

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	Meeting:	Cabinet
2)	Date:	22nd February, 2012
3)	Title:	Proposed Revenue Budget and Council Tax for 2012/13
4)	Directorate:	Resources

5. Summary

This report proposes a Budget for 2012/13 based on the outcome of the Council's Financial Settlement. It provides details of:

- The progress of the Budget process since July 2011 (including confirmation of the Local Government Financial Settlement)
- The ongoing principles reflected in the Budget and spending plans
- The Council's recommended Revenue Budget for 2012/13
- Savings proposals from 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) 2012/13 to 2014/15.

As required by legislation, the report also contains the Strategic Director of Resources' (the Council's Responsible Financial Officer) 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 7th March 2012:

(a) They approve:-

(i) a General Fund Revenue Budget for 2012/13 of £213.290m to be allocated to services as set out in this report.

(ii) No increase (for a second year running) 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 Resources, 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 of the Borough be incorporated, when known, into the recommendation to the Council on 7th March 2012.

7. Proposals and Details

Background

The Ongoing 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 2 year (2011/12 to 2012/13) finance settlement was published on 13th December 2010. The main headlines for Rotherham were:

- A total reduction in the government grant funding to the Council of 18.70% over the 2 years 2011/12 (an 11.60% reduction) and 2012/13 (a further 8.70% reduction).
- A reduction in funding greater than both the national and regional averages (-9.90% and -10.10%) and in line with reductions for Other Metropolitan District Councils (-11.30%)

Such a significant and swift withdrawal of Central Government funding and grant allocations to local councils resulted in the Council facing a £30.3m resources gap in 2011/12 and a further £20.4m gap in 2012/13.

This is on top of the extra £10m funding that the Council had to find in 2010/11 as a result of Government resources being withdrawn by the Coalitions Emergency Budget (June 2010).

Budget Principles

In July 2010, when the future plans of the newly elected Government for local government were becoming apparent, the Council recognised the importance of keeping its eye on the next few years ahead and avoiding hasty decisions that could cost it and the citizens of the Borough unnecessarily in the longer term.

From the outset of the 2011/12 Budget process (and into 2012/13) 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 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 continued to identify 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,
- Ensure the safeguarding of vulnerable Adults and provide support to vulnerable families and individuals,
- Continue 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,
- Continue to promote new business start ups and stimulate the local economy,
- 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 – houses, schools, roads, customer services and town centre regeneration.

Proposed General Fund Revenue Budget for 2012/13

Set out below is the proposed net Revenue Budget for 2012/13 resulting from the budget principles referred to above, which is recommended in this report.

Directorate	Proposed Budget 2012/13
	£'000
Neighbourhoods & Adult Services	78,760
Children & Young People's Service	36,274
Environment & Development Services	38,626
Resources	19,304
Central Services (incl ITA and other levies)	40,326
TOTAL	213,290

Note: Year-on-year comparisons are not provided as the significant restructuring across the Council makes this meaningless.

The Budget outlined above will:

- protect funding helping to provide vital services for those most in need in our community;
- continue to reduce management and administration and back office costs as far as possible; and
- enable the Council to continue to focus on service transformation, ensuring 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.

The delivery of these objectives in 2012/13 will be made possible in light of the following proposed Council-wide savings and additional sources of funding:

- **New Homes Bonus (-£1.480m)** – Use of this unringfenced funding in 2012/13 to support the Council's budget
- **Council-wide staff savings target (-£2.000m)** – the Council is conducting a wide-ranging review of all services and is proposing that savings of £2m will be achieved from this.
- **Pay Terms & Conditions (-£0.800m)** – the Council is proposing that it will not pay staff increments for a second year. The budget does however propose the reinstatement of the 1.15% pay reduction implemented when the 2011/12 budget was set. Members are proposing to retain this 1.15% cut to their Allowances for a second year.
- **Restricting non-pay budgets to 2011/12 cash levels (-£1.460m)**. i.e No inflation (except for Utilities)
- **Improved Commissioning (-£2.200m)** – the Council is proactively reviewing its strategic partnerships and contracts with providers across a range of services. The outline plan for delivering these savings is complete and the detailed plan is under development.
- **Reduced Integrated Transport Authority (ITA) Levy (-£0.600m)** – we have worked with Passenger Transport Executive (PTE) colleagues to identify potential savings and accounting opportunities. This has resulted in the ITA levy for South Yorkshire decreasing by c£3m in 2012/13, Rotherham's share of this saving being £0.600m.

In addition, the following specific Directorate budget savings proposals have been considered and put forward, totalling £9.768m.

Children and Young People's Service	-£1.575m
Neighbourhoods and Adult Services	-£3.453m
Environment and Development Services	-£1.951m
Resources	-£2.789m

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 – 2012/13 is the second year of the two-year Local Government Finance Settlement following the completion of the CSR and the Council's 2012/13 settlement. It can be summarised as follows:

	£'000
Revenue Support Grant (RSG)	2,193
National Non-Domestic Rates – share of the national pool	113,116
Total - Formula Grant for 2012/13	115,309

The Council's latest MTFs is currently being refreshed in light of both this year's budget setting process and recent and pending Government announcements with regard to the future funding of local government, e.g. localisation of business rates and Council tax benefits which are due to take effect from 2013/14.

