

Sheffield City Council

Revenue Budget 2019/20



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FOREWORD

The 2019/20 budget and Medium Term Strategy is the ninth budget set in the context of massive and unprecedented cuts to local authority budgets across the country. Austerity has affected all public services and the impact is clear, but local councils have faced the deepest and most sustained cuts. Despite this, Sheffield and many other Councils have kept a focus on delivering good services for local people, by making often difficult choices.

Like all Councils, the extended period of cuts is now combined with rising pressures for both children's and adult's social care. Nationally, it is accepted by all apart, apparently, from Central Government, that social care services are unsustainable in the next few years, and that the resulting reductions to services will increasingly undermine the NHS. Social care pressures, like others such as homelessness, are themselves partly a result of Government austerity policies, with an obvious consequence for people's lives. The Government continues to offer only short term and inadequate "sticking plaster" solutions to this fundamental problem.

In Sheffield, we are determined to set a budget that fits with our values and supports preventative interventions to keep people healthy and well, rather than crisis interventions. However, this approach is threatened in the next few years, and this budget marks an important turning point: for the first time planned expenditure exceeds income and the only way that we can balance the budget is through the use of reserves. The budget requires us to use £11million of reserves and other one-off sources of funds, even with that it also contains £30 million of savings, making a cumulative total of £460million of savings and mitigations of pressures identified since 2010. In addition, we are currently forecast to overspend by approximately £10m in the current year: meaning that in total £21 million of reserves will be used in two years. This overspend is not the result of imprudence or mis-management: it is forced by trying to sustain social care services in the context of the cuts to our overall funding. Over 18/19 and 19/20 we have allocated an additional £35 million of funding to fund the pressures within our social care services and protect the most vulnerable people in our communities, with the People Portfolio budget increasing from £198m in 2017/18 to £233m in 2019/20. This additional funding has come from the planned use of reserves, savings from across the rest of the Council, and additional Council Tax income. In addition the Government has given us some specific social care funding, although this extra funding has been more than counter-balanced by continuing reductions in our main source of Government funding, Revenue Support Grant.

We do have a plan to bring the budget back in to balance over 4 years. However, that will require a significant amount of effort both internally and also with our partners to deliver savings. Not just cuts, although there will have to be some: savings that focus on still improving outcomes. We fervently believe that these savings and improvements are possible, particularly with our partners in the NHS

locally. Too many people in Sheffield spend too long in hospital. Better community-based services would be both cheaper and better for people. This budget is a call to our partners to work with us to achieve this change. It is our duty to deliver together for the people of Sheffield and, without it, the City Council will over the next few years start to cut preventative and social care services, further damaging outcomes for people and undermining NHS services too. The choice is clear, and a relentless focus on it is needed now and over the next four years. We are committed to this and we ask our partners to do the same.

