

**Committee Name and Date of Committee Meeting**

Cabinet – 13 February 2023

**Report Title**

Budget and Council Tax 2023/24 and Medium Term Financial Strategy

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

Yes

**Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

**Report Author(s)**

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**Ward(s) Affected**

All

**Report Summary**

This report proposes the Council's Budget and Council Tax for 2023/24, based on the Council's Provisional Local Government Finance Settlement for 2023/24, 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 2023/24 and the further update of the MTFS take into account prevailing economic factors, most notably significant rises in inflation and energy prices during 2022/23. Following the Council's technical MTFS updates and the impact of the Provisional Financial Settlement the Council faced around a £6m funding gap in each year from 2023/24 to 2025/26. However, in setting the Budget the Council kept focus on mitigating the impact on residents as far as possible and trying to protect basic services in order to support the community through a cost of living crisis, along with the Council's ambitions for the Borough with specific regard to the environment and social care.

In setting the proposed 2023/24 budget, Cabinet are asked to recommend to Council an increase of 2% in the Council's basic Council Tax plus an increase of 2% for the Adult Social Care precept.

The Budget also proposes a Local Council Tax Support Top-up Scheme to operate across 2023/24 and 2024/25 to provide further support to low income working age

households in the Borough to try and mitigate impacts of the cost of living crisis and support the most vulnerable households.

In recognition of escalating cost pressures within this Adult Social Care, relating to inflation, transitions and rising demand for the service, the Council will provide for around £12m investment to support the delivery of Adult Social Care services.

## **Recommendations**

That Cabinet recommend to Council

1. Approval of the Budget and Financial Strategy for 2023/24 as set out in the report and appendices, including a basic Council Tax increase of 2% and an Adult Social Care precept of 2%.
2. Approval of the proposed extension to the Local Council Tax Support Top Up scheme, that will provide up to £117.60 of additional support to low income households most vulnerable to rising household costs, through reduced Council Tax bills as described in section 2.5.11-14.
3. Approval of the updated Medium Term Financial Strategy (MTFS) to 2025/26, as described within section 2.6.
4. Approval of the Reserves Strategy as set out in Section 2.9 noting that the final determination of Reserves will be approved as part of reporting the financial outturn for 2022/23.
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 2.14).
6. To note the feedback from the public and partners following the public consultation on the Council's budget for 2023/24 which took place from 19 December 2022 to 22 January 2023, attached as Appendix 10.
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 for 2023/24 attached as Appendix 7.
10. Approval of the revenue savings proposals set out in Section 2.8 and Appendix 4
11. Application of the Business Rates Reliefs as set out in Section 2.10, in line with Government guidance.

12. Approval of the proposed Capital Strategy and Capital Programme as presented in Section 2.12 and Appendices 3A to 3F.
13. Approval of the Treasury Management matters for 2023/24 as set out in Appendix 9 of this report including the Prudential Indicators, the Minimum Revenue Provision Policy, the Treasury Management Strategy and the Investment Strategy.
14. Approval of the Flexible use of Capital Receipts Strategy 2023/24 (Appendix 5).
15. Approval that the projected 2022/23 revenue outturn overspend will be funded from the Council's corporate reserves as indicated within section 2.9.
16. Approval that any changes resulting from the Final Local Government Finance Settlement 2023/24 be reflected in the Budget and Council Tax Report to Council on 1 March.
17. It is recommended to continue with the principles and measures adopted since April 2020 to make faster payments to suppliers on receipt of goods, works and services following a fully reconciled invoice as described in section 2.11.
18. 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 2022/23 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2022/23 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 2023/24
Appendix 2	Proposed Revenue Budget Investments
Appendix 3A	Proposed Capital Investments Summary
Appendix 3B	Capital Investment Proposals
Appendix 3C to 3F	Capital Programme 2022/23 to 2025/26
Appendix 4	Revenue Savings Proposals
Appendix 5	Flexible Use of Capital Receipts Strategy 2023/24
Appendix 6	Placeholder – Statutory Resolution of Council Tax 2023/24
Appendix 7	Fees and Charges Proposals 2023/24
Appendix 8	Background to the Budget & Financial Strategy
Appendix 9	Prudential Indicators and Treasury Management and Investment Strategy
Appendix 10	Budget Consultation 2023/24
Appendix 11	Initial Equality Screening Assessment (Part A)
Appendix 12	Carbon Impact Assessment

## Background Papers

- Council Tax Base 2023/24 – Officer Delegated Decision record
- Housing Revenue Account Rents and Service Charges 2023/24 – Cabinet 13<sup>th</sup> February 2023.
- Housing Revenue Account Business Plan 2023/24 – Cabinet 13<sup>th</sup> February 2023.
- Provisional Local Government Financial Settlement – 19 December 2022
- Budget and Council Tax 2022/23 and Medium Term Financial Strategy – Council 14 February 2022, Council 2 March 2022
- Financial Outturn 2021/22 – Cabinet 11 July 2022, Council 5 October 2022
- Treasury Management Outturn 2021/22 – Cabinet 11 July 2022, Audit Committee 28 July 2022
- Medium Term Financial Strategy – Cabinet 21 November 2022
- December Financial Monitoring Report – Cabinet 13 February 2023
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2020/21 – Audit Committee 29 November 2022
- 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 – 08 February 2023  
Council – 01 March 2023

## Council Approval Required

Yes

## Exempt from the Press and Public

No

## **Budget and Council Tax 2023/24**

### **1. Background**

1.1 This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2023/24, together with an updated Medium Term Financial Strategy (MTFS) to 2025/26.

### **1.2 Local Context**

1.2.1 The Council set a balanced budget position for 2022/23 as part of the Budget and Council Tax Report 2022/23 approved at Council 2 March 2022. The MTFS contained within that report included a balanced position for 2023/24, 2024/25 and a funding gap of £3.9m for 2025/26, the first year of the next spending review. This Budget and MTFS position was set based on sound financial assumptions at the time, factoring in cover for service demand pressures in particular within Adult Social Care.

1.2.2 However, following approval of the Budget the global economic position has significantly changed with rising inflation (10.5% as at December 2022) and substantial increases in energy prices. These two impacts have seen the Council's base costs rise significantly during 2022/23, not only through the Council's own costs increasing for example, through increased energy bills, but the price of goods and services the Council's procures have increased. At its peak the Council's forecast overspend for 2022/23 was £18.2m.

1.2.3 The Council has been working to identify short term in-year savings to help mitigate some of the forecast cost pressures, due to the wider financial impact of inflation, energy price increases and the impact of the 2022/23 nationally determined pay award. These short term savings have reduced the Council's forecast outturn position to £8.4m for 2022/23, however, the Council's base costs have risen across the MTFS. These costs could not have been projected within the Council's Medium Term Financial Planning. Whilst this approach has improved the in year monitoring position it did not deal with the longer term financial pressure that inflation and energy prices have had on the Council's base costs. The Council's MTFS update report to Cabinet in November 2022 reported that the Council faced a budget gap of almost £10m per year from 2023/24 onwards as a result of the rise in base costs.

1.2.4 The Council's position in setting a balanced budget for 2023/24 was therefore going to be a significant challenge. However, the aim of the Council was to meet this challenge whilst protecting the services that the Council provides to residents and businesses within the borough. In addition providing further support to residents with the cost of living crisis.

1.2.5 The current global economic climate remains full of uncertainty, with regards to the pace at which inflation starts to reduce, with the Bank of England pushing back their forecasts of when inflation will reduce to 2%. In addition, the energy market though showing signs of wholesale price

reductions, remains significantly above the levels that the Council and residents were paying during 2021/22. Whilst Government have indicated support with energy bills, that support is expected to fall well short of the Council's additional energy costs for 2022/23 and 2023/24. The Council forecasts additional costs of £3.5m for energy in 2022/23, this figure would have been £6m had Government not provided its additional support package to businesses including councils.

