

1	Meeting:	CABINET
2	Date:	9th July 2014
3	Title:	General Fund: <ul style="list-style-type: none"> • Budget Principles: 2015/16 and onwards; • 2015/16: Proposed Budget Setting Timetable; and • 2014/15: Reporting in year financial budget performance
4	Directorate:	Resources

5 Summary

The Council refreshed its Budget Principles last year for setting the 2014/15 Budget in light of announcements that further significant funding reductions for local government were likely to continue until at least 2018. Having now had the opportunity over the last year to listen to its citizens, residents and other interested stakeholders, Cabinet Members have asked officers to prepare a Budget for 2015/16 and future years that offers 'Fair Choices in Hard Times'. This report sets out these Budget Principles and the key enablers that will ensure these principles are met.

The report also recommends Cabinet approval for the proposed Budget Setting Timetable for the 2015/16 Revenue Budget and Medium Term Financial Strategy (MTFS), and the proposed approach to reporting the Council's in-year financial performance to Cabinet for the financial year 2014/15.

Recommendations

Cabinet is asked to:

- **Agree the 'Fair Choices in Hard Times' Budget Principles on which the 2015/16 General Fund Revenue Budget and Medium Term Financial Strategy will be based;**
- **Consider and approve the proposed budget setting timetable for the Revenue Budget 2015/16 and MTFS; and**
- **Consider and approve the proposed approach to reporting to Cabinet the Revenue and Capital forecast outturn position for 2014/15 financial year.**

7.1 Background

Many Local Authority Councils, like Rotherham, will continue to see significant funding reductions. Since this Coalition Government was elected this Council has had to find cumulative savings of over £93m. Plans are in place for the Council to deliver £23m savings in 2014/15 and plans must now be developed to identify and implement further sustainable budget reductions of £23m in 2015/16. Current indications are that a further £16.5m recurrent savings will be required in 2016/17 and the Chancellors most recent budget statement indicates that Rotherham will see a funding reduction of more than 10%, with further year on year reductions expected until at least 2018.

The Local Government Association has recently been advised by the Department for Communities and Local Government (DCLG) that there will be a summer local government finance Technical Consultation from around July to September this year. This will cover the 2015/16 finance settlement only. It is expected that the DCLG will be likely to consult on:

- Funding the business rates retention safety net and New Homes Bonus;
- Treatment of Council Tax Freeze Grant; and
- Implementing the top-slice for the Carbon Reduction Commitment changes in 2015/16 – this follows on from the consultation in July 2013.

Although any financial implications of the above is at this stage unknown, Members should note that the July 2013 Technical Consultation resulted in the Council facing additional, recurrent government funding reductions of £5.593m.

7.2 Proposed 'Fair Choices in Hard Times' Budget Principles

7.2.1 Council Priorities

In light of both listening to its citizens, residents and other interested stakeholders and the significance of the ongoing financial challenges, it is essential that the Council reconsiders its core offering to its citizens to ensure clarity of its future position in the Community.

The Council's prime future role is to act as advocate for Rotherham and influence and implement government policy locally to ensure the best outcome for Rotherham Citizens. In doing this we need to direct available resources to maximise the social, economic, environmental and cultural benefit to citizens now and into the future.

The Community Strategy and Corporate Plan objectives can be summarised as:

- **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; and**
- **Helping people to improve their health and wellbeing and reducing inequalities within the borough.**

7.2.2 Budget Principles

Having regard for both the Council's Priorities, the significant ongoing funding reductions and welfare reform changes that the Council will face until at least 2018, the **Budget Principles** will ensure the Council operates effectively within the funding available 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;

To enable this we need to:

- Recognise the growing concern of residents and citizens around crime & grime;
- Focus on spending on things most important to local people;
- Meet need by targeting and rationing services to a greater extent than at present;
- Promote Local – aim to maximise spending power within the Borough across the supply chain;
- Have a balanced programme of Capital investment that gives a visible sign of the commitment to the Town and its People and;
- Continue strong financial management and governance and tight control on spending.

What this means for Rotherham:

- Need to focus on Business and Jobs Growth and deliver new employment opportunities
- Not doing everything; provide fewer direct services and reshape many Council services to support people to do more for themselves where they are able to.
- Evidence tells us that 'Crime & Grime' are the most important services to all local people – without increasing costs, we must do things differently and get these services right.
- Using our dramatically reduced resources to tackle the biggest problems focussing on deprivation.
- Achieving the best quality, safest, most reliable outcome via the most affordable service delivery method.
- Direct provision of service **only** where we are the cheapest/best quality solution to meet the critical needs of our citizens.

