

**Committee Name and Date of Committee Meeting**

Cabinet – 12 February 2024

**Report Title**

Budget and Council Tax 2024/25 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 2024/25, based on the Council's Provisional Local Government Finance Settlement for 2024/25, budget consultation and the consideration of Directorate budget proposals. A review of the financial planning assumptions within the Medium Term Financial Strategy (MTFS) has been undertaken.

The proposed Budget and Medium Term Financial Strategy reflects the Council's priorities as set out in the Council Plan 2022-2025 and Year Ahead Delivery Plan. The development of the Budget proposals for 2024/25 and the further update of the MTFS take into account prevailing economic factors and demand pressures, notably inflation remaining significantly high during 2023/24 and its impact on market pressures for CYPs placements, food prices for schools catering and increased base costs across Council services, along with significant increased demand for Home to School Transport. Following the Council's technical MTFS updates and the impact of the Provisional Financial Settlement the Council has been able to propose a balanced budget for 2024/25 and faces a potential £6.6m funding gap in 2025/26.

Given this position, in setting the Budget the Council has maintained a focus on mitigating any adverse impact on residents as far as possible, ensuring the protection of basic services in order to support the community through a continuing cost of living crisis. In addition, the Budget will provide some additional investments to help support people and to support with delivering on the Council's ambitions for the Borough with specific regard to the environment and social care.

In recognition of escalating cost pressures within Adult Social Care, relating to inflation, transitions and rising demand for the service, the Council will provide for approximately £7.5m of additional funding to support the delivery of Adult Social Care services.

In setting the proposed 2024/25 budget, Cabinet are asked to recommend to Council a 3.5% increase in Council Tax, made up of an increase of 1.5% in the Council's basic Council Tax plus an increase of 2% for the Adult Social Care precept.

The Budget also proposes a Local Council Tax Support Top-up Scheme to operate across 2024/25 to provide further support to low income working age households in the Borough to assist them in managing the impacts of the cost of living crisis and support the most financially vulnerable households.

## **Recommendations**

That Cabinet recommend to Council

1. Approval of the Budget and Financial Strategy for 2024/25 as set out in the report and appendices, including a basic Council Tax increase of 1.5% and an Adult Social Care precept of 2%.
2. Approval of the extension to the Local Council Tax Support Top Up scheme, that will provide up to £121.96 of additional support to low income households most vulnerable to rising household costs, through reduced Council Tax bills as described in section 2.5.11-14.
3. Approval of the updated Medium Term Financial Strategy (MTFS) to 2025/26, as described within section 2.6.
4. 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 2023/24.
5. 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 2.14).
6. To note the feedback from the public and partners following the public consultation on the Council's budget for 2024/25 which took place from 8 December 2023 to 14 January 2024, attached as Appendix 4.
7. Approval of the proposed increases in Adult Social Care provider contracts and for Personal Assistants as set out in Section 2.4.
8. Approval of the revenue investment proposals set out in Section 2.7 and Appendix 2.
9. Approval of the Council Fees and Charges for 2024/25 attached as Appendix 7.

10. Application of the Business Rates Reliefs as set out in Section 2.10, in line with Government guidance.
11. Approval of the proposed Capital Strategy and Capital Programme as presented in Section 2.12 and Appendices 3A to 3F.
12. Approval of the Treasury Management matters for 2024/25 as set out in Appendix 9 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 2024/25 (Appendix 5).
14. Approval that any changes resulting from the Final Local Government Finance Settlement 2024/25 be reflected in the Budget and Council Tax Report to Council on 28 February.
15. Continuation of the principles and measures adopted since April 2020 to make faster payments to suppliers on receipt of goods, works and services following a fully reconciled invoice as described in section 2.11.
16. Approval of the Budget allocations for the Community Leadership Fund as set out in section 2.9.
17. 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 2023/24 be rolled forward into future years, subject to an individual review of each carry forward to be set out within the Financial Outturn 2023/24 report to Cabinet.
  - (ii) In line with Financial and Procurement Procedure Rules 7.7 to 7.11 and 8.12, 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 2024/25
Appendix 2	Proposed Revenue Budget Investments
Appendix 3A	Proposed Capital Investments Summary
Appendix 3B	Capital Investment Proposals
Appendix 3C to 3F	Capital Programme 2023/24 to 2027/28
Appendix 4	Budget Consultation 2024/25
Appendix 5	Flexible Use of Capital Receipts Strategy 2023/24
Appendix 6	Placeholder – Statutory Resolution of Council Tax 2023/24
Appendix 7	Fees and Charges Proposals 2023/24
Appendix 8	Background to the Budget & Financial Strategy
Appendix 9	Prudential Indicators and Treasury Management and Investment Strategy
Appendix 10	Initial Equality Screening Assessment (Part A)
Appendix 11	Carbon Impact Assessment

## Background Papers

- Council Tax Base 2024/25 – Officer Delegated Decision record
- HRA Business Plan, Rent Setting and Charges 2024-25 – Cabinet 22<sup>nd</sup> January 2024
- Provisional Local Government Financial Settlement – 18 December 2023
- Budget and Council Tax 2023/24 and Medium Term Financial Strategy – Council 13 February 2023, Council 1 March 2023
- Financial Outturn 2022/23 – Cabinet 10 July 2023
- Treasury Management Outturn 2022/23 – Cabinet 10 July 2023, Audit Committee 7 August 2023
- Medium Term Financial Strategy – Cabinet 20 November 2023
- December Financial Monitoring Report – Cabinet 12 February 2024
- Mid-Year Treasury Management and Prudential Indicators Monitoring Report 2023/24 – Audit Committee 28 November 2023
- 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 – 07 February 2024

Council – 28 February 2024

## Council Approval Required

Yes

## Exempt from the Press and Public

No

## **Budget and Council Tax 2024/25**

### **1. Background**

- 1.1 Since 2010 due to the austerity measures the Council has needed to make and address significant reductions in funding, reductions in expenditure and services provided and deliver significant savings programmes that taken together are in excess of £200m. Throughout this period the Council has needed to make difficult decisions to ensure that vital services to Rotherham residents can be maintained along with a robust financial position to ensure sustainability of those services.
- 1.2 Much more has taken place to drive regeneration and the Council is now delivering upon its largest regeneration programme in over a decade. Rotherham town centre is being revitalised, the leisure and visitor economy is being strengthened and town and district centres across the borough are being improved. More homes for local people are being created and the Council has passed the halfway point towards its target of delivering 1,000 new Council homes. These ambitions are becoming a reality.
- 1.3 Despite the progress made, the need to deliver change and realise these ambitions for the borough remains clear. For many people in Rotherham life is still very hard. Deep structural challenges persist in the area's economy and the high levels of deprivation mean that communities and residents have been particularly impacted by the rising cost of living over the last 18 months. The borough is amongst the 14% most deprived local authority areas in England. One in four children are classed as living in poverty and the number of children in receipt of free school meals has increased by 765 or 6% in the year to December to 12,700.
- 1.4 Nationally, whilst inflation has more than halved from 11% last autumn to 4% in December, it is now forecast to continue for longer and for GDP growth to be lower than was expected. In the absence of an increase in non-ring-fenced departmental budgets this is placing significant pressures on public services. Concerningly, in October the Office for Budget Responsibility (OBR) estimated that by 2027-28, the real value of departmental budgets will have been eroded by £19 billion. Additionally, estimates by the OBR project that the 3.5% decrease in Real Household Disposable Income per person between 2019-20 to 2024-25 will be the largest reduction in real living standards since ONS records began in the 1950s.
- 1.5 The pressures being seen by residents, families and businesses across the borough are also leading to parallel pressures on the Council. Demand for services is rising and the impact of inflation continues to be both challenging and difficult to predict, along with the financial settlement 2022/23 and 2023/24 falling significantly short of mitigating those pressures.
- 1.6 Set within this context and as the Council enters into the third year of delivering its Council Plan, its vision remains as important as when it was

agreed in January 2022 - to build a borough where opportunity is extended to everyone, where people can grow, flourish and prosper and where no one is left behind.

1.7 Through the investments made in recent years the Council has:

- Passed the halfway point in its journey to creating 1,000 new council homes.
- Invested £1.8m to improve libraries across the borough, with the opening of the new library at Thurcroft in November and works underway to build a new library in Swinton, the two most recent examples.
- Seen the number of potholes in the borough decline from 33,099 in 2015/16 to 16,758 in 2022/23 representing a decrease of 49.4%, which is testament to the road's investment programme.
- Supported the most vulnerable children and families by providing high quality services rated as 'good' by Ofsted, including providing new homes to ensure looked-after children and young people can stay in the borough.
- Secured more than £100m of government investment to deliver regeneration and jobs, with the flagship Forge Island development due to open this summer.

1.8 Throughout 2024/25 the Council will build on this and go further, making more progress in delivering the vision of its plan by supporting the most vulnerable children and adults, providing high quality services and making the borough an even better place to live, work, visit and invest in.

1.9 Through the budget investment proposals, the Council will:

- Provide children and young people with the best start in life.
- Create a cleaner and greener borough, investing to improve flood resilience and reduce the devastating impacts of flooding.
- Ensure neighbourhoods are welcoming and safe, providing people with access to parks and improved roads.
- Provide more support for the homeless and high quality care for adults.
- Create a more inclusive economy by promoting employee ownership.
- Deliver high quality services, focused on meeting the needs of all customers across the borough.

## 1.2 Budget Context

1.2.1 The Council set a balanced budget position for 2023/24 as part of the Budget and Council Tax Report 2023/24 approved at Council on 1<sup>st</sup> March 2023. The MTFS contained within that report included a balanced position for 2023/24, 2024/25 and a funding gap of £1.7m for 2025/26, the first year of the next spending review. This Budget and MTFS position was set based on sound financial assumptions at the time, factoring in funding for service demand pressures in particular within Adult Social Care.

- 1.2.2 Local Authorities must consider their Budget and MTFs amidst ongoing funding uncertainty for the local government sector beyond 2024/25, as the Local Government Financial Settlement for 2023/24 was only a one-year allocation, and the provisional settlement for 2024/25 provided little additional support to the sector for the challenges faced. As such many Councils will continue to face significant challenges moving forwards funding the costs of social care provision. This is perhaps best illustrated by the volume of Local Authorities across the UK that have recently hit difficult times with a number having to issue S114 notices. Many of these Local Authorities have sighted the worrying growth in social care demand and market costs as a key cause of their S114 notice.
- 1.2.3 The Council's position in setting a balanced budget for 2024/25 was therefore going to be a significant challenge. However, the aim of the Council was to meet this challenge whilst protecting the services that the Council provides to residents and businesses within the borough and whilst providing further support to residents with the cost of living crisis.
- 1.2.4 Despite this challenging environment the Council has continued to set a robust Budget and MTFs and monitor the performance of that Budget effectively. The Council has faced significant challenges but has taken swift action to rectify them or set in place clear recovery plans to address those pressures over time. The success of this approach is evident through the Budget and MTFs that the Council now brings forward for approval. Whilst there are real challenges to overcome, the Council has a clear plan and has adequate cover in place for risk. In this Budget and MTFs the Council has not been required to identify new savings or increase the total call on reserves from the position set out in the Budget for 2023/24.
- 1.2.5 The Council remains committed to protecting the most vulnerable children and adults and to delivering the improved cost effectiveness of these services. CYPS placements remains a budget risk with a projected overspend of £3.4m in 2023/24 due to rising market costs and challenges faced delivering the in-house residential homes programme. However, the demand pressures that the Council has previously seen have reduced and the Looked After Children numbers continue to fall at a pace greater than forecast when setting the 2023/24 Budget. Market pressures remain a budget risk whilst ever the Council is delivering its CYPS placement savings, as such the Council has built in a Social Care Contingency of £3.4m in each of 2024/25 and 2025/26, a small part of this to be funded by corporate reserves.
- 1.2.6 Adult Social Care is experiencing significant pressures that are out of the Council's control due to a rise in complexity of people's needs and an ageing population. The adult care market remains volatile due to rising demand pressures and staff shortages. This pressure has been exacerbated by inflation meaning the available funding needs to increase to ensure market sustainability. This is accelerating costs per hour to meet peoples' eligible needs. This is reflected across all service areas, especially Domiciliary Care provided in people's homes where a lack of

provision caused by staff shortages has led to difficulties in implementing the Home First strategy.

