

# **Medium Term Financial Strategy 2018 to 2021**

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## **Foreword by Leader**

Rotherham Council is entering the next stage of our journey. In the last two years we have redefined what we stand for, through a clear vision for the borough and organisation. We've changed how we make decisions, so we're more open and accountable than ever before. We've redesigned how we work with other agencies, to drive forward some of the key changes we want to see. And even as we face unprecedented financial pressures, we're working hard to deliver better services, focussed on the priorities set for us by the public.

We have some of the best performing schools in the region, and we have invested heavily in the improvement of our Children's Services to ensure we offer the best support to our most vulnerable children, in order to give them the best start in life.

We are transforming our adult social care, to empower every adult. We are working alongside communities to keep our neighbourhoods looking their best, and we're cracking down on those who would litter and damage the local environment.

And we continue to work alongside the private sector and our partners in the Sheffield City Region to create jobs, opportunities and new businesses.

As we move to the next stage with this, our updated Medium Term Financial Strategy, two themes stand out that will be necessary to deliver our Council Plan Priorities; working closely with our partners - in all sectors - so we can deliver seamless services to residents in the most efficient way; and working more closely with our neighbourhoods so that we're meeting residents' needs more effectively and helping people to live healthier, happier lives in their own communities.

In achieving our priorities, it is important that the Council has robust procedures in place to ensure that it is aligning its budget with the stated priorities and managing its finances effectively. Financial planning is a key aspect of setting a balanced budget each year. The Medium Term Financial Strategy helps us to focus on the financial challenges, risks and uncertainties ahead, in the delivery of value for money services.

It is a measure of the progress that we've made over the last two years that all decision making powers were returned to the Council in September 2018 with the Council now having full democratic control of all its services. We will continue to see that journey through, to ensure that government and residents alike can be assured of strong and effective governance into the future.

Councillor Chris Read

Leader of Rotherham Council

## **Shaping our Financial Future**

### **Rotherham – A great place to live, work and invest**

Rotherham covers 110 square miles encompassing a wide variety of urban, suburban and rural environments, with 70% of the area being open countryside, nearly all green belt. Rotherham lies close to the city of Sheffield and enjoys easy access to the Peak District National Park. The Borough has a growing population of 263,400 which is becoming increasingly diverse, with around one person in 10 from a minority ethnic group.

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 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 departed 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 in 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.

### **Shaping our financial future to deliver our priorities**

The Council's vision is:

"Rotherham is our home, where we come together as one community, where we seek to draw on our proud history to build a future we can all share. We value decency and dignity and seek to build a town where opportunity is extended to everyone, where people can grow, flourish and prosper and where no one is left behind."

To achieve this as a Council we must work in a modern, efficient way, to deliver sustainable services in partnership with other local agencies and our communities, looking outwards but focused relentlessly on the needs of our residents. To this end we set out four priorities:

- Every child making the best start in life,
- Every adult secure, responsible and empowered,
- A strong community in a clean, safe environment,
- Extending opportunity and planning for the future,

The Council values and prioritises collaboration with its partners and the Rotherham Plan provides a framework for partners' collective efforts to create a borough that is better for everyone who wants to live, work, invest or visit here.

The Rotherham Plan sets out the significant initiatives or "game changers" that partners will be focusing on until 2025. Development of the Plan drew on the extensive consultation programme carried out in 2015 and the subsequent engagement. The Plan builds on the themes of the Rotherham Together Partnership which were:

- Bringing people together to create a stronger sense of community spirit;
- Promoting opportunity and equality to help everyone benefit from a growing economy and;
- Creating welcoming places where people feel safe and encouraged to lead active lives.

Our resources are aligned to the delivering of these priorities in a more transparent and effective way with a clear focus on value for money.

### **Sheffield City Region**

Rotherham lies at the centre of the Sheffield City Region and its Combined Authority. Further powers and resources may be devolved to the Mayor and Combined Authority if agreement can be reached in the future. This could include the powers from the 2015 Devolution Deal with Government, such as the £900m of funding to help grow the city region economy and improve adult skills and training.

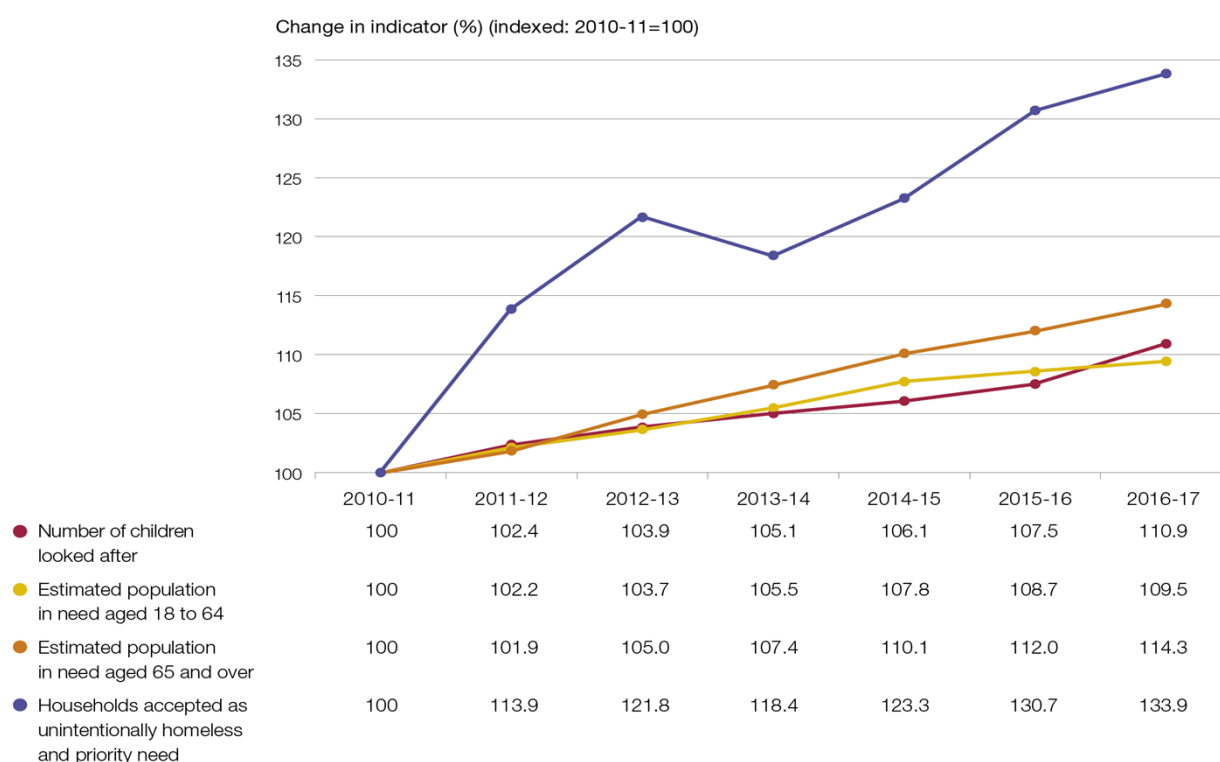
## 2019 and beyond

### National and Financial and Economic Context

Local authorities in the UK are under continued pressure for demand for services, particularly regarding social care. The Local Government Association estimates an £8bn funding gap for local government services by 2025. This is coupled with a period of funding uncertainty as the move to 75% business rates is not expected until 2020/21, the Adult Social Care Green Paper has not yet been published and the next Comprehensive Spending Review not being announced until Spring 2019.

