

**Committee Name and Date of Committee Meeting**

Cabinet – 17 February 2020

**Report Title**

Budget and Council Tax 2020/21 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**

Judith Badger, Strategic Director of Finance and Customer Services

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**Ward(s) Affected**

All

**Report Summary**

This report proposes the Council's Budget and Council Tax for 2020/21, based on the Council's Provisional Local Government Finance Settlement for 2020/21, budget consultation and the consideration of Directorate budget proposals through the Council's formal Budget process alongside a review of the financial planning assumptions within the Medium Term Financial Strategy.

In setting the proposed 2020/21 budget, Cabinet are asked to recommend to Council, an increase of 0.99% in the Council's basic Council Tax and an Adult Social Care precept of 2.0%.

This report proposes the revenue budget for 2020/21, being the second year of the two-year budget for 2019/20 and 2020/21 set by Council in February 2019.

**Recommendations**

That Cabinet resolves to recommend to Council:-

1. Approval of the Budget and Financial Strategy for 2020/21 as set out in the report and appendices, including the proposed budget adjustments and investments, a basic Council Tax increase of 0.99% and an Adult Social Care precept of 2.0%.
2. Approval of the updated Medium Term Financial Strategy (MTFS) to 2022/23.

3. Approval of the Reserves Strategy as set out in Section 2.8 noting that the final determination of Reserves will be approved as part of reporting the financial outturn for 2019/20.
4. To note and accept 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. To note the consultation feedback from the public, partners and Overview and Scrutiny Management Board (OSMB) following public consultation on the Council's budget for 2020/21 which took place from 13th December 2019 to 13<sup>th</sup> January 2020 (Section 4).
6. Approval of the proposed increases in Adult Social Care provider contracts as set out in Section 2.4.
7. Approval of the changes to allowances for Special Guardianship Orders and Child Arrangement Orders as set out in Paragraph 2.6.9.
8. Approval of the investment proposals set out in Section 2.7 and Appendix 2.
9. Approval of the Council Fees and Charges schedules for 2020/21 attached as Appendix 7.
10. Application of the Business Rates Reliefs as set out in Section 2.9, in line with Government guidance.
11. Approval of the proposed Capital Strategy and Capital Programme as presented in Section 2.10 and Appendices 3A to 3F.
12. Approval of the Treasury Management Matters for 2020/21 as set out in Appendix 4 of this report including the Prudential Indicators, the Minimum Revenue Provision Policy, the Treasury Management Strategy and the Investment Strategy.
13. Approval of the Flexible use of Capital Receipts Strategy 2020/21 (Appendix 5).
14. Approval that the Capital Programme budget continues to be managed in line with the following key principles:
  - (i) Any underspends on the existing approved Capital Programme in respect of 2019/20 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2019/20 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.

### **List of Appendices Included**

Appendix 1	Council tax Base 2020/21
Appendix 2	Proposed Revenue Budget Investments
Appendices 3A – 3F	Proposed Capital Programme 2019/20 to 2023/24
Appendix 4	Treasury Management and Investment Strategy and Prudential Indicators 2020/21 to 2022/23
Appendix 5	Flexible use of Capital Receipts Strategy 2020/21
Appendix 6	Budget 2020/21 - Net Budget Requirement to be met by Council Tax – Statutory Resolution (to be included in the Budget and Council Tax 2020/21 report to Council 26 <sup>th</sup> February 2020).
Appendix 7	Schedule of proposed Fees and Charges 2020/21
Appendix 8	Background to the Budget & Financial Strategy
Appendix 9	Report on Budget Consultation 2020/21

### **Background Papers**

- Council Tax Base 2020/21 – Officer Delegated Decision record
- Housing Rents 2020/21 – Cabinet 23<sup>rd</sup> December 2019, Council 22<sup>nd</sup> January 2020
- Housing Revenue Account Business Plan 2020/21 – Cabinet 23<sup>rd</sup> December 2019, Council 22<sup>nd</sup> January 2020.
- Provisional Local Government Financial Settlement – 12<sup>th</sup> December 2019
- Budget and Council Tax 2019/20 and Medium Term Financial Strategy – Council 27<sup>th</sup> February 2019
- December Financial Monitoring Report – Cabinet 17<sup>th</sup> February 2020
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2018/19 – Audit Committee 26<sup>th</sup> November 2019
- 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 – 12 February 2020

Council – 26 February 2020

### **Council Approval Required**

Yes

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

No

## **Budget and Council Tax 2020/21**

### **1. Background**

1.1 This section of the report incorporates the following financial matters related to the Budget and Financial Strategy for 2020/21, together with an updated Medium Term Financial Strategy to 2022/23.

### **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. The Government intervention was formally concluded on 31st March 2019.

1.2.2 However, in common with councils across the country, significant pressures remain social care budgets.

1.2.3 The Council remains committed to protecting the most vulnerable children and adults and to delivering improved value for money, but has to ensure that social care services are delivered within the financial envelope set within this budget. The additional social care resources provided within the Finance Settlement for 2020/21 are welcome, as is the Government statement within the December 2019 Queens' Speech that these additional resources will be delivered across the life of this Parliament, but this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association. There is still therefore the need for the Council to transform the delivery of social care services in order to maintain effective service provision within the available funding.

1.2.4 Since the introduction of austerity measures in 2010, the Council has made savings in excess of £200m in response to the significant reductions in Central Government funding. This includes savings of £16m to be delivered in 2020/21 which were agreed last year within the two-year budget for 2019/20 and 2020/21 approved by Council in February 2019.

1.2.5 The expected financial outturn position for 2019/20 has been taken into account along with the level of reserves and opportunities to manage risk within the budget. The final position for reserves however will not be known until after the financial year end.

1.2.6 The current financial position (2019/20) highlights the significant financial challenges which the Council continues to face, largely as a result of demand for social care services.

