

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	Meeting:	Cabinet
2)	Date:	26th February 2014
3)	Title:	Proposed Revenue Budget and Council Tax for 2014/15
4)	Directorate:	Resources (for ALL)

5. Summary

This report proposes a Revenue Budget for 2014/15 based on the outcome of the Council's Financial Settlement. It provides details of:

- The Local Government Financial Settlement
- The new Corporate Priorities and new Budget Principles reflected in the Budget and spending plans
- The Council's recommended Revenue Budget for 2014/15
- Savings proposals from Directorates and Central Services
- 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) 2014/15 to 2016/17.

As required by legislation, the report also contains the Director of Finance's (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 5th March 2014:

(a) They approve:-

- (i) a General Fund Revenue Budget for 2014/15 of £208.885m to be allocated to services as set out in this report.
- (ii) An increase (for a first time in four years) in the Council Tax of 1.9% in respect of this Council's own Budget giving an annual Band D Equivalent Council Tax of £1,253.34.

(b) They note and accept the comments and advice of the 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 Rescue Authority and the various Parish Councils and Parish Meetings within the Borough be incorporated, when known, into the recommendation to the Council on 5th March 2014.

7. Proposals and Details

7.1 Background: The Ongoing Financial Challenge

The implications of the Government's austerity programme, which is seeing unprecedented reductions to local government funding, are now starting to be clear. In Autumn 2010 we identified the need for just over £62m of savings from the Council's budget up until 2014/15. Since then, additional Government funding reductions have mostly increased that to over £93m (a 50% additional increase). So far the Council has had to address funding gaps of £30.3m in 2011/12, £20.4m in 2012/13, £20.2m in 2013/14 and £23.0m in 2014/15.

Moving forward, the Council's expectation is that it will have an additional estimated resources funding gap of £23m in 2015/16 and that its funding is likely to continue to reduce at a similar rate to that experienced over the last 4 years, until possibly 2020.

In addition, since April 2013, local Councils are having to manage an unprecedented transfer of financial risk through the Government's significant and ongoing reforms of both local government finance and Welfare (Benefits) systems. For example – the localisation of business rates retention, the abolition of Council Tax Benefit being replaced by a local Council Tax Reduction Scheme and the ongoing rolling into Formula Grant funding of specific grants at much reduced levels.

Equally, the Government continues to place restrictions on how local authority finances can be used through the Council Tax Excessiveness principles.

In meeting the year on year significant financial challenges presented, the Council has demonstrated a successful track record in delivering its financial plans. To this end the Council is, in the current year (2013/14), moving towards a balanced budget. However, it is recognised that into the future this will only be sustainable if the Council redefines and refocuses its corporate plan priorities (and budget principles that have served it well) and has a new, different relationship with its citizens, residents and other stakeholders.

7.2 Corporate Priorities

The Council's new Corporate Priorities have been developed to provide a focus on essential services:

- Stimulating the local economy and helping local people into work
- Protecting our most vulnerable people and families, enabling them to maximise their independence
- Ensuring all areas of Rotherham are safe, clean and well-maintained
- Helping people to improve their health and wellbeing and reducing inequalities within the Borough

These Priorities are underpinned by the Council's new Budget Principles adopted for setting the 2014/15 Budget.

7.3 Budget Principles

Our previous Budget Principles served us well and enabled us to protect (to a large extent) front line services to the public. We have:

- Significantly reconfigured and reduced headcount (a 1,024 reduction in posts). Within this support (back-office) services have seen a 28% reduction over 4 years and front-line services a 12% reduction.
- Reduced management costs by over 20%
- Re-positioned and reintegrated significant Council Partnerships back into the Council (Rotherham Brought Together (RBT) and 2010 Rotherham Ltd).
- Strengthened our commissioning and procurement arrangements and renegotiated a significant number of contracts to increase value for money to the Council
- Invested in new technologies to facilitate new ways of working leading to greater efficiencies, improved performance and improved customer engagement
- Looked for opportunities to develop and offer our services to other public sector bodies through shared services. e.g. the Council provides Human Resources and Payroll services to Doncaster Council and School Academies
- Reduced or stopped funding to partners for services that are no longer considered to be a priority
- Significantly rationalised our operational buildings to both reduce our running costs and the cost of servicing our outstanding debt on capital investment schemes.

The new Budget Principles adopted by Cabinet (3rd July 2013) underpin the new Corporate Priorities to ensure our limited resources are even more effectively targeted. These are to:

- Focus and deliver on business and jobs growth;
- Help people to help themselves wherever possible;
- Provide early support to prevent needs becoming more serious and;
- Continue to adopt strong financial management and governance and tight control on spending

To enable this, the Council will:

- Focus on the things **most important** to all local people
- Shift scarce resources to areas of greatest need, including **targeting and rationing** services to a greater extent than at present
- **Limit spending to clearly essential items** when tested against the new budget principles
- **Stop doing things** that are not important to all local people
- **Promote local** – aim to maximise spending power within the Borough across the supply chain

By continuing to adopt 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,
- 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.