- 1.2.6 It should be noted that the Council's position is not dissimilar to that faced by other Local Authorities. The volatility in the economic position could not have been predicted by the Council, nor budgeted for at the time of setting the Budget for 2022/23. The current economic climate remains uncertain, with challenges in projecting where inflation will move and the pace at which it moves, along with uncertainty in the energy markets. Whilst the uncertainty in the economy still remains the most significant pressure in the Council's Budget and MTFS proposals, by being aware of the current challenges the Council has been able to better plan for this new economic position and set a budget which retains a sufficient balance in reserves to ensure the impact of further unexpected volatility can be mitigated without impact on services to residents.
- 1.2.7 As detailed within this budget report the financial pressure faced by the Council across the MTFS period has been mitigated through unexpected Government funding confirmed in the Provisional Settlement, proposals to increase fees and charges above the approved MTFS 2% assumption to 6%, new proposed savings across all Directorates of the Council and a proposed increase in Council Tax for 2023/24 above the 3% assumed in the approved MTFS to 4%. The Council has endeavoured through the Budget setting process to minimise the impact on residents in terms of both service delivery that they receive but also in terms of the financial impact on residents, for example the Council's proposed fees and charges and Council Tax increases are significantly below the prevailing level of inflation seen during 2022/23. Through the Council's proposed use of the Household Support Fund and the Local Council Tax Top Up scheme the Council seeks to further support the most vulnerable residents within this Budget.
- 1.2.8 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.
- 1.2.9 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 2023/24 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 continue to establish clear strategies to mitigate the increased market costs in order to maintain effective service provision within the available funding.

- 1.2.10 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.
- 1.2.11 The adult care market remains volatile due to the need to meet complexity but also the availability of staff to provide services. This has been exacerbated by rising inflation meaning the cost of provision needs to increase to ensure service provision. This is accelerating costs per hour to meet peoples' eligible needs. This is reflected across all service areas, especially Domiciliary Care provided in people's homes where a lack of provision caused by staff shortages has led to difficulties in implementing the Home First strategy. Pressures continue in 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.
- 1.2.12 There is therefore a need to recognise these escalating demand and market costs within this budget, relating in particular to inflation, transitions and rising demand for adult care, which requires the Council to provide for around £12m investment in the delivery of Adult Social Care services in 2023/24. Part of this additional funding will be used to support increasing the hourly rate for Domiciliary Care, to recognise the growing pressure in this service in particular as a result of transport costs. The additional funding will help in supporting the ambition that all workers are paid the Real Living Wage. Taking into account the pressures within Adult Social Care, this service still represents a significant financial risk within the Council's Budget and Medium Term Financial Strategy.
- 1.2.13 The Budget and Council Tax Report 2022/23 noted that £11.5m of agreed budget savings and cost reductions were required to be delivered across the medium term. Despite changing demand pressures and wider economic factors affecting social care and wider Council services, the Council remains confident that the remaining savings will be achieved over the MTFS period. £4.9m of agreed savings have been delivered in 2022/23 with £7.1m to be delivered over the subsequent years (this includes a £0.5m of single year savings in 2022/23, as detailed in section 2.2). The progress on delivery of savings has been reported to Cabinet through the Council's Financial Monitoring Reports.
- 1.2.14 The expected financial outturn position for 2022/23 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 2022/23.

1.2.15 However, even with the recognition of the uncertainty that remains within the economic position around inflation and energy prices, 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 the Council will face. New savings proposals and a proposed increase in Fees and Charges to 6% have enabled the Council to set a balanced Budget for 2023/24 without having to initially call on reserves. 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 services, for 2023/24 onwards, as described in section 2.7.

### **1.3 Revenue Budget Position 2022/23**

1.3.1 The December revenue financial monitoring position which is reported to Cabinet on 13 February 2023, on the same agenda as this budget report, shows a forecast year-end overspend of £8.4m. Whilst the core directorates services have a forecast year-end overspend of £2.9m on the General Fund, there is a net £5.5m of estimated unbudgeted cost resulting from the wider financial impact of inflation, energy price increases and national pay award. These costs could not have been projected within the Council's Medium Term Financial Planning.

1.3.2 The Council's forecast overspend for 2022/23 had been £18.2 at its peak. However, the current forecast includes £8.9m short term in-year savings, £4.3m generated by delaying or stopping any non-essential/non-urgent expenditure, delaying recruitment where possible and making use of one-off grant funding and provisions in the current year. A review of corporate grants and provisions, along with a review of the in-year financial impact of the 2022/23 Pay Award, enabled a £4.6m improvement to be forecast in Central Services. Together these short term savings have significantly reduced the level of reserves the Council will require to balance the 2022/23 financial outturn position. The Council will continue to ensure these short term savings are delivered and where possible increase their impact.

1.3.3 It is currently expected that the period of high inflation will last for around two years before returning to a more normal level but the cost increase being experienced will raise the base cost of services on which future inflation is applied meaning a compounding impact. Anticipated additional income as a result of the Government's budget announcement is not expected to mitigate all the additional costs the Council will incur.

1.3.4 The Council's overspend position at this point is largely due to the following overall issues:

- Financial implications of inflation, energy price increases and impact of the 2022/23 pay award.
- Placement pressures within Children and Young People's Services.



- Home to School Transport pressures within Regeneration and Environment and CYPS.
- Pressures relating to the longer-term recovery from Covid-19, on income generation within Regeneration and Environment.

1.3.5 These inflationary and demand led financial challenges have been factored into the Council's ongoing Medium Term Financial Planning and MTFS 2023/24. Whilst the Council's Medium Term Financial Strategy did have reasonable cover for inflationary impacts and estimated pay award at the time of setting the 2022/23 Budget, the current rises are far above what the Council could have anticipated. The increase in the Council's base costs above budget is £10.1m, this amount will impact the Council's MTFS year on year.

1.3.6 There are some significant financial challenges that were not evident at the time of setting the 2022/23 Budget, such as the significant rise in energy prices, inflation and Local Government Pay Award. It is currently estimated that the impact of inflation and in particular energy price increases will be £4m above available budget. In addition, the financial impact of the Local Government Pay Claim 2022/23 is £6.1m greater on the Council's base budget moving forwards than the budget assumed within the Council's Medium Term Financial Strategy. However, the estimated cost impact of the pay award for 2022/23 has reduced by £0.5m due to vacant posts across the Council; this reduction can now be factored in as any ongoing recruitment will only have a minimal impact in this financial year.

#### **1.4 Autumn Statement and Provisional Local Government Finance Settlement 2023/24**

1.4.1 The Autumn Statement was published on 17 November 2022 and provided headline information for local government funding from 2023/24 to 2024/25. These were the headlines behind the updates provided within the Autumn Statement:

- Additional funding for adult care was announced of £1bn in 2023-24 and £1.7 billion in 2024-25. Of the £1bn, £600m is to be distributed through the Better Care Fund (BCF) to Integrated Care Board's targeted at NHS discharges, "to get people out of hospital on time and into care settings, freeing up NHS beds for those that need them". The remaining £400m is expected to come directly to LA's through a specific Adult Social Care grant. In 2024-25, to allocate the £1.7bn these values would increase to £1bn and £680m respectively.
- £1.3bn of the funding previously earmarked for Adult Social Care Reform would be allocated to Local Authorities as planned but no longer specifically targeted towards the Dilnot Adult Social Care reforms, which are to be delayed for 2 years. Instead, the grant would be available to support the growing pressures being seen by Local Authorities within Social Care.
- Council Tax referendum limit to be lifted to 3% from April 2023, with Council's also able to levy up to 2% Adult Social Care Precept.

Therefore, Council would be able to increase Council Tax by a maximum of 5%.

- Household Support Fund is to be funded for a further year with £1bn of funding provided for Local Authorities.

1.4.2 The Council is still awaiting the revised guidance for the Household Support Fund scheme for 2023/24, it is anticipated that the Council's allocation will be £4.978m in line the 2022/23 allocations. Until the final allocation is confirmed by Government full expenditure plans cannot be confirmed however it is proposed that this will fund as a minimum:

1. £2.5m for food vouchers to children eligible for free school meals for school holidays up to and including Easter 2024.
2. £1.2m to cover the estimated costs of the Council's Local Council Tax Support Top Up Scheme.
3. £0.5m additional funding to top up the Council's Discretionary Housing Payments fund.

1.4.3 The Government published details of the Provisional Local Government Finance Settlement on 19 December 2022. The Strategic Director for Finance and Customer Services submitted the Council's response to the provisional settlement consultation, within the deadline for responses of 16 January 2022.

