governments provision of COVID-19 emergency support grant and Sales, Fees and Charges Income Compensation. As a result the Council expects to deliver a balanced budget position or a slight underspend as at the financial outturn 2020/21, however, it should be noted that the impacts of the latest national lockdown are still to be fully defined.
1.3.2	Within the Children’s and Young People’s Services Directorate the Looked After Children number at the time of this budget forecast was 616, which is in excess of the budget profile of 557 for this period. The variance of 59 includes a number of LAC placements that are delayed in the court processes and inability to discharge children from care. The forecast overspend is £7.7m.
1.3.3	The Adult Care Housing and Public Health Directorate is forecasting an overspend of £3.7m. Included within the £3.7m forecast overspend is the Covid-19 impact for the service. COVID-19 is estimated to have a net cost impact of £6.7m after factoring in government grants provided to support Covid-19 related expenditure. This includes: £1.1m for personal protective equipment; £1.7m due to delayed budget savings and £3.9m of placement costs due to additional demand and the increased costs of providing care

	(reduced from £4.4m in September due to increased Health income).
1.3.4	Regeneration and Environment Directorate is forecasting an overspend of £9.1m due to significant pressures on the services ability to generate income from sales, fees and charges, leisure PFI fees and significant additional cost impacts as a result of the COVID-19 pandemic. In addition there have been significant pressures in waste management due to additional pressure on the service caused by people spending more time at home.
1.3.5	Both Finance and Customer Services and Assistant Chief Executives Departments are forecasting balanced budgets.
1.4	Provisional Local Government Finance Settlement 2021/22
1.4.1	The Government published details of the Provisional Local Government Finance Settlement on 17th December 2020. The Strategic Director - Finance and Customer Services submitted the Council's response to the provisional settlement consultation, within the deadline for responses of 15th January 2021.
1.4.2	The key headlines from the Settlement are:
	<ul style="list-style-type: none"> • The basic Council Tax referendum principle for 2021/22 is 2% i.e. a maximum increase of 1.99%. • In addition, social care authorities will be able to increase their Council Tax by up to 3% (over the basic referendum threshold of 2% referred to above) by means of an Adult Social Care Precept. The 3% maximum Adult Social Care Precept can be levied across 2021/22 and 2022/23 financial years, so any amount of the 3% Precept not levied in 2021/22 can be carried forward to be applied in 2022/23. • Provisional allocations for a Social Care Support Grant announced after the Spending Round 2020 are now confirmed in the Provisional Settlement. The Council's allocation for 2021/22 is £8.393m continued from 2020/21, plus an additional payment of £2.509m. • The provisional allocations for the New Homes Bonus have been published for 2021/22. The threshold over which the bonus is paid will remain at 0.4%. However, 2021/22 allocations will be for one year only. There will be no legacy payments in future years, pending a Government review of New Homes Bonus. • Introduction of a new unringfenced Lower Tier Services Grant in 2021-22, which will allocate £111 million to councils with responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services (one-off grant). • The figures published for Revenue Support Grant and Business Rates are in line with indications from the Spending Round. The Public Health Grant allocations have not yet been issued at the time of publishing this budget report.
1.4.3	The main elements of funding received from Government are in the form

of the Settlement Funding Assessment. This is Government Grant in the form of Revenue Support Grant (RSG) and Business Rates Top-up grant. As part of the Assessment, councils retain 49% of locally collected business rates. Details of this local funding are set out later in this report. Details of the Government Grant allocations are set out in the Table 1 below.

Table 1 – Settlement Funding Assessment – Government Grants

	2020/21	2021/22	Difference
	£'000	£'000	%
Revenue Support Grant	15,100	15,183	0.5
Business Rates Top Up	29,415	29,415	0
Provisional Settlement – Government Funding	44,515	44,598	0.2

1.4.4 In addition, the Government compensates councils for years in which they apply an indexation cap, (below the annual increase in the Retail Price Index), on Business Rates and the associated Top-up Grant. The additional Top-up Grant provided by a Section 31 Grant for under-indexation in 2021/22 is £317k to take the actual Top-up increase to 1.1% in line with the September 2020 RPI increase.

1.4.5 As in 2019 the Government Spending Round 2020 set out proposed public sector spending plans for one year only (2021/22). Consequently, as in 2020/21 the 2021/22 Local Government Finance Settlement is also a single year Settlement. Also delayed are the Business Rates reset, the move to 75% Rates Retention and the implementation of the Fair Funding review. It is hoped that the delayed multi-year Spending Review which is now planned for 2021, will address the continued and significant pressures in Adults and Children’s social care that local authorities are still seeing. Until the Government’s proposals in relation to public spending in general and local government resources are published, however, there still remains uncertainty about the future funding model.

1.4.6 The Settlement also provided some more details of the grant support to be provided by Government for losses of council tax and business rates income due to Covid impact. A Local Council Tax Support Grant is to be provided to councils in 2021/22 in recognition of the likely increased costs of providing local council tax support next year due to Covid impact. A Local Tax Income Guarantee scheme will compensate councils for 75% of irrecoverable losses of council tax and business rates income incurred in 2020/21. Calculations of losses will be done after the financial year-end 2020/21 and Government indicates that the grant will be paid by January 2022. This grant will mitigate some of the impact that the losses will have on the collection fund, which would otherwise be felt within the Council’s budget setting for 2022/23.

1.4.7 Government have also confirmed a total of £1.55 billion in unringfenced

	<p>funding to meet expenditure pressures in 2021/22, distributed using the COVID-19 Relative Needs Formula. In addition, the Sales, Fees and Charges Irrecoverable income scheme will be extended to cover the first 3 months of 2021/22. Government have indicated that Councils should not anticipate any further funding to support pressures in 2021/22.</p>
1.4.8	Dedicated Schools Grant (DSG)
1.4.9	<p>The Council also receives funding to deliver education in Rotherham, the Dedicated Schools Grant (DSG). The DSG (£272.8m) is split into four blocks and each block is determined by a national funding formula:</p> <p>In 2021/22 the Teachers Pay and Pensions Grants which were previously separate grant allocations have now been included within the DSG individual blocks, with schools receiving the funding within their DSG allocation.</p>
1.4.10	<ul style="list-style-type: none"> • The Schools Block for 2021/22 is £211.3m and is allocated to mainstream schools and academies in the Borough based on pupil numbers taken from the October 2020 census with funding calculated by separate primary and secondary units of funding, plus an amount based on historical information for growth, premises and mobility. The Primary unit of funding is £4,525.65 and the Secondary unit is £5,997.26. In 2021/22 the School's Block now includes Teachers Pay and Pensions Grants that were previously separately allocated. • The Early Years Block is £17.9m and the majority of the spend is allocated for two, three and four year olds in schools, private, voluntary and independent organisations. The hourly rate per pupil has increased from £4.38 to £4.44 for three & four year olds and £5.28 to £5.36 for two year olds. • The High Needs Block is £42.2m and is used to fund pupils who require specialist education. There is a sustained national increase in the number of young people with complex learning difficulties and disabilities. • Requirement for specialist school provision for pupils with special educational needs and difficulties (SEND) has increased, creating further pressure on the system nationally. Within Rotherham, the number of children and young people that are receiving additional support via an Education, Health and Care (EHC) Plan has almost doubled since 2014. • Due to the number of EHC plans this has led to financial pressures on the High Needs Block in Rotherham and to address the cost pressures the local authority has implemented a three year financial recovery plan. • The HNB funding is calculated by the following : <ul style="list-style-type: none"> ○ A basic entitlement per pupil, using pupils who attend special

