

Committee Name and Date of Committee Meeting

Cabinet – 18 February 2019

Report Title

Budget and Council Tax 2019/20 and Medium Term Financial Strategy

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

Yes

Strategic Director Approving Submission of the Report

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Ward(s) Affected

All

Executive Summary

This report proposes the Council's Budget and Council Tax for 2019/20 based on the outcome of the Council's Final Local Government Finance 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 2019/20 budget, Cabinet are asked to recommend to Council an increase of 2.99% in the Council's basic Council Tax.

This report contains proposals to balance the revenue budget for both 2019/20 and 2020/21. The Budget and Council Tax Report 2018/19 highlighted the need to address a £30m financial gap over the period 2019/20 and 2020/21. The Council has identified a number of budget options to address this gap.

Recommendations

That Cabinet recommend to Council

1. Approval of the Budget and Financial Strategy for 2019/20 and 2020/21 as set out in the report and appendices, including the £23.536m of savings as set out in Appendix 1 and a basic Council Tax increase of 2.99%.
2. Approval of the updated Medium Term Financial Strategy (MTFS).

3. Approval of the proposed use of reserves as set out in Section 2.7 noting that the final determination will be approved as part of reporting the financial outturn for 2018/19.
4. That Council 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 2.12).
5. That Council 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 Friday 26th October 2018 to 30th November 2018 (Section 4).
6. Approval of the Council Fees and Charges schedules for 2019/20 attached as Appendix 6.
7. Approval of the proposed increases in Adult Social Care provider contracts as set out in Section 2.5
8. That the Council applies the Business Rates Retail Discount for 2019/20 in line with Government guidance.
9. That the Council continues to apply the Business Rates Rural Relief Scheme for 2019/20 in line with Government guidance.
10. Approval that the annual determination of the Council Tax Base is delegated to the Director of Finance and Customer Services (Section 151 Officer) in consultation with the Leader of the Council and the Chief Executive.
11. Approval of the use of in-year Capital Receipts up to 2021/22 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 2019/20 (Appendix 4).
12. Approval of the proposed Capital Strategy and Capital Programme as presented in Section 2.10 and Appendices 2A to 2E.
13. That the approved Capital Programme budget be managed in line with the following key principles:
 - (i) Any underspends on the existing approved Capital Programme in respect of 2018/19 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2018/19 report to Cabinet.
 - (ii) In line with Financial and Procurement Procedure Rules 6.17 and 13.9, 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) Approval of the Treasury Management Matters for 2019/20 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

- Appendix 1 – Summary of Directorate Budget Savings Proposals 2019/20 – 2020/21
- Appendix 1A - Budget Savings revised following consultation – Sight and Sound and Healthwatch
- Appendix 2A – Proposed additions to the General Fund Capital Programme to 2022/23
- Appendix 2B/C – Detailed General Fund Capital Programme 2018/19 – 2022/23 by Project and funding summary
- Appendix 2D/E – Detailed HRA Capital Programme 2018/19 – 2022/23 by Project and funding summary
- Appendix 3 – Treasury Management and Investment Strategy and Prudential Indicators 2019/20 to 2021/22
- Appendix 4 – Flexible use of Capital Receipts Strategy 2019/20
- Appendix 5 – Statutory Resolution of Council Tax 2019/20. *(This information is not available in time for the Cabinet Report but will be included in the Budget Report to Council on 27th February 2019).*
- Appendix 6 – Fees and Charges Schedule
- Appendix 7 – Consultation Report
- Appendix 8 - Medium Term Financial Strategy 2019/20 to 2021/22

Background Papers

- Council Tax Base Report 2019/20 – Cabinet 21st January 2019, Council 23rd January 2019
- Housing Rents 2018/19 – Cabinet 21st January 2019, Council 23rd January 2019
- Final Local Government Financial Settlement – 29th January 2019
- Budget and Council Tax 2018/19 Report – Council 28th February 2018
- December Financial Monitoring Report – Cabinet 18th February 2019
- Medium Term Financial Strategy Update – Cabinet 17th December 2018
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2018/19 – Audit Committee 27th November 2018
- CIPFA – The Prudential Code for Capital Finance in Local Authorities 2011 (as amended 2012) and related Guidance Notes 2013

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Overview and Scrutiny Management Board (OSMB) meetings – 24th and 26th October 2018, 12th December 2018, 16th January 2019.
Council – 27th February 2019

Council Approval Required

Yes

Exempt from the Press and Public
No

Budget and Council Tax 2019/20

1. Background

1.1 This section of the report incorporates the following financial matters related to the budget and financial strategy for 2019/20 and 2020/21, as well as medium term financial projections.

1.2 Local Context

1.2.1 The Council has undergone a major improvement journey since May 2015. A Corporate Improvement Plan has been fully implemented and Children's Services have been transformed, now rated "Good" by Ofsted. The Government appointed Commissioners were withdrawn in September 2018 and all decision making powers were returned to the Council. An independent health check will be conducted in February 2019 and submitted to Government before the formal end of the intervention on 31st March 2019.

1.2.2 However, it should be remembered that despite positive direction of travel for the Council, the challenges are still significant in the following areas:

- Children's social care continues to overspend over and above of the significant additional resources that have been provided for the service in recent years;
- More children than anticipated require care and protection by the local authority;
- Implications for support services as the increase in looked after children numbers has led to additional legal costs;
- Adult Care budgets continue to be under pressure due to demographic pressures.

1.2.3 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 there is an expectation that social care services will, beyond 2018/19, need to be delivered within the financial envelope set within this budget. The recent Government Budget announcement of additional social care resources for 2019/20 is welcome but does not remove the need for the Council to transform these services to identify and deliver new budget savings to meet the budget gap across the medium term.

1.2.4 The current Children and Young People's Service (CYPS) budget is £58.591m with a forecast spend in 2018/19 of £74.295m, an overspend of £15.704m. This is predominantly due to the current high number of children in care. The current budget pressures of £15.704m, when added to the proposed budget savings for 2019/20 and 2020/21 of £10.007m and the planned savings of £1.724m which are still to be delivered, equates to cost reductions over the next two financial years of £27.435m to achieve a balanced budget. This is based on a reduction in LAC numbers to 600 by March 2020 and to 541 by March 2021.

- 1.2.5 In order to set a robust budget for 2019/20 and 2020/21 a review of the current CYPS budget has taken place and taking into account the current stabilising position of the numbers of children in care, estimated cost reductions that can be expected to be achieved over and above delivery of the budget savings have been incorporated leaving the need for further investment into children's services of £9.5m in 2019/20 and £7.5m in 2020/21, which is addressed within the balanced budget proposals set out in this report.
- 1.2.6 All of these factors have been taken into consideration in the development of the Budget for 2019/20 and 2020/21 and the setting of the Medium Term Financial Plan to 2021/22. This budget reflects options to deliver social care services within the budget available.
- 1.2.7 Since the introduction of austerity measures in 2010, the Council has made savings of £177m in response to the significant reductions in Central Government funding. The Budget and Council Tax Report 2018/19 considered by Council on 28th February 2018 identified a budget gap of £29.7m over the period 2019/20 to 2020/21. This report sets out proposals to address the budget gap over the next two financial years. Furthermore, it provides details of the estimated financial position for 2021/22.
- 1.2.8 In developing this Budget, much work has been carried out during 2018/19 to target efficiency savings and also to maximise income generation opportunities in order to minimise the impact on front line services to the public. The balanced budget proposals require £23.536m of Directorate budget savings over the next two years which are summarised in Section 2 of this report.
- 1.2.9 The expected financial outturn position for 2018/19 has been taken into account along with the level of reserves and opportunities to manage risk within the budget. The final position however will not be known until after the financial year end.
- 1.2.10 The current financial position (2018/19) highlights the significant financial challenges faced by the Council, largely as a result of demand for social care services. The Council is committed to delivering new ways of working that will deliver efficiencies.

1.3 Revenue Budget Position 2018/19

- 1.3.1 The December revenue financial monitoring position report for the Cabinet agenda on 18th February 2019 shows a forecast outturn of £507k.
- 1.3.2 The overspending against budget in Children's and Young People's Services Directorate is continuing in the current financial year as a result of demand for services outstripping budget capacity. The budget pressure had been increasing month on month due to a steady rise in numbers of Looked After Children but this position is now beginning to stabilise. The forecast outturn for CYPS is £15.7m.

- 1.3.3 The increased number of Looked After Children also places significant pressure on Legal Services within the Finance and Customer Services Directorate. The current forecast overspend for Legal Services is £1.350m. The Finance and Customer Services Directorate overall is forecasting to outturn within budget after putting into place a range of mitigating actions to compensate for the legal services forecast overspend.
- 1.3.4 The Adult Care Directorate are still on track to reduce the overspend from earlier forecasts of £6m+. A combination of increased client numbers, the rising cost of care packages, and delays in delivery of savings plans have led to pressure on budgets across all client groups. A recovery plan has been developed to address previously undelivered savings and project plans with the expectation that further savings will be identified from this activity. The current forecast outturn is £5.647m overspend.
- 1.3.5 Regeneration and Environment Directorate is forecasting a balanced budget, although it is facing challenges from a combination of declining business from the School Meals service and challenges with the delivery of budget savings, including transport and property savings.