1.4.4 The key headlines from the Settlement are:

- The basic Council Tax referendum principle for 2023/24 is 3% i.e. a maximum increase of 2.99%.
- In addition, social care authorities will be able to increase their Council Tax by up to 2% (over the basic referendum threshold of 3% referred to above) by means of an Adult Social Care Precept for 2023/24.
- Revenue Support Grant will be inflated for 2023/24 and 2024/25 by September CPI, the impact of this for 2023/24 is £2m.
- The Council's additional allocations from the adult care grants are, £2m Discharge Funding (from the £600m BCF) and £2.2m through the Market Sustainability & Improvement Fund (from the £400m specific Adult Social Care grant).
- Finally, the £1.3bn of the funding previously earmarked for Adult Social Care Reform Adult is now allocated to tackling pressures within Social Care caused by inflation and demand. The Social Care Grant allocation has increased from £14.8m by £8.1m taking the total Social Care Grant to £22.9m for 2023/24. Though, it should be noted that the majority of this increase was already assumed within the Council's approved MTFs, albeit earmarked for Adult Social Care reforms.
- Government have provided some cover for inflationary impacts being felt by council's via funding an inflationary uplift on Business Rates Top

Up Grant and S31 grant compensation for multiplier cap on top-up grant, worth an additional £6m to the Council.

- The Government has decided to allocate a further new year of New Homes Bonus in 2023/24, with allocations based on the existing scheme, while further 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 2023/24 is £0.8m.
- The unringfenced Lower Tier Services Grant and Local Council Tax Administration Grants have been used to create the new Funding Guarantee Grant that will ensure all Council's see at least 3% increase in core funding. However, the Council does not receive an allocation back from this fund as the Council already has a 3% increase in core funding through other inflationary uplifts detailed above.
- As Government utilised some of the Service Grant 2022/23 to provide support to Council's to cover the costs of the National Insurance (NI) increase on employers NI and the linked increase in supplier costs as a result of the NI increase, along with the removal of the Health and Social Care Levy, the Service Grant allocation for 2023/24 has been reduced. The 2023/24 allocation is £2.5m, a reduction of £1.9m from the 2022/23 allocation of £4.4m.
- The Public Health Grant allocation for 2023/24 has not yet been confirmed but is expected to be available by the time of the final settlement.
- The Final Local Government Finance Settlement 2023/24 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 1<sup>st</sup> March.

1.4.5 The provisional financial settlement provides significant additional funding for Adult Social Care over the period 2023/24 and 2024/25. However, there is no clarity from Government as to whether these grants will continue into 2025/26. 2025/26 is the first year of the new spending review period so it is not expected there will be any further certainty in the Final Settlement. The MTFs assumes that these grants are at least maintained into 2025/26.

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	2022/23	2023/24	Difference
	£'000	£'000	%
Revenue Support Grant	15,653	17,654	12.8
Business Rates Top-Up Grant	29,415	30,531	3.8
<b>Provisional Settlement – Government Funding</b>	<b>45,068</b>	<b>48,185</b>	<b>6.9</b>

- 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 £1.1m for 2023/24 based on the indications in the Settlement that compensation for the business rates freeze in 2023/24 will be paid based on the September 2022 RPI rate of increase.
- 1.4.8 Government have provided no indication in the Provisional Settlement that the Council will be provided with further funding for 2022/23, in order to further mitigate the ongoing financial impacts of inflation, energy prices or the Local Government Pay Award 2022/23.
- 1.4.9 The Government will continue to allow councils to utilise the existing capital receipts flexibilities that allow revenue transformational expenditure to be funded by Capital Receipts, up to and including 2024/25. The Council's proposed Capital Programme will therefore assume the continued use of these flexibilities where it is most financially advantageous to do so up to and including 2024/25.
- 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 (£305.6m) is split into four blocks and each block is determined by a national funding formula:
- 1.4.12 The DSG now includes the Schools Supplementary Grant which was introduced as a separate grant allocation but has now been included within the DSG Schools Block, with schools receiving the funding within their individual DSG allocation.
- The Schools Block for 2023/24 is £230.6m and is allocated to mainstream schools and academies in the Borough based on pupil numbers taken from the October 2022 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 £4,915 and the Secondary unit is £6,427.
  - The Early Years Block is £19.2m and the majority of the spend is allocated for two year olds (£2.8m), three and four year olds (£15.0m) in schools, private, voluntary and independent organisations. The hourly rate per pupil has increased from £4.61 to £4.89 for three & four year olds and £5.57 to £5.63 for two year olds.

In addition, the Early Years block includes a Maintained School Nursery Supplementary funding allocation of £998k, Early Years Pupil Premium of £336k, and Disability Access Fund (DAF) £146k to provide additional support to vulnerable pupils.

- The High Needs Block is £54.2m and is used to fund pupils who require specialist education. There is a sustained national increase in the number of young people with complex learning difficulties and disabilities.
- Requirement for specialist school provision for pupils with special educational needs and difficulties (SEND) has increased, creating further pressure on the system nationally. Within Rotherham, the number of children and young people that are receiving additional support via an Education, Health and Care (EHC) Plan has more than doubled since 2014 increasing from 1,101 on 31 December 2014 to 2,856 on 30 November 2022.
- Due to the increasing 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 implemented a four year DSG Management Plan last year, covering the period 2022/23 to 2025/26.

1.4.13 The High Needs Block 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 2023/24.
- A historic spend factor, which was updated in 2022/23, to provide every local authority with a set percentage (50%) of their 2017 to 2018 spending on high needs. This 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 (£1.51m) comprises of funding for ongoing statutory responsibilities of the local authority.

#### 1.4.14 **DSG Safety Valve**

1.4.15 In March 2022 the Council entered the DfE's Safety Valve Programme which provides 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.

1.4.16 The Safety Valve agreement provides Rotherham council with £20.53m over the duration of the agreement with £8.53m received in 2021/22 financial year and a planned contribution of £3m per annum from 2022/23 onwards. The DSG deficit was £12.84m at the end of 2021/22, with the DSG Management plan on track with the initial financial assumptions. The estimated outturn at the end of 2022/23 is £9.73m (after including £3m of Safety Valve funding). As part of the Safety Valve process the Council meets quarterly with DfE colleagues to present current progress on the management plan and the financial position over the duration of the programme.

#### 1.4.17 **2023/24 Mainstream Schools Additional Grant (MSAG)**

1.4.18 The Autumn Statement 2022 confirmed £1.45 billion funding for schools, for the 2023/24 financial year, above the DSG settlement for the year. Schools will have the flexibility to prioritise their spending of the MSAG to best support the needs of their pupils and staff and address cost pressures. The Education and Skills Funding Agency's (ESFA) intention is that payment of this additional funding in the form of a separate grant will be for 2023 to 2024 only. The funding will be incorporated into core budget allocations for 2024 to 2025. So, for primary, secondary and all-through schools, this will mean the funding being rolled into the schools national funding formula for 2024 to 2025.

1.4.19 In addition to the MSAG, local authorities have been allocated £400 million additional high needs funding (£2m to Rotherham), for 2023 to 2024, on top of their high needs national funding formula allocations. The ESFA have also published the conditions of grant requiring local authorities to pass on proportionate funding to special schools and alternative provision settings, equivalent to the average funding increase that mainstream schools will receive through the MSAG.

#### 1.4.20 **Schools Pupil Premium**

1.4.21 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 2023/24, for Primary Pupils the rate has risen from £1,385 in 2022/23 to £1,455 and for Secondary Pupils from £985 in 2022/23 to £1,035. 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 £2,410 per pupil in 2022/23 to £2,530 per pupil in 2023/24.
- 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 £320 per pupil in 2022/23 to £335 per pupil in 2023/24

#### **1.4.22 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 pupil currently attracts £2.41. An allocation assumes that pupils will take 190 school meals over an academic year, providing £457.90 per eligible pupil.
- 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 2023/24 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. 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.

2.1.2 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 However, the budget context is set against mounting inflation, energy prices, market challenges within Social Care and increasing demand for services due to a growing population and changing demographics in Rotherham. The Council's MTFs update report to Cabinet in November 2022 provided a four-year outlook of the Council's anticipated resources and budget requirement. The report set out a series of technical MTFs

adjustments and refinements to bring it up to date and reflect the impact inflation and energy prices were having on the budget position up to 2025/26.

