

Committee Name and Date of Committee Meeting

Cabinet – 14 February 2022

Report Title

Budget and Council Tax 2022/23 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

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Ward(s) Affected

All

Report Summary

This report proposes the Council's Budget and Council Tax for 2022/23, based on the Council's Provisional Local Government Finance Settlement for 2022/23, budget consultation and the consideration of Directorate budget proposals through the Council's Budget process alongside a review of the financial planning assumptions within the Medium Term Financial Strategy (MTFS).

The proposed Budget and Medium Term Financial Strategy reflects the Council's priorities as set out in the Council Plan 2022-2025 and Year Ahead Delivery Plan. The development of the Budget proposals for 2022/23 and the further update of the MTFS take into account prevailing economic factors along with the Council's ambitions for the Borough with specific regard to the environment and social care.

In setting the proposed 2022/23 budget, Cabinet are asked to recommend to Council an increase of 1.5% in the Council's basic Council Tax plus an increase of 3% for the Adult Social Care precept.

The Budget also proposes a Local Council Tax Support Top-up Scheme to operate across 2022/23 and 2023/24 to provide further support to low income working age households in the Borough.

Recommendations

That Cabinet recommend to Council

1. Approval of the Budget and Financial Strategy for 2022/23 as set out in the report and appendices, including the proposed budget adjustments and investments, a basic Council Tax increase of 1.5% and an Adult Social Care precept of 3%.
2. Approval of the proposed Local Council Tax Support Top Up scheme, that will provide additional support to low income households most vulnerable to rising household costs, as described in section 2.5.11-14.
3. Approval of the updated Medium Term Financial Strategy (MTFS) to 2025/26.
4. 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 2021/22.
5. 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).
6. To note the feedback from the public and partners following the public consultation on the Council's budget for 2022/23 which took place from 22 December 2021 to 23 January 2022, attached as Appendix 9.
7. Approval of the proposed increases in Adult Social Care provider contracts and for Personal Assistants as set out in Section 2.4.
8. Approval of the revenue investment proposals set out in Section 2.7 and Appendix 2.
9. Approval of the Council Fees and Charges schedules for 2022/23 attached as Appendix 7.
10. Application of the Business Rates Reliefs as set out in Section 2.9, in line with Government guidance.
11. Approval of the proposed Capital Strategy and Capital Programme as presented in Section 2.10 and Appendices 3A to 3F.
12. Approval of the Treasury Management matters for 2022/23 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.
13. Approval of the Flexible use of Capital Receipts Strategy 2022/23 (Appendix 5).
14. Approval to transfer any 2021/22 revenue outturn underspend into the Council's reserves, to be held within the Budget and Financial Strategy Reserve.

15. Approval to transfer any remaining Covid funding balances into the Council's reserves to meet Covid related pressures and costs in 2022/23.
16. Approval that any changes resulting from the Final Local Government Finance Settlement 2022/23 be reflected in the Budget and Council Tax Report to Council on 2nd March.
17. 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 2021/22 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2021/22 report to Cabinet.
 - (ii) In line with Financial and Procurement Procedure Rules 7.7 to 7.11 and 8.12, 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 2022/23
Appendix 2	Proposed Revenue Budget Investments
Appendix 3A	Proposed Capital Investments Summary
Appendix 3B	Capital Investment Proposals
Appendix 3C – 3F	Capital Programme 2021/22 to 2025/26
Appendix 4	Prudential Indicators and Treasury Management and Investment Strategy 2022/23 to 2024/25
Appendix 5	Flexible use of Capital Receipts Strategy 2022/23
Appendix 6	Placeholder - Statutory Resolution of Council Tax 2022/23 (to be included in the Budget and Council Tax 2022/23 report to Council 2 March 2022).
Appendix 7	Fees and Charges Proposals 2022/23
Appendix 8	Background to the Budget & Financial Strategy
Appendix 9	Budget Consultation 2022/23
Appendix 10	Initial Equality Screening Assessment (Part A)
Appendix 11	Carbon Impact Assessment

Background Papers

- Council Tax Base 2022/23 – Officer Delegated Decision record
- Housing Revenue Account Rents and Service Charges 2022/23 – Cabinet 20 December 2021, Council 12 January 2022
- Housing Revenue Account Business Plan 2022/23 – Cabinet 20 December 2021, Council 12 January 2022
- Provisional Local Government Financial Settlement – 16 December 2021
- Budget and Council Tax 2021/22 and Medium Term Financial Strategy – Council 15 February 2021, Council 3 March 2021
- Financial Outturn 2020/21 – Cabinet 19 July 2021, Council 10 November 2021
- Treasury Management Outturn 2020/21 – Cabinet 19 July 2021, Audit Committee 29 July 2021
- Medium Term Financial Strategy – Cabinet 20 December 2021
- December Financial Monitoring Report – Cabinet 14 February 2022
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2020/21 – Audit Committee 30 November 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 – 09 February 2022

Council – 02 March 2022

Council Approval Required

Yes

Exempt from the Press and Public

No

Budget and Council Tax 2022/23

1. Background

1.1 This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2022/23, together with an updated Medium Term Financial Strategy (MTFS) to 2025/26.

1.2 Local Context

1.2.1 The Council has continued to face a considerable challenge during 2021/22 in its response to the global pandemic. Whilst the financial impact of COVID-19 has reduced, it has still seen a shift in how the Council has been able to provide services to residents. The Council has worked at a national, regional and local level to continue to respond to the COVID-19 emergency and to continue to ensure that critical services are delivered so that the most vulnerable residents are supported. The impact of the COVID-19 emergency has continued to create significant financial pressures for the Council due to additional expenditure, lost income and further delays to the delivery of planned savings and cost reductions. These financial pressures are being covered in the current year by financial support grants from Government and Covid-19 funding provided.

1.2.2 Whilst some uncertainties remain with regard to the ongoing impact of Covid, which the Council will continue to manage, the Council's clear priorities for future service delivery are set out within the Council Plan 2022-2025 and Year Ahead Delivery Plan, agreed at Council on 12 January 2022.

1.2.3 The financial context within which the priorities of the Council Plan are to be delivered needs to recognise the austerity measures introduced by the Government in 2010 and the impact of the 10 years of significant reductions in Government funding that followed. Over this timescale and in response to the funding cuts, the Council had to make savings in excess of £200m. A key priority within the Council Plan, in common with councils across the country, is the delivery of effective social care services, within a sustainable cost envelope and recognising the demand and market factors currently impacting these services.

1.2.4 The Council remains committed to protecting the most vulnerable children and adults and to delivering improved cost effectiveness of these services. The additional social care resources provided within the Finance Settlement for 2022/23 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 improve the delivery of social care services and establish clear strategies to mitigate the increased market costs in order to maintain effective service provision within the available funding.

1.2.5 Adult Social Care is experiencing significant pressures that are out of the Council's control due to a rise in complexity of people's needs.

- 1.2.6 The adult care market has become volatile due the need to meet complexity but also the availability of staff to provide services. This is accelerating costs per hour to meet peoples' eligible needs. This is reflected across all service areas, including mental health where the sector has seen an incremental rise of acute admissions and people experiencing significant high levels of need, requiring mental health support. Due to the challenges in secondary health and community mental health social care, the service is experiencing further demands on the general adult care pathways which again is diverting stretched resources to respond.
- 1.2.7 There is therefore a need to recognise these escalating demand and market costs within this budget, relating in particular to transitions and the upward trend in the costs of adult care, which requires the Council to provide for around £11m extra costs in the budget for Adult Social Care services in 2022/23. Taking into account the complex pressures within Adult Social Care, this service presents the most significant financial risk within the Council's Budget and Medium Term Financial Strategy. The 2022/23 Budget and MTFs also needs to take into account the general upward cost pressures impacting on the costs of all services, e.g. 1.25% NIC increase, current high levels of CPI inflation and market and supply chain issues, driving cost increases.
- 1.2.8 The Budget and Council Tax Report 2021/22 noted that £18.1m of agreed budget savings and cost reductions were required to be delivered across the medium term. A significant volume of savings were predicated on assumptions about social care costs and market conditions. As noted in the Medium Term Financial Strategy (MTFS) update to Cabinet on 20 December 2021, despite changing demand pressures and wider economic factors affecting social care, the Council remains confident that most of the remaining savings will be achieved over time. £2m savings are being delivered in 2021/22 with £11.5m over the subsequent years. In addition to the savings to come from Directorates, significant further savings are being achieved from Treasury Management.
- 1.2.9 The updated position on delivery of savings was presented to Cabinet on 20 December 2021, as part of the Medium Term Financial Strategy update, this outlined the £11.5m of agreed savings to be delivered over the MTFs period. These savings are listed by Directorate below;
- Adult Social Care £2.8m
 - Children's Social Care £7.4m
 - Regen & Environment – savings on operational budgets £0.8m
 - R&E Customer Services & Digital Programme efficiencies £0.5m
- Total £11.5m
- 1.2.10 This package of savings from a combination of Directorates and Treasury Management is considered to be robust and deliverable over the medium term and supports the balanced position shown in the Budget and MTFs over the next 3 financial years.