1.4 Final Local Government Finance Settlement 2019/20

1.4.1 The Government published details of the Provisional Local Government Finance Settlement on 13th December 2018 and the Final Settlement on 29th January 2019. The Final Settlement is scheduled to be debated in the House of Commons on 5th February. The Government has also made a commitment to publish the Provisional Settlement on or around the 5th December each year in future years. The Director of Finance and Customer Services submitted the Council's response to the provisional settlement consultation, ahead of the deadline for responses which was 10 January 2019

1.4.2 The key headlines from the Settlement are:

- The basic council tax referendum principle for 2019/20 is 3% i.e. a maximum increase of 2.99%.
- As previously announced, social care authorities will be able to increase their council tax by up to 2 per cent (over the existing basic referendum threshold of 3 per cent referred to above) as long as precept increases do not exceed 6 per cent over the 3 year period from 2017/18 to 2019/20. That means that if a council has already used up the flexibility, such as Rotherham, in 2017/18 and 2018/19 it cannot increase its social care precept further in 2019/20.
- The additional allocations for Adult Social Care of £240m and £410m for both adults and children's social care announced in the Autumn Budget in October 2018 were confirmed.
- The provisional allocations for the New Homes Bonus have been published for 2019/20. Following changes made in 2018/19, the bonus is now paid for four years. The threshold over which the bonus is paid will remain at 0.4%.

- A Business Rates National Levy Account Balance surplus of £180m will be distributed to authorities. This is a one-off allocation. The Council's provisional allocation is £969k. The Government have confirmed their intention to allocate this funding in 2018/19 with regulations to be put into place during February 2019 to enable the allocation to be made.
- The figures published are in line with the indicative figures for 2019/20 published in February 2018.

1.4.3 The main elements of funding received from Government are in the form of the Settlement Funding Assessment. This is Government Grant in the form of Revenue Support Grant (RSG) and business rates top-up grant. As part of the Assessment, councils retain 49% of locally collected business rates. This local funding is set out later in this report. Details of the Government Grant allocations are set out in the Table 1 below.

Table 1 – Settlement Funding Assessment – Government Grants

| | 2018/19 | 2019/20 | Difference |
|--|----------------|----------------|-------------------|
| | £'000 | £'000 | % |
| Revenue Support Grant | 21,921 | 14,857 | -32.2 |
| Business Rates Top Up | 28,295 | 28,943 | 2.3 |
| S31 Grant as compensation for multiplier cap on Top Up | 648 | 943 | 45.52 |
| | | | |
| Final Settlement – Government Funding | 50,864 | 44,743 | -12.0 |
| | | | |

1.4.4 In 2015, the Government made an offer to local authorities of a four-year funding deal, for the period 2016/17 to 2019/20, to allow them to plan ahead for full local retention of business rates. The intention was that the multi-year settlements would provide funding certainty and stability to enable more proactive planning of service delivery. The allocations for 2019/20 are in line with the indicative allocations announced in 2015. Local authorities now face a period of uncertainty as the allocations for 2019/20 are the final year of the multi-year offer. Therefore, local authorities will have to wait until the announcement of the Government's Comprehensive Spending Review which is not expected until Spring 2019. Whilst the announcement will provide the Government's overall spending envelope beyond 2020/21, it will not provide specific allocations for local authorities. These will not be known until the Provisional Settlement for 2020/21 is announced in December 2019.

1.4.5 A further implication for local authority funding is the current funding review that is being undertaken by Government at present. A period of consultation has been ongoing for some months to examine the way in which local authorities are currently funded ahead of the move to 75% business rates retention in 2020/21. Further consultation documents in respect of the proposed business rates retention scheme, to apply from 2020/21, were issued alongside the Provisional Settlement with a closing date of 21st February 2019.

1.4.6 Dedicated Schools Grant (DSG)

1.4.7 The Council also receives funding which is subsequently allocated to schools, the Dedicated Schools Grant (DSG). The DSG is now split into four blocks and each block is determined by a national funding formula:

- The Schools Block for 2019/20 is based on pupil numbers taken from the October 2018 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 £4,001.11 and the Secondary unit is £5,494.74.
- The hourly rate per pupil for the Early Years Block remains unchanged at £4.30 following the introduction of the 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 comprises of funding for ongoing statutory responsibilities of the local authority.

1.4.8 Schools Pupil Premium

1.4.9 The Schools 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 2018/19. 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 2018/19.
- The Service Child Premium which funds children of Armed Services personnel remains at £300 per pupil.

1.4.10 The Government has also announced additional Special Educational Needs and Disability (SEND) funding of both £0.594m in both 2018/19 and 2019/20, which will partly offset the ongoing pressure on the Council's High Needs Block allocations within DSG, for which there is a recovery plan in place.

1.4.11 Additional capital resources have also been announced. The Council's share of the £100m being allocated nationally over the two financial years 2018/19 and 2019/20 is £116k per annum.

1.5 Approach to the Budget for 2019/20 and the Medium Term Financial Strategy

- 1.5.1 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. During 2018/19, this approach has continued and has helped in the development of budget options for both 2019/20 and 2020/21.
- 1.5.2 The Council continues to face significant financial pressures, particular in respect of social care which are described in section 1.2 above and are further described in the latest financial monitoring report which is for consideration at this meeting.
- 1.5.3 Since 2011, the Council has had to make savings of £177m and has reduced its headcount by approximately 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.
- 1.5.4 The ongoing financial challenges faced by the Council are similar to those of other local authorities. The financial pressures faced by local authorities are largely as a result of reductions to Government funding, increased demand for social care services as a result of a growing population and the impact of inflation.
- 1.5.5 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.
- 1.5.6 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 approach 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.
- 1.5.7 In the last two years, the Council has changed the way in which it works with other agencies in order to implement these changes. Despite the unprecedented financial pressures, the Council will have focus on delivering better services, focussed on the priorities set by the public.

- 1.5.8 It is also important to underline the spending level of the Council despite funding cuts. With a current proposed revenue budget of £221m in 2019/20 together with proposed capital expenditure of £103m, 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 and deliver against the Council's stated priorities. This means making carefully considered investment and savings decisions through to 2022 and in some cases making real cuts and reductions in service provision. The Capital Programme updated within this report includes a total of £407m of capital investment over the 5 years 2018/19 to 2022/23.
- 1.5.9 This budget strategy is set against the particular demand pressures and cost challenges facing Rotherham. 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.
- 1.5.10 The particular challenges factored into the budget strategy for investment and savings are set out in the Medium Term Financial Strategy but can be summarised as follows:
- Rotherham has a proud industrial heritage of coal mining and steel making, the latter still being a large employer in the town. Former industrial areas have been regenerated, creating thousands of new jobs or reclaimed for greenspace. Rotherham has one of the fastest growing local economies and employment has grown rapidly over recent years whilst unemployment has fallen. The Advanced Manufacturing Park and neighbouring Waverley housing development are delivering 3,900 new homes and 3,500 jobs over a 20 year period.
 - Health in Rotherham is generally poorer than average with life expectancy below the English average although it has risen over the last decade. Rates of coronary heart disease have reduced significantly over the last 10 years but the Borough still has high rates of disability and long term sickness.
 - Adult qualification levels are below average, notably degree level skills, but these have improved greatly in recent years and Rotherham College has just opened a university centre in the Town Centre. Most children attending Rotherham's schools have good achievement, above the national average at Foundation Stage whilst attainment and progress between primary (KS2) and secondary (KS4) is just below the national average.

- Rotherham has excellent transport links to the rest of the region and country, being well served by the motorway network. Bus services provide good local transport and there are rail connections to Sheffield, Leeds, Manchester, York and other cities. A new innovation is the Tram Train which connects Parkgate, Rotherham Central, Meadowhall and Sheffield. There are five international airports within 80 km of Rotherham, including Manchester.
- Rotherham offers a good quality of life combined with a relatively low cost of living. House prices have risen over the years and the average house in Rotherham costs £135,000 but this is far below the English average of £235,000. Rotherham people are very proud of their local parks and country parks, particularly Clifton Park which has won national awards.
- Rotherham has numerous visitor attractions, notably the stately home of Wentworth Woodhouse which is now being restored. The Magna Science Adventure Centre is a well-established visitor attraction and a major new development is the £37 million Gulliver's Valley family resort in the south of the Borough. There are also the ruins of Roche Abbey and the award winning Clifton Park Museum which has recently been refurbished. The Borough also has a Civic Theatre, a thriving sports scene and four leisure centres.
- Rotherham has a steadily growing population which reached a record total of 263,400 in 2017. The population is growing as a result of natural increase (more births than deaths), net inward migration and increased life expectancy. Rotherham has 161,400 people of working age (61%), slightly lower than the English average.
- Rotherham has an ageing population whereby the number of older people is increasing fastest, and their health and social care needs place increasing pressure on social care budgets at a time of prolonged financial constraint. There are 51,000 people aged 65 or over including 6,000 people aged 85 or over, whose numbers are projected to increase by a third over the next 10 years. Rates of disability place further pressures on social care budgets, with 11.4% of the population (30,000 people) claiming disability benefits compared with 7.8% nationally.
- There are 50,900 children aged 0-15 in Rotherham and 26,100 young people aged 16-24. Whilst most children get a good start in life, child poverty is polarised across the Borough and life chances vary. Rotherham has a lower proportion of young people aged 18-24 than the national average due to people moving elsewhere to study or work. The number of Looked after Children has increased from 380 in 2012 to a peak of 662 in 2018 and Children in Need increased from 1,423 in 2016 to 1,683 in 2018. These increases have placed significant pressure on the cost of children's social care.

- The Council has undergone a major improvement journey since May 2015. A corporate Improvement Plan has been fully implemented and Children's Services have been transformed, now rated "Good" by Ofsted. The Government appointed Commissioners were withdrawn in September 2018 and all decision making powers were returned to the Council. An independent health check will be conducted in February 2019 and submitted to Government before the formal end of the intervention on 31st March 2019.
- The Council is committed to invest in improvements and this Strategy is critical in setting out our approach over the next 3/5 years.

1.5.11 The Council remains committed to 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.

1.5.12 Whilst these potential beneficial 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. Budget and Medium Term Financial Strategy

This section of the report incorporates the financial matters related to the Budget and Medium Term Financial Strategy which need to be considered by Cabinet for recommendation to Council.