- 2.1.4 The result of this MTFS review, alongside the Financial Monitoring 2022/23 report to Cabinet in November, envisaged a significant financial overspend that would require the use of the Council's reserves to achieve a balanced financial outturn position for 2022/23. Of the forecast £18.2m 2022/23 overspend position at that point, £10.1m related to additional cost items outside of the control of the Council, that being inflation, energy prices and national pay award. These financial challenges meant the Council faced a significant financial challenge in setting a balanced budget for 2023/24 through to 2025/26 due to pressures outside of the Council's control. Therefore, it was expected that additional use of reserves would be required for 2022/23 and potentially for 2023/24. The Council developed short term savings in 2022/23 that mitigated the financial impact on reserves reducing the outturn position to £8.4m, though the Council's base costs across the MTFS period were increased. The MTFS included in this report is further updated following the release of the Provisional Settlement for 2023/24.
- 2.1.5 The Council's Reserves position is set out in detail in section 2.9 but it is anticipated that use of reserves for 2022/23 to manage and mitigate the impact of factors outside the Council's control, inflation and energy, is estimated to be £8.4m. This will be made up of £4.3m from the Transformational Reserve and £4.1m from the Budget and Financial Strategy Reserve.
- 2.1.6 The Council's MTFS has been further updated since November Cabinet to factor in revised inflation and energy prices assumptions as the rate of inflation has continued to rise and the time period at which high inflation was expected to last has been lengthened. The current inflation and energy prices position remains uncertain, whilst Government have provided some support for energy cost avoidance for 2022/23 and have outlined further support for 2023/24, the market remains volatile and the Government support is reducing.
- 2.1.7 Contractual inflation and provision for Adult Care Provider inflation have also been revised to ensure the Council can meet its contractual arrangements and ensure the Council does not fall behind the curve in terms of what it pays Adult Social Care providers. In recognition of the challenges faced within Home to School Transport and CYPS placement savings being behind profile, a corporate budget provision has been factored into the revised MTFS.
- 2.1.8 The Provisional Settlement for 2023/24, as detailed in section 1.4 confirmed many of the Council's resource assumptions but also introduced new and additional funding allocations that were not anticipated. The additional Adult Social Care grant and the ability for Council's to retain the Adult Care Reform funding were positive steps. Further Governments steps to increase Revenue Support Grant by inflation and provide a further year of New Homes Bonus help to mitigate the Council's financial cost



pressures. However, the benefits from the Provisional Settlement do not go far enough and as such the Council still had a significant funding gap. This funding gap therefore could only be closed through further increases in fees and charges, new savings, increases in Council Tax or use of reserves. The MTFS included in this report reflects the Council's approach to mitigating the funding gap.

- 2.1.9 Following factoring in the impact of inflation, energy prices, MTFS assumptions, and the Provisional Financial Settlement the Council's Funding Gap for the MTFS period was;

<b>Medium Term Financial Strategy Position</b>	<b>2022/23</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	£000	£000	£000	£000
<b>Gap following MTFS Technical Adjustments</b>	0	<b>6,039</b>	<b>6,565</b>	<b>5,978</b>

- 2.1.10 This position was prior to any decisions being proposed in regards to increases in fees and charges, new savings, increases in Council Tax or use of reserves.
- 2.1.11 The Budget and Council Tax Report 2022/23 agreed at Council in March 2022 noted that £11.5m of approved budget savings and cost reductions were still to be delivered, though their delivery would now take place across the financial years 2022/23 to 2024/25. These approved budget savings are an essential part of the Council's approved MTFS position. Significant progress has been made against the savings profile during 2022/23 with all of the £4.8m profiled for delivery this year, already secured.
- 2.1.12 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 now more significantly the impact of inflation and energy prices. It is notable that the Council's challenges with CYPS Placements are not as significant as many other Local Authorities, many other Local Authorities are facing the dual challenge of rising demand along with market pressures ramping up the cost of placements. However, the Council is currently in a better position through the work done in this area, as demand has continued to be reduced.
- 2.1.13 These financial challenges mean 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. In addition, the Council must consider increased levels of uncertainty and where possible make provision for risks associated to currently volatile energy price and inflation levels.

- 2.1.14 It is also important to underline the spending level of the Council despite the previous funding cuts. With a current proposed revenue budget of £302.036m in 2023/24 together with proposed capital expenditure of £205.4m for 2023/24, 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 £610.9m of planned capital investment across the current year and up to 2025/26.
- 2.1.15 This budget strategy is set against the particular inflation, energy price, 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 will need to continue if the Council is to make the most of the Safety Valve arrangement and prevent any impact of the pressures from Dedicated Schools Grant deficits impacting the General Fund.
- 2.1.16 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 2022/23 have monitored progress against the Council's approved savings of £11.5m across the MTFs period. Positively, the Council has been able to report secured delivery of planned savings for 2022/23. The table below provides an update on the progress made to date against the £11.5m of planned savings. £4.9m of savings have been delivered against the planned £4.8m for 2022/23. This includes £971k for Early Help & Social Care Pathway (reductions in social care teams linked to reducing caseloads) and £2m savings from reablement services within Adult Social Care. For R&E there has been £119k delivery of increased income at Waleswood and £255k in respect of planned cost reductions on operational buildings. Further assets are being made ready for disposal which will help progress toward delivering the remaining property savings although the actual amount secured will be confirmed at the point of disposal. Finally, savings have been identified for the R&E Customer and Digital Programme.

2.2.2 **Table 2 – Progress against planned delivery of £11.5m approved savings**

Saving	2022/23	2023/24	2024/25 & Total FYE	Total Secured as at 31st December 2022	Total still to be delivered
	£000	£000	£000	£000	£000
ACHPH	2,800	2,800	2,800	2,800	0
ACHPH – One off saving	500	0	0	500	0
CYPS	971	4,739	7,411	1026	6,385
R&E	374	762	784	374	410
R&E Customer & Digital	200	500	500	200	300
<b>Total Savings</b>	<b>4,845</b>	<b>8,801</b>	<b>11,495</b>	<b>4,900</b>	<b>7,095</b>

The delivery of £11.5m of Directorate savings was planned as part of a balanced budget position over the three financial years 2022/23 to 2024/25.

2.2.3 Further details of the Council's proposed budget for 2023/24 and the Medium Term Financial Strategy to 2025/26 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 2022 included an assumed increase in fees and charges of 2%, for 2023-24. The updated Medium Term Financial Strategy agreed at Cabinet in November 2022 maintained that position although flagged a significant funding gap from 2023/24 onwards as a result of inflation and energy prices.

2.3.2 Given the significant financial challenge that the Council faces as a result of rising inflation and energy prices, consideration has been given to the level of increase that the Council should apply to its own fees and charges for services. The Council is conscious of the impact on residents, therefore it is not proposed to lift fees and charges at the same rate as

current inflation levels, in order to mitigate the impact on residents whilst protecting access to basic services. However, it is proposed to increase them above the 2% MTFS assumption in recognition of rising costs that the Council faces in the provision of these services. As such it is proposed that all income budgets for fees and charges which are determined by the Council will be uplifted by 6% except where an exception has been proposed. The majority of these exceptions relate to the following issues:

- A need to freeze charges to maintain or attract new customers
- Statutory rules that set the charge rates, preventing any increase being made
- Other proposals to freeze charges linked to specific scenarios such as Markets, given the transition that will take place whilst the project that will re-locate Markets takes place.

The following exemptions are proposed.

- Civic Theatre – Price freeze to continue 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 continued custom during the transition of the markets to the new location
- Green spaces – Price freeze, low value, to promote continued use of services provided across Waleswood, Thrybergh Country Park and Clifton Park.

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 – price freeze from September 2022 to August 2023 due to existing contract arrangements. 6% increase to be applied from September 2023 only.
- Electoral Services – access to electoral register records
- Registration Services – registrar fees for births, deaths and marriages
- Parking Services – charges for untaxed/abandoned vehicles

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 £316k, after taking account of additional income generated where fees and charges have been increased above 6%.

## **2.4 Independent Adult Care Sector Provision**

2.4.1 Investment into Adult Social Care is a key part of this budget in order to meet the challenges of escalating cost pressures within this service, relating to inflation, transitions and rising demand for adult care, the Council will provide around £12m investment in the delivery of Adult Social Care services. This additional budget will also help support the Council's ambition that all workers are paid the Real Living Wage.

2.4.2 The total uplift proposed for each sector is based on a weighted average cost incorporating the Real Living Wage increase and CPI. This year a Fair Cost of Care exercise was undertaken at the behest of Central Government, however the implementation of Fair Cost of Care has been delayed but the Council has been able to retain the funding provided. The Council has used part of this funding to ensure home care providers will receive an additional increase in light of market conditions in the sector. In 2020/21 a three-year agreement had been reached with Home Care and Care Home providers that was due to end in 2023/24. However, in light of the exceptional inflation rates during the financial year this has now been superseded.