### **1.3 Revenue Budget Position 2019/20**

- 1.3.1 The December revenue financial monitoring position which is reported to Cabinet on 17th February 2020, on the same agenda as this budget report, shows a forecast overspend of £4.0m. £3.2m remains in the budget contingency reserve, set aside in 2018/19, the potential additional impact on reserves of the forecast overspend is therefore £0.8m. Key issues of forecast overspend within the Directorates are set out below.
- 1.3.2 Within the Children's and Young People's Services Directorate the number of Looked After Children is currently below the budget profile but the placement mix of having too many external residential placements is the main reason for continuing budget pressures. The forecast overspend is £5.9m.
- 1.3.3 The Adult Care Housing and Public Health Directorate is forecasting an overspend of £1.4m. This is based on full delivery of savings identified by implementing the new target operating model and part year savings from the reassessment programme and review of Learning Disability services. Within this overall position, Adult Care services are forecast to overspend by £2.1m largely as a result of increasing demand for services.
- 1.3.4 Regeneration and Environment Directorate is forecasting an overspend of £2m from a combination of demand led pressures in Home to School Transport, shortfalls in some income budgets and some timing issues with delivery of some budget savings.
- 1.3.5 Both Finance and Customer Services and Assistant Chief Executives Departments are underspending, along with substantial savings in central services budgets bringing the net overspend to £4m.

### **1.4 Provisional Local Government Finance Settlement 2020/21**

- 1.4.1 The Government published details of the Provisional Local Government Finance Settlement on 20th December 2019. The Strategic Director - Finance and Customer Services submitted the Council's response to the provisional settlement consultation, within the deadline for responses of 17th January 2020.
- 1.4.2 The key headlines from the Settlement are:
- The basic Council Tax referendum principle for 2020/21 is 2% i.e. a maximum increase of 1.99%.
  - In addition, social care authorities will be able to increase their Council Tax by up to 2% (over the basic referendum threshold of 2% referred to above).
  - Provisional allocations for a Social Care Support Grant announced after the Spending Round 2019 are now confirmed in the Provisional Settlement. The Council's allocation for 2020/21 is £8.393m.

- The provisional allocations for the New Homes Bonus have been published for 2020/21. The threshold over which the bonus is paid will remain at 0.4%. However, 2020/21 allocations will be for one year only. There will be no legacy payments in future years, pending a Government review of New Homes Bonus.
- The figures published for Revenue Support Grant and Business Rates are in line with indications from the Spending Round. The Public Health Grant allocations have not yet been issued at the time of publishing this budget report.

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. Details of this local funding are 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**

	2019/20	2020/21	Difference
	£'000	£'000	%
Revenue Support Grant	14,857	15,100	1.6
Business Rates Top Up	28,943	29,415	1.6
<b>Provisional Settlement – Government Funding</b>	<b>43,800</b>	<b>44,515</b>	<b>1.6</b>

1.4.4 In addition, the Government compensates councils for years in which they apply an indexation cap, (below the annual increase in the Retail Price Index), on Business Rates and the associated Top-up Grant. The additional Top-up Grant provided by a Section 31 Grant for under-indexation in 2020/21 is £232k to take the actual Top-up increase to 2.4% in line with the September 2019 RPI increase.

1.4.5 The Government Spending Round 2019 set out proposed public sector funding for one year only (2020/21). Consequently, the Local Government Finance Settlement for 2020/21 is a one-year only Settlement. The Government plans to undertake the delayed Spending Review during 2020, which along with a Fair Funding Review of Local Government finances and a proposed move to 75% local retention of Business Rates will determine the Council's funding from Government for 2021/22 and beyond. There therefore still remains uncertainty about the future funding model.

#### **1.4.6 Dedicated Schools Grant (DSG)**

1.4.7 The Council also receives funding to deliver education in Rotherham, the Dedicated Schools Grant (DSG). The DSG (£252.7m) is split into four blocks and each block is determined by a national funding formula:

- The Schools Block for 2020/21 is £197.1m and is allocated to mainstream schools and academies in the Borough based on pupil numbers taken from the October 2019 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 £4,186.71 and the Secondary unit is £5,604.92.
- The Early Years Block is £17.6m and the majority of the spend is allocated for two, three and four year olds in schools, private, voluntary and independent organisations. The hourly rate per pupil has increased from £4.30 to £4.38 for three & four year olds and £5.20 to £5.28 for two year olds.
- The High Needs Block is £36.9m and is used to fund pupils who require specialist education. 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 that are receiving additional support via an Education, Health and Care (EHC) Plan has almost doubled since 2014.
- Due to the number of EHC plans this has led to financial pressures on the High Needs Block in Rotherham and to address the cost pressures the local authority has implemented a three year financial recovery plan.
- The HNB funding is 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 detailed below.

- The Department for Education has announced that the Disadvantaged Pupil Premium rate will increase from April 2020 by £25 for Primary Pupils (from £1,320 to £1,345) and £20 for Secondary Pupils (from £935 to £955). Disadvantaged Pupil Premium is paid for all pupils who claim free school meals, or who have claimed free school meals in the last six years.
- The Pupil Premium Plus, which is paid for every pupil who has left Local Authority care through adoption, a special guardianship order or child arrangement order, will also increase from April 2020, by £45 (from £2,300 to £2,345 per pupil)
- The Service Premium, for every pupil with a parent serving in the Forces or who is retired on a Ministry of Defence pension will increase from £300 to £310 for the 2020/21 financial year.

#### **1.4.10 Additional Grants to Schools**

- Teachers' Pay Grant is designed to provide schools assistance in meeting the costs of the pay increases over and above the 1% schools would have already expected. The grant is payable in 2019/20 and 2020/21.
- Teachers' Pension Employer Contribution Grant offers schools assistance in meeting the financial costs of the increase in employer contribution costs to the Teachers' Pension Scheme.
- Universal Infant Free School Meals Grant supports schools in delivering the legal requirement to offer free school meals to all infant pupils. Each meal taken by an eligible child currently attracts £2.30
- Year 7 Numeracy and Literacy Catch up premium is an allocation for each pupil underachieving as recorded on census.
- PE and Sport Premium for Primary schools is used for the engagement of all pupils in regular physical activity.
- Devolved Formula Capital Grant is funding allocated to schools to help maintain and improve the condition of school buildings and grounds.