	<p>schools and academies in the local authority, and;</p> <ul style="list-style-type: none"> ○ A historic spend factor plus proxy indicators of deprivation, health and disability and low attainment relating to the 2-18 year old population. <ul style="list-style-type: none"> ● The Central Services Block (£1.37m) comprises of funding for ongoing statutory responsibilities of the local authority.
1.4.11	Schools Pupil Premium
1.4.12	<p>The Schools Pupil Premium is additional funding provided to schools, the value of which is based on 3 elements detailed below.</p> <ul style="list-style-type: none"> ● The Department for Education has announced that the Disadvantaged Pupil Premium rate will remain the same for 2021/22 as 2020/21, that is, for Primary Pupils £1,345 and for Secondary Pupils £955. Disadvantaged Pupil Premium is paid for all pupils who claim free school meals, or who have claimed free school meals in the last six years. ● The Pupil Premium Plus, which is paid for every pupil who has left Local Authority care through adoption, a special guardianship order or child arrangement order, will also remain protected at £2,345 per pupil. ● The Service Premium, for every pupil with a parent serving in the Forces or who is retired on a Ministry of Defence pension will continue at £310 for the 2021/22 financial year.
1.4.13	Additional Grants to Schools
	<ul style="list-style-type: none"> ● Universal Infant Free School Meals Grant supports schools in delivering the legal requirement to offer free school meals to all infant pupils. Each meal taken by an eligible child currently attracts £2.34 ● Year 7 Numeracy and Literacy Catch up premium is an allocation for each pupil underachieving as recorded on census. ● PE and Sport Premium for Primary schools is used for the engagement of all pupils in regular physical activity. ● Devolved Formula Capital Grant is funding allocated to schools to help maintain and improve the condition of school buildings and grounds.
2.	Budget 2021/22 and Medium Term Financial Strategy to 2022/23
2.1	Background and Budget Approach
2.1.1	<p>The two-year budget for 2019/20 and 2020/21 set at Council in February 2019 and reviewed during 2020/21 required £34m of budget savings and cost reductions to be delivered to meet estimated funding gaps over the two years, including savings that had been agreed in previous years for delivery across this timescale. Delivery of over £16m of these savings and cost reductions will have been completed by the end of the current</p>

	<p>financial year. However, whilst recognising the COVID impact on savings delivery, as noted above, it is still anticipated that the remaining agreed savings and cost reductions, £18m, can be delivered as planned, but over a longer timescale, with most, but not quite all, of them being delivered by 2022/23. It is expected that of the remaining savings and cost reductions to be delivered, £12.5m will be outstanding at the end of 2021/22, reducing to £4.5m by the end of 2022/23. This updated profile is incorporated into the updated MTFs for 2022/23.</p>
2.1.2	<p>The Council continues to face significant financial pressures, particular in respect of social care which are described in section 1.3 above and are set out in the latest financial monitoring report on this same Cabinet agenda for 15th February 2021.</p>
2.1.3	<p>Since 2011, the Council has had to make savings of over £200m, including the savings for 2020/21, and has reduced its headcount by approximately 1,800 staff (over 1,100 full time equivalent staff), whilst minimising the tax burden on households as much as possible when real term incomes for Rotherham residents have not been increasing.</p>
2.1.4	<p>The ongoing financial challenges faced by the Council are similar to those of other local authorities. The financial pressures faced by local authorities are largely as a result of previous reductions to Government funding, increased demand for social care services as a result of a growing population and the impact of inflation.</p>
2.1.5	<p>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.</p>
2.1.6	<p>However, whilst the Council has inevitably become smaller in size, the strategy for the future continues to ensure that the Council is bigger in influence. This means that the Council's role will continue to change. Stronger civic leadership, greater collaboration, integration and shared services with other public services, will continue to be pursued where beneficial. It also means an approach 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 as set out in the Thriving Neighbourhoods Strategy. It also means a clear focus and prioritisation of resource.</p>
2.1.7	<p>In the last three years, the Council has changed the way in which it works with other agencies in order to implement these changes. Despite the financial pressures, the Council focus on delivering better services, focussed on the priorities set by the public, will continue.</p>
2.1.8	<p>It is also important to underline the spending level of the Council despite the previous funding cuts. With a current proposed revenue budget of £236m in 2021/22 together with proposed capital expenditure of £163m, the Council will remain a key lever for growth and investment in</p>

	Rotherham and the wider Sheffield City Region. The challenge is to ensure the sustainability of the Council to deliver against the Council's stated priorities. This means making carefully considered investment and savings decisions through to 2023. The Capital Programme which has been updated within this report includes a total of £497m of planned capital investment across the current year and up to 2023/24.
2.1.9	This budget strategy is set against the particular demand pressures and cost challenges facing Rotherham. 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 but this is placing strain on the school budgets and much work has been done and continues to develop a sustainable approach for the dedicated schools grant budget which has also been under increasing pressure, particularly with regard to the High Needs funding block.
2.1.10	The particular challenges which the Council has to take account of within its budget and financial strategy are summarised in Appendix 8.
2.2	Budget 2021/22 & re-profiling of planned savings
2.2.1	Following the outcome of the spending review and financial settlement, Government have only provided the Council with a one-year funding settlement. As such, the Council is setting out the budget for 2021/22 and a re-profile of planned savings across 2021/22 and 2022/23. The approach is to reflect the Council's ability to set a balanced budget position for 2021/22 whilst indicating the requirement to re-profile the planned delivery of savings. Whilst recognising the Covid impact on savings and cost reductions delivery as noted above, it is still anticipated that the remaining agreed savings and cost reductions, (£18m), can be delivered as planned, but over a longer timescale, with most, but not quite all, of them being delivered by 2022/23. It is expected that of the remaining savings and cost reductions to be delivered, £12.5m will be outstanding at the end of 2021/22, reducing to £4.5m by the end of 2022/23. This updated profile is incorporated into the updated MTFS for 2022/23.
2.2.2	There are some timing issues associated with the delivery of some savings and also some budget pressures which the budget proposals seek to address. The principle remains that the approved Directorate savings will be delivered, either in the way originally proposed or by variations where required, approved by Cabinet, with most but not quite all of the savings delivered by 2022/23.
2.2.3	Further details of the Council's proposed budget for 2021/22 and the Medium Term Financial Strategy to 2022/23 are set out in Section 2.6 later in this report.
2.3	Fees and Charges
2.3.1	The Council has a policy to increase fees and charges to ensure that services which the Council provides are kept in line with increases in the