- 1.2.7 There is therefore a need to recognise these escalating demand and market costs within this budget, relating in particular to inflation, transitions and rising demand for adult care. This requires the Council to provide for around £7.5m additional funding for the delivery of Adult Social Care services in 2024/25 in addition to the £12.4m provided in the 2023/24 Budget. The additional funding will help in supporting the ambition that all workers are paid the Real Living Wage and improve the sustainability of the adult care provider sector to deliver services to Rotherham people. Taking into account the pressures within Adult Social Care demand, this service still represents a significant long term financial risk within the Council's Budget and Medium Term Financial Strategy.
- 1.2.8 The additional social care resources provided within the Finance Settlement for 2023/24 were welcome, but this level of additional funding still falls well short of the national social care funding gaps as calculated by the Local Government Association. The Provisional Financial Settlement 2024/25 did not provide any new long term funding for the Council to mitigate the pressures faced or recognise the impact of inflation, nationally set Local Government Pay Award 2023/24 or rising demand. There is still therefore the need for the Council to continue to establish clear strategies to mitigate the increased market costs in order to maintain effective service provision within the available funding.
- 1.2.9 Following approval of the 2023/24 Budget the global economic position has not improved at the pace expected. Inflation is easing, reducing from 10.1% March 2023 down to 4% in December 2023, however, even the latest inflation position is still double the average level for the 10 years prior to Covid. As such the Council's base costs have continued to significantly rise and need to be factored into the Budget and MTFS moving forwards. Energy prices, whilst also positively reducing, are still projected to cost the Council around 100% more in 2023/24 than the outturn position for 2022/23 prior to the significant inflationary increase.
- 1.2.10 The Council's position is not dissimilar to that faced by other Local Authorities in terms of the pressures faced. The ongoing volatility in the economic position nationally is challenging to predict when setting a Budget and MTFS. The current economic climate remains uncertain, with challenges in projecting where inflation will move, the pace at which it moves, the impact it will have on contracts and Government policy along with uncertainty in the energy markets.
- 1.2.11 Although inflation is easing, the impact of the Local Government Association (LGA) Pay Award 2023/24 was £4m greater than was assumed within the Budget for 2023/24. It is anticipated that this can be funded through temporary savings within Treasury Management for 2023/24 though the ongoing impact has had to be factored into the Budget and MTFS. This remains a key area of uncertainty moving into 2024/25.



- 1.2.12 Outside of these longer term pressures, the Council is also faced with medium term pressures that have come to light during 2023/24. Home to School Transport demand and cost pressures present a significant forecast overspend in 2023/24 that is expected to continue into 2024/25 onwards. Rising demand, inflation and increased complexity of needs of service users has led to a forecast pressure in 2023/24; as such a provision of £3.5m has been included for 2024/25 onwards. To mitigate this budget risk the Council has developed a robust action plan and governance structure to address the challenges and monitor the impact of mitigating actions. It will take time for some of the mitigations to be embedded so the Council has increased and extended its overall Corporate Budget Risk Contingency across 2024/25 and 2025/26.
- 1.2.13 In terms of the Council's base costs, inflation has impacted a number of services significantly. In particular, the School's Catering service has been impacted by continued sharp rises in food prices. For Schools Catering, the Council cannot continue to keep the prices significantly below the cost of the service as it has done in recent years. As such, it is proposed to increase the fees and charges levied on this service by 15%, that will go some way to assist the Council to recover the costs the service incurs.
- 1.2.14 The Council continues to make good progress in the delivery of previously approved savings, further details are provided in section 2.2.

### **1.3 Revenue Budget Position 2023/24**

- 1.3.1 The December revenue financial monitoring position which is reported to Cabinet on 12 February 2024, on the same agenda as this budget report, shows a forecast year-end overspend of £1.2m. The Council Directorates currently estimate an overspend of £9.6m for the financial year 2023/24. This is largely due to demand led pressures on Children's residential placements and home to school transport as well as the impact of inflationary pressures in the economy, particularly on food prices, and the legacy impact of lockdown restrictions on some directorate's services, especially in R&E.
- 1.3.2 The Council's overspend position at this point is largely due to the following overall issues:
- Placement pressures within Children and Young People's Services and Adults Social Care.
  - Home to School Transport pressures within Regeneration and Environment and Children and Young People's Services.
  - Pressures relating to the longer term recovery from Covid-19 on income generation within Regeneration and Environment.
  - Inflationary costs impacting the cost of food in Schools Catering and contractual and provider inflation impacting Children and Young People's Services.
  - Increased costs of homelessness due to increased demand.
  - Increased property costs within Regeneration and Environment.

1.3.3 This Budget has considered these pressures and addressed the financial implications of them moving forwards.

#### **1.4 Autumn Statement and Provisional Local Government Finance Settlement 2024/25**

1.4.1 The Autumn Statement was published on 22 November 2023 and provided headline information for local government funding from 2024/25 to 2025/26. In short there were no significant updates from the Autumn Statement regarding Local Authority funding, other than confirmation that previously agreed funding streams would be honoured. These were the headlines behind the updates provided within the Autumn Statement:

- The additional funding for adult care that had been announced as part of the Autumn Statement 2022 which included £1bn in 2023-24 and £1.7 billion in 2024-25, was re-confirmed. Of the £1bn, £600m is to be distributed through the Better Care Fund (BCF) to Integrated Care Board's targeted at NHS discharges, "to get people out of hospital on time and into care settings, freeing up NHS beds for those that need them". The remaining £400m is expected to come directly to LA's through a specific Adult Social Care grant. In 2024-25, to allocate the £1.7bn, these values will increase to £1bn and £680m respectively. The Council assumes this funding stream will continue post 2025/26 but this is not guaranteed as the Autumn Statement does not move further than 2025/26.
- £1.3bn of the funding previously earmarked for Adult Social Care Reform would remain allocated to Local Authorities in 2023/24 rather than being specifically targeted towards the Dilnot Adult Social Care reforms, which are to be delayed for 2 years. The grant is therefore available to support the growing pressures being seen by Local Authorities within Social Care. The Council assumes this approach will continue post 2025/26 but this is not guaranteed as the Autumn Statement does not move further than 2025/26.
- Council Tax referendum limit to be lifted to 3% from April 2024, with Council's also able to levy up to 2% Adult Social Care Precept. Therefore, the Council would be able to increase Council Tax by a maximum of 5% if it so wished.
- At Spring Budget 2023, the Government launched the refocussed Investment Zones programme. The Government is now going further by extending the Investment Zones programme from five to ten years, which will double the total envelope of funding and tax reliefs available in each Investment Zone from £80 million to £160 million, to provide greater certainty to investors.
- The PWLB discount for HRA borrowing that currently runs to June 2024 is to be extended to June 2025. This allows councils to access discounted HRA borrowing, at 0.4% below the rate that councils can typically borrow at. At present the rates still aren't attractive to inspire direct borrowing for investment in stock but when the

Council does need to borrow to refinance existing debts this rate will be of use to minimise the impact of the current high interest rate market.

1.4.2 There has been no announcement on any continuation of the Household Support Fund for 2024/25. In 2023/24 this grant has been used to provide Free School Meals to families during the school holidays as well as funding the Council's Local Council Tax Support Top Up scheme.

1. £2.5m for food vouchers to children eligible for free school meals for school holidays up to and including Easter 2024.
2. £1.2m to cover the estimated costs of the Council's Local Council Tax Support Top Up Scheme.
3. £0.5m additional funding to top up the Council's Discretionary Housing Payments fund.

1.4.3 The Government published details of the Provisional Local Government Finance Settlement on 18 December 2023. The Strategic Director for Finance and Customer Services submitted the Council's response to the provisional settlement consultation, within the deadline for responses of 15 January 2024..

1.4.4 The key headlines from the Settlement are:

- The basic Council Tax referendum principle for 2024/25 is 3% i.e. a maximum increase of 2.99%.
- In addition, social care authorities will be able to increase their Council Tax by up to 2% (over the basic referendum threshold of 3% referred to above) by means of an Adult Social Care Precept for 2024/25.
- Revenue Support Grant will be inflated for 2024/25 by September CPI, the impact of this for 2024/25 is £1.2m.
- The previously announced additional allocations from the adult care grants are, £3.4m Discharge Funding and £5.8m through the Market Sustainability & Improvement Fund.
- Finally, the £1.3bn of the funding previously earmarked for Adult Social Care Reform Adult is now allocated to addressing pressures within Social Care caused by inflation and demand. The overall Social Care Grant allocation has increased from £22.9m by £5.9m taking the total Social Care Grant to £28.8m for 2024/25 though it should be noted that the majority of this increase was already assumed within the Council's approved MTFs.
- Government have provided some cover for inflationary impacts being felt by councils via funding an inflationary uplift on Business Rates Top Up Grant and S31 grant compensation for the multiplier cap on top-up grant. This is worth an additional £2.5m to the Council.

- The Government has decided to allocate a further new year of New Homes Bonus in 2024/25, with allocations based on the existing scheme, while further time is taken to analyse the results of the consultation undertaken on the future of NHB and develop proposals for future years. The Council's one-off allocation for 2024/25 is £0.9m.
- Government have utilised some of the Service Grant 2024/25 to fund increases to other financial settlement grants. As a result, the 2024/25 allocation is £0.4m, a reduction of £2.2m from the 2023/24 allocation of £2.6m.
- The Public Health Grant allocation for 2024/25 was confirmed following the 2023/24 Final Local Government Settlement as £18.004m. This amount has not been adjusted as part of the 2024/25 Provisional Local Government Settlement.
- The Final Local Government Finance Settlement 2024/25 is expected to be announced in early February. It is proposed that any changes resulting from the Final Settlement are reflected in the Budget Report to Council on 28th February.

1.4.5 The provisional financial settlement re-affirms the additional funding for Adult Social Care over the period 2023/24 and 2024/25. However, there is no clarity from Government as to whether these grants will continue into 2025/26. 2025/26 is the first year of the new spending review period so it is not expected there will be any further certainty in the Final Settlement. The MTFs assumes that these grants are at least maintained into 2025/26.

1.4.6 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 Table 1 below.

**Table 1 – Settlement Funding Assessment – Government Grants**

Government Grants	2023/24	2024/25	Difference
	£'000	£'000	%
Revenue Support Grant	17,654	18,823	6.6
Business Rates Top-Up Grant	30,531	31,000	1.5
<b>Provisional Settlement – Government Funding</b>	<b>48,185</b>	<b>49,823</b>	<b>3.4</b>

1.4.7 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. This additional grant is £2m for 2024/25 based on the indications in the Settlement that compensation for the business rates freeze in 2024/25 will be paid based on the September 2023 CPI rate of increase.

- 1.4.8 Government have provided no indication in the Provisional Settlement that the Council will be provided with further funding for 2024/25 in order to further mitigate the ongoing financial impacts of inflation, energy prices or the Local Government Pay Award 2023/24.
- 1.4.9 The Government will continue to allow councils to utilise the existing capital receipts flexibilities that allow revenue transformational expenditure to be funded by Capital Receipts, up to and including 2024/25. The Council's proposed Capital Programme will therefore assume the continued use of these flexibilities where it is most financially advantageous to do so up to and including 2024/25.
- 1.4.10 On 24<sup>th</sup> January 2024 Government issued a further financial statement on local authority finances with the following key updates.
- £500 million of new funding for councils with responsibility for adults and children's social care, distributed through the Social Care Grant.
  - An increase in the Funding Guarantee to 4%, ensuring that all authorities see a minimum increase in Core Spending Power of 4%.
  - A request for local authorities to produce productivity plans setting out how they will improve service performance and reduce wasteful expenditure to ensure every area is making best use of taxpayers' money.

At present there is no specific guidance on the value of the new social care funding or how it can be used; this will be included when the Budget is presented to Council should more information become available.