2.1 Budget Principles, Focus, Priorities and Challenges for Services

2.1.1 Last year a set of 6 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. 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***
- 2) ***Drive inclusive growth and ensure Rotherham's residents are connected to local good quality job opportunities***
- 3) ***Protect Rotherham's green spaces and improve the quality of the public realm, ensuring our streets are clean and safe***
- 4) ***Become a smaller, more efficient, more connected organisation, working as one Council with a stronger leadership and influencing role***
- 5) ***Adopt a more commercial, outward facing approach to doing business, generating income and leveraging the resources and assets of our partners in Rotherham***
- 6) ***Work with communities and local neighbourhoods to develop independence, wellbeing and resilience***

2.1.2 Taken together, the above principles and the priorities outlined below 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 over the period 2019/20 and 2020/21.

2.1.3 Some of the budget options proposed for 2019/20 and 2020/21 require a significant shift in the way some services are currently delivered. Plans are in place to ensure that delivery of savings is managed and monitored accordingly with regular reports to elected Members on progress against the agreed saving.

2.1.4 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 Digital Programme is one of the key drivers to this development alongside the specific work being carried out in the Social Care Services.

2.1.5 The Budget outlined in this report 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;
- 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 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.

All of which contribute to the achievement of the Council Plan priorities.

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

Adult Care, Housing

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.

2.1.7 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

2.1.8 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.

2.1.9 The directorate faces increased cost pressures including rising inflation and the implementation of policy decisions such as 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.

2.1.10 These demand and budget pressures have resulted in an over-spend in 2018/19 and the focus for 2019/20 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.

- 2.1.11 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. The integrated rapid response service will continue to deliver short, tailored interventions to support unplanned episodes of care and an improved discharge model will continue to support timely transition from hospital to home and reduce delayed transfers of care.
- 2.1.12 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.
- 2.1.13 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.
- 2.1.14 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.
- 2.1.15 These priorities are designed to deliver a long term, sustainable reduction in demand pressures facing the directorate, and thus better able to manage to deliver services within budget.

Public Health

- 2.1.16 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 NHS health checks, weight management and stop smoking, all encompassed within a holistic wellbeing service and sexual health and drug and alcohol services.
- 2.1.17 Alongside commissioning services Public Health has an important role in providing intelligence, evidence-based 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.

- 2.1.18 The Public Health grant for 2019/20 has been reduced by 2.6% (£431k) to 15.873m. All information at present is that the ring fence will be removed from March 2020 and that funding would be received as part of the allocations received through the business rates retention scheme. The current grant is ring-fenced and supports the delivery of public health functions for residents of all ages.
- 2.1.19 Life expectancy at birth 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 ten-year difference in life expectancy for men, and a seven-year difference for women between the borough's most and least deprived areas. The impact of deprivation contributes to significant health issues, which result in levels of alcohol harm and obesity that are significantly worse than the national average.
- 2.1.20 Public Health is working with colleagues across the council and with partners, to ensure that health is considered in all policies, contributing to a wider impact on health and wellbeing for residents. An example of this is how the Local Integration Board and the Work and Health Programme, are promoting work as a route to improving wellbeing. This year will see the launch of the new workplace award to celebrate the impact workplaces can have on supporting staff health and wellbeing.
- 2.1.21 In response to cuts to the grant, Public Health will also deliver efficiency savings. This includes pathway redesign to reduce cost and improve efficiency and providing support closer to home with more integrated services. This year Public Health will specifically focus on supporting communities through an asset-based approach, whilst considering specifically identified priorities of challenge: the impact of work on health, loneliness and mental wellbeing, alcohol and obesity.

Housing Services

- 2.1.22 Housing Services hold overall landlord responsibility for the management and maintenance of the borough's 20,400 council homes. They provide information advice and guidance on the housing options available to residents and oversee any adaptation 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.
- 2.1.23 Housing Services hold a ring-fenced gross budget of £86.8m. There is currently a forecast underspend of £456k from the Housing General Fund and a balanced budget on the Housing Revenue Account.
- 2.1.24 The primary focus of the service in 2019/20 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 20,400 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.
- 2.1.25 The general fund budget will continue to be used to address homelessness and deliver aids and adaptations to homes.

2.1.26 Efficiencies will continue to be delivered by sustaining tenancies and specific support for tenants on Universal Credit, high performance on void turnaround times; rent recovery and leasehold income collection. Alongside this, savings will be made in the repairs and maintenance service. These measures will both increase income and deliver efficiencies, with no significant impact on residents in the borough.

Children and Young People's Services

2.1.27 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.

2.1.28 Nationally, children's social care services are operating in a tough budget and demand context. 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. Over the last ten-year period, there have been significant increases in initial contacts (+78%), referrals (+22%), section 47s (+159%), children subjects of child protection plans (+87%) and children looked after (+24%). Increases in 2017/18 have been greater than the previous year.

2.1.29 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, creating further pressure on the system nationally. Within Rotherham, the number of children and young people are receiving additional support via an Education, Health and Care Plan has almost doubled since 2014.

2.1.30 Compounding the national trend, Rotherham's improvement has impacted on the increased number of children in care. This increase in care demand has occurred despite the significant improvements made to early help and investment in programmes including Edge of Care, PAUSE and Multi-Systemic Therapy. Towards the end of 2018/19 numbers in care plateaued and it is anticipated that the new approach will continue to have a positive impact.

2.1.31 In 2019/20 the directorate priorities are to sustain improvements in children's social work, through the development and implementation of a new early help and social care pathway; to focus on building in-borough capacity for both Looked After Children and additional provision for children with learning difficulties and disabilities; and to further develop interventions and services designed to better manage demand earlier. To build capacity in Rotherham to better meet the needs of looked after children, our strategy will incorporate a renewed approach to foster care recruitment and establishing new contractual arrangements with providers to create additional residential capacity.

2.1.32 Proposed changes to service delivery will build on the success of the improvement and on the early successes of the more preventative based approaches. The agreed new early help arrangements will be implemented, focusing 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.

2.1.33 The new education and skills service operating model will be embedded including the Rotherham Education Strategic Partnership. Our school facing services will be reviewed to ensure that they are as efficient and effective as possible, while continuing to improve educational outcomes, particularly at Key Stage 4 and for children with SEND.

2.1.34 Efficiencies will also be achieved through the implementation of agreed to CYPS' business support arrangements, ensuring that front line staff are supported in the most cost-effective way, using technology to streamline business processes.

2.1.35 Alongside efficiency savings, the directorate will also focus on increasing income, maximising the Troubled Families Payment by Results (PBR) funding and through our services to schools and other education settings.

Regeneration and Environment

2.1.36 The Regeneration and Environment Directorate's focus is to develop and promote Rotherham as a good place to live, work and visit through supporting sustained economic and housing growth across the borough and ensuring that the Town Centre is thriving, attractive and vibrant.

2.1.37 The Directorate has a broad portfolio of responsibilities including:

- Community safety
- Environmental protection
- Schools' catering and cleaning
- Waste collection, management and disposal
- Parks, countryside and green spaces
- Leisure, sport and physical activity
- Tourism and events
- Heritage, museums and archives
- Libraries and neighbourhood Hubs
- Registration and bereavement services
- Advocacy and appeals
- Planning
- Regeneration (including business support)
- Transport and highways
- Asset Management and Property

- 2.1.38 The Directorate's budget is focussed on the delivery of frontline services to ensure the Borough's neighbourhoods are clean, safe and inclusive, to create an environment where people want to live, work and play. In addition, it is a priority to grow the economy for Rotherham and build on its recent position as the fastest economy growing in Yorkshire, with 2.3% year on year growth. Employment in Rotherham continues to increase, with 99,000 Rotherham based jobs in 2017 and 119,300 residents in employment. Rotherham has a growing business stock, rising from 6,390 businesses in 2015 to 7,230 in 2017.
- 2.1.39 The adopted Town Centre Masterplan is being implemented including the proposal for a vibrant leisure quarter at Forge Island. 2018 saw the opening of the University Centre Rotherham, securing a partner for development of the Forge Island Scheme and the commencement of the Tram Train service in October 2018. The next step is to progress with Forge Island, the opening of a fully refurbished Transport Interchange and investment in infrastructure to support growth (e.g College Road Roundabout Scheme).
- 2.1.40 The adoption of the Local Plan means that sites are now allocated to deliver on the growth agenda and especially housing delivery. To support this the directorate has a key role in creating and maintaining a rich cultural and leisure offer and delivering a cleaner, greener Rotherham, including an efficient waste and recycling service, along with engaging with and empowering communities to take pride in living in Rotherham.
- 2.1.41 A number of developments are planned for 2019/20 including property at Beighton Link, a commercial waste collection service, new camping and caravan facilities at Rother Valley Country Park. Work is progressing in relation to new operating models for key functions and services. Enforcement and Community Safety functions will be further integrated in order to deliver seamless enforcement services and a new operating model for frontline street cleansing and grounds maintenance will be delivered. These two change programmes will support enhanced neighbourhood working, and deliver financial savings. Colocation of Council Services with South Yorkshire Police has delivered real improvements in partnership working. This approach will develop over the next year to further support residents and communities to feel safe.
- 2.1.42 A new approach to put technology at the forefront of service changes, to expand the number of services which are available online, and to improve workforce management and planning will be developed. This Customer and Digital Programme will deliver an improved customer experience and promote self-service, which will release back office efficiencies and productivity savings.

Corporate Support Services

2.1.43 Two directorates make up the council's corporate services - Finance & Customer Services and Assistant Chief Executives. Their role is to support the delivery of front line council services by promoting the most effective use of resources whilst ensuring services are compliant with council regulation and national legislation. These services provide leadership, influence, advice and a cross-cutting perspective to enable the council to operate safely. They are responsible for providing effective support and advice to all council services to help ensure they function efficiently; and to support elected members in making informed and lawful decisions.

