

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	Meeting:	Cabinet
2)	Date:	23 February 2011
3)	Title:	Proposed Revenue Budget and Council Tax for 2011/12
4)	Directorate:	Financial Services

5. Summary

This report proposes a Budget for 2011/12 based on the outcome of the Council's Financial Settlement. It provides details of:

- The progress of the Budget process since July 2010 (including confirmation of the Local Government Financial Settlement)
- The principles reflected in the Budget and spending plans
- The Council's recommended Revenue Budget for 2011/12
- Spending plans for Directorates
- Precepts and levies made on the Council by other authorities
- Proposed Council Tax levels for the coming financial year, and
- Proposed future developments in the 3 year Medium Term Financial Strategy (MTFS) 2011/12 to 2013/14.

As required by legislation, the report also contains the Strategic Director of Finance's assessment of the robustness of the estimates included within the Budget and the adequacy of the reserves for which the Budget provides.

6. Recommendations:-

1. **That Cabinet recommend to Council that on the 2nd March 2011:**

(a) **They approve:-**

- (i) **a General Fund Revenue Budget for 2011/12 of £219.622m to be allocated to services as set out in this report.**
- (ii) **No increase in the Council Tax in respect of this Council's own Budget giving an annual Band D Council Tax of £1,230.03**

(b) **They note and accept the comments of the Strategic Director of Finance, 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.**

- 2. That Cabinet agree that the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Civil Defence Authority and the various Parish Councils and Parish Meetings be incorporated, when known, into the recommendation to the Council on 2nd March 2011.**

7. Proposals and Details

Background

The Financial Challenge

In Autumn 2010 the Coalition Government published its Comprehensive Spending Review (CSR) which outlined the spending plans for 2011/12 to 2014/15. This indicated that the Government was planning substantial reductions in public expenditure in order to tackle the fiscal deficit. It outlined real term reductions of 28% over the period in Central Government funding for local government.

The precise impact of the CSR for Rotherham became clear when the provisional finance settlement was published on 13th December. This was one of the most complex settlements for some time as it included not only changes in the data and formulae used to calculate authorities' grant allocations but also a significant number of former specific grants, many formerly paid as Area Based Grant (ABG), were rolled into the Formula Grant baseline for 2011/12.

The main headlines for Rotherham were:

- A total Formula Grant allocation of £123.2m; but this allocation includes £16.1m (at 2010/11 levels) of grants rolled into Formula Grant total;
- Taking these grants into account, the Council's Formula Grant allocation **reduced** (from an adjusted 2010/11 base of £139.40m) **by 11.60% or £16.20m** year on year. This reduction is greater than both the national and regional averages (-9.90% and -10.10%) and is in line with reductions for Other Metropolitan District Councils (-11.30%);
- The Settlement indicated that a further 8.30% reduction in funding from 2011/12 levels is planned for 2012/13, bringing the total reduction over the two years to 18.70%.

The final financial settlement was announced on 31st January and had changed very little from the provisional grant settlement. The final settlement took account of a number of minor data errors in the distribution methodology. The impact of these led to Rotherham's resources from the settlement increasing by £6,272.

The final settlement is about £1.60m different to the assessment made immediately following the CSR due to data changes that benefit London and the South East at the expense of areas like Rotherham.

The withdrawal of Central Government funding and grant allocations to local councils is resulting in the Council facing a £30.3m resources gap in 2011/12.

Budget Principles

In July of last year, when the plans of the newly elected Government were becoming apparent, the Council was forced to revisit the 2010/11 Budget that had been set just 4 months earlier, to find an extra £10m that was withdrawn by the Government's Emergency Budget.

Clearly the Council has had to have a short term objective to balance its Budget in 2010/11. However, in setting the 2011/12 Budget the Council believes it is important to keep its eye on the next few years ahead and avoid hasty decisions that could cost it unnecessarily in the longer term.

