

Report to Cabinet



Date of Meeting	30 th July 2019
Portfolio	Leader of the Council and Cabinet Member for Finance
Report Author	Neil Thornton
Public/Private Document	Public

Budget 2020/21 to 2022/23 Guidelines, Timetable and Public Engagement

Executive Summary

1. To recommend the budget guidelines, timetable and method of public engagement to be used in preparing the detailed 2020/21 budget and provisional budgets for 2021/22 and 2022/23.
2. To provide an update on the latest budget position for the Council and Heywood Middleton and Rochdale Clinical Commissioning Group.

Recommendation

- 2.1 Members are requested to consider and approve the following:
 - 2.1.1 The proposed budget timetable detailed at Appendix 1.
 - 2.1.2 The revenue assumptions detailed in section 4.2 to be incorporated into the budget setting process.
 - 2.1.3 The revenue and capital budget principles referred to in section 4.5.
 - 2.1.4 The proposed methods of public engagement outlined in section 4.6 as part of the 2020/21 budget setting process.
- 2.2 Members are asked to note the updated Revenue Budget position for 2020/21 to 2022/23.
- 2.3 Members are asked to note the Budget Review Sessions to be undertaken as part of the 2020/21 budget setting process.

Reason for Recommendation

- 3.1 Under the Budget & Policy Framework Cabinet is required to approve the proposed guidelines, timetable and methods of public engagement for setting the 2020/21 Budget and Provisional Budgets for 2021/22 and 2022/23 by September each year.

Key Points for Consideration

4.1 Timetable

- 4.1.1 The Council's budget must be approved by full Council before 11th March each year. This is a statutory requirement. The process begins in July with approval being sought for the assumptions and principles on which the budget is to be based. These will be used as a part of the determination of the overall budget position.
- 4.1.2 Throughout the year we consult on the budget and savings proposals. Financial projections are updated as further information becomes available for the Local Government Finance Settlement and other known changes, including local decisions. The updated budget and feedback from consultations are reported back to Cabinet in February with recommendations for Budget Council, who will in turn set the budget.
- 4.1.3 Services are notified of their resource allocations following Budget Council in February. The full budget timetable is detailed at Appendix 1.

4.2 Revenue Budget Assumptions for 2020/21 – 2022/23

As part of the budget setting process the Council makes a number of assumptions in respect of the key elements of the Council's revenue budget. Appendix 2 provides a summary of these assumptions for 2020/21, 2021/22 and 2022/23. Future reports will make Cabinet aware of any changes that impact on the current budget assumptions. These are outlined below.

4.2.1 Local Government Funding Reforms 2020/21

2019/20 is the final year of the Government's 4-year funding settlement and there is significant uncertainty over the level of Government funding the Council will receive from 2020/21 onwards. In his Spring Statement 2019 the Chancellor announced that, assuming a Brexit deal is agreed, he will launch a full three-year spending review before the summer break. The spending Review sets Government departmental budgets. Given the current uncertainty at Government level it is unclear whether the Spending Review will progress as planned.

There are multiple reforms to the system of Government funding for local authorities scheduled for 2020/21, including the Review of Relative Needs and Resources, the Business Rates Baseline Reset, and changes to the Business Rates Retention system.

Consultations were held in December 2018 on Business Rates Retention Reform and the new approach to distributing funding through the Review of Relative Needs and Resources. No further information has been published on the outcome of these consultations.

The Government intends to introduce transitional arrangements that will determine the basis on which authorities reach their new funding allocations. The transitional arrangements will take into account the wider factors taking place in 2020/21. It is intended that the transitional arrangements will unwind

over time so that each authority reaches its new funding allocations as soon as practicable.

At this stage the impact of these reforms on individual authorities is unknown. For planning purposes it has been assumed that the reforms to Local Government Funding will not be introduced until 2021/22, and that the level of funding received in 2020/21 will be at the same level as 2019/20. It has been assumed that funding will gradually reduce in 2021/22 and 2022/23 under transitional arrangements. Any shortfall in the estimated Business Rates Top-up Grant following the reforms will be met from the Business Rates Reserve.

Given the current uncertainty over the Spending Review it is unclear whether the reforms to Local Government funding will progress as planned for 2020/21. We will continue to assess the likely financial implications for the Council, and as and when the Government issues further consultations on proposed funding reforms these will be reported to Cabinet.

4.2.2 Business Rates

Rochdale is part of a Greater Manchester pilot for 100% business rates retention, which commenced in 2017/18 and will continue in 2019/20. The pilot authorities each retain 100% of locally-raised business rates. In return Greater Manchester will forgo Revenue Support Grant (RSG) and the Public Health Grant. Authorities' tariffs and top-ups are adjusted to ensure that these changes are without detriment to individual authorities.