Finance and Customer Services

2.1.44 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
- Customer, Information and Digital Services
 - ICT
 - Customer Services
 - Information Management
 - Print and Post Services
- Internal Audit

2.1.45 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.

2.1.46 To provide the support the Council requires, the directorate must be strong and appropriately resourced, which is why over the last three years it has undergone significant change in key areas in order to strengthen its contribution to supporting the council and its services to residents.

2.1.47 Over the last year especially, the increased demand for legal services in relation to children's social care means that costs have exceeded budget in this area with the need to use locum services to increase capacity. The Finance and Customer Services directorate has had to work hard to contain these additional costs within its overall wider budget and expects to achieve this successfully by the end of the year.

2.1.48 The proposed council budget and medium term financial strategy provides funding for an adequately resourced legal service that can meet the ongoing demand and the service structure has been revised in order to enable this provision going forwards within available resources.

- 2.1.49 The finance service has continued to identify and realise savings, including significant corporate savings without adverse impact on front line services. It has also developed much closer ties with other departments through a strengthened business partnering approach. The service has assisted departments in better understanding their budgets and the drivers of costs and together with those departments, more informative monitoring and reporting mechanisms have been developed understanding and enabling more effective challenge and control alongside innovative solutions where appropriate.
- 2.1.50 The Internal Audit team remains an effective, low cost service and has continued to implement the actions within the Audit Improvement Plan. It will complete the final actions in the coming year.
- 2.1.51 Over the period of this financial strategy there will be an increased focus on the delivery of improved customer service across the Council. The implementation of a new customer services model will improve the experience of residents in their contact with the council, through providing a single point of access for residents and streamlined end to end business processes, optimising digital solutions where this will improve outcomes and response times. It will engage staff and services from across the council and will provide better information both about and for our customers. The Customer and Digital programme will consist of many connected elements and projects prioritising the areas of greatest positive impact for the customer alongside delivering significant financial savings.

Assistant Chief Executive's Office

- 2.1.52 The directorate has six distinct areas of responsibility:
- Human Resources
 - Neighbourhoods
 - Communications
 - Democratic Services
 - Performance, Partnerships and Improvement
 - Change and Innovation
- 2.1.53 The Directorate has continued to support the Council in relation to its improvement journey and progress in coming out of intervention by ensuring that all the key improvement plan actions have been implemented.
- 2.1.54 There have been a number of delivery achievements in 2018, including the launch of a communications and marketing plan, progress against the Rotherham Together Partnership game changers, delivery against the Building Stronger Communities work and the performance framework being fully embedded across the Council.
- 2.1.55 Other key achievements include the implementation of the new neighbourhoods model and the launch of the Neighbourhoods strategy and as a result that the Council is able to work much more closely with neighbourhoods ensuring better engagement and involvement at a neighbourhood level.

2.1.56 A Change and Innovation Team is now firmly established and supporting major change initiatives and overseeing transformational change in the Council. The Council now has a programme office and there is a clear line of sight across the Council on the range of programmes and projects that Directorates are leading on.

2.1.57 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.

2.1.58 Work is underway to develop a new structure for the Performance, Intelligence and Improvement function and also Democratic Services. Both areas will be delivering savings as part of the medium term financial strategy and need to be reviewed based on the challenges the council faces going forward.

2.2 Budget Proposals 2019/20 to 2021/22

2.2.1 The Council's Medium Term Financial Strategy report to Council on 28th February 2018 identified a budget gap £29.7m over the period 2019-20 to 2020/21.

2.2.2 Development of the two-year budget strategy for 2019/20 and 2020/21 identified budget options to meet those budget gaps, alongside a further review of the Medium Term Financial Strategy which took into account continuing demands and costs associated with Social Care and recognised the additional resources that the Council needed to provide to align with the Directorate's service delivery plans. Table 2 overleaf sets out the details by which the Council proposes to deal with the budget gaps and service demands and set a two-year balanced budget for 2019/20 and 2020/21.

Table 2 – Options to balance the Budget Gap 2019/20 and 2020/21

| | 2019/20 | 2020/21 |
|---|----------------|----------------|
| | £m | £m |
| Budget Gaps as per Budget Report 2018/19 | 15.8 | 13.9 |
| <u>Social Care Related Cost Increases</u> | | |
| In-house residential care (ASC) | 2.0 | 0.0 |
| Adults transitions and transforming care | 1.5 | 1.9 |
| Children’s Services – rebasing linked to current and forecast future LAC activity | 9.5 | (2.0) |
| Legal Services Support to Social Care | 1.1 | 0.0 |
| | | |
| Total Budget Gaps/Overspends to address | 29.9 | 13.8 |
| | | |
| <u>MTFS Adjustments</u> | | |
| Revenue and Capital Financing decisions | (10.6) | 6.5 |
| General Efficiencies | (1.0) | (2.7) |
| SY Pension Fund – anticipated benefit from 2019 revaluation | 0.0 | (4.0) |
| Updated Funding Forecasts | (3.7) | (3.2) |
| | | |
| Total Corporate Efficiencies & MTFS Adjustments | (15.3) | (3.4) |
| | | |
| Updated Net Budget Gap | 14.6 | 10.4 |
| | | |
| <u>Future Decisions</u> | | |
| New Budget Options pending final approvals | (7.9) | (16.1) |
| Increase Council Tax by 2.99% | (1.0) | (1.1) |
| Council Tax Empty Property Premium increase | 0.0 | (0.2) |
| | | |
| Total Impact of Future Decisions | (8.9) | (17.4) |
| | | |
| Net Position before other actions to Balance Budget | 5.7 | (7.0) |
| | | |
| <u>Finalisation of a Balanced Budget</u> | | |
| Remove General Budget Contingency in 2019/20 | (2.7) | 2.7 |
| Non-contribution to reserves in 2019/20 | (3.0) | 3.0 |
| Further replenishment of reserves in 2020/21 | 0.0 | 1.3 |
| | | |
| Balanced Budget Position | 0.0 | 0.0 |

2.2.3 Further details of these proposals are summarised as follows:

- In-house residential care – whilst proposals were made in 2016/17 to review the provision of in-house residential and intermediate care for older people, no decision has been made to change the provision of services. Therefore, the MTFS has been adjusted to reflect this
- Adults transitions and transforming care – reflects the costs associated with young people who are making the transition to adult services from residential schools/colleges who have significant high needs and high costs.
- Children's Services – rebasing linked to current and forecast future Looked After Children (LAC) activity – the Council has undertaken significant work to assess the financial pressures of increased numbers of LAC. The budget will be aligned accordingly to reflect the unprecedented demand of numbers
- Legal Services Support to Social Care – the increased numbers of Looked After Children and continued demand for child protection hearings and court case costs have put significant demand on Legal Services
- Revenue and Capital Financing decisions – the Council's Treasury Management Strategy provides opportunities for further savings through the continued use of short-term borrowing, the use of capital receipts to reduce financing costs and revised estimated staff severance costs.
- General Efficiencies – there are a number of initiatives that will realise savings including third-party spending, postages and recovery of housing benefit overpayments.
- South Yorkshire Pension Fund – anticipated benefit from 2019 revaluation – strategies implemented by the South Yorkshire Pension Authority mean that Council can expect a to make significantly reduced deficit payments over the three year period following the 2019 valuation.
- Updated funding forecasts – the Autumn Budget 2018 announced additional social care funding for 2018/19 and 2019/20. Whilst details of funding beyond 2019/20 will not be known until the announcement of the Comprehensive Spending Review 2019, the Autumn Budget provided some indication that Government departmental funding will grow in real terms from 2019/20. Therefore, it is anticipated that the mainstream funding to local authorities will follow a similar trajectory, however, the increase is netted off by a lower level of New Homes Bonus allocations due to the number of New Homes being lower than originally estimated and confirmation that the Government will review the baseline of new homes before any grant becomes payable.
- New Budget Options pending final approvals – reflects the budget options set out in Table 3 below and Appendix 1, as well as further proposals that will be considered by Cabinet.

- Increase Council Tax by 2.99% - previous MTFS projections assumed that the increase would be 1.99%. This reflects the additional income as a result of the Government's confirmation of the Council Tax referendum principles.
- Council Tax Empty Premium increase – the Government has introduced legislation which provides for local authorities to apply larger premiums to properties which are unoccupied and unfurnished for over five and ten years. Details of the proposals were considered by Cabinet on 17th December 2018.
- Remove General Budget Contingency in 2019/20 – the Council has operated with a budget contingency for a number of years to meet unplanned/unknown financial pressures. This proposal would leave the Council with no contingency budget in 2019/20, however, it is planned to re-provide for the contingency in 2020/21.
- Non-contribution to reserves in 2019/20 – the proposal is reflected in the Reserves Strategy highlighted in section 2.7 below.
- Further replenishment of reserves in 2020/21 – reflects the need to replenish reserves that may be utilised to balance the 2018/19 budget. Again this is reflected in the updated Reserves Strategy.

2.2.4 Details of the new budget saving options for this two-year period were reported to Overview and Scrutiny Management Board on 24th and 26th October 2018. These budget saving proposals are summarised by Directorate in the table below. In December 2018 Cabinet agreed to commence consultation on a further budget option with regard to Adult Services non-residential care charging policy review.