- 1.2.11 The expected financial outturn position for 2021/22 has been considered along with the level of reserves and opportunities to manage risk within the budget. The final position for reserves will be determined as part of the financial outturn for 2021/22.
- 1.2.12 However, even with the recognition of the budget challenges within Adult Social Care and with the delivery of agreed savings, the Council's proposed Budget and Medium Term Financial Strategy remains robust. The provision of additional resources as part of the Financial Settlement and the proposed Council Tax and Adult Social Care Precept increase provides cover for some of the additional costs of adult social care. Along with continued strong performance in local taxation and careful management of reserves the Council Tax increase also allows for a small amount of investment in enhanced services, for 2022/23 onwards, as described in section 2.7.
- 1.2.13 Throughout the pandemic the Council has looked to support those most vulnerable to the financial impacts it has had on household incomes and household costs. In 2021/22 the Council provided further Local Council Tax Support to residents, up to £100, with a scheme that has to date provided £1.4m of support across 16,632 accounts, 8,559 of which had their Council Tax bills reduced to zero. In recognition of the rising household costs as a result of rising energy prices and inflation moving forwards, the Council proposes to provide another top up to Local Council Tax Support across the financial years 2022/23 and 2023/24, as described in section 2.5.11.

1.3 Revenue Budget Position 2021/22

- 1.3.1 The December revenue financial monitoring position which is reported to Cabinet on 14 February 2022, on the same agenda as this budget report, shows a forecast year-end overspend of £8.2m. Whilst the Directorates have a forecast year-end overspend of £8.2m on the General Fund, this is mitigated by the government's provision of COVID-19 emergency support grant and Sales, Fees and Charges Income Compensation.
- 1.3.2 The 21/22 Budget was supported by the use of £7.5m from the Budget Strategy Reserve. The Council also carried forward Covid emergency support funding from 2020/21 to support ongoing service Covid costs and income losses. In addition, further emergency support funding was received during 2021/22 and Government confirmed that the co-payment mechanism for irrecoverable Sales, Fees and Charges income would run for quarter 1 2021/22. The Council has monitored and managed this Covid funding carefully to ensure there was sufficient resources available to manage the financial implications of the continuing impact on services throughout the pandemic.
- 1.3.3 The Council has incurred significant direct additional costs and income losses over the financial year 2021/22 and has also needed to divert services to different priorities to support activity in relation to the pandemic. The associated financial impact of Covid during 2021/22 is expected to exceed the funding provided by Government and it would therefore be

appropriate to utilise during 2021/22 the maximum amount of funding eligible. Subject to final outturn but based on current expectations, this is likely to mean that not all of the Budget Strategy Reserve 2021/22 will be required and it is therefore proposed that any balance remaining is left in the Council's reserves. This is anticipated to be in the region of £5.8m

1.3.4 Within the Children's and Young People's Services Directorate the Looked After Children number at the time of this budget forecast was 567, which is ahead of the budget profile of 574 for this period. However, the placement mix is showing higher than projected placements in high costs settings, particularly for residential placements. As such, placement costs remain the most significant pressure within the service. The forecast overspend for the Directorate in 2021/22 is £6.8m.

1.3.5 The Adult Care Housing and Public Health Directorate is forecasting an underspend of £2.9m. This relates to savings on Care Packages due to increased Health income for clients being agreed, as well as lower than anticipated take up of some services restarting following partial closure due to the pandemic. Included within the £2.9m forecast underspend is the Covid-19 impact for the service. COVID-19 is estimated to have a net cost impact of £2.1m after factoring in government grants provided to support Covid-19 related expenditure. This includes: £0.4m for personal protective equipment; £1.1m due to delayed budget savings and £0.7m placement costs due to the extension of the NHS discharge scheme (additional demand) and £0.6m of staffing and other costs. Forecast additional NHS income for people discharged from hospital £0.7m, to support the hospital discharge process during the pandemic, reduces the net Covid-19 cost.

1.3.6 The Regeneration and Environment Directorate is forecasting an overspend of £4.2m 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. At a high level analysis, the main pressures are within Home to School Transport, Waste Management (demand pressures impacted by Covid-19), Culture Sport and Tourism (Income pressures impacted by Covid-19) and Asset Management (savings delivery impacted by Covid-19).

1.3.7 Both Finance and Customer Services and Assistant Chief Executives Departments are forecasting small underspends.

1.4 Spending Review 2021 and Provisional Local Government Finance Settlement 2022/23

1.4.1 The Spending Review was published on 27 October 2021 and provided headline information for local government funding from 2022/23 to 2024/25. These were the headline figures behind the statements in the Spending Review:

- £3.6bn for Adult Social Care Reform over the next three years
- £1.6bn per year (£4.8bn over 3 years) extra funding for local government.

For the £3.6bn funding for Adult Social Care Reform the Spending Review quotes; “£3.6bn of funding will be routed through local authorities in order to implement the charging reforms and support local authorities to better sustain their local care market by moving towards a fairer cost for care.” A public consultation on proposals is planned by Government, with the intention of regulations and final guidance on the implementation of Adult Social Care reforms being published in Spring 2022. The reforms in relation to charges for Adult Social Care are planned to commence from October 2023.

The £1.6bn per year is intended to cover;

- Funding for a range of specific grants and new burdens e.g. the Supporting Families extra funding will be top-sliced from the £1.6bn. It is also anticipated that the funding will need to cover general ongoing cost impact of Covid.
- Inflation impact, including National Living Wage increases. i.e. existing Core Government Grants won't be increased for inflation on top of the £1.6bn.
- Compensation to Local Government for the cost of the 1.25% increase in Employers' National Insurance contributions from April 2022.

1.4.2 The Government published details of the Provisional Local Government Finance Settlement on 16 December 2021. The Strategic Director - Finance and Customer Services submitted the Council's response to the provisional settlement consultation, within the deadline for responses of 13 January 2022.

1.4.3 The key headlines from the Settlement are:

- The basic Council Tax referendum principle for 2022/23 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 1% (over the basic referendum threshold of 2% referred to above) by means of an Adult Social Care Precept for 2022/23. Councils carrying forward any balance from the 3% maximum Adult Social Care Precept to be levied across 2021/22 and 2022/23 financial years, may also apply that balance in 2022/23. As the Council increased the Adult Social Care Precept by less than the maximum amount in 2021/22 there is the ability to increase the Precept by up to 3% for 2022/23 (2% carried forward unused balance from 2021/22 and 1% specifically for 2022/23).
- The Spending Round 2021 announced £1.6bn of additional funding across 2022/23 to 2024/25. The provisional settlement, allocates a total of £1.526bn as:
 - £822m Services Grant
 - £636m Social Care Grant (including inflation uplift to the existing grant level)
 - £136m Inflation on other existing grants – RSG etc

➤ (£68m) Reduced New Homes Bonus funding (due to no more legacy payments)

- The Council's allocations from the two new grants are, £4.4m Services Grant and £3.5m additional Social Care Grant, taking the total Social Care Grant to £14.757m for 2022/23. Though, it should be noted that the distribution methodology applied to the Services Grant to determine individual councils' allocations is for 2022/23 only, with Government to consult on the future distributions for 2023/24 onwards.
- The Spending Round 2021 announced £3.6bn for Social Care Reforms across 2022/23 to 2024/25. The provisional settlement, allocates £162m to the financial year 2022/23, provided for Market Sustainability and Fair Cost of Care. The Council's allocation is, £0.9m. Allocations of £3m per year are anticipated for 2022/23 and 2023/24.
- The Government has decided to allocate a further new year of New Homes Bonus in 2022/23, with allocations based on the existing scheme, while time is taken to analyse the results of the consultation undertaken on the future of NHB and develop proposals for future years. The Council's one-off allocation for 2022/23 is £1.1m.
- The unringfenced Lower Tier Services Grant will continue into 2022-23, provided to councils with responsibility for services such as homelessness, planning, recycling and refuse collection and leisure services.
- As above, Government utilised some of additional £1.526bn to provide an inflationary uplift on some existing government grants, such as Revenue Support Grant. Government have also indicated that the business rates compensation will be uplifted by RPI in the final settlement, rather than CPI. This adjustment has been built into the budget proposals.
- The Final Local Government Finance Settlement 2022/23 is expected to be announced early February. It is proposed that any changes resulting from the Final Settlement are reflected in the Budget Report to Council on 2nd March.