From 2020/21 it is proposed that councils will retain 75% of their Business Rates income, incorporating Revenue Support Grant, Public Health Grant and other grants, with suitable transitional arrangements. There is currently no information on the impact for individual authorities of this change. Further information will be provided when available, however previously Central Government has assured Pilot Authorities that these will be "without financial detriment" to those Local Authorities in the pilot.

It is unclear whether the current 100% retention pilots will continue beyond 2019/20. For planning purposes it has been assumed that the GM 100% Business Rates pilot will continue from 2020/21 to 2022/23. Business Rates growth income achieved under the pilot scheme is retained locally and shared 50/50 between the individual authorities and the Greater Manchester Combined Authority.

Since 2017/18 the Council has retained £4.8m additional growth income as a result of the GM 100% retention pilot scheme. This is held in the Business Rates Growth Reserve. The estimated additional pilot growth income of £2.9m for 2020/21 has been brought into the General Fund budget. No pilot growth income has been assumed in 2021/22 and 2022/23, pending the reset of Business Rates baselines as part of the current review of the Local Government Funding system.

The budget assumes, for planning purposes, a general increase in business rates charges of 2% in 2020/21, 2% in 2021/22, and 2% in 2022/23 in line

with the estimated CPI at September each year. The budget also assumes additional business rates income in relation to new developments in the borough, including Rochdale Riverside.

4.2.3 Council Tax Increase

The Council's Medium Term Financial Strategy is to maximise income generated locally.

In 2019/20 the Council Tax referendum limit was increased by 1% for General Purposes in line with inflation, meaning that the limit was 3%. This is the amount a Local Authority can increase Council Tax by before a ballot with the Council Tax Payers of Rochdale must be undertaken.

For planning purposes, a general increase in Council Tax of 2.99% has been assumed for 2020/21 and 2021/22, in line with expected referendum limits. A general increase of 1.99% has been assumed for 2022/23.

The 2017/18 Local Government Finance settlement offered the flexibility to charge an Adult Social Care Precept of up to an additional 6% on Council Tax for the three years 2017/18 to 2019/20. The Government has not made an announcement on the future of the Adult Social Care precept for 2020/21 onwards. For planning purposes a Social Care precept of 2% has been assumed for 2020/21. No further precept has been assumed for 2021/22 and 2022/23.

Any variation in the level of Council Tax increase approved will have an impact on the forecast budget position.

4.2.4 Council Tax Base

The Council Tax base is currently 55,176, representing the number of Band D equivalent properties that the Council can collect Council Tax from. The Council Tax base will be reviewed and formally considered by Cabinet in November of each year. The level of Council Tax Base is a key component in the calculation of resources available to the Council.

4.2.5 Improved Better Care Fund

The Better Care Fund brings together elements of the Clinical Commissioning Group and Local Authority budgets into a pooled arrangement. This is to encompass integrated commissioning which will support the transformation and integration of health and social care services.

The national Improved Better Care Fund allocation of £1.5bn in 2019/20 assumed that councils will increase Council Tax for the Adult Social Care precept. The allocation methodology uses the 2013 social care relative needs formula and allocates funding against resources available. Rochdale's allocation is £9.241m in 2019/20.

In the March 2017 Budget the Government announced an additional £2bn to help local authorities provide high quality social care to more people and to

ease the pressure on the NHS. Rochdale's allocation is £1.568m for 2019/20.

No information has been provided by the Government on grant allocations for 2020/21 to 2022/23. The budget assumes the same funding levels as 2019/20 for planning purposes.

4.2.6 Additional Funding for Social Care

An additional £240m was previously announced for Adult Care winter pressures in 2018/19, and a further £240m for 2019/20 was announced in the Autumn Budget 2018. Rochdale's allocation for both 2018/19 and 2019/20 was £1.1m.

A further £410m was announced for 2019/20 for Adults and Children's Social Care. Rochdale's allocation was £1.9m.

The Government has not announced whether additional Social Care funding will be provided for 2020/21 onwards. For planning purposes an amount of £1.5m has been assumed for 2021/22 and 2022/23, based on the allocations received in previous years and assuming the reforms to Local Government Funding are introduced from 2021/22.

4.2.7 New Homes Bonus

The New Homes Bonus (NHB) Scheme is designed to provide incentives and rewards for Local Authorities who have a net increase in housing stock and have brought empty properties back into use in their areas. From 2019/20 the number of years the NHB is paid for is 4 years. Growth in housing stock will only be rewarded above a baseline of 0.4% of opening housing stock. The assumed level of New Homes Bonus grant in the budget is based on the estimated net growth in total housing stock, net of demolitions and the number of long-term empty properties.