Table 3 - Budget Savings Proposals by Directorate

| Directorate | 2019/20 £'000 | 2020/21 £'000 | Total £'000 |
|---------------------------------------|--------------------------|--------------------------|------------------------|
| Assistant Chief Executives | 184 | 50 | 234 |
| Corporate | 494 | 0 | 494 |
| Finance & Customer Services | 815 | 0 | 815 |
| Adult Care, Housing and Public Health | 3,044 | 6,029 | 9,073 |
| Regeneration & Environment | 915 | 1,998 | 2,913 |
| Children & Young People | 2,265 | 7,742 | 10,007 |
| Total | 7,717 | 15,819 | 23,536 |

2.2.5 The Council consulted with the public, staff and partners on the budget savings proposals for specific services totalling £7.717m for 2019/20 and £15.819m for 2020/21. Two changes have been made to the budget options following consultation :

- The original proposal to reduce the Council contract with Rotherham Healthwatch by £66,000 has been changed to a reduction of £20,000

- The original proposal to end funding for the Rotherham Sight and Sound Service following expiry of the current arrangement in 2019/20 is replaced by a proposal to revise the service specification within a cost reduction of £15,000.
- These changes are reflected in the table above and in Appendix 1. The details of the revised budget options are set out in Appendix 1 A (i) and (ii).

2.2.6 The proposed budget for 2019/20 therefore includes implementation of these savings as adjusted following consultation. More detailed information on the individual proposals is shown at Appendix 1.

2.2.7 In addition there are budget savings approved within the 2018/19 budget which have further savings taking effect in 2019/20. These are listed below by Directorate

Table 4 - Budget Savings Proposals by Directorate – previous year’s approvals

| Directorate | 2019/20 £'000 |
|---------------------------------------|--------------------------|
| Assistant Chief Executives | 40 |
| Finance & Customer Services | 200 |
| Adult Care, Housing and Public Health | 56 |
| Regeneration & Environment | 1,200 |
| Children & Young People | 288 |
| Total | 1,784 |

2.3 Fees and Charges

2.3.1 The Council has a policy to increase fees and charges by the prevailing rate of inflation to ensure that services which the Council provides are kept in line with increases in the cost of providing those services.

2.3.2 All Fees and Charges have been reviewed against the impact of inflation, assessed as 2.4% using the September 2017 to September 2018 increase in the Consumer Price Index (CPI). All Fees and Charges Income Budgets have been uplifted by 2.4% with the exception of school meals income within the catering service, which have been updated to reflect existing agreements with the schools.

2.3.3 Following the reviews, all Services have put forward proposals which meet the required income budgets. Proposals include increasing some Fees and Charges by amounts other than 2.4%.

2.3.4 Details of the proposed charges for each service by Directorate are set out in Appendix 6.

2.4 Financing the Proposed 2019/20 Revenue Budget

2.4.1 The table below shows the total available resources to support the proposed net revenue budget of £221m for 2019/20.

Table 5 Resources Funding the Net Revenue Budget

| | 2019/20 £'000 |
|--|--------------------------|
| Final Settlement – RSG and Business Rates Top Up | 44,743 |
| Business Rates Retained | 37,338 |
| Business Rates Section 31 Grants as compensation for reliefs | 4,808 |
| New Homes Bonus | 2,126 |
| Public Health Grant | 15,873 |
| Housing Benefit Administration Grant and Local Council Tax Support Subsidy | 1,270 |
| Social Care Support Grant | 2,298 |
| Additional iBCF for 2019/20 * | 2,605 |
| EU Exit funding | 105 |
| Use of Collection Fund Balance | 3,000 |
| Council Tax | 106,980 |
| Funding Total | 221,146 |

2.4.1 Set out below in Table 6 is the proposed Net Revenue Budget for 2019/20 including the Directorate Cash Limit Budgets utilising the funding resources set out in Table 5 above and based on approval and implementation of the proposed savings included within this report and detailed at Appendix 1

Table 6 Net Revenue Budget by Directorate

| Directorate | Proposed Budget 2019/20 £'000 |
|-------------------------------------|--|
| | £'000 |
| Adult Care, Housing & Public Health | 77,210 |
| Children & Young People's Service | 65,367 |
| Regeneration & Environment Services | 40,383 |
| Finance, Customer Services | 15,911 |
| Assistant Chief Executive | 6,951 |
| Central Services | 15,324 |
| TOTAL NET REVENUE BUDGET | 221,146 |

* Note - the iBCF funding allocations up to 2018/19 are included within the Adult Services net budget as grant funding, based on use of the allocations agreed with the CCG

2.4.2 The proposed Central Services budget (£15.3m) shown in the table above includes the following key budgets and provisions:

- Levies – Integrated Transport Authority, Coroners, Environment Agency (£11.3m)
- Capital Financing (£3.3m) which is net of planned use of £3.1m capital receipts for capital financing repayments

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

2.5.1 There are a total of 32 independent sector care homes contracted to support older people in Rotherham. They provide a range of care types.

2.5.2 The independent sector care home market in Rotherham supplies 1590 beds and accommodates around 1339 older people. The Council is the dominant purchaser.

2.5.3 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 by 4.85% to £8.21 in April 2019.
- Compulsory employers' contribution to pension will rise to 3% by April 2019.
- Increasing care requirements of residents for acute periods resulting in an intense demand on staff resource.
- A high degree of staff turnover within the sector results in a significant number of recruitment processes and the costs associated with this.

2.5.4 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 health partners require an adequate level of care home capacity.

2.5.5 It is proposed that an increase of 2.4% is applied across all fees based on the Consumer Price Index (CPI) as at September 2018. The additional cost would be £395,000 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.

| 2019/20 Proposed Fees | Residential | Residential EMI | Nursing Care* | Nursing EMI* |
|--------------------------------------|--------------------|----------------------------|--------------------------|---------------------|
| Rotherham | £456 | £493 | £460 | £547 |

*Excluding Funded Nursing Care element at £155.05.

Independent Sector Provision – Home Care

2.5.6 The Community and Home Care Service providers respond flexibly to fluctuating demand and currently deliver around 17,000 hours of home care per week to approximately 1,284 people, with a cost of around £257,000 per week.

2.5.7 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 by 4.85% to £8.21 from 1 April 2019. The price of petrol remains high at circa £1.24 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.
- The compulsory employer's contribution to pension schemes will rise to 3% from 6 April in 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 37% 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.

- 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.

2.5.8 In order to address issues facing the sector, it is proposed that the Council applies a uniform 6% increase for all providers based on the Consumer Price Index rate as at September 2018. This would contribute to the increased staffing costs that providers face in the coming financial year. A 6% increase would equate to an additional cost of £792,000 per annum based on current activity.

2.5.9 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 2019 will increase by 4.85% to £8.21 per hour. It is therefore recommended that the hourly rates for Personal Assistants are increased in line with the NLW increase from 1 April 2019. This will result in an additional cost of £137,000 based on current activity.

Independent sector provision – Learning Disability

2.5.10 The Council currently provides financial support to 769 learning disabled people are accessing 1,303 placements/services with an aging demographic and increased complexity from young people transitioning into the services.

2.5.11 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
- developing more options for Supported Living
- developing alternative Day Opportunities.

2.5.12 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.

2.5.13 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, developing more options for Supported Living and alternative Day Opportunities.

2.5.14 In terms of Residential and Nursing care, and Supported Living providers, there are a total of 32 independent care and support services contracted providers who support people with a Learning Disability in Rotherham. The costs of services reflect bespoke provision to meet individual needs and have arisen incrementally. It is therefore proposed that a 0% increase is applied to residential care and supported living schemes in the Learning Disability sector as currently the cost of care packages are negotiated individually.

2.5.15 However, it is proposed to increase the hourly rate in respect of Sleep-in's for Supported Living Schemes in line with the increase in the National Living Wage. Based on current activity levels, the cost to the Council will be an additional £44,000 per annum.

Summary:

- Residential and Nursing Care Homes – an additional cost of £395,000
- Home care - an additional cost of £792,000
- Personal Assistant - additional cost of £137,000
- Supported Living Sleep in rates – an additional cost of £44,000

Total additional budget required 2019-20 is £1,368,000.

2.6 Council Tax Proposals for 2019/20

2.6.1 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by 2.99%.

2.6.2 The Government have confirmed that the basic referendum principle for 2019/20 is 3% i.e a maximum 2.99% increase in the basic rate of council tax. Social care authorities will be able to increase their council tax by up to 2% (over the existing basic referendum threshold of 3%) as long as precept increases do not exceed 6% over the three year period 2017/18 to 2019/20. This means that if a council has already utilised the flexibility in 2017/18 and 2018/19, which is the case for Rotherham, then it cannot increase its social care precept further.

2.6.3 A 2.99% increase on the tax levied in 2018/19 would mean a Band D Council Tax (for the Rotherham Council element only) of £1,522.20. Details of the proposed increases on all Council Tax bandings are set out in Table 7 below.

Table 7 – Council Tax Bands and Amounts

| Council Tax Band | 2018/19 £ | 2019/20 £ | Number of Properties |
|-------------------------|----------------------|----------------------|-------------------------------------|
| A | 985.34 | 1,014.80 | 63,037 |
| B | 1,149.56 | 1,183.93 | 22,828 |
| C | 1,313.79 | 1,353.07 | 15,367 |
| D | 1,478.01 | 1,522.20 | 9,058 |
| E | 1,806.46 | 1,860.47 | 4,611 |
| F | 2,134.90 | 2,198.73 | 1,746 |
| G | 2,463.35 | 2,537.00 | 720 |
| H | 2,956.02 | 3,044.40 | 62 |

- 2.6.4 The budget for 2019/20 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.
- 2.6.5 The proposed increase will help to support the delivery of valuable frontline services, particularly services for vulnerable children and adults at a time when demand for these services continues to increase.
- 2.6.6 Cabinet are asked to note that, as required by legislation (the Local Government Finance Act 1992) and as in previous years, a formal report will be brought to Council on 27th February 2019 setting out details of the proposed Council Tax calculations for the Council, parished areas and including the precepts from the South Yorkshire Police and Fire and Rescue Authorities as advised to the Council.
- 2.6.7 The Council meeting on 23rd January 2019 approved the Council's Tax Base for 2019/20 of 70,279.97 Band D equivalent properties, after adjusting for the anticipated rate of collection, the impact of the Council's Council Tax Support Scheme and discretionary discounts and exemptions for empty properties and second homes. For future years it is recommended that the annual determination of the Council Tax Base, which is a technical based calculation, is delegated to the Strategic Director – Finance & Customer Services (Section 151 Officer) in consultation with the Leader of the Council and the Chief Executive.

