

ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

1)	Meeting:	Council
2)	Date:	4th March, 2015
3)	Title:	Proposed Revenue Budget and Council Tax for 2015/16
4)	Directorate:	Resources (for ALL)

5. Summary

This report proposes a Revenue Budget for 2015/16 based on the outcome of the Council's Financial Settlement. It provides details of:

- The Local Government Financial Settlement
- The new Corporate Priorities reflected in the Budget and spending plans
- The Council's recommended Revenue Budget for 2015/16
- 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) 2015/16 to 2017/18.

The report includes the recommended re-designation of the Commutation Adjustment Earmarked Reserve to the Council's 'Transformation Reserve' (see paragraph 9.2) as a result of this Reserve no longer being required for its original intended purpose.

The 'Transformation Reserve' will initially (in 2015/16) be utilised to meet the likely significant additional costs and potential liabilities facing the Council to enable it to positively and effectively address the improvements required in the Professor Jay, Ofsted and Louise Casey Reports in order to bring about a 'fit for purpose' Council, at the earliest opportunity. At this stage, it is not possible to fully quantify the scale and / or timing of these likely costs and potential liabilities. When reasonably known, the intention is to build a prudent estimate of these ongoing additional costs and potential liabilities into the Council's next budget setting cycle, which will cover 2016/17 to 2018/19. The extent of these additional costs will be routinely reported to the Commissioners and Members as appropriate, as part of the in-year financial reporting framework.

As required by legislation, the report also contains the Interim Strategic Director of Resources and Transformation'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 Council:

(a) Approves:-

7. Proposals and Details

7.1 Background: The Ongoing Financial Challenge

Over the last 4 years (2011/12 to 2014/15) the Council has successfully responded to the significant and unprecedented financial reductions imposed on local government as part of the Government's austerity programme. Over this 4 year period the Council has addressed a cumulative funding gap of £93.9m.

For 2015/16 the Council is required to address a further £23m funding gap and this report contains the budget proposals to meet that significant challenge. (Appendix 1).

In addition, since April 2013, local Councils are required 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 and the abolition of Council Tax Benefit being replaced by a local Council Tax Reduction Scheme.

Equally, the Government continues to place restrictions on how local authority finances can be used through the Council Tax Excessiveness principles, requiring a local referendum if the proposed council tax increase is 2% or greater.

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 (2014/15), moving towards a balanced revenue budget. However, it is recognised that into the future this will only be sustainable if the Council maintains a clear focus on its corporate plan priorities and key outcomes and puts in place a new, different relationship with its citizens, residents and other stakeholders.

7.2 Corporate Priorities

On 20th October 2014 Cabinet discussed the corporate priorities for 2015/16. The 3 refreshed priorities that were agreed are:-

- Protecting most vulnerable adults and children
- Getting people into work and getting work to pay
- Cleaner, safer, greener Rotherham (Streetpride and roads)

These priorities will provide a focus on essential services:

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

7.3 Budget Principles

The Corporate Priorities are underpinned by the Council's Budget Principles adopted by Cabinet (3rd July 2013) to ensure our limited resources are effectively targeted;

- 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 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,
- Continue to provide a local welfare provision, 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 2015/16

Set out below is the proposed Net Revenue Budget for 2015/16 resulting from the budget principles referred to above, which is recommended in this report.

Directorate	Proposed Budget 2015/16
	£'000
Neighbourhoods & Adult Services	72,014
Children & Young People's Service	42,223
Environment & Development Services	44,941
Resources	15,113
Central Services (including ITA and other levies)	29,263
TOTAL NET REVENUE BUDGET	203,554

The Budget outlined above will:

- provide additional funding to both protect vital services for those most in need in our community, but also recognises the overwhelming need to provide further support for victims and survivors of Child Sexual Exploitation and targeted early help and preventative work with vulnerable young people;
- enable the Council to positively take forward and address the findings in the Professor Jay, Ofsted and Louise Casey reports to help the Council become 'fit for purpose' at the earliest opportunity;
- focus on corporate and service transformation, ensuring services continue to be equipped to deliver a high standard for the citizens, businesses and stakeholders of the Borough that is fully aligned to the Borough's Community Strategy and Council's Corporate Plan priorities and objectives; and
- Continue to reduce management, administration and support costs as far as is sensible to do so.

In arriving at the proposed 2015/16 budget above, Directorate specific budget proposals have been considered and put forward, totalling £7.761m:

Children and Young People's Service	£0.430m
Neighbourhoods and Adult Services	£4.369m
Environment and Development Services	£2.053m
Resources (Support Services)	£0.909m

Detailed information relating to these proposals are presented in Appendix 1 to this report. In addition to the new Directorate savings above, Directorate savings of £1.898m for 2015/16 were also agreed when the 2014/15 budget was set in March 2014.