1.4.4 The provisional financial settlement however, was for 2022/23 only, as such there is a degree of uncertainty around the future mix of local government funding. However, the spending review provides sufficient certainty to allow the MTFs to be updated as part of this proposed budget.

1.4.5 For the additional Social Care reform funding, of which the Council will receive £908k for 2022/23, to support Market Sustainability and Fair Cost of Care, there are conditions attached to the use of the funding. Councils will need to evidence the following actions with regard to Adult Social Care:

- conduct a cost of care exercise to determine the sustainable rates and identify how close they are to it.

- engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market.
- strengthen capacity to plan for, and execute, greater market oversight (as a result of increased section 18(3) commissioning) and improved market management to ensure markets are well positioned to deliver on our reform ambitions.
- use this additional funding to genuinely increase fee rates, as appropriate to local circumstances

The appropriate evidence will need to be provided to Department of Health & Social Care (DHSC) as a condition of receiving the years 2 & 3 funding. If a similar distribution methodology is used for years 2 & 3 to that used for year 1, then the Council might expect funding of around £3m in each of those years.

- 1.4.6 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 Table 1 below.

Table 1 – Settlement Funding Assessment – Government Grants

Government Grants	2021/22	2022/23	Difference
	£'000	£'000	%
Revenue Support Grant	15,183	15,653	3.1
Business Rates Top Up	29,415	29,415	0
Provisional Settlement – Government Funding	44,598	45,068	1.1

- 1.4.7 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. This additional grant is £3.017m for 2022/23 based on the indications in the Settlement that compensation for the business rates freeze in 2022/23 will be paid based on the September 2021 RPI rate of increase.
- 1.4.8 Government have provided no indication, in the Provisional Settlement that the Council will be provided with further emergency support funding for 2022/23, in order to mitigate the ongoing financial impacts of Covid-19. However, that position may change as Government looks to respond to the national pressures caused by the Omicron variant, a situation that has moved significantly since the announcement of the Provisional Settlement.
- 1.4.9 The Council expects Government to continue to allow councils to utilise the existing capital receipts flexibilities that allow revenue transformational expenditure to be funded by Capital Receipts. The Council's proposed Capital Programme will therefore assume the continued use of these

flexibilities where it is most financially advantageous to do so, providing that Government do extend the Capital Receipts flexibilities.

1.4.10 Dedicated Schools Grant (DSG)

1.4.11 The Council also receives funding to deliver education in Rotherham, the Dedicated Schools Grant (DSG). The DSG (£286.0m) is split into four blocks and each block is determined by a national funding formula:

The DSG now includes the Teachers Pay and Pensions Grants which were previously separate grant allocations but have now been included within the DSG individual blocks, with schools receiving the funding within their individual DSG allocation.

- 1.4.12
- The Schools Block for 2022/23 is £218.4m and is allocated to mainstream schools and academies in the Borough based on pupil numbers taken from the October 2021 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 £4,265 and the Secondary unit is £5,525.
 - The Early Years Block is £17.8m and the majority of the spend is allocated for two year olds (£2.6m), three and four year olds (£13.9m) in schools, private, voluntary and independent organisations. The hourly rate per pupil has increased from £4.44 to £4.61 for three & four year olds and £5.36 to £5.57 for two year olds. In addition, the Early Years block includes a Maintained School Nursery Supplementary funding allocation of £939k, Early Years Pupil Premium of £272k, and Disability Access Fund (DAF) £123k to provide additional support to vulnerable pupils.
 - The High Needs Block is £48.3m 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 more than doubled since 2014 increasing from 1,101 on 31 December 2014 to 2,588 on 31 December 2021.
 - Due to the number of EHC plans this has led to financial pressures on the High Needs Block (HNB) in Rotherham and to address the cost pressures the local authority has implemented a four year financial recovery plan.

The HNB funding is calculated by the following:

- A basic entitlement factor allocates funding using data on the pupil and student numbers in specialist provision. The basic entitlement funding rate is £4,660 per pupil or student for 2022/23
- A historic spend factor, which has been updated for 2022/23, to provide every local authority with a set percentage (50%) of their 2017 to 2018 spending on high needs is now based on the local authority's actual spend from 2017 to 2018 outturn data rather than planned spend as previously used.
- The remaining high needs funding, after deductions for the basic entitlement, is then calculated using the proxy factors listed below:
 - population factor
 - free school meals (FSM) factor
 - income deprivation affecting children index (IDACI) factor (using the latest IDACI 2019 data)
 - bad health factor
 - disability factor
 - key stage 2 low attainment factor
 - key stage 4 low attainment factor
- The Central Services Block (£1.45m) comprises of funding for ongoing statutory responsibilities of the local authority.

1.4.13 **DSG Safety Valve**

1.4.14 The Council is working with the DfE as part of the Safety Valve Intervention Programme which is provided to support local authorities which have large DSG deficits. The work with DfE on the Programme aims to achieve a mutually agreeable solution to eliminating the Council's DSG deficit and to secure a sustainable DSG position going forward. The DSG deficit was £21.8m as at the end of 2020/21. As part of the Safety Valve process the Council have also been invited to complete an application for additional High Needs Capital. Progress on the Safety Valve Intervention Programme will be reported to Cabinet in due course.

1.4.15 **2022/23 Schools Supplementary Grant**

1.4.16 The autumn 2021 spending review confirmed £1.6 billion funding for schools and high needs, for the 2022/23 financial year, above the previous DSG settlement for that year. In the 2022/23 financial year, schools will be allocated £1.2 billion of this additional funding (£6m to Rotherham), to provide support for the costs of the Health and Social Care Levy and wider costs. This funding will be allocated through the Schools Supplementary Grant 2022/23. Education will receive a £4.7 billion increase by 2024/25 for the core schools' budget in England. In addition, £2.6 billion of capital funding is provided for new school places for children with special educational needs and disabilities. Funding for each pupil will be returned to 2010 levels, an increase worth £1,500 a pupil.

1.4.17 In addition to the Schools Supplementary Grant, local authorities have been allocated £325 million additional high needs funding for 2022/23 (£1.7m to Rotherham), on top of the dedicated schools grant high needs block allocations, calculated under the national funding formula. The additional high needs funding allocations include funding for the Health and Social Care Levy and wider cost pressures in special schools and alternative provision. These schools will not receive the Schools Supplementary Grant but should discuss with the local authority any increases as part of the top-up funding paid from the high needs budget.

1.4.18 Schools Pupil Premium

1.4.19 The **Schools Pupil Premium** is additional funding provided to schools, the value of which is based on 3 elements detailed below.