## **2. Budget 2020/21 and Medium Term Financial Strategy to 2022/23**

### **2.1 Background and Budget Approach**

2.1.1 The Council set a two-year budget for 2019/20 and 2020/21 at the Council Budget meeting in February 2019. The two-year budget included savings to address a funding gap of £30m over those two years, those savings including £16m of Service Directorate savings to be delivered in 2020/21. There are no changes in this budget to those savings proposed and there are no new savings proposals for Cabinet and Council to consider.

2.1.2 However, the Council continues to face significant financial pressures, particular in respect of social care which are described in section 1.3 above and are set out in the latest financial monitoring report on this same Cabinet agenda for 17<sup>th</sup> February 2020.

- 2.1.3 Since 2011, the Council has had to make savings of over £200m, including the savings for 2020/21, and has reduced its headcount by approximately 1,800 staff (over 1,100 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.
- 2.1.4 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 previous reductions to Government funding, increased demand for social care services as a result of a growing population and the impact of inflation.
- 2.1.5 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.
- 2.1.6 However, whilst the Council has inevitably become smaller in size, the strategy for the future continues to ensure that the Council is bigger in influence. This means that the Council's role will continue to change. 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 an 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.
- 2.1.7 In the last three years, the Council has changed the way in which it works with other agencies in order to implement these changes. Despite the financial pressures, the Council focus on delivering better services, focussed on the priorities set by the public, will continue.
- 2.1.8 It is also important to underline the spending level of the Council despite the previous funding cuts. With a current proposed revenue budget of £233m in 2020/21 together with proposed capital expenditure of £147m, 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 against the Council's stated priorities. This means making carefully considered investment and savings decisions through to 2023. The Capital Programme which has been updated within this report includes a total of £611m of planned capital investment across the current year and up to 2023/24.
- 2.1.9 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, particularly with regard to the High Needs funding block.

2.1.10 The particular challenges which the Council has to take account of within its budget and financial strategy are summarised in Appendix 8.

## 2.2 Two-year Budget 2019/20 & 2020/21

2.2.1 In February 2019, the Council set a two year budget for 2019/20 and 2020/21 and a Medium Term Financial Strategy to 2021/22. This included £23.5m of Directorate savings to be delivered over the two years as part of the Council meeting a £30m funding gap. There are no changes to the savings agreed within the budget and no new savings being proposed for Cabinet and Council to consider in 2020/21.

2.2.2 The approved budget savings taking effect in 2020/21 are summarised by Directorate in the table below. This includes changes to the Adults Non-Residential Charging Policy approved by Cabinet in December 2019, following consultation.

**Table 2 – Approved 2020/21 Budget Savings by Directorate**

<b>Directorate</b>	<b>2020/21 £'000</b>
Adult Care, Housing and Public Health	6,329
Children & Young People	7,742
Regeneration & Environment	348
Finance & Customer Services	0
Assistant Chief Executive	50
Customer Services & Digital Programme*	1,650
<b>Total</b>	<b>16,119</b>

*\*This is the 2<sup>nd</sup> year of a 2 year cross cutting programme from which savings from Assistant Chief Executive and Finance & Customer Services were part of the 2019/20 savings within the 2 year budget.*

2.2.3 There are some timing issues associated with the delivery of some savings and also some budget pressures which the budget proposals seek to address. The principle remains that the approved Directorate savings will be delivered in full by 2021/22, either in the way originally proposed or by approved variations where required.

2.2.4 Further details of the Council's proposed budget for 2020/21 and the Medium Term Financial Strategy to 2022/23 are set out in Section 2.6 later in this report.

## 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 2.0% using the prevailing rate of Consumer Price Index (CPI) inflation in Summer 2019. All Income Budgets for those Fees and Charges which are determined by the Council have been uplifted by 2.0% with the exception of school meals income within the catering service, which have been updated to reflect existing arrangements with the schools. Income budgets for those Fees and Charges which are set nationally by the Government are uplifted in line with the Government decisions.

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

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

2.4.2 The independent sector care home market in Rotherham supplies 1590 beds and approximately 49% are financially supported by the Council. There has been a significant shift in the market from a historical position of the Council being the dominant purchaser. This is part of a long term strategy to support as many people as possible to be independent and remain in their own homes. To illustrate, the number of new admissions for Council funded residents has decreased from 401 in 2015/16 to 289 in 2018/19.

2.4.3 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 6.2% to £8.72 in April 2020.
- 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.

2.4.4 The Council consults with providers each year to assess the fees it pays for care. The following table details the proposed fees for 2020/21. The additional cost would be £558k per annum based on current activity. This approach aims to ensure a sustainable price for the different types of residential care that the Council purchases, recognising that the historical differentials in the pricing model have created challenges for parts of the sector, particularly nursing care. The outlined approach aims to move towards addressing these challenges, reflecting the feedback received from the fee consultation process.

<b>2019/20 Proposed Fees</b>	<b>Residential</b>	<b>Residential EMI</b>	<b>Nursing Care*</b>	<b>Nursing EMI*</b>
Rotherham	£479	£500	£493	£547

\*Excluding Funded Nursing Care element

### **Independent Sector Provision – Home Care**

- 2.4.5 The purpose of a home care and support service is to enable people to remain living at home for as long as possible. The availability of quality home care services are key to supporting people's independence at home in the communities they know. During 2019/20 the Council procured a new model of home care and support through a competitive tender process with the new arrangements due to commence on 1 April 2020.
- 2.4.6 The Council aims to deliver a high quality integrated home care and support service, alongside Rotherham Clinical Commissioning Group. The new model will provide for personalised service delivery against agreed outcomes. Providers will be actively encouraged to apply reablement principles to maximise people's independence and will play a more active role in their wider care arrangements. The revised home care model will complement the new operating model for Adult Care, following on from the intermediate care and reablement pathway. This will take into account whole system requirements and the required integration with health partners. The new home care and support offer will be part of a spectrum of solutions ranging from low level or no cost solutions to complex targeted and specialist services.
- 2.4.7 As part of the tender process the rates for providers have already been agreed for 2021/22. This will enable providers to pay the Real Living Wage (currently £9.30) from 1st April, forming part of the Council's commitments to its Social Value Policy.