Olivia Blake

Deputy Leader and Finance Cabinet Member

BUDGET REPORT 2019/20

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2019/20 REVENUE BUDGET

REPORT OF THE CHIEF EXECUTIVE AND THE EXECUTIVE DIRECTOR, RESOURCES

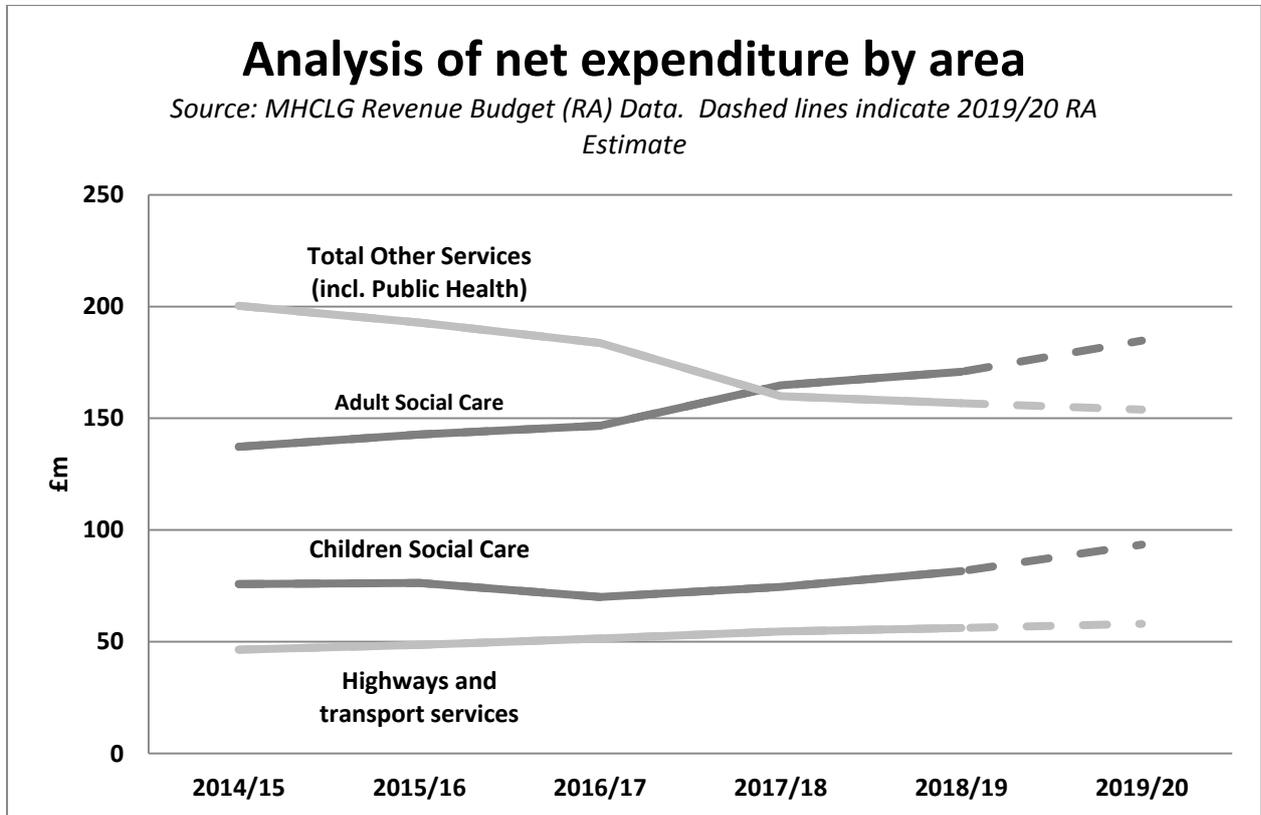
Purpose of the Report

1. The purpose of this report is to:
 - approve the City Council's revenue budget for 2019/20, including the position on reserves and balances;
 - approve a 2019/20 Council Tax for the City Council; and
 - note the levies and precepts made on the City Council by other authorities.

Medium Term Financial Analysis

2. Attached to this report as **Appendix 10** is an updated Medium Term Financial Analysis. The MTFs sets out the expected financial position over the next four years to 2022/23.
3. The key headlines are the overall anticipated gap between additional resources and planned savings versus cost pressures stands at approximately £31.1m to 2022/23. The figure for 2019/20 is £11.2m. This gap is a consequence of nine years of national austerity policies, which mean that our main source of Central Government funding, Revenue Support Grant, has fallen from £190m in 2013/14 to £37m in 2019/20. These falls in funding have come at a time when there have been unprecedented increases in demand for social care services, which are being experienced by councils nationally. Consequently, to set a balanced budget, for the first time we are planning to draw upon reserves in 2019/20.
4. This draw upon reserves allows us to increase the funding available to social care by approximately £20m in 2019/20, following an increase of £15m in 2018/19. These increases are intended to give us time to transform these services in conjunction with our partners, particularly within the National Health Service, enabling a fuller focus on prevention and a more seamless delivery of services. These changes should improve the services we offer whilst containing future cost increases. Providing we successfully deliver this strategy, we have sufficient reserves to cover the revenue gap in the interim periods.

5. The overall trends in our budget are shown in the graph below. The Council has consistently and clearly prioritised social care budgets to protect our most vulnerable residents. However, we have now reached the point where the impact of this on other services and the Council’s overall financial position could become unsustainable in the next few years.



Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves

6. As the attached **Appendix 4** explains, holding reserves is part of good financial management of any organisation. The Council holds reserves for a number of purposes, mostly as a provision against specific future liabilities. The amount of “free” reserves to cover unknown emergencies is relatively small at £12million and benchmarks as low compared to other organisations.
7. To date, we have coped with significant Government grant cuts and rising pressures, particularly in social care, without any significant call on reserves. This year marks an important turning point because, for the first time, the budget is being set with a significant call on reserves of £11 million. This statutory statement is therefore more important than previously and it is incumbent on the Executive Director as s151 officer to provide the Council with appropriate advice on the sustainability of this significant step.