	cost of providing those services. The Medium Term Financial Strategy agreed at Council in February 2020 included an assumed increase in fees and charges of 2%, for 2021-22. The updated Medium Term Financial Strategy agreed at Cabinet in November 2020 maintained that position
2.3.2	<p>All Income Budgets for Fees and Charges which are determined by the Council have been uplifted by 2.0% except where an exception has been proposed. The majority of these exceptions relate to the following issues:</p> <ul style="list-style-type: none"> • impact of Covid-19 pandemic, with services significantly impacted during 2020/21 leading to a need to freeze prices for 2021-22 to maintain custom. • A need to freeze charges to attract new customers • Statutory rules that set the charge rates, preventing any increase being made • Other proposals to freeze charges <p>The following exemptions are proposed.</p> <ul style="list-style-type: none"> • Rother Valley Country Park – Price freeze to reflect 2 year closure, due to blue green algae and Covid-19. • Civic Theatre – Price freeze to encourage return of custom following Covid forced closure. • Events Team Rotherham Show parking and event applications - Price freeze to encourage return of custom following Covid-19 forced closures. • Parking Services - Price freeze to encourage visitors to the town centre, ahead of the major developments planned in future years. • Parking Services - Free off-street parking in the town centre on Saturdays. • Market Service - Price freeze to encourage return of custom following Covid forced closure. • School Meals - 2% increase to be applied from September 2021 due to existing contractual arrangements.
2.3.3	The above exceptions have been taken into account within the proposed budget. Any alternative decisions will therefore, have a financial impact on the Councils Budget. The financial impact of the proposals to freeze some fees and charges and delay the implementation of the school meals increase is £116k.
2.4	Independent Adult Care Sector Provision
2.4.1	The Council consults with providers each year to assess the fees it pays for care. The information informs the proposed fees the Council pays providers, which are approved as part of this report. A detailed review has been completed taking account of a significant number of responses from care providers from across a range of services and client groups. The following paragraphs provide a summary of the issues facing different segments of the market as well as the proposed fee uplifts as a result of the consultation.

	Residential and Nursing Care Homes										
2.4.2	There are a total of 33 independent sector care homes contracted to support older people in Rotherham. They provide a range of care types.										
2.4.3	The independent sector care home market in Rotherham supplies 1,664 beds and approximately 35% are financially supported by the Council. There has been a significant shift in the market from a historical position of the Council being the dominant purchaser. This is part of a long term strategy to support as many people as possible to be independent and remain in their own homes. To illustrate, the number of new admissions for Council funded residents has decreased from 401 in 2015/16 to 294 in 2019/20.										
2.4.4	<p>The pressures that the older people’s care home market faces are well documented and are highlighted below:</p> <ul style="list-style-type: none"> • The lack of nurses and enhanced terms and conditions of employment (pay, pensions, workplace support) offered by the NHS are a challenge for the independent sector market who are not able to compete to attract qualified nurses to work in care homes. • High cost of agency nurses. • The National Living Wage will increase by 2.2% to £8.91 in April 2021. • Increasing care requirements of residents for acute periods resulting in an intense demand on staff resource. • A high degree of staff turnover within the sector results in a significant number of recruitment processes and the costs associated with this. • Ongoing additional costs because of Covid 19 such as the increased use of personal protective equipment and staffing costs. 										
2.4.5	The following table details the proposed fees for 2021/22. The total increase in fees aims to address the current costs of delivery and provide funding for inflation in 2021/22. This forms part of the Council’s plan to increase fees in the older people’s care home market over the next few years. The additional cost would be £737k per annum based on current activity. This approach aims to ensure a sustainable price for the different types of residential care that the Council purchases.										
	<table border="1"> <thead> <tr> <th>2020/21 Proposed Fees</th> <th>Residential</th> <th>Residential EMI</th> <th>Nursing Care*</th> <th>Nursing EMI*</th> </tr> </thead> <tbody> <tr> <td>Rotherham</td> <td>£504</td> <td>£526</td> <td>£518</td> <td>£575</td> </tr> </tbody> </table> <p>*Excluding Funded Nursing Care element</p>	2020/21 Proposed Fees	Residential	Residential EMI	Nursing Care*	Nursing EMI*	Rotherham	£504	£526	£518	£575
2020/21 Proposed Fees	Residential	Residential EMI	Nursing Care*	Nursing EMI*							
Rotherham	£504	£526	£518	£575							
	Independent Sector Provision – Home Care										
2.4.6	The purpose of a home care and support service is to enable people to										

	<p>remain living at home for as long as possible. The availability of quality home care services is key to supporting people's independence at home in the communities they know.</p> <p>During 2019/20 the Council procured a new model of home care and support. A competitive tender process was undertaken with Rotherham Clinical Commissioning Group with the aim of delivering a high-quality integrated home care and support service. The new arrangements commenced on 1 April 2020.</p> <p>The new model provides personalised service delivery against agreed outcomes. Reablement principles are applied to maximise people's independence and provider reviews contribute to adjustments to care packages that both benefit the individual and increase opportunity for cost efficiency for the Council.</p> <p>The revised home care model complements the operating model for Adult Care and follows the intermediate care and reablement pathway considering whole system requirements.</p>
2.4.7	<p>Following the tender exercise 1st April 2020, a total of 13 providers were appointed to the arrangement (Flexible Purchasing System) with nine Tier 1 providers, one Tier 2 provider, two specialist Learning Disability providers and one specialist Unpaid-Carers Support service. In December 2020 an additional provider was appointed to Tier 2 to support Winter Pressures making a total of 14 home care and support providers.</p> <p>Approximately 17,000 planned home care hours per week are commissioned for 1,300 people receiving the service. The largest cohort in receipt of home care is older people who form 83% of the total recipients of contracted home care.</p>
2.4.8	<p>A high percentage of the running cost to home care providers is associated with staff recruitment, training, and travel.</p> <ul style="list-style-type: none"> • The 2.2% National Living Wage increase from £8.72 to £8.91 from 1 April 2021 will influence other pay costs for providers and hence overall contract costs to the Council. • Travel costs include payment to care workers for travel time and fuel cost which remain high. • The turnover rate for independent sector domiciliary care services is around 33% per annum, which is associated recruitment process costs. <p>The application of an inflation uplift is required to sustain a high-quality home care and support service that will provide an appropriate, skilled, competent, compassionate workforce. The Council recognises the need to consider fee levels over the medium term for this sector to ensure the sustainability of services.</p>
2.4.9	<p>Providers were paid at the tendered rates in 2020/21 with a weighted</p>