### **Independent sector provision – Learning Disability**

- 2.4.8 The Council currently provides financial support to 767 learning disabled people who are accessing 1,349 placements/services with an aging demographic and increased complexity from young people transitioning into the services.
- 2.4.9 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 (particularly core and cluster provision) and alternative Day Opportunities.

2.4.10 In terms of Residential and Nursing care, and Supported Living providers, there are a total of 45 independent care and support services contracted with the Council and registered with the Care Quality Commission, who support people with a Learning Disability in Rotherham. The costs of services reflect bespoke provision to meet individual needs and have arisen incrementally creating a range of accommodation costs and hourly rates. However, due to pressures such as the increase in the National Living Wage, it is proposed to uplift fees to ensure the continued sustainability of services, applying a tiered increase to establish a more sustainable hourly rate for Supported Living and a 2% increase on accommodation/staffing costs for residential care provision. The table below shows the proposed cost:

<b>Learning Disabilities</b>	<b>£000's</b>
Supported Living	431
Residential Care	219

2.4.11 It is proposed to increase the allocation within personal budgets for payment of Personal Assistants through Direct Payments to ensure compliance with the National Living Wage from 1 April 2020 (proposed to be £8.72 per hour). This will increase funding in the light of wage pressures and relevant legislation and it is hoped that the role will continue to be a career option for people with the right skills to support individuals to live independently.

2.4.12 Recognising that a significant proportion of people in receipt Direct Payments exercise choice to directly purchase home care and support from a range of providers at varying levels of costs, it is proposed to apply a 4% increase to the personal budgets, reflecting the increase in the National Living Wage from 1 April 2020. This will continue to support the wider home care market, ensuring that choice is available outside of the Council commissioned services.

## **2.5 Council Tax Proposals for 2020/21**

2.5.1 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by 2.99%, comprising a 0.99% increase in the basic rate of Council Tax and a 2% Adult Social Care Precept.

2.5.2 The Government have confirmed that the basic referendum principle for 2020/21 is 2% i.e a maximum 1.99% increase in the basic rate of Council Tax. Social Care authorities will also be able to increase their Council Tax by a Social Care precept of 2% (over the basic referendum threshold of 2%).

- 2.5.3 A 2.99% increase on the tax levied in 2019/20 would mean a Band D Council Tax (for the Rotherham Council element only) of £1,567.71. Details of the proposed increases on all Council Tax bandings are set out in Table 3 below.

**Table 3 – Council Tax Bands and Amounts (Rotherham Council element only)**

<b>Council Band</b>	<b>Tax</b>	<b>2019/20 £</b>	<b>2020/21 £</b>	<b>Number of Properties</b>
A		1,014.80	1,045.14	63,164
B		1,183.93	1,219.33	22,981
C		1,353.07	1,393.52	15,471
D		1,522.20	1,567.71	9,146
E		1,860.47	1,916.09	4,621
F		2,198.73	2,264.48	1,763
G		2,537.00	2,612.86	730
H		3,044.40	3,135.43	61

- 2.5.4 The budget for 2020/21 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.
- 2.5.5 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.
- 2.5.6 As required by legislation (the Local Government Finance Act 1992) the Budget Report to Council on 26<sup>th</sup> February 2020 will include a Statutory Resolution of Council Tax setting out details of the proposed Council Tax calculations for 2020/21 for the Council, Parishes and including the precepts from the South Yorkshire Police and Crime Commissioner and South Yorkshire Fire and Rescue Authority as advised to the Council.
- 2.5.7 The annual determination of the Council Tax Base, which is a technical based calculation, was delegated by Council for 2020/21 onwards to the Strategic Director – Finance & Customer Services (Section 151 Officer), in consultation with the Leader of the Council and the Chief Executive. The Council's Tax Base for 2020/21 has been determined as 70,994.74 Band D equivalent properties, after adjusting for the anticipated rate of collection, the impact of the Council's Local Council Tax Support Scheme and discretionary discounts and exemptions for empty properties and second homes.
- 2.5.8 The Council's current Local Council Tax Support Scheme was approved by Council on 24<sup>th</sup> January 2018. The Council is not making any changes to this scheme for 2020/21.

2.5.9 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 £1111.3m available to support the Council to fund services in 2020/21. Details of the Council Tax Base for 2020/21 are set out in Appendix 1.

## **2.6 Proposed Revenue Budget 2020/21 and Medium Term Financial Strategy to 2022/23**

2.6.1 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.

2.6.2 The Council undertook a complete review of its Medium Term Financial Strategy during 2018/19 which was included within the Budget and Council Tax 2019/20 report to Cabinet and Council in February 2019. The Plan set out details of the financial challenges faced by the Council over the medium term to 2021/22.

2.6.3 An update of the MTFS, taking into account information in Spending Round 2019, was submitted to Cabinet in December 2019.

2.6.4 The MTFS has been updated again and extended to 2022/23 to reflect the outcomes of the Provisional Local Government Finance Settlement 2020/21 and the budget proposals set out in this report. It includes funding and expenditure projections up to the 2022/23 financial year which show an expected balanced budget position based on current service activity. However, future Government funding allocations beyond 2020/21 are dependent on the outcomes of the Spending Review to be undertaken in 2020, alongside the Fair Funding Review of Local Government finances and the proposed move to 75% local retention of business rates.

2.6.5 The Council will therefore continue to monitor and review the MTFS accordingly. The outcomes from the Government reviews and the estimated impact on the Council's funding, when available, will be presented to Cabinet and Council later in 2020.

2.6.6 Taking into account Government funding notified for 2020/21 within the Provisional Local Government Finance Settlement, estimates of Government funding for future years based on the Spending Round 2019, Queen's Speech 2019 and other Government announcements, and the Council's own resources, the proposed budget for 2020/21 and an updated MTFS over the following two years is set out below in Table 4.

2.6.7 The Provisional Settlement confirms Social Care Support Grant funding of £8.393m for the Council for 2020/21. The proposed budget for 2020/21 allocates this funding for Social Care services.

2.6.8 The Council's proposed 2% Adult Social Care Precept on Council Tax for 2020/21 will generate additional Council Tax income of £2.16m which is being allocated to the 2020/21 Adult Social Care budget.