The Government has not announced whether the New Homes Bonus scheme will continue following the review of Local Government Funding. For planning purposes it is assumed that the New Homes Bonus scheme will continue in its current form for 2020/21 to 2022/23.

4.2.8 Housing Benefit/Local Council Tax Support Scheme Administration Grants

The Council receives grants from Central Government for the administration of Housing Benefit and the Local Council Tax Support Scheme. The Council has yet to receive notification of the level of grants for 2020/21 and future years. Any shortfall in the grant received compared to the amounts estimated will be funded corporately.

4.2.9 Pay Inflation

The budget assumes for planning purposes that the pay award will be 2%

per annum for 2020/21, 2021/22 and 2022/23. Any settlement above the assumed increase would increase the expenditure requirement for 2020/21 to 2022/23. Every change of 1% equates to approximately £700k.

The budget also reflects the Council's commitment to pay, based on the Local Living Wage Rates for employees. The National Living Wage to increase by 4.9% from £7.83 to £8.21 per week from April 2019. The Rochdale Living Wage for 2019/20 is £9 per week.

4.2.10 Increments

The Council's biennial incremental progression policy is currently under review. Any savings previously assumed as a result of the current biennial policy have been removed from the budget pending this review.

4.2.11 Superannuation Rates

The employer superannuation contribution rate is assumed to increase by 0.9% per annum in 2020/21, 2021/22 and 2022/23.

4.2.12 Price Inflation

The budget assumes 0% inflation per annum across the majority of the Council's non-pay expenditure budgets. Contractual arrangements and other significant inflation issues will be considered on a case by case basis.

4.2.13 Discretionary Fees and Charges

Discretionary Fees and Charges are reviewed on an annual basis. For 2020/21 to 2022/23 no increase in Discretionary Fees and Charges has been assumed for planning purposes.

4.2.14 Budget Growth/Pressures

The budget allows for estimated growth in Adult Care, Children's Services and Neighbourhoods budgets as a result of demographic issues and the growth in the number of properties in the borough.

The budget also recognises the estimated financial implications of demand pressures on Children's Services budgets.

Recurrent Children's Services pressures of £2.850m have been built into Pooled Fund Gap. Work is continuing with the Service to address the budget pressures in relation to Children's Strategy. The Government's Spending Review will potentially address the funding issues in relation to Children's Services.

4.2.15 Manchester Airport Group

The Council holds 3.22% of the issued share capital in the Manchester Airport Group. An additional £3m per annum has been assumed, increasing the overall budget from the investment in Manchester Airport Group to

£5.6m.

4.2.16 Waste Disposal Levy

The Waste Disposal Levy is calculated by a formula across Greater Manchester which takes account of recycling levels. If Rochdale Borough did not increase recycling at the same level as other GM Authorities, there would be an impact on the waste disposal levy charged to the Council thus leading to an increased cost to the Council's budget.

The Waste Disposal Levy assumed for in the budget is based on the latest projections provided by Greater Manchester Combined Authority (GMCA). The Waste Disposal levy is estimated for planning purposes to increase by 1.6% in 2020/21, 1.6% in 2021/22 and 0% in 2022/23. The Waste Disposal Levy will be subject to consideration/agreement as a consequence of the Greater Manchester Combined Authority's budget setting process in 2020/21 and subsequent years.

4.2.17 Passenger Transport Levy

In 2019/20 the Mayoral precept will be used to invest in bus reform, through grants to the districts. Rochdale will receive a grant of £0.648m in 2019/20 in order to offset the increase in the Transport Levy in respect of bus reform. The budget assumes a 1% increase in the underlying Passenger Transport Levy for 2020/21 to 2022/23. The Passenger Transport Levy will be subject to consideration/agreement as a consequence of the Greater Manchester Combined Authority's budget setting process in 2020/21 and subsequent years

4.2.18 Greater Manchester Combined Authority Initiatives

Funding for any GMCA initiatives that have financial implications for individual authorities will be considered on a case by case basis.

4.2.19 Integration of Health & Social Care

From 2018/19 the Local Authority has been required to operate a formal pooled budget arrangement for health and social care, as part of the GM Health & Social Care Transformation Funding Programme. The pooling of resources across the locality will provide more opportunities to explore value for money, economies of scale, reduce duplication and streamline processes. A key driver is to have a one system approach, improving the quality of care provided to the individual.

The pooled budget brings together resources from a range of organisations including the Clinical Commissioning Group, the Local Authority, Better Care Funds and GM level resources to invest in transformation of service delivery, (known as Transformation Funding).

