

## Summary Sheet

### **Name of Committee and Date of Committee Meeting**

Cabinet and Commissioners' Decision Making Meeting – 19 February 2018

### **Report Title:**

Budget and Council Tax 2018/19

### **Is this a Key Decision and has it been included on the Forward Plan?**

Yes

### **Strategic Director Approving Submission of the Report**

Judith Badger, Strategic Director of Finance and Customer Services

### **Report Author(s)**

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### **Ward(s) Affected:**

All

## Executive Summary

This report proposes the Council's Budget and Council Tax for 2018/19 based on the outcome of the Council's Provisional Local Government Financial Settlement, budget consultation and the consideration of Directorate budget proposals through the Council's formal Budget and Scrutiny process (Overview and Scrutiny Management Board) alongside a review of the financial planning assumptions within the Medium Term Financial Strategy.

In setting the proposed 2018/19 Budget, Cabinet are asked to recommend to Council an increase of 2.99% in the Council's basic Council Tax and a further 3% increase for the Adult Social Care precept; a combined increase of 5.99% for 2018/19.

Although this report contains proposals to balance the revenue budget for 2018/19, work is ongoing to bring forward proposals to address the challenging financial position for future years and to enable the Council to establish a clear and sustainable financial plan which addresses the estimated £30m financial gap that remains over the next two years (2019/20 to 2020/21).

This Budget has focussed on continuing to protect and support Rotherham's most vulnerable children and adults whilst trying to ensure that a wide range of services continue to be provided to all residents. As such there are no new savings to come from Adult Social Care and a continuation of the investment in Children's

safeguarding as approved by Council in 2017 with no savings required from Children's safeguarding services. The Budget recognises the ongoing demand pressures on both Children's and Adult Social Care services but also that to continue to spend at current levels on these services is unaffordable in the long term. There is therefore no additional base budget funding for these services and the current demand pressures are to be managed within the Council's overall resources until such time as the costs can be reduced to levels more representative of other authorities.

The Budget provides sufficient funding to maintain payment of the Joseph Rowntree Foundation Living Wage rate for the Council's own lowest paid staff and continues to provide funding to help to partially mitigate the impact of Welfare Reform on the most vulnerable through the provision of a budget for food parcels and crisis loans. Whilst changes to the Council Tax Support Scheme have been recently approved by Council, the amended scheme continues to protect those on the very lowest incomes.

There have been substantial savings from central and corporate budgets and also a range of general efficiencies identified following a thorough review of all budgets. There are also a number of investment and income generation proposals including the development of a caravan park at Rother Valley Country Park to complement the Gullivers development.

The Budget includes the maximum Adult Social Care Precept in order to maximise resources to directly support Adult Social Care and the maximum Council Tax increase allowable in order to minimise adverse impact on services and also to ensure there are resources set aside to enable genuine consideration of the feedback from the public on the recent Waste Review. The Budget also maximises the allowable flexibilities in the use of capital receipts to support the revenue budget. The Capital Programme has funding allocated to allow for the continuation of annualised and essential investment and also includes the addition of a small number of highways schemes plus funding for items that will make a difference to residents in terms of public realm such as improvements in pavements, CCTV cameras to deal with fly tipping and other environmental crime and the provision of larger or different public litter bins.

The Budget has been exceptionally challenging given the requirement to save £162m over the last 7 years since 2011/12, mainly as a result of a reduction in Government funding. Given that over half of the Council's budget is spent on Childrens and Adults Services with increasing demand nationally in these services, the need to eliminate the current overspends in these areas and to find a further £30m over the following 2 years, the next few years will prove very challenging for the Council.

## **Recommendations**

That Cabinet recommend to Council:

- Approval of the Budget and Financial Strategy for 2018/19 as set out in the report and appendices, including the need to deliver £15.1m of budget savings and a basic Council Tax increase of 2.99%.

- Approval that the £965k additional Council Tax income generated from 1% of this increase is earmarked for kerbside collection of plastic waste and that the final decision on the operational model for waste services be determined by Cabinet following analysis of the public responses to the consultation and related options.
- Approval of the Government's proposals for the maximum Adult Social Care precept of 3% on Council Tax for 2018/19 to fund additional costs in relation to Adult Social Care Services.
- Approval that the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils within the Borough be incorporated, when known, into the recommendation to the Council on 28th February 2018.
- That an updated Medium Term Financial Strategy (MTFS) is brought back to Cabinet in 2018/19 after the accounts for 2017/18 have been closed.
- Approval of the proposed use of reserves as set out in Section 3.5, noting that there may be a variation subject to the Final Local Government Finance Settlement and that the final determination will be approved as part of reporting the outturn for 2017/18.
- Approval that any changes resulting from the Final Local Government Finance Settlement be reflected in the Budget report to Council on 28<sup>th</sup> February with the balance of any change being reflected in a change in the required use of reserves.
- That it notes and accepts the comments and advice of the Strategic Director of Finance and Customer Services (Section 151 Officer), 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 (Section 3.9).
- That it notes the consultation feedback from the public, partners and trade unions following publication of Directorate budget savings proposals on the Council's website for public comment from 6<sup>th</sup> December 2017 to 4<sup>th</sup> January 2018 (Section 5).
- Approval that all Council Fees and Charges are increased for 2018/19 by the September CPI increase of 3% other than Fees and Charges which are determined by national statute and that lists of all proposed fees and charges for 2018/19 are submitted to Cabinet in March for approval.
- Approval to the proposed increases in Adult Social Care Provider contracts as set out in Section 3 of the report.
- Approval to use £200k of the Local Welfare Provision balance of grant funding to continue arrangements for Crisis Loan Support as set out in Section 3 of the report.

- Approval to the carry forward into 2018/19 of any unspent balances of funding for the Community Leadership Fund and Delegated Ward Revenue Budgets.
- Approval of the use of in-year Capital Receipts up to 2020/21 to maximise capitalisation opportunities arising from service reconfiguration to deliver efficiencies and improved outcomes for clients and residents, and thereby minimise the impact of costs on the revenue budget as included in the Flexible use of Capital Receipts Strategy 2018/19 (Appendix 4).
- Approval of the proposed Capital Strategy and Capital Programme as presented in Section 3.7 and Appendices 2A to 2E, to a value of £248m for the General Fund and £177m for the HRA. This requires prudential borrowing of £65m to fund non-HRA schemes over the five year period, for which provision has been made in the revenue budget for the associated financing costs.
- That the approved Capital Strategy budget be managed in line with the following key principles:
  - (i) Any underspends on the existing approved Capital Programme in respect of 2017/18 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2017/18 report to Cabinet.
  - (ii) In line with Financial Regulation 13.8, any successful grant applications in respect of capital projects will be added to the Council's approved Capital Programme on an ongoing basis. .
  - (iii) Capitalisation opportunities and capital receipts flexibilities will be maximised, with capital receipts earmarked to minimise revenue costs.
  - (iv) Decisions on the financing of capital expenditure for individual capital projects are delegated to the Council's Section 151 Officer.
- Approval of the Treasury Management Matters for 2018/19 as set out in Appendix 3 of this report including the Prudential Indicators, the Minimum Revenue Provision Policy, the Treasury Management Strategy and the Investment Strategy

### **List of Appendices Included**

- Appendix 1 – Summary of Directorate Budget Savings Proposals 2018/19 – 2019/20
- Appendix 2A – Capital Strategy and Capital Programme 2017/18-2020/21- Proposed additions to the General Fund Capital Programme
- Appendix 2B/C – Detailed General Fund Capital Programme 2017/18 – 2021/22 by Project and funding summary

- Appendix 2D/E – Detailed HRA Capital Programme 2017/18 – 2021/22 by Project and funding summary
- Appendix 3 – Treasury Management Matters
- Appendix 4 – Flexible use of Capital Receipts Strategy 2018/19
- Appendix 5 – Statutory Resolution of Council Tax 2018/19. *(This information is not available in time for the Cabinet Report but will be included in the Budget Report to Council on 28 February 2018).*
- Appendix 6 – Reserves – value and use
- Appendix 7 – Consultation Report

### **Background Papers**

- Council Tax Base Report 2018/19 – Council 24<sup>th</sup> January 2018
- Housing Rents 2018/19 – Council 24<sup>th</sup> January 2018
- Provisional Local Government Financial Settlement – 19th December 2017
- Budget and Council Tax 2017/18 Report – Council 8<sup>th</sup> March 2017
- October Financial Monitoring Report and Update on the Council's Medium Term Financial Strategy 2019/20 – Cabinet 11<sup>th</sup> December 2017
- December 2017/18 Financial Monitoring report – Cabinet 19<sup>th</sup> February 2018
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2017/18 – Audit Committee 21<sup>st</sup> November 2017
- CIPFA – The Prudential Code for Capital Finance in Local Authorities 2011 (as amended 2012) and related Guidance Notes 2013
- Service Budget Options Documents

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

Overview and Scrutiny Management Board (OSMB) meetings – 7<sup>th</sup>, 14<sup>th</sup> & 20<sup>th</sup> December 2017, 10<sup>th</sup> January and 14<sup>th</sup> February 2018  
Council – 28<sup>th</sup> February 2018

### **Council Approval Required:**

Yes

### **Exempt from the Press and Public:**

No

## **Budget and Council Tax 2018/19**

### **1. Recommendations**

That Cabinet recommend to Council:

- 1.1 Approval of the Budget and Financial Strategy for 2018/19 as set out in the report and appendices, including the need to deliver £15.1m of budget savings and a basic Council Tax increase of 2.99%.
- 1.2 Approval that the £965k additional Council Tax income generated from 1% of this increase is earmarked for kerbside collection of plastic waste and that the final decision on the operational model for Waste Services be determined by Cabinet following analysis of the public responses to the consultation and related options.
- 1.3 Approval of the Government's proposals for the maximum Adult Social Care precept of 3% on Council Tax for 2017/18 to fund additional costs in relation to Adult Social Care Services.
- 1.4 Approval that the precept figures from South Yorkshire Police Authority, South Yorkshire Fire and Rescue Authority and the various Parish Councils within the Borough, be incorporated, when known, into the recommendation to Council on 28th February 2018.
- 1.5 That an updated Medium Term Financial Strategy (MTFS) is brought back to Cabinet in 2018/19 after the accounts for 2017/18 have been closed.
- 1.6 Approval of the proposed use of reserves as set out in Section 3.5, noting that there may be a variation subject to the Final Local Government Finance Settlement and that the final determination will be approved as part of reporting the final outturn for 2017/18.
- 1.7 Approval that any changes resulting from the Final Local Government Finance Settlement be reflected in the Budget report to Council on 28<sup>th</sup> February with the balance of any change being reflected in a change in the required use of reserves.
- 1.8 That it notes and accepts the comments and advice of the Strategic Director of Finance and Customer Services (Section 151 Officer), 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 (Section 3.9).
- 1.9 That it notes the consultation feedback from the public partners and trade unions following publication of Directorate budget savings proposals on the Council's website for public comment from 6<sup>th</sup> December 2017 to 4<sup>th</sup> January 2018 (Section 5).
- 1.10 Approval that all Council Fees and Charges are increased for 2018/19 by the September CPI increase of 3% other than Fees and Charges which are

determined by national statute and that lists of all Fees and Charges proposed for 2018/19 are submitted to Cabinet in March for approval.

- 1.11 Approval to the proposed increases in Adult Social Care Provider contracts as set out in Section 3 of the report.
- 1.12 Approval to use £200k of the Local Welfare Provision balance of grant funding to continue arrangements for Crisis Loan Support as set out in Section 3 of the report.
- 1.13 Approval to the carry forward into 2018/19 of any unspent balances of funding for the Community Leadership Fund and Delegated Ward Budgets
- 1.14 Approval of the use of in-year Capital Receipts up to 2020/21 to maximise capitalisation opportunities arising from service reconfiguration to deliver efficiencies and improved outcomes for clients and residents, and thereby minimise the impact of costs on the revenue budget as included in the Flexible use of Capital Receipts Strategy 2018/19 (Appendix 4).
- 1.15 Approval of the proposed Capital Strategy and Capital Programme as presented in Section 3.7 and Appendices 2A to 2E, to a value of £248m for the General Fund and £177m for the HRA. This requires prudential borrowing of £65m to fund non-HRA schemes over the five year period, for which provision has been made in the revenue budget for the associated financing costs.
- 1.16 That the approved Capital Strategy budget be managed in line with the following key principles:
  - (i) Any underspends on the existing approved Capital Programme in respect of 2017/18 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2017/18 report to Cabinet.
  - (ii) In line with Financial Regulation 13.8, any successful grant applications in respect of capital projects will be added to the Council's approved Capital Programme on an ongoing basis.
  - (iii) Capitalisation opportunities and capital receipts flexibilities will be maximised, with capital receipts earmarked to minimise revenue costs.
  - (iv) Decisions on the financing of capital expenditure for individual capital projects are delegated to the Council's Section 151 Officer.
- 1.17 Approval of the Treasury Management Matters for 2018/19 as set out in Appendix 3 of this report including the Prudential Indicators, the Minimum Revenue Provision Policy, the Treasury Management Strategy and the Investment Strategy.