Specific Government Grants

In 2010/11 and 2011/12 the coalition government significantly reduced the number of specific grants. The remaining 2012/13 specific grants that have been confirmed and their value for the Council are set out below:

Grant	2012/13 £'000
Early Intervention Grant	12,870
Learning Disability and Health Reform Grant	6,724
Housing and Council Tax Benefit Subsidy Administration Grant	2,150
Lead Local Flood Authorities	156
Preventing Homelessness	169

Dedicated Schools Grant (DSG) – The DSG flat rate per pupil of £5,141.27 for 2012/13 has remained unchanged from 2011/12.

The School's Pupil Premium is an additional resource for schools introduced in 2011/12. In 2012/13 for each pupil on the January pupil census entitled to a free school meal the school will receive £600. Schools are free to spend this allocation as they see fit but it should be targeted at disadvantaged or low achieving pupils. (From September 2012 the DfE requires schools to publish online information about how they have used the premium). Schools will also receive a £600 Pupil Premium for children looked after by the Local Authority and a smaller premium of £250 for children with parents in the Armed Forces.

Devolved Formula Capital funding for Schools remains the same rate per pupil in 2012/13 as 2011/12. The 2012/13 allocation is £0.853m.

Sixth form funding from the Young People's Learning Agency (YPLA) is yet to be confirmed. (2011/12 was £8.0m)

The level of Council Tax

It is proposed that there will be **no rise in the Council Tax for the second year running**. This will enable the Council to qualify for the Council Tax Freeze grant described below. A zero increase on the tax levied in 2011/12 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 £2.3m surplus balance expected on the Collection Fund as at 31 March 2012. This has been generated by the Council continuing to achieve 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 7th 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) - it is currently expected that the Joint Authorities will increase their Council Tax precepts by 3.95%. Excluding parishes, this would give a Band D Tax in un-parished areas of £1,430.13.

A Cabinet meeting on 18 January 2012 agreed a Council Tax base for 2012/13 of 75,898.06 Band D Equivalent properties after adjusting for losses on collection, allowances, reliefs and discounts granted. This represents an increase of 0.78%, or 586 Band D Equivalent properties, over the 2011/12 base which is estimated to yield an additional £0.400m in Council Tax income over that previously assumed.

Council Tax Freeze Grant - to support authorities that are not increasing their Council Tax the Government has again put forward an un-ringfenced grant for 2012/13. This will be payable to authorities setting their basic Council Tax for 2012/13 at a level which is no more than the basic amount of Council Tax set for 2011/12. The grant is equivalent to a 2.5% increase in the 2011/12 tax level multiplied by the tax base for 2012/13. In Rotherham's case the estimated grant is £2.325m, which has been taken into account in determining the Council's Net Budget. Unlike the grant provided last year where a qualifying Authority will continue to receive payments for the 3 subsequent financial years, across the life of the current CSR (i.e., until 2014/15), this year's **grant is for one year only**. The implications of the grant being withdrawn after one year will be reflected in the update to our MTFS projections.

On these planning assumptions the level of Council Tax available to the Council to fund services in 2012/13 will be £93.356m.

Funding the Budget

It is proposed that the financing of the Council's Net Budget of £213.290m for 2012/13 is as follows:-

	£'000
Formula Grant	115,309
Collection Fund Surplus	2,300
Which will leave to be raised from Council Tax – a standstill on the Council Tax levied in 2011/12	93,356
Government Grant to compensate Council for Freezing Council Tax at 2011/12 level	2,325
Funding Total	213,290

Medium Term Financial Strategy (MTFS)

The 2012/13 Revenue Budget outlined above represents the second 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 is being refreshed to take account of ongoing Government announcements on the future funding proposals for local government (referred to earlier in this report) and to ensure the Strategy covers the 2014/15 financial year. A revised draft MTFS (2012-15) 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 2012/13 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 2012/13 Revenue Budget are sound. The two-year Grant Settlement has again allowed a greater degree of certainty in preparing resource projections for 2012/13.
- 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 for the third year running** (i.e. no increase on the 2010/11 level),
- a General Fund Revenue Budget for Rotherham Council in 2012/13 of £213.290m.
- For information, the following general assumptions with respect to inflation have been provided for within the Budget:
 - A nil % increase in staff pay as the Local Government Employers' organisation is not proposing to offer a pay award for 2012/13.
 - 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 Resources

The Chief Financial Officer of an Authority (in Rotherham Council's case the Strategic Director of Resources) 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 budget setting process that started for 2011/12 and is now in its second year, (2012/13), 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 both the 2011/12 and again in the 2012/13 Settlements. 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 from the outset (July 2010), 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, whilst 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 successfully reconfiguring its services to align activity with the likely level of available funding.

The Council continues to have 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 manage closely the delivery of the proposals in the Budget so as to preserve the Council's overall financial position.

As Strategic Director of Resources 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 2012/13 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 my decision regarding the prudence of the level of reserves available to draw upon, if necessary, during 2012/13.

The Council's reserves are expected to be £42.3m by 31st March 2012, and this is broadly in line with the Council's current financial plan.

The majority of reserves (£36.3m) are held to meet specific needs, or are ring-fenced to particular services (including Schools and Housing Revenue Account balances).

This means that approximately £6.0m 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.

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 2012

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

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