8. This advice requires a significant judgement, balancing how far reserves can be used in the short term to support a longer term, four year plan to achieve sustainability. The only alternative to the use of reserves next year would be to make a significant cut to social care budgets. This would hit some of the most vulnerable children and adults in Sheffield hard and at a time when welfare cuts are also impacting on vulnerable households.
9. On the other hand, if the use of reserves in the years beyond 2019/20 is not reduced, reserves will quickly diminish to the point where the Council is not able to fund its longer term commitments. Much has been in the news about Northamptonshire and other Councils now in serious difficulty. Sheffield is not Northamptonshire and this statement is part of the way we are demonstrating that we are managing our budget on a longer term basis. However, it also provides a warning that dependent on three key factors, the use of reserves in future could become unsustainable.
10. The three key factors are;
 - the Council's own ability to continue to deliver savings and manage increased pressures. We have an excellent track record of this but nine years of reductions make it harder every year to achieve more; and
 - a more stable funding regime from Central Government that recognises the pressures in social care linked to the NHS Long Term plan; and
 - achieving more significant savings from working with our partners in the local NHS than we have so far been able to do, linked to improving outcomes for the people of Sheffield from better integrated services. Achieving improvements whilst making savings is possible.
11. Only one of these factors is fully within the Council's control.
12. During next financial year, we will be monitoring: the delivery of savings, the Government's long awaited funding reviews and work with Health on better joint commissioning of integrated health and social care services. This will feed in to a further statement next year. If sufficient progress is not made, cuts to social care are inevitable.

Local Government Finance Settlement

13. The Government announced details of the Provisional Local Government Finance Settlement for 2019/20 on 13th December 2018, with the Final Settlement to be approved in the House of Commons in late January 2019.
14. Below is a summary of the key points set out in the Provisional Settlement which focus on the impact for the Council:

- Revenue Support Grant (RSG) for Sheffield will be reduced by around £15.5m or 30%, in 2019/20. This reduction on RSG is identical to that forecast in MTFA due to adherence to the Governments Multi-Year Settlement.
 - The Government has confirmed that Council Tax rises up to 3% are not considered to be “excessive”, this means that Sheffield City Council can raise council tax by 2.99% without triggering a referendum.
 - New Homes Bonus (NHB) grant allocations are in line with the forecast £6.0m for 2019/20. Further consultations are being reviewed, but there are no plans to change the way NHB is awarded for 2019/20, including the removal of the plan to increase the stretch target above the current 0.4%.
 - One-off Adult Social Care Support Grant of £410 million for 2019-20 was announced during the Autumn Budget and confirmed in the Provisional Settlement. Sheffield’s share of this funding is £4.6m and it replaces the £1.7m grant award in 2018/19.
 - Confirmation of the roll forward of £240 million Winter Pressures Grant which will result in £2.7m for SCC in 2019-20. This grant was first announced during 2018/19 and is provided to help local authorities reduce pressures on the NHS by getting patients home quicker and freeing up hospital beds.
 - Retail Relief for small businesses amounting to a reduction in their business rates payable of 33%. Based on a series of estimates, we anticipate that this will result in approximately £3m of additional relief granted. The compensation due to Sheffield City Council is £1.5m.
15. The Finance Settlement includes the now customary “Settlement Funding Assessment” (SFA) which represents each local authority’s share of the overall local government spending control total, i.e. the total amount the Government plans to spend in respect of local government.
16. The SFA comprises the following elements:
- The Business Rates Baseline funding: the Government’s estimate of each local authority’s share of business rate income, and;
 - Revenue Support Grant (RSG) which includes some of the funding allocations that have been specific grants in the past.