The Council has continued to progress its joint Senior Manager arrangements with Heywood Middleton and Rochdale Clinical Commissioning Group (HMRCCG) to administrate and manage the pooled

budget created to deliver health and care integration in Rochdale. Posts are in place funded from the Pool. There is one post of Chief Executive of the Council and Accountable officer for the CCG. The Section 151 officer has delegated responsibility for the management of the pooled budget to the Chief Finance officer of the Clinical Commissioning Group to operate as one resource for the delivery of health and care. The pooled fund is administered through the Integrated Commissioning Board, which is a joint committee of Rochdale Council and to which members of the governing body of the HMRCCG are co-opted.

Integration of commissioning has progressed with health and social care commissioners working as one directorate to plan, organise and procure health, social care and public health services and support for all ages. Corporate services from the Council and HMRCCG are being reviewed and merged where this would add value and improve the service. This has already taken place in finance with Human Resources, and other support services are being considered. The Greater Manchester Health and Social Care Partnership (GMHSCP) Transformation Fund has awarded to Rochdale/ HMRCCG the sum of £25.2m to support the move from the previous model of health and care to one more focused on prevention and out of hospital support. The money is managed through the pooled fund.

The delivery of health and care was contracted from the Local Care Organisation from April 2019. Health and care services will be provided through this partnership and over the last twelve months service delivery of integrated health and care teams, urgent care support care home support and intermediate tier services have been expanded to provide a better offer to patients and people in Rochdale. The Family Services model has progressed focusing on Children, young people and their families and has enhanced its support for mental wellbeing and early help for children across the whole system. The Family Services Model is proposed to move forward into an alliance partnership during the next twelve months.

It there is a shortfall in the delivery of the savings to be generated by the Transformation Fund this would generate a deficit on the pooled fund, and could be shared by the CCG and Rochdale Council based on the agreed risk sharing basis.

4.3 Updated Budget Gap 2020/21 to 2022/23

4.3.1 Overall Budget Gap

The assumptions that underpin the Council's budget gap have been reviewed in line with the latest available information, as outlined in section 4.2. This has been combined with the latest HMRCCG budget gap to produce a overall budget gap for the locality.

- 4.3.2 Table 1 summarises the current estimated Overall Budget Gap, split between the Local Authority and CCG budgets, and between the Pooled Fund and Non-pooled Fund budgets.

Table 1 Overall Budget Gap

	2020/21	2021/22	2022/23
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Local Authority	1.875	7.415	9.908
CCG	15.700	22.500	22.500
Children's Services Pressures	5.313	3.196	1.904
Total Budget Gap	22.888	33.111	34.312

	2020/21	2021/22	2022/23
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Pooled Fund	14.754	22.167	23.057
Non Pooled	2.821	7.748	9.351
Children's Services Pressures	5.313	3.196	1.904
Total Budget Gap	22.888	33.111	34.312

4.3.3 The one-off Children's Services pressures identified in the Children's Strategy are shown separately. Recurrent Children's Services pressures of £2.850m have been built into Pooled Fund Gap. Work is continuing with the Service to address the budget pressures in relation to Children's Strategy. The Government's Spending Review will potentially address the funding issues in relation to Children's Services.

4.3.4 There remains significant uncertainty around the level of funding that the Council will receive from Central Government from 2020/21 onwards. The assumptions will be continually reviewed and updated as further information is received on the Government's Spending Review and the reforms to Local Government Funding planned for 2020/21.

4.3.6 An analysis of the changes to the Budget Gap from the position reported to Budget Council in February 2019 and ICB March 2019 is provided in Appendix 3.

4.4 Capital

4.4.1 A review of the capital programme is currently being undertaken. This review will provide a three year capital programme for 2020/21 to 2022/23 taking into consideration the estimated reduction in capital resources and the limited revenue funding available for Capital Schemes in these years.

4.4.2 Aims of the Capital Programme

The Capital Programme aims to:

- Deliver investment in the Borough to support the Borough wide priorities, including economic benefit and gross value added to the Borough;
- Deliver investment in Service Provision to deliver future savings;
- Maintain and enhance the Council's assets;
- Support Devolution;
- Meet Statutory provision;

- Provide Value for Money.

4.4.3 A report to Cabinet in October will recommend the Capital Programme for 2020/21 to 2022/23 for consideration. This will then be included as part of the 2020/21 budget consultation.

4.5 Budget Principles

4.5.1 Revenue Budget Principles - detailed guidelines are provided to all relevant staff to ensure that revenue budgets for individual services are prepared consistently. These guidelines contain details of the assumptions that are to be made in setting the revenue budget and also set out broad principles that are to be adhered to. The principles that are proposed for inclusion in the budget guidelines for 2020/21 to 2022/23 are provided at Appendix 4.