7.4 Proposed General Fund Revenue Budget for 2014/15

Set out below is the proposed Net Revenue Budget for 2014/15 resulting from the budget principles referred to above, which is recommended in this report.

Directorate	Proposed Budget 2014/15
	£'000
Neighbourhoods & Adult Services	73,294
Children & Young People's Service	43,151
Environment & Development Services	48,030
Resources	10,387
Central Services (including ITA and other levies)	34,023
TOTAL NET REVENUE BUDGET	208,885

Note: Year-on-year budget comparisons are not provided as significant restructuring across the Council and changes to the funding regime for Councils, makes the comparison meaningless.

The Budget outlined above will:

- protect funding that helps to provide vital services for those most in need in our community;
- continue to reduce management, 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 Corporate Plan priorities and objectives.

In arriving at the proposed 2014/15 budget above, Directorate specific budget proposals have been considered and put forward, totalling £14.419m:

Children and Young People's Service	£3.008m
Neighbourhoods and Adult Services	£7.015m
Environment and Development Services	£3.099m
Resources (back office)	£1.297m

Detailed information relating to these proposals are presented in Appendix 1 to this report. Other key savings proposals contributing to closing the Council's 2014/15 funding gap include:

Reviewing MTFs planning assumptions: £2.751m
 Realising benefits from improved cash flow management: £2.200m
 Working with partner organisations to improve efficiency: £1.000m
 Maximising income from other sources: £1.750m

The budget proposals also include a target to save £0.644m from the review of staff terms and conditions. Trade Unions have been consulted around a number of options to deliver this saving.

7.5 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.

The Council's Start Up Funding Allocation for 2014/15 is set out in the table below:

	£'000
Revenue Support Grant (RSG)	70,112
Baseline Funding Level	34,627
Baseline Funding Level (Top Up Grant)	22,204
Total - Settlement Funding Assessment 2014/15	126,943

7.6 The level of Council Tax

The Council has, by prudently managing its finances and tackling the financial challenges early, managed to avoid increasing its Council Tax for four years during a time when residents are facing their own considerable financial strain in a difficult economic and financial climate. This is no longer sustainable given the increasing and prolonged financial challenges facing the Council. The choice made has not been taken lightly; the alternative was to further reduce valued, front line services. The proposed 1.90% increase in Council Tax will bring in an additional £0.538m income (after losses on collection) to the Council which will avoid for example, having to significantly reduce Library provision across the Borough and/or significantly reducing the up-keep and maintenance of our Urban Parks and Play Areas.

A 1.9% increase on the tax levied in 2013/14 would mean a **Band D Council Tax (for the Council only) of £1,253.34** and would mean a Band A Tax of £835.56, a Band B Tax of £974.82 and a Band C Tax of £1114.08 per year. **87% of properties in Rotherham are classed as Band A (55%), Band B (19%) or Band C (13%).**

The planned level of Council Tax also takes account of a net £1.504m surplus balance for Council Tax expected on the Collection Fund (Council Tax and Business Rates) as at 31 March 2014. This is expected to be 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 5th 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 Rescue Authorities - it is currently expected that the Police Authority will increase their precept by 1.95% (for a Band D equivalent property) and the Fire and Rescue Authority by 1.975%.

A Cabinet meeting on 15th January 2014 approved Rotherham's Council Tax Base for 2013/14 of 64,179.01 Band D Equivalent properties after adjusting for expected losses on collection, the impact of the Council's Council Tax Reduction Scheme and discretionary discounts and exemptions for empty properties and second homes.

Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 1.9%, this will generate a total Council Tax of £80.438m available to support the Council to fund services in 2014/15.

7.7 Funding the Budget

It is proposed that the financing of the Council's proposed Net Budget of £208.885m for 2014/15 is as follows:-

	£'000
Settlement Funding Assessment	126,943
Collection Fund Surplus	1,504
Which will leave to be raised from Council Tax – a 1.9% increase on the Council Tax levied in 2013/14	80,438
Funding Total	208,885

7.8 Medium Term Financial Strategy (MTFS)

The 2014/15 Revenue Budget will be used as the baseline for the update of the Medium Term Financial Strategy (MTFS) 2014-2017. As part of the process of developing the Budget, the MTFS is being refreshed to take account of ongoing Government announcements and the predicted demand for, and cost of services. This will include the 2015/16 provisional settlement issued with the 2014/15 Final Settlement on 5th February 2014 which shows a planned resource reduction excluding specific grants for Rotherham of around 9% on 2014/15 funding levels.

Current expectations are that funding to Local Government will continue to reduce at a similar rate until possibly 2020.