Settlement Funding Assessment for 2019/20

17. The Settlement includes a reduction in the SFA of approximately £12.3m in 2019/20 (see Table 1 below) due to the fall in RSG. Overall the Council's anticipated Business Rate Baseline income is estimated to increase by nearly £3.2m to £142.5m. This increase is primarily the result of CPI inflation on the 2018/19 business rates baseline funding. The comparison between 2018/19 and 2019/20 is set out below:

Table 1

| | Actual 2018/19 | Provisional 2019/20 | Difference |
|-------------------------------------|-------------------|------------------------|-----------------|
| Revenue Support Grant | 52,415 | 36,893 | (15,522) |
| Baseline Business Rates Funding | 139,261 | 142,452 | 3,191 |
| Total Settlement Funding Assessment | <u>191,676</u> | <u>179,345</u> | <u>(12,331)</u> |

Specific Grants

18. The overall impact of the Local Government Finance Settlement will include variations in the level of specific grants that will be allocated to the City Council. Although the majority of funding is now allocated through the Formula Funding process, there remain a number of specific grants from Government in support of service delivery costs. The table below shows the grants that the Council has taken into account when setting the 2019/20 revenue budget. The majority of these grants are already included in Portfolio/Service budgets and the proposals set out in the budget implementation plans.

Table 2

| | Actual 2018/19 £000 | Budget 2019/20 £000 | Variance £000 |
|--|---------------------------|---------------------------|------------------|
| Business Rates Top Up Grant | 42,355 | 42,529 | 174 |
| Public Health | 33,355 | 32,474 | -881 |
| Additional Better Care Fund (One Off) | 7,731 | 3,827 | -3,904 |
| NHS Funding | 12,625 | 12,625 | 0 |
| New Homes Bonus | 5,722 | 5,961 | 239 |
| CCG Better Care Fund Income | 4,774 | 4,774 | 0 |
| S31 Grant for Small Business Rate Relief | 5,870 | 6,841 | 971 |
| Adult Social Care Grant | 1,700 | 4,621 | 2,921 |
| Independent Living Fund | 2,603 | 2,524 | -79 |
| Housing Benefit Admin Subsidy Grant | 2,179 | 1,957 | -222 |
| Improved Better Care Fund | 12,641 | 21,896 | 9,255 |
| S31 Grant for Business Rate Inflation Cap (BRIC) | 2,375 | 3,261 | 886 |
| Council Tax Support Admin Subsidy Grant | 811 | 787 | -24 |
| Winter Pressures Grant (Oct '18 Budget) | 0 | 2,705 | 2,705 |
| S31 Grant for Retail Relief Scheme | 0 | 1,518 | 1,518 |
| Total | 134,741 | 148,301 | 13,560 |

19. The overall net increase in specific grants of £13.6m for 2019/20 reflects the following key changes:

- Business Rates Top Up Grant: until 2018/19 this grant was uplifted by RPI every year. From 2018/19 a move to CPI was implemented reducing the overall income anticipated. SCC will be compensated for this reduction in Top Up grant via the Business Rates Inflation Cap grant (BRIC).
- Public Health: the Government is applying a reduction of circa 2.6% to the 2018/19 allocation of the Public Health grant. This will result in a reduction of £881k for Sheffield.
- Additional Better Care Fund grant – One-Off Funding: the Local Government Finance Settlement (published 18th February 2017) included Improved Better Care Funding of £1.5bn, and the SCC allocation of this funding is £12.5m in 2017/18, £7.7m in 2018/19 and £3.8m in 2019/20 (£24.0m total). Plans to spend the allocated funding were approved by Council on 19th July 2017. It should be stressed that this funding is on a one-off basis, and will not continue after 2019/20.