Based on the number of properties in the Tax Base and the proposed increase in Council Tax by 2.99%, this will generate a total Council Tax of £106.980m available to support the Council to fund services in 2019/20.

2.7 Reserves and Balances within the Council's Budget Strategy

- 2.7.1 The Council's balance of corporate reserves as at 31st March 2018 was £42.2m. This is £3.2m more than anticipated when the 2018/19 budget report was approved due to the more favourable financial outturn in 2017/18.
- 2.7.2 The Reserves Strategy at that time included a commitment to replenish the reserves being used to support the budget. The replenishing of reserves was proposed at £3m per annum with effect from 2018/19.
- 2.7.3 Since the 2017/18 Budget and Reserves Strategy was approved, the Council's financial outturns for both 2016/17 and 2017/18 have used a total of £5.9m less reserves than anticipated in the 2017/18 Budget and Council Tax Report.
- 2.7.4 In setting the 2018/19 budget, Members agreed that having regard to the more favourable financial outturn for 2016/17, there was not a need to provide £3m replenishment of reserves within the 2018/19 budget.

2.7.5 Given the favourable outturn for 2017/18, it is proposed that there is not a need to provide £3m replenishment of reserves within the 2019/20 budget.

2.7.6 In addition to the financial outturns for 2016/17 and 2017/18 being more favourable than anticipated when the plan to refresh reserves by £3m was agreed, there are a number of factors which need to be considered in setting a reserves strategy over the medium term. These are:

- Agreement to use a further £5.2m of reserves as part of the £10m budget contingency approve to support the 2018/19 revenue budget;
- Any residual overspend for the 2018/19 budget which would have to be covered from reserves. Currently it is anticipated that the Council will outturn within budget for 2018/19.
- A review of all the Council's reserves and balances which has identified that some of the Council's reserves are no longer needed for the purpose that they were originally established;
- A look back at those reserves that were used to support the 2016/17 and 2017/18 budgets and consideration as to whether the need to replenish those reserves still applies within a refreshed reserves strategy.

2.7.7 Following a review of all the Council's reserves and specific commitments against those reserves, a refresh of the Reserves Strategy is proposed which adds those reserves which are no longer required to the Council's Minimum General Fund Balance and retains a smaller number of Corporate Reserves which can be used more flexibly if/as required.

2.7.8 The proposed Reserves Strategy would:

- Increase the Council's General Fund Minimum Balance to £21m by 2020/21. This represents 9.5% of the Council's proposed net budget for 2019/20.
- Retain three Corporate Reserves plus the Insurance Fund Reserve. The Corporate Reserves are proposed to be retained as:
 - Transformation (to support invest to save initiatives)
 - Business Rates (to cover risk on business rates appeals)
 - Pensions (to cover risk on pension fund valuations and provide some further cover for severance costs)

2.7.9 Taken alongside the Council's proposed budget for 2019/20 and 2020/21, this reserves position is considered to be sustainable for the medium term. Future decisions on reserves would then be taken as part of the annual budget setting process.

2.7.10 The table below summarises the reserves balances over the medium term and includes the budget transfer to reserves of £4.3m in 2020/21 thereby increasing the Minimum Balance from £16.8m to £21.1m.

Table 8 – Forecast Balances of Reserves

| | Balance at 31st March 2018 £000 | Projected Balance at 31st March 2019 £000 | Projected Balance at 31st March 2020 £000 | Projected Balance at 31st March 2021 £000 |
|--|---|---|---|---|
| Minimum Balance | 11,269 | 16,812 | 16,812 | 21,112 |
| <u>Corporate Reserves</u> | | | | |
| Transformation | 2,733 | 2,733 | 2,733 | 2,733 |
| Insurance Fund | 350 | 350 | 350 | 350 |
| Business Rates | 4,000 | 4,000 | 4,000 | 4,000 |
| Pensions | 4,925 | 4,925 | 4,925 | 4,925 |
| Looked After Children | 1,000 | 0 | 0 | 0 |
| Other Corporate Reserves | 17,108 | 9,616 | 2,133 | 0 |
| Transfer to Minimum Balance | - | - 5,543 | - | - |
| Corporate Reserves Total | 30,116 | 16,081 | 14,141 | 12,008 |
| Public Health Grant | 850 | 410 | 0 | 0 |
| Total General Fund Minimum Balance and Corporate Reserves | 42,235 | 33,303 | 30,953 | 33,120 |

2.8 Medium Term Financial Strategy 2019/20 to 2021/22

2.8.1 The Council's Medium Term Financial Strategy (MTFS) sets out a framework for understanding the challenges the Council faces and supports corporate planning. It helps the Council to shape its finances over the medium term by examining the projected resources available to meet the priorities as set out in its Council Plan.

2.8.2 The Council has undertaken a complete review of its Medium Term Financial Strategy which was reported to Cabinet on 17th December 2018. The Plan set out details of the financial challenges faced by the Council over the medium term, which are referred to earlier in this report.

- 2.8.3 The MTFS has been updated again to reflect the outcomes of the Final Local Government Finance Settlement 2019/20 and the budget proposals set out in this report. It also includes funding and expenditure projections for the 2021/22 financial year which show an expected balanced budget position based on current service activity. However this does not allow for any further funding to meet escalating social care costs if this issue is not addressed by the Government within the Spending Review.
- 2.8.4 The Council will continue to monitor and review the MTFS accordingly. The outcomes from the announcement of Government's Comprehensive Spending Review will be reflected in a revised MTFS which will be presented to Cabinet/Council later in the year.
- 2.8.5 In setting the budget for 2018/19, the Council identified a budget gap of £29.7m over the period 2019/20 to 2020/21. As the Council has now received details of the Final Local Government Finance Settlement 2019/20 and the Autumn Budget 2019, it is pertinent to update the MTFS in light of this additional information and to also consider funding and expenditure projections for the financial year 2021/22.
- 2.8.6 The Council's current financial position is emphasised in the earlier sections of this report, with the demands on social care largely contributing to the increased costs faced by the Council. Significant work during the current financial year has helped the Council to identify a number of proposed efficiencies. However, the current demand pressures have effectively expanded the funding gap previously reported to Council, therefore a number of further options to balance the budget over the next two financial years were proposed in the MTFS considered by Cabinet in December 2018.
- 2.8.7 The detailed update of the MTFS is attached as Appendix 8. The summary position of the Council's estimated funding and budget position over the next three years is also included below in Table 9.

Table 9 - Budget and MTFS 2019/20 to 2021/22

| <u>Resources</u> | 2019/20 Budget £000 | 2020/21 Estimated £000 | 2021/22 Estimated £000 |
|---|------------------------------------|---------------------------------------|---------------------------------------|
| <u>Government Funding</u> | | | |
| Revenue Support Grant | 14,857 | 14,857 | 14,857 |
| Business Rates Top-Up Grant | 28,943 | 29,580 | 30,231 |
| S31 Grant as compensation for Multiplier Gap on Top-Up Grant | 943 | 943 | 943 |
| New Homes Bonus | 2,126 | 1,600 | 1,450 |
| Public Health Grant | 15,873 | 15,873 | 15,873 |
| Housing Benefit and Local Council Tax Support Administration | 1,270 | 1,270 | 1,270 |
| Social Care Support Grant | 2,298 | 0 | 0 |
| iBCF additional funding 2019/20 * | 2,605 | 2,605 | 2,605 |
| EU Exit Funding | 105 | 0 | 0 |
| Total Government Funding | 69,020 | 66,728 | 67,229 |
| <u>Council Resources</u> | | | |
| Retained Business Rates | 37,338 | 38,531 | 39,761 |
| S31 Grants as compensation for Government determined business rates reliefs | 4,808 | 4,935 | 5,064 |
| Council Tax Collection Fund – annual review and use of surplus | 3,000 | 3,000 | 2,500 |
| Council Tax | 106,980 | 111,281 | 115,754 |
| Total Council Resources | 152,126 | 157,747 | 163,079 |
| | | | |
| | | | |

| Total Resources | 221,146 | 224,475 | 230,308 |
|--|------------------------------------|---------------------------------------|---------------------------------------|
| <u>Expenditure</u> | 2019/20 Budget £000 | 2020/21 Estimated £000 | 2021/22 Estimated £000 |
| Baseline Budget at 2019/20 pay and prices including further investment in Social Care | 221,146 | 221,146 | 221,146 |
| Impact on future budget of Budget Options and other adjustments within agreed two year budget strategy | - | -15,064 | -15,064 |
| Provision for pay, price and fees and charges income inflation 2020/21 and 2021/22 | - | 7,093 | 13,244 |
| Adult Care – provision for further costs of transitions and transforming care beyond that included in two year budget strategy | - | - | 800 |
| Provision for the cost of staff severances | - | 3,000 | 3,000 |
| Provision for contribution to replenish reserves | - | 4,300 | - |
| Impact on treasury management budget of earlier years MRP reprofiling | - | - | 3,182 |
| Budget Contingency | - | 4,000 | 4,000 |
| | | | |
| Total Budgets | 221,146 | 224,475 | 230,308 |

* Note – the iBCF funding allocations up to 2018/19 are included within the Adult Services net budget as grant funding, based on use of the allocations agreed with the CCG

2.9 Business Rates Reliefs

Business Rates Retail Discount

2.9.1 The Government announced in the Autumn Budget 2018 on 29 October 2018 that it will provide a business rates retail discount scheme for occupied retail properties with a rateable value of less than £51,000 in each of the years 2019-20 and 2020-21. The value of the discount will be one third of the bill applied after other mandatory and discretionary reliefs.