## 2. Background

**This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2018/19 and the medium term, which need to be considered by Council.**

- 2.1 Local Context – Government Intervention & the impact on the Council of Public Sector Funding Cuts.
- 2.2 Revenue Budget Position 2017/18 – as at December 2017.
- 2.3 Provisional Local Government Finance Settlement 2018/19.
- 2.4 Approach to the Budget Strategy for 2018/19 and the Medium Term Financial Plan to 2020/21.
- 2.5 Fees and Charges.

### 2.1 Local Context

- 2.1.1 The Council has made significant progress since the findings of Professor Alexis Jay were reported in August 2014 followed by an 'Inadequate' Ofsted report in November 2014 and the devastating findings of the Corporate Governance Inspection reported in February 2015. With significant progress made against the Improvement Plan, the Government appointed Commissioners now only retain responsibility for Children's Social Care with a 'Power of Direction' over Adult Social Care and Domestic Abuse. All other services are back under the democratic control of the Council. In September 2017 the Council's external auditors gave the Council an unqualified Value for Money opinion for the first time in 3 years reflecting the strengthened Governance arrangements within the Council and in January 2018 the Council received an Ofsted rating of 'Good' demonstrating the significant improvement in the Council's approach and practice over recent years in relation to Children's Social Care. The intervention is due to end completely in March 2019.
- 2.1.2 However, this improvement has come at a high financial cost. Over £20m p.a. has been invested in Children's Social Care and whilst it can be demonstrated that the investment is achieving what was intended, the service continues to overspend on this increased budget as more children than anticipated have been identified as requiring care and protection by the local authority, many with particularly complex needs. This has had a knock on impact on legal costs and led to a need for more childcare solicitors, putting additional pressure on corporate budgets. The current high cost of Adult Care arrangements and the progression of the modernisation of this service alongside an aging population has meant that Adult Care budgets are also under severe pressure and the timing for delivery of previous savings plans have had to be re-profiled across a longer period of time. The demand pressures on care services in Rotherham reflect the national picture being experienced across the country with these services consuming an increasing proportion of the Councils' available resources. Whilst the national picture reflects Rotherham's position, this knowledge does not resolve the problem or change the fact that resources are insufficient to sustain the demand without severe impact on services provided by other areas of the Council in the future.
- 2.1.3 All of these factors have been taken into consideration in the development of the Budget for 2018/19 and the setting out of the Medium Term Financial Plan

to 2020/21. The Council remains committed to protecting the most vulnerable Children and Adults and to delivering improved value for money but cannot sustain such high costs beyond the short to medium term. Therefore this budget reflects an expectation that social care services will, over time, need to be delivered within a financial envelope that more closely reflects the national unit cost position and bring down unit costs significantly.

- 2.1.4 Over the last 7 years from 2011/12 to 2017/18, the Council has had to make ongoing savings of £162m, mainly as a result of the financial reductions imposed on local government as part of the Government's austerity programme. For 2018/19 the Council is required to save a further £15.1m. This report contains the budget proposals to meet the significant challenge in 2018/19 and sets the direction for further savings through to 2020/21.
- 2.1.5 In developing this Budget, much work has been carried out to target efficiency savings and also to maximise income generation opportunities in order to minimise the impact on front line services to the public. There has been an in-depth review of all financial planning assumptions, a line by line assessment of all corporate budgets and consideration of budget risk. As a result only £5.3m of the £15.1m proposed savings are from service change or reduction. These are set out in summary in Table 4 and listed at Appendix 1 with the individual documents available as background papers.
- 2.1.6 The expected outturn financial position for 2017/18 has been taken into account along with the level of reserves and opportunities to manage risk within the budget. The final position will not be known until after the financial year end so following closure of the 2017/18 accounts by 31<sup>st</sup> May, a financial update report will be brought to Cabinet.
- 2.1.7 One of the Council's key priorities within its budget strategies in recent years has been to limit the impact of the cuts on services for the most vulnerable people and those in need whilst continuing to ensure delivery of universal services. This remains a priority, but it is also important to recognise that this commitment is becoming increasingly difficult to sustain in the face of the ongoing funding reductions. The Council's vision, as set out in the Corporate Plan, sets out four headline priorities, all of which aim to protect the most vulnerable in Rotherham and provide greater opportunities for more people to prosper, namely: *every child making the best start in life; every adult secure, responsible and empowered; a strong community in a clean, safe environment; and extending opportunity, prosperity and planning for the future*. This vision remains in place and relevant for this Budget.
- 2.1.8 The further cross-cutting theme, to be a *modern and efficient Council*, also remains valid and applies to service change and improvement work across the Council. The Customer Services and Efficiency Programme is one of the key drivers to this development alongside the specific work being carried out in the Social Care Services.
- 2.1.9 In meeting the year on year significant financial challenges presented, the Council has previously demonstrated a successful track record in delivering its financial plans. However, over the current year (2017/18) it has become clear that this is becoming increasingly difficult to sustain without impact on

services to residents and whilst the Council will continue to drive savings through continued modernisation and efficiency and improving value for money for Rotherham residents, it is not possible to commit to future delivery of the full range of services currently provided.

## **2.2 Revenue Budget Position 2017/18**

- 2.2.1 The December revenue financial monitoring position, reported elsewhere on this Cabinet agenda, shows a forecast outturn of £992k. The financial monitoring report notes that further reviews of all central services budgets and provisions will take place as part of finalising the Council's financial position for 2017/18. It is anticipated that these final reviews alongside continued strong controls on spend for the remainder of the financial year will achieve a balanced financial outturn for 2017/18.
- 2.2.2 Total Directorate budget savings agreed for 2017/18 were £17.3m. Some of these savings totalling £6.8m have not been able to be delivered as planned in the current year and have been re-profiled for future years.
- 2.2.3 Whilst some alternative savings have been identified to mitigate the impact of the delayed delivery of these savings, a combination of the shortfall in savings and a continuation of escalating demand within Children's and Adults Services has resulted in a forecast £10m overspend on Directorate budgets.
- 2.2.4 The 2017/18 budget remains under close scrutiny with monthly monitoring reports and updates being provided to the Strategic Leadership Team (SLT) and Cabinet Members.

## **2.3 Provisional Local Government Settlement 2018/19**

- 2.3.1 Table 1 below shows the Provisional Local Government Settlement for the Council announced on 19th December 2017. The Final Settlement is anticipated early February.

**Table 1 – Provisional Settlement 2018/19**

	<b>Provisional Settlement</b>
	£'000
Revenue Support Grant	21,923
Business Rates Top Up	28,295
<b>Provisional Settlement – Government Funding</b>	<b>50,218</b>
Business Rates Retained – Council's Estimate	34,623
<b>Provisional Settlement – Total RSG &amp; Business Rates</b>	<b>84,841</b>

- 2.3.2 Within the Provisional Settlement figures the Government has recalculated the values of Business Rates Top Up grants to reflect updated information from the Valuation Office Agency with regard to the impact of the 2017 revaluation of Business Rates. This has resulted in a reduction of £222k to the

Council's top-up grant for 2018/19 which is reflected in the above figures. The government is also applying this adjustment retrospectively to 2017/18 top up grants and will claw back a further £222k grant related to 2017/18 in 2018/19. A provision for this clawback will be made in the 2017/18 financial accounts.

2.3.3 The Government has also restricted the increase in Business Rates for 2018/19 to the September year on year increase in the Consumer Prices Index (3.0%) rather than the standard application of the Retail Prices Index which showed a 3.9% increase. Councils are being compensated for the impact of the difference between the indices on both Business Rates Income Retained and Top Up Grant by means of a S31 Grant payment and is included within the total S31 grant payments below.

2.3.4 Other Provisional Settlement related resources are shown in Table 2 below. The Final Settlement for 2018/19 is expected to be announced in early February. Any variations to the Provisional Settlement will be dealt with through reserves.

**Table 2 - Further Provisional Settlement Resources 2018/19**

<b>Funding Source</b>	<b>£'000</b>
New Homes Bonus	3,013
Business Rates: Section 31 Grants and Multiplier Cap compensation	4,135
Business Rates: Renewable Energy	168
Business Rates: Enterprise Zone	543
Business Rates Administration	300
Public Health Grant (ring-fenced)	16,304
Improved Better Care Fund	10,104
Housing Benefit Administration Grant	985
Local Council Tax Support Administration Subsidy	409
<b>TOTAL</b>	<b>35,961</b>

2.3.5 In addition to the above the Council also receives funding for allocation to schools. From April 2018 there are a number of significant changes to the schools funding system. The Dedicated Schools Grant (DSG) is now split into four blocks and each block will be determined by a separate national funding formula:

- The Schools Block for 2018/19 is based on pupil numbers taken from the October 2017 census with funding calculated by separate primary and secondary units of funding, plus an amount based on historical information for growth, premises and mobility. The Primary unit of funding is £3,958.54 and the Secondary unit is £5,462.37.
- The rate per pupil for the Early Years Block remains unchanged at £4,085.00 following the introduction of a new national Early Years funding formula in 2017/18.

- The High Needs Block is now calculated by the following :
  - A basic entitlement per pupil, using pupils who attend special schools and academies in the local authority, and;
  - A historic spend factor plus proxy indicators of deprivation, health and disability and low attainment relating to the 2-18 year old population.
- The Central Services Block is a newly created block for 2018/19 and comprises of funding for ongoing statutory responsibilities of the local authority.

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

- 'Disadvantaged Premium' will continue to be £1,320 per pupil for Primary School children and £935 for Secondary School children, the same as in 2017/18. 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 (referred to as Pupil Premium Plus), will be £2,300 per eligible pupil, up from £1,900 in 2016/17.
- The Service Child Premium which funds children of Armed Services personnel remains at £300 per pupil.

2.3.7 Year 7 Literacy and Numeracy Catch-up Premium is an additional resource for schools directed at additional literacy and numeracy catch-up support during Year 7. In 2017/18 schools were allocated £500 for each pupil not achieving level 4 at Key Stage 2 in reading and/or maths. The rate per eligible pupil is to be confirmed early in 2018.

2.3.8 Devolved Formula Capital funding for Schools is estimated at £348k for 2017/18. The allocation for 2017/18 was £1.949m.

2.3.9 Sixth form funding from the Education Funding Agency (EFA) is yet to be confirmed. (2016/17 was £2.667m).

## **2.4 Approach to the Budget for 2018/19 and the Medium Term Financial Strategy to 2020/21**

2.4.1 During 2016/17 the Council set the strategic framework to support the development of the budget for 2017/18 through to 2019/20, and in particular the approach to developing investment and savings options to address the funding gap to 2019/20. The proposed approach was designed to ensure that investment and savings options are not considered in isolation or directorate silos, but instead contribute to the principles and priorities as set out within the Corporate Plan and Medium Term Financial Strategy. Throughout 2017/18 this approach has been developed further and has helped in the development of budget options for 2018/19 and beyond. The approach remains valid into the future and is described further below.

- 2.4.2 Rotherham MBC has previously had a track record of delivering significant savings but the challenge has increased considerably in recent years with the service and governance improvements required and implemented since the Jay and Casey reports of 2014 and 2015 and with the continuing trajectory of increasing demand on social care services. This has meant that the cost of maintaining and improving services has increased whilst funding has reduced. Since 2011 the Council has had to make savings of £162m and has reduced its headcount by 1,800 staff (over 1,000 full time equivalent staff), whilst minimising the tax burden on households as much as possible when real term incomes for Rotherham residents have not been increasing. As set out below, the Council, like other Councils, is facing ongoing and increasing financial challenges. Further reductions in Government funding as a result of its deficit reduction plans; rising cost pressures such as the National Living Wage; increasing demand for services as a result of a growing population and changing demographics in Rotherham; and the impact of inflation all contribute to the financial challenges ahead.
- 2.4.3 This budget challenge means that the Council must be responsible in its budget setting approach, prioritising investment and savings proposals that best contribute to the Council's priorities and the needs of Rotherham's residents, and ensure that best value is demonstrated across the breadth of Council services.
- 2.4.4 However, whilst the Council is inevitably becoming *smaller in size*, the strategy for the future continues to ensure that the Council is *bigger in influence*. This means a changing role for the Council. Stronger civic leadership, greater collaboration, integration and shared services with other public services are all progressing and will continue to do so. It also means a new social contract between residents and the Council that builds on individual and community assets to enable people to live more independently, for longer, with the support of their family, social networks and local neighbourhood resources. It also means a clear focus and prioritisation of resource – and in some cases stopping doing things that the Council has traditionally done before.
- 2.4.5 It is also important to underline the continuing spending power of the Council despite funding cuts. With a current proposed revenue budget of £215.070m in 2018/19, the Council will remain a key lever for growth and investment in Rotherham and the wider Sheffield City Region. The challenge is to ensure the sustainability of the Council to deliver services, keep the Council Tax rate as low as possible for residents and deliver against the Council's stated priorities. This means making carefully considered investment and savings decisions through to 2021 and in some cases making real cuts and reductions in service provision. The Capital Programme updated within this report includes £425m of capital investment over the 5 years 2017/18 to 2021/22.
- 2.4.6 This budget strategy is set against the particular demand pressures and cost challenges facing Rotherham. In part these pressures arise from the good news that more new homes are being built in Rotherham, attracting more people into the area. But this impacts on the provision of universal services such as environment and waste services. Residents are living longer, but with more long term conditions which is stretching already squeezed health

and social care budgets. Rotherham's schools are performing well but this is placing strain on the school budgets and much work has been done and continues to develop a sustainable approach for the dedicated schools grant budget which has also been under increasing pressure.