From the outset of the 2011/12 Budget process the Council has said that its focus must be on the customers it serves, the communities and businesses of Rotherham – and not our organisational structure.

To achieve this end, we have identified a clear set of principles for considering Budget proposals. This has, as a **first course of action**, been to streamline our management and administration and to reduce as far as possible our back office costs. These were highlighted as a priority by the public in our 'Money Matters' budget consultation. In addition, we have identified areas where better ways of working could result in even greater efficiency and effectiveness. However, faced with such a significant budget deficit, the Council has still to make some tough choices which are reflected in the proposals put forward to Cabinet.

By adopting a calm and measured approach and planning ahead it is possible for the Council to **protect services for those most in need**. Within the Budget, provision is made to:

- Ensure that safeguarding of children is a top priority through the provision of improved services for children in care and with Special Educational Needs,
- Support vulnerable families and individuals,
- Increase our investment in preventative services and early intervention,
- Reduce the time taken to provide new packages of care and supply equipment, assistive technologies and adaptations to safeguard adults when their life circumstances change,
- Transform youth provision for all young people,
- Protect vital tendered bus services across the borough,
- Continue to help new business start ups and stimulate the local economy,
- Protect funding for voluntary and community sector and advice services,
- Help Rotherham Credit Unions continue to provide financial support to residents who are in danger of being made homeless because of the economic downturn, and

- Continue to invest in infrastructure across the Borough – £3m in new road network improvements, building in total 132 new affordable social housing, regeneration of the town centre and improve customer services.

Proposed General Fund Revenue Budget for 2011/12

Set out below is the proposed net Revenue Budget resulting from the budget principles referred to above which is recommended in this report.

Directorate	Proposed Budget 2011/12
	£'000
Neighbourhoods & Adult Services	86,214
Children & Young People's Service	40,608
Environment & Development Services	42,308
Financial Services	7,859
Chief Executive	7,325
Central Services (incl ITA and other levies)	35,308
TOTAL	219,622

Note: the figures above include spend previously supported by specific grants but now funded by formula grant. This makes year-on-year comparisons difficult, particularly as it affects some Directorates more than others

The Budget outlined above will:

- protect funding helping to provide vital services for those most in need in our community;
- reduce management and administration and back office costs as far as possible; and
- enable the Council to focus on the next three to four years to ensure that our services continue to be equipped to deliver a high standard that is fully aligned to the Community Strategy and our Corporate Plan priorities and objectives. This year, the Budget provides investments in the following local key priorities:

- the provision within the Budget of a £2m Fund that will allow the Council to invest in preventative and early intervention initiatives that will address issues at the earliest opportunity, thereby improving the quality of service provision and also allowing the Council to realise savings by addressing problems in the most cost effective way;
- £0.177m has been provided to allow the continued investment in the South Yorkshire Safety Camera Partnership, with the aim of making our roads even safer than at present; and
- The availability of a Contingency Fund of £0.600m to address Budget pressures should they arise, and to mitigate potential risks within the Council's financial plans.

The delivery of these objectives in 2011/12 will be made possible in light of the following proposed Council-wide savings or additional sources of funding that have been identified:

- **Corporate, cross-cutting savings (-£7.331m)** – the Council is conducting a wide-ranging and rigorous review of all service activities, spending and assets, including buildings, which will streamline the Council's management and administration and reduce as far as possible its back office costs.
- **Pay Terms & Conditions (-£2.020m)** – the Council is working with staff and Trade Unions to identify opportunities for minimising the impact of the Government grant reductions on local jobs.
- **NHS Funding to support social care (-£3.665m)** – the CSR recognised the immense pressures on the social care system in the difficult financial climate. To support social care at a local level, the Council has been working with NHS Rotherham, Rotherham FT Hospital and the emerging GP Commissioners to secure financial support that will both support integration between social care and health services and help more vulnerable residents remain independent and play an active role in their community.
- **Shared Services (-£0.500m)** – the Council is actively working with other councils and public sector partners to identify opportunities for more shared services.
- **Improved Commissioning (-£0.400m)** – the Council is proactively reviewing its strategic contracts with providers across a range of services.
- **Efficiencies in Supplies and Services Budgets (-£0.400m)**, the Council is looking at ways of procuring the supplies and services it needs, more efficiently.