2.9.2 Properties that will benefit from the relief will be those with a rateable value of less than £51,000 that are wholly or mainly being used as shops, restaurants, cafes and drinking establishments. The discount will be administered in line with the guidance provided by Central Government.

2.9.3 Central Government will reimburse billing authorities for the actual cost to them under the rates retention scheme of the relief that falls within the definitions of the Central Government guidance. It is proposed that the Council implements the relief in line with the Government guidance

Business Rates Rural Relief

2.9.4 The doubling of Business Rates Rural Rate Relief was introduced by the Government in 2017/18. However the relevant primary legislation hasn't been changed and councils have been asked to use their local discount powers to grant the reliefs in line with Government guidance. The Council has done this for 2017/18 and 2018/19 and it is proposed to continue the same arrangement for 2019/20.

2.10 Capital Strategy/Capital Programme Update

2.10.1 The Capital Strategy and proposed Capital Programme to 2022/23, 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.

2.10.2 The Council's Capital Strategy and Capital Programme to 2021/22 was approved by Council in February 2018 within the Budget and Council Tax 2018/19 Report.

2.10.3 The Financial Outturn 2017/18 report approved by Cabinet in July 2018 set out an updated capital programme taking into account slippage on capital schemes during 2017/18 which was mostly re-profiled into future years.

2.10.4 Further individual new capital projects already approved during 2018/19 are incorporated into the updated capital programme which are set out in Appendices 2B to 2E.

2.10.5 This report proposes a number of further additions to the capital programme to 2022/23 which are set out in Appendix 2A. It is proposed that these schemes will be added to the Council's capital programme following Council approval. The amendments proposed are summarised as:

- Annual ongoing expenditure commitments to 2022/23
- Capitalisation of expenditure to support the revenue budget
- Priority Capital Investment

2.10.6 These are summarised below:

2.10.7 Annual Ongoing Expenditure Commitments to 2022/23 :

- Capital Investment in Wards £0.210m
- ICT Refresh £1.775m
- Operational Buildings & Commercial Property £0.625m
- Continuation of the Furnished Homes Scheme £1.134m

2.10.8 Capitalisation of expenditure to support the revenue budget :

- Capitalisation options to support the 2018/19 revenue budget £1.490m
- Capitalisation options to support the 2019/20 revenue budget £1.879m
- Capitalisation options to support the 2020/21 revenue budget £0.840m
- Capitalisation options to support the 2021/22 revenue budget £0.840m
- Capitalisation options to support the 2022/23 revenue budget £0.840m
- Capitalisation of Leisure PFI lifecycle costs to 2022/23 £0.461m

2.10.9 Priority Capital Investment – General Fund

- A618 Growth Corridor Phase 2 design (£0.600m)
The scheme includes a major improvement at the staggered junction that forms the intersection of the A618 (Mansfield Road) with the A57 in the south of the borough, together with a small improvement of the A57 at Chesterfield Road. The objectives for the A618 Growth Corridor scheme were improved safety, reduced congestion and to enable economic growth through new and accelerated employment in the A618/A57 area, including the links to the nearby M1 at junction 31.
- Dalben Tower - Clifton Park (£0.053m)
Replacement of major structural parts of the Dalben tower helter skelter in Clifton Park to ensure it remains an iconic play structure within the Park. Clifton Park forms a major part of the emerging Visitor Attraction Model.
- Wellgate Car Park - Retaining Wall (£0.046m)
Stability works to the retaining wall at Wellgate Car Park. The retaining wall at the rear of the car park has been the subject of interim repairs. This is deemed to be a safe situation for the interim period but there are remaining concerns about the long term stability of the wall / embankment. Part of the car park near to the wall has been fenced off to prevent vehicular and pedestrian access.
- Town Centre - Masterplan Flood Alleviation (£3.240m)
To support the Town Centre Development at Forge Island a flood defence scheme has already been approved by the Council to ensure the Town Centre site is not at risk of flooding. However these improvement works will increase pressure on the other sections of the River Don, that will require mitigation to prevent flooding risk. The Council plans to implement 0.5km of new flood defences, located alongside the canal/railway upstream of Rotherham United's FC's football stadium, and carry out improvement works to two small watercourses that flow through the Parkgate area towards the River Don. The works will be funded jointly by a bid for funding from the European Regional Development (ERDF) and

the Council's corporate resources. The Council's contribution towards the project will be met by the existing Town Centre Masterplan budget.

- Century Phase II (£3.200m)
Match funding to support a bid to Sheffield City Region for a project which will utilise an area of unused land to construct a new Business Centre at Manvers Way, Wath-Upon-Deerne. It would be a second phase of the popular Century Business Park. This phase will create 17,000 sq. ft. of new floor space for office and clean manufacturing "move on" space within B1 planning use class.

This high quality, publicly owned and operated employment space would be made available to businesses within the local area, as well as to the wider Borough and City Region area. Building on the first phase of the Century Business Park this project would allow current occupants and other businesses to move to larger premises as their business grows, alongside providing additional space suitable for new businesses.

- Microsoft 365 (£4.668m)
Microsoft has indicated that the current windows desktop products operated by the Council (Microsoft Office 2010) will cease to be supported from January 2020. This includes the Council's email system and office suite such as Word, Excel, Outlook and SharePoint, as well as other important administration tools. From this time [2020] Microsoft will no longer provide security updates and patches which will result in an increased and unacceptable level of risk in relation to our information security - the council has a duty to ensure all the data held in its ICT systems is safe and secure. Microsoft 365 is the direct replacement for these office productivity tools and after extensive research considered to be the only viable option.
- Foster Care Adaptations (£2.560m)
Funds are to be made available to provide home extensions and adaptations for foster carers and adopters to minimise the ongoing cost of care impact on the revenue budget. This would be a continuation of the existing programme, that provides funds to support foster carers, of siblings or children with disabilities, to carry out necessary adaptations to their existing property, or to provide support to purchase a new property, in order that they can provide a permanent placement for the looked after children.
- CCTV (£0.050m)
The aim of the project is to provide a budget for the updating or installation of CCTV across a number of strategic locations across the borough to prevent anti-social behaviour.

- Allotments (£0.100m)
This proposal is to create a capital allocation of £100k to support the transfer of the management of Allotments to a newly created Allotments Alliance. This supports the decision by Cabinet in July 2018 and mitigates risk of delays to the project due to concerns about taking on site-related liabilities. The Allotments Alliance will be able to use the contribution to support match funding bids to carry out any required site works to ensure the Allotments are fit for purpose.
- Mobile Application (£0.222m)
Productivity of the adults and children's - social care workforce is critical to its future sustainability with a reduced workforce, increasing demand and complexity of vulnerable adults and children and families. Digital solutions to assessment and case management are in their infancy in Childrens and Adult Care and Health, with assessment teams not having access to agile working technology and real time recording. The Liquid Logic mobile application will enable liquid logic users to record and complete assessments in real time providing service users, with the opportunity to view, amend and sign assessment documentation if appropriate, reducing delays and multiple data inputting. The app also enhances data security reducing the need for paper recording. This method is across the social care arena.
- Digital Support - supported living (£0.160m)
The implantation of digital technology with 40 individuals to better understand how digital technology can improve the lives of vulnerable people who are in receipt of traditional care services and contribute to the long term financial sustainability of adult social care and demonstrate a viable alternative to traditional reactive care line provision.
- Bassingthorpe Farm (£0.910m)
This budget will be utilised for key strategic acquisitions, preparatory and infrastructure works to support the Bassingthorpe Farm housing development.
- Grafton and Cranworth Contact Centres (£0.180m)
The Council currently has access to three council houses to support Looked After Children (LAC) to see their families. Improvement works would require £15k - £20k for each house to be brought to a reasonable decorative standard; however, these houses have been deemed to be unsuitable for the future use for facilitation of contact time. This proposal would see these three houses returned to RMBC Key Choices where they would be rented out to families in need of accommodation.

The project would then directly replace the space provided by these houses with Grafton House which is currently an unused site owned and managed by Rotherham MBC. This would provide 6 family contact rooms and enable the movement of the team base from Cranworth to Grafton House, and whilst making additional refurbishments to Cranworth to further increase capacity to 8 – 9 family contact rooms.

This project would increase the capacity for enabling the required contact time for LAC children with their family and friends. The number of looked after children has increased significantly in recent years which has led to an increase in the need for suitable accommodation for the required LAC contact time.

- **Community Aspects of Road Safety (£0.450m)**
This is a project to address local community concerns regarding road safety, with the implementation of engineering interventions and amended speed limits. Due to both limited staff resources and the availability of the Local Transport Plan (LTP) funding to implement schemes, it is currently difficult to meet public and neighbourhood aspirations. Therefore, the proposal is to provide a capital budget for 3 years of £150,000 per annum.

Housing Revenue Account (HRA)

- 2.10.10 The Housing Revenue Account Capital Programme has also been updated to 2022/23 with a further £20.275m investment in improving council housing and £2.000m in adaptations. HRA capital programme information is set out in Appendices 2D and 2E.

Capital Strategy

- 2.10.11 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.
- 2.10.12 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).
- 2.10.13 The revenue impact of the Capital Strategy is reflected in this report and the prudential borrowing requirement arising from the Capital Programme is reflected in the Prudential Indicators and Treasury Management and Investment Strategy.