2.4.7 The particular challenges factored into the budget strategy for investment and savings include:

- **Demographic changes** – Using ONS population projections, Rotherham's population is forecast to grow by 4,500 or 1.7% between 2017 and 2022. However this population growth is within particular age groups likely to increase pressure on Council services, especially social care. This includes a significant rise in the over 75 population, by 19% from 22,600 to 27,000, including a rise in the over 85 population by 17% from 6,000 to 7,100. Within the older population a significant proportion are living with frailty and other long term conditions. For example, on average Rotherham men live for 18 years and women 26 years with poor health. At the other end of the age spectrum, there is a forecast increase of 1,300 (or 3.9%) of the predominantly school age (5-15) population. Only by changing the way the Council delivers support to older people in Rotherham, particularly focusing on connecting people to community assets to keep people as independent as possible for as long as possible and integrating care pathways with the Clinical Commissioning Group (CCG) and acute service providers, will it be possible to respond to this increasing demand and deliver high quality care. This means joining up health, housing and social care services more effectively and much work has progressed in this regard with strong relationships developed to ensure better outcomes for residents.
- **Increasing safeguarding costs, particularly with children and young people** – As the Council has transformed the way it delivers children's services and has pressed ahead with becoming a child centred borough, there has been a corresponding increase in the numbers of Looked After Children in Rotherham and this increase is continuing. Analysis last year suggested that without further investment and intervention the LAC population would continue to rise from 489 (as at December 2016) by 48 per year. At the time of writing this number has reached 605 despite the investment and interventions which have prevented this figure being even higher. The budget challenge remains to safely and sustainably reduce the LAC population through the investment agreed in 2016 and 2017 and to provide coordinated early help, targeted and evidence based early intervention, and drive down the unit costs of high cost placements where it is safe to do so.
- **Poor health, low incomes and worklessness** – Rotherham is one of the 20% most deprived districts/unitary authorities in England and about 24% (12,340) of children live in low income families. Life expectancy for both men and women is lower than the England average and within the Borough, life expectancy is 9.5 years lower in the most deprived areas compared with the least deprived areas. Worklessness is concentrated in particular local neighbourhoods of the Borough predominantly near the town centre. Today, Rotherham has 13,040 residents claiming sickness

benefits, of which 75% have been claiming for more than 2 years (9,780), despite the economic gains in the City Region. Within these claimants, almost half are as a result of mental and behavioural disorders. The budget challenge is to leverage the investment at a city region and national level directed at employment support, including the forthcoming Work and Health Programme. Similarly, the Council must make the most of its investment in public health interventions (such as drug and alcohol and mental health services) and other levers at its disposal (including housing) to ensure that employment is at the front and centre of wider health and social support services in Rotherham.

- **A productivity gap, predominantly due to low skills, with competitor Boroughs and regions** - Skills already account for the significant gap in productivity between Rotherham and the Sheffield City Region and the South East of England. Within Rotherham, 35% of people aged 16-64 have no qualifications or are qualified to below NVQ level 2 (Dec-16). Forecast employment patterns suggest that the move towards higher level skills requirements will only increase over the next ten years. The Rotherham Together Partnership is ensuring the coordination of all partners to develop a skills and employment strategy to support this overall approach. The budget challenges include continuing to drive educational attainment in Rotherham schools so that young people are equipped with the skills in demand by the workforce of tomorrow and to maximise the benefit gained from the £700k Apprenticeship Levy contribution. This Government levy has been introduced with a target that 2.3% of the workforce (for organisations with more than 250 employees) should be apprentices. For the Council this would be around 125 apprentices.
- **Changing expectations and perceptions of public services** – Residents and communities are becoming more informed, and more assertive, demanding more flexibility and in some cases choice of provider. Expectations for public services now mirror features typically attributed to private sector services – delivery, timeliness, information, professionalism, and staff attitude, often on a 24/7 basis. The budget challenge is to respond to these changes through a faster paced transformation of the Council's corporate core, building the enabling functions to make the council more efficient and effective. Much work has been undertaken over the last year and will continue into 2018/19. However, there must also be an increase in the active involvement of local residents and communities so that they are better able to help themselves and each other, through a strength and asset based approach to delivery of services such as adult social care and children's services.
- **Changing access routes and shift to different technology and media** – The speed of development of new forms of communication, information sharing and data processing enables people to work, learn, socialise and connect in different ways. Public services are struggling in many cases to keep pace with different ways of choosing, accessing and using public services but the Customer Services and Efficiency Programme launched during 2017/18 will be an important mechanism for delivering on this challenge. The budget challenge is to drive the pace of change to digital

and digital assist, rationalising out-dated delivery models whilst ensuring accessibility for all.

2.4.8 The budget strategy for 2018-2021 also reflects the potential impact of the devolution deal, which includes a commitment from Government to provide an additional £30m per year for 30 years to the SCR, as well as wider funding and powers. Whilst the position in relation to this remains uncertain it is anticipated that a devolution agreement would positively impact on the budget in terms of:

- Increasing funding in the drivers for growth, including skills, infrastructure, housing and transport, directly benefiting Rotherham residents, enabling Rotherham's regeneration resources and budget to go further.
- Stronger City Region working and collaboration, which, when taken on a case by case basis, will enable efficiency gains to be made where services are duplicated or where centres of excellence can be established.
- Increased (and retained) business rate income as a result of faster economic growth facilitated by better business support and infrastructure, such as ultra-fast broadband.

2.4.9 Whilst these upside opportunities as a result of the devolution agreement are unquantified at the moment, the Council will continue to work closely with the LEP and City Region colleagues to factor forecasts into the ongoing budget work where possible. Similarly, work continues to identify further collaboration / shared services opportunities where it makes sense for Rotherham to do so.

2.4.10 The health and social care landscape continues to evolve at a City Region level, with a greater focus on the integration of health and social care to improve outcomes and address the considerable system wide budget challenge. Within Rotherham, work remains focused on locality working to ensure that the health and social care system is safe and sustainable, and addresses key budget challenges such as unplanned admissions to residential care and delayed discharge.

2.4.11 Last year a set of 5 budget principles were developed to guide decision making and ensure the budget and associated investment/savings options are focused, coherent and reflect the wider priorities of the Borough. During 2017 an additional principle was identified making 6 principles in total and this has been included in this section of the report. The principles are outlined below, including the particular strategic priorities in developing options to address the funding gap, ensuring that Rotherham's public services are sustainable, affordable and fit for the future.

***1) Keep residents, particularly vulnerable children and adults, safe from harm and enable more people to live independently for longer***

2.4.12 The biggest areas of spend in the Council are adult and children's social care services. Significant investment has been made in the delivery of the Children's Improvement Plan and this has already produced significant improvements but demand continues to increase negating some of the impact of these investments. LAC numbers will only begin to decrease in the medium term as the impact of early help and more targeted earlier

intervention takes effect. The demographic pressures highlighted above will continue to put pressure on adult care services. However unless demand for high cost care packages can be reduced, particularly reactive and unplanned spend, the Council will be unable to deliver the wider budget priorities. This requires increased collaboration across different areas of Council spend, including specialist housing, public health and the role of the voluntary and community sector. The strategic approach is therefore to:

- Continue to strengthen early help and early intervention work with both children and adults to prevent complex problems escalating, collaborating with partner agencies in Rotherham to deliver support in a joined up, sequenced and integrated way;
- Collaborate with City Region and CCG commissioning partners to integrate health and social care work at a locality and local neighbourhood level, reducing unplanned admissions to residential care and strengthening step down care provision;
- Further develop an asset and strength based approach to engaging and supporting residents and communities, working with children and families rather than doing things for them, providing high support and high challenge and empowering children and families to make positive decisions about their lives;
- Focus on identifying alternative delivery models for very high cost cohorts across learning disabilities, children and adults, ensuring best value is achieved from commissioned services and explore the latest commercial vehicles such as social investment and outcome based contracting;
- Ensure public health provision is integrated with the wider health, care and wellbeing priorities of the Council, including for example ensuring sufficient prioritisation and focus on employment as a meaningful outcome. The Council will also explore alternative investment and delivery models to ensure maximum value is gained from our contracted provision where this is in place;
- Increase the volume and quality of housing options for older people (reflecting the Rotherham Housing Strategy 2016-19 and the Older People Housing Delivery Plan), including building more new specialist homes in the right locations; increasing the use of assistive technology; pilot a 'health village' service offer within people's homes; and improve hospital discharge and step down accommodation from hospital;
- Increase the pace and scale of alternative delivery models such as telehealth and telecare, to enable more older people with long term conditions to live independently in their homes, joining up housing support and adult care services; and
- Manage (and regularly report on) key risks to the budget, particularly monitoring the transition from children's to adult services.

**2) Drive inclusive growth and ensure Rotherham's residents are connected to local good quality job opportunities**

2.4.13 The Rotherham Growth Plan 2015-2025 maps out a programme of investment in economic growth and infrastructure including transport, housing, the town centre, skills and business support. This will be delivered through a capital investment strategy which will prioritise investment in these drivers for growth, particularly critical infrastructure and housing, and a focus on strategic development projects / sites including the Advanced Manufacturing Innovation District; widening the network of Business Incubation Centres and driving the pace of the Town Centre Master Plan with the Forge Island development. This investment will facilitate increased income to the Council through the New Homes Bonus, Council Tax income and retained Business Rates. To make this happen, the strategic budget priorities are to:

- Continue to strengthen the Corporate Enabling Services to provide more capacity and capability to lead the growth agenda in Rotherham, particularly the work required to influence and negotiate with SCR partners and investors;
- Continue to invest resources to work closely with the LEP and wider Sheffield City Region colleagues to influence strategic investments and commissioned programmes that best benefit Rotherham. This includes for example devolved responsibilities within employment and skills support to better connect residents to growth opportunities, particularly targeting people on long term sickness related benefits;
- Build homes of a high standard that meet the needs of Rotherham's growing population, accelerating delivery of three strategic housing areas at Waverley, Bassingthorpe Farm, and Dinnington East. This means shifting from delivering 600 homes a year to 900 homes as indicated in the HRA Business Plan;
- Work with SCR and LEP colleagues to ensure that Work and Health Programme provision directly benefits Rotherham's residents, and work closely in the design of devolved employability and skills programmes within SCR; and
- Make the most of the Council's £700k Levy commitment for Apprenticeships, ensuring the delivery of high quality Apprenticeship provision linked to the Council's priorities.

**3) Protect Rotherham's green spaces and improve the quality of the public realm, ensuring our streets are clean and safe**

2.4.14 Economic growth is not only about investing in bricks and mortar – the strategy is to promote Rotherham as good place to live and work, which means a vibrant cultural sector, good quality green spaces, clean and tidy streets and neighbourhoods that residents are proud to call home. The strategic budget priorities are therefore to:

- Ensure the effective delivery of the additional £10m investment in the quality of roads in Rotherham, removing pot holes and responding to resident feedback on high priority street scene improvements;

- Ensure that street, waste and environment services are delivered through the most effective and efficient delivery models. This includes reviewing the infrastructure and rationalising the estate (including depots) required to meet future population needs;
- Provide a high quality, comprehensive library service to Rotherham residents that shifts money from property to tangible resources that benefit users directly including books, technology, and research;
- Complete the review of waste management arrangements including opportunities to maximise income from commercial waste and residential waste; and
- Complete the review of corporate transport and fleet arrangements to identify cost savings, income generation opportunities and methods of improving customer outcomes. This will include passenger transport arrangements; fleet; and staff travel.