**Table 4 - Budget and MTFS 2020/21 to 2022/23**

<b><u>Resources</u></b>	<b>Proposed 2020/21 Budget £000</b>	<b>2021/22 Estimated £000</b>	<b>2022/23 Estimated £000</b>
<b><u>Government Funding</u></b>			
Revenue Support Grant	15,100	15,412	15,720
Business Rates Top-Up Grant	29,415	30,024	30,624
S31 Grant as compensation for Multiplier Cap on Top-Up Grant	1,175	1,175	1,175
New Homes Bonus	1,187	493	169
Public Health Grant*	16,291	16,628	16,961
Housing Benefit and Local Council Tax Support Administration	1,266	1,266	1,266
Social Care Support Grant	8,393	8,393	8,393
iBCF additional funding 2019/20 *	2,605	2,605	2,605
<b>Total Government Funding</b>	<b>75,432</b>	<b>75,996</b>	<b>76,913</b>
<b><u>Council Resources</u></b>			
Retained Business Rates	38,429	39,342	40,522
S31 Grants as compensation for Government determined business rates reliefs	5,173	5,289	5,448
Council Tax Collection Fund – annual review and use of surplus	3,000	2,500	2,500
Council Tax and Adult Social Care Precept	111,299	115,774	120,428
<b>Total Council Resources</b>	<b>157,901</b>	<b>162,905</b>	<b>168,898</b>
<b>Total Resources</b>	<b>233,333</b>	<b>238,901</b>	<b>245,811</b>

<b><u>Expenditure</u></b>	<b>Proposed 2020/21 Budget £000</b>	<b>2021/22 Estimated £000</b>	<b>2022/23 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 the agreed two year budget strategy	-13,103	-12,643	-12,643
Provision for pay, price and fees and charges income inflation	6,143	12,794	19,445
Adult Care – provision for further costs of care transitions and transforming care for the years beyond that included in two year budget strategy	-	703	1,553
Provision for contribution to replenish reserves	4,300	-	-
Impact on treasury management budget of earlier years MRP reprofiling	-	3,182	3,182
Budget Contingency	4,000	4,725	4,501
Pensions Triennial Valuation – additional savings to those estimated within original two year budget strategy	-459	-459	-459
Continuation of crisis support after use of funds set aside	-	-	100
Savings from Treasury Management Strategy	-3,154	-	-
Adult Social Care demand	2,143	2,400	2,658
Adult Social Care service transition	4,650	-	-

Children's Social Care service transition	4,000	-	-
CYPS – SGO & CAO increases to allowances	555	555	555
Home to School Transport demand	1,100	1,300	1,300
Markets base budget realignment	250	250	250
Public Health base budget realignment	264	221	227
Green Spaces base budget realignment	400	400	400
Highways Winter Maintenance base budget realignment	181	181	181
Business Rates Appeals provision	-	1,500	-
Proposed Capital Investment to 2023/24 – financing costs	29	1,758	2,527
Proposed Revenue Investment (see Appendix 2 for details)	888	888	888
<b>Total Budgets</b>	<b>233,333</b>	<b>238,901</b>	<b>245,811</b>

\* Notes :

- (i) The amount of Public Health Grant is estimated based on spending Round 2019, pending the Government confirming the allocations for 2020/21.
- (ii) 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 Rotherham Clinical Commissioning Group.

2.6.9 Following a review of allowances within the payments that the Council makes to foster carers and how these align with payments for Special Guardianship Orders (SGO) and Child Arrangements Orders (CAO), it is recommended that the Council uplifts those payments to match the basic fostering maintenance allowances as paid to foster carers. For SGO this will confirm that the Council complies with the statutory guidance relating to Special Guardianship Regulations, which says that a council should have regard to the amount of fostering allowance that would have been payable if the child were fostered. Aligning payments for CAO also, demonstrates consistency of approach. Provision for these increases is included within the proposed budget for 2020/21.

2.6.10 Set out below in Table 5 is the proposed Net Revenue Budget for 2020/21 including the Directorate Cash Limit Budgets utilising the available resources and based on approval and implementation of the proposed budget included within this report and detailed above in Table 4.

**Table 5 Net Revenue Budget by Directorate**

	<b>Proposed Budget 2020/21</b>
	<b>£'000</b>
Adult Care, Housing & Public Health	79,363
Children & Young People's Service	60,483
Regeneration & Environment Services	44,146
Finance, Customer Services	18,433
Assistant Chief Executive	6,605
Central Services	24,303
<b>TOTAL NET REVENUE BUDGET</b>	<b>233,333</b>

2.6.11 The proposed Central Services budget (£25.9m) shown in the table above includes the following key budgets and provisions:

- Levies – Integrated Transport Authority, Coroners, Environment Agency, Apprentice (£11.8m)
- Capital Financing (£8.9m)
- Budget Contingency (£4.0m)
- Budgeted transfer to reserves (£4.3m)
- PFI Grants (cr £3.6m)
- Inflation provision and pensions savings (net £1.7m) which will be allocated to Directorates during 2020/21
- Capitalisation and other accounting adjustments (cr £2.8m)

## **2.7 Proposed Revenue Budget Investment**

2.7.1 Following consideration of the Council's overall financial position for 2020/21 and the Medium Term, a number of revenue budget investment priorities are proposed for 2020/21 as summarised above in Table 4. These proposals totalling £888k are set out in detail in Appendix 2.

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

2.8.1 The Council's balance of corporate reserves as at 31<sup>st</sup> March 2019 was £37.3m. This is £3.2m more than anticipated when the 2019/20 budget report was approved, due to the more favourable financial outturn in 2018/19 which meant that only £2m of the £5.2m budget contingency set aside from reserves needed to be utilised for that financial year.

2.8.2 Following a review of all the Council's reserves and specific commitments against those reserves, a refresh of the Reserves Strategy was agreed within the 2019/20 Budget and Council Tax report which added those reserves no longer required to the Council's Minimum General Fund Balance and retained a smaller number of Corporate Reserves which can be used more flexibly if/as required.