#### Change in demand in key local authority service areas in England

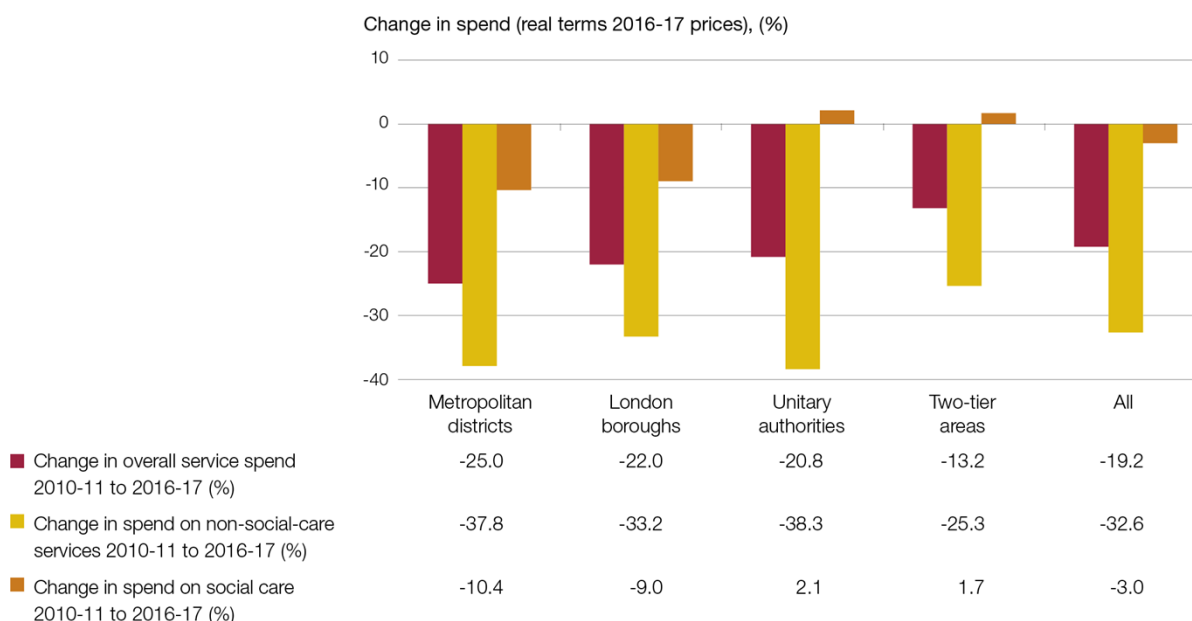
There has been growth in actual or potential demand in a range of core service areas



Source: National Audit Office analysis of departmental data. See standalone methodology

## Change in overall service spending by type of local authority in England, 2010-11 to 2016-17

The reduction in overall service spend in different authority types is the net outcome of limited falls or even growth in social care spend offset by large falls in other service spending



### Notes

1 'Non-social-care services' includes non-schools education services.

2 The 'Two-tier areas' data series combines the data from the shire districts and county councils.

Source: National Audit Office analysis of Ministry of Housing, Communities & Local Government data. See standalone methodology

## Funding

In October 2015, the Chancellor of the Exchequer announced that the Government was committed to allowing local authorities to retain 100% of locally collected business rates, with a planned implementation date of 2019/20. However, following the General Election in May 2017, the implementation was paused. Notwithstanding, the Government announced alongside the Local Government Finance Settlement 2018/19, that it will look to move to 75% business rates retention in 2020/21. The intention is that local authorities will keep the same share of growth on their baseline levels from 2020/21, when the system is reset. Details of the new system are still awaited, however it will be based on a needs assessment which is subject to the ongoing 'Fair Funding Review'. This Review is aimed to examine the existing finance formula with a view of moving to a 'foundation formula' based on common cost drivers to all services.

Further consultation documents were issued alongside the Provisional Local Government Finance Settlement 2019/20. Local authorities have set out their concerns through the Local Government Association and SIGOMA and will continue to seek to work with Government to ensure that the sector is properly funded to ensure that social care services, in particular, can be delivered within budget whilst facing continued increase in demand for these services. The Council will monitor the progress of the Government's Fair Funding Review and continue to lobby for a fair funding distribution.

More recently, the Government has implemented measures to address some of the social care pressures, which have included the option for local authorities to raise



additional income for adult social care by increasing Council Tax above the previously imposed referendum limit. In addition, there has been further support through the Adult Social Care Support Grant for both 2017/18 and 2018/19. Whilst this additional funding is welcome to support the delivery of services, these are only short-term measures and do little to support the long term sustainability of the service.

It is also worth noting that the ability to increase Council Tax does little to help those authorities, such as Rotherham, who have a higher proportion of properties in the Council Tax bands A-C, and are therefore unable to raise additional income to the same levels as other more affluent areas of the country.

The government continues to place limits on the amount that can be raised through Council Tax by continuing to implement a set of principles alongside the Local Government Finance Settlement which restricts the amount of annual increases. Prior to 2018/19, the limit was set at 2% annually since 2013/14, however, after calls from local authorities for additional funding support to address demand pressures, the Government increased the core principle up to 3% stating that it was 'minded to' set the same limit for 2019/20.

The Final Local Government Finance Settlement 2019/20 confirmed details of additional funding for social care which was announced at the time of the Autumn Budget 2018. In addition, there were allocations to local authorities for the surplus on the Business Rates Account Levy which subject to legislation will be returned to councils in 2018/19.

### **Comprehensive Spending Review 2019**

During the Spring Statement in March 2018, the Government announced that it would set out the total public spending quantum for the years beyond 2020, with a Spending Review in 2019 that would set out the departmental allocations. Local authorities have called for indicative funding allocations to be announced up to at least 2020/21 alongside the Local Government Finance Settlement 2019/20, as this will help local authorities to plan their finances over the short-term.