4.5.2 Capital Programme Principles have been developed to enable focus on the purpose of the Capital Programme and to seek agreement for the use of limited resources. The principles for the Capital Programme are provided at Appendix 5.

4.6 Public Engagement

4.6.1 The Council is intending to undertake a Public Engagement initiative during Autumn 2019, involving residents, businesses and other stakeholders as part of the consultation on the budget 2020/21 to 2022/23 and savings proposals.

4.6.2 As in previous years the initiative is intended to:

- raise awareness of the services that the Council currently delivers;
- raise awareness of the Council's current budget position, both resources and expenditure;
- explain the future challenges as a result of funding reductions, increased demand for services and other pressures, and the difficult decisions we have to make;
- explain the integration of Health and Social Care budgets between the Council and the Clinical Commissioning Group;
- highlight the part that residents and businesses can play in the future of Rochdale and in helping to reduce costs;
- highlight the need for the Council and residents/businesses to work together;
- highlight the development of the Co-operative Council approach;
- undertake a general conversation with stakeholders on their opinions and thoughts on the above.

4.6.3 Wherever possible the intention will be to work alongside other engagement initiatives to raise awareness of the budget challenges, to seek views and also highlight how residents can help.

4.6.4 Public Engagement for the Budget 2020/21 is suggested to be undertaken as a three stage process:

A) General Budget Conversation during July – September by :

- Prezi animated digital presentation – updated for 2020/21.
- Edited Prezi animation – 10 x 25 second clips that can be shared on the Council's Twitter, Facebook and website.
- Posters in public areas, to promote 'have your say' message and the online consultations.
- Social media posts – with links to online proposals.
- Council website updates – homepage and landing page banners, plus specific 'Budget' section as in previous savings consultations.
- Facebook advertising – promoting participation in the online consultations to residents.
- Media releases at appropriate stages during the budget process.
- Messages on digital screens and public PCs in libraries and other public buildings.

B) Formal consultation of the Budget 2020/21 and savings proposals during October – December 2019.

C) March 2020 – provide feedback online as to the engagement process and what is happening as a result of the resident participation in the Budget process.

4.7 Budget Review Sessions

4.7.1 As part of the budget process, Budget Review Sessions will be held for each of the Council's Priority Areas: People; Place and Prosperity. There will also be sessions reviewing Support Services and Fixed Costs.

4.7.2 The aim of the sessions is:

- For Directors to provide service information to enable Members to scrutinise spend and service priorities;
- To enable a review process to be undertaken on budgets;
- To review options for savings over the next three years to meet the budget gap in 2020/21 – 2022/23.

4.7.3 Sessions are also being held with Wider Leadership Team to explore areas where the Council can maximise income generation opportunities.

4.8 Alternatives Considered

4.8.1 The Council is legally obliged to set a balanced budget. The budget setting process is complex and must be undertaken in a planned way. It is equally

important that assumptions used in the preparation of the budget are agreed, reasonable and consistently applied by all services.

Costs and Budget Summary

5.1 Financial implications are considered in the main body of the report.

Risk and Policy Implications

6.1 Risk Implications

6.1.1 The budget forecast has been based on a number of assumptions, known levels of expenditure and anticipated levels of resources. Final confirmation of these assumptions will not be received until November/December this year.

6.1.2 There are a number of areas of the Council's budget where risks to the projections contained in this report have been identified. The most significant of these are:

- Monitoring of the 2019/20 budget will provide Cabinet with regular updates on any budget pressures/savings for the Council. Any associated on going implications will be incorporated into the budget projections for 2020/21 and future years.
- Savings – the level of savings required for 2020/21, 2021/22 and 2022/23 is currently being considered. There is a risk to the overall budget of the non-achievement of these savings due to the identification and/or implementation of the proposals. A three year budget is to be set in February 2020 which provides time to implement the level of savings required to balance the budget over the period 2020/21 to 2022/23.
- Spending Review 2019 and Local Government Funding Reforms – the impact of the Spending Review 2019 and Local Government Funding Reforms scheduled for 2020/21 on the level of Government funding, including the Business Rates Top-up Grant, that the Council will receive from 2020/21 onwards is unknown at this stage.
- Specific Grants and Contributions – the number and amount of specific grants, including the Improved Better Care Fund, Additional Social Care funding and New Homes Bonus, received by the Council may be lower/higher than anticipated.
- Council Tax – Central Government provides a cap on the Council Tax increase a Local Authority can make before a referendum of the local residents is required. The budget assumes a 4.99% increase in 2020/21 (2.99% increase for general purposes and 2% increase in respect of the social care precept); 2.99% in 2021/22 (2.99% increase for general purposes and 0% increase for the social care precept) and 1.99% in 2022/23 (1.99% increase for general purposes and 0% increase for the social care precept). These percentage increases are

included for planning purposes only, and will be reviewed by Cabinet leading up to a recommendation at Budget Council for each year. The impact of a 1% change in the level of Council Tax increase would be approximately £880k.