2.8.3 Following a further review of the Strategy, taking into account the financial outturn for 2018/19, the forecast financial outturn for 2019/20, a review of the Insurance Fund and the results of the triennial valuation of the South Yorkshire Pension Fund and the Council's share of the Fund assets and liabilities, the following updated Strategy is proposed :

- Increase the Council's General Fund Minimum Balance to £25m by 2020/21. This represents 10.7% of the Council's proposed net budget for 2020/21. The increase includes the agreed transfer of £4.3m into reserves in 2020/21 as part of the approved two-year budget.
- Provide for the remaining £3.2m budget contingency reserve to be utilised to support the 2019/20 financial outturn.
- Retain two Corporate Reserves. 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)

2.8.4 To reach this position the balance of £350k on the Insurance Fund Reserve which is no longer required, will be transferred to the minimum balance on 31<sup>st</sup> March 2020 along with £3.538m of the balance on the Pensions Reserve. The Pension Reserve is no longer required now that the outcome is known for the latest triennial pensions review, effective on 1<sup>st</sup> April 2020 for three years and included in the Budget/MTFS.

- 2.8.5 £1.387m would remain in the Pensions Reserve after the adjustments described above until the financial outturn for 2019/20 is known. In the event that the outturn requires more than the £3.2m budget contingency reserve to balance the budget, then this additional requirement would be taken from that balance as part of finalising the outturn with any remaining balance added to the Transformation Reserve. The final reserves balances can therefore only be determined after 2019/20 outturn.
- 2.8.6 Taken alongside the Council's proposed budget for 2020/21 and the MTFs to 2022/23, this reserves position is considered to be sustainable for the medium term. Future decisions on reserves would then continue be taken as part of the annual budget setting process.
- 2.8.7 The table below summarises the reserves balances over the medium term and includes the budgeted transfer to reserves of £4.3m in 2020/21 and the proposed increase to the Minimum Balance from £16.8m at 31<sup>st</sup> March 2019 to £20.7m at 31<sup>st</sup> March 2020 and £25.0m by 2020/21.

**Table 6 – Forecast Balances of Reserves**

	<b>Balance at 31<sup>st</sup> March 2019 £000</b>	<b>Projected Balance at 31<sup>st</sup> March 2020 £000</b>	<b>Projected Balance at 31<sup>st</sup> March 2021 £000</b>
<b>General Fund Minimum Balance</b>	<b>16,812</b>	<b>20,700</b>	<b>25,000</b>
<b>Corporate Reserves</b>			
Transformation	2,733	2,733*	2,733*
Insurance Fund	350	0	0
Business Rates	4,000	4,000	4,000
Pensions	4,925	1,387*	1,387*
Other Corporate Reserves	4,548	2,133	0
Balance of Budget Contingency	3,183	0	0
<b>Corporate Reserves Total</b>	<b>19,739</b>	<b>10,253</b>	<b>8,120</b>
<b>Public Health Grant</b>	<b>791</b>	<b>0</b>	<b>0</b>
<b>Total General Fund Minimum Balance and Corporate Reserves</b>	<b>37,342</b>	<b>30,953</b>	<b>33,120</b>

\* Any remaining balance in the Pension Reserve after contributing to 2019/20 outturn will be transferred into the Transformation Reserve

## **2.9 Business Rates Reliefs**

2.9.1 The Government has announced additional business rates reliefs measures that will apply to new and existing reliefs with effect from 1 April 2020. The Government has confirmed that it will continue to reimburse local authorities for the actual cost to them under the business rates retention scheme of the relief that falls within the definitions of Government guidance. Details of the reliefs are set out below :

### **2.9.2 Business Rates Retail Discount**

The Government announced in the Autumn Budget 2018 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 was set at one third of the bill applied after other mandatory and discretionary reliefs.

2.9.3 From 2020/21 the value of the discount will now increase from one third to 50%. The scheme is also extended to include eligible music venues and cinemas with a rateable value of less than £51,000.

### **2.9.4 Pubs Discount**

The pubs discount will provide a £1,000 discount to eligible pubs with a rateable value of less than £100,000. This is in addition to the business rates retail discount.

### **2.9.5 Local Newspapers**

A business rates relief for local newspapers was introduced by the Government in April 2017 for a period of 3 years. The relief provides a £1,500 discount for office space occupied by local newspapers. This is limited to one discount per local newspaper title and per property. The Government has now determined that the relief will continue for a further 5 years until 31 March 2025.

### **2.9.6 Business Rates Rural Relief**

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 to 2019/20 and it is proposed to continue the same arrangement for 2020/21.

2.9.7 Cabinet are recommended to propose to Council that these business rates reliefs are applied for 2020/21 in line with Government guidance.

## **2.10 Capital Strategy/Capital Programme Update**

2.10.1 The Capital Strategy and proposed Capital Programme to 2023/24, 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 2022/23 was approved by Council in February 2019 within the Budget and Council Tax 2019/20 Report.

2.10.3 The Financial Outturn 2018/19 report approved by Cabinet in July 2019 set out an updated Capital Programme taking into account slippage on capital schemes during 2018/19 which was mostly re-profiled into future years.

2.10.4 Further individual new capital projects already approved during 2019/20 are incorporated into the updated Capital Programme which is set out in Appendices 3C to 3F.

2.10.5 This report proposes a number of further additions to the Capital Programme to 2023/24 which are set out in Appendix 3A. It is proposed that these schemes will be added to the Council's Capital Programme following Council approval. The amendments proposed are summarised as:

- Priority Capital Investment
- Capitalisation of expenditure to support the revenue budget & invest to save schemes
- Annual ongoing expenditure commitments to 2023/24

2.10.6 These are summarised below:

2.10.7 Priority Capital Investment – General Fund

A number of new capital schemes are being proposed for inclusion into the Capital Programme 2019/20 to 2023/24. A list of the new schemes is provided at Appendix 3A, along with a summary view of the scheme business case. These new proposals will be funded by £46.658m of corporate resources and £3.872m of service funded borrowing, with the revenue implications of this built into the Council's proposed Budget and Treasury Management Strategy.