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

1.4.12 The Council also receives funding to deliver education in Rotherham, the Dedicated Schools Grant (DSG). The 2024/25 DSG (£333.5m) is split into four blocks and each block is determined by a national funding formula:

1.4.13 The DSG now includes the Mainstream Schools Additional Grant which was introduced as a separate grant allocation but has now been included within the DSG Schools Block, with schools receiving the funding within their individual DSG allocation.

- The 2024/25 Schools Block is £243.7m and is allocated to mainstream schools and academies in the Borough based on pupil numbers taken from the October 2023 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 £5,191 and the Secondary unit is £6,747.
- The 2024/25 Early Years Block is £30.4m and in 2024/25 includes the introduction of an entitlement for 2 year olds of working parents from April 2024, children from 9 months (Under 2s) from September

2024 and 2024/25 funding for the increased rates introduced in September 2023 as part of the 2023/24 Supplementary Grant.

- The Early Years Block allocation includes 3 & 4 year olds (£16.7m), two year olds (£8.5m) and Under 2s (£3.2m) in schools, private, voluntary and independent organisations. The hourly rate per pupil has increased to £5.47 for 3 & 4 year olds, £7.91 for 2 year olds and £10.78 for under 2s. In addition, the Early Years block includes a Maintained School Nursery Supplementary funding allocation of £1.1m, Early Years Pupil Premium of £559k, and Disability Access Fund (DAF) £286k to provide additional support to vulnerable pupils.
- The 2024/25 High Needs Block is £57.9m 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 almost trebled since 2014 increasing from 1,101 in December 2014 to 3,294 at December 2023.
- Due to the increasing number of EHC plans this has led to financial pressures on the High Needs Block (HNB) in Rotherham and to address the cost pressures the local authority implemented a four year DSG Management Plan last year, covering the period 2022/23 to 2025/26.

The High Needs Block funding is calculated by the following:

- A basic entitlement factor allocates funding using data on the pupil and student numbers in specialist provision. The basic entitlement funding rate is £4,660 per pupil or student for 2024/25.
- A historic spend factor, which was updated in 2022/23, to provide every local authority with a set percentage (50%) of their 2017 to 2018 spending on high needs. This is now based on the local authority's actual spend from 2017 to 2018 outturn data rather than planned spend as previously used.
- The remaining high needs funding, after deductions for the basic entitlement, is then calculated using the proxy factors listed below:
  - population factor
  - free school meals (FSM) factor
  - income deprivation affecting children index (IDACI) factor (using the latest IDACI 2019 data)
  - bad health factor

- disability factor
- key stage 2 low attainment factor
- key stage 4 low attainment factor

1.4.14 The 2024/25 Central Services Block (£1.56m) comprises of funding for ongoing statutory responsibilities of the local authority.

#### **1.4.15 DSG Safety Valve**

1.4.16 In March 2022 the Council entered the DfE's Safety Valve Programme which provides support to local authorities which have large DSG deficits. The work with DfE on the Programme aims to achieve a mutually agreeable solution to eliminating the Council's DSG deficit and to secure a sustainable DSG position going forward.

1.4.17 The Safety Valve agreement provides Rotherham Council with £20.53m over the duration of the agreement, with £14.53m received across 2021/22 and 2022/23 financial years, and a planned contribution of £2m per annum from 2023/24 onwards. The DSG deficit was £5.926m at the end of 2022/23, with the DSG Management plan on track with the initial financial assumptions. The estimated outturn at the end of 2023/24 is £3.01m (after including £2m of Safety Valve funding). As part of the Safety Valve process the Council meets quarterly with DfE colleagues to present current progress on the management plan and the financial position over the duration of the programme.

#### **1.4.18 2024/25 Teachers Pay Additional Grant**

1.4.19 In July 2023 the Department for Education announced £482.5 million for schools through the Teachers Pay Additional Grant (TPAG) in 2023/24 to meet the costs of the 2023/24 pay award.

1.4.20 The Education and Skills Funding Agency (ESFA) will pay the TPAG funding to LA's for maintained schools and directly to academies on behalf of the Secretary of State for Education. For maintained special schools and alternative provision, and for special and alternative provision academies, the ESFA will pay the TPAG funding to local authorities.

#### **1.4.21 Schools Pupil Premium**

1.4.22 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 in 2024/25. For Primary Pupils the rate has risen from £1,455 in 2023/24 to £1,480 and for Secondary Pupils from £1,035 in 2023/24 to £1,050. 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 increase from £2,530 per pupil in 2023/24 to £2,570 per pupil in 2024/25.
- 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 £335 per pupil in 2023/24 to £340 per pupil in 2024/25.

#### **1.4.23 Additional Grants to Schools**

- 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 pupil currently attracts £2.53. An allocation assumes that pupils will take 190 school meals over an academic year, providing £480.70 per eligible pupil.
- 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 2024/25 and Medium Term Financial Strategy to 2025/26**

### **2.1 Budget Approach**

2.1.1 The Council's focus is on delivering the priorities set out within the Council Plan. The Council is also focusing on its leadership role across the borough, particularly where it can have greater influence. Partnership working is recognised across all services as being essential to the future of the borough; combining knowledge, ideas, expertise and resources to deliver tangible improvements, deliver efficiencies and economies of scale, and helping to strengthen communities. The Council Plan was approved at Council on the 12 January 2022, setting out the Council's strategic themes:

- Every neighbourhood thriving
- People are safe, healthy, and live well
- Every child able to fulfil their potential
- Expanding economic opportunity
- A cleaner, greener local environment.

2.1.2 All directorates will continue to work together over the remaining year of the current plan to achieve the commitments set out within each of the themes.

2.1.3 The Council's MTFS update report to Cabinet in November 2023 provided a three-year outlook of the Council's anticipated resources and budget requirement. The report set out a series of technical MTFS adjustments



and refinements to bring it up to date and reflect the impact inflation and energy prices were having on the budget position up to 2025/26.

- 2.1.4 The result of this MTFs review, alongside the Financial Monitoring 2023/24 report to Cabinet in November, envisaged a significant financial overspend that would require the use of the Council's reserves to achieve a balanced financial outturn position for 2023/24. The forecast overspend at the time of the MTFs review was £4.2m for 2023/24. However, Directorates were asked to make every effort to reduce spending where possible to mitigate the financial impact on reserves along with utilising Treasury Management savings generated during 2023/24. This has reduced the forecast outturn position to £1.2m, though the Council's base costs across the MTFs period were increased. The MTFs included in this report is further updated following the release of the Provisional Settlement for 2024/25.
- 2.1.5 The Council's Reserves position is set out in detail in section 2.8. The Council's Budget for 2023/24 assumed the use of £6.3m from the Treasury Management Reserve to support the Council's Budget. This reserve was built up in previous years to £12.4m from savings generated through the Council's Treasury Management Strategy. The Treasury Management Strategy is forecast to make significant savings during 2023/24, largely due to the Council carrying temporary cash balances that it has been able to invest for a return in the high interest rate market, rather than having no cash and having to borrow in a high interest rate market. It should be stressed this is not cash that is free to spend, it is simply cash in the Council's bank as a result of the timing between funding/income arriving into the Council's account and being physically spent.
- 2.1.6 As a result of this strong Treasury Management outturn position, the Council's forecast overspend for 2023/24 has so far been reduced to an estimated £1.2m. Should this overspend be eliminated by year end, the Council will only need to draw down £2.3m from the Treasury Management Reserve which is £4m less than the budgeted £6.3m meaning that the Council's reserves position will be stronger than expected heading into 2024/25. Should the Council not be able to reduce this overspend further by the end of the financial year, the use of the Treasury Management Reserve will be £3.5m which is still £2.8m less than the original plan.
- 2.1.7 However, for 2025/26 due to the expected continuation of the pressures in Home to School Transport £3m, School Meals £1.2m and the Council already carrying a potential budget gap for 2025/26 of £1.7m, there was a projected final budget gap of around £6m for 2025/26.
- 2.1.8 The Council's MTFs has been further refined since November Cabinet to factor in revised inflation and energy price assumptions. The Council's assumptions around Home to School Transport, School Catering and CYPs Placements have been further refined. A Corporate Budget Risk Contingency of £3.5m and a Social Care Contingency of £3.4m are proposed for 2024/25 and 2025/26. In addition, a series of Revenue and Capital Budget investments are proposed as part of this Budget report. To

help manage those financial challenges, the majority of Fees and Charges are proposed to be lifted by 6% and Council Tax by 3.5% in total.

- 2.1.9 Contractual inflation and provision for Adult Care Provider inflation (£7.5m) have also been revised to ensure the Council can meet its contractual arrangements and ensure the Council does not fall behind the curve in terms of what it pays Adult Social Care providers and supporting the sustainability of the provider sector.
- 2.1.10 The Provisional Settlement for 2024/25, as detailed in section 1.4 confirmed many of the Council's resource assumptions but offered little in the way of additional funding to support the financial challenges that Local Authorities are facing nationally. A further year of New Homes Bonus will help to mitigate the Council's financial cost pressures for 2024/25 only.
- 2.1.11 However, the benefits from the Provisional Settlement are not sufficient to cover all the cost increases and as such the Council still has a significant funding gap for 2025/26. This funding gap therefore could only be closed through delivery of a more proportionate finance settlement or otherwise further increases in fees and charges, new savings, increases in Council Tax or use of reserves. The MTFs included in this report does not address the funding gap for 2025/26 given the uncertainty around how Local Authority funding will look in that year as it will be the first year of a new spending round and impacted by a potential national Government election.
- 2.1.12 Following factoring in the impact of inflation, energy prices, demand and cost pressures, MTFs assumptions, and the Provisional Financial Settlement, the Council's Funding Gap for the MTFs period was;

<b>Medium Term Financial Strategy Position</b>	<b>2023/24</b>	<b>2024/25</b>	<b>2025/26</b>
	£000	£000	£000
<b>Gap following MTFs Technical Adjustments</b>	<b>1,200</b>	<b>0,000</b>	<b>6,630</b>

- 2.1.13 The Budget and Council Tax Report 2022/23 agreed at Council in March 2022 noted that £11.5m of approved budget savings and cost reductions were still to be delivered, though their delivery would now take place across the financial years 2022/23 to 2024/25. Of these £7.1m remains to be delivered across 2023/24 and 2024/25. These approved budget savings are an essential part of the Council's approved MTFs position.
- 2.1.14 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 and funding not keeping up with inflationary pressures, increased demand for

social care, market cost pressures and more recently the significant impact of inflation and energy prices.

- 2.1.15 These financial challenges mean that the Council must be responsible in its budget setting approach, prioritising investment and savings proposals that best contribute to the Council's priorities as identified within the Council Plan to best meet the needs of Rotherham's residents and ensure that best value is demonstrated across the breadth of Council services. In addition, the Council must consider increased levels of uncertainty and where possible make provision for risks associated to currently volatile energy price and inflation levels.
- 2.1.16 It is also important to underline the spending level of the Council despite the previous funding cuts. With a current proposed revenue budget of £325.558m in 2024/25 together with proposed capital expenditure of £245.3m for 2024/25, 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 2026. The Capital Programme which has been updated within this report includes a total of £661.3m of planned capital investment across the current year and up to 2027/28.
- 2.1.17 Looking ahead the Council will need to closely consider the level of prudential borrowing it incurs post the 2024/25 Budget to ensure that the Council's overall debt position is manageable. This is essential to ensure it can be sustainably financed within the Council's Treasury Management Budgets (revenue) and to help guard against interest rate risk.
- 2.1.18 This budget strategy is set against the inflation, energy price, 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 there is a strain on school budgets. Much work has been done and continues to develop a sustainable approach for the dedicated schools grant budget which will need to continue if the Council is to make the most of the Safety Valve arrangement and prevent any impact of the pressures from Dedicated Schools Grant deficits impacting the General Fund.
- 2.1.19 The key aspects of directorate budgets and service delivery and considered as part of the Council's budget and financial strategy are summarised in Appendix 8.