- **Consultation efficiencies (-£0.050m)** – the Council is exploring new ways of coordinating, streamlining and using new technologies for engaging in public consultation across its services.

In addition, the following specific Directorate budget proposals have been considered and put forward, totalling £17.026m.

Children and Young People’s Service -£1.884m
 Neighbourhoods and Adult Services -£6.358m
 Environment and Development Services -£4.943m
 Financial Services -£2.487m
 Chief Executive -£1.354m.

Resources

As well as spending and cost pressures, the level of resources available to the Council is a key factor to consider in the development of the Budget and these are set out below.

Government Grants

Formula Grant - 2011/12 is the first year of the two-year Local Government Finance Settlement following the completion of the CSR and the Council’s 2011/12 settlement can be summarised as follows:

	£’000
Revenue Support Grant (RSG)	29,083
National Non-Domestic Rates – share of the national pool	94,087
Total - Formula Grant for 2011/12	123,170

As previously stated, the Formula Grant allocation of £123.170m allocation includes £16.10m (at 2010/11 levels) of specific grants rolled into the Formula Grant total. Adjusting for this transfer of funding, the Council’s Formula Grant allocation has reduced by 11.6% on a like for like basis.

The provisional grant details for 2012/13 published with the Final Settlement in January show grant will continue to reduce. The provisional grant allocation for 2012/13 shows the Council’s Formula Grant as £112.993m, a year on year cash reduction (after adjustments) of a further 8.30% or £10.20m. Furthermore, although the grant reductions are frontloaded, the Spending Review indicated that Councils would face an average loss of grant of 7.1% over the next 4 years, which implies that grant will reduce further in the two subsequent financial years of the CSR period.

Specific Government Grants

A significant number of specific grants, many of which have been paid as part of Area Based Grant have been rolled into formula grant from 2011/12. Only a relatively small number of specific grants remain and some are composed of a number of smaller grants from previous years. The remaining specific grants that have been confirmed and their value for the Council are set out below:

Grant	2011/12 £'000
Early Intervention Grant	12,326
Learning Disability and Health Reform Grant	6,561
Housing and Council Tax Benefit Subsidy Administration Grant	2,361
Lead Local Flood Authorities	120
Preventing Homelessness	169

In addition to these funding streams, there are still some grants including the New Homes Bonus and small Home Office Grants for which announcements have not yet been made. Also the Government has indicated that the Music Grant and Extended Rights to Free Travel grants to Local Authorities are still under review and that the outcomes of the reviews will be announced in due course.

Dedicated Schools Grant (DSG) – The DSG flat rate per pupil of £4,363.11 for 2010/11 has remained unchanged for 2011/12. School Standards grants and a number of Standards Fund grants have been added to the DSG: this unit of funding equates to £778.16. Therefore the DSG per pupil allocation for 2011/12 is £5,141.27 per pupil.

The Pupil Premium is an additional resource for schools in 2011/12. For each pupil on the January pupil census entitled to a free school meal the school will receive £430. Schools are free to spend this allocation as they see fit but it should be targeted at disadvantaged or low achieving pupils. Schools will also receive Pupil Premium for children looked after by the Local Authority and a smaller premium of £200 for children with parents in the Armed Forces.

The Harnessing Technology grant of £1m has ceased and a number of other grants affecting school budgets such as Devolved Formula Capital and Primary and Secondary strategies have reduced significantly. The Music Standards Fund grant (2010/11 £0.745m) and sixth form grants (2010/11 £8.2m) have yet to be confirmed.