### **Adult Social Care Green Paper**

In 2017, the Government announced that it would publish its Green Paper on care and support for older people by summer 2018. However, the publication date was put back firstly to Autumn 2018 and is now expected in Spring 2019. The paper will set out plans for how Government proposes to improve care and support for older people and tackle the challenge of an ageing population.

Whilst the Government has provided some short-term funding support i.e. the additional £2bn Improved Better Care Fund and the Adult Social Care Support Grant, this funding effectively gives local authorities a 'financial cliff edge' if funding is not provided beyond 2020. The Council will actively lobby Government to ensure that any proposals are properly funded.

In October 2018, the Government announced details of additional funding of £240m in 2018/19 to support winter pressures for adult social care. Whilst this funding is welcome, local authorities are calling for a sustained level of funding over the medium term to meet the demands of an ageing population.

**Welfare Reform**

Welfare changes are an ongoing process as part of the Government's changes to welfare policy. The Government believes that the changes increase incentives to return to work, improve fairness and will save £20bn in national expenditure by 2020. However there are continuing concerns that many households will continue to see real decreases in income which are likely to further limit life opportunities, increase debt (including Council rent and Council Tax debt) and have other social implications. The Council will need to continue to understand the ongoing welfare changes and their effects on both residents and families and demand for Council services as the next phase of these (reduction in Tax Credits, implementation of Universal Credits) are implemented. The move to Universal Credit is a significant move in benefit payments as it replaces six working age benefits.

## The Council's Revenue Spending Plans

The Council completed significant work during summer 2018 to identify budget saving proposals. These proposals, alongside other efficiencies and savings identified, which are outlined later in the Strategy will help the Council to set a balanced budget over the next two years.

The tables below sets out the proposed directorate cash-limited budgets for 2019/20 and details of how the budget will be funded.

### Directorate Net Revenue Budgets 2019/20

	<b>2019/20 £'000</b>
Adult Care, Housing and Public Health	77.210
Children and Young People's Service	65.367
Regeneration and Environment Service	40.383
Finance and Customer Services	15.911
Assistant Chief Executive	6.951
Central Services	15.324
<b>Total Net Budget</b>	<b>221.146</b>

	<b>2019/20 £'000</b>
<b>How the Council is Funded 2019/20</b>	
Final Settlement – RSG and Business Rates Top Up Grant	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
<b>Funding Total</b>	<b>221.146</b>

\* 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

## **Social Care**

Demand for both adults and children's social care continues to rise.

With regard to children's social care, demand continues to increase across all key areas of the service which include children in need of help, protection and children requiring care. The budget for 2018/19 is forecast to overspend significantly due to a continued increase in the number of children admitted into care. The number of Looked After Children was 628 as at January 2019.

Whilst savings and cost reductions implemented by the Council over this time period have had a positive impact, they have not delivered the net savings required due to continued high demand for statutory services. LAC numbers increased significantly in 2017/18 from 485 at the start of the year to a peak of 662 in 2018.

The Council has implemented further demand management strategies and actions to mitigate the impact of rising demand. These actions will help to drive efficiencies and realise substantial budget savings over the medium term whilst continuing to prioritise safe and effective practice to keep our most vulnerable children and young people safe.

In order to set a robust budget for 2019/20 and 2020/21 the estimated cost reductions that can be expected to be achieved over and above delivery of the budget savings have been established, leaving a net additional budget requirement of £9.5m in 2019/20 reducing to £7.5m in 2020/21.

There continue to be pressures for adult social care services namely residential and domiciliary care and the provision of direct payments/managed accounts across all client groups.

Adult Care recognises that the primary pressures centre on previously undelivered savings. As a result, a suite of high level project plans were developed during 2018 which focused on the review of learning disability services, right sizing care packages and developing effective operating models.

The aim of care and support is for people to live the best life that they can, meaning living independently, in their own home when possible, utilising the assets and the people around them to do the things that make them happy and fulfilled.

Rotherham is implementing a new way of providing care and support to people that utilises personal, social, neighbourhood and community assets along with social care. This requires thinking differently about what people can do for themselves, about how the council communicates with people and also how people can communicate back into the council, how planning is done for support and what people need to understand about what is available to them. The scale of this change will require a fundamental shift in how care is delivered, one that is financially sustainable and puts the person at the centre of their own care.

In partnership with the Clinical Commissioning Group, Rotherham Foundation Trust Hospital, Rotherham, Doncaster and South Humber NHS Foundation Trust (RDASH) and Voluntary Action Rotherham, the Council has a shared Integrated Health and Social Care Plan. The shared vision is:

*“Supporting people and families to live independently in the community, with prevention and self-management at the heart of our delivery”.*

Digital Transformation, Work Force Development and the Intermediate Care and Reablement Pathways are enablers that support the implementation of this plan and the Adult Social Care transformation.

### Government Grant Reductions

It is worth noting the significant reductions in Revenue Support Grant following the introduction of austerity measures. The table below shows the reduction in Revenue Support Grant since 2013/14, this being the point at which changes to the local government finance system were made, namely the Business Rates Retention Scheme. The table shows the significant reduction in central government funding up until 2018/19 with a further reduction of £7.066m to be made in 2019/20 as the final year of the Government’s four year Finance Settlement.

		<u>2013/14</u>	<u>2014/15</u>	<u>2015/16</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>	<u>2019/20</u>
<b>RSG</b>	<b>£m</b>	84.302	70.112	50.925	39.405	28.943	21.923	14.857
<b>Change year on year</b>	<b>£m</b>		-14.190	-19.187	-11.520	-10.462	-7.020	-7.066
	<b>%</b>		-16.8%	-27.4%	-22.6%	-26.5%	-24.3%	-32.2%
<b>Cumulative</b>	<b>£m</b>		-14.190	-33.377	-44.897	-55.359	-62.379	-69.445
<b>Cumulative</b>	<b>%</b>		-16.8%	-39.6%	-53.3%	-65.7%	-74.0%	-81.0%

Further reductions to other funding streams have been made in addition to the Revenue Support Grant including New Homes Bonus, Education Services and Public Health Grants.

### Setting a Balanced, Sustainable Budget

Rotherham Council has had to make savings of £177 million since 2010, leading to more than 1,800 fewer jobs in the organisation. By the end of our two year budget the level of savings that the Council has had to make will have increased to over £200m.

The Council reviewed its medium term financial planning assumptions as part of setting the 2018/19 Budget in February 2018. This review identified that to set a balanced budget in 2019/20 and 2020/21, overall budget savings of £15.8m in 2019/20 and £13.9m in 2020/21 (a total of £29.7m) would be required.

The Budget and Council Tax Report 2019/20 outlines the Council’s proposals to set a balanced budget over the two-year period 2019/20 and 2020/21, which included

budget saving proposals totalling £24m, as well as further efficiencies which will help in setting a balanced budget. It also addresses the significant social care demand pressures currently faced by the Council by investing a further £14m per year in associated costs over the two years.