## **2.2 Budget Savings**

- 2.2.1 Financial Monitoring reports to Cabinet during 2023/24 have monitored progress against the Council's previously approved savings of £11.5m across the MTFs period. At the start of 2022/23 the Council had £11.5m of previously agreed savings to deliver, that had been re-profiled across 2022/23 to 2024/25. Following the positive delivery of £4.4m in 2022/23,

the remaining £7.1m is to be delivered by the end of 2024/25. Table 2 below provides an update on the delivery of the remaining £7.1m which has to be delivered across 2023/24 (£4.4m) and a further £2.7m by the end of 2024/25. To date £1.918m has been secured against these remaining savings from savings in CYPs placements, management costs and R&E operational property budgets. Whilst placement costs have been reduced in CYPs, demand has increased and as such, CYPs is still reporting a pressure on placements. The table below shows progress against the remaining £7.1m.

**Table 2 – Progress against remaining delivery of £7.1m approved savings**

Saving	To be delivered by end of 2023/24	Total to be delivered end of 2024/25	Secured as at 31st December 2023
	£0	£0	£0
<b>CYPs</b>	3,713	6,385	1,594
<b>R&amp;E</b>	388	410	24
<b>R&amp;E Customer &amp; Digital</b>	300	300	300
<b>Total Savings</b>	<b>4,401</b>	<b>7,095</b>	<b>1,918</b>

2.2.2 It is anticipated that Waleswood additional income savings will not be delivered during 2023/24 following assessment of the income forecasts now the main summer season has concluded. The operational buildings savings programme is progressing well with a number of opportunities identified. However, full delivery of these savings is unlikely in 2023/24 but should be secured in full for 2024/25 and the programme of reviews will continue so it is expected the saving will be overachieved. Customer and Digital savings have now been fully secured and allocated to services. The delivery of £11.5m of directorate savings was planned as part of a balanced budget position over the three financial years 2022/23 to 2024/25.

2.2.3 As part of the Budget and Council Tax Report 2023/24 a series of new temporary and permanent savings were approved. Table 3 shows the progress against these new savings which include a range of permanent and temporary savings with a total of £3.381m secured against 2023/24 total of £4.344m so far. It is estimated that 97% of these savings are on target for delivery in 2023/24, with the 3% or £149k not on target still expected to be delivered in future years. As such, other temporary savings have been generated for 2023/24. This has been a positive programme of savings delivery, demonstrating that the Council is able to plan out a clear set of savings that it can deliver upon within an agreed timeframe.

**Table 3: New Savings agreed as part of the Budget and Council Tax 2023/24 report**

<b>Directorate</b>	<b>2023/24</b>	<b>2024/25</b>	<b>Secured as at 31<sup>st</sup> December 2023</b>
Finance and Customer Services	308	238	362
Assistant Chief Executive	303	407	153
Children's and Young Peoples Services	1,348	1,059	1,348
Adult Care, Housing and Public Health	1,224	1,998	961
Regeneration and Environment	1,161	1,001	973
<b>Total</b>	<b>4,344</b>	<b>4,703</b>	<b>3,797</b>

## **2.3 Fees and Charges**

2.3.1 The Council has a policy to increase fees and charges to ensure that services which the Council provides are kept broadly in line with increases in the cost of providing those services. The Medium Term Financial Strategy agreed at Council in March 2023 included an assumed increase in fees and charges of 5%, for 2024/25. The updated Medium Term Financial Strategy agreed at Cabinet in November 2023 maintained that position although flagged a significant funding gap from 2025/26 onwards as a result of inflation, energy prices, demand and market pressures in Social Care and Home to School Transport.

2.3.2 Given the financial challenge that the Council faces as a result of these pressures, consideration has been given to the level of increase that the Council should apply to its own fees and charges for services. The Council is conscious of the impact on residents and it is therefore not proposed to lift fees and charges at the same rate as inflation levels over the last 2 years in order to minimise the impact on residents whilst protecting access to basic services. However, it is proposed to increase them slightly above the 5% MTFS assumption in recognition of rising costs that the Council faces in the provision of these services. As such it is proposed that all income budgets for fees and charges which are determined by the Council will be uplifted by 6% except where an exception has been proposed. The majority of these exceptions relate to the following issues:

- A need to freeze charges to maintain or attract new customers.
- Statutory rules that set the charge rates, preventing any increase being made.
- Other proposals to freeze charges linked to specific scenarios such as Markets, given the transition that will take place whilst the project that will re-locate Markets takes place.

### 2.3.3 The following exemptions are proposed:

- Asset Management Estates Income – Price freeze to ensure the Council is competitive and comparable to market and other Local Authorities.
- Taxi Licensing - Price freeze to support a now struggling market where service supplier shortage has consequences for essential services.
- Sex Establishment Licensing – reduction following review of charging methodology.
- Market Service - Price freeze to encourage continued custom during the transition of the markets to the new location.
- Civic Theatre – Price freeze for theatre companies/show providers to continue to encourage return of custom following Covid forced closure.
- Rotherham Show car parking – Proposal to hold car parking at £3.
- Parking Services - Price freeze to encourage visitors to the town centre at Drummond Street, Wellgate North, Wellgate Multi Storey, Douglas Street, Unity Place and Scala, ahead of the major developments planned in future years.
- Waleswood - It is proposed to set the fees for the site for both 2024/25 and 2025/26 now, to support operational delivery of the site and allow the service to be delivered within the current budget provision.
- School Catering - Food prices and staff costs have risen significantly over the last 18 months and as such the fees charged for the service do not recover the costs of providing the service. As such it is proposed that the 2024/25 fee increase is 15%.

### 2.3.4 The following exemptions relate to services where statutory rules apply and the impact of these exemptions is factored into the budget.

- Licensing through the 2003 Licensing Act.
- Regulation and Enforcement (Water samples, Fixed Penalty Notices and Pollution Control Permits.
- Planning application fees.
- Blue Badge Scheme.
- Electoral Services – access to electoral register records.
- Registration Services – registrar fees for births, deaths and marriages.
- Highways Inspections - permits.
- Parking Services – charges for untaxed/abandoned vehicles.

### 2.3.5 All of the above exceptions have been taken into account within the proposed budget. Any alternative decisions will, therefore, have a financial impact on the Councils Budget. The financial impact of the proposals to freeze some fees and charges is £523k after taking account of additional income generated where fees and charges have been increased above 6%.

## **2.4 Independent Adult Care Sector Provision**

2.4.1 Investment into Adult Social Care is a key part of this budget in order to meet the challenges of escalating cost pressures within this service, relating to inflation and rising demand for adult care, the Council will therefore provide around £7.5m investment in the delivery of Adult Social Care services. This additional budget will also help support the Council's ambition that all workers are paid the Real Living Wage.

2.4.2 The total uplift proposed for each sector is based on a weighted average cost incorporating the Real Living Wage increase and CPI. A cost of care exercise was undertaken across the range of providers and this has informed the rates of pay that are being proposed.

2.4.3 The Council consults with providers each year to assess the fees it pays for care services. The following paragraphs provide a summary of the issues facing different segments of the market as well as the proposed fee uplifts.

### **2.4.4 Residential and Nursing Care Homes**

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

2.4.6 The independent sector care home market in Rotherham supplies 1,593 beds and approximately 35% 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. However, pressure in the domiciliary care market and complexity of needs has led to increased use of care home provision.

2.4.7 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.
- Increasing use and high cost of agency nurses is having a negative impact on patient flow from the hospital and ability to continue to provide and maintain a quality service.
- The National Living Wage will increase by 9.8% to £11.44 in April 2024. The Real Living Wage for 2023/24 increased by 10.1% to £12.00.
- The care market are restricted in their ability to compete financially with the retail and hospitality sector as they are currently offering joining bonuses and increased wage rates.
- A high degree of staff turnover has resulted in a significant increase in recruitment and retention costs.

- Increasing care requirements of residents with complex needs resulting in an intense demand on staff resource.
- High inflation costs that have seen significant increases in prices for energy, food, maintenance and insurance.

2.4.8 The problems cited above are having a particular effect on the nursing home provision. The capacity in nursing EMI and nursing care beds has reduced by around 40% in the last four years and this pattern of decline may continue due to fragility of the care home market. Providers have converted nursing EMI beds to residential care and there is a lack of provision of vacant beds in nursing and nursing EMI which is causing delay in hospital discharges, reduces choice and can lead to placing people out of borough at a higher cost.

2.4.9 The following table details the proposed fees for 2024/25. The total increase in fees aims to address the current costs of delivery and provide funding for inflation. This approach aims to ensure a sustainable price for the different types of residential care that the Council purchases.

\*Excluding Funded Nursing Care element

<b>2024/25 Proposed Fees</b>	<b>Residential</b>	<b>Residential EMI</b>	<b>Nursing Care*</b>	<b>Nursing EMI*</b>
Rotherham	£653	£681	£715	£793

#### **2.4.10 Home Care**

2.4.11 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 is key to supporting people's independence at home in the communities they know.

2.4.12 Around 1,350 people access the Home Care and Support Service, an increase of about 12% from the previous year and approximately 80% of people accessing the service are over the age of 65. This type of service represents 37% of the total provision to people assessed as eligible to receive active service. Around 18,700 hours of service are delivered per week which makes a major contribution to supporting people to remain in their own homes.

2.4.13 The Home Care and Support Service is provided through a Flexible Purchasing System (FPS). Currently there are 21 providers responding to requests for service.

2.4.14 In April 2023, following a fair cost of care exercise and in order to sustain the market, a significant uplift was applied to maintain the median rate. From this point capacity in the contracted home care market significantly improved.

2.4.15 The current average hourly rate is £22.47. It is proposed that the rates are increased by a weighted average rate of 7.78%. This will aim to address the need for increased capacity in the sector. The total increase in fees accounts for the increase in the Real Living Wage and inflation.



## 2.4.16 Independent sector provision – Learning Disability and under 65 Specialist Services

2.4.17 The Council provides financial support to approximately 770 learning disabled people of all ages, with an ageing demographic and increased complexity from young people transitioning into the services. There are 424 Physically Disabled people (aged 18-64), 263 people with Mental Ill Health (aged 18-64) and 58 people whose primary support need is Sensory Impairment, currently receiving Council support.

2.4.18 The pressures that the Learning Disabilities and Under 65's Specialist services face are in line with those faced in Older Peoples services 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 staff both Carer and Nursing roles.
- The National Living Wage will increase by 9.8% to £11.44 in April 2024. The Real Living Wage for 2023/24 increased by 10.1% to £12.00.
- Challenges in relation to attracting and retaining staff when pay rates in retail and hospitality are higher for less demanding roles.
- The high degree of staff turnover within the sector results in a significant number of recruitment processes and the costs associated with this.

2.4.19 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 and Real Living Wage, it is proposed to uplift fees to ensure the continued sustainability of services. The fee uplift for each service is shown below.

<b>Learning Disabilities</b>	<b>Percentage uplift</b>
Supported Living	7.78%
Residential Care	7.78%
Day Care	7.78%
<b>Other 18-64</b>	
Care Homes	7.78%
Supported Living	7.78%

## 2.4.20 Direct Payments

2.4.21 Recognising that a significant proportion of people in receipt of Direct Payments exercise choice to directly purchase other services from a range of providers at varying levels of costs, it is proposed to apply a

7.78% increase to the personal budgets. This will continue to support the wider home care and day care market, ensuring that choice is available outside of the Council commissioned services.

2.4.22 Discussions with care providers have highlighted that the ability to pay staff a competitive rate continues to be a key issue, especially in view of the significant wage inflation within retail, hospitality, and the NHS. The purpose of the funding is to support the continued workforce challenges across the Adult Social Care market, by encouraging people to remain in or join the sector with competitive rates of pay.

## 2.5 Council Tax Proposals for 2024/25

2.5.1 The Government have confirmed that the basic referendum principle for 2024/25 is 3% i.e. a maximum 2.99% 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 up to 2% for 2024/25 (over the basic referendum threshold of 3%). Therefore, the total that the Council could increase Council Tax by is 5%.

2.5.2 The Council is proposing to increase its own Council Tax (i.e. excluding Parish, Fire and Police precepts) by 3.5%, comprising a 1.5% increase in the basic rate of Council Tax and a 2% Adult Social Care Precept.