2.4.3 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**

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

2.4.5 The independent sector care home market in Rotherham supplies 1,607 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. However, pressure in the domiciliary care market has led to increased use of care home provision.

2.4.6 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 9.7% to £10.42 in April 2023. The Real Living Wage for 2022/23 increased by 10.1% to £10.90.
- 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.
- Increasing care requirements of residents with complex needs resulting in an intense demand on staff resource.
- Increase in energy bills due to wholesale cost increases. Care homes have reported increases of between 300 and 500% in utility bills.

2.4.7 The following table details the proposed fees for 2023/24. The total increase in fees aims to address the current costs of delivery and provide funding for inflation. The additional cost would be £3.2m 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.

<b>2023/24 Proposed Fees</b>	<b>Residential</b>	<b>Residential EMI</b>	<b>Nursing Care*</b>	<b>Nursing EMI*</b>
Rotherham	£606	£632	£622	£690

\*Excluding Funded Nursing Care element

## **Home Care**

- 2.4.8 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.
- 2.4.9 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. Capacity in the market has contracted and not kept pace with demand.
- 2.4.10 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 14 to 16 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 19 providers responding to requests for service, although meeting demand remains an ongoing challenge.

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

- 2.4.11 High demand for staff 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.
- 2.4.12 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.
- 2.4.13 The current average hourly rate is £18.33. It is proposed that the rates are aligned to the median rate of the Fair Cost of Care exercise to £22.47 in 2023/24 at a total cost of £1.8m. This will aim to address the need for increased capacity in the sector. The total increase in fees accounts for the increase in the Real Living Wage and inflation.

#### **Independent sector provision – Learning Disability and under 65 Specialist Services**

- 2.4.14 The Council provides financial support to approximately 759 learning disabled people, of all ages, with an ageing demographic and increased complexity from young people transitioning into the services. There are 418 Physically Disabled people (aged 18-64), 195 people with Mental Ill Health (aged 18-64) and 66 people, whose primary support need is Sensory Impairment, currently receiving Council support.
- 2.4.15 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 9.7% to £10.42 in April 2023. The Real Living Wage for 2022/23 increased by 10.1% to £10.90.
  - 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.

- 2.4.16 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 and Real Living Wage, it is proposed to uplift fees to ensure the continued sustainability of services. The fee uplift for each service is shown below.

<b>Learning Disabilities</b>	<b>Percentage uplift</b>
Supported Living	10.1%
Residential Care	10.1%
Day Care	10.1%
<b>Other 18-64</b>	
Care Homes	10.1%
Supported Living	10.1%

- 2.4.17 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 2023 (£10.90 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.
- 2.4.18 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 10.1% increase to the personal budgets, reflecting the increase in the Real Living Wage from 1 April 2023. This will continue to support the wider home care and day care market, ensuring that choice is available outside of the Council commissioned services.
- 2.4.19 Discussions with care providers have highlighted that the ability to pay staff a competitive rate continues to be 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 2023/24**

- 2.5.1 The Government have confirmed that the basic referendum principle for 2023/24 is 3% i.e. a maximum 2.99% 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 2% for 2023/24 (over the basic referendum threshold of 3%). Therefore, the total that the Council could increase Council Tax by is 5%.
- 2.5.2 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by 4%, comprising a 2% increase in the basic rate of Council Tax and a 2% Adult Social Care Precept.



- 2.5.3 The proposed 2% increase on the basic rate of Council Tax will raise an additional £2.4m in 2023/24. In addition, a 2% increase in the Adult Social Care Precept will raise a further £2.4m in 2023/24 to contribute to funding increased costs of adult social care.
- 2.5.4 A 4% increase on the tax levied in 2023/24 would mean a Band D Council Tax (for the Rotherham Council element only) of £1,754.73. Details of the proposed increases on all Council Tax bandings are set out in Table 3 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	2022/23 £	2023/24 £
A	1,124.82	1,169.82
B	1,312.29	1,364.79
C	1,499.77	1,559.76
D	1,687.24	1,754.73
E	2,062.18	2,144.67
F	2,437.12	2,534.61
G	2,812.06	2,924.55
H	3,374.47	3,509.46

- 2.5.5 The budget for 2023/24 also takes account of a planned use of £2.5m 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 cost of living crisis and wider economic pressures on the Borough into 2023/24 may result in a negative effect on the in-year Council Tax collection rate. Consequently the 96% in-year collection rate budgeted for in 2022/23 has been maintained for the 2023/24 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 1<sup>st</sup> March 2023 will include a Statutory Resolution of Council Tax setting out details of the proposed Council Tax calculations for 2023/24 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 2023/24 has been determined as 72,148.99 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 2023/24.
- 2.5.10 Based on the growth in the number of properties in the Tax Base and the proposed increase in Council Tax by 4%, this will generate a total Council Tax of £126.6m available to support the Council to fund services in 2023/24. Details of the Council Tax Base for 2023/24 are set out in Appendix 1.
- 2.5.11 **Local Council Tax Support Top Up Scheme 2023/24 to 2024/25**
- 2.5.12 The Council is aware that residents will be facing rising household costs as a result of rising inflation and energy prices. In recognition of this the Council proposes to again provide a further Local Council Tax Support Top Up scheme across the financial years 2023/24 and 2024/25. The scheme will provide an expected additional award of £117.60 for 2023/24, an increase on the 2022/23 support, of Council Tax support to working age claimants on the Council's Local Council Tax Support scheme for 2023/24. Based on current caseloads this is expected to provide additional support to approximately 14,200 households. Where a claimant has a bill of £117.60 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 2023/24 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 2024. 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 2024/25, the value of this award will be confirmed ahead of 2024/25 when the costs are clearer.
- 2.5.13 The estimated scheme costs of £1.7m will be funded by £0.5m from Governments Council Tax Support Fund for vulnerable households that will pay up to the first £25 per LCTS claimant, with the remaining £1.2m being funded from Council's Household Support Fund allocation for 2023/24. The actual cost won't be known until the end of the 2023/24 financial year. This funding approach will allow the Council to use the Local Council Tax Support and Collection Fund Guarantee Grant reserves to fund a further Local Council Tax Support Top Up scheme in 2024/25. These reserves had been earmarked to fund the Local Council Tax Support Top up scheme in 2023/24.
- 2.5.14 The scheme will replicate the criteria implemented in 2022/23. For 2023/24, the scheme will provide an expected £117.60 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 £117.60 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 2023.
- That where a claimant has a Council Tax bill of £117.60 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 £117.60 support.
- That the additional support will apply to all those becoming eligible up to and including 31 March 2024.

## 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 November 2022 reflecting the significant budget funding gap for the MTFS period. The MTFS has since been further updated, to reflect the outcomes of the Provisional Local Government Finance Settlement 2023/24 and the budget proposals as 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 £1.7m 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 2023/24 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 2023/24 and an updated MTFS over the following three years is set out below in Table 4.

**Table 4 - Budget and MTFS 2023/24 to 2025/26**

<u>Resources</u>	2023/24 £000	2024/25 Estimated £000	2025/26 Estimated £000
<u>Government Funding</u>			
Revenue Support Grant	17,654	18,537	18,537
Business Rates Top-Up Grant & S31 Grant as compensation for multiplier cap on Top-Up Grant	35,337	37,104	37,846

New Homes Bonus	829	0	0
Public Health Grant	18,930	19,876	20,274
Social Care Support Grant	22,888	25,888	25,888
iBCF additional funding from 2019/20	14,480	14,480	14,480
Services Grant	2,493	2,493	2,493
ASC Market Sustainability and Improvement Fund	3,150	4,550	4,550
Discharge Funding	2,000	2,500	2,500
Other Government Grants	841	841	1,441
<b>Total Government Funding</b>	<b>118,602</b>	<b>126,269</b>	<b>128,009</b>
Retained Business Rates & S31 Grants as compensation for Government determined business rates reliefs	54,346	57,063	58,205
Council Tax Collection Fund – annual review and use of surplus	2,500	3,000	3,000
Council Tax and Adult Social Care Precept	126,588	131,652	136,918
<b>Total Council Resources</b>	<b>183,434</b>	<b>191,715</b>	<b>198,122</b>
<b>Total Resources</b>	<b>302,036</b>	<b>317,984</b>	<b>326,131</b>
<b>Expenditure</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>Estimated</b>	<b>Estimated</b>
		<b>£000</b>	<b>£000</b>
Base Budget Requirement at 2022/23 pay and prices	258,769	259,221	259,188
Provision for pay, price and fees and charges income inflation	28,630	43,128	48,645
Adult Care – care transitions and demand	7,200	8,200	9,200
Adult Care uplift following centralisation of iCBF	11,794	11,794	11,794
Revenue budget investment 23-24	524	454	454
Discharge Funding	2,000	2,500	2,500
Capital Investment to 2025/26 – financing costs	2,719	4,840	6,020
Approved budget savings and cost reductions.	-3,956	-6,650	-6,650
Proposed budget savings from 2023/24	-4,344	-4,703	-3,288
Use of savings and funds within Budget/MTFS Strategy:			
· Treasury Management Savings	-6,300	-3,800	0
· Corporate Budget Provision for Children's Placements and Home to School Transport pressures	5,000	3,000	0
<b>Total Expenditure Budgets</b>	<b>302,036</b>	<b>317,984</b>	<b>327,863</b>
<b>Gap</b>	<b>0</b>	<b>0</b>	<b>1,732</b>