The theme of the budget proposals is to modernise and streamline services making them more cost effective, whilst seeking to enhance the customer experience.

Further savings from corporate efficiencies and strategic financing decisions as part of finalising balanced budget proposals for the next two years are shown in the table on Balancing the Budget on Page 20.

These include maximising flexibility in the use of capital receipts to support revenue budget transformation, in line with the Council's Flexible Use of Capital Receipts Policy, and maintaining a Treasury Management Strategy which maintains the Council's cash-flow and capital loans requirements through taking advantage of the availability of short-term loans which are currently at low interest rates, and delays the take-up of longer term, more expensive loans.

There are a number of factors influencing the final position of the budget for the next two financial years and the medium term:

- The Council's current budgetary position for 2018/19 as set out within the Financial Monitoring Report on the Cabinet agenda of 18th February 2019 and the impact of that on the 2019/20 and 2020/21 budgets, particularly with regard to demand and cost for Children's Social Care.
- The Chancellor's Autumn Budget 2018 released on 29th October which announced some additional funding for 2019/20 and provided updated outline indications of how Public Sector funding from 2020/21 onwards might be reflected in Spending Review 2019.
- The Final Local Government Finance Settlement announced on 29 January 2019.

The Final Settlement confirmed the Government funding to be received and alongside feedback from public consultation and Overview and Scrutiny Management Board, together with consideration of the other items above, will enable the budget to be finalised.

The Settlement confirms details of the final year of the four-year offer made to Local Government in 2015. Beyond 2020 there is uncertainty in the level of funding available to Local Government pending the outcomes of the Government's Spending Review, expected in 2019, and the Fair Funding Review which will examine and revise how Local Authorities are funded from April 2020 onwards.

However, within the Autumn Budget 2018, the Government has provided aggregate departmental resource budgets up to 2023/24, split between NHS England and all other departmental spending.

Whilst the Autumn Budget states that the figures provided do not represent the final envelope for Spending Review 2019, they provide some basis for the Council to

utilise within financial planning assumptions across the medium term in finalising the Medium Term Financial Strategy.

### **Autumn Budget 2018**

The Government's Autumn Budget 2018 announced details of additional funding to support social care. Whilst this funding is welcome it does not provide the sustainable level of social care funding that is required to support budget planning beyond 2019/20.

The main announcements from the Statement were:

- £240m nationally in both 2018/19 and 2019/20 for adult social care
- £410m nationally in 2019/20 for adults and children's social care
- An additional £55m nationally for Disabled Facilities Grant
- £84m over 5 years for up to 20 local authorities to help more children to stay at home safely with their families
- Business rates cut by a third for business with a rateable value below £51,000
- 100% business rates relief for all public lavatories will be introduced from 2020/21
- Continuation of £1,500 business rates discount for office space occupied by local newspapers in 2019/20
- Local authorities to be fully compensated for loss of income as a result of the above business rates measures
- £675m Future High Streets Fund to be launched to support local areas to develop and fund plans to make their high streets and town centres fit for the future.
- £400m this year for schools in England to spend on their equipment and facilities.
- £420m to local authorities in 2018/19 to tackle pothole repairs

The allocations for winter pressures announced in the Autumn Budget 2018 equates to £1.34m in each of 2018/19 and 2019/20 for the Council. However, the funding can only be utilised for:

- Improvement of Delayed Transfer of Care
- Focused enablement services to facilitate smooth discharge and prevent admission
- Maximising the use of equipment and assistive technology to facilitate hospital discharge

Therefore, this funding cannot be used to support the current base position i.e. it does not alleviate the current in-year overspend on adult social care budgets.

The £410m national allocation for adults and children's social care equates to an allocation of £2.3m for the Council. This grant has no conditions and decisions on its use are included in the Budget and Council Tax 2019/20 report.

Additionally on 28<sup>th</sup> January 2019 the Government announced some upfront funding for EU Exit costs, for which the Council is allocated £105k in 2018/19 and a further £105k in 2019/20.

The Council's funding assumptions have been updated following announcements in the Autumn Budget and assume that funding from Government from 2020/21 onwards will be provided on a "flat cash" basis, consistent with the level of funding to be provided in 2019/20. Funding provided on this basis would still be a cut in real-terms. The MTFS will be refreshed again when Spending Review 2019 is issued, expected to be Spring 2019.

### **Assumptions**

In determining the funding gap over the medium term, a number of key assumptions are or will be made. These are set out below.



## **Expenditure**

### **Pay Awards**

Provision for Pay Awards is made based on the pay agreement for 2018/19 and 2019/20 and incorporating the impact of the Living Wage. Provision for 2020/21 and 2021/22 is made at 2%, in line with the anticipated prevailing rate of inflation.

### **Price Inflation**

Contractual inflation is provided for at levels between 2.5% and 3% in each year of the MTFS. Provision for energy inflation is 5% annually. There is no provision within the MTFS for indexation on general non-pay budgets. Services are expected to contain any inflationary impact through improved efficiency.

### **Fees and Charges**

Council's fees and charges should increase annually by at least the rate of inflation. Assumed increases of 2.5% for both 2020/21 and 2021/22 have been built into the MTFS.

### **Provisions**

The MTFS includes funding for investment in Adults & Children's services which recognises current demand and activity levels and the plans in place for budget savings and cost reductions, to enable the services to be delivered within a sustainable funding envelope.

The Council's reserves strategy has been refreshed alongside the development of a two-year balanced budget proposal for 2019/20 and 2020/21 and taken together demonstrate a sound financial position for the Council.

In addition, within the Budget and Council Tax 2018/19 report, Council agreed to continue to take advantage of the flexibility allowed to use capital receipts to fund revenue transformational expenditure. This is agreed up to 2020/21. Following clarification in the Final Local Government Finance Settlement for 2018/19 the intention is to extend this agreement to 2021/22.

The capital receipts flexibility and the options of support to the revenue budget puts the focus on the importance to the budget strategy of the Council prioritising the delivery of capital receipts from assets sales.

## **Resources**

### **Council Tax**

Council Tax income is estimated based on annual growth in the council tax base of 1%, in line with recent trends and annual increases in the rate of council tax of 2.99% for the period 2019/20 to 2021/22 subject to confirmation by the Government of the council tax referendum threshold to be applied beyond 2019/20.

The Council Tax Base is set assuming a 97% collection rate of council tax. This is in line with the in-year collection rate in recent years. The ultimate collection rate of council tax is around 99% which has enabled the Council to release funds from the council tax collection fund to support the budget on an annual basis. A sum of £3m

support from the collection fund is built into the 2018/19 budget and a further £3m per annum for 2019/20 and 2020/21, with £2.5m included for 2021/22.