	average hourly rate for Tier 1 providers 2020/21 of £16.58. It is proposed that a 2.99% inflation uplift is applied to the rates tendered in 2020/21 at a total cost of £409k. The total increase in fees aims to address the current costs of delivery and provide funding for inflation in 2021/22. This forms part of the Council's plan to increase fees in the home care market over the next few years, subject to the Government Spending Review.								
	Independent sector provision – Learning Disability								
2.4.10	The Council currently provides financial support to 768 learning disabled people who are accessing 1,383 placements/services with an aging demographic and increased complexity from young people transitioning into the services.								
2.4.11	The Council's strategic direction is for people with a Learning Disability to remain in their own home and communities as long as possible. This will require some current provision to be replaced by, increasing the uptake of Community Services, greater use of Shared Lives and Key Ring Schemes, developing more options for Supported Living (particularly core and cluster provision) and alternative Day Opportunities.								
2.4.12	<p>In terms of Residential and Nursing care, and Supported Living providers, there are a total of 45 independent care and support services contracted with the Council and registered with the Care Quality Commission, who support people with a Learning Disability in Rotherham. The costs of services reflect bespoke provision to meet individual needs and have arisen incrementally creating a range of accommodation costs and hourly rates. However, due to pressures such as the increase in the National Living Wage, it is proposed to uplift fees to ensure the continued sustainability of services. The fee uplift for each service is shown below. Additional funding is available to support service sustainability on a targeted basis, including where providers have identified additional cost because of the pandemic. The total funding for learning disabled Residential, Support Living and Day Care is £1.1m.</p> <table border="1" data-bbox="325 1447 1230 1621"> <thead> <tr> <th>Learning Disabilities</th> <th>Percentage uplift</th> </tr> </thead> <tbody> <tr> <td>Supported Living</td> <td>1.96%</td> </tr> <tr> <td>Residential Care</td> <td>1.7%</td> </tr> <tr> <td>Day Care</td> <td>1.88%</td> </tr> </tbody> </table>	Learning Disabilities	Percentage uplift	Supported Living	1.96%	Residential Care	1.7%	Day Care	1.88%
Learning Disabilities	Percentage uplift								
Supported Living	1.96%								
Residential Care	1.7%								
Day Care	1.88%								
2.4.13	It is proposed to increase the allocation within personal budgets for payment of Personal Assistants through Direct Payments to ensure compliance with the National Living Wage from 1 April 2021 (proposed to be £8.91 per hour). This will increase funding in the light of wage pressures and relevant legislation and it is hoped that the role will continue to be a career option for people with the right skills to support individuals to live independently.								
2.4.14	Recognising that a significant proportion of people in receipt of Direct Payments exercise choice to directly purchase Home Care and Support and Day Care from a range of providers at varying levels of costs, it is								

proposed to apply a 1.93% increase to the personal budgets, reflecting the increase in the National Living Wage from 1 April 2021. This will continue to support the wider home care market, ensuring that choice is available outside of the Council commissioned services.

2.5 Council Tax Proposals for 2021/22

2.5.1 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by 2.99%, comprising a 1.99% increase in the basic rate of Council Tax and a 1% Adult Social Care Precept.

2.5.2 The Government have confirmed that the basic referendum principle for 2021/22 is 2% i.e. a maximum 1.99% increase in the basic rate of Council Tax. Social Care authorities will also be able to increase their Council Tax by a Social Care precept of up to 3% (over the basic referendum threshold of 2%). Therefore, the total that the Council could increase Council Tax by is 5%, through a 3% Social Care precept increase and 2% on the basic referendum threshold.

2.5.3 A 2.99% increase on the tax levied in 2021/22 would mean a Band D Council Tax (for the Rotherham Council element only) of £1,614.58. Details of the proposed increases on all Council Tax bandings are set out in Table 2 below.

Table 2 – Council Tax Bands and Amounts (Rotherham Council element only)

Council Tax Band	2020/21 £	2021/22 £	Number of Properties
A	1,045.14	1,076.39	27,277
B	1,219.33	1,255.79	14,719
C	1,393.52	1,435.19	11,786
D	1,567.71	1,614.58	8,259
E	1,916.09	1,973.38	5,173
F	2,264.48	2,332.19	2,378
G	2,612.86	2,690.98	1,103
H	3,135.43	3,229.18	65

2.5.4 The budget for 2021/22 also takes account of a planned use of £1.5m of surplus from the Council’s Collection Fund for Council Tax. This is a direct result of the Council continuing to achieve a high performance in collecting Council Tax and minimising cumulative arrears. However, it is considered that the continuing Covid 19 economic pressures on the Borough into 2021/22 are likely to have a negative effect on the in-year Council Tax collection rate. Consequently a 96% in-year collection rate has been used for the 2021/22 taxbase rather than the 97% rate used for the 2020/21 taxbase calculation.

2.5.5 The proposed increase will help to support the delivery of valuable frontline services, particularly services for vulnerable children and adults

	at a time when demand for these services continues to increase.
2.5.6	As required by legislation (the Local Government Finance Act 1992) the Budget Report to Council on 3 rd March 2021 will include a Statutory Resolution of Council Tax setting out details of the proposed Council Tax calculations for 2021/22 for the Council, Parishes and including the precepts from the South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Rescue Authority as advised to the Council.
2.5.7	The annual determination of the Council Tax Base, which is a technical based calculation, is delegated by Council to the Strategic Director – Finance & Customer Services (Section 151 Officer), in consultation with the Leader of the Council and the Chief Executive. The Council's Tax Base for 2021/22 has been determined as 70,760.52 Band D equivalent properties, after adjusting for the anticipated rate of collection, the impact of the Council's Local Council Tax Support Scheme and discretionary discounts and exemptions for empty properties and second homes.
2.5.8	The Council's current Local Council Tax Support Scheme was approved by Council on 24 th January 2018. The Council is not making any changes to this scheme for 2021/22.
2.5.9	Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 2.99%, this will generate a total Council Tax of £114.2m available to support the Council to fund services in 2021/22. Details of the Council Tax Base for 2021/22 are set out in Appendix 1.
2.6	Proposed Revenue Budget 2020/21 and Medium Term Financial Strategy to 2022/23
2.6.1	The Council's Medium Term Financial Strategy (MTFS) sets out a framework for understanding the challenges the Council faces and supports corporate planning. It helps the Council to shape its finances over the medium term by examining the projected resources available to meet the priorities as set out in its Council Plan.
2.6.2	The Council undertook a complete review of its Medium Term Financial Strategy during 2019/20 which was included within the Budget and Council Tax 2020/21 report to Cabinet and Council in February 2020. The Plan set out details of the financial challenges faced by the Council over the medium term to 2022/23.
2.6.3	An update of the MTFS was submitted to Cabinet in November 2020.
2.6.4	The MTFS has been updated again to 2022/23, to reflect the outcomes of the Spending Review 2020 and the Provisional Local Government Finance Settlement 2021/22 and the budget proposals set out in this report. It includes funding and expenditure projections up to the 2022/23 financial year which show an expected funding gap of £2.4m on current service activity. However, future Government funding allocations beyond 2021/22 are dependent on the outcomes of the multi-year Spending Review to be undertaken in 2021.

2.6.5	The Council will therefore continue to monitor and review the MTFs accordingly. The outcomes from the Government reviews and the estimated impact on the Council's funding, when available, will be presented to Cabinet and Council later in 2021.
2.6.6	Taking into account Government funding notified for 2021/22 within the Provisional Local Government Finance Settlement, estimates of Government funding for future years based on the Spending Round 2020, and the Council's own resources, the proposed budget for 2021/22 and an updated MTFs over the following two years is set out below in Table 3.
2.6.7	The Provisional Settlement confirms Social Care Support Grant funding of £8.393m for the Council for 2021/22 plus and additional funds of £2.509m. The proposed budget for 2021/22 allocates this funding for Social Care services.
2.6.8	The Council's proposed 2% Adult Social Care Precept on Council Tax for 2021/22 will generate additional Council Tax income of £2.2m which is being allocated to the 2021/22 Adult Social Care budget.