**4) *Become a smaller, more efficient, more connected organisation, working as one Council with a stronger leadership and influencing role***

2.4.15 Over the last six years the Council has experienced a significant fall in overall funding with a corresponding reduction in staffing, with good strides made towards greater efficiency savings. However, more needs to be done to become a leaner, more efficient organisation – ensuring that precious resources are spent where they are needed most. This means stripping out unnecessary cost and duplication in buildings and services; developing the behaviours within the council away from departmental silos; changing the way the Council works to be more digitally enabled; investing in functions that will enable the Council to perform better at lower cost; and ensuring value for money from the considerable commissioned spend in Rotherham. To achieve this, the strategic approach to the budget is to:

- Complete the review of procurement activity within the Council to identify where, how and when better value can be created from the £240m of addressable spend (recognising both committed and uncommitted spend) across Social Care, Public Health, Capital Projects, Housing Improvement and General Revenue Funds;
- Work with managers, staff and unions to develop a more flexible workforce, recognising the greater integration of services and the shift towards more generic competencies and skills across previous departmental silos such as family based working; asset and strength based approaches; and more commercially aware decision making.
- Centralise enabling functions and areas of spend to improve strategic fit and oversight of impact and value for money, including workforce development and communications;
- Continue to identify and strip out unnecessary agency and consultancy spend, further strengthening the more robust recruitment and approval

mechanisms introduced during 2017 to ensure that where consultancy/agency staff are used it is business critical;

- Ensure the infrastructure and estate is fit for purpose for a smaller, leaner organisation and offers good value for money. This includes estate and property rationalisation, facilitated by digital access to Council services;
- Continue to strengthen the enabling services, building capacity and capability to enable the council to lead and influence within Rotherham and the Sheffield City Region; drive the quality and performance of front line services; and build on the good work already carried out to improve governance and accountability. Progress the re-direction of spend from transactional to strategic resources including performance, commissioning, research and intelligence; and
- Continue the progress made towards having more digitally assisted services, increasing the pace of transformation to enable more residents to access services online across multiple access points.

***5) Adopt a more commercial, outward facing approach to doing business, generating income and leveraging the resources and assets of our partners in Rotherham***

2.4.16 As the role of Rotherham MBC evolves, and the Council becomes a smaller, more focused organisation, so the way in which the Council collaborates with other public sector partners in Rotherham and Sheffield City Region must develop and change. The devolution agreement and opportunities to collaborate presents new opportunities to make savings *and* secure income. Similarly, the Council must better lever the assets, resources and capacity of the thriving voluntary and community sector that has weathered the storm of significant budget cuts across the public sector. There are clear opportunities to generate increased income to the Council by adopting a more commercial approach, ensuring the best possible deal for Rotherham's tax payers is achieved. The Council will look to capitalise on new and emerging alternative delivery models and funding vehicles to share risk and reward linked to long term economic and social outcomes. The strategic priorities for the budget are to:

- Continue to invest in building the capacity of the voluntary and community sector, streamlining funding, ensuring grant and application processes are proportionate, and prioritising investment in those areas that help to build community capacity, resources and assets;
- Ensure a commercial approach to housing and development that secures a good deal for the Council and enables the re-investment of surplus. Similarly, implementing the housing strategy will ensure the housing stock profile better meets demographic changes and alternative specialist housing options including extra care developments are accelerated to meet demand and reduce cost for high cost residential care placements;
- Build on the existing collaboration with other local authorities and public service partners in the SCR to increase the scope and level of collaboration where it makes sense to do so for Rotherham. This includes

potential strategic projects linked to high cost social care services such as SCR-wide adoption services; different areas of Adult Social Care; and strategic planning and transport;

- Consider alternative delivery vehicles and funding models across the Council where there is a strong evidence base, exploring the role of social investment, outcome based contracting and risk/reward contracting models; and
- Complete a comprehensive review of traded services and charged for services, developing options for more enterprising, commercially focused traded service models, including services delivered to schools; the level of subsidy and/or cost recovery from residents for particular services.

#### **6) *Work with communities and local neighbourhoods to develop independence, wellbeing and resilience***

2.4.17 As the council's resources continue to diminish it is critical that the strengths of communities and neighbourhoods are utilised to maximum effect. Communities can contribute significantly to the future direction of the Council and the needs of local neighbourhoods will drive service delivery and prioritisation going forwards. The Council needs to embrace the knowledge and skills held by residents and organisations across the borough in order to ensure that future services are tailored appropriately within the resources available. The strategic priority for the budget is to:

- Ensure that communities are at the heart of all decisions. In this sense this additional budget principle is not a standalone item but is one which will be embedded within and across all the others;

2.4.18 Taken together, the above principles and priorities give a strong sense of the strategic direction of the budget and the associated investment/saving requirements to both deliver the Council's priorities and achieve a balanced budget, including addressing the £30m funding gap going forwards beyond this budget.

2.4.19 Some of the work set out in last year's Budget has been completed and forms part of the proposals in this report whilst other items are underway, recognising that some areas require significant, complex and detailed analysis whilst others are more straightforward quick wins.

## **2.5 Fees and Charges**

2.5.1 It is proposed to increase all Council fees and charges by the September 2017 CPI rate of inflation of 3%.

2.5.2 Some specific increases to charges fees and charges were consulted on as part of the 2018/19 Budget consultation including:

- Planning Fees
- Riverside House Cafe

- Civic Theatre
- Parks & Country Parks

2.5.3 Detailed schedules of fees and charges proposed for each service for 2018/19 will be submitted to Cabinet in March 2018 for approval.

### 3. Key Issues

**This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2018/19 and the medium term, which need to be considered by Council.**

- 3.1 Budget Proposals 2018/19 to 2019/20.
- 3.2 Future Challenges for Services and the Impact of Spending Reductions and Savings Plans.
- 3.3 Council Tax Proposals for 2018/19.
- 3.4 Financing the proposed 2018/19 Revenue Budget.
- 3.5 Reserves and Balances within the Council's Budget Strategy.
- 3.6 Medium Term Financial Plan 2018/19 – 2020/21.
- 3.7 Capital Strategy / Capital Programme Update.
- 3.8 Treasury Management Matters.
- 3.9 Report of the Strategic Director of Finance and Customer Services (the Council's Responsible Financial Officer).

#### 3.1 Budget Proposals 2018/19 to 2020/21

##### Budget Savings

3.1.1 The Council's updated Medium Term Financial Strategy as reported to Cabinet in December 2017 identified a Budget Gap of £15.1m for 2017/18. £9.8m of this Budget Gap has been met from a range of corporate initiatives and savings as shown in Table 3 below.

**Table 3 Corporate Budget Savings 2018/19**

<b>Budget Savings Proposal</b>	<b>Budget Saving £000</b>
Treasury Management Strategy	1,500
Efficiencies on General Non-Pay Spend	1,000
Budget realignment – General Fund/Housing Revenue Account	1,000
Remove provision to fund salary increments – services contain any costs	824
Capitalisation	632
Increase all Fees and Charges for inflation	1,000
Review of Council Tax Support Scheme	450
Reduction in South Yorkshire PTE Levy	315
Increase Council Tax Premium on Empty Homes to 100%	175
No replenishment of reserves	3,000
<b>Total</b>	<b>9,896</b>

3.1.2 The Council consulted with the public, staff and partners on budget savings proposals for specific services totalling £5.3m for 2018/19. The proposed budget for 2018/19 includes implementation of these savings as adjusted following consultation. The summary of the proposals by Directorate is set out in Table 4 below. More detailed information is available at Appendix 1.

**Table 4 – Summary New Directorate Budget Savings Proposals 2018/19**

Directorate	2018/19	2019/20
	£'000	£'000
Assistant Chief Executive	144	40
Finance & Customer Services	672	200
Adult Care & Housing	0	0
Public Health	275	56
Children & Young People's Service	1,432	288
Regeneration & Environment	2,765	1,200
<b>TOTAL</b>	<b>5,288</b>	<b>1,784</b>

3.1.3 In addition there are some Directorate budget savings which have been approved in previous years but which take effect, or reach full year effect in 2018/19. These are summarised by Directorate in Table 5

**Table 5 – Summary Directorate Budget Savings Proposals 2018/19 – 2019/20 previous years' approvals**

Directorate	2018/19	2019/20
	£'000	£'000
Assistant Chief Executive	95	0
Finance & Customer Services	418	0
Adult Care & Housing	3,324	0
Public Health	378	0
Children & Young People's Service	891	0
Regeneration & Environment	1,408	(500)
<b>TOTAL</b>	<b>6,514</b>	<b>(500)</b>

## Independent Adult Care Sector Provision – Residential and Nursing Care Homes

There are a total of 35 independent sector care homes contracted to support older people in Rotherham. They provide a range of care types.

3.1.4 The independent sector care home market in Rotherham supplies 1782 beds and accommodates around 1558 older people. The Council is the dominant purchaser.

3.1.5 The pressures that the older people's care home market faces are well documented and are highlighted below:

- The lack of nurses and enhanced terms and conditions of employment (pay, pensions, workplace support) offered by the NHS are a challenge for the independent sector market who are not able to compete to attract qualified nurses to work in care homes.
- High cost of agency nurses.
- The National Living Wage will increase from £7.50 per hour for people aged 25 and over to £7.83 in April 2018.
- Compulsory employers' contribution to pension currently set at 1% up to April 2018 (rising to 3% by April 2019).
- Increasing care requirements of residents for acute periods resulting in an intense demand on staff resource.
- Recently announced rise in interest rates which will affect those providers with financial obligations to lenders.

3.1.6 There is a requirement for the market to keep pace with demand and deliver high quality provision to the most vulnerable people in Rotherham. Both the Council and its health partners require an adequate level of care home capacity.

3.1.7 It is proposed that an increase of 3% is applied across all fees based on the Consumer Price Index (CPI) as at September 2017. The additional cost would be **£618,000** per annum based on current activity. This approach allows for an uplift that keeps pace with inflation and supports care homes to meet the increased staffing costs within available resources.

<b>2018/19 Proposed Fees</b>	<b>Residential</b>	<b>Residential EMI</b>	<b>Nursing Care*</b>	<b>Nursing EMI*</b>
Rotherham	£445	£481	£449	£534

\*Excluding Funded Nursing Care element at £155.05.

## Independent sector provision – Home Care

3.1.8 The Community and Home Care Service providers respond flexibly to fluctuating demand and currently deliver around 14000 hours of home care per week to approximately 1284 people, with a cost of around £200,000 per week.

3.1.9 Nationally, regionally and locally the community and home care sector is facing a number of pressures:

- **Increased staff costs** - a high percentage of the running cost of home care to providers is associated with staffing. Providers are required by legislation to remunerate care workers for travel expenses to a level that prevents care workers pay being forced under the National Minimum Wage. This will increase from £7.50 to £7.83 from April 2018. The price of petrol remains high at circa 117 pence per litre and the nature of home care service and a mobile workforce means that significant cost are incurred to support travel time/travel expense.

In addition the compulsory employer's contribution to pension schemes currently at 1% on employee earnings will rise to 3% by the year 2019.

- **Competitive retail sector attracting care and support staff** - competitive retail sector pay rates means the care sector has less ability to attract staff. Whilst the skill requirement for a 'customer assistant' in a retail environment is lesser in comparison to that of a care worker, retailers offer pay rates that are higher than the majority of contracted home care providers. In addition more favourable working conditions and less personal responsibility means potential recruits are attracted away from the care sector.
- **Retention of staff** – The turnover rate for independent sector home care services is around 33% per annum, on average two thirds of the workforce in home care services are recruited from within adult social care, which suggests that there is a high degree of 'churn' within the sector resulting in employers going through the recruitment process, with its associated costs but does however mean skills are kept within the sector.
- **Consistent demand for high quality** - Contracted home care providers are required to comply with regulation and a service specification that demands safe, flexible, high quality care delivery. The regulator for health and social care, the Care Quality Commission recognise the pressures that social care providers are under and take account of the issues that contribute to this.

3.1.10 The level of fees paid for home care must sustain a market that will provide an appropriate, skilled, competent, compassionate workforce for Rotherham residents who are eligible to receive such service as per Care Act requirements.

3.1.11 In order to address issues facing the sector, it is proposed that the Council applies a uniform 3% increase for all providers based on the Consumer Price Index rate as at September 2017. This would contribute to the increased staffing costs that providers face in the coming financial year. A 3% increase would equate to an additional cost of **£350,000** per annum based on current activity.

3.1.12 In addition, there are approximately 300 Personal Assistants employed through a Direct Payment who are currently paid the National Living Wage, which from 1st April 2018 will increase from £7.50 to £7.83 per hour. It is therefore recommended that the hourly rates for Personal Assistants are increased in line with the NLW increase from 1 April 2018. This will result in an additional cost of **£115,000** based on current activity.

#### Independent sector provision – Learning Disability

3.1.13 The Council currently provides financial support to 728 learning disabled people with an aging demographic and increased complexity from young people transitioning into the services.

3.1.14 The Council's strategic direction is for people with a Learning Disability to remain in their own home and communities as long as possible. This will require some current provision to be replaced by:

- increasing the uptake of Community Services
- greater use of Shared Lives and Key Ring Schemes
- designing a new framework for Supported Living
- developing alternative Day Opportunities.

3.1.15 The Council has historically taken an ad hoc approach to fee uplift requests from the independent Learning Disability sector, on the basis that costs are predominately bespoke to meet individual needs and have arisen incrementally. The Council has maintained a position that the combination of rates paid for waking hours and sleep-in payments were sufficient to allow providers to meet their legal obligations. However, changes in the Care Act 2014, increases in National Minimum Wage to £7.83 per hour, employer pension cost increases, and case law in regards to Sleep-in payments (*Whittlestone vs BJP Homecare and Royal Mencap Society v Tomlinson Blake*), mean that the Council now needs to develop a unified methodology to uplifts across independent sector provision.