2.5.3 The proposed 1.5% increase on the basic rate of Council Tax will raise an additional £1.9m in 2024/25. In addition, a 2% increase in the Adult Social Care Precept will raise a further £2.5m in 2024/25 to contribute to funding increased costs of adult social care.

2.5.4 A 3.5% increase on the tax levied in 2024/25 would mean a Band D Council Tax (for the Rotherham Council element only) of £1,816.15. Details of the proposed increases on all Council Tax bandings are set out in Table 4 below. Over 50% of properties in the Borough are Band A.

**Table 4 – Council Tax Bands and Amounts (Rotherham Council element only)**

Council Tax Band	2023/24 £	2024/25 £
A	1,169.82	1,210.76
B	1,364.79	1,412.56
C	1,559.76	1,614.35
D	1,754.73	1,816.15
E	2,144.67	2,219.73
F	2,534.61	2,623.32
G	2,924.55	3,026.91
H	3,509.46	3,632.29

2.5.5 The budget for 2024/25 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. However, it is considered that the continuing cost of living crisis, inflationary pressures and wider economic pressures on the Borough into 2024/25 may result in a negative effect on the in-year Council Tax collection rate. Consequently the 96% in-year collection rate budgeted for in 2023/24 has been maintained for the 2024/25 taxbase rather than the 97% rate used in previous years' taxbase calculations, prior to Covid 19.

- 2.5.6 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. This includes some additional investments in services which are set out in Paragraph 2.7.
- 2.5.7 As required by legislation (the Local Government Finance Act 1992) the Budget Report to Council on 28<sup>th</sup> February 2024 will include a Statutory Resolution of Council Tax setting out details of the proposed Council Tax calculations for 2024/25 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.
- 2.5.8 The annual determination of the Council Tax Base, which is a technical based calculation, is delegated by Council to the Strategic Director – Finance & Customer Services (Section 151 Officer). The Council's Tax Base for 2024/25 has been determined as 72,870.50 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.
- 2.5.9 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 2024/25.
- 2.5.10 Based on the growth in the number of properties in the Tax Base and the proposed increase in Council Tax by 3.5%, this will generate a total Council Tax of £132.3m available to support the Council to fund services in 2024/25. Details of the Council Tax Base for 2024/25 are set out in Appendix 1.
- 2.5.11 **Local Council Tax Support Top Up Scheme 2024/25**
- 2.5.12 The Council is aware that residents will still be facing increased household costs as a result of high inflation and energy prices. In recognition of this the Council proposes to again provide a further Local Council Tax Support Top Up scheme across the financial year 2024/25. The scheme will provide an expected additional award of £121.96 for 2024/25, an increase on the 2023/24 support of Council Tax support to working age claimants on the Council's Local Council Tax Support scheme for 2024/25. Based on current caseloads this is expected to provide additional support to approximately 14,200 households. Where a claimant has a bill of £121.96 or less, then the bill will be reduced to zero. This means that for a working age household in receipt of maximum Council Tax support in a non-

parished area Band A property, there will be no bill to pay for 2024/25 Council Tax. Based on current caseloads this is estimated to be approximately 10,700 households. The application of the scheme will include all those becoming eligible up to and including 31 March 2025. The precise value of the award will be confirmed once the Police and Fire Precepts are confirmed.

2.5.13 The estimated scheme costs are between £1.7m and £1.9m and will be funded by use of two reserves, £1.2m Local Council Tax Support Grant Reserve and £0.7m Collection Fund Income Guarantee Grant. The actual cost won't be known until the end of the 2024/25 financial year. If Government release a further years allocation of the Household Support Fund, then this scheme will be funded through that grant (guidance allowing), however, as yet there is no confirmation of a Household Support Fund for 2024/25. This funding approach will potentially allow the Council to use the Local Council Tax Support and Collection Fund Guarantee Grant reserves to fund a further Local Council Tax Support Top Up scheme in 2025/26.

2.5.14 The scheme will replicate the criteria implemented in 2023/24. For 2024/25, the scheme will provide an expected £121.96 of additional Council Tax Support (subject to confirmation of the Police and Fire Precepts), based on the following criteria;

- That an expected additional award of £121.96 Council Tax Support will be made to those people of working age who are in receipt of Local Council Tax Support as at 1 April 2023.
- That where a claimant has a Council Tax bill of £121.96 or less, their bill will be reduced to zero.
- That the remaining funding will be utilised to fund the cost of new claimants becoming eligible for Local Council Tax Support including the application of the relevant proportion of the additional expected £121.96 support.
- That the additional support will apply to all those becoming eligible up to and including 31 March 2025.

#### 2.5.15 **Council Tax Premiums**

2.5.16 Rotherham currently charge a 100% empty property premium for properties that have been unoccupied and unfurnished for over 2 years. Legislation to allow Councils further discretion regarding the Premiums is contained within The Levelling up and Regeneration bill. The act received Royal Assent in October 2023 and the Council are awaiting the regulations and guidance regarding any exclusions which are still being drafted.

2.5.17 The changes would mean that;

- The 100% premium could become effective for properties that have been unoccupied and unfurnished for over 1 year.
- Second homes would become eligible for premiums. This does not include those second homes which currently receive a 50% job related discount.

- 2.5.18 The proposed changes would come into effect from April 2024 providing a Council decision has been made by 31st March 2024. However, the second home discount would require a decision to be made at least 12 months before it comes into effect which would mean that a decision would need to be made by 31<sup>st</sup> March 2024 for the premium for second homes to be implemented from April 2025.
- 2.5.19 Consultation was undertaken by the Government and included several proposed circumstances for which the empty homes and second homes premiums would not be applied.
- 2.5.20 As full details are not yet available, Rotherham will continue to implement the empty homes premium when a property has been unoccupied and unfurnished for two years but currently has no proposals to implement the new legislative changes.

## **2.6 Proposed Revenue Budget 2024/25 and Medium Term Financial Strategy to 2025/26**

- 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 An update of the MTFS was submitted to Cabinet in November 2023 reflecting the significant budget funding gap for the MTFS period. The MTFS has since been further updated to reflect the outcomes of the Provisional Local Government Finance Settlement 2024/25 and the budget proposals as set out in this report. It includes funding and expenditure projections up to the 2025/26 financial year which show an effectively balanced position up to 2025/26 where there is a potential funding gap of £6.6m on current service activity and funding assumptions. However, there will be a further Government Spending review before funding allocations for 2025/26 are determined. In addition, the MTFS will be kept under review which will include reflecting the impact of future years' annual Finance Settlements.
- 2.6.3 Taking into account Government funding notified for 2024/25 within the Provisional Local Government Finance Settlement, estimates of Government funding for future years based on the Spending Round 2021 and the Council's own resources, the proposed budget for 2024/25 and an updated MTFS over the following two years is set out below in Table 5.

**Table 5 - Budget and MTFS 2024/25 to 2025/26**

<b><u>Resources</u></b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>Estimate d £000</b>
<b><u>Government Funding</u></b>		
Revenue Support Grant	18,823	18,823
Business Rates Top-Up Grant & S31 Grant as compensation for multiplier cap on Top-Up Grant	37,463	38,212
New Homes Bonus	915	0
Public Health Grant	18,004	18,364
Social Care Support Grant	28,848	28,848
Social Care Support Grant Top Up	2,500	2,500
iBCF additional funding from 2019/20	14,480	14,480
Services Grant	409	409
ASC Market Sustainability and Improvement Fund	5,886	4,738
Discharge Funding	3,384	3,384
Other Government Grants	861	1,861
<b>Total Government Funding</b>	<b>131,573</b>	<b>131,619</b>
Retained Business Rates & S31 Grants as compensation for Government determined business rates reliefs	58,641	59,814
Council Tax Collection Fund – annual review and use of surplus	3,000	3,000
Council Tax and Adult Social Care Precept	132,344	137,638
<b>Total Council Resources</b>	<b>193,985</b>	<b>200,452</b>
<b>Total Resources</b>	<b>325,558</b>	<b>332,071</b>
<b><u>Expenditure</u></b>	<b>2024/25</b>	<b>2025/26</b>
	<b>£000</b>	<b>Estimate d £000</b>
Base Budget Requirement at 2022/23 pay and prices	285,376	302,446
Provision for pay, price and fees and charges income inflation	14,688	3,870
Adult Care – care transitions and demand	1,000	1,000
Adult Care uplift following centralisation of iCBF	11,794	11,794
Revenue budget investment 24-25	1,826	1,826
Discharge Funding	3,384	3,384
Capital Investment to 2025/26 – financing costs	5,290	8,381

Use of savings and contingencies within Budget/MTFS Strategy :		
Treasury Management Savings	-3,800	0
Corporate Budget Risk Contingency	3,500	3,500
Social Care Contingency	3,400	3,400
Reserve support for Social Care Contingency	-900	-900
<b>Total Expenditure Budgets</b>	<b>325,558</b>	<b>338,701</b>
<b>Gap</b>	<b>0</b>	<b>6,630</b>

\* Notes :

(i) The ASC Market Sustainability and Improvement Fund is only officially confirmed for 2024/25, however, as the funding stream is targeted towards;

- Increasing fee rates paid to adult social care providers in local areas,
- Increasing adult social care workforce capacity and retention,
- Reducing adult social care waiting times;

it is expected that this funding stream will have to be provided for in 2025/26 as Local Authorities would not be able to increase, for example, fee rates on a short term only basis. Therefore, the inclusion of the ASC Market Sustainability and Improvement Fund in 2024/25 is a risk but it is felt to be a low risk.

2.6.4 Set out below in Table 6 is the proposed Net Revenue Budget for 2024/25 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 5.

**Table 6 Net Revenue Budget by Directorate**

	<b>Proposed Budget 2024/25</b>
	<b>£'000</b>
Adult Care, Housing & Public Health	122,096
Children & Young People's Service	65,060
Regeneration & Environment Services	54,825
Finance, Customer Services	21,349
Assistant Chief Executive	7,280
Central Services	54,949
<b>TOTAL NET REVENUE BUDGET</b>	<b>325,558</b>

2.6.5 The proposed Central Services budget (£54.9m) shown in the table above includes the following key budgets and provisions:

- Levies – Integrated Transport Authority, Coroners, Environment Agency, Apprentice (£13.3m)
- Capital Financing (£21.6m)
- PFI Grants (cr £3.8m)
- Use of Treasury Management Reserve to support Budget, (cr £3.8m)
- Inflation provision for pay, price and fees and charges, (£25.6m).

## 2.7 Proposed Budget Investments

2.7.1 Table 7 below sets out the revenue budget investment proposals that total £2.196m for 2024/25 onwards, however, the impact on the MTFS is only £1.826m as the Early Help Budget of £370k was temporarily removed for 2023/24 only; as such it was already included in 2024/25 budget assumptions pending clarity about how it would be utilised. Further details of all these investment proposals are provided in Appendix 2.

**Table 7 Proposed Revenue Budget Investments**

Ref per template	Revenue Budget Investments Supported	2024/25 £'000	2025/26 £'000
<b>Every Child able to Fulfil their Potential</b>			
INV1	Early Help	370	370
INV2	Baby Packs	360	360
<b>People are safe, healthy, and live well</b>			
INV3	Homelessness prevention and temporary accommodation	205	205
INV4	Empty Homes Officer - Strategic Housing and Development	45	45
INV5	CQC Lead	70	70
INV6	Restorative Hate Crime Service	30	30
<b>Expanding Economic Opportunity</b>			
INV7	Community Wealth Building	120	120
<b>A Cleaner, Greener Local Environment</b>			
INV8	Biodiversity Net Gain	50	50
INV9	Principal Towns Cleansing	366	366



INV10	Tree Service Improvements	79	79
INV11	Bulky Waste Service	211	211
<b>One Council Approach</b>			
INV12	Customer Services Call Handling	133	133
INV13	Customer Services – Digital Customer Experience	157	157
<b>Total Requirement</b>		<b>2,196</b>	<b>2,196</b>

#### 2.7.2 Every Child able to Fulfil their Potential

2.7.3 Providing all children with the best start in life means starting from the beginning. Building on best practice, the Council will promote a fair and equal start for all, to help achieve the best possible outcomes for all of Rotherham’s children. This will be achieved through the provision of Baby Packs that will include high quality items that promote positive parent and child interaction and safety, improving outcomes for the child and family.