\* Notes :

- (i) The amounts of Public Health Grant are estimated based on the Financial Settlement 2022/23 plus inflation, pending the Government confirming the allocations for 2023/24.
- (ii) the iBCF funding allocations up to 2018/19 were included within the Adult Services net budget as grant funding, based on use of the allocations agreed with Rotherham Clinical Commissioning Group. However, this grant allocation is now presented as part of the Council's core resources to align with presentation of the Provisional Financial Settlement. The Adults net budget has been increased to reflect the iBCF being held centrally, as such this grant is still spent within Adults services.

2.6.4 Set out below in Table 5 is the proposed Net Revenue Budget for 2023/24 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 5.

**Table 5 Net Revenue Budget by Directorate**

	<b>Proposed Budget 2023/24</b>
	<b>£'000</b>
Adult Care, Housing & Public Health	120,677
Children & Young People's Service	64,590
Regeneration & Environment Services	50,185
Finance, Customer Services	20,429
Assistant Chief Executive	7,602
Central Services	38,553
<b>TOTAL NET REVENUE BUDGET</b>	<b>302,036</b>

2.6.5 The proposed Central Services budget (£38.5m) shown in the table above includes the following key budgets and provisions:

- Levies – Integrated Transport Authority, Coroners, Environment Agency, Apprentice (£13.1m)
- Capital Financing (£19.7m)
- PFI Grants (cr £3.8m)
- Use of Treasury Management Reserve to support Budget, (cr £6.3m)
- Inflation provision for pay, price and fees and charges, (£15.8m).

## 2.7 Proposed Revenue Budget Investment

2.7.1 Following consideration of the Council's overall financial position for 2023/24 and the Medium Term, a number of revenue budget investment priorities are proposed for 2023/24 onwards as summarised below in Table 6. These proposals total £824k for 2023/24 and will reduce to £621k for 2024/25 thereafter. Further details of all these investment proposals are provided in detail in Appendix 2. During 2023/24, £300k of the proposed investments are to be funded via the Covid Recovery Fund and other grant funding accessed to support the delivery of Rotherham Markets Development. The funding of the Rotherham Markets Development – Trader Incentives will continue into 2024/25, at £167k.

**Table 6 Proposed Revenue Budget Investments**

Ref per template	Revenue Budget Investments	2023/24 £'000	2024/25 £'000
<b>Every Child able to Fulfil their Potential</b>			
23/24 R&E4	Independent Travel Training – Home to School Transport	85	85
<b>Expanding Economic Opportunity</b>			
23/24 R&E1*	Rotherham Markets Redevelopment - Trader Incentives	167	167
<b>A Cleaner, Greener Local Environment</b>			
23/24 R&E2	HWRC's	188	188
23/24 R&E3	Narrow Access Vehicle Resource Requirements	63	63
23/24 R&E5	Commercial Waste Recycling Service	70	0
<b>One Council Approach</b>			
22/23 FCS1*	Additional Call Handling	133	0
22/23 FCS2	Customer and Digital	118	118
<b>Total Investment Proposals</b>		<b>824</b>	<b>621</b>
<b>*Value proposed to be funded via General Fund</b>		<b>524</b>	<b>454</b>
<b>*Value proposed to be grant funded</b>		<b>300</b>	<b>167</b>

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 £200k remains available for 2023/24 to support the costs of any significant planning developments.

## 2.8 Proposed Temporary and Permanent Revenue Budget Savings

2.8.1 In updating the Council's Medium Term Financial Strategy to take account of the Provisional Financial Settlement and impacts of inflation, energy prices and rising demand for social care services it became clear that the Council would require some level of temporary and permanent revenue savings. This was required in order to balance the financial years 2023/24, 2024/25 and provide greater support with the uncertainty that exists over 2025/26 spending review period, the future financial outlook around inflation and Local Authority funding.

2.8.2 In order to address that challenge the Council's Directorates were asked to put forward savings proposals to support the Budget and MTFS that were sensible, achievable and most importantly would have least impact on service delivery to residents. As a result of this exercise the Council is proposing £4.344m of savings for 2023/24, made up of temporary savings of £2.155m and permanent savings of £2.189m. These figures rise to £4.703m in 2024/25, made up of temporary savings of £1.416m and permanent savings of £3.288m. The £3.288m of permanent savings are then factored into the 2025/26 budget position.

2.8.3 The table below summaries the position by Directorate and Appendix 4 provides further information on each of the savings proposals.

Directorate	Value of Temp 23/24 £'000	Value of Perm 23/24 £'000	23/24 Total	Value of Temp 24/25 £'000	Value of Perm 24/25 £'000	24/25 Total
Finance and Customer Services	120	188	308	0	238	238
Assistant Chief Executive	100	203	303	123	285	407
<b>Corporate Sub-Total</b>	<b>220</b>	<b>391</b>	<b>611</b>	<b>123</b>	<b>523</b>	<b>645</b>
Children's and Young Peoples Services	873	475	1,348	496	563	1,059
Adult Care, Housing and Public Health	0	1,224	1,224	0	1,998	1,998
Regeneration and Environment	1,062	99	1,161	797	204	1,001
<b>Totals</b>	<b>2,155</b>	<b>2,189</b>	<b>4,344</b>	<b>1,416</b>	<b>3,288</b>	<b>4,703</b>

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

2.9.1 In 2019/20 as part of the Government's 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 Council's accounts as part of a Covid-19 Grants Reserve.

2.9.2 The Covid Grants Reserve was reduced from £27.4m to £11.9m as part of the financial outturn 2021/22. £5.9m of this balance relates to S31 Grants to support business rate relief provided during 2021/22 that will be accounted for in the Collection Fund during 2022/23. The remaining £6m relates to a series of Covid-19 grant funds, such as new burdens funding generated from a variety of Covid business and resident support schemes that the Council delivered with existing resources, Contain Outbreak Management Fund (COMF) and the Covid Additional Relief Fund (CARF). It is anticipated that the majority of this funding will be utilised during 2022/23.

2.9.3 The Council's balance of corporate reserves as at 31 March 2022 was £40.8m. Following a further review of the Reserves Strategy, taking into account the financial outturn for 2021/22, the forecast financial outturn for 2022/23 and the proposed reserves use during 2023/24 and 2024/25, the following updated Reserves Strategy is proposed for reserves movements during the period 2022/23 to 2025/26:

- 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 was transferred to reserves in 2021/22, before being earmarked to fund the Local Council Tax Support Top Up scheme during 2022/23. £1.6m of this reserve will be used in 2022/23 as planned with the balance of £1.2m earmarked for a Local Council Tax Support Top Up scheme during 2024/25.
- The Spending Review 2021 confirmed Government would compensate local authorities for 75% of irrecoverable losses in Council Tax in respect of 2020/21. This £0.7m was transferred to reserves in 2021/22 and is earmarked for a Local Council Tax Support Top Up scheme during 2024/25.
- 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 and approved for use as part of the 2022/23 Budget. The £2m Children's and Young Peoples Services Social Care Reserve will be used in full to support 2022/23. However, £0.8m of the Covid Recovery Fund will not be required in 2022/23 as the Council has been able to fund some of the planned projects from other new grant schemes that were not anticipated, such as the Household Support Fund, as such the balance will be carried forward for use in 2023/24.