Proposed Capital Programme 2018/19 to 2022/23

- 2.10.14 Subject to approval of all the proposed additions to the capital programme, the Council's five year capital programme will be set at £406.811m, split between general fund £250.224m and HRA £156.587m. The table below indicates the split of the capital programme across the Council's Directorates.

Table 10 – Proposed Capital Programme 2018/19 to 2022/23

| Directorate | 2018/19 Budget £m | 2019/20 Budget £m | 2020/21 Budget £m | 2021/22 Budget £m | 2022/23 Budget £m | Total Budget £m |
|--------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| General Fund Capital | | | | | | |
| Children and Young People's Services | 9.288 | 10.751 | 10.715 | 4.220 | 4.700 | 39.674 |
| Assistant Chief Executive | 1.338 | 0.210 | 0.210 | 0.210 | 0.210 | 2.178 |
| Adult Care & Housing | 4.069 | 6.237 | 11.993 | 6.066 | 3.921 | 32.286 |
| Finance and Customer Services | 5.187 | 3.976 | 4.828 | 1.775 | 1.775 | 17.541 |
| Regeneration and Environment | 39.374 | 45.693 | 41.129 | 18.113 | 6.238 | 150.546 |
| Capitalisation Direction | 2.000 | 2.000 | 2.000 | 2.000 | 0.000 | 8.000 |
| Total General Fund Capital | 61.256 | 68.866 | 70.874 | 32.384 | 16.844 | 250.225 |
| Total HRA Capital | | | | | | |
| | 41.888 | 42.036 | 28.113 | 22.275 | 22.275 | 156.587 |
| Total RMBC Capital Programme | | | | | | |
| | 103.144 | 110.902 | 98.987 | 54.659 | 39.119 | 406.811 |

Funding the Capital Programme

- 2.10.15 Appendix 2B & 2D 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.
- 2.10.16 The Council held £17.236m of General Fund capital receipts, and £11.566m of HRA Right to Buy / Land receipts as at 31st March 2018. In addition, the Council anticipates a further £10m of capital receipts to be generated across the Capital Programme period 2018/19 to 2022/23. This would provide total available capital receipts of £38.802m to meet total commitments within the current programme of £34.827m. This position allows for the use of £3.1m of capital receipts to support the repayment of debt in 2019/20 to reduce the Council's revenue contribution to the repayment of debt (MRP).
- 2.10.17 The table below shows how each year of the capital programme will be funded:

Table 11 – Funding of the Proposed Capital Programme 2018/19 to 2022/23

| Funding Stream | 2018/19 Budget £m | 2019/20 Budget £m | 2020/21 Budget £m | 2021/22 Budget £m | 2022/23 Budget £m | Total Budget £m |
|-------------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|--------------------------------|
| Grants And Contributions | 23.583 | 28.557 | 38.859 | 22.126 | 8.840 | 121.965 |
| Unsupported Borrowing | 28.963 | 35.190 | 24.527 | 5.823 | 5.569 | 100.072 |
| Capital Receipts | 6.695 | 3.119 | 5.488 | 2.435 | 2.435 | 20.172 |
| Capital Receipts – Flexible Use | 2.015 | 2.000 | 2.000 | 2.000 | 0.000 | 8.015 |
| Total Funding - General Fund | 61.256 | 68.866 | 70.874 | 32.384 | 16.844 | 250.224 |
| Grants And Contributions | 3.325 | 1.486 | 1.185 | 0.000 | 0.000 | 5.997 |
| Housing Major Repairs Allowance | 12.559 | 16.005 | 12.759 | 22.025 | 22.025 | 85.373 |
| Capital Receipts | 2.435 | 4.205 | 0.000 | 0.000 | 0.000 | 6.640 |
| Revenue Contribution | 23.569 | 20.340 | 14.168 | 0.250 | 0.250 | 58.577 |
| Total Funding - HRA | 41.888 | 42.036 | 28.113 | 22.275 | 22.275 | 156.587 |
| Total | 103.144 | 110.902 | 98.987 | 54.659 | 39.119 | 406.811 |

2.10.18 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 the period 2018/19 to 2021/22. As a general principle, capital receipts will be earmarked to minimise revenue costs.
- (iii) All decisions on capital financing are delegated to the Council's Section 151 Officer as agreed by Council.

2.11 Treasury Management Issues

2.11.11 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.

2.11.12 The Treasury Strategy has associated Prudential Indicators (PIs) which have to be approved by Council prior to 1st April each financial year in order to comply with the various statutory frameworks within which the treasury function has to operate.

2.11.13 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.

- 2.11.14 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.
- 2.11.15 The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.
- 2.11.16 Details of the Treasury Management Matters are contained in Appendix 3.

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

- 2.12.11 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.
- 2.12.12 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.
- 2.12.13 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.
- 2.12.14 The Strategic Director of Finance & Customer Services gives her assurance that the budget estimates for 2019/20 and 2020/21 are robust overall when considered in conjunction with the budget options identified in the report, the reserves strategy and medium term financial projections. The Council continues to face significant financial pressures in respect of social care.
- 2.12.15 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.

- 2.12.16 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 2019/20 and 2020/21 is approved as set out in the report and incorporating the agreement to the delivery of £7.7m and a further £15.8m in 2019/20 and 2020/21 respectively of net budget reductions.
 - 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 2021/22 and agrees to the proposals to manage a balanced budget over 2019/20 and 2020/21.
 - That the revised Reserves Strategy is approved which will see the General Reserves Minimum Balance increased to £21m by 2020/21. However, it is not to be 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.
- 2.12.17 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.
- 2.12.18 The Council continues to operate in a tight financial climate by continuing to exercise the additional spending controls implemented over the last two years 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.
- 2.12.19 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.
- 2.12.20 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.

- 2.12.21 In considering the overall robustness of the budget proposals for 2019/20 and 2020/21, 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.

3. Options considered and recommended proposal

- 3.1 These are set out in Section 3 above.

4. Consultation on proposal

- 4.1 From 26th October 2018 to 30th November 2018, the Council consulted with the public, staff and partners around the Directorate cuts and savings proposed for the 2019/20 and 2020/21 budget. The Council asked the public to provide feedback on budget proposals via: local media, the Council website and social media.
- 4.2 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.
- 4.3 A report setting out the feedback on the consultation is attached at Appendix 7.
- 4.4 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.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The Council is required to set its annual budget by no later than 10th March each year. Strategic Directors are responsible for ensuring the delivery of savings proposals within their Directorate Cash Limit approvals.
- 5.2 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.

6. Financial and Procurement Advice and Implications

- 6.1 The financial implications are set out in detail in Section 2 above.
- 6.2 In summary, the report recommends a 2.99% increase in Council Tax (excludes precepts) and a 2019/20 General Fund Revenue Budget for the Council of £221m.

6.3 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 2.4% increase to income budgets for Council Fees and Charges in line with the September 2018 CPI increase.

6.4 Any revenue implications from the Approved Capital Programme are fully reflected in the Council's 2019/20 Revenue Budget, its Medium Term Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy.

6.5 There is a requirement for all projects within the Capital Programme to be procured in line with the Council's Standing Orders and, Financial and Procurement Procedure Rules. 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.

6.6 Treasury Management forms an integral part of the Council's overall financial arrangements. The assumptions supporting the capital financing budget for 2019/20 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.

6.7 The proposed Treasury Management and Investment Strategy is not forecast to have any further revenue consequences other than those identified and planned for in both the Council's 2019/20 Revenue Budget and approved MTFS.

7. Legal Advice and Implications

7.1 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.

- 7.2 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.
- 7.3 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.
- 7.4 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.
- 7.5 It is a requirement that changes to the Council's prudential indicators are approved by Council.
- 7.6 It is also a requirement that the Council's Minimum Revenue Provision Policy Statement for each financial year is approved by Council.

8. Human Resources Advice and Implications

- 8.1 The expected impact of the budget proposals within this report on the number of Full Time Equivalent (FTE) posts to be lost is around 175 FTE's.
- 8.2 Since 2010 the Council has reduced its headcount by over 1,800.

9. Implications for Children and Young People and Vulnerable Adults

- 9.1 See sections 2.1.26 to 2.1.34 and sections 2.1.6 to 2.1.14 above.
- 9.2 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. The proposed 2019/20 utilises the additional funding announced in the Government's Autumn Budget 2019/20.

9.3 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.

10. Equalities and Human Rights Advice and Implications

10.1 All budget savings proposals requiring full, detailed Equalities Assessments will be included in the report to Council on 27th February 2019.

10.2 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.

11. Implications for Partners

11.1 The implications for Partners and Other Directorates of revenue budget savings proposals at Appendix 1 are in the Equalities Assessments.

11.2 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.

12. Risks and Mitigation

12.1 The non-achievement of the budget saving options outlined earlier may result in overspends which will require a drawdown on reserves. The reserves strategy shows that there is a sufficient balance of reserves to mitigate overall budget risk, however, a continued call on the reserves over and above that planned over the medium term is financially unsustainable.

12.2 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.

12.3 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.

12.4 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. The UK leaving the European Union in March 2019 may impact on the financial markets and will therefore require careful consideration of future investments in accordance with the Treasury Management Strategy.

12.5 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.

13. Accountable Officer(s)

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

Approvals obtained on behalf of:-

| | Named Officer | Date |
|--|----------------------|-------------|
| Chief Executive | Sharon Kemp | 04/02/19 |
| Strategic Director of Finance & Customer Services (S.151 Officer) | Graham Saxton | 04/02/19 |
| Assistant Director of Legal Services (Monitoring Officer) | Dermot Pearson | 04/02/19 |
| Assistant Director of Human Resources (if appropriate) | N/A | |
| Head of Procurement (if appropriate) | N/A | |

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