2.7.4 Baby Packs will be universally available for the 2,700 babies born (on average) each year. The scheme will be promoted by midwives, health visitors and the fostering / adoption service, as well as when registering baby’s birth. This will also provide an opportunity to encourage registration with children’s centres, enabling targeted engagement and support when families may benefit.

2.7.5 Working with partners, the Council will also provide improved services for children, young people and families through a re-focused Early Help service. Whilst this has provided a positive offer for Rotherham’s children and families for a number of years, it will continue to evolve and develop as things change. This will include providing all children, young people and families with the tools they need to develop increasing resilience and independence, as well as targeted services to address ongoing challenges, particularly around exploitation, online harm, prevention of family breakdown and increasing attendance at school.

#### 2.7.6 People are safe, healthy, and live well

2.7.7 The Council will also provide dedicated capacity to continue to deliver its restorative hate crime programme. This successful programme has been in place for a number of years, but with the external funding source for this now removed the Council will fund this in 2024/25, given the importance of taking action on this important issue.

2.7.8 Building on the £1.8m programme of investment that has taken place in libraries across the borough, the Council will continue to strengthen this service by investing in its Archives and Local Studies facilities to upgrade digital services.

- 2.7.9 Throughout 2023/24 the borough has seen an increase in the number of people presenting as homeless. The Council has reaffirmed its ambition to end rough sleeping. The rise in demand for this service currently means that at times the Council has to utilise temporary accommodation, which makes it more difficult to provide the support needed to those affected and creates significant financial implications. The Council will therefore procure additional bedspaces where support can more easily and sustainably be provided for those that need it and at a lower cost than is currently being achieved.
- 2.7.10 In addition, further permanent capacity will be provided to the Housing Service to better manage the supply of private properties and to support its effective operation through having greater engagement with landlords around potential demand. When taken to together the proposals will help to ensure that the service is adapting to meet the needs of residents.
- 2.7.11 With the move to regulation impacting both Housing and Adult Services across the Council, this is further driving the focus on ensuring that services meet the needs of their customers. As part of these changes, it is therefore imperative to ensure that the Council has the necessary assurances in place regarding how it is delivering these services. To support this, additional capacity will be created to oversee, develop, and lead a programme of preparedness and continuous improvement for the Care Quality Commission assessment of Adult Social Care in the borough.
- 2.7.12 Expanding Economic Opportunity
- 2.7.13 The Council is currently delivering the largest regeneration programme in the borough in a generation. Comprising a range of different investments this will seek to create more opportunities for residents and businesses.
- 2.7.14 Given the Council's Social Value Policy, a core part of its approach to this regeneration programme has been ensuring that it is maximising the value of its investments. Following the existing successes in delivering this policy, including being awarded the prestigious Public Sector Leadership award at the Social Value Portal Awards in 2023, additional actions are being explored to continue to implement this Policy. As a consequence, the Council will invest in promoting worker ownership across the borough, following the pilot that was undertaken by the South Yorkshire Mayoral Combined Authority.
- 2.7.15 A Cleaner, Greener Local Environment
- 2.7.16 As part of a coordinated campaign to reduce fly tipping, the Council will introduce a 50% reduction in the current charge for residents to use its bulky waste service, with Rothercard holders receiving a fixed discount on the current charge. When combined with the changes proposed to the fines for fly tipping that were agreed in December and the introduction of an online booking service, this will provide a more affordable, easy to access and trusted service to residents, whilst also increasing the penalties for those who fly tip.

2.7.17 The Council will also invest an additional £534k in a range of measures to create cleaner streets in principle towns across the borough by increasing capacity and purchasing additional equipment. This will include introducing a more frequent, seven day a week service in high footfall areas.

#### 2.7.18 One Council Approach

2.7.19 The Council will also embed the learning gained throughout 2023/24 where new schemes significantly improve outcomes for residents. For example, by increasing resourcing in the customer contact centre over the course of the year the average time taken to answer calls has now decreased to two and a half minutes, at the end of Quarter 2. The proposals within this report therefore make this a permanent service to ensure that residents can continue to receive an improved standard.

2.7.20 In addition, following the launch of the Council's new customer standards in September 2023, additional temporary resource is being invested in ensuring that all the Council's services are effectively delivering these standards. This will include identifying and removing any barriers that may make it difficult for customers to engage with the Council through their chosen method.

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

2.8.1 In setting the Budget for 2023/24 the Council anticipated that corporate reserves at the 31<sup>st</sup> March 2023 would be £56.5m. However, following an improved outturn position for 2022/23, the reserves on the 31<sup>st</sup> March 2023 were £62.6m, an increase of £6.1m. This improved position was due to;

- The Council's temporary savings plans in latter half of 2022/23 (£1.5m).
- Further Treasury Management savings, linked to the Councils Treasury Management Strategy. (2.3m).
- New corporate grants, ringfenced and largely linked to Asylum funding programmes. (£2.3m).

This improved position places the Council in a more robust financial position to manage the challenges faced during 2023/24 and in setting the Budget for 2024/25.

2.8.2 During 2023/24 whilst the Council has faced significant financial challenges, referenced earlier in this report, the Council has continued to generate significant savings through it's Treasury Management Strategy. These savings have been significant enough to remove a large proportion of the planned use of the Treasury Management Reserve during 2023/24. The Reserves Strategy for 2023/24 had planned to utilise £6.3m of the Treasury Management Reserve, however, this use is now expected to only be £2.3m, an improvement of £4m in the Council's reserves position moving forwards.

2.8.3 The Council's balance of corporate reserves as at 31<sup>st</sup> March 2023 was £62.6m. Following a further review of the Reserves Strategy, taking into account the financial outturn for 2022/23, the forecast financial outturn for 2023/24 and the proposed reserves use during 2024/25 and 2025/26, the following updated Reserves Strategy is proposed for reserves movements during the period 2023/24 to 2025/26:

- The Council received £2.8m Local Council Tax Support Grant to mitigate the financial impact of Covid-19 on future Council Tax income. This grant was transferred to reserves in 2021/22 with £1.6m of this reserve used in 2022/23 as planned with the balance of £1.2m earmarked for a Local Council Tax Support Top Up scheme during 2024/25.
- The Spending Review 2021 confirmed Government would compensate local authorities for 75% of irrecoverable losses in Council Tax in respect of 2020/21. From this the Council gained £0.7m that transferred to reserves in 2021/22 and is earmarked for a Local Council Tax Support Top Up scheme during 2024/25.
- A £2m Covid Recovery Fund was created as part of the 2020/21 outturn position. So far, £0.9m of this reserve has been used to provide schemes for residents impacted by the cost of living crisis, helping to fund the Energy Crisis Support Scheme and provide additional funding for discretionary Housing Payments. The remaining £1.1m is approved to be used across 2023/24 and 2024/25 for a continuation of the Energy Crisis Support scheme and to provide support for domestic abuse victims.
- The Corporate Revenue Grants Reserve was increased during 2022/23, in the main due to the receipt of funding to support the Council's additional responsibilities around asylum. The reserve now stands at £3.6m though it is made up of ringfenced grants that are expected to be used across the MTFs period though at present the Council are unable to project specifically when.
- Treasury Management savings of £2.3m for 2022/23 were transferred to reserves as part of the outturn position for 2022/23. This was in line with the recommendation to reserve funding and savings to support the budget across the medium term as agreed at Council in March 2023. Further Treasury Management Savings generated in 2023/24 will help the Council to manage the current overspend position for 2023/24 as well as removing the need for drawing down £4m of the planned use in 2023/24. As a result, the Council has a current balance of £12.4m, from which it proposes to use £2.3m in 2023/24, £4.7m 2024/25 and £0.9m in 2025/26. A significant use of this improved reserves position is making a temporary

social care contingency to provide support for placement and demand overspends of £0.9m in 2024/25 and 2025/26.

- The Council's Budget and Financial Strategy Reserve stands at £14.6m and it is proposed to retain it at this level. The reserve is still required to cover the Council against the significant budget and MTFs pressures that are facing local authorities at present, that have been best illustrated by the number of Council's that have either declared a S114 notice or have indicated that they are on the edge of declaring one. Also, given the uncertainty around future finance settlements and a new spending review period, the reserve will enable the Council to plan and manage any adverse implications by providing time to full consider any required actions. As such, the Council's Budget and Financial Strategy Reserve will be maintained.

2.8.4 Taken alongside the Council's proposed budget for 2024/25 and the MTFs to 2025/26, 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.

2.8.5 The table below summarises the reserves balances over the medium term and includes the budgeted transfers to and from reserves as outlined in section 2.8.3.

2.8.6 **Table 8 – Forecast Balances of Reserves**

	<b>Balance at 31 March 2023</b>	<b>Projected Balance at 31 March 2024</b>	<b>Projected Balance at 31 March 2025</b>	<b>Projecte d Balance at 31 March 2026</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>General Fund Minimum Balance</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>	<b>25.0</b>
<b>Corporate Reserves</b>				
Budget and Financial Strategy	14.6	14.6	14.6	14.6
Transformation	0.0	0.0	0.0	0.0
Business Rates	4.0	4.0	4.0	4.0
Corporate Revenue Grants Reserve	3.6	3.6	3.6	3.6
Covid Recovery Fund	1.1	0.2	0.0	0.0
Local Council Tax Support Grant	1.2	1.2	0.0	0.0

Collection Fund Income Guarantee Grant	0.7	0.7	0.0	0.0
Treasury Management Savings	12.4	10.1	5.4	4.5
<b>Total</b>	<b>37.6</b>	<b>34.4</b>	<b>27.6</b>	<b>26.7</b>
<b>Total General Fund Minimum Balance and Corporate Reserves</b>	<b>62.6</b>	<b>59.4</b>	<b>52.6</b>	<b>51.7</b>

2.8.7 Whilst the proposed Budget and MTFs position proposes a use of £10.9m of reserves across the period 2023/24 to 2025/26, it should be noted that £3m of this use is for specific projects to support residents with the impact from the cost of living crisis (Energy Crisis Support Scheme and Local Council Tax Support Top Up). In addition, it is also worth noting that the Council's projected balance of reserves as at the end of 2025/26 is £8m higher than it was expected to be when the Council agreed its Budget for 2023/24. This improvement, given the significant challenges facing Local Authority finances, is testament to the Council's robust financial management and decision making across this period.

## 2.9 Community Leadership Fund

2.9.1 The 2021/22 Budget approved by Council, included revenue and capital budgets that are devolved to individual Elected Members (Community Leadership Fund) or the ward as a whole (Capital Budget). These are provided to members to deliver revenue and capital projects within their wards during their time in office. As such any unspent balance of CLF or capital can be carried forward at the year end, for all financial years except for local election years. For example, in the current election cycle, these budgets can only be carried forward at the end of the following years, into the next financial year:

- 2021/22
- 2022/23

2.9.2 For the 2023/24 financial year, carry forward of unspent balances will not be permitted at the end of March 2024, ahead of the May 2024 elections.

2.9.3 As a result of the May 2024 elections a new cycle of Community Leadership Funding will commence. The allocations per member/ward will be on the same basis as previously provided, as set out below.

- Each Elected Members will receive £1,584 Community Leadership Fund. This is Revenue funding.
- Two member wards will receive £7,120 Capital Budget.
- Three member wards will receive £10,680 Capital Budget.

2.9.4 These budgets will be provided to Members to deliver revenue and capital projects within their wards during their time in office. As such any unspent balance of CLF or capital can be carried forward at the year end, for all

financial years except for local election years. Where carry forward is required those balances will be transferred to the Corporate Revenue Grants Reserve or held within Capital Grants Unapplied. For example, in the current election cycle, these budgets can only be carried forward at the end of the following years, into the next financial year:

- 2024/25
- 2025/26
- 2026/27

## **2.10 Business Rates Reliefs**

### **2.10.1 Revaluation 2023 and Transitional Relief**

2.10.2 From 1 April 2023, the rateable values of all non-domestic properties in England will be updated by the Valuation Office Agency to reflect the property market as at 1<sup>st</sup> April 2021. This ensures business rates bills are fairly distributed across all non-domestic properties and reflect changes in market conditions since 2015.