- Local Council Tax Support Scheme – the budget assumes that the Local Council Tax Support Scheme remains unchanged. The impact on the budget of a 5% change in the maximum discount allowed (currently 85%) would be approximately £530k.
- Business Rates – it has been assumed for planning purposes that the Greater Manchester 100% Retention Pilot will continue. Once the Government's proposals for the Business Rates retention system for 2020/21 become clear the financial implications will be reviewed and the budget assumptions updated.
- Council Services - the impact of the economic climate on the residents of Rochdale Borough and the increased demand this may lead to for Council services could impact on cost of services, as could general demographic changes.
- Health and Social Care Devolution – the impact of pooling budgets with the Clinical Commissioning Group within a Pooled Budget. The financial risk is that the investment in health and social care services does not deliver the benefits assumed. These benefits are required not only to fund interventions to invest to save in the long term, but also to contribute towards closing the budget gaps of all partners delivering health and social care services.
- Waste Disposal Levy – the Waste Disposal Levy is calculated by a formula across Greater Manchester, which takes account of recycling levels. Should Rochdale Borough not increase recycling at the same level as other GM Authorities this will impact on the levy, and would lead to an increased cost to the Council's budget.
- Inflation – impact of changes in the price of goods and services used by the Council compared to the percentage assumed in the budget projections.
- Fees and charges income – impact of any economic slowdown on levels of usage of charged for Council services could lead to income levels not being achieved.
- Manchester Airport Group dividend – the amount of dividend received will be dependent on the performance of the Manchester Airport Group.
- Investment income – the impact of low interest rates and implications of any economic slowdown on the level of dividends/interest received by the Council.
- Academies – the impact of the Government's policies regarding the

conversion of schools to Academies on the Council's budget.

6.2 Legal Implications

- 6.2.1 The Council is under a duty to calculate the budget in accordance with Section 32 of the Local Government Finance Act 1992 and must make three calculations namely: an estimate of the Council's gross revenue expenditure; an estimate of anticipated income; and a calculation of the difference between the two. The amount of the budget requirement must be sufficient to meet the Council's budget commitments and ensure a balanced budget. The amount of the budget requirement must leave the Council with adequate financial reserves. The level of budget requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and non-domestic rate payers.
- 6.2.2 Failure to make a lawful Council Tax on or before 11th March could have serious financial results for the Council and make the Council vulnerable to an Order from the Courts requiring it to make a specified increase in Council Tax.
- 6.2.3 Section 151 of the Local Government Act 1972 places a general duty on local authorities to make arrangements for 'the proper administration of their financial affairs'.
- 6.2.4 Information must be published and included in the Council Tax demand notice. The Secretary of State has made regulations, which require charging authorities to issue demand notices in a form and with contents prescribed by these regulations.
- 6.2.5 There is also a duty under Section 65 of the 1992 Act to consult persons or bodies appearing to be representative of persons subject to non-domestic rates in each area about proposals for expenditure (including capital expenditure) for each financial year.
- 6.2.6 To support Brexit preparations, the 2018 Budget confirmed that the Government will have invested over £4 billion in preparing for the EU exit since 2016. The settlement did not contain any announcement on funding to support councils to prepare for Brexit.
According to the LGA:
- Councils are making preparations for Brexit, without extra funding to support this additional work
 - The LGA has stated that MHCLG should ensure any new responsibilities or added financial pressures for councils arising from Brexit are fully funded
 - No such announcement has been made to date by the Treasury which increases the risk of a funding gap in this area

6.3 Personnel Implications

- 6.3.1 The report outlines the proposed timetable for preparing the detailed 2020/21 budget and this timetable includes the requirement to undertake

formal workforce consultation with the staff and trade unions. The consultation will be undertaken in accordance with the Council's established formal staff consultation processes including meetings of the Joint Consultative Negotiation Group (JCNG).

6.4 Equalities Impacts

6.4.1 Workforce Equality Impacts Assessment

Workforce equality impact assessments will be provided with any savings proposals and an overall workforce equality impact assessment on the budget will be presented to facilitate final decision making.

6.4.2 Equality/Community Impact Assessments

Equality Impact assessments will be provided with any savings proposals and an overall equality impact assessment on the budget will be presented to facilitate final decision making.

Consultation

7.1 Stakeholders are consulted at appropriate stages throughout the budget preparation process. The Council is intending to carry out a Public Engagement initiative during Autumn 2019 involving residents, businesses and their representative bodies and other stakeholders.