- The Corporate Revenue Grants Reserve will be reduced by £0.6m during 2022/23 to fund the discretionary Council Tax Rebate scheme.
- Treasury Management savings, of £5.6m for 2021/22 were transferred to reserves as part of the outturn position for 2021/22. This was in line with the recommendation to reserve funding and savings to support the budget across the medium term as agreed at Cabinet in February 2022. Further Treasury Management Savings generated in 2022/23 of £6m will also be transferred to reserve to support the budget across the medium term, net of the planned use of £1.5m Treasury Management savings in 2022/23.
- To support the financial outturn position for 2022/23 to mitigate the expected overspend of £8.4m as a result of events outside of the Council's control, inflation and energy prices, it is proposed that the Transformation Reserve £4.1m and £4.3m of the Budget and Financial Strategy Reserve are utilised. As such the Council's Budget and Financial Strategy Reserve will be reduced to £13.5m to support the medium term plan.

2.9.4 Taken alongside the Council's proposed budget for 2023/24 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.

2.9.5 The table below summarises the reserves balances over the medium term and includes the budgeted transfers to and from reserves as outlined in section 2.9.3.

2.9.6 **Table 7 – Forecast Balances of Reserves**

	<b>Balance at 31 March 2022</b> £m	<b>Projected Balance at 31 March 2023</b> £m	<b>Projected Balance at 31 March 2024</b> £m	<b>Projected Balance at 31 March 2025</b> £m
<b>General Fund Minimum Balance</b>	<b>25</b>	<b>25</b>	<b>25</b>	<b>25</b>
<b>Corporate Reserves</b>				
Budget and Financial Strategy	17.8	13.5	13.5	13.5
Transformation	4.1	0.0	0.0	0.0
Business Rates	4.0	4.0	4.0	4.0
Corporate Revenue Grants Reserve	1.9	1.3	1.3	1.3

Children's and Young Peoples Services Social Care Reserve	2.0	0.0	0.0	0.0
Covid Recovery Fund	2.0	0.8	0.0	0.0
Local Council Tax Support Grant	2.8	1.2	1.2	0.0
Collection Fund Income Guarantee Grant	0.7	0.7	0.7	0.0
Treasury Management Savings	5.6	10.1	3.8	0.0
<b>Total</b>	<b>40.8</b>	<b>31.5</b>	<b>24.4</b>	<b>18.7</b>
<b>Total General Fund Minimum Balance and Corporate Reserves</b>	<b>65.8</b>	<b>56.5</b>	<b>49.4</b>	<b>43.7</b>

2.9.7 It is proposed that £133k of the Covid Recovery Fund will be utilised in part during 2023/24, to fund the revenue budget investments in Call Handling. The remaining use of the Covid Recovery Fund will be set out in a future Cabinet report once the final position for use of the fund in 2022/23 is known.

#### **Community Leadership Fund**

2.9.8 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

2.9.9 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.

#### **2.10 Business Rates Reliefs**

2.10.1 Revaluation 2023 and Transitional Relief

2.10.2 From 1 April 2023, the rateable values of all non-domestic properties in England will be updated by the Valuation Office Agency to reflect the property market as at 1 April 2021. This will ensure business rates bills are

fairly distributed across all non-domestic properties and reflect changes in market conditions since 2015.

2.10.3 A new Transitional Relief Scheme will be introduced in 2023 to help those ratepayers who will be faced with higher bills as a result of the revaluation.

2.10.4 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme

2.10.5 In the Autumn Statement 2022 the Chancellor announced a new business rates relief scheme for retail, hospitality, and leisure properties, worth an estimated £2.1 billion in 2023-24.

- The 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme will provide eligible, occupied, retail, hospitality, and leisure properties with 75% relief, up to a cash cap of £110,000 per business.
- Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England. Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps.
- The RHL relief scheme guidance provides local authorities with information about the intended operation and delivery of the policy.
- The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2023/24 in their bills for the beginning of the 2023/24 billing cycle.

2.10.6 2023/24 Supporting Small Business (SSB) relief scheme

2.10.7 In the Autumn Statement 2022 the Chancellor also announced a new Supporting Small Business (SSB) relief scheme which will cap bill increases at £600 per year for any business losing eligibility for Small Business Rate Relief or Rural Rate Relief at the 2023 revaluation. The scheme also provides support for those previously eligible for the 2022/23 SSB scheme and facing large increases in 2023/24 but in those cases for one further year only.

2.10.8 The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2023/24 in their bills for the beginning of the 2023/24 billing cycle.

2.10.9 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.

#### 2.10.10 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 2022/23 and it is proposed to continue the same arrangement for 2023/24.

- 2.10.11 Cabinet are recommended to propose to Council that these business rates reliefs are applied for 2023/24 in line with Government guidance. In addition, should Government introduce other rates reliefs, the reliefs will be applied in line with Government guidance.

#### 2.11 **Procurement – Supplier Faster Payments**

- 2.11.1 Since April 2020 the Council has adopted a range of principles and measures to provide faster payment (i.e. payment earlier than the standard 30 day payment terms) to Suppliers, where invoices have been reconciled, with a targeted approach to support local suppliers and Small to Medium Enterprises (SMEs). This was done initially to provide support during the Covid-19 pandemic to ensure cash-flow within businesses was maintained to avoid supply chain collapse and help protect jobs. The Council has however recognised the economy has not recovered or returned to pre-pandemic levels and is now facing other significant financial pressures resulting from rising inflation and energy costs. It is proposed that these principles and measures are maintained for a further 12 month period covering the 2023/24 financial year.

#### 2.12 **Capital Strategy/Capital Programme Update**

- 2.12.1 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 covers 2022/23 through 2025/26, so that the Council has a 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.
- 2.12.2 The Council's Capital Strategy and Capital Programme to 2025/26 was approved by Council in March 2022 within the Budget and Council Tax 2022/23 Report. This has been further refreshed and updated as part of this Budget report and the reporting to Cabinet and Council carried out during 2022/23.
- 2.12.3 The Financial Outturn 2021/22 report approved by Cabinet in July 2022 set out an updated Capital Programme taking into account slippage on capital schemes during 2021/22 which was mostly re-profiled into future years.

2.12.4 Further individual new capital projects already approved during 2022/23 are incorporated into the updated Capital Programme which is set out in Appendices 3C to 3F.

2.12.5 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 priority capital investment schemes will be added to the Council's Capital Programme following Council approval.

#### 2.12.6 **Priority Capital Investment – General Fund**

A number of new capital schemes are being proposed for inclusion into the Capital Programme 2022/23 to 2025/26. A list of the new schemes is provided at Appendix 3A and 3B, along with a summary view of the scheme business case. These new proposals will be funded by £11.104m 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**

<b>Directorate</b>	<b>New Capital Proposal</b>	<b>Corporate Resource Required £'000s</b>
R&E	HWRCs	2,447
R&E	Narrow Access Vehicles for Waste/bin collections	240
R&E	5-year Plant equipment refresh Grounds and Streets	1,254
R&E	Waterloo Kiln Restoration	199
R&E	Green Spaces Casework	110
R&E	RVCP Car Park - Payment Stations	75
R&E	Centenary Way Viaduct Urgent Remedial Repairs to Central Reserve	1,700
R&E	Moving Traffic Enforcement Powers	400
R&E	Traffic Signals Improvements	600
R&E	Strategic acquisitions - top up and extension	1,000
R&E	Century 1 - Roof Replacement	600
R&E	Bus Route Improvements	331
R&E	Towns and Villages Fund - Round 2	2,000
F&CS	Bereavement Services Investment	148
	<b>Total</b>	<b>11,104</b>

2.12.7 There are a number of project specific changes that are being added to the Capital Programme as part of the Council's December Financial Monitoring report to 13 February Cabinet. However, there is a change to the Council's planned use of corporate borrowing that will require support via this Budget and Council Tax Report with referral onto Council.

- £1.759m transferred from the Pathways to Care Adaptation project to the Children's Residential Homes project. This is to move resources to support the delivery of the Children's Residential Homes project and match fund and supplement the DfE grant award of £557k. October 2022 Cabinet agreed a revised approach to Phase 3 and Phase 4 of the Children's Residential Homes project that would require additional capital investment to deliver Phase 3 and to match fund the potential bid to DfE for a Phase 4.

2.12.8 The Council was successful in the bid and so the capital budget adjustments have now been made. This scheme is essential to the delivery of the agreed savings earmarked against CYPS placements. The Pathways to Care Adaptation programme no longer requires the £1.759m as the take up of the project in the early years was not significant leading to slippage of resources that would be better prioritised against the Children's Residential Homes project.