2.10.3 A new Transitional Relief Scheme was introduced in 2023 to help those ratepayers who are facing higher bills as a result of the revaluation.

### **2.10.4 2024/25 Retail, Hospitality and Leisure (RHL) relief scheme**

2.10.5 In the Autumn Statement 2023 the Chancellor announced an extension to the new business rates relief scheme for retail, hospitality, and leisure properties.

- The 2023/24 Retail, Hospitality and Leisure (RHL) relief scheme provided eligible, occupied, retail, hospitality, and leisure properties with 75% relief, up to a cash cap of £110,000 per business.
- Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England. Where a ratepayer has a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps.
- The RHL relief scheme guidance provides local authorities with information about the intended operation and delivery of the policy.
- The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2024/25 in their bills for the beginning of the 2024/25 billing cycle.

### **2.10.6 2024/25 Supporting Small Business (SSB) Relief Scheme**

2.10.7 In the Autumn Statement 2022 the Chancellor also announced a new Supporting Small Business (SSB) relief scheme which will cap bill increases at £600 per year for any business losing eligibility for Small

Business Rate Relief or Rural Rate Relief at the 2023 revaluation. This will continue for 2024/25.

2.10.8 The Government anticipates that local authorities will include details of the relief to be provided to eligible ratepayers for 2024/25 in their bills for the beginning of the 2024/25 billing cycle.

#### 2.10.9 Local Newspapers Relief Scheme

2.10.10 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 determined that the relief will continue for a further 5 years until 31 March 2025.

2.10.11 Cabinet are recommended to propose to Council that these business rates reliefs are applied for 2024/25 in line with Government guidance. In addition, should Government introduce other rates reliefs, the reliefs will be applied in line with Government guidance. Backdating of applications for discretionary relief will be restricted to the 1<sup>st</sup> April of the previous financial year from the date the application was received or eligibility became known.

### **2.11 Procurement – Supplier Faster Payments**

2.11.1 Since April 2020 the Council has adopted a range of principles and measures to provide faster payment (i.e. payment earlier than the standard 30 day payment terms) to Suppliers, where invoices have been reconciled, with a targeted approach to support local suppliers and Small to Medium Enterprises (SMEs). This was done initially to provide support during the Covid-19 pandemic to ensure cash-flow within businesses was maintained to avoid supply chain collapse and help protect jobs. The Council has however recognised the economy has not recovered or returned to pre-pandemic levels and is now facing other significant financial pressures resulting from rising inflation and energy costs. It is proposed that these principles and measures are maintained for a further 12 month period covering the 2024/25 financial year.

### **2.12 Capital Strategy/Capital Programme Update**

2.12.1 The Capital Strategy and proposed Capital Programme to 2027/28, which sets out the Council's future capital investment plans, will ensure that investment decisions are clearly aligned with the Council's strategic priorities, vision for Rotherham and the Council Plan. The Capital Programme covers 2023/24 through 2027/28, so that the Council has a Capital Programme, aligned with the Council's MTFs. For the financial years from 2025/26 to 2027/28 the inclusion of capital grants are largely based on estimates and will be updated as Government confirm annual allocations, in line with the Council Financial & Procurement Procedure Rules.



- 2.12.2 The Council's Capital Strategy and Capital Programme to 2025/26 was approved by Council in March 2023 within the Budget and Council Tax 2023/24 Report. This has been further refreshed and updated as part of this Budget report and the reporting to Cabinet and Council carried out during 2023/24.
- 2.12.3 The Financial Outturn 2022/23 report approved by Cabinet in July 2023 set out an updated Capital Programme taking into account slippage on capital schemes during 2022/23 which was mostly re-profiled into future years.
- 2.12.4 Further individual new capital projects already approved during 2023/24 are incorporated into the updated Capital Programme which is set out in Appendices 3C to 3F.
- 2.12.5 This report proposes a number of further additions to the Capital Programme to 2027/28 which are set out in Appendix 3A. It is proposed that these priority capital investment schemes will be added to the Council's Capital Programme following Council approval.
- 2.12.6 **Priority Capital Investment – General Fund**
- 2.12.7 A number of new capital schemes are being proposed for inclusion into the Capital Programme 2024/25 to 2027/28. A list of the new schemes is provided at Appendix 3A and 3B, along with a summary view of the scheme business case. These new proposals will be funded by £33.194m of corporate resources, with the revenue implications of this built into the Council's proposed Budget and Treasury Management Strategy. They are listed below;

**Table 9 Proposed Capital Budget Investments**

<b>Council Plan Theme</b>	<b>New Capital Proposal</b>	<b>Corporate Resource Required £'000s</b>
<b>Every Child able to Fulfil their Potential</b>		
CAP1	SEND Hub	165
CAP2	Children's Playgrounds Programme	919
<b>People are safe, healthy, and live well</b>		
CAP3	Our Places Fund	2,000
CAP4	Roads, Footways and Highway Drainage Repairs to 2028	18,000
CAP5	Traffic Signals	400
CAP6	Road Safety - Small Scale Schemes	400
CAP7	Street Lighting Concrete Column Replacement Works	1,340

CAP8	Clifton Park Watersplash Replacement	900
CAP9	Strategic Acquisitions	1,000
<b>A Cleaner, Greener Local Environment</b>		
CAP10	Flood Alleviation Works Fund - including Eel Mires Dike Flood Alleviation Scheme & Whiston Brook Flood Alleviation Scheme (Construction Phase)	5,500
CAP11	Ash Dieback Mitigation	1,000
CAP12	Thrybergh County Park Paths Improvement	325
CAP13	Increased Capital for Street Bin Maintenance	310
CAP14	Principal Towns Cleansing	168
<b>One Council Approach</b>		
CAP15	Rotherham Archives and Local Studies Digital upgrade	22
CAP16	Community Safety and Street Scene – Customer and Digital Plan	745
	<b>Total</b>	<b>33,194</b>

#### 2.12.8 Every Child able to Fulfil their Potential

2.12.9 The Council will invest £1.8m in improving facilities for families and young people to enjoy across the borough by investing in a three-year Playgrounds Programme, encouraging people to live healthy and active lives. In addition, the Council will replace the Water Splash play area at Clifton Park, ensuring that this continues to be a family favourite attraction in the borough.

#### 2.12.10 People are safe, healthy, and live well

2.12.11 The Council is making a series of additional investments to ensure that every neighbourhood is thriving. This includes investing £2m over the next two years in a programme of public realm improvements through the Our Places fund. This will improve the quality of place across the borough for residents by strengthening the appeal of the public realm, inspiring greater pride in neighbourhoods.

2.12.12 Following the success of the £24m to 2024 roads programme and the positive outcomes it has achieved the Council will continue to invest in the road network. Importantly, this includes a broader £22m programme of investment to repair roads, footways and highway drainage across the borough up to 2028. To complement this the Council will invest £400k over the next two years in a series of schemes to improve road safety.

### 2.12.13 A Cleaner, Greener Local Environment

2.12.14 Following the devastating floods in October, through the Budget proposals a further £9.8m will be invested in flood defences to make the borough more resilient to a changing climate. Following the completion of the Section 19 report into the October floods, consideration will also be given to what measures are required to protect the Catcliffe community from the devastating impacts of flooding.

2.12.15 Finally, the Council will invest £1.5m in the natural environment and the facilities that enable residents to benefit fully from this. From improving the footpaths in Thrybergh Country Park providing inclusive, year-round access to this asset to mitigating the impacts of ash dieback and increasing capacity and expertise to improve biodiversity and effectively manage trees, collectively this activity will create a greener borough.

### 2.12.16 One Council Approach

2.12.17 Whilst the entirety of the budget seeks to improve the services being provided to residents across the borough, a number of additional measures are proposed to improve customer experience. This includes investing an additional £745k over the next two years to deliver the Community Safety and Street Scene Customer and Digital Plan. Designed to improve engagement and satisfaction with residents, a series of improvements will be delivered to provide high quality services that are modern, efficient, informative and effective.

2.12.18 There are a number of project specific changes that are being added to the Capital Programme as part of the Council's December Financial Monitoring report to 12<sup>th</sup> February Cabinet. However, there is a change to the Council's planned use of corporate borrowing that will require support via this Budget and Council Tax Report with referral onto Council.

- £14m of Capital Right to Buy Receipts that are corporate resources and can be used for Housing or Regeneration are proposed to be added to the Housing capital programme to support the delivery of the Council's Housing Growth targets. This resource will be added to the Housing programme as a resource of last resort and only provided to support the Housing Growth programme delivery up to 2025/26. Should those resources not be required in that period due to alternative grant being identified or Housing Growth projects being delayed outside of this time period, the receipts will be return to being held corporately.

### 2.12.19 **Annual ongoing expenditure commitments - General Fund**

2.12.20 A number of new capital schemes are being added to the Capital Programme 2023/24 to 2027/28 to finance essential annual capital investments. These investments are essential to the Council's operations and therefore are not proposed as investment decisions as they have to take place, for example the Council needs to have a finance system, which is one of the new capital investment proposals, or the Council needs to

maintain the quality of its operational buildings. A list of these essential investments is provided at Appendix 3A. These new proposals will be funded by £29.535m of corporate resources, with the revenue implications of this built into the Council's proposed Budget and Treasury Management Strategy.

2.12.21 With regards to the Council's capital spending plans, the Council will need to closely consider the level of prudential borrowing it incurs moving forwards post the 2024/25 Budget to ensure that the Council's overall debt position is manageable, can be sustainably financed within the Council's Treasury Management Budgets (revenue) and to help guard against interest rate risk. Therefore, moving forwards the Council will need to look to ensure that it's Minimum Revenue Provision (MRP), the process at which the Council sets aside funding for the repayment of debt, exceeds the annual level of borrowing undertaken, so that the total debt position starts to be reduced.

2.12.22 The Council's approach to future borrowing is covered in the Treasury Management Strategy at Appendix 9. Though it should be noted that this will be a strategy for future rounds of capital investment and Budget setting rather than for the current 2024/25 Budget and MTFs update where the level of capital borrowing has been factored into the revenue budget projections.

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

2.12.24 The Housing Revenue Account Capital Programme has also been updated to 2027/28, in line with the updated HRA Business Plan approved by Cabinet on 22<sup>nd</sup> January 2024 and being considered by Council on 28<sup>th</sup> February 2024. HRA capital programme information is set out in Appendices 3E and 3F.

#### 2.12.25 **Housing Capital Programme**

2.12.26 The Council has a statutory duty to maintain its council stock under the Housing Act 1985. To execute this an annual capital budget is allocated via the HRA Business Plan so that investment can be delivered across the portfolio.

2.12.27 The Council is required to maintain its stock to several different standards, in relation to Asset Management the following key areas must be adhered to:

- Decent Homes Standard
- Various Health and Safety Legislation including but not restricted to:
  - Fire Safety
  - Gas Safety
  - Electrical Safety
  - Asbestos Management

In addition to this the aim is to also:

- Improve energy efficiency of our tenants' homes
- Invest in communal and external environment

2.12.28 In 2024/ 25 it is proposed to invest £30.5m in the Councils housing stock. This will pay for items such as new kitchens, bathrooms, boilers and roofs where it is far more cost effective to do these on a planned programme of works.

2.12.29 The HRA Business Plan also includes £126m additional investment to deliver hundreds of new Council homes by the end of 2025/26. £33.038m of this investment is proposed for delivery in 2024/25. For the purposes of the HRA Business Plan, investment has been assumed to support delivery of an additional 565 new homes from 2024/25 onwards.

2.12.30 A summary of the proposed investment in the 2024-25 Housing capital Programme is shown in the table below.

<b>Description</b>	<b>Budget £m</b>
Housing Revenue Account	63.538
General Fund	1.76
Disabled Facilities Grant	2.197
<b>Total</b>	<b>67.495</b>

2.12.31 The HRA programme for 2024/25 has been included into the capital programme with a more detailed breakdown as shown at Appendix 3E and 3F.