7.2.3 The Council's Challenge

In order to work within the above Budget Principles the Council will need to consider and respond to the following questions:

- What will future Council service delivery look like and to what level should we provide services into the future?
- What does 'working differently' and 'doing different things' look like?
- What should be 'universal' services to all and which should be targeted, rationed or cease?
- How can we take a better lead in the community?

- How do we effectively communicate these new circumstances to our citizens?
- How do we involve our partners to work towards common goals?

7.3 Medium Term Financial Strategy (MTFS) 2015/16 – 2016/17

The proposed approach for updating the Council's MTFS is:

- A) Update our financial model for known Central Government funding announcements. The DCLG estimate of resources available from 2016/17 will be announced in the next Spending Review. For 2015/2016 Resource assumptions are based on previously published DCLG data. The level of these may change pending the outcome of the planned summer Technical Consultation.
- B) Include inflationary increases and grant funding assumptions as follows:
- Pay – 1% per annum for next 3 years
 - Non-Pay (excluding Utilities and Contracts) – 0%
 - Fees and Charges Income – 0% (See below)
 - Benefits Income – 1% under 65 residential care, 2% other
 - Gas/Electricity/Fuel – 5%
 - Water / Business Rates – 5%
 - Contracts – at negotiated contract inflation rates
 - Superannuation – 0.3% per annum (From 19.5% to 19.8% in 2015/16)
 - Recurrent Council Tax Freeze Grant (equivalent to 1% for 2 years) and Council Tax Support Transitional Grant (not confirmed)
 - Recurrent use of additional New Homes Bonus payments
 - Fees and Charges Income (excluding Benefits related income) – 0% (Directorates should review all income generating services and submit details of expected income growth as part of the savings identification process).
- C) Savings proposals covering the next 2 years of the MTFS should be prepared. These should also include any inflation proposals on fees and charges. These proposals should reflect the Budget Principles. The savings proposals should be prepared, quality assured and submitted initially **for SLT consideration by no later than 7th July 2014**. Progression through to Members will be in accordance with the timetable set out at Appendix 1.

7.4 Indicative Funding Gap 2015/16 & 2016/17

On 17th June 2014 a Joint Cabinet/SLT meeting considered a presentation which set out an indicative initial funding gap of £23.084m for 2015/16 and £34.941m for 2016/17 (i.e. an increase of £11.857m from 2015/16 to 2016/17.)

This indicative funding gap is based on the information included in section 7.3 above (A and B). **Therefore this indicative funding gap excludes:**

- The impact of the planned summer 2014 Technical Consultation and
- Any new investment proposals/requirements.

7.5 Proposed Budget Setting Timetable - 2015/16 Budget & MTFS

Attached at Appendix 1 is the proposed timetable for the Council to set its 2015/16 Revenue Budget and MTFS. **Cabinet is asked to approve this timetable.**

7.6 Proposed Approach to Budget Monitoring and Reporting from 2014/15 financial year

This report also proposes changes to the in-year financial budget monitoring and reporting procedure and puts forward a proposed reporting timetable.

7.6.1 Proposed Report Changes

It is proposed that Cabinet Budget Monitoring reports should include:

- Specific reference to any savings proposed for 2014/15 until such time as they have been confirmed as delivered. The extent to which any planned savings will not be delivered in year should include reference to how the Directorate intends to mitigate the in-year pressure.
- In the event that any new significant corporate pressures are identified during the year, these too will be included in the Cabinet Budget Monitoring report with reference to how the Council intends to manage them.

7.7 Proposed 2014/15 Revenue Budget Monitoring Reporting Timetable to Cabinet

For 2014/15 it is proposed that Cabinet receive Budget Monitoring reports as follows:

Budget Monitoring Report to:	Cabinet Meeting Date:
30 th June 2014	30 th July 2014
31 st August 2014	15 th October 2014
31 st October 2014	17 th December 2014
31 st December 2014	4 th February 2015
31 st January 2015	18 th March 2015
28 th February 2015	8 th April 2015
Outturn 2014/15	17 th June 2015

If monthly monitoring during July, August, October or November, highlight any new or emerging pressures, additional reports will be submitted to Cabinet covering this period (taking into account the Summer Recess).