7.2 Consultation with the Trade Unions via the Joint Consultative Negotiation Group (JCNG) will be undertaken and the outcome of consultations will be considered by Cabinet.

Background Papers	Place of Inspection
8. None	

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Budget Timetable 2020/21 to 2022/23 – Key Meeting Dates

Date	Reporting Timeline
2019	
July	Corporate O&S 23rd July Cabinet 30th July <ol style="list-style-type: none"> 1. Budget Guidelines and Timetable 2. Updated Budget Gap 3. Public Engagement
September	Informal Cabinet 3rd September Budget Cabinet 17th September <ol style="list-style-type: none"> 1. Revenue Budget 2020/21 - 2022/23 2. MTFS 2020/21 - 2024/25
October	Informal Cabinet 1st October Cabinet 29th October <ol style="list-style-type: none"> 1. Capital Programme 2020/21 to 2022/23 - Pre consultation 2. Discretionary Fees & Charges 2020/21 } for consultation 3. Savings Programme 2020/21 for consultation <p>Consultation Starts 30th October (45 days)</p>
November	Informal Cabinet 5th November Budget Cabinet 12th November Corporate O&S 19th November <ol style="list-style-type: none"> 1. Revenue Budget 2020/21 - 2022/23 2. Council Tax and Business Rates Bases 2020/21
December	Consultation ends 14th December
2020	
January	Special Informal Cabinet TBC January Cabinet 21st January <ol style="list-style-type: none"> 1. Revenue Budget Update 2020/21 - 2022/23 2. Capital Programme 2020/21 - 2022/23 post consultation 3. Discretionary Fees & Charges 2020/21 - Post Consultation 4. Savings Programme 2020/21 post consultation
February	Informal Cabinet 4th February Corporate O&S 11th February Cabinet 12th February Council 26th February <ol style="list-style-type: none"> 1. Treasury Management Strategy 2020/21 2. MTFS 2020/21 - 2024/25 3. Local Government Act 2003 4. Revenue Budget and Council tax 2020/21 5. Capital Investment & Disposal Strategy 2020/21

Key Budget Assumptions 2020/21 to 2022/23

Area of Budget	2020/21	2021/22	2022/23
Council Tax			
General Increase	2.99%	2.99%	1.99%
Social Care Precept	2.00%	0.00%	0.00%
Total Council Tax Increase	4.99%	2.99%	1.99%
LCTSS (Maximum Discount)	85%	85%	85%
Collection Rate	97.5%	97.5%	97.5%
Business Rates			
Business Rates Top Up Grant	-0.9%	-5.8%	-10.2%
RBC share of GM Pilot Growth (£m)	2.897	0.000	0.000
Other Resources			
Improved Better Care Fund (£m)	10.809	10.809	10.809
Additional Social Care Funding (£m)	0.000	1.500	1.500
Manchester Airport Dividend	3.000	3.000	3.000
Service Budgets			
Prices General*	0.0%	0.0%	0.0%
Pay Award	2.0%	2.0%	2.0%
Superannuation Contribution Rate	21.4%	22.3%	23.2%
Discretionary Fees & Charges	0.0%	0.0%	0.0%
Underlying Waste Disposal Levy	1.6%	1.6%	0.0%
Underlying Passenger Transport Levy	1.0%	1.0%	1.0%
Children's Services Pressures (£m)	5.313	3.196	1.904
* Prices – Contractual arrangements and other significant inflation issues will be considered on a case by case basis.			

Movement in Budget Gap

	2020/21	2021/22	2022/23
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Local Authority			
Recurrent Gap as per Budget Council 27/02/2019	1.956	3.344	4.025
Local Authority Pooled Gap as per ICB 26/04/2019	12.213	17.214	17.214
Children's Pressures as per Funding Strategy	5.506	3.278	2.195
	19.675	23.836	23.434
CCG Gap			
Outside of the Pool	2.700	2.700	2.700
CCG Pooled Fund Pressures	9.545	9.545	9.545
Total CCG Pressure	12.245	12.245	12.245
Total Budget Gap reported to Budget Council/ICB	31.920	36.081	35.679
Changes to LA Gap Assumptions			
Additional Resources to the Council	-13.217	-14.519	-14.538
Allowance for inflationary increases	1.950	2.020	3.851
Pooled Fund Gap Ongoing Savings	-0.645	-0.645	-0.645
2020/21 One-off Savings	-0.382	0.000	0.000
	-12.294	-13.143	-11.331
Changes to CCG Assumptions			
Pooled Fund - CCG Gap assumptions	5.721	9.821	9.821
Non Pool Gap - CCG	1.000	3.700	3.700
Pooled Fund Gap Ongoing Savings	-3.266	-3.266	-3.266
	3.455	10.255	10.255
Reduction in Children's Services Pressures	-0.193	-0.082	-0.291
Revised Gap			
Local Authority	1.875	7.415	9.908
CCG	15.700	22.500	22.500
Children's Services Pressures	5.313	3.196	1.904
Updated Total Budget Gap	22.888	33.111	34.312