3.1.16 In order to meet obligations and support a sustainable market, it is proposed that the Council applies:

(1) a 3% increase in current rates to Residential Care and Nursing Care provision, predicated on the Consumer Price Index rate as at September 2017. This would contribute to the increased costs that providers face in the coming financial year. Based on current activity levels, the cost to the Council will be **£315,214** per annum.

(2) a variable increase to Supported Living providers hourly rates between 3-4%. This allows for alignment of divergent providers hourly rates, broken down by day support and waking night support, applying the Consumer Price Index rate as at September 2017 and also factoring in additional compliance challenges due to historical low rates which in some instances have not changed since 2012. Based on current activity levels, the cost to the Council will be **£176,191** per annum.

(3) a flat Sleep-in rate of £80.16 for an 8 hour shift. Based on current activity levels, the cost to the Council will be an additional £163,581 per annum on top

of the increase in 2017/18 of £345,028, therefore a total additional **£508,610** on current base budget.

#### Summary Proposals:

It is recommended that Council approve increases on the following Adults Social Care provider contracts:

- Independent Sector Residential and Nursing Care homes – both older people and those with Learning Disabilities – increase by 3%,
- Community and Home Care Services – increase by 3%,
- The hourly rate for Personal Assistants are increased from £7.50 to £7.83 in line with the increase in the National Living wage,
- Supported Living providers – increase in hourly rates of between 3 and 4% to allow for alignment of rates across providers,
- Sleep-in rate set at £80.16 for an 8 hour shift.

#### Crisis Support (Local Welfare Provision)

3.1.17 The Government ended the national Discretionary Social Fund provision of community care grants and crisis loans in April 2013 and passed the responsibility for Local Welfare Provision to councils. Grant funding was provided to councils for these additional responsibilities in 2013/14 and 2014/15 but the grant funding was then cut completely after 2014/15 and no further Government funding resources have been provided. The Council agreed to set aside unspent amounts of the grant funding in order to provide some level of continued support following the ending of Government grant support.

3.1.18 Cabinet agreed in February 2017 that the Council should continue arrangements to provide crisis support for a further year. £350k of funding remains reserved from the Government grants for Local Welfare Provision and Cabinet and Council are now asked to agree that £200k of this funding is used to enable crisis support to continue for a further two years and that the appropriate contractual arrangements are put into place for the provision for the provision of this support.

#### Neighbourhood Working

3.1.19 Cabinet agreed new budget arrangements for Neighbourhood Working in April 2017. This included agreement that the Community Leadership Fund of £1,000 per ward member should be continued and that a delegated revenue budget of £1,428 per ward should be established. The principle of the allocation of these funds for Neighbourhood Working is that the funds are spent according to the priorities of Ward Members. It is therefore proposed that any remaining funds for 2017/18 pending agreement of priority spend are carried forward into 2018/19.

## **3.2 Focus & Priorities for Services and Impact of Budget Options**

3.2.1 The Budget outlined above will:

- focus on continuing to protect and support Rotherham's most vulnerable children and adults whilst trying to ensure that a wide range of services continue to be provided to all residents.
- progress the ongoing transformation of the Council's Adult Social Care Services to provide better services enabling more vulnerable adults to live independently, safely and improve their quality of life;
- enable the Council to continue 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 of service for the citizens, businesses and stakeholders of the Borough that is fully aligned to the Borough's new Community Strategy and the Council's Corporate Plan priorities; and
- Continue to reduce management, administration and support costs as far as is sensible to do so.

3.2.2 The key impact of the proposed budget on each Directorate is shown below:

### **Adult Care, Housing and Public Health**

#### **Adult Care**

3.2.3 Adult Care is responsible for the provision of social care support and services for vulnerable groups of adults in the borough, including older people and adults with mental health problems, learning disabilities and physical and/or sensory impairments.

3.2.4 Adult Care has responsibility for managing and delivering:

- Information, advice and advocacy
- Prevention and recovery
- Safeguarding
- Assessment and care planning
- Care, at home and in residential settings

3.2.5 The directorate faces a number of significant demand challenges as a result of changes in population demographics. There is sustained budget pressure as a result of an aging population; a rising population of working age adults with long term health and care support needs; and increasing acuity and complexity of need for those residents who need support.

- 3.2.6 The directorate faces increased cost pressures including rising inflation and the implementation of policy decisions such as the Apprenticeship Levy; the National Living Wage; and the remuneration of sleep in carers. Additionally, the borough has a higher proportion of its residents in residential care (rather than family or community-based care) compared to other localities, with a higher cost of care.
- 3.2.7 These demand and budget pressures have resulted in an over-spend in 2017/18 and the focus for 2018/19 is to both continue the complex set of changes needed to reduce demand, working with health and social care partners in the Borough, alongside making significant changes to the way care services are delivered to make care more personalised, responsive and cost effective.
- 3.2.8 Quality of care will be developed and improved through further integration between health and care partners in the borough. Firstly, it will ensure that residents are better supported at the front door through an integrated point of contact that connects residents with the most appropriate type and level of support. An integrated rapid response service will be tasked with delivering short, tailored interventions to support unplanned episodes of care and an improved discharge model will support timely transition from hospital to home and reduce delayed transfers of care.
- 3.2.9 Supporting people to live well at home, for as long as possible, will be a key focus and will improve quality of life for residents, while reducing cost. This will be achieved through investment in preventative care, to reduce acute and long-term interventions; access to appropriate, coordinated support including more effective support to carers; and personalised care delivered by skilled care workers, family and through new technology.
- 3.2.10 Residential care for adults with complex support needs will be transformed to enable residents to access both high quality primary care and a broader range of care pathways, and stronger connections to family and community support. Similarly, we will work together with health partners to continue the remodelling of Mental health services, with a greater focus on early intervention, improved accessibility and more responsive, personalised service.
- 3.2.11 The priorities, as outlined, can only be achieved if there is a high quality, motivated social care workforce in place. By working with social care teams, provider staff, educational institutes and professional bodies, changes will be made that will strengthen the recruitment, retention, skills and stability of the workforce and offer consistent advice and support to residents.
- 3.2.12 These priorities are designed to deliver a long term, sustainable reduction in demand pressures facing the directorate, as well as addressing the overspend from previous years. As such there are no new savings to come from Adult Social Care and the focus will be on delivery of savings agreed in

previous years with the phasing of those re-profiled to ensure they are delivered in a robust and carefully managed way.

## **Public Health**

- 3.2.13 Public Health is an integral element of the Borough's health and social care system, promoting wellbeing and independence. Public Health is responsible for the commissioning of public health services, including drug and alcohol services, weight management and sexual health.
- 3.2.14 Public Health provides advice, advocacy and challenge to ensure that the health of residents is safeguarded. This includes providing public health advice to the NHS and working across council directorates to optimise the council's contribution to improving health and reducing inequalities.
- 3.2.15 The Public Health grant for 2018/19 has been reduced by 2.6% (£430k) to £16.304m. It is anticipated that the grant will continue to be reduced by 2.6% for a further two years through to 2019/20. The grant is ring-fenced and supports the delivery of public health functions for residents of all ages.
- 3.2.16 Life expectancy in Rotherham is almost two years below the English average, which is indicative of a range of health inequalities in the borough. This is further demonstrated by a nine-year difference in life expectancy for men, and a seven-year difference for women between the borough's most and least deprived areas. While issues such as smoking, alcohol and obesity are not significantly worse than the national average, each has a greater prevalence in the borough's more deprived areas.
- 3.2.17 Changes to public health services is already underway to create health enhancing work, places and communities that enable residents to tackle the causes of ill-health and poor wellbeing. This process of change will be further accelerated through deeper integration between adult services and CCG commissioners, to address health inequalities through improved alignment.
- 3.2.18 Public Health will strengthen its influencing role, to ensure that health and wellbeing issues are integrated into public service delivery, e.g. by coordinating local services via an Integration Board alongside the Work and Health Programme, promoting work as a route to improved wellbeing.
- 3.2.19 Public Health will also deliver efficiency savings through three measures. Firstly, by re-designing pathways to reduce cost and duplication of effort. This includes service re-design for the healthy weight pathway. Secondly, internal staff savings, for example through not filling staff vacancies. And thirdly, through negotiating contractual savings with partners in the Borough through close collaboration to ensure no impact on front line service delivery. These savings measures represent a series of small changes that will improve efficiency and deliver more integrated services, with no material impact on service users.

## **Housing and Neighbourhood Services**

- 3.2.20 Housing and neighbourhood services hold overall responsibility for the management and maintenance of the borough's 21,000 council homes. They provide information, advice and guidance on the housing options available to residents and oversee any adaptations to homes required by residents, e.g. for accessibility/health reasons. Housing and neighbourhood services are also responsible for building new, affordable, high quality homes in the borough.
- 3.2.21 Housing and neighbourhood services hold a ring-fenced gross budget of £84.5m. There is currently a forecast underspend of £286k from the Housing General Fund and £1.6m from the Housing Revenue Account.
- 3.2.22 The primary focus of the service in 2018/19 is to ensure that a robust, sustainable Housing Revenue Account 30-year Business Plan is in place. The effective delivery of this plan will ensure that the borough's 21,000 council homes are maintained effectively, and that new homes (that meet resident need) are built to replace those lost through the right to buy scheme.
- 3.2.23 The general fund budget of £0.593m will continue to be used to support Neighbourhood Partnerships, address homelessness and deliver aids and adaptations to homes. A new model of neighbourhood working will be implemented that will realise improvements across each of these areas.
- 3.2.24 Efficiencies will be delivered through the new housing income team service, including improved performance on void turnaround times; rent recovery and leasehold income collection. A one-off budget saving has been created through increased income and by holding staff vacancies. These measures will both increase income and deliver efficiencies, with no significant impact on residents in the borough.

## **Children and Young People's Services**

- 3.2.25 The directorate for Children and Young People's Services (CYPS) is responsible for social care services, education and skills, and early help and family engagement. It has a statutory responsibility for the safeguarding of children and young people and is supported by a dedicated performance, quality, commissioning and business support team.
- 3.2.26 Nationally, children's social care services are operating in a tough budget and demand context. 75% of councils overspent their children's services budget by in excess of £0.5m in 2015/16. There has been an unprecedented surge in demand for children's social care support in recent years - a trend that shows no signs of abating. There has been an increase of 140% in the last 10 years of the number of children subject to child protection enquiries.
- 3.2.27 Furthermore, there is a sustained national increase in the number of young people with complex learning difficulties and disabilities. Requirement for specialist school provision for pupils with special educational needs and

difficulties (SEND) has increased from 5.6% to 8.5%, creating further pressure on the system nationally. Within Rotherham, almost double the number of children and young people are receiving additional support via an Education, Health and Care Plan.

3.2.28 Within the directorate, the significant investment and root and branch reviews of children's social work have made a demonstrable positive impact on the safeguarding of children in Rotherham. In January 2018 the Council received an Ofsted rating of 'Good' with one of the items within that rated 'Outstanding', demonstrating the significant improvement in the Council's approach and practice over recent years in relation to Children's Social Care. However, the improvement journey has increased the number of children in care, owing to earlier interventions that have ensured children have been protected. This increase in care demand has occurred despite the significant improvements made to early help, where it is anticipated that the transformation will take time to work through the system.

3.2.29 In 2018/19 the directorate priorities are to continue the sustained improvements in children's social work, ensuring the improvements continue and are embedded system wide; to focus on building in-borough capacity for both Looked After Children and additional school places for children with learning difficulties and disabilities; and to further develop interventions and services designed to better manage demand earlier.

3.2.30 There is a continuation of the investment in Children's safeguarding as approved by Council in 2017 with no savings required from Children's safeguarding services.

3.2.31 Proposed changes to service delivery, including savings initiatives, will build on the success of the improvement journey and on the success of the invest to save initiatives within the 2017/18 budget. This includes, for example, improving preventative and edge of services care, scaling up the family group conferencing model successfully introduced in 2017, and expanding multi systemic therapy interventions. A concerted focus on increasing of in-house foster care capacity will similarly support this outcome.

3.2.32 Changes to early help will continue, with a focus on ensuring early help interventions are targeted at the root causes of children entering the care system, as well as alternatives to care that have a strong evidence base. These changes will also deliver savings in a sustainable way.

3.2.33 The education and skills service operating model will be reviewed to ensure that it is as efficient and effective as possible, while continuing to improve educational outcomes, particularly at GCSE level and for children with SEND. Children with SEND will be further supported through the development of an effective, integrated social care, education and health assessment, planning and commissioning service.

3.2.34 Efficiencies will also be delivered through changes to CYPS' business support arrangements, ensuring that front line staff are supported in the most cost-effective way, using technology to streamline business processes.

3.2.35 Alongside efficiency savings, the directorate will also focus on increasing income, maximising the Troubled Families Payment by Results (PBR) funding and by using the Dedicated Schools Grant (DSG) funding differently, in full consultation with schools in the borough.