- The Department for Education has announced that the Disadvantaged Pupil Premium rate will increase in 2022/23, for Primary Pupils the rate has risen from £1,345 in 2021/22 to £1,385 and for Secondary Pupils from £955 in 2021/22 to £985. 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 increase from £2,345 per pupil in 2021/22 to £2,410 per pupil in 2022/23.
- The Service Premium, for every pupil with a parent serving in the Forces or who is retired on a Ministry of Defence pension will increase from £310 per pupil in 2021/22 to £320 per pupil in 2022/23

1.4.20 Additional Grants to Schools

- 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 2022/23 and Medium Term Financial Strategy to 2025/26

2.1 Background and Budget Approach

2.1.1 The Council's focus is on delivering the priorities set out within the Council Plan. However, the budget context is set against the additional financial pressures of the National Living Wage, inflation and increasing demand for services due to a growing population and changing demographics in Rotherham. The Council's Medium Term Financial Strategy submitted to Cabinet in December 2021 provided a four-year outlook of the Council's anticipated resources and budget requirement and sets out the approach to delivering a sustainable budget position up to 2025/26. The MTFS included in this report is further updated following the release of the Provisional Settlement for 2022/23

2.1.2 The Council is also focusing on its leadership role across the borough, particularly where it can have greater influence. Partnership working is recognised across all services as being essential to the future of the borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and helping to strengthen our communities. The Council Plan was approved at Council on the 12 January 2022, setting out the Council's strategic themes:

- Every neighbourhood thriving
- People are safe, healthy, and live well
- Every child able to fulfil their potential
- Expanding economic opportunity
- A cleaner, greener local environment.

All directorates will continue to work together over the next three years to achieve the commitments set out within each of the themes.

2.1.3 The Budget and Council Tax Report 2021/22 agreed at Council in March 2021 noted that £16m of the total £34m of agreed budget savings and cost reductions had been delivered at that point and that the remaining savings were profiled across the medium term. A further £2m savings are being delivered in 2021/22 and £11.5m is profiled for delivery from 2022/23 in the updated MTFS period. This shows a total of £29.5m savings from the original £34m package will have been delivered by 2024/25. The remaining balance is covered by additional corporate savings from Treasury Management.

2.1.4 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, market cost pressures within the provision of social care and the impact of inflation.

2.1.5 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 as identified within the

Council Plan to best meet the needs of Rotherham’s residents, and ensure that best value is demonstrated across the breadth of Council services.

2.1.6 It is also important to underline the spending level of the Council despite the previous funding cuts. With a current proposed revenue budget of £259.6m in 2022/23 together with proposed capital expenditure of £244.7m for 2022/23, the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region. The challenge is to ensure the sustainability of the Council to deliver against the Council’s stated priorities. This means making carefully considered investment and savings decisions through to 2026. The Capital Programme which has been updated within this report includes a total of £612.8m of planned capital investment across the current year and up to 2025/26.

2.1.7 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 there is a strain on school budgets. 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.

2.1.8 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 Savings

2.2.1 Financial Monitoring reports to Cabinet during 2021/22 have indicated the impact of Covid on progressing delivery of budget savings, in particular savings on social care services. Service demand and cost of adult social care services also continues to increase which has limited to some extent the amount of adult social care savings that can be delivered and the timescale across which savings that can be achieved, are made. The Medium Term Financial Strategy update provided to Cabinet, 20 December 2021, set out the timescale over which agreed savings can be delivered, in support of a balanced budget position across the next three financial years and this is confirmed within the MTFS update within this report.

2.2.2 Table 2 – Cumulative amounts of Delivery of Agreed Budget Savings across MTFS

Directorate	2022/23 £000	2023/24 £000	2024/25 & Total FYE £000
Adult Care, Housing & Public Health	3,300	2,800	2,800

Children & Young People	971	4,739	7,411
Regeneration & Environment	374	762	784
R&E Customer & Digital	200	500	500
Total Directorate Savings	4,845	8,801	11,495

The information in Table 2 shows delivery of £11.5m of Directorate savings as part of a balanced budget position over the next three financial years. The £11.5m savings is supplemented by additional corporate savings from Treasury Management. This recognises that any further level of savings from Adult Social Care, in particular, is not deliverable in the current environment. Adult Social Care is an area where the Council needs to put greater resources into service provision, as per this Budget Report.

2.2.3 Further details of the Council's proposed budget for 2022/23 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 March 2021 included an assumed increase in fees and charges of 2%, for 2022-23. The updated Medium Term Financial Strategy agreed at Cabinet in December 2021 maintained that position.

2.3.2 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:

- 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

The following exemptions are proposed.

- Civic Theatre – Price freeze to encourage return of custom following Covid forced closure.
- 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.
- Taxi Licensing - Price freeze to support a now struggling market where service supplier shortage has consequences for essential services
- Market Service - Price freeze to encourage return of custom following Covid forced closure.
- School Meals - 2% increase to be applied from September 2022 due to existing contractual arrangements.
- Building Control – fee increases to enhance service capacity in particular to enable timely enforcement of building control matters

The following exemptions relate to services where statutory rules apply, the impact of these exemptions is factored into the budget.

- Licensing through the 2003 Licensing Act.
- Regulation and Enforcement (Water samples, Fixed Penalty Notices and Pollution Control Permits
- Planning application fees
- Blue Badge Scheme
- School meals charges

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 is £25k, after taking account of additional income generated where fees and charges have been increased above 2%.

2.4 Independent Adult Care Sector Provision

2.4.1 The total uplift proposed for each sector is based on a weighted average cost incorporating the NLW increase and CPI. Older people's care homes and home care providers will receive an additional increase following the detailed cost of care review in 2020/21 which provided for supplementary increases over 3 years.

2.4.2 The Council consults with providers each year to assess the fees it pays for care. The following paragraphs provide a summary of the issues facing different segments of the market as well as the proposed fee uplifts.

Residential and Nursing Care Homes

2.4.3 There are a total of 32 independent sector care homes contracted to support older people in Rotherham. They provide a range of care types.

2.4.4 The independent sector care home market in Rotherham supplies 1,643 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 227 in 2020/21.

2.4.5 The pressures that the older people’s care home market faces are well documented and are highlighted below:

- 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.
- Increasing use and high cost of agency nurses which is having a negative impact on patient flow from the hospital and ability to continue to provide and maintain a quality service.
- The National Living Wage will increase by 6.62% to £9.50 in April 2022.
- An increase of 1.25% in national insurance contributions which will become the Health and Social Care Levy.
- Care market restricted in their ability to compete financially with the retail and hospitality sector as they are currently offering joining bonuses and increased wage rates.
- A high degree of staff turnover has resulted in a significant increase in recruitment and retention costs and this has been further exacerbated due to the mandatory requirement for all staff members to have received two doses of the Covid-19 vaccine by 11.11.21
- Increasing care requirements of residents with complex needs for resulting in an intense demand on staff resource.
- Ongoing additional costs because of Covid 19 such as the increased use of personal protective equipment and staffing costs.
- Increase in energy bills due to wholesale cost increases.
- Increase in insurance cover costs as the care market is perceived as “high risk” due to the impact of Covid-19

2.4.6 The following table details the proposed fees for 2022/23. The total increase in fees aims to address the current costs of delivery and provide funding for inflation. 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 £1.5m 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.

2022/23 Proposed Fees	Residential	Residential EMI	Nursing Care*	Nursing EMI*
Rotherham	£550	£574	£565	£627

*Excluding Funded Nursing Care element

Independent Sector Provision – Home Care

- 2.4.7 The purpose of a home care and support service is to enable people to 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.

Around 1,200 people access the Home Care and Support Service and approximately 80% of people accessing the service are over the age of 65. This type of service represents 35% of the total provision to people assessed as eligible to receive active service. Around 16,000 hours of service are delivered per week which makes a major contribution to supporting people to remain in their own homes.

- 2.4.8 The Home Care and Support Service was secured via a competitive tender in 2019 and mobilised in April 2020 at the onset of the pandemic. The number of providers appointed to the flexible purchasing system (FPS) has increased from 13 to 14 providers to accommodate growing demand. In July 2021 it was necessary to further increase the number of formal arrangements with providers to rapidly assuage both the impact of the pandemic and in preparation for winter pressures expected to reduce both capacity and resilience in the market. Currently there are 17 providers responding to request for service, although meeting demand remains an ongoing challenge.

Rotherham's home care and support situation is not unique reflects a growing national picture.

- 2.4.9 The lifting of Covid restrictions in the retail, hospitality, and entertainment sectors has reduced the workforce capacity. Provider's testimony indicates Care Workers are resigning to take jobs with attractive pay rates and better terms and conditions.

In depth consultation has been undertaken with contracted home care and support providers to analyse care worker pay rates in the sector. The average basic hourly pay rate of care workers has been compared against pay for work in similar work roles and types in the Rotherham jobs market. Analysis shows that advertised pay can be significantly higher for work that is either similar or requires less skill and/or physical demand indicating an extremely competitive jobs market. Attracting sufficient numbers of people to work in home care and support service's is a key challenge for the sector.