Table 3 - Budget and MTFs 2021/22 to 2022/23

<u>Resources</u>	2021/22	2022/23
	£000	Estimated
<u>Government Funding</u>		£000
Revenue Support Grant	15,183	15,365
Business Rates Top-Up Grant	29,415	29,827
S31 Grant as compensation for Multiplier Cap on Top-Up Grant	1,492	1,492
New Homes Bonus	577	169
Public Health Grant	16,673	16,873
Housing Benefit and Local Council Tax Support Administration	1,238	1,238
Social Care Support Grant	8,393	8,494

Social Care Support Grant additional funds	2,509	2,539
iBCF additional funding 2019/20	2,605	2,636
Lower Tier Services Grant	354	358
Spending Review future funding estimate	0	1,100
Total Government Funding	78,439	80,091
<u>Council Resources</u>		
Retained Business Rates	36,206	36,300
S31 Grants as compensation for Government determined business rates reliefs	5,269	5,343
Council Tax Collection Fund – annual review and use of surplus	1,500	1,500
Council Tax and Adult Social Care Precept	114,249	118,841
Total Council Resources	157,224	161,984
Total Resources	235,663	242,075
<u>Expenditure</u>	2021/22	2022/23
	£000	Estimated
		£000
Baseline Budget at 2020/21 pay and prices	233,333	233,333
Adjust for non-recurring budgets and savings from 2020/21	-5,146	-5,146

Other MTFS/Budget adjustments agreed within MTFS Strategy	-1,076	-1,315
Provision for pay, price and fees and charges income inflation	6,467	12,924
Adult Care – care transitions and transforming care	703	1,553
Impact on treasury management budget of earlier years MRP reprofiling	3,182	3,182
Continuation of crisis support after use of funds set aside	-	100
Adult Social Care demand	1,557	2,300
Home to School Transport - further demand	200	200
Agreed Capital Investment to 2023/24 – financing costs	1,729	3,010
Budget savings and cost reductions, variations to delivery profile across MTFS period	3,850	-4,150
Adult Care – enhanced discharge cover with NHS partners	1,500	1,500
Use of savings and funds within Budget/MTFS Strategy : <ul style="list-style-type: none"> • Treasury Management Strategy Savings • Use of Budget Contingency 	-8,500 -4,000	-3,000 0
Revenue Investment proposals (Appendix 2)	1,864	0
Total Expenditure Budgets	235,663	244,491
Gap	0	2,416

* Notes :

(i) The amounts of Public Health Grant and Housing Benefit and Local

Council Tax Support Administration are estimated based on spending Round 2020, pending the Government confirming the allocations for 2021/22.

(ii) the iBCF funding allocations up to 2018/19 are included within the Adult Services net budget as grant funding, based on use of the allocations agreed with Rotherham Clinical Commissioning Group.

2.6.9 As Table 3 indicates there is at present a budget gap for 2022/23 of £2.4m, however, at this point given that government have not confirmed the financial settlement for 2022/23 it is too early to start to propose adjustments to the budget for this year. Instead the focus of the Councils Revenue Budget and Medium Term Financial Strategy will remain on the delivery of the current planned savings and cost reductions over the MTFS period.

2.6.10 Set out below in Table 4 is the proposed Net Revenue Budget for 2021/22 including the Directorate Cash Limit Budgets utilising the available resources and based on approval and implementation of the proposed budget included within this report and detailed above in Table 3.

Table 4 Net Revenue Budget by Directorate

	Proposed Budget 2021/22
	£'000
Adult Care, Housing & Public Health	84,310
Children & Young People's Service	62,382
Regeneration & Environment Services	45,364
Finance, Customer Services	19,450
Assistant Chief Executive	6,904
Central Services	17,254
TOTAL NET REVENUE BUDGET	235,663

2.6.11 The proposed Central Services budget (£17.2m) shown in the table above includes the following key budgets and provisions:

- Levies – Integrated Transport Authority, Coroners, Environment Agency, Apprentice (£11.8m)
- Capital Financing (£12.0m)
- Budget Contingency and Treasury Management Savings carried forward from 2020/21 (cr £7.5m)
- PFI Grants (cr £3.6m)
- Inflation provision for pay, price and fees and charges, (£6.5m) which will be allocated to Directorates during 2020/21

- Capitalisation and other accounting adjustments (cr £2.0m)

2.7 Proposed Revenue Budget Investment

2.7.1 Following consideration of the Council's overall financial position for 2021/22 and the Medium Term, a number of revenue budget investment priorities are proposed for 2021/22 as summarised below in Table 5. These proposals totalling £1.864m are set out in detail in Appendix 2. Given the current gap in 2022/23 a cautious approach has been taken and the investments are therefore being proposed for one year only at the current time.

Table 5 Proposed Revenue Budget Investments

Directorate Investment Options		
Directorate		2021/22 £'000
	Every child making the best start	
CYPS1	Additional support for Youth Work	50
CYPS2	Expansion of Family Group Conferencing (FGC)	130
	A strong community in a clean, safe environment	
R&E1	Additional street cleansing and grounds maintenance (Streetpride)	489
R&E2	Planning Enforcement	44
R&E4	Events that bring people together	118
R&E5	Licensing Service	150
R&E6	Pollinator Friendly Grounds Maintenance Pilots	42
R&E7	Boroughwide Tree Planting – Engagement Programme	50
R&E8	Restoration of Libraries Book Stock Budget	50
ACX2	Climate change data & research officer	49
ACX3	Community Leadership Fund uplift	59
	Leaving no one behind through Covid and beyond	
R&E3	ADVANCE careers support programme	150
ACX1	Kickstart scheme placements at the Living Wage	102
ACX4	Tackling Food Poverty	100
FACS1	Digital Inclusion	50
FACS2	Reducing customer call waiting times	122
FACS3	Support the delivery of the Customer and Digital Programme	109
Total Investment Options		1,864

2.8 Reserves and Balances within the Council's Budget Strategy

2.8.1 The Council's balance of corporate reserves as at 31st March 2020 was

	<p>£34.1m. This is £2m more than anticipated when the 2020/21 budget report was approved, following a more favourable financial outturn in 2019/20. This was due to the identification of additional savings from Central Services budgets, additional government funding and use of capital receipts flexibility, which meant that only £1.2m of the £3.2m budget contingency set aside from reserves needed to be utilised for that financial year, in addition the Council's General Fund Minimum balance was increased to £20.7m as planned.</p>
2.8.2	<p>Following a review of all the Council's reserves and specific commitments against those reserves, a refresh of the Reserves Strategy was agreed within the 2019/20 Budget and Council Tax report which added those reserves no longer required to the Council's Minimum General Fund Balance and retained a smaller number of Corporate Reserves which can be used more flexibly if/as required. This approach has continued with further rationalisation of Corporate Reserves.</p>
2.8.3	<p>In 2019/20 as part of the Governments response to the Covid-19 pandemic, the Council began to receive un-ringfenced Covid-19 support grants. As these were not fully utilised in 2019/20, they were carried forward within the Councils accounts as part of a Covid-19 Grants Reserve. It is proposed that any unspent, un-ringfenced Covid-19 grants will continue to be carried forward in this way to support anticipated Covid-19 related costs and pressures during 2021/22. In addition, any ringfenced, specific Covid-19 grants that remain unspent at the outturn of 2020/21, will be carried forward, terms and conditions allowing, within the Council's "Grant Received In Advance".</p>
2.8.4	<p>Following a further review of the Strategy, taking into account the financial outturn for 2019/20, the forecast financial outturn for 2020/21, the following updated Strategy is proposed:</p> <ul style="list-style-type: none"> • Increase the Council's General Fund Minimum Balance to £25.0m by 2020/21 as agreed within the 2020/21 budget. This represents 10.6% of the Council's proposed net budget for 2021/22. • The £4m budget contingency would not be used in 2020/21 and there will also be a £3.5m Treasury Management saving. These two benefits will be carried forward to support the 2021/22 budget, a new reserve will be created for this purpose. • Retain two Corporate Reserves. The Corporate Reserves are proposed to be retained as: <ul style="list-style-type: none"> ○ Transformation (to support invest to save initiatives) ○ Business Rates (to cover risk on business rates appeals) • Carry forward any unspent ringfenced and unringfenced Covid-19 support grants as indicated in section 2.8.3.
2.8.5	<p>To reach this position the Council's General Fund Minimum Balance will be increased by £4.3m, following the agreed transfer of £4.3m into reserves in 2020/21 as part of the approved two-year budget for 2019/20 to 2020/21. In addition, savings of £3.5m from the Treasury Management Strategy 2020/21 would not need to be used to balance the 2020/21</p>