3.2.36 The proposed changes to services and budget are specifically designed not to de-stabilise the significant investment that has already been made, particularly at a time of great pressure on the system.

### **Regeneration and Environment**

3.2.37 The regeneration and environment directorate deliver frontline services to ensure the borough's neighbourhoods are clean, safe, inclusive and create an environment where people want to live, work and play. The directorate has a broad portfolio of responsibilities including:

- Community safety
- Environmental protection
- Schools' catering and cleaning
- Waste collection, management and disposal
- Parks and green spaces
- Leisure, sport and tourism
- Culture, history and arts (including theatre and museum)
- Planning
- Regeneration (including business support)
- Transport and highways

3.2.38 Rotherham's economy is currently the fastest growing in Yorkshire, and the 7<sup>th</sup> fastest in the UK. The Council's strategy of maintaining investment in the conditions for growth is having a positive impact, despite the fiscal challenges faced by the council. A Masterplan has been developed for the Town Centre which details how major development will take place including a vibrant leisure quarter at Forge Island.

3.2.39 The directorate's focus is to create neighbourhoods where people are proud to live, that are clean, safe, green, healthy and inclusive and have access to high-quality affordable housing. Creating the right conditions for residents to participate and take responsibility for themselves and their community, whilst encouraging others to do the same will be a central feature of the directorate's work.

3.2.40 Further integration, and partnership working, with key stakeholders within the council and with partners across housing, the police, health, and the voluntary and community sector will be a priority.

- 3.2.41 The directorate will work to attract investment and new business, while ensuring that the borough's existing businesses receive the support they need to grow and make further investment. To achieve this, attention will be given to ensuring that the wider conditions for growth are nurtured and developed, including integrated transport in South Yorkshire, housing, vocational skills needed to meet local job opportunities, and good quality green spaces and cultural offer.
- 3.2.42 A more commercial approach, focused on income generation and using the borough's assets and resources creatively, will help to ease budget pressures on some front-line services. This includes Bighton Link; the new camping and caravan park at Rother Valley Country Park and developing the commercial waste collection service.
- 3.2.43 New operating models for key functions and services such as waste, transport, community safety and culture and leisure services will be designed, developed and mobilised to improve efficiency, customer focus and deliver sustainable reductions in budgets without impacting on local resident access and use of services.
- 3.2.44 As well as these longer-term developments, additional income/savings opportunities have been identified across the directorate to deliver savings in 2018/19. This includes reducing headcount (e.g. dog warden and grounds maintenance); increasing revenue streams (e.g. theatre income); increased sponsorship income (particularly town centre events); and service re-design (e.g. transport). These smaller scale, internal initiatives have been designed to mitigate impact on residents.

### **Corporate Support Services**

- 3.2.45 The role of the two directorates making up the corporate services (Finance & Customer Services and Assistant Chief Executives) is to support the delivery of front line council services by promoting the most effective use of resources while ensuring services are compliant with council regulation and national legislation. These services provide leadership, influence, advice and a cross-cutting perspective and enable the council to operate safely. They are responsible for delivering a range of support services to other directorates, including HR and IT, to ensure they run efficiently and provide effective support across all council services.

### **Finance and Customer Services**

- 3.2.46 The directorate provides services in the following four areas:

- Financial Services
  - Finance, Accounting, Insurance
  - Local Taxation, Housing Benefit, Income Collection and Financial Assessments for care services
  - Procurement

- Legal Services
  - Legal
  - Elections
  - Print and Post Services
- Customer, Information and Digital Services
  - ICT
  - Customer Services
  - Information Management
- Internal Audit

3.2.47 The directorate is committed to providing outstanding, high quality professional and support services that are valued by its customers, both internal and external. This commitment is realised through the ongoing development of the skills of the directorate's staff to ensure they can meet the current and future challenges of local government.

3.2.48 To provide the support the council requires, the directorate must be strong and appropriately resourced. It is a reality however, that future service provision must be planned within the context of ongoing reductions in funding for local government.

3.2.49 Customer Services will be the subject of significant transformation with a channel shift being effected where possible, moving from face to face services and making use of improved technology to enable residents to 'self-serve' and more quickly access the service they need online.

3.2.50 The increased demand for legal services means that no budget savings are proposed in this area. Instead, the focus will be ensuring that the high standard of legal support services will be safeguarded, particularly with regard to protection of children and adults.

3.2.51 The finance service will continue to focus on realising savings, as it has done effectively in recent years. A particular focus will be on driving efficiencies through procurement savings; reducing overtime in directorates where peaks and troughs arise; council tax and business rates collection; and the recovery of benefit overpayments.

3.2.52 Improvements in the targeted collection of benefits overpayments and income collection (council tax and business rates) will result in increased income. Savings will be realised from the Information Management Service, but it is important to note that this will not result in a reduction in service-levels in this important service area.

3.2.53 The Internal Audit team will not be subject to any budget changes, following its significant progress in the last twelve months. The actions outlined in the Audit Improvement Plan for the service will be completed in the coming months.

3.2.54 The re-structuring of the customer service function will improve efficiency and result in a reduction in headcount (25 over 2 years) creating savings, while improving the service available to residents.

## **Assistant Chief Executive's Office**

3.2.55 The directorate has six distinct areas of responsibility:

- Human Resources
- Communications
- Democratic Services
- Policy and Partnerships
- Performance and Risk
- Change and Innovation

3.2.56 Significant progress has been made over the last 12 months in strengthening all functions through recruitment into key posts, improved governance arrangements and the re-allocation of decision making powers to local democratic control, with respect of HR and performance management.

3.2.57 There have been a number of delivery achievements in 2017, including the launch of the new Rotherham Plan and game-changers; the development of the Rotherham Story; and the development of the Rotherham Compact agreement, all of which were a result of effective partnership work with the Rotherham Together Partnership.

3.2.58 Other key achievements include the development of the Council Plan 2017 – 2020; the council performance framework; the introduction of quarterly performance reporting and the embedding of the council risk policy and guide. In May 2017, the Building Stronger Communities Strategy (BSC) was approved and the BSC Forum established.

3.2.59 A Change and Innovation Team is currently being established to support major change initiatives and deliver transformational change in the council.

3.2.60 Each service within the directorate has reviewed its structure and working arrangements and has implemented, or is implementing, a revised structure that will ensure it is better able to meet the council's requirements.

3.2.61 This coordinated re-structuring will ensure that the directorate as a whole is better positioned to join-up corporate functions to support service based directorates, Members and the overall authority.

3.2.62 In the coming twelve months, the directorate is expected to face further challenge that will mean it needs to constantly review its practices and develop and modernise its service offer. Continuous improvement will be founded on the principles of best value and sustainable change.

3.2.63 Proposals to develop a new corporate performance function, which would result in the merger of the functions currently based in service directorates are currently being considered. This centralisation would realise savings, however, it should be noted that the current corporate performance team is small when compared to councils of a comparable scope, so only limited benefits may be realised before service standards are reduced

### **3.3 Council Tax Proposals for 2018/19**

3.3.1 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by a total of 5.99%. This consists of two elements:

- a) A 2.99% increase in respect of contributing towards the Council's overall budget position; and
- b) A further 3% increase specifically in respect of a precept for Adult Social Care services (following a Government announcement allowing Authorities with Adult Social Care responsibilities to generate an extra 3% income by applying this precept).

3.3.2 It is proposed that the £965k Council Tax income derived from 1% of this increase is earmarked for developments in Waste Services

3.3.3 The 3% Adult Social Care precept will generate an additional £ £2.897m income to support the Adult Social Care budget.

3.3.4 The 3% Adult Social Care precept will be utilised to fund most of the additional investment in Adult Social Care services as shown in Table 6 below:

**Table 6 – Use of Adult Social Care Precept 2018/19**

<b>Use of Adult Social Care Precept</b>	<b>£'000</b>
Meeting the cost pressure of children who reach adulthood (Transitions)	890
Contribute to the increased cost of Adult Social Care contracts with care providers linked to the National Living Wage and other contractual indexation	1,100
Estimated Pay Award and Living Wage impact	540
Investment in Brokerage Team	210
Investment in Social Work practice – strengths based locality approach	650
<b>TOTAL</b>	<b>3,390</b>

3.3.5 A total 5.99% increase on the tax levied in 2017/18 would mean a Band D Council Tax (for the Council only) of £1,478.01 and would mean a Band A Tax of £985.34 per year. 86.3% of properties in Rotherham are classed as Band A to C with 53.8% being Band A.

3.3.6 The budget for 2018/19 also takes account of a planned use of £3m of surplus from the Council's Collection Fund for Council Tax. This is a direct result of the Council continuing to achieve a high performance in collecting Council Tax and minimising cumulative arrears.

- 3.3.7 The proposed increase in Council Tax is not recommended lightly. The alternative was to further reduce valued, frontline services at a time when demand for these services by vulnerable children and adults is increasing and the Council, alongside the Sheffield City Region, are proactively looking to stimulate the economy to bring about jobs and prosperity in the borough and city region which will bring about an increase in the future resources available to the Council.
- 3.3.8 As required by legislation (the Local Government Finance Act 1992), and as in previous years, a formal report will be brought to Council on 28<sup>th</sup> February 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 as advised to the Council.
- 3.3.9 The Council meeting on 24<sup>th</sup> January 2018 approved Rotherham's Council Tax Base for 2018/19 of 69.240.35 Band D equivalent properties after adjusting for expected losses on collection, the impact of the Council's Council Tax Support Scheme and discretionary discounts and exemptions for empty properties and second homes. At the same Council meeting, a revised Council Tax Support Scheme was approved which is reflected in this Tax Base.
- 3.3.10 Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 5.99%, this will generate a total Council Tax of **£101.372m** available to support the Council to fund services in 2018/19.

### **3.4 Financing the Proposed 2018/19 Revenue Budget**

- 3.4.1 The table below shows the total available resources to support the proposed revenue budget of £215.070m for 2018/19:

**Table 7 – Funding the 2018/19 Revenue Budget**

	<b>£'000</b>
Provisional Settlement – RSG and Business Rates	84,841
New Homes Bonus	3,013
Business Rates: Section 31 Grants, Renewable Energy, Enterprise Zones and Multiplier Cap compensation	5,146
Public Health Grant	16,304
Housing Benefit Administration Grant and Local Council Tax Support Subsidy	1,394
Use of Collection Fund Balance	3,000
Council Tax	101,372
<b>Funding Total</b>	<b>215,070</b>

## Proposed Directorate Budgets 2018/19

3.4.2 Set out below in Table 8 is the proposed Net Revenue Budget for 2018/19 including the Directorate Cash Limit Budgets utilising the funding resources set out in Table 7 above and based on approval and implementation of the proposed savings included within this report and detailed at Appendix 1:

**Table 8 – Directorate Budgets 2018/19**

<b>Directorate</b>	<b>Proposed Budget 2018/19</b>
	<b>£'000</b>
Adult Care & Housing	57,322
Public Health	15,997
Children & Young People's Service	56,720
Regeneration & Environment Services	38,128
Finance, Customer Services	14,382
Assistant Chief Executive	5,896
Central Services	26,625
<b>TOTAL NET REVENUE BUDGET</b>	<b>215,070</b>

3.4.3 The proposed Central Services budget (£26,625m) shown in the table above includes the following key budgets and provisions:

- Levies - Integrated Transport Authority, Coroners, Environment Agency . (£11.6m)
- Capital Financing (£2.8m)
- Capitalisation and Flexible Use of Capital Receipts (£3.2m credit)
- Central Provision for pay and price inflation, contract indexation and investment, pending allocation to Directorates (10m)
- Budget Risk Provision (£4m)

3.4.4 It is important to note that the Directorate budgets shown above include the impact of budget savings for 2018/19 but do not as yet include budget allocations for pay awards, inflation and investment. A significant proportion of the £10m centrally held provision will be allocated to Adults and Children's Services once the final impact of pay awards and price and contract inflation is known and investment confirmed.

### **3.5 Reserves and Balances within the Council's Budget Strategy**

3.5.1 The Council's balance of reserves and revenue grants as at 31<sup>st</sup> March 2017 is £57.1m, excluding Housing Revenue Account and Schools balances. This is £2.75m more than anticipated when the 2017/18 budget report was

approved due to a more favourable financial outturn for 2016/17. Appendix 6 details the Council's General Fund Reserves.