- New Homes Bonus: also referred to in the previous section (Local Government Finance Settlement), the Council had expected the grant to fall as a result of a planned increase to the 'stretch target' for housing growth from 0.4% to 0.7% of the prior year's Band D properties. This increased target is not to be implemented in 2019/20 and therefore the grant expected is in line with the 2018/19 award;
- S31 Grant for Small Business Rate Relief: Authorities are compensated for the application of the Small Business Rates Relief scheme in which smaller business qualify for reduced business rates bills. During 2017/18 the amount of relief for some small businesses doubled, meaning that for example business with a rateable value of £9,000 would move from paying 50% rates to 0% rates. This increase in relief has subsequently resulted in additional compensation to the Council. Following analysis of 2018/19 information, which has revealed an increase in actual Small Business Rate relief granted, as well as inflation on the business rates multiplier, we are anticipating a £971k increase in the Small Business Rates Relief granted.
- S31 Grant for Business Rates Inflation Cap; The Government's decision to cap the Business Rates multiplier to the CPI level from 2018/19, on top of the previous caps from 2014/15 and 2015/16, automatically reduces the amount of revenue that is collectible. As this reduction is due to Government policy, we are entitled to a S31 Grant for this amount, which is an increase of £903k for 2019/20.
- S31 Grant for Retail Relief: As part of the autumn budget 2019 and confirmed in the Provisional Settlement as detailed above, the Government announced a retail relief for small businesses amounting to a reduction in their business rates payable of 33%. Based on a series of estimates, we anticipate that this will result in approximately £3m of additional relief granted. The compensation due to Sheffield City Council is £1.5m.
- Adult Social Care funding: Authorities received a share of £150m adult social care funding in proportion to the so-called 'Relative Needs Formula' for 2018/19, Sheffield's share being £1.7m. This grant has been increased for 2019/20 to £410m with Sheffield receiving £4.6m. It should be noted that this grant is only available for 2019/20
- Improved Better Care Fund grant: this was a new grant for 2017/18 which is to support authorities with adult social care responsibilities,

rising from £2.2m in 2017/18 to £21.9m by 2019/20. These funds represent a £9.3m increase from the 2018/19 allocation.

- Winter Pressures Grant of £2.7m investment in adult social care to help local authorities reduce pressures on the NHS by getting patients home quicker and freeing up hospital beds. The grant was announced in the Autumn Budget for 2018/19, with additional funding for 2019/20 being presented as part of the Provisional Settlement.

20. The position shown in the previous table does not include Dedicated Schools Grant (DSG), most of which is “passport” (i.e. passed on) to schools.

Dedicated Schools Grant (DSG)

21. The provisional 2019/20 DSG settlement amounts to £431m for Sheffield, of which it is currently estimated that £332m will be earmarked for all mainstream schools. The remaining funding is used to provide early years activities (£34m), services for children and young people with special education needs and disabilities (£57m), and statutory educational services (£8m). The final settlement for DSG will be received in the spring.
22. The national Government over the last few years, has been implementing the National Funding Formula (NFF) with the aim of providing “fairer funding” for all schools. In July 2018, The Department for Education (DfE) announced details of school revenue funding and confirmed that local authorities will continue to determine local formulae in 2020/21 and any decisions beyond this will form part of the next national spending review. The implementation of National Funding formula will mean that, in 2019/20 ,Sheffield Schools will receive a DSG increase of an estimated £6m (Schools Block). All additional funds will be passported directly to schools.
23. The following three elements of the national formula change will continue to impact for Sheffield Primary schools:
- The sector ratio between primary and secondary schools will change i.e. funding moving from Primary to Secondary Schools:
 - A reduced lump sum for all schools: and
 - Reduced funding for prior attainment in comparison to our existing allocation.
24. Our concern continues to remain for primary and small schools and the impact the above changes will have on their long term financial sustainability. We have agreed with Sheffield Schools forum to implement a transitional model in 2019/20 towards the national fair funding by prioritising the use of new funding

allocation to deliver transition and to avoid any negative impact for our primary schools. It is also expected that the amount of DSG held centrally to fund services delivered by the Council on behalf of schools will come under increasing pressure from 2020/21.

Business Rates Income

25. In April 2013 the Government introduced the Business Rates Retention scheme. As a result the Council collects all of the business rates in its area, but it is only allowed to keep a share (49%). The remaining portion is paid over to Government (50%) and South Yorkshire Fire Authority (1%). The Government announced in December 2017 that the share of business rates to be retained locally will increase to 75% from 2020/21.
26. The amount of business rates an individual authority is capable of collecting differs significantly across the country depending on its location and certain characteristics. For example, relatively prosperous areas will expect to collect more business rates because their billing areas will include a large proportion of business premises with high rents and therefore high rateable values. In contrast to this, authorities in regions of relatively high deprivation will expect to collect less in business rates because their billing areas are likely to comprise a large proportion of small business premises with low rents and therefore low rateable values which are subject to small business rate relief.
27. In order to counteract this national imbalance, the Government implements a system of top-ups and tariffs to re-distribute business rates across the country. Authorities with a relatively high level of business rates pay a tariff into a national pot which is then used to pay top-ups to those authorities with relatively low levels of business rates. The Government has set the level of tariffs and top-ups for a period of at least seven years with effect from April 2013, although top-ups and tariffs will increase by inflation over that period.
28. The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget for 2019/20. The basis for doing so is set out on a statutory return called the NNDR1, which the Council is required to submit to Government by 31 January every year. This will involve the Council's own assumptions about growth (if any) in the amount to be collected, the losses on collection, the levels of refunds that may be given and the levels of outstanding appeals. All of these carry significant risk and will involve assumptions about performance in 2019/20 that will be based on experience of recent years and the use of the most up to date information available.