The table below sets out the major reductions in grants to schools compared to 2010/11:

Devolved Formula Capital	-£3.3m
Harnessing Technology	-£1.0m
National Strategies	-£0.6m
TOTAL	-£4.9m

The level of Council Tax

It is proposed that there will be **no rise in the Council Tax**. This will enable the Council to qualify for the Council Tax Freeze grant described below. A zero increase on the tax levied in 2010/11 would mean a Band D Council Tax (for the Council only) of £1,230.03 and would mean a Band A Tax of £820.02, a Band B Tax of £956.69 and a Band C Tax of £1093.36 per year. 86% of properties in Rotherham are classed as Band A (54%), Band B (19%) or Band C (13%).

The planned level of Council Tax also takes account of £1.5m surplus balance expected on the Collection Fund as at 31 March 2011. This has been generated by the Council achieving a higher rate of collection for Council Tax than the 97% expected when setting the previous years' tax levels.

As required by legislation (the Local Government Finance Act 1992), and, as in previous years, a formal report will be brought to Council on March 2nd setting out details of the proposed Council Tax calculations for the Council, parished areas and including the precepts from the South Yorkshire Police and South Yorkshire Fire and Civil Defence Rescue Authorities (which are due to be declared later this month on the 18th and 21st of February respectively) - it is currently expected that the Joint Authorities will also freeze their Council Tax precepts. Excluding parishes which are increasing their precepts, this would give a Band D Tax in un-parished areas of £1,422.53.

A Cabinet meeting on 19 January 2011 agreed a Council Tax base for 2011/12 of 75,311.58 Band D Equivalent properties after adjusting for losses on collection, allowances, reliefs and discounts granted. This represents an increase of 0.30%, or 240 Band D Equivalent properties, over the 2010/11 base which is estimated to yield an additional £0.300m in tax income.

Council Tax Freeze Grant - to support authorities that are not increasing their Council Tax the Government has introduced a new un-ringfenced grant for 2011/12. This will be payable to authorities setting their basic Council Tax for 2011/12 at a level which is no more than the basic amount of Council Tax set for 2010/11. The grant is equivalent to a 2.5% increase in the 2010/11 tax level multiplied by the tax base for 2011/12. In Rotherham's case the estimated grant in 2011/12 is £2.316m, which has been taken into account in determining the Council's Net Budget. Authorities qualifying for this grant will continue to receive payments for the 3 subsequent financial years, across the life of the current CSR (i.e., until 2014/15) No announcement has yet been made on what will happen to this grant after 2014/15.

On these planning assumptions the level of Council Tax available to the Council to fund services in 2011/12 will be £92.636m.

Funding the Budget

It is proposed that the financing of the Council's Net Budget of £219.622m for 2011/12 is as follows:-

	£'000
Formula Grant	123,170
Collection Fund Surplus	1,500
Which will leave to be raised from Council Tax – a standstill on the Council Tax levied in 2010/11	92,636
Government Grant to compensate Council for Freezing Council Tax at 2010/11 level	2,316
Funding Total	219,622

Medium Term Financial Strategy (MTFS)

The 2011/12 Revenue Budget outlined above represents the first year of the three covered by the Medium Term Financial Strategy (MTFS) 2011-2014. As part of the process of developing the Budget, the MTFS will be revised and a draft revised MTFS will be brought forward for Members' consideration early in the new financial year. The MTFS will include predictions of the future level of resources available to the Council and the predicted demand for, and cost of, services.

8. Finance

The proposals for the 2011/12 Budget and Council Tax contained within this report are put forward having regard to several factors. These are:

- that the assumptions about the level of resources and reserves available to support the 2011/12 Revenue Budget are sound. The two-year Grant Settlement has again allowed a greater degree of certainty in preparing resource projections for 2011/12.
- that the service plans upon which the Budget is predicated will be actioned by elected Members and officers, as appropriate, and that this will be done having full and proper regard for the Council's financial position. The prospects for this are good.
- that through the ongoing rigorous programme of reviews, other scrutiny and strategic planning processes the Council will ensure the sustainability of its annual Budget and other financial plans. Again the prospects are good.