- 3.5.2 The 2017/18 budget includes the planned use of reserves of £10.45m. The actual use of reserves will be finalised within the financial outturn for 2017/18.
- 3.5.3 Within the proposed Medium Term Financial Strategy is the planned replenishment of reserves over the medium term in order to secure the Council's ongoing financial stability and to provide the capacity for future budget planning choices or investment decisions.
- 3.5.4 These reserves and grant balances are set aside for specific purposes and are planned for current and future use within previous budget decisions and in the medium term financial planning assumptions.
- 3.5.5 Whilst the majority of these reserves are either ring-fenced and subject to conditions of use or are earmarked for specific use determined previously by the Council, the approach taken in this budget is to replenish them in future years and hence maintain the value over the medium term or to fund within the base budget the costs that would have been funded from the reserves. This approach allows the Council to establish a £10m budget risk contingency for 2018/19, comprising of £4m budget provision and £6m potential support from reserves.
- 3.5.6 The budget risk contingency is to enable the Council to deal with in-year budget pressures/investment, particularly for Children's and Adults services. The funding from the risk contingency would only be drawn down on the basis of a business case and if required to manage demand pressures.
- 3.5.7 The proposed budget includes £3m per annum from 2019/20 to replenish the reserves that are being used to support the 2017/18 budget and to provide part of the budget risk contingency for 2018/19. However the demand pressures associated with children's and adults services are reflected in the national picture and it might be that the Council is unable to replenish reserves as planned, but this will be reviewed annually.
- 3.5.8 The above proposals are the basis used for the formulation of the proposed budget and revised medium term financial strategy but the final determination will be formally approved when the outturn for the current financial year is known and reported. All future planned use of reserve will be subject to further future consideration as part of budget planning in future years.

### **3.6 Medium Term Financial Strategy 2018/19 – 2020/21**

- 3.6.1 The Council has undertaken a complete review of its Medium Term Financial Strategy and underpinning financial planning assumptions. Alongside this review, there has also been a thorough review of corporate budgets and provisions, corporate funding, accounting classifications and apportionments, including classification of expenditure between capital and revenue and between General Fund and HRA.
- 3.6.2 Some of the benefit of these reviews is reflected in the 2017/18 forecast financial outturn and how the Council is mitigating the impact of the costs of service demand pressures towards achieving a balanced outturn position. The

updated Budget Gaps for 2018/19 and 2019/20 were reported to Cabinet in December 2017. The MTFS update in this report now extends to a further year to 2020/21.

- 3.6.3 The Council's budget strategy has been to limit, as far as possible, the impact of funding cuts on front line services – particularly on the most vulnerable residents, whilst looking to grow the local economy to maximise future income generation potential.
- 3.6.4 The climate of continued funding cuts from Government and the pace of growth in the local economy has made this strategy difficult to maintain. More will be done to review how services can be further transformed to deliver further savings and to look for opportunities for joining up or rationalising service arrangements where this is sensible to do so and will reduce costs. However, the further planned government funding cuts over the period to 2020/21 mean that it is inevitable that some of the future savings the Council will have to deliver will inevitably impact on frontline services.
- 3.6.5 This report proposes a balanced budget for 2018/19. However more work is to be done to address the estimated £29.7m funding gap in the MTFS in the next two financial years. The summary MTFS position is shown in Table 9 below.

**Table 9 – MTFS Estimated Funding Gap 2019/20 – 2020/21**

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
Cumulative Budget Gap	15.1	33.6	47.5
Budget Savings	-15.1	-17.8	-17.8
<b>Remaining Cumulative Budget Gap</b>	<b>0</b>	<b>15.8</b>	<b>29.7</b>
<b>Annual Budget Gap</b>	<b>0</b>	<b>15.8</b>	<b>13.9</b>

### **3.7 Capital Strategy / Capital Programme Update**

- 3.7.1 The Capital Strategy and proposed Capital Programme to 2021/22, which sets out the Council's future capital investment plans, will ensure that investment decisions are clearly aligned with the Council's strategic priorities and vision for Rotherham.
- 3.7.2 The Council's Capital Strategy and Capital Programme to 2020/21 was approved by Council in March 2017 within the Budget and Council Tax 2017/18 report.
- 3.7.3 The Financial Outturn 2016/17 report approved by Cabinet in July 2017 set out an updated capital programme taking into account slippage on capital schemes during 2016/17 which was mostly re-profiled into future years.

3.7.4 Further individual new capital projects already approved during 2017/18 are incorporated into the updated capital programme which is set out as Appendix 2B

3.7.5 This report proposes a number of further additions to the capital programme to 2021/22 which are set out in Appendix 2A. The amendments proposed are summarised as :

- Annual ongoing expenditure commitments to 2021/22
- Capitalisation of expenditure to support the revenue budget
- Further flexible use of capital receipts for revenue transformational expenditure for 2019/20 and 2020/21 subject to the Council's approval of the flexible use of capital receipts strategy which is attached as Appendix 4
- Priority Capital Investment

These are summarised below:

#### 3.7.6 Annual Ongoing Expenditure Commitments to 2021/22

- ICT Refresh £1.75m
- Operational Buildings £550k
- Commercial Property £75k
- Neighbourhood Working £840k per year to 2021/22

#### 3.7.7 Capitalisation and flexible use of capital receipts

- Capitalisation options to support the 2017/18 revenue budget £632k
- Capitalisation options to support the 2018/19 revenue budget £1,562k
- Capitalisation of Leisure PFI lifecycle costs to 2021/22 £2.183m
- Further flexible use of capital receipts to support revenue £4.0m

#### 3.7.8 Priority Capital Investment – General Fund

- Street Cleansing Equipment and Bins (£610k)

Funding for service improvement for cleansing and bins. Options for Solar Compactor Bins to be explored. Individual projects, setting out costs and efficiency savings, to be brought to Cabinet for approval

- Pavement Improvements (£1m)

The Council has over 1,515km of adopted footways and like many Highway Authorities Rotherham's footway network has been gradually deteriorating after suffering from years of under investment. Winter freeze / thaw actions and severe weather events have served to accelerate the already deteriorating footways and highlight the poor structural condition. The condition of the footway network in 2016/17 had deteriorated to a level where 33.98% of the total footway network is graded as RED - (Requires Planned maintenance work). With over 5,600 hazardous defects (potholes) having to be repaired on the footway network in 2016/17.

In order to arrest the decline in condition of the footway network it is essential that this part of the highway network is adequately maintained and accorded sufficient priority for funding over the coming years. The Council recognises the importance of the network being well maintained, to avoid a negative impact on Rotherham's economy. The importance of maintaining the footways is aligned with Sheffield City Region Local Transport Plan goal; which is to "Support Economic Growth by ensuring our highway networks are well maintained to keep people and goods moving effectively".

The proposal is to prioritise an initial investment of £1m in the Councils footway network in 2018/19 to slow the decline of the condition, which is currently around 4% per year. A footway repair programme will be developed to maximise the investment, prioritising and focusing on surfacing rather than remodelling. The programme will also be informed by Ward Members. Whereby, in accordance with the above priority Members will be contacted seeking their suggestions for works in their areas.

- Replacement of Mobile CCTV cameras (£60k)

Mobile CCTV cameras to deal with fly tipping and other environmental crime

- Provision of new controlled pedestrian crossings (£360k)

Currently there is a backlog of controlled pedestrian crossings (Puffin, Toucan, Zebra crossings) awaiting implementation as a result of limited funding available from the LTP Highways Capital Programme. These are all crossings that meet the Council's criteria for the provision of controlled crossings in terms of identified difficulty for pedestrians to cross the road. Current funding will allow one crossing per year to be implemented which means that the current list of crossings will take 6 years to implement. Use of Council Capital funding will halve the time taken to implement the crossings by allowing 2 per year to be implemented, thus securing the road safety and accessibility benefits of these facilities earlier.

- College Road Roundabout – match funding (£1.390m)

The Council has been successful in its bid for Department for Transport funding in respect of the National Productivity Investment Fund (NPIF). Funding of £3.24m has been secured, however, Council match funding of £1.39m (30%) is required. Therefore the total scheme cost is £4.63m.

- Crinoline Bridge Repair Works (£1.312m)

Repair and refurbishment of Crinoline Bridge on the A630. The estimated cost of this project is £1.312m. The bridge carries nearly 30,000 vehicles per day and is a key element of the town's transport infrastructure.

The recent inspection reports show a deterioration of the overall bridge condition, with several components of the bridge in a poor state of repair, such that any further deterioration could lead to the bridge being unable to

entirely fulfil its function with a risk that this could result in partial or total closure of the A630.

The option remains to continue to monitor the condition of Crinoline Bridge, but with the risk that the bridge becomes unsafe and needs to be partially or completely closed at short notice. This risks long term closures while repair tenders are prepared and/or additional extra costs due to the short notice of repair works contracts.

The option exists to arrest the deterioration only to Crinoline Bridge with works to the deck joints and surfacing. However this will not address the repair need nor ensure the long term integrity of the bridge. This option has been estimated at £300,000.

The recommended option is to repair and refurbish Crinoline Bridge, to include for protection measures to ensure its long term integrity, at a cost of £1.312m

- Increase SEND provision – top-up funding (£838k)

The Primary mainstream school population has increased by 15% and the Secondary mainstream school population has increased by 1% since 2010 as confirmed by the latest Department for Education (DfE) School Capacity and Planning (SCAP) scorecard for Rotherham. There is a projected further 5% increase in the school aged pupil population by 2021, further increasing the need for additional SEND places to be created in the Local Authority area. Following completion of the SEND sufficiency analysis , an additional 125 SEND places will be needed across the Authority to meet current and expected future demand up to 2021. 75 places are required to reduce out of authority placements by half and 50 places to add additional capacity and provision within the Borough to support future increase in demand from population increase. This will generate a recurrent £3.5m in DSG savings.

The option of providing further funding from schools related capital grants will also continue to be explored

#### Housing Revenue Account (HRA)

3.7.9 The Housing Revenue Account Capital Programme has also been updated to 2021/22 with a further £22.8m investment in improving council housing and £1.8m in adaptations. Additionally, virement of £551k is proposed to be made between the refurbishments allocation and the aids and adaptations allocation in recognition that demand for aids and adaptations has increased significantly over the past year. HRA capital programme information is set out in Appendices 2D and 2E.

3.7.10 The Capital Strategy will deliver a Capital Programme that is affordable and sustainable, and contributes to the Borough's economic growth. It will also ensure that the Council is able to fully contribute to the delivery of the SCR Strategic Economic Plan and maximise the potential for securing capital funding from the SCR and the Devolution Deal.

- 3.7.11 One of the key aims of improving the Council's management of its capital resources is to embed the importance of having an integrated approach across revenue and capital within the organisation. This is to ensure that the two key strategic documents, the Capital Strategy and Medium Term Financial Strategy (MTFS) interlink, to ensure that the delivery and financing of the Capital Programme fully reflects the principles of the MTFS. This has been achieved by ensuring that the revenue implications of capital projects are reflected within the MTFS and in revenue budgets (such as the cost of borrowing and savings generated through invest to save schemes).
- 3.7.12 The revenue impact of the Capital Strategy is reflected in the Council's Revenue Budget and Council Tax Setting Report and the prudential borrowing requirement arising from the Capital Programme is reflected in the Prudential Indicators and Treasury Management and Investment Strategy.

### **Funding the Capital Programme**

- 3.7.13 Appendix 2 shows how the Council proposes to fund the projects and changes to the Capital Programme for which approval is being sought, together with the funding of the existing approved Capital Programme projects. As indicated above, the Council's revenue budget and medium term financial strategy contains provision for the revenue implications of the capital programme including prudential borrowing costs.
- 3.7.14 The Council held £20.867m of capital receipts as at 31<sup>st</sup> March 2017 of which £18.077m are committed to funding schemes within the Capital Programme as approved at Council in March 2017 leaving £2.790m uncommitted receipts. The Council anticipates a further £10m of capital receipts to be generated across the Capital Programme period 2017/18 to 2021/22. The total £12.790m is planned to be utilised to support the Capital Programme as put forward for approval within this report.
- 3.7.15 The Council's funding strategy in respect of the Capital Programme will be based on the following key principles:
- (i) Capitalisation opportunities will be maximised, where accounting rules allow.
  - (ii) The Government's capital receipts flexibilities will be maximised to fund revenue transformational expenditure, with an indicative £2m of capital receipts built into the revenue budget for 2017/18 and 2018/19. As a general principle, capital receipts will be earmarked to minimise revenue costs.
  - (iii) This report recommends that all decisions on capital financing are delegated to the Council's Section 151 Officer.

## **3.8 Treasury Management Issues**

- 3.8.1 Treasury Management is the management of the Council's cash flows, its banking, money market and capital transactions, the effective control of risks associated with these activities and the pursuit of optimum performance associated with those risks.

- 3.8.2 The Treasury Strategy has associated Prudential Indicators (PIs) which have to be approved by Council prior to 1<sup>st</sup> April each financial year in order to comply with the various statutory frameworks within which the treasury function has to operate.
- 3.8.3 The Prudential Code requires the Council to approve and monitor a minimum number of PIs in order to inform the capital decision making process and support capital investment decisions. These PIs are mandatory.
- 3.8.4 The Capital Finance Regulations 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement which sets out the methods the Council will use to determine the appropriate amount of MRP to charge against the revenue budget.
- 3.8.5 The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.
- 3.8.6 Details of the Treasury Management matters are contained in Appendix 3. The proposed Treasury Management Strategy for 2018/19 is the same as the current strategy approved by Council for 2017/18 with one exception related to Money Market Funds. The current strategy limits investments in Money Market Funds to a total of £20m, based on an estimated 20% of the total investment portfolio. The proposed strategy is to limit the investment in an individual Money Market Fund to £10m.