The Council has levied Adult Social Care Precepts at 3% for 2017/18 and 2018/19 and therefore has now applied the current maximum 6% ASC precept allowed between 2017/18 and 2019/20. On that basis there is no further additional ASC precept assumed for 2019/20. Also there is no assumption of further ASC precepts being allowed in 2020/21 or 2021/22. Should the Government decide to allow further ASC precepts and should the Council agree to levy a further precept then this would provide additional resources above the level assumed in the MTFS.

### **Business Rates**

Business Rates income is based on annual indexation at 3% and local growth expectations of around 4% over the next three years, split as 2% in 2019/20 and 1% in each of the years 2020/21 and 2021/22. Business Rates top-up grants, compensation for the multiplier cap and Section 31 Grants are based on Government information for 2019/20 and an assumption that the benefit of those grants continues within the move to 75% Business Rates Retention.

### **New Homes Bonus Grant**

New Homes Bonus Grant is based on a similar level of annual growth of 1% and assumes that the Government maintains the 0.4% baseline annual increase below which no New Homes Bonus is payable.

### **Public Health Grant**

The Government has issued indicative Public Health Grant allocations for 2019/20. The MTFS assumes that allocations from 2020/21 and 2021/22 onwards will reflect the outline for Public Sector funding as set out in Autumn Budget 2018.

### **Housing Benefit Administration and Local Council Tax Support Administration Subsidies**

There is an assumption that there will be a cash-standstill with the expectation that the grant will be rolled into the 75% Business Rates Retention from 2020/21.

### **Update to the 2019/20 funding gap**

The latest financial monitoring position reported to Cabinet in February 2019 continues to highlight significant demand pressures, particularly in relation to social care. These pressures are acknowledged within the two-year budget proposals which will be put to Council for approval in February 2019. The table below demonstrates how a proposed balanced budget for the next two years has been put together.

This includes recognition of rising costs of social care, as described on Page 11 and a range of financing and strategic decisions taken by the Council with regard to capital financing, use of capital resources and treasury management strategies.

Further details of budget savings are set out in the Budget and Council Tax Report 2019/20.

<b><u>Balancing the Budget</u></b>	<b>2019/20</b>	<b>2020/21</b>
	<b>£m</b>	<b>£m</b>
<b>Budget Gaps as per Budget Report 2018/19</b>	<b>15.8</b>	<b>13.9</b>
<b><u>Social Care Related Cost Increases</u></b>		
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
<b>Total Budget Gaps/Overspends to address</b>	<b>29.9</b>	<b>13.8</b>
<b><u>MTFS Adjustments</u></b>		
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)
<b>Total Corporate Efficiencies &amp; MTFS Adjustments</b>	<b>(15.3)</b>	<b>(3.4)</b>
<b>Updated Net Budget Gap</b>	<b>14.6</b>	<b>10.4</b>
<b><u>Future Decisions</u></b>		
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)
<b>Total Impact of Future Decisions</b>	<b>(8.9)</b>	<b>(17.4)</b>
<b>Net Position before other actions to Balance Budget</b>	<b>5.7</b>	<b>(7.0)</b>
<b><u>Finalisation of a Balanced Budget</u></b>		
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
<b>Balanced Budget Position</b>	<b>0.0</b>	<b>0.0</b>

In setting a robust medium term financial strategy, the Council needs to consider the three-year period 2019/20 to 2021/22. In doing so, the Council has given consideration to the expenditure and funding projections for 2021/22 in the context of setting a balanced budget in the previous two financial years, as set out above.

Pay and price inflation have been assumed as highlighted in the assumptions above. The projections also reflect capital financing pressures in the context of the Council's Treasury Management Strategy and capital programme.

The Council has assumed that in light of the measures taken in setting a balanced budget for 2019/20 and 2020/21 and the Big Hearts, Big Changes Programme it can manage demands in respect of social care within budget.

Given that the Government has indicated an end to austerity; the Council has reflected this in its funding projections. The funding projections for 2021/22 assume that there will be an end to austerity, therefore it is assumed that Government Grant allocations will be paid on a 'cash flat' basis, in the context of a move to 75% business rates retention in 2020. In light of this the Council will be in a position to set a balanced budget in 2021/22 without the need for further service budget reductions.

However, it is important to note that this would be a balanced budget based on the budget proposals for 2019/20 and 2020/21, with no provision to provide for any further additional costs of social care above those budget levels, unless the Government addressed the issues of escalating social care costs with additional funding.

Furthermore the assumption of a balanced budget is on the basis that:

- The Comprehensive Spending Review 2019 announces no further funding cuts to local authorities and therefore the Council's Government Grant allocations from 2019/20 onwards, including Public Health, are continued at 2018/19 levels i.e. on a "cash flat" basis
- The funding for iBCF is maintained at the 2019/20 total level of funding
- There are no further cuts to the level of New Homes Bonus grant allocations
- Council Tax Referendum Threshold principles are maintained at least at 3% i.e. councils can increase the basic level of council tax annually by at least 2.99%
- The outcomes from the move to 75% business rates retention and the Fair Funding Review are not detrimental to the Council;
- Business Rates continue to grow on the same trajectory as that seen in recent years as the economy of Rotherham continues to expand.

The table below shows the resources and budget position across the two year budget strategy, together with estimates for 2021/22

### Budget and MTFS 2019/20 to 2021/22

<b><u>Resources</u></b>	<b>2019/20 Budget £000</b>	<b>2020/21 Estimated £000</b>	<b>2021/22 Estimated £000</b>
<b><u>Government Funding</u></b>			
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 Cap 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
<b>Total Government Funding</b>	<b>69,020</b>	<b>66,728</b>	<b>67,229</b>
<b><u>Council Resources</u></b>			
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
<b>Total Council Resources</b>	<b>152,126</b>	<b>157,747</b>	<b>163,079</b>
<b>Total Resources</b>	<b>221,146</b>	<b>224,475</b>	<b>230,308</b>

<b><u>Expenditure</u></b>	<b>2019/20 Budget £000</b>	<b>2020/21 Estimated £000</b>	<b>2021/22 Estimated £000</b>
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
<b>Total Budgets</b>	<b>221,146</b>	<b>224,475</b>	<b>230,308</b>

\* 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

## **Risk Based Reserves Policy**

The Council needs to maintain an appropriate level of General Fund balances to maintain financial stability and to manage any identified and increased financial risk. In determining the minimum level of balances, key factors include:

The risks inherent in the budget;

- The level of specific reserves and associated financial provisions;

- The future risks the Council may be exposed to;
- The Council's history in delivering services within the budgetary provision set.