Other key savings proposals contributing to closing the Council's 2015/16 funding gap include:

- Reviewing MTFS planning assumptions (including proposed 1.95% increase in Council Tax) : £5.656m
- Realising benefits from improved treasury and cash flow management: £5.850m
- Working with partner organisations to improve efficiency: £1.500m
- Maximising income from other sources: £1.300m

The Council has wherever possible, tried to minimise the impact of its savings proposals on frontline services to the public - **of the new savings proposed for 2015/16, only £2.5m (under 11%) will represent a reduction to frontline services. No savings are proposed within Children's Safeguarding services.**

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 (SFA) for 2015/16 is set out in the table below:

	£'000
Revenue Support Grant (RSG)	50,925
Baseline Funding Level (Including Top Up Grant)	58,269
Total - Settlement Funding Assessment 2015/16	109,194

7.6 The level of Council Tax

The Council, 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 were facing their own considerable financial strain in a difficult economic and financial climate. However, in 2014/15 the Council found it necessary to raise Council Tax by 1.90%.

For 2015/16, a further 1.95% increase is proposed. This option is not recommended lightly; the alternative was to further reduce valued, front line services. The proposed increase will bring in an additional £0.590m income (after loss of Government Freeze Grant and losses on collection) to the Council which will allow investment in Children's Social Care and Streetpride services in the Borough in response to feedback from residents and in line with the Council's priorities.

A 1.95% increase on the tax levied in 2014/15 would mean a **Band D Council Tax (for the Council only) of £1,277.73** and would mean a Band A Tax of £851.82, a Band B Tax of £993.79 and a Band C Tax of £1135.76 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 £2.000m surplus balance for Council Tax expected on the Collection Fund (Council Tax and Business Rates) as at 31 March 2015. This is expected to be generated by the Council continuing to achieve its excellent record in collecting Council Tax by achieving a higher rate of collection than the 97% expected when setting the previous years' tax levels and minimising its cumulative arrears, (which currently equate to £57 per property, which is one of the lowest levels for a Metropolitan Council).

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 4th 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 1.97%.

A Cabinet meeting on 14th January 2015 approved Rotherham's Council Tax Base for 2014/15 of 65,477.52 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 1.95%, this will generate a total Council Tax of £83.663m available to support the Council to fund services in 2015/16.

7.7 Proposed Service Investments

The additional Council Tax generated from the proposed 1.95% increase would be £590k (see Section 7.6). It is proposed that this and the net additional funding announced in Rotherham's Final Local Government Settlement (£434k) be invested as follows:

- **Support for Child Sexual Exploitation victims and Survivors (£200k), additional social workers to make sure children at risk are seen by Children's Services as quickly as possible (£390k), development of outreach youth based work provision to engage with young people at risk of Child Sexual Exploitation (£234k); and**
- **Improving grounds maintenance and the general cleanliness and attractiveness of the borough (£200k).**

7.8 Funding the Budget

It is proposed that the financing of the Council's proposed Net Budget of £203.554m for 2015/16 is as follows:-

	£'000
Settlement Funding Assessment (SFA from above)	109,194
New Homes Bonus	5,020
Section 31 Grants etc	3,677
Collection Fund Surplus	2,000
Which will leave to be raised from Council Tax – a 1.95% increase on the Council Tax levied in 2014/15	83,663
Funding Total	203,554

7.9 Medium Term Financial Strategy (MTFS)

The 2015/16 Revenue Budget will be used as the baseline for the update of the Medium Term Financial Strategy (MTFS) 2016-2019. 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.

Current expectations are that funding to Local Government will continue to reduce at least at a similar rate seen in the previous 4 years, possibly until possibly 2020.

7.10 Specific Government Grants

The Council also receives a number of specific grants. The 2015/16 specific grants that have been confirmed and their value are set out below:

Specific Grants	2015/16 £'000
Public Health	14,176
Department of Health Revenue Grant: Local Reform and Community Voices	181
PFI Education (Revenue)	6,223
PFI Leisure (Revenue)	1,811
PFI Waste (Revenue)	1,781
Housing Benefit Administration Grant	1,763
Council Tax Support – New Burdens Grant	64
Adult Social Care New Burdens	1,297
Lead Local Flood Authorities	24

7.11 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 £4,836.65 and £3,870.32 respectively. The Schools Block rate has reduced by £7.51 per pupil in 2015/16 in order to reflect the national formula adjustment in respect of the carbon reduction commitment whereas the Early Years Block remains the same as 2014/15. The funding for the High Needs Block continues to be the 2013/14 baseline plus additional funding supporting the additional responsibility for payments to Post 16 High Needs funding previously directed from the DfE to schools.