outturn and so those savings can be carried forward to support the 2021/22 budget. The Council's £4m budget contingency built into the 2020/21 budget, would also not be used in 2020/21 and the benefit carried forward to support the 2021/22 budget.

2.8.6 Taken alongside the Council's proposed budget for 2021/22 and the MTFS to 2022/23, this reserves position is considered to be sustainable for the medium term. Future decisions on reserves would then continue be taken as part of the annual budget setting process.

2.8.7 The table below summarises the reserves balances over the medium term and includes the budgeted transfer to reserves of £4.3m in 2020/21 to the General Fund Minimum Balance. The transfer of £3.5m Treasury Management Strategy savings from 2020/21 and the 2020/21 £4m budget contingency will be used to create a £7.5m Budget Strategy Reserve. The £7.5m Budget Strategy Reserve is planned to be used, as part of the Medium Term Financial Strategy to support the 2021/22 budget.

Table 6 – Forecast Balances of Reserves

	Balance at 31st March 2020 £000	Projected Balance at 31st March 2021 £000	Projected Balance at 31st March 2022 £000
General Fund Minimum Balance	20,700	25,000	25,000
Corporate Reserves			
Transformation	4,070	4,070	4,070
Business Rates	4,000	4,000	4,000
PFI – Education (Schools)	1,429	-	-
Corporate Revenue Grants Reserve	1,166	1,066	1,066
Budget Strategy 2021/22	-	7,500	-
Budget Contingency	2,013	2,013	2,013
Housing Transformation Fund	702	702	702
Total	13,380	19,351	11,851

	Total General Fund Minimum Balance and Corporate Reserves	34,080	44,351	36,851
2.9	Business Rates Reliefs			
2.9.1	The Government announced additional business rates reliefs measures that apply with effect from 1 April 2020. The Government has confirmed that it will continue to reimburse local authorities for the actual cost to them under the business rates retention scheme of the relief that falls within the definitions of Government guidance. Details of the reliefs are set out below:			
2.9.2	<u>Business Rates Retail Discount</u> The Government announced in the Autumn Budget 2018 a business rates retail discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of the discount was set at one third of the bill applied after other mandatory and discretionary reliefs. The value of the discount was 50% and it includes music venues and cinemas with a rateable value of less than £51,000. At the time of writing this report Government had not confirmed that this relief would continue into 2021-22.			
2.9.3	Also, at the time of writing this report Government had also not confirmed if the 100% Retail, Hospitality and Leisure reliefs, that were awarded for 2020/21 due to the impact of the Covid-19 pandemic, will be repeated in 2021/22. Should Government announce either of these retail reliefs, the Council will implement them in line with Governments guidance, with revised business rates bills issued, if required.			
2.9.4	<u>Local Newspapers</u> A business rates relief for local newspapers was introduced by the Government in April 2017 for a period of 3 years. The relief provides a £1,500 discount for office space occupied by local newspapers. This is limited to one discount per local newspaper title and per property. The Government has determined that the relief will continue for a further 5 years until 31 March 2025.			
2.9.5	<u>Business Rates Rural Relief</u> The doubling of Business Rates Rural Rate Relief was introduced by the Government in 2017/18. However, the relevant primary legislation hasn't been changed and councils have been asked to use their local discount powers to grant the reliefs in line with Government guidance. The Council has done this for 2017/18 to 2020/2021 and it is proposed to continue the same arrangement for 2021/22.			
2.9.6	Cabinet are recommended to propose to Council that these business rates reliefs are applied for 2021/22 in line with Government guidance. In			