- 2.4.10 Providers were paid at the tendered rates in 2020/21 with a 2.99% inflation uplift applied in 2021/22 and services are 'called off' the FPS at these agreed rates. The current average hourly rate is £17.26. It is proposed that a 7.19% inflation uplift is applied to the rates in 2021/22 at a total cost of £1.014m. The total increase in fees accounts for the increase in the national living wage and inflation.

Independent sector provision – Learning Disability and under 65 Specialist Services

2.4.11 The Council provides financial support to 778 learning disabled people, of all ages, with an aging demographic and increased complexity from young people transitioning into the services. There are 425 Physically Disabled people (aged 18-64); 194 people with Mental ill health (aged 18-64) and 102 people, with a range of support reasons including Sensory Impairment, currently receiving Council support.

2.4.12 The pressures that the Learning Disabilities and Under 65's Specialist services face are in line with those faced in Older Peoples services and are highlighted below:

- 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 staff both Carer and Nursing roles.
- The National Living Wage will increase by 6.6% to £9.50 in April 2022.
- Challenges in relation to attracting and retaining staff when pay rates in retail and hospitality are higher for less demanding roles
- The 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 due to Covid 19 for example the increased use of personal protective equipment and increased staff absence

2.4.13 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.

Learning Disabilities	Percentage uplift
Supported Living	6.11%
Residential Care	5.59%
Day Care	5.95%
Other 18-64	
Care Homes	5.53%
Supported Living	6.11%

2.4.14 It is proposed to increase the allocation within personal budgets for payment of Personal Assistants through Direct Payments to ensure compliance with the Real Living Wage from 1 April 2021 (£9.90 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.

- 2.4.15 Recognising that a significant proportion of people in receipt of Direct Payments exercise choice to directly purchase other services from a range of providers at varying levels of costs, it is proposed to apply a 6.07% increase to the personal budgets, reflecting the increase in the National Living Wage from 1 April 2022. This will continue to support the wider home care and day care market, ensuring that choice is available outside of the Council commissioned services.
- 2.4.16 The Council received £1.7m from the Integrated Care System (ICS) to enact a market uplift across Adult Social Care Services, covering the period December 2021 to March 2022. These uplifts include a 6.62% increase on the staffing element of providers costs, which will incorporate the introduction of the National Living Wage (NLW) increase before 1 April 2022. Increasing fee rates before the new financial year has only been made possible due to the additional funding from the ICS and won't be repeated in future years unless further additional funding is provided.
- 2.4.17 Discussions with care providers have highlighted that the ability to pay staff a competitive rate is a key issue, especially in view of the significant wage inflation within retail, hospitality, and the NHS. The purpose of the funding is to support the continued workforce challenges across the Adult Social Care market, by encouraging people to remain in or join the sector with competitive rates of pay.

2.5 Council Tax Proposals for 2022/23

- 2.5.1 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by 4.5%, comprising a 1.5% increase in the basic rate of Council Tax and a 3% Adult Social Care Precept.
- 2.5.2 The Government have confirmed that the basic referendum principle for 2022/23 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 1% for 2022/23 (over the basic referendum threshold of 2%). In addition, Councils that did not fully apply the Social Care precept of up to 3% for 2021/22, can apply any unused increase in 2022/23. As the Council applied 1% of the Social Care precept in 2021/22, the Council can further increase its Social Care precept by a further 2% for 2022/23. Therefore, the total that the Council could increase Council Tax by is 5%, through a 3% Social Care precept increase (1% for 2022/23 and 2% carried forward from 2021/22 not applied) and 2% on the basic referendum threshold.
- 2.5.3 A 3% adult social care precept will raise an additional £3.4m in 2022/23 to contribute to funding increased costs of adult social care.

- 2.5.4 A 4.5% increase on the tax levied in 2022/23 would mean a Band D Council Tax (for the Rotherham Council element only) of £1,687.24. Details of the proposed increases on all Council Tax bandings are set out in Table 2 below. Over 53% of properties in the Borough are Band A.

Table 3 – Council Tax Bands and Amounts (Rotherham Council element only)

Council Tax Band	2021/22 £	2022/23 £
A	1,076.39	1,124.82
B	1,255.79	1,312.29
C	1,435.19	1,499.77
D	1,614.58	1,687.24
E	1,973.38	2,062.18
F	2,332.18	2,437.12
G	2,690.97	2,812.06
H	3,229.17	3,374.47

- 2.5.5 The budget for 2022/23 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 2022/23 may result in a negative effect on the in-year Council Tax collection rate. Consequently the 96% in-year collection rate budgeted for in 2021/22 has been maintained for the 2022/23 taxbase rather than the 97% rate used in previous years' taxbase calculations, prior to Covid 19.
- 2.5.6 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. This includes some additional investments in services which are set out in Paragraph 2.7.
- 2.5.7 As required by legislation (the Local Government Finance Act 1992) the Budget Report to Council on 2nd March 2022 will include a Statutory Resolution of Council Tax setting out details of the proposed Council Tax calculations for 2022/23 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.
- 2.5.8 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). The Council's Tax Base for 2022/23 has been determined as 71,454.06 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.

- 2.5.9 The Council's current Local Council Tax Support Scheme was approved by Council on 24 January 2018. The Council is not making any changes to this scheme for 2022/23.
- 2.5.10 Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 4.5%, this will generate a total Council Tax of £120.6m available to support the Council to fund services in 2022/23. Details of the Council Tax Base for 2022/23 are set out in Appendix 1.
- 2.5.11 **Local Council Tax Support Top Up Scheme 2022/23 to 2023/24**
- 2.5.12 The Council is aware that many residents will be facing rising household costs. In recognition of this the Council proposes to provide a further Local Council Tax Support Top Up scheme across the financial years 2022/23 and 2023/24. The scheme will provide an expected additional award of £112.65 council tax support to working age claimants on the Council's local council tax support scheme for 2022/23. Based on current caseloads this is expected to provide additional support to approximately 14,500 households. Where a claimant has a bill of £112.65 or less, then the bill will be reduced to zero. This means that for a working age household in receipt of maximum council tax support in a non-parished area Band A property, there will be no bill to pay for 2022/23 Council Tax. Based on current caseloads this is estimated to be approximately 10,500 households. The application of the scheme will include all those becoming eligible up to and including 31 March 2023. The precise value of the award will be confirmed once the Police and Fire Precepts are known. Whilst the Council intends to run a further Local Council Tax Support Top Up scheme in 2023/24, the value of this award will be confirmed ahead of 2023/24 when the costs are clearer.
- 2.5.13 The scheme will be funded by £2.8m Local Council Tax Support Grant the Council received to mitigate the financial impact of Covid-19 on future Council Tax income. In addition, the Council may call on other funding that the Council has set aside to support Rotherham's recovery from the financial impacts of the pandemic, the Covid Recovery Fund and the Collection Fund Income Guarantee grant. Based on current LCTS caseloads and an estimate of new claims arising during the year, the estimated cost of the proposed additional Local Council Tax Support Top Up for 2022/23 is around £1.6m. The actual cost won't be known until the end of the 2022/23 financial year.
- 2.5.14 The scheme will replicate the criteria implemented in 2020/21. For year 1, the scheme will provide an expected £112.65 of additional Council Tax Support (subject to confirmation of the Police and Fire Precepts), based on the following criteria;
- That an expected additional award of £112.65 Council Tax Support will be made to those people of working age who are in receipt of Local Council Tax Support as at 1 April 2022.
 - That where a claimant has a Council Tax bill of £112.65 or less, their bill will be reduced to zero.
 - That the remaining funding will be utilised to fund the cost of new claimants becoming eligible for Local Council Tax Support including

the application of the relevant proportion of the additional expected £112.65 support.

- That the additional support will apply to all those becoming eligible up to and including 31 March 2023.

2.5.15 New bills will be issued to those eligible for this additional support.

Year 2 will be considered as part of the Budget and Council Tax proposals for 2023/24.