### **3.9 Report of the Strategic Director of Finance and Customer Services (the Council's Responsible Financial Officer)**

- 3.9.1 Section 25 of The Local Government Act 2003 requires the 'Chief Financial Officer' (The Strategic Director of Finance & Customer Services at Rotherham Council) to report to Council on the following matters in making decisions on the budget and financial strategy:
- the robustness of the estimates made for the purposes of the calculations;
  - the adequacy of the proposed financial reserves.
- 3.9.2 In addition, it is recognised as good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its needs and risks.
- 3.9.3 The contents of this budget and financial strategy report is the mechanism by which positive assurances are made by the Strategic Director of Finance & Customer Services about the adequacy of the proposed financial reserves.
- 3.9.4 The Strategic Director of Finance & Customer Services gives her assurance that the budget estimates for 2018/19 are robust overall when considered in conjunction with the budget risk contingency identified within the report and alongside the identification of the reserves which would need to be utilised if that risk should be realised. The current spending levels in social care services are not sustainable beyond 2018/19 and need to be addressed during 2018/19 in order that the Council can maintain a sound financial position.

3.9.5 This assurance is therefore predicated on the Council securing plans and actions to ensure that a number of significant risk areas within the budget are addressed and savings delivered, in particular:

- Successful application of the investment in Children's Safeguarding as well as robust management of demand pressures to secure a sustainable financial position in line with the budget allocated for Children and Young People's Services.
- Successful management of the demand pressures in Adult Social Care within the budget allocated through completion of the service development programme.

3.9.6 Additionally, early progress in addressing budget savings for 2019/20 and beyond is essential if the Council is to maintain a robust approach to its budget and financial management. The required savings are significant and the challenge and time required to identify options, develop robust proposals and implement decisions should not be underestimated.

3.9.7 The key fundamental principles of the report's recommendations which the Strategic Director of Finance & Customer Services has considered in giving this assurance are:

- That the budget strategy for 2018/19 is approved as set out in the report and incorporating the agreement to the delivery of £15.1m of net budget reductions including £5.3m of direct service budget savings.
- That directorates manage their finances within the clearly defined cash-limits approved as part of this budget. Whilst the budget risk is recognised, Strategic Directors must bring forward options to mitigate any cost overruns in accordance with Financial Procedure Rules in order that formal decisions can be made where necessary.
- That Council approves the updates to the Medium Term Financial Strategy to 2019/20 and agrees to the ongoing delivery of efficiencies and savings to address the remaining £30m shortfall in resources over current spending plans across 2019/20 and 2020/21. Any extent to which budgets overspend will increase the £30m shortfall.
- That the General Reserves Minimum Balance is maintained at its current level and is not called upon for other purposes save in exceptional circumstances with the agreement of the Leader of the Council, Chief Executive and the Strategic Director of Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Constitution.
- That the use of all other General Fund reserves is frozen pending a full review and a report back to Cabinet once the financial outturn for 2017/18 is known and there has been a full assessment of options to address pressures. Exceptions to this are only allowable by virtue of there being a formal partnership agreement already in place and with the approval of the Chief Finance Officer.

- 3.9.8 Section 3.5 of this report sets out the planned use of reserves in support of the budget while Appendix 6 shows the total General Fund revenue reserves currently held and set aside to mitigate additional financial risks and future known costs. The reserves position will need to be kept under review to ensure that the Council maintains a robust budget and sound financial base. This budget strategy proposes replenishing reserves over the medium term. The updated Medium Term Financial Strategy includes a budget provision that £3m per year is put back into reserves.
- 3.9.9 The Council continues to operate in a tight financial climate by continuing to exercise the additional spending controls implemented towards the end of the 2016/17 including the application of stringent recruitment and procurement controls along with regular directorate budget challenge sessions involving Cabinet Members. However, there are significant cost overruns taking place and this needs to be stemmed if the Council is to remain financially stable and sustainable. Therefore consideration will be given to any further measures that can be taken to ensure that spending is contained within budget.
- 3.9.10 Within the current financial climate, effective and carefully planned use of reserves is ever more critical to the Council's ability to maintain a robust balanced budget whilst delivering its budget objectives to protect the most vulnerable people and those in need. The Council is continuing to use its reserves to enable the delivery of sustainable cost reductions in a managed way.
- 3.9.11 The planned use of reserves across the medium term will be reviewed in the early part of the forthcoming year as further information becomes available to inform future budget planning. This will include an in-depth analysis of service performance against spend and consideration of options to reduce spend. This will be reported back to Cabinet in the early part of 2018/19.
- 3.9.12 Achieving budget savings of this magnitude, whilst seeking to protect priority services as far as possible, requires a significant amount of service and financial planning. This can only be done effectively with the support of an integrated strategic approach to the level and use of the Council's reserves.
- 3.9.13 In considering the overall robustness of the budget proposals for 2018/19, account has been taken of the degree of transformation required in some areas and the time it will take to deliver some of the savings over the period. There are risks with some items until projects and plans have been fully developed but that is inevitable given the scale of the cuts involved. The planned use of reserves linked to both the revenue and capital budgets is integral and critical to this budget strategy and the overall robustness of the Council's finances. The importance of this should not be underestimated.

#### **4. Options considered and recommended proposal**

- 4.1 These are set out in Section 3 above.

## 5. Consultation

- 5.1 From 6<sup>th</sup> December 2017 to 4<sup>th</sup> January 2018 the Council consulted with the public, staff and partners around the Directorate cuts and savings proposed for the 2018/19 budget. The Council asked the public to provide feedback on budget proposals via; local media, the Council website and social media.
- 5.2 The Council's Overview and Scrutiny Management Board (OSMB) has also closely reviewed and challenged the budget proposals included in this report and raised some specific queries requiring further information to be presented on some of the proposals.
- 5.3 A report setting out the feedback on the consultation is attached at Appendix 7.
- 5.4 With regard to the proposed changes to the Capital Strategy and Capital Programme, consultation has taken place with elected Members and officers engaged in capital projects across Directorates.

## 6. Timetable and Accountability for Implementing this Decision

- 6.1 The Council is required to set its annual budget by no later than 10<sup>th</sup> March each year. Strategic Directors are responsible for ensuring the delivery of savings proposals within their Directorate Cash Limit approvals.
- 6.2 Where appropriate, detailed Implementation Plans will be drawn up and maintained to ensure close monitoring of savings delivery or providing early warnings if there is a potential for the savings target not to be achieved. In this instance this will provide maximum opportunity to identify potential remedial actions to be identified and implemented to maintain spend within the approved budget limit.

## 7. Financial and Procurement Implications

- 7.1 The financial implications are set out in detail in Section 3 above.
- 7.2 In summary, the report recommends **a 5.99% increase in Council Tax** (excludes precepts other than the Adult Social Care precept) **and a 2018/19 General Fund Revenue Budget for the Council of £215.070m.**
- 7.3 It should be noted that the proposed revenue budget includes:
- Provision for pay awards and contractual inflation
  - Where known in relation to specific items of expenditure, a specific provision for inflation. **In line with Council policy, it is expected that any other inflationary pressures will be contained within Directorate Cash Limit budgets.**
  - Income inflation – a 3% increase in Council Fees and Charges in line with the September 2017 CPI increase.
- 7.4 Any revenue implications from the Approved Capital Programme are fully reflected in the Council's 2018/19 Revenue Budget, its Medium Term

Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy.

- 7.5 There is a requirement for all projects within the Capital Programme to be procured in line with the Council's Standing Orders and Financial Regulations. The Authority utilises national and regional framework arrangements for many of its capital contracts, including the YORbuild framework lists. This speeds up the procurement process, and ensures that the Council achieves value for money in the procurement of its capital contracts.
- 7.6 There also is a requirement for all new projects to follow the new Capital Programme Governance procedures. This includes the requirement to bring forward detailed business cases for full sign off, before the delivery of the project commences.
- 7.7 Treasury Management forms an integral part of the Council's overall financial arrangements. The assumptions supporting the capital financing budget for 2018/19 and for the future years covered by the MTFS of the Council have been reviewed in light of the current economic and financial conditions and the revised future years' capital programme.
- 7.8 The proposed Treasury Management and Investment Strategy is not forecasted to have any further revenue consequences other than those identified and planned for in both the Council's 2018/19 Revenue Budget and approved MTFS.

## **8. Legal Implications**

- 8.1 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 detail of the analysis of the budget proposals undertaken so far is described in section 11 below. 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.
- 8.2 In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

- 8.3 In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between different elements of the community and the interests of Council Tax and Business Rate payers in developing the budget proposals set out in this report.
- 8.4 All capital projects require input from Legal Services in relation to contracts. The Council must ensure that robust contractual arrangements are put in place, specifications are clearly defined, and it is clear which project risks are the responsibility of the Contractor and which remain with the Council. This is to avoid potential contractual disputes and limit the financial impact on the Council arising from them.
- 8.5 It is a requirement that changes to the Council's prudential indicators are approved by Council.
- 8.6 It is also a requirement that the Council's Minimum Revenue Provision Policy Statement for each financial year is approved by Council.

## **9. Human Resources Implications**

- 9.1 The expected impact of the budget proposals within this report on the number of Full Time Equivalent (FTE) posts to be lost is 83 with further breakdown set out in Appendix 1.
- 9.2 Since 2010 the Council has reduced its headcount by over 1,800.

## **10. Implications for Children and Young People and Vulnerable Adults**

- 10.1 See sections 3.2.3 to 3.2.12 and sections 3.2.25 to 3.2.36 above.
- 10.2 There has been significant investment in Children and Young People Services in recent years demonstrating the Council's commitment to improving the service and better protecting children and young people. This budget includes continuing investment in children's safeguarding as approved in the Budget last year. The proposed 2018/19 budget utilises all of the Adult Social Care Precept to support Adult care services and there are no new savings included within this budget area.
- 10.3 There is additional investment within the Capital Programme to increase SEND provision, contributing to meeting current and expected future demand and to reduce out of authority placements.

## **11. Equalities and Human Rights Implications**

- 11.1 All budget savings proposals requiring full, detailed Equalities Assessments will be included in the report to Council on 28<sup>th</sup> February 2018.

- 11.2 Projects within the Capital Programme will ensure that as far as possible Council buildings are fully accessible, to enable all users to access Council services. In addition, projects within the Council's Digital Council Strategy will ensure that individual customer needs are met. The development of the Children's and Adults' Social Care ICT system will ensure equality of opportunity for a range of vulnerable groups, by providing timely and robust data, to enable all partners to work together and ensure that care and protection is available to those people who need it most.

## **12. Implications for Partners and Other Directorates**

- 12.1 The implications for Partners and Other Directorates of revenue budget savings proposals at Appendix 1 and in the Equalities Assessments.
- 12.2 Where the Council is working with partner organisations on specific capital projects, for example in Health, the Police and other government agencies, proposals have been developed in conjunction with these organisations.

## **13. Risks and Mitigation**

- 13.1 Over the last year the budget has been subject to further in-depth work by the senior leadership team and Cabinet Members to ensure a better understanding of previous decisions and detail within budgets. This has included line by line deep dive reviews and also a thorough review of all financial planning assumptions. However there is significant risk within demand led budgets which is being mitigated through a restriction to the use of reserves beyond risk mitigation. The balance of reserves is sufficient to mitigate overall budget risk in the short term only. The proposals include replenishing reserves and hence support a sustainable financial plan.
- 13.2 The Capital Programme is funded through a number of sources: Prudential borrowing, capital grants and contributions, revenue contributions and capital receipts. Any uncertainty over the funding of the Programme rests on confirmation that grants/contributions and capital receipts continue to be available in future years.
- 13.3 Finance work closely with Project Managers and the Corporate Property Unit, to monitor project expenditure and performance. Improvements that are being introduced to the Capital Programme governance arrangements and enhanced reporting requirements will ensure that Members will receive early notice of any specific project issues. This will enable early intervention to take place to bring projects back on timetable and cost, or if necessary, agree an additional capital programme funding approval. Where elements of the Programme are reliant on future grant funding, future projects will be continually reviewed to match the programme against funding availability.
- 13.4 The proposed Treasury Management and Investment Strategy seeks to minimise the risks inherent in operating a Treasury Management function during these difficult economic and financial conditions.
- 13.5 Operational Treasury Management guidelines will continue to be kept in place and reviewed to ensure they are appropriate given the circumstances faced,

supported by regular monitoring to ensure that any risks and uncertainties are addressed at an early stage and hence kept to a minimum.

**14. Accountable Officer(s)**

Judith Badger, Strategic Director of Finance and Customer Services  
Graham Saxton, Assistant Director of Financial Services

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Strategic Director of Finance & Customer Services	Judith Badger	06.02.2018
Assistant Director of Legal Services	Dermot Pearson	06.02.2018
Head of Procurement (if appropriate)		
Head of Human Resources (if appropriate)		

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