29. The first assumption the Council needs to make is the number of business premises in Sheffield that are liable for business rates. Using the valuation list issued by the Valuation Office Agency as the starting point; it is estimated that the number of business premises in Sheffield that are liable for business rates is 19,003 (18,922 as at 27th December 2017) with an aggregate rateable value of £548.9m (£535.2m as at 27th December 2017). This includes two parts of the city where special rules apply.

Sheffield Retail Quarter and Enterprise Zone

30. As shown in the table below, the parts of the city referred to as the Sheffield Retail Quarter and Enterprise Zone account for less than 2% of the aggregate rateable value of the city. However, both parts of the city are significant because any growth in business rates above the “baseline” established in 2013/14 can be retained in full locally, rather than half being repaid to Government. On the NNDR1, they are called “Designated Areas”.

Table 3

| | £m | |
|--------------------------|--------------|-------------|
| Sheffield Retail Quarter | 2.8 | 0.5% |
| Enterprise Zone | 5.6 | 1.0% |
| Rest of Sheffield | 540.6 | 98.5% |
| Total | 548.9 | 100% |

31. The Sheffield Retail Quarter is expected to see substantial long-term growth in business rates, which will be re-invested to improve the infrastructure of the city centre. In 2019/20, there is a forecast surplus amount payable of £515k over and above the baseline.
32. The Enterprise Zone is located at the Advanced Manufacturing Park off the Parkway. Businesses which choose to re-locate to enterprise zones can receive several financial incentives. The Government also allows the Council to passport all business rates over and above the 2013/14 baseline to the Local Enterprise Partnership (or in Sheffield’s case, the Sheffield City Region) which then decides how those receipts should be invested. In 2019/20, the amount payable to the Sheffield City Region over and above the baseline, and including the Government’s Enterprise Zone qualifying relief, is estimated at £729k.

Calculating the Business Rates Estimate for 2019/20

33. Based on the 2019/20 rating multiplier (the “rate poundage”, which is set by Government) this produces a gross business rate estimated income (the “Gross Rate Yield”) of £262.7m (£255.7m in 2018/19). This is the most realistic estimate of the likely level of income before any further adjustments. However there are a number of deductions from this figure:
- Reliefs: there are a number of reliefs against business rates liability including small business rates relief, charitable relief, deductions for empty properties and partly occupied premises. It is estimated that the total value of these reliefs and deductions will amount to approximately £49.3m (£42.8m in 2018/19). There has been an increase in reliefs relating to Small Business Rates Relief (£1.8m), Empty Property Relief (£1.1m), Charitable Relief (£1.0m) and Retail Relief (£3.0m), these amount to £6.9m in total. Items such as Retail Relief and Small Business Rates Relief have increased due to government policy however the increases in charitable relief and empty property relief are due to inflation and current market conditions.
 - Losses and costs of collection: this includes an estimate of the bad and doubtful debts in 2019/2020, the potential legal and other recovery costs. Using the assumptions set out in Government guidance, the estimated figure is £4.3m (£3.8m in 2018/19).
34. A further deduction is required relating to refunds of business rates due to successful appeals. Business ratepayers can seek an alteration to the rateable value of a property by appealing to the Valuation Office Agency (VOA).
35. Appeals on Business Rates are an especially difficult area to forecast. The provision for losses due to appeals that was carried forward at 31st March 2018 amounted to £35.0m. This provision is a prudent assessment of the risk from all outstanding appeals.
36. As at 31st December 2018 more than 500 unique properties were under appeal (many of them with multiple appeals). These include appeals relating to significant national issues such as the ATM’s case which following a legal appeal at the High Court has been settled in the ratepayers’ favour. The VOA has petitioned the Supreme Court for the right to appeal and as such this case remains outstanding. We have taken appropriate measures to provide for the potential liability.
37. The 2017 Revaluation not only reviewed the valuations of every commercial property, it also allowed the introduction of a new appeals process called

Check, Challenge and Appeal. This process applies to 2017 list appeals only and aims to reduce the number of spurious appeals. This process is still relatively new and management information on the outstanding appeals (Challenges) is slow to be released however early indications do appear to show a reduction in appeals.