	addition, should Government extend the current 100% rates relief for Retail, Hospitality, Leisure and Childcare Nurseries into 2021/22, or introduce other rates reliefs, the reliefs will be applied in line with Government guidance.																																	
2.10	Capital Strategy/Capital Programme Update																																	
2.10.1	The Capital Strategy and proposed Capital Programme to 2023/24, 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. Pending the Spending Review 2021 and information on Government capital allocations beyond 2023/24, the Capital Programme is not being extended out to 2024/25 at this stage.																																	
2.10.2	The Council's Capital Strategy and Capital Programme to 2023/24 was approved by Council in February 2020 within the Budget and Council Tax 2020/21 Report.																																	
2.10.3	The Financial Outturn 2019/20 report approved by Cabinet in July 2020 set out an updated Capital Programme taking into account slippage on capital schemes during 2019/20 which was mostly re-profiled into future years.																																	
2.10.4	Further individual new capital projects already approved during 2020/21 are incorporated into the updated Capital Programme which is set out in Appendices 3C to 3F.																																	
2.10.5	<p>This report proposes a number of further additions to the Capital Programme to 2023/24 which are set out in Appendix 3A. It is proposed that these schemes will be added to the Council's Capital Programme following Council approval. The amendments proposed have all been identified as Priority Capital Investments and are summarised below.</p> <p>Table 7 Proposed Capital Budget Investments</p> <table border="1"> <thead> <tr> <th>Directorate</th> <th>New Capital Proposal</th> <th>Corporate Resource Required £'000s</th> </tr> </thead> <tbody> <tr> <td>CYPS</td> <td>Capita Server Upgrade</td> <td>15</td> </tr> <tr> <td>R&E</td> <td>Country Parks Masterplan & essential building works at Ulley</td> <td>350</td> </tr> <tr> <td>R&E</td> <td>Proposed demolition of the commercial units at 86-102 Wellgate Rotherham</td> <td>200</td> </tr> <tr> <td>R&E</td> <td>Strategic Acquisitions Fund</td> <td>1,000</td> </tr> <tr> <td>R&E</td> <td>Corporate Decarbonisation</td> <td>1,000</td> </tr> <tr> <td>R&E</td> <td>Manvers Footbridge</td> <td>350</td> </tr> <tr> <td>R&E</td> <td>Steadfolds Lane Retaining Wall</td> <td>225</td> </tr> <tr> <td>R&E</td> <td>West Bawtry Road Embankment</td> <td>300</td> </tr> <tr> <td>R&E</td> <td>Borough-Wide Tree Planting Programme</td> <td>350</td> </tr> <tr> <td>R&E</td> <td>Maintenance, Repair & Casework - Parks &</td> <td>200</td> </tr> </tbody> </table>	Directorate	New Capital Proposal	Corporate Resource Required £'000s	CYPS	Capita Server Upgrade	15	R&E	Country Parks Masterplan & essential building works at Ulley	350	R&E	Proposed demolition of the commercial units at 86-102 Wellgate Rotherham	200	R&E	Strategic Acquisitions Fund	1,000	R&E	Corporate Decarbonisation	1,000	R&E	Manvers Footbridge	350	R&E	Steadfolds Lane Retaining Wall	225	R&E	West Bawtry Road Embankment	300	R&E	Borough-Wide Tree Planting Programme	350	R&E	Maintenance, Repair & Casework - Parks &	200
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		Green Spaces	
	R&E	Play Equipment Replacement Programme	100
	R&E	Waterloo Kiln Preservation	35
	R&E	Street Lighting Concrete column replacements - Main routes and primary distributor roads	740
	R&E	Handheld Equipment Grounds Maintenance Equipment	75
	R&E	Flood Alleviation Schemes preconstruction and design approval	5,800
	R&E	Towns and Villages Improvement Fund	4,000
	R&E	Pedestrian Crossing Continuation Funding	120
	R&E	Delivery of the Future High Street Fund	4,155
	AC&H	Relocation of the Reach Service	1,600
		Total	20,615
2.10.6	<p>Priority Capital Investment – General Fund</p> <p>A number of new capital schemes are being proposed for inclusion into the Capital Programme 2020/21 to 2023/24. A list of the new schemes is provided at Appendix 3A, along with a summary view of the scheme business case. These new proposals will be funded by £20.615m of corporate resources, with the revenue implications of this built into the Council’s proposed Budget and Treasury Management Strategy.</p>		
2.10.7	<p>The proposed Programme also Includes two further additions to the total level of corporate resources used to fund the capital programme, these are listed below.</p> <ul style="list-style-type: none"> • Increase budget provision for Town Centre New Housing project, £1.217m (including a contingency of £240k). • Provision for a CYPS invest to save scheme, £140k, for the procurement of vehicles to support the in house children’s residential provision. 		
2.10.8	<p>The proposed Programme also includes Government Capital Grant allocations up to 2023/24. These allocations are either as already announced by the Government, or on an estimated basis for years where the Government has not as yet indicated the value of the allocations.</p>		
	Housing Revenue Account (HRA)		
2.10.9	<p>The Housing Revenue Account Capital Programme has also been updated to 2023/24, in line with the updated HRA Business Plan approved by Cabinet on 21st December 2020 and Council on 13th January 2021. HRA capital programme information is set out in Appendices 3E and 3F.</p>		
	Capital Strategy		

2.10.10	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.																																																																																		
2.10.11	The revenue impact of the Capital Strategy is reflected in this report and the prudential borrowing requirement arising from the Capital Programme is reflected in the Prudential Indicators and Treasury Management and Investment Strategy.																																																																																		
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2.10.12	Subject to approval of all the proposed additions to the capital programme, the Council's five year capital programme will be set at £496.976m, split between general fund £295.128m and HRA £201.848m. The table below indicates the split of the capital programme across the Council's Directorates.																																																																																		
Table 8 – Proposed Capital Programme 2020/21 to 2023/24																																																																																			
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2.10.13	Appendices 3C & 3E shows how the Council proposes to fund the projects and changes to the Capital Programme for which approval is being sought, together with the funding of the existing approved Capital Programme projects. As indicated above, the Council's Revenue Budget and Medium Term Financial Strategy contains provision for the revenue implications of the Capital Programme including prudential borrowing costs.																																																																																		

2.10.14 The Council held £4.5m of General Fund capital receipts and £12.4m of Right to Buy (RTB) receipts as at 31st March 2020. In addition, the Council anticipates further capital receipts to be generated across the Capital Programme period 2020/21 to 2023/24. The total amount of capital receipts planned to support the proposed General Fund Capital Programme including flexible use is £12.7m. The planned use of HRA receipts within the HRA programme is £23.0m, this is based on the continuing sale of properties under RTB, and private sales generated through the Councils new build housing schemes.

2.10.15 The table below shows how each year of the Capital Programme will be funded:

Table 9 – Funding of the Proposed Capital Programme 2020/21 to 2023/24

Funding Stream	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	Total Budget £m
Grants and Contributions	29.106	50.238	31.893	13.838	125.075
Unsupported Borrowing	37.862	46.546	38.616	33.615	156.639
Capital Receipts	4.391	1.424	2.443	0.450	8.708
Capital Receipts - Flexible Use & HRA Contribution	2.000	2.000	0.000	0.000	4.000
HRA Contribution	0.178	0.173	0.176	0.179	0.706
Total Funding - General Fund	73.537	100.381	73.128	48.082	295.128
Grants and Contributions	9.379	2.843	0.222	0.000	12.444
Unsupported Borrowing	0.000	4.733	16.347	12.750	33.830
Housing Major Repairs Allowance	23.197	35.401	22.058	19.308	99.964
Capital Receipts	5.786	12.828	3.458	0.928	23.000
Revenue Contribution	13.387	6.519	2.726	9.978	32.610
Total Funding - HRA	51.749	62.324	44.811	42.964	201.848
Total	125.286	162.705	117.939	91.046	496.976

2.10.16 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. As a general principle, capital receipts will be earmarked to minimise revenue costs.
- (iii) All decisions on capital financing are delegated to the Council's Section 151 Officer as agreed by Council.

2.11 **Treasury Management Issues**

2.11.1 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.
2.11.2	The Treasury Strategy has associated Prudential Indicators (PIs) which have to be approved by Council prior to 1 st April each financial year in order to comply with the various statutory frameworks within which the treasury function has to operate.
2.11.3	The Prudential Code requires the Council to approve and monitor a minimum number of PI's in order to inform the capital decision making process and support capital investment decisions. These PIs are mandatory.
2.11.4	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.
2.11.5	The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.
2.11.6	Details of the Treasury Management issues are contained in Appendix 4.
2.12	Report of the Strategic Director - Finance and Customer Services (the Council's Responsible Financial Officer)
2.12.1	Section 25 of The Local Government Act 2003 requires the 'Chief Financial Officer' (The Strategic Director - Finance & Customer Services at Rotherham Council) to report to Council on the following matters in making decisions on the budget and financial strategy: <ul style="list-style-type: none"> • the robustness of the estimates made for the purposes of the calculations; • the adequacy of the proposed financial reserves.
2.12.2	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.
2.12.3	The contents of this budget and financial strategy report is the mechanism by which positive assurances are made by the Strategic Director - Finance & Customer Services about the adequacy of the proposed financial reserves.
2.12.4	The Strategic Director - Finance & Customer Services gives her assurance that the budget estimates for 2021/22 are robust overall when considered in conjunction with the budget proposals identified in the report, the reserves strategy and medium term financial projections. Whilst the Council continues to face significant financial pressures in respect of social care and the uncertainty brought about by the COVID-19 pandemic