2.12.9 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 set aside as part of the Budget and Council Tax Report 2022/23 funding within the Medium Term Financial Strategy to finance some additional borrowing provision. This provision remains in place and will potentially fund £10m of additional expenditure within the Capital Programme should it be required as a result of inflationary pressures.

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

2.12.10 The Housing Revenue Account Capital Programme has also been updated to 2025/26, in line with the updated HRA Business Plan presented for approval by Cabinet on 13 February 2023 and Council on 1 March 2023. HRA capital programme information is set out in Appendices 3E and 3F.

### **Capital Strategy**

2.12.11 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. The Council will continue to build upon the successes of recent years in the development and approval of funding bids, such as Towns Fund and Levelling Up Fund in order to maximise the impact that the Council can have on the borough through capital investment.

2.12.12 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 2022/23 to 2025/26

- 2.12.13 Subject to approval of all the proposed additions to the Capital Programme, the Council's four year Capital Programme will be set at £610.890m, split between general fund £433.476m and HRA £177.414m. The table below indicates the split of the Capital Programme across the Council's Directorates.

**Table 9 – Proposed Capital Programme 2022/23 to 2025/26**

Directorate	2022/23 Budget £m	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	Total Budget £m
<b>General Fund Capital</b>					
Children and Young People's Services	8.513	13.543	3.040	15.190	40.286
Regeneration and Environment	94.338	123.442	41.551	57.136	316.467
Adult Care & Housing	5.638	8.407	14.117	4.273	32.435
Assistant Chief Executive	0.481	0.203	0.210	0.210	1.104
Finance and Customer Services	5.448	11.908	3.425	18.403	39.184
Capitalisation Direction	1.000	1.000	1.000	1.000	4.000
<b>Total General Fund Capital</b>	<b>115.418</b>	<b>158.503</b>	<b>63.343</b>	<b>96.212</b>	<b>433.476</b>
<b>Total HRA Capital</b>	<b>40.779</b>	<b>48.902</b>	<b>58.123</b>	<b>29.610</b>	<b>177.414</b>
<b>Total RMBC Capital Programme</b>	<b>156.197</b>	<b>207.405</b>	<b>121.466</b>	<b>125.822</b>	<b>610.890</b>

## Funding the Capital Programme

- 2.12.14 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.
- 2.12.15 The Council held £0.2m of General Fund capital receipts and £19.3m of Right to Buy (RTB) receipts as at 31 March 2022. In addition, the Council anticipates further capital receipts to be generated across the Capital Programme period 2022/23 to 2025/26. The total amount of capital receipts planned to support the proposed General Fund Capital Programme including flexible use is £7.2m. The planned use of HRA receipts within the HRA programme is £15.0m, this is based on the continuing sale of

properties under RTB, and private sales generated through the Councils new build housing schemes.

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

**Table 10 – Funding of the Proposed Capital Programme 2022/23 to 2025/26**

<b>Funding Stream</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>	<b>2024/25 Budget £m</b>	<b>2025/26 Budget £m</b>	<b>Total Budget £m</b>
Grants and Contributions	73.260	80.118	34.255	16.254	203.887
Unsupported Borrowing	39.753	76.348	27.214	78.322	221.637
Capital Receipts	1.229	0.858	0.691	0.450	3.228
Capital Receipts - Flexible Use & HRA Contribution	1.000	1.000	1.000	1.000	4.000
HRA Contribution	0.176	0.179	0.183	0.186	0.724
<b>Total Funding - General Fund</b>	<b>115.418</b>	<b>158.503</b>	<b>63.343</b>	<b>96.212</b>	<b>433.476</b>
Grants and Contributions	2.871	1.050	0.000	0.000	3.921
Unsupported Borrowing	1.698	1.637	23.815	0.000	27.150
Housing Major Repairs Allowance	29.275	29.655	25.998	24.309	109.237
Capital Receipts	4.303	6.582	3.596	0.587	15.068
Revenue Contribution	2.633	9.978	4.714	4.714	22.039
<b>Total Funding - HRA</b>	<b>40.779</b>	<b>48.902</b>	<b>58.123</b>	<b>29.610</b>	<b>177.414</b>
<b>Total</b>	<b>156.197</b>	<b>207.405</b>	<b>121.466</b>	<b>125.822</b>	<b>610.890</b>

2.12.17 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.

## 2.13 Treasury Management Issues

2.13.1 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.

- 2.13.2 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.
- 2.13.3 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.
- 2.13.4 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.
- 2.13.5 The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.
- 2.13.6 Details of the Treasury Management issues are contained in Appendix 9. However, the key issues that the Council's Treasury Management service will monitor closely is the current increase in the Bank of England Base Rate and its impact on the cost of borrowing. The Council's approach and mitigation of this issue is covered within Appendix 9.
- 2.14 **Report of the Strategic Director - Finance and Customer Services (the Council's Responsible Financial Officer)**
- 2.14.1 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.
- 2.14.2 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.
- 2.14.3 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.
- 2.14.4 The Strategic Director - Finance & Customer Services gives her assurance that the budget estimates for 2023/24 are robust overall when considered in conjunction with the budget proposals identified in the report, the Reserves Strategy and medium term financial projections. The Council

continues to face significant financial pressures in respect of social care and also, following the challenges of the COVID-19 pandemic, is now faced with significant economic uncertainty, high inflation and unprecedented increases in energy costs. However, the Council has also demonstrated over recent years, an ability to manage difficult financial 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. This means the Council is able to withstand the huge and unexpected inflationary impact on budgets in 2022/23 through a combination of active cost reduction measures and the use of some of those accumulated reserves and is therefore able to set a balanced budget for 2023/24 without needing to implement cuts to front line services. The remaining reserves ensure that the Medium Term Financial Strategy is robust despite the ongoing substantial risk caused by the current economic situation.

2.14.5 This assurance is predicated on Directorates continuing to progress all appropriate actions to reduce their spending for the remainder of the year, including delivery of the agreed savings and cost reductions, 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.

2.14.6 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 2023/24 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 2023/24.

- 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.

2.14.7 The reserves position will need to be kept under review to ensure that the Council maintains a robust budget and sound financial base.

2.14.8 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 Council's projected outturn position for 2022/23 relates to unexpected and significant inflationary cost increases, there are also continuing cost overruns in children's social care (placement costs) and in Home to School Transport (increasing demand). Whilst these are national problems, it is important that the costs are reduced if the Council is to remain financially stable and sustainable.

2.14.9 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.

2.14.10 Services have achieved necessary and substantial levels of budget savings and cost reductions in recent years and now need to conclude that delivery. The new savings proposals within this budget seek to avoid impact on residents and protect priority services and need to be delivered, as planned, over the applicable years.

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

3.1 These are set out in Section 2 above.

### **4. Consultation on proposal**

4.1 From 19 December 2022 to 22 January 2023, the Council held an online consultation which provided broad information on income and expenditure as well as a link to the March 2022 Budget Report. The Council also consulted individually with key partners. There were 76 responses from the public, 1 from key partners. The report on the consultation is attached at Appendix 10.

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 8 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 before the 11 March each year. Strategic Directors are responsible for ensuring the delivery of savings proposals within their Directorate Cash Limit approvals.

5.2 The delivery of savings will be closely monitored through the Council's financial monitoring arrangements and reported to Cabinet throughout the year. Should it be necessary 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 2% increase in the basic rate of Council Tax (excludes precepting bodies) and a 2% Adult Social Care Precept on Council Tax. The report proposes a General Fund Revenue Budget for the Council for 2023/24 of £302.036m.

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 6.0% 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 2023/24 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 2023/24 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 2023/24 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.

8.2 Where any savings proposal will have an impact on staff, any change will be subject to the Council's consultation procedures.

## **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% 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 The proposals contained within the budget have been developed with the aim of minimising the impact on residents and the services they receive and the impact on the Council's employees.

10.2 As such these additional savings proposals will be considered using their own EIA and following the Council's Human Resource policies and procedures to ensure that appropriate engagement, consultation and support is provided to impacted staff. In addition, any likely impacts on residents will be assessed by individual services to ensure that any that are disproportionate in relation to protected groups, are considered and mitigated against where possible.

## **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 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  
Rob Mahon, Assistant Director - Financial Services

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	30/01/22
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	30/01/22
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	30/01/22

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