### 2.12.32 **Capital Strategy**

2.12.33 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 South Yorkshire Mayoral Combined Authority (SYMCA) Strategic Economic Plan and maximise the potential for securing capital funding from the SYMCA. The Council will continue to build upon the successes of recent years in the development and approval of funding bids, such as Towns Fund and Levelling Up Fund in order to maximise the impact that the Council can have on the borough through capital investment.

2.12.34 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.

### 2.12.35 **Proposed Capital Programme 2023/24 to 2027/28**

2.12.36 The Capital Programme is now extended to include 2026/27 and 2027/28, to reset the Capital Programme to five years (current year + four years).

As a result, the Programme now includes £62.729m of new capital investments proposals to be funded by corporate resources that are being proposed for approval as part of this Council's Budget and Council Tax Report 2024/25.

2.12.37 In addition, the Programme will also now include a further two years of the HRA programme, £61.203m. Finally, in adding the two additional years to the Capital Programme further estimates of capital grant funding have been added. The overall Capital Programme for the period 2023/24 to 2027/28 is now £661.350m, General Fund programme of £460.019m and HRA Programme of £201.331m. The table below indicates the split of the Capital Programme across the Council's Directorates.

**Table 10 – Proposed Capital Programme 2023/24 to 2027/28**

Directorate	2023/24 Budget £m	2024/25 Budget £m	2025/26 Budget £m	2026/27 Budget £m	2027/28 Budget £m	Total Budget £m
<b>General Fund Capital</b>						
Children and Young People's Services	6.760	9.955	17.719	6.360	6.310	47.104
Regeneration and Environment	94.847	144.495	64.072	16.220	13.432	333.066
Adult Care & Housing	5.722	20.893	5.427	4.827	4.827	41.696
Assistant Chief Executive	0.345	0.210	0.210	0.210	0.210	1.185
Finance and Customer Services	3.976	5.143	21.300	3.559	2.990	36.968
<b>Total General Fund Capital</b>	<b>111.650</b>	<b>180.696</b>	<b>108.728</b>	<b>31.176</b>	<b>27.769</b>	<b>460.019</b>
<b>Total HRA Capital</b>	40.736	65.601	35.268	30.321	29.404	201.331
<b>Total RMBC Capital Programme</b>	<b>152.386</b>	<b>246.297</b>	<b>143.996</b>	<b>61.497</b>	<b>57.173</b>	<b>661.350</b>

### 2.12.38 Funding the Capital Programme

2.12.39 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.

2.12.40 The Council held no General Fund capital receipts and £15.7m of Right to Buy (RTB) receipts as at 31<sup>st</sup> March 2023. In addition, the Council anticipates further capital receipts to be generated across the Capital Programme period 2023/24 to 2027/28. The total amount of capital receipts planned to support the proposed General Fund Capital Programme including flexible use is £1.9m. The planned use of HRA receipts within the HRA programme is £12.9m, this is based on the continuing sale of properties under RTB, and private sales generated through the Councils new build housing schemes.

2.12.41 The table below shows how each year of the Capital Programme will be funded:

**Table 11 – Funding of the Proposed Capital Programme 2023/24 to 2027/28**

<b>Funding Stream</b>	<b>2023/24 Budget £m</b>	<b>2024/25 Budget £m</b>	<b>2025/26 Budget £m</b>	<b>2026/27 Budget £m</b>	<b>2027/28 Budget £m</b>	<b>Total Budget £m</b>
Grants and Contributions	46.099	90.815	52.116	12.747	11.467	213.243
Unsupported Borrowing	64.747	89.056	55.966	18.289	16.159	244.217
Capital Receipts	0.675	0.691	0.509	0.000	0.000	1.875
HRA Contribution	0.130	0.134	0.137	0.140	0.143	0.684
<b>Total Funding - General Fund</b>	<b>111.651</b>	<b>180.696</b>	<b>108.728</b>	<b>31.176</b>	<b>27.769</b>	<b>460.019</b>
Grants and Contributions	1.399	1.120	-	-	-	2.519
Unsupported Borrowing	1.230	17.340	4.935	1.309	0.604	25.418
Housing Major Repairs Allowance	31.961	33.582	25.033	24.092	23.965	138.632
Capital Receipts	4.190	7.739	0.586	0.206	0.121	12.843
Revenue Contribution	1.957	5.820	4.714	4.714	4.714	21.920
<b>Total Funding - HRA</b>	<b>40.736</b>	<b>65.601</b>	<b>35.268</b>	<b>30.321</b>	<b>29.404</b>	<b>201.331</b>
<b>Total</b>	<b>152.387</b>	<b>246.297</b>	<b>143.996</b>	<b>61.497</b>	<b>57.173</b>	<b>661.350</b>

2.12.42 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, if required. 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.

## **2.13 Treasury Management Issues**

- 2.13.1 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.
- 2.13.2 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.
- 2.13.3 The Prudential Code requires the Council to approve and monitor a minimum number of PI's in order to inform the capital decision making process and support capital investment decisions. These PIs are mandatory.
- 2.13.4 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.
- 2.13.5 The Treasury Management Strategy is integral to the overall Budget Strategy and to the management of the Capital Programme.
- 2.13.6 Details of the Treasury Management issues are contained in Appendix 9. However, the key issues that the Council's Treasury Management service will monitor closely is the current increase in the Bank of England Base Rate and its impact on the cost of borrowing. The Council's approach and mitigation of this issue is covered within Appendix 9.

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

- 2.14.1 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.



- 2.14.2 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.
- 2.14.3 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.
- 2.14.4 The Strategic Director Finance & Customer Services gives her assurance that the budget estimates for 2024/25 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 and continues to be faced with economic uncertainty, high inflation and unprecedented increases in energy costs. However, the Council has also demonstrated over recent years, an ability to manage difficult financial challenges. Along with managing year on year cost pressures within overall budgets, it has developed a robust Medium Term Financial Strategy which has included rebuilding reserves levels to create a more sustainable financial platform for the future. This means the Council is able to withstand the huge and unexpected inflationary impact on budgets over the last two years through a combination of active cost reduction measures, the use of some of those accumulated reserves and through its Treasury Management Strategy. It is therefore able to set a balanced budget for 2024/25 without needing to implement cuts to front line services. The remaining reserves ensure that the Medium Term Financial Strategy is robust despite the ongoing substantial risk caused by the current economic situation.
- 2.14.5 This assurance is predicated on Directorates continuing to progress all appropriate actions to reduce their spending for the remainder of the year, including delivery of the agreed savings and cost reductions, 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, market and provider pressures in Adult Social Care within the budget allocated, ensuring appropriate care and support is in place in accordance with the service development programme.
  - A successful resolution to the remaining 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.
- 2.14.6 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 2024/25 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 2025/26 and agrees to the proposals to manage a balanced budget in 2024/25.
- That the revised Reserves Strategy is approved which will see the General Reserves Minimum Balance remain at £25.0m over the medium term financial strategy period. It is not to be called upon for further 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.

2.14.7 The reserves position will need to be kept under review to ensure that the Council maintains a robust budget and sound financial base.

2.14.8 The Council continues to operate in a tight financial climate by continuing to exercise tight spending controls including the application of stringent recruitment and procurement controls. However, whilst a significant degree of the Councils projected outturn position for 2023/24 relates to unexpected and significant inflationary cost increases, there are also continuing cost overruns in children's social care (placement costs) and in Home to School Transport (increasing demand). Whilst these are national problems, it is important that the costs are reduced as much as possible if the Council is to remain financially stable and sustainable.

2.14.9 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.

2.14.10 Services have achieved necessary and substantial levels of budget savings and cost reductions in recent years and now need to conclude that delivery. Whilst there are no new savings proposals within this budget, the potential gap in 2025/26 will need to be addressed in the future should there be no indication of improved future settlements over the coming months. There is also an ongoing risk in relation to the demand for adult care services which needs to be closely monitored as this could create an unavoidable additional demand on the Councils finances. However, reserves levels, whilst not high, are sufficient to enable the Council to manage these risks over the medium term and to avoid making cuts now that may be unnecessary in the future and so avoids adverse impact on

residents and protects priority services. Through being aware of the current challenges the Council has been able to plan for this new economic position and set a budget which retains a sufficient balance in reserves to ensure the impact of further unexpected volatility can be mitigated without impact on services to residents.

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

3.1 These are set out in Section 2 above.

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

4.1 From 8<sup>th</sup> December 2023 to 14<sup>th</sup> January 2024, the Council held an online consultation which provided broad information on income and expenditure as well as a link to the March 2023 Budget Report. The Council also consulted individually with key partners. There were 112 responses from the public, 1 from key partners. The report on the consultation is attached at Appendix 4.

4.2 The Council's Overview and Scrutiny Management Board (OSMB) will consider this report including the outcomes of the consultation at its meeting on 7<sup>th</sup> February 2023.

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 before the 11 March each year. Strategic Directors are responsible for ensuring the delivery of savings proposals within their Directorate Cash Limit approvals.

5.2 The delivery of savings will be closely monitored through the Council's financial monitoring arrangements and reported to Cabinet throughout the year. Should it be necessary 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 1.5% 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 2024/25 of £320.008m.

6.3 It should be noted that the proposed revenue budget includes:

- Provision for pay awards and major 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 6.0% overall increase to income budgets for Council Fees and Charges in line with the Council's Medium Term Financial Strategy.

- 6.4 Any revenue implications from the approved Capital Programme are fully reflected in the Council's 2024/25 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 (as amended) 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 2024/25 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 2024/25 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). Case law has clarified that there is no obligation on a local authority to carry out an equality impact analysis of the high level strategic budget setting process. Once the budget has been set and as spending decisions are made service by service, and as policies are developed within the constraints of the budgetary framework, proposals will be further considered by Members and will be subject to an appropriate and proportionate assessment of any equality implications.
- 7.2 In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.

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

## **8. Human Resources Advice and Implications**

- 8.1 The Council's headcount has increased in line with the expectations set in the Council's Budget and Council Tax Report 2022/23, moving from 4,948 to 5,084. The revenue budget investment proposals included within this report may increase the headcount should they be approved.
- 8.2 Where any savings proposal will have an impact on staff, any change will be subject to the Council's consultation procedures.

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

- 9.1 As detailed within Section 2.
- 9.2 The Budget proposals continue to support and protect the most vulnerable children and adults in Rotherham and the income generated from the 2% Adult Social Care Precept on Council Tax will be directly allocated to the Adult Social Care budget.

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

- 10.1 The proposals contained within the budget have been developed with the aim of minimising the impact on residents and the services they receive and the impact on the Council's employees.
- 10.2 As such these additional savings proposals will be considered using their own EIA and following the Council's Human Resource policies and

procedures to ensure that appropriate engagement, consultation and support is provided to impacted staff. In addition, any likely impacts on residents will be assessed by individual services to ensure that any that are disproportionate in relation to protected groups, are considered and mitigated against where possible.

## **11 Implications for CO2 Emissions and Climate Change**

11.1 The potential impact on the level of CO2 emissions and climate change of the Council's Budget and in particular the new investments proposed within this report are outlined in appendix 11. Each of the investment proposals will need to consider the impact on CO2 emissions and climate change as the business cases for these investments are developed further.

## **12 Implications for Partners**

12.1 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. The Council will need to closely consider the level of prudential borrowing it incurs moving forwards post the 2024/25 Budget to ensure that the Council's overall debt position is manageable, can be financed within the Council's Treasury Management Budgets and to help guard against interest rate risk. There is also 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 Senior Officers and Project Managers to monitor project expenditure and performance through the Capital Programme Monitoring and Delivery Board (CPM&DB). Improvements, like this, introduced to the Capital Programme governance arrangements and enhanced reporting requirements help to 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  
 Rob Mahon, Assistant Director - Financial Services

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	29/01/24
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	29/01/24
Assistant Director, Legal Services (Monitoring Officer)	Phillip Horsfield	29/01/24

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