This report recommends:

- The Council Tax to remain at £1,230.03 at Band D (i.e. no increase on the 2010/11 level),

- a General Fund Revenue Budget for Rotherham Council in 2011/12 of £219.622m.
- For information, the following general assumptions with respect to inflation have been provided for within the Budget:
 - A nil % increase in staff pay, although actual pay increases are still subject to negotiation, but at present the Local Government Employers' organisation is not proposing to offer a pay award for 2011/12.
 - A general inflation rate of nil %, and where known in relation to specific items of expenditure, a specific provision for inflation if significantly different. **In line with Council policy, it is expected that all such pressures will be contained within Directorate Cash Limit budgets.**

9. Risks and Uncertainties – Report of the Strategic Director of Finance

The Chief Financial Officer of an Authority (in Rotherham Council's case the Strategic Director of Finance) is required by Section 25 of the Local Government Act 2003 to report to the Authority when it is making the statutory calculations required to determine its Council Tax, and the Authority is required to take that report into account. The report should deal with:

- The robustness of the estimates included in the Budget; and
- The adequacy of reserves for which the Budget provides.

The report does not have to be a separate document and so I have included my comments in this report and Cabinet is asked to take account of them.

The current budget process has been unprecedented both in the scale of the reductions required and the timescales available to achieve them. The first funding cuts were the reduction in grants for 2010/11 announced in the summer, of 2010. These were followed by a significant front loading of grant reductions in the 2011/12 Settlement and 2012/13 Provisional Settlement. Such resource reductions present a significant challenge (to all councils) in formulating a robust and sustainable budget.

By establishing a clear set of budget principles, taking a calm and measured approach and planning ahead, the Council has put itself in a strong position to ensure that the Budget proposals are robust and deliverable while ensuring that vital public services continue to be available to those in our community that are most in need of them. Overall, the Council is reconfiguring its services to align activity with the likely available funding.

The Council has a strong track record of delivering efficiencies year on year while maintaining high service standards. It also has a strong financial governance framework to ensure that the Council continues to closely manage the delivery of the proposals in the Budget so as to preserve the Council's overall financial position.

As Strategic Director of Finance for the Council, I consider that the budget proposals and estimates included within the Budget are robust.

Reserves

The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2011/12 Budget and to give time for serious action to be taken to bring the Budget back into balance, so as to ensure its sustainability for the future.

I have conducted a detailed review of the level and purpose of the Council's reserves, together with their operational arrangements (in line with recommended best practice). The review, incorporating a risk assessment of each reserve, has guided the decision taken as to the prudence of the level of reserves available to draw on, if necessary, during 2011/12.

The Council's reserves are expected to be £35.80m by 31st March 2011. The reserves position at 31 March 2011 is broadly in line with the Council's Medium Term Financial Strategy.

The majority of reserves (£27.80m) are held to meet specific needs, or are ring-fenced to particular services (including Schools and Housing Revenue Account balances).

From those Reserves available to support the Budget, £0.7m of LABGI funding and £1.6m of Area Based Grants received in prior years was carried forward and will be applied in 2010/11. This means that approximately £7.0m is available to safeguard the Council against the potential financial risks plus any others unforeseen. I consider this to be a prudent level. The position will be monitored carefully throughout the year. The reserves position at 31 March 2011 is expected to be in line with the current financial plan.

10. Policy and Performance Agenda Implications

A balanced and sustainable Budget is fundamental to the delivery of the Council's planned level and range of services during the coming financial year in support of its stated key priorities.

11. Background Papers and Consultation

- Comprehensive Spending Review (CSR) - 20th October 2010
- Local Government Financial Settlement – 31st January 2011

Consultation with SLT, elected Members, the Chamber of Commerce and Trade Unions.,

Contact Name: *Andrew Bedford, Strategic Director of Finance, ext. 2002*
Andrew.bedford@rotherham.gov.uk