REVENUE BUDGET PRINCIPLES

1. Budget Preparation

- 1.1 Service estimates are required at service level for the years 2020/21 to 2022/23. The format of the service submissions, which are to be supported by appropriate working papers, will be determined by the Chief Financial Officer in consultation with Directors.
- 1.2 Estimate preparation should take account of technical guidance issued from time to time on local authority accounting practices and other related issues.
- 1.3 The budget process shall adhere to the approved timetable.

2. Existing Service Level Budgets

- 2.1 The budget will initially be prepared on the basis that current resources support existing service levels and with the exception of the schools budget should be varied to reflect:
 - (a) The full year effect of previous year's savings proposals.
 - (b) Consequences of the approved capital programme.
 - (c) Adjustments in relation to specific 'one year only' allocations and other time expired funding.
 - (d) Other specific Council decisions.
- 2.2 Most education and related budgets are funded through a specific grant namely the Dedicated Schools Grant (DSG). Separate systems and procedures relating to DSG funded budgets operate outside of the mainstream budget guidelines.
- 2.3 Salary budgets are to be prepared with reference to the 2020/21 budget (net of any vacancy factor) adjusted for pay awards, approved service changes, savings and other approved variations. The salary budgets can only be used to employ staff in established posts on approved grades in line with the following conditions:
 - (a) All changes to the establishment where Council funding is available in full must be approved by Cabinet, or within the requirements of the Scheme of Delegation.
 - (b) All changes to the establishment where resource implications arise, even if the costs are met entirely from external funding, must also be approved by Cabinet, or within the requirements of the Scheme of Delegation.
 - (c) Posts funded from external sources must be established as temporary or specific purpose posts unless it can be demonstrated that:
 - the external funding is permanent, or
 - specific approval has been given, or

- future years' costs can be contained within current budgets.

(d) Directors must balance service requirements against the need to manage within their budgets when taking decisions to fill vacant posts or employ temporary staff.

3. Discretionary Fees and Charges

- 3.1 Fees and charges must be reviewed on an annual basis. A report will be submitted to Cabinet in October each year on proposals for the following year.
- 3.2 Services may bring forward proposals to Cabinet to amend existing fees and charges, or to introduce new fees and charges.

4. External Funding

- 4.1 Wherever possible external funding should be used to reduce pressure on current expenditure, thereby releasing resources for redirection into priority areas.
- 4.2 All legal, human resources, financial and administrative support costs required to manage grant conditions and fulfill the role of the accountable body should be charged, wherever possible, against the funding regime.

5. Integration of Health & Social Care

- 5.1 From 2018/19 the Local Authority is required to operate a formal pooled budget arrangement for health and social care, as part of the GM Health & Social Care Transformation Funding Programme.
- 5.2 As part of the pooled budget arrangement, the Council and HMRCCG will enter into a Section 75 Agreement and a Risk Sharing Agreement.

6. Consultation

- 6.1 Members will take account of consultations with stakeholders at appropriate stages throughout the budget preparation process. This will include Townships, Corporate Overview and Scrutiny Committee, Trade Unions, partners and the public.

CAPITAL PROGRAMME PRINCIPLES

1. Capital Programme Preparation

- 1.1 The Capital Programme is compiled at project level for the years 2020/21 to 2022/23. The format of the capital schemes submissions, which are to be supported by appropriate working papers, will be determined by the Chief Financial Officer in consultation with Directors.
- 1.2 Estimate preparation should take account of technical guidance issued from time to time on local authority accounting practices and other related issues. The profiling of capital expenditure into the correct financial years and over the project's development will be key to ensure the amount of re phasing of capital resources from one year to another is kept to a minimum, and to reduce the amount of revenue budget required to finance the project.
- 1.3 The budget process shall adhere to the approved timetable.

2. Principles for the Capital Programme

- 2.1 Capital Resources are to be used as follows:
 - Decisions on the use of Capital Receipts will be considered as part of the budget process.
 - Un-ring fenced and ring fenced externally funded grants are considered on a case by case basis.
 - Any new borrowing is considered with the implications for the revenue budget position.
- 2.2 Capital projects for approval are:
 - Considered by Portfolio Holders for the service who agree to the services requests for funding.
 - Completed to ensure all implications of the Capital Scheme are included in the 'Business Cases'.
 - Inclusive of Multi Year Schemes with spend profiled accurately across the financial years.