2.10.8 Capitalisation and Invest To Save schemes

A number of capitalisation proposals and Invest To Save schemes are being proposed for inclusion into the Capital Programme 2019/20 to 2023/24. A list of these schemes is provided at Appendix 3A, along with a summary view of the scheme business case. These new proposals will be funded by £14.034m of service funded borrowing and £2.0m corporate resource funding with the revenue implications of this built into the Council's proposed Budget and Treasury Management Strategy.

- 2.10.9 Annual Ongoing Expenditure Commitments to 2023/24 as listed in Appendix 3A.
- 2.10.10 The proposed Programme also includes Government Capital Grant allocations up to 2023/24. These allocations are either as already announced by the Government, or on an estimated basis for years where the Government has not as yet indicated the value of the allocations.
- 2.10.11 The proposed Programme also includes estimated amounts of Government Grant and other external funding which the Council anticipates can be levered in to support the capital scheme - Future High Streets Fund and Town Centre Masterplan Implementation.

### **Housing Revenue Account (HRA)**

- 2.10.12 The Housing Revenue Account Capital Programme has also been updated to 2023/24, in line with the updated HRA Business Plan approved by Cabinet on 23<sup>rd</sup> December 2019 and Council on 22<sup>nd</sup> January 2020, with a further £26.765m investment in improving council housing, £1.982m for adaptations and £61.79m earmarked for housing growth. HRA capital programme information is set out in Appendices 3E and 3F.

### **Capital Strategy**

- 2.10.13 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.
- 2.10.14 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 2019/20 to 2023/24**

- 2.10.15 Subject to approval of all the proposed additions to the capital programme, the Council's five year capital programme will be set at £610.857m, split between general fund £365.685m and HRA £245.172m. The table below indicates the split of the capital programme across the Council's Directorates.

**Table 7 – Proposed Capital Programme 2019/20 to 2023/24**

Directorate	2019/20 Budget £m	2020/21 Budget £m	2021/22 Budget £m	2022/23 Budget £m	2023/24 Budget £m	Total Budget £m
<b>General Fund Capital</b>						
Children and Young People's Services	12.508	12.581	6.180	4.508	6.033	41.810
Assistant Chief Executive	0.627	0.210	0.210	0.210	0.210	1.467
Adult Care & Housing	4.720	4.361	6.523	12.624	6.240	34.468
Finance and Customer Services	7.481	7.061	2.679	3.124	10.523	30.868
Regeneration and Environment	43.552	65.981	56.682	43.820	41.035	251.071
Capitalisation Direction	2.000	2.000	2.000	0.000	0.000	6.000
<b>Total General Fund Capital</b>	<b>70.888</b>	<b>92.194</b>	<b>74.274</b>	<b>64.287</b>	<b>64.041</b>	<b>365.685</b>
<b>Total HRA Capital</b>						
	47.723	55.016	55.058	44.178	43.198	245.172
<b>Total RMBC Capital Programme</b>						
	<b>118.611</b>	<b>147.210</b>	<b>129.332</b>	<b>108.464</b>	<b>107.239</b>	<b>610.857</b>

### **Funding the Capital Programme**

- 2.10.16 Appendices 3C & 3E 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.
- 2.10.17 The Council held £11.875m of General Fund capital receipts and £10.936m of Right to Buy (RTB) receipts as at 31st March 2019. In addition, the Council anticipates further capital receipts to be generated across the Capital Programme period 2019/20 to 2023/24. The total amount of capital receipts planned to support the proposed Capital Programme including flexible use is £19.1m. The planned use of HRA receipts within the HRA programme is £32.758m, this is based on the continuing sale of properties under RTB, and private sales generated through the Councils new build housing schemes.
- 2.10.18 The table below shows how each year of the Capital Programme will be funded:

**Table 8 – Funding of the Proposed Capital Programme 2019/20 to 2023/24**

<b>Funding Stream</b>	<b>2019/20 Budget £m</b>	<b>2020/21 Budget £m</b>	<b>2021/22 Budget £m</b>	<b>2022/23 Budget £m</b>	<b>2023/24 Budget £m</b>	<b>Total Budget £m</b>
Grants And Contributions	28.997	43.793	42.876	33.511	38.342	<b>187.498</b>
Unsupported Borrowing	33.686	43.083	28.731	28.332	25.249	<b>159.082</b>
Capital Receipts	6.225	3.318	0.668	2.443	0.450	<b>13.105</b>
Capital Receipts - Flexible Use	2.000	2.000	2.000	0.000	0.000	<b>6.000</b>
<b>Total Funding - General Fund</b>	<b>70.888</b>	<b>92.194</b>	<b>74.274</b>	<b>64.287</b>	<b>64.041</b>	<b>365.685</b>
Grants And Contributions	1.905	9.319	1.958	0.000	0.000	<b>13.181</b>
Unsupported Borrowing	0.000	0.000	3.515	14.570	12.750	<b>30.835</b>
Housing Major Repairs Allowance	18.080	27.272	29.653	22.860	23.443	<b>121.308</b>
Capital Receipts	13.046	4.988	11.886	1.908	0.928	<b>32.758</b>
Revenue Contribution	14.692	13.437	8.045	4.839	6.077	<b>47.091</b>
<b>Total Funding - HRA</b>	<b>47.723</b>	<b>55.016</b>	<b>55.058</b>	<b>44.178</b>	<b>43.198</b>	<b>245.172</b>
<b>Total</b>	<b>118.611</b>	<b>147.210</b>	<b>129.332</b>	<b>108.464</b>	<b>107.239</b>	<b>610.857</b>

2.10.19 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 2019/20 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