The Council has undertaken a review of all its General Fund Reserves and the commitments and liabilities against them. This review has established that some of the reserves are no longer needed for the purpose that they were originally established.

Taking into account the proposed balanced budget over the next two years and the level of uncommitted reserves which the Council expects to be in place by March 2021, a refreshed reserves strategy is being put into place which adds those reserves no longer required to the Council's Minimum Balance and retains a number of smaller reserves which can be used more flexibly if/as required.

The Strategy takes into account the Council's expected balanced financial outturn for 2018/19 and the budgeted contribution to reserves for 2020/21

This is summarised below and is considered to be a sustainable financial position for the medium term taken alongside the balanced two year budget for 2019/20 and 2020/21 and the estimated resources and budget position for 2021/22 as outlined above.

### **General Fund Reserves Forecasts**

<b>Reserve</b>	<b>Balance 31Mar 2018 £000</b>	<b>Expected Balance 31Mar 2019 £000</b>	<b>Expected Balance 31Mar 2020 £000</b>	<b>Expected Balance 31 Mar 2021 £000</b>
<b>Minimum Balance</b>	<b>11,269</b>	<b>16,812</b>	<b>16,812</b>	<b>21,112</b>
<b><u>Corporate Reserves</u></b>				
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	-	-
<b>Total Corporate Reserves</b>	<b>30,116</b>	<b>16,081</b>	<b>14,141</b>	<b>12,008</b>
Public Health Grant	850	410	0	0
<b>Total Reserves</b>	<b>42,235</b>	<b>33,303</b>	<b>30,953</b>	<b>33,120</b>

In setting the annual budget, the Strategic Director of Finance and Customer Services will continue to review the reserves position and advise as to a prudent and necessary minimum level of uncommitted balances/reserves.

Financial risks will continue to be effectively identified, quantified and managed to ensure that the available General Fund balance alongside other reserve provision is reasonable to protect the Council from these potential risks as detailed in the following section.

## **Risks and Uncertainties**

### **Business Rates**

The Government's announcement in December 2017 that there will be a move towards 75% business rates retention in 2020/21 provides uncertainty in the funding system. There will be a significant period of consultation with local government around the new scheme and it is likely local government will know the final outcome at the end of 2019. The Government issued further consultation documents in respect of business rates retention and the Fair Funding Review alongside the Provisional Settlement 2019/20.

There are some key sensitivities in relation to business rates, some of which have been highlighted in the funding section above. These include:

- Growth forecasts
- Revaluations
- Reset of the system during the move to 75% business rates retention
- Appeals – this is a highly volatile area and one which the sector has been asking the Government to address at the national level rather than the local level given its instability. The appeal in relation to NHS trusts is still ongoing. The outcome of this could be significant for local government.
- Potential loss of income in the event of a significant business in the Borough ceases trading

### **Council Tax**

The Government may reduce the referendum limit below the threshold seen in recent years. This would restrict councils' ability to raise Council Tax levels. Rotherham has assumed a 2.99% increase over the medium term, based on Government indications that this would be the likely referendum limit in line with the limit set for 2018/19. Any restrictions below this threshold means a reduction in the level of Council Tax income assumed. However, at present, it seems unlikely that the threshold will be reduced given that Government confirmed in the Finance Settlement 2019/20 that there will be a 3% referendum threshold for 2019/20.

### **New Homes Bonus**

There is a risk that the Government provides further amendments to the scheme which sees a significant fall in the level of funding for the Council. For example, further reducing the payments from 4 years to 3 years or increasing the growth threshold above the current 0.4% limit. No changes were made to the basis of



funding allocations for New Homes Bonus in 2019/20, but the Government continues to consider other incentives to encourage Housing Growth.

### **Social Care Funding**

The additional improved Better Care Fund announced in March 2017 is for the three financial years 2017/18 to 2019/20. In the event that the funding ceases, local authorities will be faced with a financial ‘cliff-edge’ that may impact on the delivery of social care services.

### **Public Health Grant**

The Strategy has assumed that from 2020/21 the level of grant will reflect the outline for Public Sector funding indicated in Autumn Budget 2018 and be maintained at 2019/20 levels. This will not be confirmed until the details of spending Review 2019 are announced. In addition, the move to 75% Business Rates Retention is likely to see Public Health Grant rolled-in to the scheme and the Council will have to be mindful of this impact.

### **Pay and Price Inflation**

The Strategy has assumed annual pay awards of 2% in line with recent pay awards. Anything over and above this will be an additional budget pressure.

### **Budget Savings**

Where a Directorate is unable to meet previously agreed budget savings, it must mitigate this by producing alternative budget savings. Failure to do so may result in an overall Council overspend that will see the General Fund balance depleted. The implementation of budget savings is monitored monthly to reduce and address risks.

### **Funding Reviews**

The recent Public Accounts Committee Report on the Financial Sustainability of local authorities highlights the funding uncertainty existent within the system:

- The Spending Review 2019 will be announced in March 2019 with the potential for further cuts to the sector
- Fair Funding Review which will examine a ‘cost driver’ approach to ensure the funding system is fair and transparent
- Move to 75% Business Rates Retention in 2020/21

The Report goes on to recommend that local authorities are provided with the outcome of the Fair Funding Review as early as possible in 2019 and to provide certainty that local authority funding for 2020/21 and 2021/22 will be within a certain margin of change and that they will put in place transitional arrangements to mitigate the effects of substantial changes in funding levels over the medium term.

### **Brexit**

According to the Government’s EU exit analysis of January 2018, the geographical impact of Brexit could be greater in areas that are more “exposed to the change in trade barriers” because of their “export composition”, meaning economies that rely more on goods than services may see a greater negative impact. It also suggests that areas with “a higher dependence on exports” may be more adversely affected. In addition to this, any overall drop in growth may translate into further cuts to council funding, affective service quality and the availability of public sector jobs. This ultimately means that some areas may be harder hit than others.

Local areas stand to lose £8.4bn of EU structural investment when the UK leaves the EU.

The Local Government Association has highlighted that local areas in England have been allocated a share of £5.3 billion of EU regeneration and infrastructure funding up to 2020. The value of the European Structural and Infrastructure Fund to the Sheffield City Region (SCR) is around £180 million. To access the money, each area has put forward numerous proposals and programme outlines, to create jobs, improve skills or build new infrastructure; and it is up to the Government (current “devolution deals” aside) to decide which projects the money can be spent on. The LGA estimates that billions of this EU funding has yet to be released to local areas; and key element of the SCR devolution deal, as consulted on, has been the devolution of greater decision making over this funding to the local area from Whitehall.