	<p>it has demonstrated, in recent years, an ability to manage such challenges. Along with managing year on year cost pressures within overall budgets, it has developed a robust medium term financial strategy which has included rebuilding reserves levels to create a more sustainable financial platform for the future.</p>
2.12.5	<p>This assurance is predicated on Directorates progressing all necessary activity to get their budgets back on track during 2021/22, including delivering planned savings and cost reductions agreed in previous budgets, in particular:</p> <ul style="list-style-type: none"> • Reducing the number of exceptionally high cost placements and also reducing the unit cost of placements, within Children’s Social Care. Also significantly increasing the number of foster care placements in line with budgeted plans. • Successful management of the demand pressures in Adult Social Care within the budget allocated and delivering a reduction in unit cost through ensuring appropriate care and support is in place in accordance with the service development programme. • A successful resolution to the budget pressures within the Regeneration and Environment Directorate which require the Directorate to identify actions to ensure that services can be provided within the available funding envelope.
2.12.6	<p>The key fundamental principles of the report’s recommendations which the Strategic Director - Finance & Customer Services has considered in giving this assurance are:</p> <ul style="list-style-type: none"> • That the budget strategy for 2021/22 is approved as set out in the report. • That Directorates manage their finances within the clearly defined cash-limits approved as part of this budget. Whilst the budget risk is recognised, Strategic Directors must bring forward options to mitigate any cost overruns in accordance with Financial Procedure Rules in order that formal decisions can be made where necessary. • That Council approves the updates to the Medium Term Financial Strategy to 2022/23 and agrees to the proposals to manage a balanced budget in 2021/22. • That the revised Reserves Strategy is approved which will see the General Reserves Minimum Balance increased to £25.0m by 31st March 2020 as agreed within the 2020/21 budget. However, it is not to be called upon for further purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Strategic Director - Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Constitution.

2.12.7	The reserves position will need to be kept under review to ensure that the Council maintains a robust budget and sound financial base.
2.12.8	The Council continues to operate in a tight financial climate by continuing to exercise tight spending controls including the application of stringent recruitment and procurement controls. However, there are significant cost overruns taking place and this needs to be stemmed if the Council is to remain financially stable and sustainable. Therefore, consideration will be given to any further measures that can be taken to ensure that spending is contained within budget.
2.12.9	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.
2.12.10	Achieving budget savings of the magnitude that the Council has had to deal with and substantially still needs to deliver, 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.
2.12.11	In considering the overall robustness of the budget proposals for 2021/22, 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. This has been recognised within the 2021/22 budget, but it is essential that delivery of the budget savings and cost reductions agreed within the two-year budget for 2019/20 and 2020/21 are completed. The continuing implications of COVID-19 on the Councils financial position will need to be closely monitored to minimise cost to the Council whilst maximising the impact of government grant support available.
3.	Options considered and recommended proposal
3.1	These are set out in Section 2 above.
4.	Consultation on proposal
4.1	From 5 th January 2021 to 26 th January 2021, the Council held an online consultation which provided broad information on income and expenditure as well as a link to the February 2020 Budget Report. The Council also consulted individually with key partners.
4.2	The Council's Overview and Scrutiny Management Board (OSMB) will consider this report including the outcomes of the consultation at its meeting on 10th February 2021. The report on the consultation is attached at Appendix 9.
4.3	With regard to the proposed changes to the Capital Strategy and Capital Programme, consultation has taken place with elected Members and

	officers engaged in capital projects across Directorates.
5.	Timetable and Accountability for Implementing this Decision
5.1	The Council is required to set its annual budget by no later than 10th March each year. Strategic Directors are responsible for ensuring the delivery of savings proposals within their Directorate Cash Limit approvals.
5.2	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 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.
6.	Financial and Procurement Advice and Implications
6.1	The financial implications are set out in detail in Section 2 above.
6.2	In summary, the report recommends a 1.99% increase in the basic rate of Council Tax (excludes precepting bodies) and a 1% Adult Social Care Precept on Council Tax. The report proposes a General Fund Revenue Budget for the Council for 2021/22 of £236m.
6.3	It should be noted that the proposed revenue budget includes: <ul style="list-style-type: none"> • Provision for pay awards and contractual inflation • In line with Council policy, it is expected that any other inflationary pressures will be contained within Directorate Cash Limit budgets. • Income inflation – a 2.0% overall increase to income budgets for Council Fees and Charges in line with the prevailing rate of CPI increase.
6.4	Any revenue implications from the Approved Capital Programme are fully reflected in the Council's 2021/22 Revenue Budget, its Medium Term Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy.
6.5	All procurement activity (revenue and capital) must be procured in compliance with the Public Contracts Regulations 2015 (as amended) and the Council's own Financial and Procurement Procedure Rules. Consideration will be given through the Council's pre-procurement activity to determine the most appropriate route to market along with all associated implications that need to be addressed either through the tender process and/or resulting contract which is awarded.
6.6	Treasury Management forms an integral part of the Council's overall financial arrangements. The assumptions supporting the capital financing budget for 2021/22 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.
6.7	The proposed Treasury Management and Investment Strategy is not forecast to have any further revenue consequences other than those identified and planned for in both the Council's 2021/22 Revenue Budget and approved MTFS.
7.	Legal Advice and Implications
7.1	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). 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.
7.2	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.
7.3	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.
7.4	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.
7.5	It is a requirement that changes to the Council's prudential indicators are

	approved by Council.
7.6	It is also a requirement that the Council's Minimum Revenue Provision Policy Statement for each financial year is approved by Council.
8.	Human Resources Advice and Implications
8.1	Since 2010 the Council has reduced its headcount by 2037 and FTE by 1121.
9.	Implications for Children and Young People and Vulnerable Adults
9.1	As detailed within Section 2.
9.2	The Budget proposals continue to support and protect the most vulnerable children and adults in Rotherham and the income generated from the 1% Adult Social Care Precept on Council Tax will be directly allocated to the Adult Social Care budget..
10.	Equalities and Human Rights Advice and Implications
10.1	No further direct implications beyond those set out within the Budget and Council Tax report 2021/22.
11	Implications for Ward Priorities
11.1	Set out within the budget proposals included in the report.
12	Implications for Partners
12.1	Where the Council is working with partner organisations on specific proposals, for example in Health, the Police and other government agencies, these proposals have been developed in conjunction with these organisations.
13	Risks and Mitigation
13.1	To any extent that approved budget savings or compensating mitigations are not achieved, this will require a drawdown on reserves. The reserves strategy shows that there is a sufficient balance of reserves to mitigate overall budget risk, however, a continued call on the reserves over and above that planned over the medium term would be financially unsustainable.
13.2	The Capital Programme is funded through a number of sources: Prudential borrowing, capital grants and contributions, revenue contributions and capital receipts. There is a potential risk that the future years funding from Government Grants and external sources may vary from that estimated.
13.3	Financial Services 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 Officers
	Judith Badger, Strategic Director - Finance and Customer Services Graham Saxton, Assistant Director - Financial Services

Approvals obtained on behalf of Statutory Officers:-

	Named Officer	Date
Chief Executive	Sharon Kemp	01/02/21
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	01/02/21
Head of Legal Services (Monitoring Officer)	Bal Nahal	01/02/21

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