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

- 2.11.2 The Treasury Strategy has associated Prudential Indicators (PIs) which have to be approved by Council prior to 1<sup>st</sup> April each financial year in order to comply with the various statutory frameworks within which the treasury function has to operate.
- 2.11.3 The Prudential Code requires the Council to approve and monitor a minimum number of PIs in order to inform the capital decision making process and support capital investment decisions. These PIs are mandatory.
- 2.11.4 The Capital Finance Regulations 2008 require the Council to approve a Minimum Revenue Provision (MRP) statement which sets out the methods the Council will use to determine the appropriate amount of MRP to charge against the revenue budget.
- 2.11.5 The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.
- 2.11.6 Details of the Treasury Management Matters are contained in Appendix 4.
- 2.12 **Report of the Strategic Director - Finance and Customer Services (the Council's Responsible Financial Officer)**
- 2.12.1 Section 25 of The Local Government Act 2003 requires the 'Chief Financial Officer' (The Strategic Director - 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.
- 2.12.2 In addition, it is recognised as good financial management for the Council to identify target levels for reserves and balances that are based on a thorough understanding of its needs and risks.
- 2.12.3 The contents of this budget and financial strategy report is the mechanism by which positive assurances are made by the Strategic Director - Finance & Customer Services about the adequacy of the proposed financial reserves.
- 2.12.4 The Strategic Director - Finance & Customer Services gives her assurance that the budget estimates for 2020/21 are robust overall when considered in conjunction with the budget proposals 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.
- 2.12.5 This assurance is predicated on Directorates progressing all necessary activity to get their budgets back on track during 2020/21, including delivering the savings agreed in previous budgets, in particular:

- Reducing the number of exceptionally high cost placements and also reducing the unit cost of placements, within Children's Social Care. Also significantly increasing the number of foster care placements in line with budgeted plans.
- Successful management of the demand pressures in Adult Social Care within the budget allocated and delivering a reduction in unit cost through ensuring appropriate care and support is in place in accordance with the service development programme.
- A successful resolution to the budget pressures within the Regeneration and Environment Directorate which require the Directorate to identify actions to ensure that services can be provided within the available funding envelope.

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

- That the budget strategy for 2020/21 is approved as set out in the report.
- 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 2022/23 and agrees to the proposals to manage a balanced budget in 2020/21.
- That the revised Reserves Strategy is approved which will see the General Reserves Minimum Balance increased to £25m 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 - Finance & Customer Services and approved by the appropriate body of the Council in accordance with the Constitution.

2.12.7 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.

- 2.12.8 The Council continues to operate in a tight financial climate by continuing to exercise the additional spending controls implemented over the last three 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.
- 2.12.9 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.
- 2.12.10 Achieving budget savings of the magnitude that the Council continues to have to deal with, 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.
- 2.12.11 In considering the overall robustness of the budget proposals for 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. This has been recognised within the 2020/21 budget, but it is essential that delivery of the budget proposals agreed within the two-year budget for 2019/20 and 2020/21 is completed in advance of the following financial year, 2021/22.

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

- 3.1 These are set out in Section 2 above.

### **4. Consultation on proposal**

- 4.1 From 13<sup>th</sup> December to 13<sup>th</sup> January, the Council held an online consultation which provided broad information on income and expenditure as well as a link to the February 2018 Budget Report. The Council also consulted individually with key partners.
- 4.2 The Council's Overview and Scrutiny Management Board (OSMB) considered a report on the outcomes of the consultation on 29<sup>th</sup> January 2020. The report to OSMB is attached at Appendix 9.
- 4.3 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 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 0.99% increase in the basic rate of Council Tax (excludes precepting bodies) and a 2% Adult Social Care Precept on Council Tax. The report proposes a General Fund Revenue Budget for the Council for 2020/21 of £233m.
- 6.3 It should be noted that the proposed revenue budget includes:
- Provision for pay awards and contractual 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 2.0% overall increase to income budgets for Council Fees and Charges in line with the prevailing rate of CPI increase.
- 6.4 Any revenue implications from the Approved Capital Programme are fully reflected in the Council's 2020/21 Revenue Budget, its Medium Term Financial Strategy and the Prudential Indicators and Treasury Management and Investment Strategy.
- 6.5 All procurement activity (revenue and capital) must be procured in compliance with the Public Contracts Regulations 2015 and the Council's own Financial and Procurement Procedure Rules. Consideration will be given through the Council's pre-procurement activity to determine the most appropriate route to market along with all associated implications that need to be addressed either through the tender process and/or resulting contract which is awarded.
- 6.6 Treasury Management forms an integral part of the Council's overall financial arrangements. The assumptions supporting the capital financing budget for 2020/21 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 2020/21 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 Since 2010 the Council has reduced its headcount by approximately 1,800 staff (over 1,100 full time equivalent staff).

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

9.1 As detailed within Section 2.

9.2 The additional Social Care funding provided by the Government for 2020/21 is invested in the budgets for Children's and Adults Social Care Services along with the income generated from a 2% adult social care precept on council tax.

## **10. Equalities and Human Rights Advice and Implications**

10.1 No further direct implications beyond those set out within the Budget and Council Tax report 2019/20 setting out the two-year budget proposals for 2019/20 and 2020/21.

## **11 Implications for Ward Priorities**

11.1 Set out within the budget proposals included in the report.

## **12 Implications for Partners**

12.2 Where the Council is working with partner organisations on specific proposals, for example in Health, the Police and other government agencies, these proposals have been developed in conjunction with these organisations.

## **13 Risks and Mitigation**

13.1 To any extent that approved budget savings or compensating mitigations are not achieved, this 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 would be financially unsustainable.

13.2 The Capital Programme is funded through a number of sources: Prudential borrowing, capital grants and contributions, revenue contributions and capital receipts. There is a potential risk that the future years funding from Government Grants and external sources may vary from that estimated.

- 13.3 Financial Services work closely with Project Managers and the Corporate Property Unit, to monitor project expenditure and performance. Improvements that are being introduced to the Capital Programme governance arrangements and enhanced reporting requirements will ensure that Members will receive early notice of any specific project issues. This will enable early intervention to take place to bring projects back on timetable and cost, or if necessary, agree an additional capital programme funding approval. Where elements of the Programme are reliant on future grant funding, future projects will be continually reviewed to match the programme against funding availability.
- 13.4 The proposed Treasury Management and Investment Strategy seeks to minimise the risks inherent in operating a Treasury Management function during these difficult economic and financial conditions.
- 13.5 Operational Treasury Management guidelines will continue to be kept in place and reviewed to ensure they are appropriate given the circumstances faced, supported by regular monitoring to ensure that any risks and uncertainties are addressed at an early stage and hence kept to a minimum.

#### 14 Accountable Officers

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

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	03/02/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	03/02/20
Head of Legal Services (Monitoring Officer)	Bal Nahal	03/02/20

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