2.6 Proposed Revenue Budget 2022/23 and Medium Term Financial Strategy to 2025/26

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 An update of the MTFS was submitted to Cabinet in December 2021, The MTFS has been updated again, to reflect the outcomes of the Provisional Local Government Finance Settlement 2022/23 and the budget proposals set out in this report. It includes funding and expenditure projections up to the 2025/26 financial year which show an effectively balanced position up to 2025/26 where there is an expected funding gap of £3.9m on current service activity. However, there will be a further Government Spending review before funding allocations for 2025/26 are determined. In addition, the MTFS will be kept under review annually, which will include reflecting the impact of future years' annual Finance Settlements.

2.6.3 Taking into account Government funding notified for 2022/23 within the Provisional Local Government Finance Settlement, estimates of Government funding for future years based on the Spending Round 2021 and the Council's own resources, the proposed budget for 2022/23 and an updated MTFS over the following four years is set out below in Table 4.

Table 4 - Budget and MTFS 2022/23 to 2025/26

<u>Resources</u>	2022/23	2023/24	2024/25	2025/26
	£000	Estimated £000	Estimated £000	Estimated £000
<u>Government Funding</u>				
Revenue Support Grant	15,653	15,653	15,653	15,653
Business Rates Top-Up Grant & S31 Grant as compensation for multiplier cap on Top-Up Grant	32,432	33,405	34,073	34,755
New Homes Bonus	1,292	0	0	0
Public Health Grant	17,258	17,776	18,131	18,494
Social Care Support Grant	14,757	14,757	14,757	14,757

iBCF additional funding from 2019/20	2,686	2,686	2,686	2,686
Services Grant	4,426	4,426	4,426	4,426
Market Sustainability and Fair Cost of Care Fund	908	3,000	3,000	3,000
Other Government Grants	1,610	1,610	1,610	2,210
Total Government Funding	91,022	93,313	94,336	95,981
Retained Business Rates & S31 Grants as compensation for Government determined business rates reliefs	46,484	48,384	48,671	50,063
Council Tax Collection Fund – annual review and use of surplus	1,500	2,500	3,000	3,000
Council Tax and Adult Social Care Precept	120,560	125,406	130,447	135,691
Total Council Resources	168,544	176,290	182,118	188,754
Total Resources	259,566	269,603	276,454	284,735
<u>Expenditure</u>	2022/23 Budget £000	2023/24 Estimated £000	2024/25 Estimated £000	2025/26 Estimated £000
Base Budget Requirement at 2021/22 pay and prices	247,030	249,968	250,213	249,968
Provision for pay, price and fees and charges income inflation	10,241	16,000	22,600	29,200
Adult Care – care transitions and demand	4,600	7,200	8,200	9,200
Home to School Transport - further demand	1,000	1,000	1,000	1,000
Waste service costs and demand	500	500	500	500
Capital Investment to 2024/25 – financing costs	1,281	2,719	4,228	5,104
Budget savings and cost reductions,	-4,845	-8,801	-11,495	-11,495
Revenue budget investment 22-23	2,351	2,201	2,201	2,201
Market Sustainability and Fair Cost of Care Fund	908	3,000	3,000	3,000
Use of savings and funds within Budget/MTFS Strategy :				
<ul style="list-style-type: none"> CYPS reserve to support budget 	-2,000	0	0	0

• Treasury Management Savings	-1,500	-4,000	-3,800	0
Total Expenditure Budgets	259,566	269,787	276,647	288,678
Gap	0	184	193	3,943

* Notes :

- (i) The amounts of Public Health Grant are estimated based on spending Round 2021, pending the Government confirming the allocations for 2022/23.
- (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.

2.6.4 Set out below in Table 5 is the proposed Net Revenue Budget for 2022/23 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 4.

Table 5 Net Revenue Budget by Directorate

	Proposed Budget 2022/23
	£'000
Adult Care, Housing & Public Health	94,817
Children & Young People's Service	65,114
Regeneration & Environment Services	46,672
Finance, Customer Services	18,354
Assistant Chief Executive	7,038
Central Services	27,571
TOTAL NET REVENUE BUDGET	259,566

2.6.5 The proposed Central Services budget (£27.6m) shown in the table above includes the following key budgets and provisions:

- Levies – Integrated Transport Authority, Coroners, Environment Agency, Apprentice (£11.8m)
- Capital Financing (£15.3m)
- PFI Grants (cr £3.8m)
- Inflation provision for pay, price and fees and charges, (£4.9m) after the allocation of £5.3m for adult care provider contracts, which will be allocated to Directorates during 2022/23

2.7 Proposed Revenue Budget Investment

2.7.1 Following consideration of the Council's overall financial position for 2022/23 and the Medium Term, a number of revenue budget investment priorities are proposed for 2022/23 onwards as summarised below in Table 6. These proposals total £2.722m for 2022/23 and will reduce to £2.201m for 2023/24 thereafter. Further details of all these investment proposals are provided in detail in Appendix 2. During 2022/23, £371k of the proposed investments are to be funded on a one off basis via the Covid Recovery Fund.

Table 6 Proposed Revenue Budget Investments

Ref per template	Revenue Budget Investments	2022/23 £'000	2023/24 £'000
Every Neighbourhood Thriving			
22/23 R&E3	Events & Festivals	118	118
22/23 R&E7	Libraries Book Fund	50	50
22/23 R&E12*	Women's Euro 2022	140	0
22/23 R&E13	Neighbourhood Road Safety	90	90
22/23 R&E14	Town Centre Management	70	70
People are Safe, Healthy & Live Well			
22/23 R&E9	CCTV Lead Officer	60	60
22/23 R&E15	Community Coordinator (Countering Extremism)	60	60
22/23 R&E1	Planning Enforcement	44	44
22/23 R&E4	Licensing Service	150	150
Every Child able to Fulfil their Potential			
22/23 CYPS1	Expansion of Family Group Conferencing (FGC)	130	130
22/23 CYPS2	Universal Youth Work	180	180
22/23 CYPS3	Development of SEND and inclusion services	200	200
22/23 CYPS4	Support for School Uniform Provision	65	65
22/23 CYPS5	Additional Social Work Capacity to Support Children at Risk of CCE	144	144
Expanding Economic Opportunity			
22/23 R&E2	ADVANCE Skills Programme	150	0
A Cleaner, Greener Local Environment			
22/23 R&E5	Pilot Pollinator Friendly Approaches (Wild Flowers)	42	42
22/23 R&E6	Tree Planting – Engagement Programme	50	50

22/23 R&E8	Climate Emergency Delivery Team	155	155
22/23 R&E10	Enhanced grounds maintenance and street cleaning	493	493
22/23 R&E11	Tree Service Casework	100	100
One Council Approach			
22/23 FCS1*	Additional Call Handling	122	0
22/23 FCS2*	Customer and Digital	109	0
Total Investment Proposals		2,722	2,201
Value proposed to be funded via General Fund		2,351	2,201
*Value for one year proposed to be funded via Covid Recovery Fund		371	0

2.7.2 In addition to these investments the Council also recognises the importance of providing some budget capacity to move forwards with key planning proposals that are required as part of driving forward the Councils aims within the Council Plan. As such, a small budget provision of £250k has been made available for 2022/23 to support the costs of any significant planning developments.

2.8 Reserves and Balances within the Council's Budget Strategy

2.8.1 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. Where they have not been fully utilised or where Government guidance requires that they are carried forward, they are carried forward within the Councils accounts as part of a Covid-19 Grants Reserve. It is proposed that any unspent Covid-19 grants will continue to be carried forward in this way to support anticipated Covid-19 related costs and pressures during 2022/23.

2.8.2 The Covid Grants Reserve was increased from £15.3m to £27.5m as part of the financial outturn 2020/21. £16.9m of this balance relates to S31 Grants to support business rate relief provided during 2020/21 that will be accounted for in the Collection Fund during 2021/22. The remaining £10.6m relates to a series of Covid-19 grant funds, such as Emergency Support funding, Control Outbreak Management Fund (COMF) and a series of new burdens grants. It is anticipated that much of this funding will be utilised during 2021/22. However, Government have continued to provide funding to support the Council with the financial implications of Covid-19 during 2021/22, not all of these allocations will have been fully utilised in year and will need transferring to the Covid-19 Grants Reserve.