Following EU Exit, transitional arrangements are expected to last until the end of 2020 so there is a strong likelihood that the current EU budget to 2020 will stay in place along with all Structural Funds. However, there will be no EU structural funds after 2020 and there must be concern about what, if anything, will replace them from the UK Government. Policy since 2010 has not favoured regeneration funding (e.g. SRB or Neighbourhood Renewal) so the outlook for deprived areas is not positive. The real impact though, will be the difference between what Rotherham might have received through structural funds beyond 2020 and what alternative funding regimes may be put in place by the British government in future.

### **Pension Fund**

The Council participates in three separate pension schemes relating to: Teachers, Local Government employees and staff performing Public Health functions who transferred to the Council on 1 April 2016. All three schemes require contributions from both the employer and the employee, and provide members with benefits calculated by reference to pay levels and length of service.

Rotherham Council also participates in the Local Government Pension Scheme (LGPS), administered by the South Yorkshire Pensions Authority (SYPA), which provides retirement and other benefits for the majority of its staff - some 84% of those staff eligible are members of the scheme.

The most recent triennial actuarial revaluation was in March 2016 and the next will show the position as at 31st March 2019. The results of this revaluation on contribution rates for employers and employees will take effect from April 2020. As part of the revaluation SYPA reviews its investment strategy to match investment returns to the expected benefits payments.

At the last triennial revaluation Rotherham Council's share of the Fund deficit was assessed by actuaries as £129 million in March 2016 - 88% of scheme liabilities. In accordance with the Pension Fund investment strategy and deficit recovery plan the Council has made contributions towards its portion of the deficit.

Recently, in common with other local government pensions funds, the SYPA's funding level has improved to the extent that it is currently close to eliminating the deficit and being fully funded. The pensions authority has set in place a strategy to protect this position and to mitigate the risk of future deficits. Going forward into the

2019 Triennial review the Fund is aiming to stabilise contributions rates in light of the funding level, liabilities and the effect of future investment and changes in ill health and life expectancy. In consequence, it is anticipated that the ongoing service contribution rates will increase following the revaluation, however as there is not expected to be a deficit, it is also likely that there will be a material net reduction in Local Authority contributions which would take effect in 2020/21 onwards.

### **IFRS9**

The Public Accounts Committee report referred to earlier in this section also raises the issue of the new international accounting requirements for the treatment of gains and losses from investments and the significant volatility to local authorities general funds that this could have.

## **The Council's Capital Spending Plans**

In order to provide services and deliver the Corporate Plan objectives, the Council needs access to long term assets such as buildings and roads. These long term assets are defined as capital expenditure. Capital expenditure is governed and operated under the Prudential Framework for Local Authorities in England. This Framework is a general term for a number of statutory provisions and professional requirements that allows authorities to determine their own plans for capital investment and expenditure, subject to a council following due process in agreeing these plans and being able to provide assurance that they are prudent and affordable. The Council's Capital Programme is funded through a number of sources including Prudential Borrowing, capital grants and contributions, revenue contributions and capital receipts.

The Capital Programme to 2022/23 sets out the Council's future capital investment plans to ensure that investment decisions are clearly aligned with the Council's strategic priorities and vision for Rotherham.

The Capital Strategy will help to deliver a Capital Programme that is affordable and sustainable, and contributes to the Borough's economic growth.

The Housing Revenue Account Capital Programme aligns with the priorities set out in the HRA Business Plan.

The Council's funding strategy in respect of the Capital Programme is based on the following key principles:

- Capitalisation opportunities will be maximised, where accounting rules allow;
- 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 2018/29 to 2021/22. As a general principle, capital receipts will be earmarked to minimise revenue costs.

The Capital Programme for the period 2018/19 to 2022/23, sees investment of over £400m in the Borough including Housing, which recognises the importance of capital investment in our built environment and infrastructure environment in bringing

about economic growth and improving the attractiveness of the Borough as a place to live, learn, work, visit and play. Details of the revised and updated Capital Programme are reported to Council in February 2019 within the Budget and Council Tax Report 2019/20.

Whilst interest rates remain low, the Council has continued to take advantage of the current availability of short-term cash loans at very favourable rates and did not take out any new long-term loans in 2017/18 or in 2018/19 to date. The approach is considered low risk. In the event that the markets change, the Council is in a position to take out long-term loans which would be a more cost effective option.

The Council's Capital Spending Plans are aligned to the Council Plan priorities:

### **Every child making the best start in life**

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

The Council has a duty to provide sufficient accommodation for looked after children. There is also a requirement to ensure that looked after children are placed in foster or adoptive homes with their siblings, unless there is a child welfare reason not to do so. Funding is provided to enable foster carers and adopters to enlarge their homes, or in some circumstances to obtain an alternative larger home, is designed to increase the Council's capacity to accommodate looked after children locally and in particular to provide for additional capacity to secure permanence for sibling groups with foster carers and adopters.

### **Every adult secure, responsible and empowered**

Digital technology and the independence provided to individuals through assistive technology is key part of adult social care's transformation and capital funding of £2.7m has been identified to enable the continued development of products and services.

The Assistive Technology service provides vulnerable customers with a range of personal triggers and auto alerting telecare equipment. This equipment is installed in customer's properties to alert the Rothercare service or an on-site carer; if for example the person has fallen, exited the property at an inappropriate time of day/night or has an Epileptic seizure. GPS trackers are also issued for vulnerable people to still be able to access the community but can be located if there is concern.

The service provides a diverse range of equipment which can create bespoke

packages to meet individual needs/risks to enable the individual to remain as independent as possible whilst reducing the risks.

A range of non-telecare preventative equipment is also issued e.g. orientation clocks, lockable automated medication dispensers; automated reminder screens; also specialist equipment to support both Visual and Hearing impaired individuals.

There is also investment in mobile applications technology which will enable our care workers to record and complete assessments in real time, providing service users, with the opportunity to review and sign documents, thereby reducing delays and multiple data inputting.

### **A strong community in a clean safe environment**

Highway Authorities Rotherham's footway network has been gradually deteriorating after suffering from years of under investment. Winter freeze/thaw actions and severe weather events have served to accelerate the already deteriorating footways and highlight the poor structural condition.

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

In 2018/19, the Council prioritised an initial investment of £1m in the Councils footway network in 2018/19 to slow the decline of the condition, which is currently around 4% per year.

Investment in two mechanical cleaning vehicles will support the provision of mechanical across the Authority. Rotherham Metropolitan Borough Council undertakes scheduled street cleansing using a mixture of manual (litter-picking) and mechanical (path/road sweeping) resources. Mechanical cleansing is by far the most efficient and effective way to keep the public highway clear of litter and detritus. Regular mechanical cleaning of highway channels removes litter, but also prevents the build-up of detritus and weed growth, and supports the cleanliness of drainage gullies. The machines are currently being procured.