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

- From April 2015 the 'Disadvantaged Premium' will be £1,320 per pupil for Primary School children compared to £1,300 for 2014/15 and £935 for Secondary School children, the same as in 2014/15. 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, the same value as in 2014/15.
- 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 2015/16.

Devolved Formula Capital funding for Schools is estimated at £634k for 2015/16. The allocation for 2014/15 was £705k.

Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2014/15 was £3.995m).

8. Finance

The proposals for the 2015/16 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 2015/16 Revenue Budget are sound.
- that the budget proposals upon which the Budget is predicated will be actioned, as appropriate, and that this will be done having full and proper regard for the Council's financial position. The prospects of this are good.
- that the Council is committed to articulating a clear vision which clearly sets out its key priorities and expected outcomes for the next 3 to 5 years which will define the services it will provide and at what level, aligned to the resources it has available. In delivering the transformational change required, the Council will ensure the sustainability of its annual Budget and other financial plans as well as the resilience of its overall financial position. The prospects for achieving this will be challenging but are deliverable.

This report recommends:

- The Council Tax is increased by 1.95% **to £1,277.73 at Band D equivalent,**
- a General Fund Revenue Budget for Rotherham Council **in 2015/16 of £203.554m.**
- For information, the following general assumptions with respect to inflation have been provided for within the Budget:
 - An overall 2.2% increase (15 month pay award) in staff pay in line with the agreed Local Government Employers' Organisation rate.
 - 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 Interim Strategic Director of Resources and Transformation (the Council's Responsible Financial Officer)

The Responsible Financial Officer of an Authority (in Rotherham Council's case the Interim Strategic Director of Resources and Transformation) 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 almost £94m savings in the previous four years presents a significant challenge (to all Councils) in formulating a robust and sustainable budget and preserving a financially resilient overall financial position.

By adhering to a clear set of budget principles and taking a measured approach and planning ahead, the Council has put itself in a strong position to ensure that the Budget proposals put forward are robust and deliverable, whilst seeking to ensure that vital public services continue to be available to those in our community that are most in need of them.

The Council continues to have a strong track record of delivering savings and making further efficiencies year on year. It also has a strong financial reporting 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 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 very 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 risk.

As the Chief Financial Officer 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 2016/17 to 2018/19 budget.

9.2 Reserves

The Council holds a level of uncommitted reserves that could be drawn on, if required, to support the 2015/16 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 2015/16.

The Council's reserves, based on the latest monitoring, are expected to be £61.1m by 31st March 2015 and this is broadly in line with the Council's current financial plan.

The majority of reserves (£49.9m) are mostly held as ring fenced to particular statutory services including Schools (£2.4m) and Housing Revenue Account (£20.7m) and to meet long term contractual PFI obligations (£13.6m). The balance (£13.2m) is earmarked for specific needs.

Within this ring-fenced total is a sum of £8.4m held within the Commutation Adjustment Reserve. The resources held here are no longer required for the purposes originally envisaged. Taking account of the significant challenges facing the Council in positively responding to and bringing about the improvement required in the Professor Jay, Ofsted and Louise Casey Reports, it is recommended that Members approve the re-designation of this reserve to an Earmarked Transformation Reserve. The resources held there are retained and utilised for meeting the likely significant, additional costs and potential liabilities facing the Council in order to help bring about a 'fit for purpose' Council, at the earliest opportunity.

This means that approximately £11.2m (5.5% of the proposed net revenue budget) 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 4 years and the very significant challenge facing the Council 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.

The Council has undertaken consultation upon the overall level of the proposed budget. This has included Area Assembly meetings, Area Housing Panel meetings, Online Budget Consultation, Online Budget Forum, Rotherfed Board meeting, Parish Council's Network meeting, staff consultation and a budget session with the Voluntary sector chaired by the Deputy Leader.

In addition individual departments have given consideration to the impact of the proposed budget savings and realignment of services on the community and individual groups. The assessment of the impact of any proposal will be iterative, with all proposals having an appropriate impact analysis undertaken prior to the implementation of the service changes.

11. Legal Considerations

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). The details of the analysis of the budget proposals undertaken so far, is described above. However, 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.

12. Background Papers and Consultation

- Council Tax Reduction Scheme report – Cabinet 24th September 2014
- Council Tax Base Report 2015/16 – Council 14th January 2015
- Local Government Financial Settlement – 5th February 2015

Consultation with SLT, elected Members and Trade Unions.

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