It is proposed that Capital Monitoring and update reports will be brought to Cabinet on a quarterly basis. **Cabinet is asked to approve this timetable.**

8. Finance

There are no direct financial implications.

9. Risks and Uncertainties

Failure of the Council to have in place an effective Financial Planning and Monitoring Process increases the Council's financial risk.

10. Policy and Performance Agenda Implications

The delivery of the Council's Revenue Budget within the parameters agreed at the start of the current financial year is essential if the objectives of the Council's Policy agenda are to be achieved. Financial performance is a key element within the assessment of the Council's overall performance framework.

11. Background Papers and Consultation

- Strategic Directors and Service Directors of the Council

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Appendix 1

MEDIUM TERM FINANCIAL STRATEGY AND BUDGET TIMETABLE JUNE 2014 – MARCH 2015

	<u>June 2014</u>
Cabinet/SLT To determine the Budget Process for 2015/16 & 2016/17	17 th June
Cabinet To consider the 2013/14 Revenue Outturn	18 th June
Self Regulation Select Commission To consider the implications of the 2013/14 Outturn	26 th June
	<u>July 2014</u>
Council To consider the 2013/14 Revenue and Capital Outturn	2 nd July
Cabinet To set out and agree 2014/15 budget strategy for delivering the initial (pre SR) projected resources gap	9 th July
Overview & Scrutiny Management Board To consider the agreed 2014/15 budget strategy for delivering the initial (pre SR) projected resources gap	18 th July
	<u>September 2014</u>
Cabinet/SLT To consider the Council funding gap taking into account Spending Review announcement, and to note Initial Savings Proposals (no decisions required at this stage)	2 nd September
Budget Seminar	9 th September
Cabinet To consider the Council funding gap taking into account Spending Review announcement, and Initial Savings Proposals including those proposals requiring 12 weeks Consultation with Stakeholders and other Communities of Interest	24 th September

October 2014

Budget consultation process starts:

Online consultation built including e-survey, paper questionnaires used in workshops with communities of interest. Press release to advertise consultation on budget proposals that require consultation with stakeholders and other interested parties

1st October

Cabinet/SLT

Consideration of updated Savings Proposals including decisions where required

14th October

Self Regulation Select Commission

To consider the Council funding gap taking into account Spending Review announcement, and Savings Proposals

23rd October

November 2014

Cabinet/SLT

To receive an update on the budget process and consider any further potential savings proposals

18th November

Self Regulation

To receive an update on the budget process and consider any further potential savings proposals

27th November

December 2014

**Autumn Statement / Provisional Settlement
Figures Received**

Mid Dec

Cabinet/SLT

Finalise budget proposals (with Impact Assessments) in light of the provisional local government finance settlement

**9th December
(Subject to date of
settlement announcement)**

January 2015

Self Regulation & OSMB Chairs

To consider budget proposals (with Impact Assessments) in light of the provisional local government finance settlement

8th January

Cabinet/SLT

To consider and assess the final outcomes of the consultation process and their implications for the Council's Budget and consider the implications of any delayed settlement announcement

13th January

Cabinet

To propose Council Tax Base, the Council Tax Reduction Scheme and to receive a report proposing 2015/16 Council House rents

14th January

Budget Seminar

To consider the implications of the Autumn Statement / Provisional LG Finance Settlement

27th January

Full Council

To agree the Council Tax Base, Council Tax Reduction Scheme and set 2015/16 Council House rents

28th January

Final Settlement Figures Received

(around) end January

February 2015

Cabinet

To report the outcomes of the Consultation

4th February

Cabinet/SLT

To consider the draft Revenue Budget, Council Tax and Capital Programme

10th February

Self Regulation Select Commission

To consider the outcomes from the Consultation

19th February

Cabinet

To finalise Recommendation to Council on Annual Revenue Budget and Capital Programme for 2015/16 to 2017/18 and to seek approval for the Council's Treasury Management Strategy and Prudential Indicators for the period 2015/16 to 2017/18

25th February

March 2015

FULL COUNCIL Meeting

To set Council Annual Revenue Budget and Council Tax Level and Capital Programme for 2015/16 to 2017/18

4th March