2.8.3 The Council's balance of corporate reserves as at 31 March 2021 was £28.3m. Following a further review of the Reserves strategy, taking into account the financial outturn for 2020/21, the forecast financial outturn for 2021/22, the following updated Reserves Strategy is proposed for reserves movements during 2021/22 and 2022/23:

- Rename the Budget Strategy Reserve to the Budget and Financial Strategy Reserve.

- The Council received £2.8m Local Council Tax Support Grant to mitigate the financial impact of Covid-19 on future Council Tax income. This grant will be transferred to reserves in 2021/22, before being earmarked to fund the Local Council Tax Support top up scheme, as referenced in section 2.5.13 in 2022/23 and 2023/24.
- The £3.7m budget contingency will be transferred to the Budget and Financial Strategy Reserve.
- The Spending Review 2021 confirmed government would compensate local authorities for 75% of irrecoverable losses in council tax in respect of 2020/21. The £0.7m allocated to the Council will be transferred to reserves in 2021/22.
- Estimated use of the Corporate Revenue Grants Reserve is £0.4m during 2021/22.
- A £2m Covid Recovery Fund and a £2m Children's and Young Peoples Services Social Care Reserve were created as part of the 2020/21 outturn position. These balances will be utilised in 2022/23.
- Retain two Corporate Reserves. The Corporate Reserves are proposed to be retained as:
 - 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 2.8.1.
- Treasury Management savings, estimated to be £5m for 2021/22 will be transferred to reserves as part of the outturn position for 2021/22, in line with the recommendation to reserve funding and savings from 2021/22 to support the budget across the medium term as agreed at Cabinet in December 2021.
- To support the financial outturn position for 2021/22, it is proposed that Covid-19 emergency support grants will be prioritised for use, allowing an estimated £5.8m of the Budget & Financial Strategy Reserve earmarked for 2021/22 to remain in reserves.

2.8.4 Taken alongside the Council's proposed budget for 2022/23 and the MTFs to 2025/26, 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.

2.8.5 The table below summarises the reserves balances over the medium term and includes the budgeted transfers to reserves and from reserves as outlined in section 2.8.3.

2.8.6

Table 7 – Forecast Balances of Reserves

	Balance at 31 March 2021 £m	Projected Balance at 31 March 2022 £m	Projected Balance at 31 March 2023 £m
General Fund Minimum Balance	25.0	25.0	25.0
Corporate Reserves			
Transformation	4.1	4.1	4.1
Business Rates	4.0	4.0	4.0
PFI – Education (Schools)	1.4	0	0
Corporate Revenue Grants Reserve	1.2	0.8	0.8
Budget and Financial Strategy Support	9.9	13.3	13.3
Covid Recovery Fund	2.0	2.0	0
Local Council Tax Support Grant	0	2.8	1.2
Collection Fund Income Guarantee Grant	0	0.7	0.7
Treasury Management Savings	0	5.0	3.5
Budget Contingency	3.7	0	0
Childrens and Young Peoples Services Social Care Reserve	2.0	2.0	0
Total	28.3	34.7	27.6
Total General Fund Minimum Balance and Corporate Reserves	53.3	59.7	52.6

2.8.7 Within the Financial Outturn 2021/22 reported to Cabinet and Council a £2m Covid Recovery Fund was established with proposals for use to be determined by Cabinet. It is expected that this fund will be utilised during 2022/23, £371k of this fund will be used to support the cost of some budget investments in 2022/23 as set out in Section 2.7.

Community Leadership Fund

2.8.8 The 2021/22 Budget approved by Council, included revenue and capital budgets that are devolved to individual Elected Members (Community Leadership Fund) or the ward as a whole (Capital Budget). These are provided to members to deliver revenue and capital projects within their wards during their time in office. As such any unspent balance of CLF or capital can be carried forward at the year end, for all financial years except for local election years. For example, in the current election cycle, these

budgets can only be carried forward at the end of the following years, into the next financial year:

- 2021/22
- 2022/23

For the 2023/24 financial year, carry forward of unspent balances will not be permitted at the end of March 2024, ahead of the May 2024 elections. Where carry forward is required those balances will be transferred to the Corporate Revenue Grants Reserve or held within Capital Grants Unapplied.

2.9 Business Rates Reliefs

2.9.1 Business Rates Retail Discount

The Government announced at the Budget on 3 March 2021 the provision of additional business rates support for eligible retail, hospitality, leisure, and nursery businesses in England occupying a qualifying property. As a temporary measure for 2021/22

- The Expanded Retail Discount and the Nursery Discount (2020/21) was extended for three months for eligible properties, at 100% relief, uncapped, for the period 1 April 2021 to 30 June 2021.
- From 1 July 2021 to 31 March 2022, the discount would apply at 66% relief for eligible properties in the schemes, with a cash cap of £2m for businesses that were required to close as at 5 January 2021, and up to £105,000 for business permitted to open at that date and nurseries..
- For the Expanded Retail Discount 2021/22 and Nursery Discount 2021/22, businesses may choose to opt out of support by providing billing authorities notification of their request to refuse support, per eligible property.

2.9.2 The Government announced at the Budget on 27 October 2021 the introduction of a new business rates relief scheme for retail, hospitality and leisure properties. The 2022/23 Retail, Hospitality and Leisure Business Rates Relief scheme will provide eligible, occupied, retail, hospitality and leisure properties with a 50% relief, up to a cash cap limit of £110,000 per business.

2.9.3 Local Newspapers

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.

2.9.4 Business Rates Rural Relief

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 2021/2022 and it is proposed to continue the same arrangement for 2022/23.

2.9.5 Business Rates Transitional Relief and Supporting Small Business Relief Schemes

- The Transitional Relief Scheme was introduced in 2017 to help those ratepayers who were faced with higher bills as a result of the revaluation. The scheme was due to end on 31 March 2022, as a result a small number of ratepayers would face a jump to their full rates bill from 1 April 2022.
- The Supporting Small Businesses Scheme was introduced in 2017 to help those ratepayers who, as a result of the change in their rateable value at revaluation, were losing some or all of their small business rate relief or rural rate relief.

At the Budget on 27 October 2021 the government therefore announced that it would extend the current Transitional Relief Scheme and the supporting Small Business Scheme for a further year to the end of the current revaluation cycle. The schemes will now end on the 31 March 2023.

2.9.6 Cabinet are recommended to propose to Council that these business rates reliefs are applied for 2022/23 in line with Government guidance. In addition, should Government 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 2025/26, which sets out the Council's future capital investment plans, will ensure that investment decisions are clearly aligned with the Council's strategic priorities, vision for Rotherham and the Council Plan. The Capital Programme has been extended to include the financial years 2024/25 and 2025/26, so that the Council has a five year Capital Programme, aligned with the Council's MTFS. For the financial years 2024/25 and 2025/26 the inclusion of capital grants are largely based on estimates and will be updated as Government confirm annual allocations, in line with the Council Financial & Procurement Procedure Rules.

2.10.2 The Council's Capital Strategy and Capital Programme to 2023/24 was approved by Council in March 2021 within the Budget and Council Tax 2021/22 Report.

- 2.10.3 The Financial Outturn 2020/21 report approved by Cabinet in July 2021 set out an updated Capital Programme taking into account slippage on capital schemes during 2020/21 which was mostly re-profiled into future years.
- 2.10.4 Further individual new capital projects already approved during 2021/22 are incorporated into the updated Capital Programme which is set out in Appendices 3C to 3F.
- 2.10.5 This report proposes a number of further additions to the Capital Programme to 2025/26 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 are summarised as:
- Priority Capital Investment
 - Continued capitalisation of expenditure to support the revenue budget & invest to save schemes as agreed in previous years' budgets
 - Annual ongoing expenditure commitments to 2025/26
- 2.10.6 Priority Capital Investment – General Fund

A number of new capital schemes are being proposed for inclusion into the Capital Programme 2021/22 to 2025/26. 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 £8.398m of corporate resources, with the revenue implications of this built into the Council's proposed Budget and Treasury Management Strategy. They are listed below;

Table 8 Proposed Capital Budget Investments

Directorate	New Capital Proposal	Corporate Resource Required £'000s
R&E	Civic Theatre Annexe Studio Space (match funding)	45
R&E	CCTV	250
R&E	Neighbourhoods Road Safety Measures Phase 2	750
R&E	Ulley Country Park Parapet Walls – Anti climb barriers	95
R&E	Electric Vehicles Charging Infrastructure Expansion	648
R&E	Building Decarbonisation	6,400
R&E	Additional Zonal Cleansing Vehicles	210
	Total	8,398

2.10.7 Capitalisation and Invest To Save schemes

A number of capitalisation proposals and Invest To Save schemes have been approved in previous years' budget rounds. As the Capital Programme is proposed to be increased for two further financial years, these capitalisations also need extending for a further two years. A list of these schemes is provided at Appendix 3A. These new proposals will be funded by £2.539m of corporate resource funding with the revenue implications of this built into the Council's proposed Budget, Medium Term Financial Strategy and Treasury Management Strategy.