7.9 Specific Government Grants

Continuing the trend from previous recent years the coalition government has again reduced the number of specific grants available to local authorities. The

remaining 2014/15 specific grants that have been confirmed and their value for the Council are set out below:

Specific Grants	2014/15 £'000
Public Health	14,176
Local Reform and Community Voices	243
New Homes Bonus (including Refund)	1,365
S31 Business Rate Grants	2,187
PFI Education (Revenue)	6,223
PFI Leisure (Revenue)	1,811
Housing Benefit Administration Grant	1,832
Council Tax Support – New Burdens Grant	156
Local Welfare Provision (Admin & Programme Funding)	923
Community Right to Bid	8
Community Right to Challenge	9

7.10 Schools Specific Grant Funding

Dedicated Schools Grant (DSG) – The DSG rates per pupil for the Schools Block and the Early Years Block for 2014/15 are £4,844.16 and £3,870.32 respectively, which are the same values as 2013/14. The funding for the High Needs Block continues to be the 2012/13 baseline plus additional funding supporting the additional responsibility for payments to Non Maintained Special Schools and Post 16 High Needs funding previously directed to schools.

The School's Pupil Premium is additional funding provided to schools, the value of which is based on 3 elements:

- From April 2014 the 'Disadvantaged Premium' will be £1,300 per pupil for Primary School children and £935 for Secondary School children compared to £900 for 2013/14. Pupils who have been eligible for Free Schools Meals in the last 6 months will attract this premium.
- The Looked After Children Premium for children who have been looked after for one day or more, and including children who have been adopted from care or who leave care under a special guardianship or residence order (now referred to as Pupil Premium Plus), will be £1,900 per eligible pupil compared to £900 for 2013/14.
- The Service Child Premium which funds children of Armed Services personnel has remained at £300 per pupil.

Year 7 Literacy and Numeracy Catch-up Premium was an additional resource for schools directed at additional literacy and numeracy catch-up support during Year 7. Schools are allocated £500 for each pupil not achieving level 4 at Key Stage 2 in reading and/or maths. The rate per eligible pupil remains at £500 for 2014/15.

Devolved Formula Capital funding for Schools is £705k for 2014/15. The allocation for 2013/14 was £838k.

Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2013/14 was £6.078m).

8. Finance

The proposals for the 2014/15 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 2014/15 Revenue Budget are sound.
- that the budget proposals 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 challenge of service design and delivery, other scrutiny and strategic and service planning processes the Council will ensure the sustainability of its annual Budget and other financial plans as well as the resilience of its overall financial position. Again the prospects are good.

This report recommends:

- The Council Tax is increased by 1.9% **to £1,253.34 at Band D equivalent**,
- a General Fund Revenue Budget for Rotherham Council in **2014/15 of £208.885m.**
- For information, the following general assumptions with respect to inflation have been provided for within the Budget:
 - An overall 1% increase in staff pay (excluding Chief Officers) in line with the Local Government Employers' Organisation proposals.
 - A general price 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 inflationary pressures will be contained within Directorate Cash Limit budgets.**
 - Income inflation - agreed on a service by service basis.

9. Risks and Uncertainties

9.1 Report of the Director of Finance

The Chief Financial Officer of an Authority (in Rotherham Council's case the 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 budget setting process has been challenging given the unprecedented scale of the ongoing funding reductions required and the timescales in which to achieve them. Delivery of £23m savings following delivery of over £70m savings in the previous three years presents a significant challenge (to all Councils) in formulating a robust and sustainable budget and preserving a financially resilient overall financial position.

By establishing a clear set of new budget principles and 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 savings and making further 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 resilience of the Council's overall financial position.

From April 2013 the Localisation of Business Rates and the introduction of the Council Tax Reduction Scheme both transferred significant financial risks from Central Government to a local authority which will put pressure on the level of income collectable and overall collection rates which will have a direct impact on future resources available to the Council. In Rotherham we have a strong track record of collecting both business rates and council tax income and therefore I believe the collection level assumptions included in setting this budget adequately reflect this increase in risk.

As Director of Finance for the Council, I consider that the budget proposals and estimates included within the proposed Budget are robust. The MTFs will be kept under continuous review with particular reference to giving early consideration to developing the 2015/16 budget.

9.2 Reserves

The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2014/15 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 2014/15.

The Council's reserves, based on the latest monitoring, are expected to be £53.2m by 31st March 2014, and this is broadly in line with the Council's current financial plan.

The majority of reserves (£45.3m) are mostly held as ring fenced to particular statutory services including Schools and Housing Revenue Account and to meet long term contractual PFI obligations (£35.6m). The balance is earmarked for specific needs.

This means that approximately £7.9m would be generally available to safeguard the Council against the potential financial risks in the financial plan. Based on an assessment of those risks and the likelihood of them occurring I consider this to be a prudent level. However, given the speed of government funding and policy change over last 3 to 4 years and the strong likelihood of the need to continue to deliver unprecedented funding reductions it will be imperative that the adequacy of the reserves position is monitored carefully as part of the ongoing assessment of the financial risks facing the Council.

10. Policy and Performance Agenda Implications

A balanced and sustainable Budget and a financially resilient overall financial position 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

- Council Tax Reduction Scheme report – Cabinet 16th October 2013
- Council Tax Base Report 2014/15 – Council 29th January 2014
- Local Government Financial Settlement –5th February 2014

Consultation with SLT, elected Members and Trade Unions.

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