The Council services 1,880 litter bins across the borough (7.2 per 1,000 head of population). Of these around 120 are in the main town centre of Rotherham. A recent audit showed that around 15% of the litter bins are damaged, missing or inappropriate, and require repair or replacement. At present the number of requests for repair or replacement of litter bins outstrips our financial capacity, and has led to a backlog of reactive repairs. At present there are around 150 requests for litter bins to be replaced across the Borough. In addition to this, there are a number of litter bins across the Borough which, whilst not damaged beyond repair, would merit replacement. We plan to replace 160 bins across the borough.

Our investment in solar compaction litter bins will help with remote monitoring, that can inform the operational service when bins are full, and support operational services to plan bin emptying more effectively, with an assumption that they can reduce the number of required collections by around 80%, and that this also leads to reductions in the use of bin liners, and vehicle wear and tear and fuel consumption. In turn the manufacturers claim that the high cost of these bins can be offset by savings through productivity and route efficiency, through optimised collections, reallocated resources and reduced man hours.

Investment in Rother Valley Country Park means that it will have its own camping and caravan site. The site will offer 129 pitches for touring caravans and motorhomes, plus spaces for 34 tents, along with modern toilet and shower facilities, a reception block with café bar, a shop for visitors and a children's play area. The business generated by these facilities is expected to help the long-term future of Rother Valley Country Park and ensure it continues to be a popular destination for those in the borough and surrounding areas.

The Council plans to deliver 12 bungalows for older people, through a pilot to test alternative modern construction methods. Funding for the pilot will come from the Housing Revenue Account (HRA) and, subject to confirmation, grant funding from the Sheffield City Region's Housing Fund. 'Modern methods of construction' (MMC) is a generic term used to cover several different types of homes that are manufactured in a factory environment and either fully or partially assembled in the factory, or the component parts are assembled on site. MMC could provide an efficient alternative to traditional construction methods for the following reasons:

- Increased pace of delivery
- Quality and energy efficiency can be higher
- Some providers claim the costs are lower than traditional construction

### **Extending opportunity, prosperity and planning for the future**

The town centre masterplan details how major development will take place - from a vibrant leisure quarter at Forge Island, attractive outdoor spaces, and high quality riverside living. Highlights of the plan include:

- Forge Island developed into a major leisure destination including a new cinema, a quality hotel, food and drink and potentially a new theatre. The capital programme for 2019/20 includes investment in the flood defence scheme associated with this development.
- More than 350 high quality riverside homes, offering buyers spacious, well-designed waterfront living at competitive prices
- The opening-up of Rotherham outdoor market, with a new attractive stepped entrance and space for a new community advice hub
- A new higher education development at Doncaster Gate scheduled to open in September 2018
- A refurbished bus interchange and multi-storey car park, funding for which has already been secured

- A series of upgraded streets and spaces including a vibrant green space at Effingham Square and new pedestrianised setting and traffic calmed environment at Grimm & Co.
- Utilisation of unused land to construct a new business centre at Manvers Way, Wath-upon-Deane.

Rotherham Metropolitan Borough Council wishes to improve the vitality and viability of the town centre of Swinton, introducing additional residential accommodation in close proximity to the centre together with a civic and community offer complemented by an enhanced retail offer in the form of a limited number of new units and refurbishment of the existing parade.

### **Technology**

All of us, to varying degrees, now expect technology to be part of our lives and part of the way we do business. We need to make it easy for people to do business with the Council online whilst recognising that there will still be a proportion of the population that will still want to do business on the telephone or indeed face to face.

The Council's Digital Strategy sets out its vision for putting technology at the forefront of the Council's journey to become a modern, high performing local authority. The Strategy recognises what digital can do for Rotherham: bringing communities together, strengthening relationships between the Council and its customers.

The updated Capital Programme proposals for 2018/19 to 2022/23 include implementation of Office 365, a customer management system and technology to support social care.

### **Asset Rationalisation and Disposals**

The Council has been actively rationalising its operational and non-operational estate for the last five years, which has delivered both capital receipts to help fund further investment priorities as well as revenue savings. A Corporate Property Strategy sets out how the Council will manage its property portfolio over the next 5 years and how it will work with and challenge services on their proposed use of property to deliver services.

## Housing Revenue Account

The Council currently owns circa 20,400 homes, 544 leasehold homes and 3,375 garages with a turnover from rents and other sources approaching £82m per annum (excluding the sale of new properties).

The overall financial strategy for the HRA is focused on:

- Supporting housing growth (circa £105m including grant income will be available over the next five years, subject to Cabinet approval of remaining projects)
- Supporting delivery of the Council's Corporate Plan
- Maintaining a sufficient level of balances, both as a contingency against risks and to ensure that investment can be sustained over the period of the business plan
- Achieving and maintaining the decent homes standard
- Providing a customer focused and effective repairs service
- Supporting housing and neighbourhood management

The proposed changes means there is a need to restructure the budget. With this in mind proposals are designed to ensure:

- There is a significant contribution to housing growth and support to the Council's Corporate Plan
- Whilst savings are made no action is taken that will undermine the Council's longer term ability to react to changes
- Provision is made to ensure there are sufficient resources available to invest in services where there is an identified need
- The longer term viability of the HRA business plan is maintained
- Budgets remain flexible to react to any significant changes in property numbers currently expected or further government policy changes
- No early repayment of debt is made



## **Delivering and Monitoring the Financial Strategy**

This Strategy has set out the challenges and the options facing Rotherham MBC over the next 3 years. The underpinning budget is being developed using a policy-led approach that is corporately owned and will consider and explore opportunities to modernise services, do things differently and ensure that the longer-term implications of both savings and investments in the short-term are fully considered across all services.

The budget setting process identifies the services pressures faced by the Council and ensures that resources are allocated to where they meet with Council Plan priorities and are affordable. Robust budget saving options are developed to ensure that the Council addresses its funding gap and these options are widely consulted with key stakeholders including the electorate. Development of the Council budget adopts robust governance principles ensuring both members and officers are involved in the process considering all relevant information. There is a strong emphasis on understanding both the national and local environment which inform the decision making process. Evaluation of key pressures including pay and price levels, statutory changes and demand for service is undertaken.

Each month managers receive timely information on expenditure and income on each budget which is sufficiently detailed to enable them to fulfil their budgetary responsibilities.

Financial monitoring reports which include an up to date outturn forecast are submitted to Cabinet at least 6 times a year. Overview and Scrutiny Management Board also review Financial Monitoring reports on a quarterly basis alongside quarterly performance reports on the Council Plan.

The Medium Term Financial Strategy will be kept under review alongside the monitoring of delivery of the Council's budget and performance objectives as set out in the Council Plan.

In particular the MTFS will be refreshed following the publication of Spending Review 2019 which is expected to be in Spring 2019.