2.10.8 Annual Ongoing Expenditure Commitments to 2025/26 are listed in Appendix 3A. These are to be funded by £23.490m of corporate resources and £2.412m of service funded borrowing, across the two years 2024/25 and 2025/26. In addition, the proposed programme includes a temporary capital inflation contingency, to support the Council with the significant inflationary pressures facing capital delivery at present due to increased costs from resources and materials. The proposed Programme also includes Government Capital Grant allocations up to 2025/26. 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.

2.10.9 There are a number of project specific changes that are being added to the capital programme, through the approval of the Budget and Council Tax Report 2022/23, these are:

- The capital programme currently has £10m allocated to an Extra Care Scheme, it is proposed that this fund is re-prioritised. Instead, the fund will be used to provide improvements to the Council's Learning Disabilities accommodation offer. There will be a consultation in 2022/23 to help develop the vision for the future, which will result in a proposal that will require Capital funding. There is likely to be the need for a small residential facility and additional accommodation that provides people with their own front door, tenancies, and a range support available locally.
- The Town Centre Investment Fund programme and Future High Streets Fund programme have been reviewed to create a more robust delivery profile and to be clear about the specific project budgets. The revised budgets have been factored into the proposed Capital Programme for 2022/23 to 2025/26.

2.10.10 In recognition of the significant challenges facing capital developments at present due to inflation on direct project costs but also inflationary pressures caused by the delays in the supply chain for materials, the Council has set aside funding within the Medium Term Financial Strategy, to finance some additional borrowing provision. This borrowing provision will potentially fund £10m of additional expenditure within the capital programme. The fund will be allocated on a needs basis to schemes that can robustly demonstrate financial pressures on the project as a result of inflation. The process for allocating the inflation budget will be managed by corporate finance, as is the process for revenue inflation.

Housing Revenue Account (HRA)

2.10.11 The Housing Revenue Account Capital Programme has also been updated to 2025/26, in line with the updated HRA Business Plan approved by Cabinet on 20 December 2021 and Council on 12 January 2022. HRA capital programme information is set out in Appendices 3E and 3F.

Capital Strategy

2.10.12 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 South Yorkshire Mayoral Combined Authority (SYMCA) Strategic Economic Plan and maximise the potential for securing capital funding from the SYMCA.

2.10.13 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.

Proposed Capital Programme 2021/22 to 2025/26

2.10.14 Subject to approval of all the proposed additions to the capital programme, the Council's five year capital programme will be set at £612.845m, split between general fund £391.820m and HRA £221.025m. The table below indicates the split of the capital programme across the Council's Directorates.

Table 9 – Proposed Capital Programme 2021/22 to 2025/26

Directorate	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
General Fund Capital						
Children and Young People's Services	10.215	11.051	5.501	5.060	5.466	37.293
Assistant Chief Executive	0.373	0.210	0.210	0.210	0.210	1.213
Adult Care & Housing	5.297	6.065	8.226	12.273	4.273	36.134
Finance and Customer Services	3.349	7.610	9.893	7.090	2.990	30.932
Regeneration and Environment	70.937	148.567	34.329	9.203	7.212	270.248
Capitalisation Direction	2.000	6.000	6.000	1.000	1.000	16.000
Total General Fund Capital	92.171	179.503	64.159	34.836	21.151	391.820
Total HRA Capital	52.176	65.271	46.428	28.575	28.575	221.025

Total RMBC Capital Programme	144.347	244.774	110.587	63.411	49.726	612.845
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Funding the Capital Programme

- 2.10.15 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.
- 2.10.16 The Council held £0.8m of General Fund capital receipts and £12.3m of Right to Buy (RTB) receipts as at 31 March 2021. In addition, the Council anticipates further capital receipts to be generated across the Capital Programme period 2021/22 to 2025/26. The total amount of capital receipts planned to support the proposed General Fund Capital Programme including flexible use is £9.7m. The planned use of HRA receipts within the HRA programme is £14.7m, this is based on the continuing sale of properties under RTB, and private sales generated through the Councils new build housing schemes.
- 2.10.17 The table below shows how each year of the Capital Programme will be funded:

Table 10 – Funding of the Proposed Capital Programme 2021/22 to 2025/26

Funding Stream	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
Grants and Contributions	54.765	110.541	16.919	8.108	6.668	197.001
Unsupported Borrowing	34.747	65.924	45.611	25.095	12.848	184.225
Capital Receipts	0.486	1.861	0.450	0.450	0.450	3.697
Capital Receipts - Flexible Use	2.000	1.000	1.000	1.000	1.000	6.000
HRA Contribution	0.173	0.177	0.179	0.183	0.185	0.897
Total Funding - General Fund	92.171	179.503	64.159	34.836	21.151	391.820
Grants and Contributions	5.053	1.190	0.179	0.000	0.000	6.422
Unsupported Borrowing	4.003	14.870	12.750	0.000	0.000	31.623
Housing Major Repairs Allowance	32.150	37.819	21.889	23.860	23.860	139.578
Capital Receipts	4.450	8.667	1.634	-	-	14.751
Revenue Contribution	6.520	2.725	9.976	4.715	4.715	28.651
Total Funding - HRA	52.176	65.271	46.428	28.575	28.575	221.025
Total	144.347	244.774	110.587	63.411	49.726	612.845

2.10.18 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, if required, with an indicative £1m 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 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:

- 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 2022/23 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 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.

2.12.5 This assurance is predicated on Directorates progressing all necessary activity to get their budgets back on track during 2022/23, including delivery of the agreed savings and cost reductions in line with the revised delivery profile as outlined within this report, in particular:

- 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, market and provider pressures in Adult Social Care within the budget allocated, ensuring appropriate care and support is in place in accordance with the service development programme.
- A successful resolution to the remaining 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 The key fundamental principles of the report's recommendations which the Strategic Director - Finance & Customer Services has considered in giving this assurance are:

- That the budget strategy for 2022/23 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 2025/26 and agrees to the proposals to manage a balanced budget in 2022/23.
- That the revised Reserves Strategy is approved which will see the General Reserves Minimum Balance remain at £25.0m over the medium term financial strategy period. 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, whilst a significant degree of the Councils projected outturn position for 2021/22 relates to pressures from Covid-19, there are also 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 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 2022/23, 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 2022/23 budget, but it is essential that delivery of the budget savings and cost reductions are delivered in line with the revised delivery profile as outlined within this report. 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 22 December 2021 to 23 January 2022, the Council held an online consultation which provided broad information on income and expenditure as well as a link to the March 2021 Budget Report. The Council also consulted individually with key partners. There were 36 responses from the public and 3 from key partners. The report on the consultation is attached at Appendix 9.

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 9 February 2022.

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 10 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 1.5% increase in the basic rate of Council Tax (excludes precepting bodies) and a 3% Adult Social Care Precept on Council Tax. The report proposes a General Fund Revenue Budget for the Council for 2022/23 of £259.566m.

6.3 It should be noted that the proposed revenue budget includes:

- 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 Council's Medium Term Financial Strategy.

- 6.4 Any revenue implications from the Approved Capital Programme are fully reflected in the Council's 2022/23 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 2022/23 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 2022/23 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 The Council's headcount has remained fairly static since the Council's Budget and Council Tax Report 2021/22, moving from 4,992 to 4,948. The revenue budget investment proposals included within this report will increase the headcount and FTE should they be approved.

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 2.49% 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 2022/23.

11 Implications for CO2 Emissions and Climate Change

11.1 No direct implications.

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	31/01/22
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	27/01/22
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	27/01/22

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