Overall Business Rates Estimate for 2019/20

38. Based on assumptions relating to reliefs and appeals, it is estimated that the total net business rates for Sheffield will amount to £201.5m in 2019/20 (£202.5m in 2018/19). Business Rate income is taken to the Council's Collection Fund, where the appropriations are made. The estimated Collection Fund for 2019/20, relating to business rates, is shown below:

Table 4

Collection Fund - Business Rates Estimate for 2019/20

| 2018/19 | | 2019/20 |
|--------------------------------------|---|---------|
| 255,729 | Gross Business Rates income yield | 262,699 |
| -42,794 | LESS Estimated Reliefs | -49,348 |
| -3,781 | Losses in Collection | -4,295 |
| -6,645 | Losses on Appeals re Current Year Bills | -7,525 |
| 202,509 | Net Estimated Business Rates | 201,531 |
| Appropriation of net business rates: | | |
| 99,508 | Sheffield City Council | 98,826 |
| 2,008 | SY Fire Authority | 1,989 |
| 100,412 | Government | 99,472 |
| 581 | Designated Areas | 1,244 |
| 202,509 | | 201,531 |

39. The estimated 49% of net business rates for Sheffield amounts to £98.8m in 2019/20 (£99.5m for 2017/18). The designated areas figure includes £515k which relates to Sheffield City Council. It is proposed that the Council budget for 2019/20 includes both of these figures as its share of business rates income.

Table 5

Total Income from Business Rates – Sheffield Share

| | 2018/19 | 2019/20 | Variance |
|--|----------------|----------------|--------------|
| | £'000 | £'000 | £'000 |
| Net Business Rates | 99,508 | 98,826 | -682 |
| Designated Area Business Rates (NDD) | 0 | 515 | 515 |
| Business Rates Top Up Grant | 42,355 | 42,529 | 174 |
| S31 Grant for Small Business Rates Relief | 5,870 | 6,841 | 971 |
| S31 Grant for Business Rate Inflation Cap (BRIC) | 2,375 | 3,261 | 903 |
| S31 Grant for Retail Relief Scheme | 0 | 1,518 | 1,518 |
| Total Income from Business Rates | 150,108 | 153,490 | 3,382 |

40. The net business rates income for 2019/20 has fallen by £682k from 2018/19 figures. This is primarily due to anticipated retail developments which will impact on the short term rateable values of properties. This reduction will be temporary, and income levels are expected to recover in future years.
41. The net business rates income is also impacted on by Government policy on rates relief. The increases in Small Business Rates Relief in 2017/18 and the introduction of the Retail Relief Scheme for 2019/20 have significantly reduced the level of Net Business Rates income. We do however receive government compensation through Section 31 grants.
42. The Government introduced the Localism Act in 2011 with the aim of devolving decision making powers from Central Government to Local Authorities. The increased use of the rate reliefs to administer Government Policy and alter hereditaments business rates bills does not see us disadvantaged financially, however, it does see us more reliant on grant income and is contrary to the Localism Act. The above section 31 grants are further discussed in the Specific Grant section of the report.
43. The £515k income from the designated areas is related to the Heart of the City 2 development. This is an area of the city in which we receive 100% of the business rates above a set baseline. The new HSBC building in this zone will see us retain additional business rates under this scheme for the first time.

Council Tax income

Council Tax base for 2019/20

44. It is proposed to set a Council Tax Requirement of £201.1m for 2019/20 based on a 2.99% increase. There is no increase in the Adult Social Care precept for 2019/20. The total raised from the Adult Social Care precept for 2019/20 will be £15.2m. This brings the total Council Tax Requirement to

£216.3m and results in a Band D Council Tax of £1,559.18. This includes a determination that the Council Tax base – the number of properties on which a tax can be charged – will be 138,744.42 Band D equivalent properties. This represents an increase in the tax base of 2.1% compared to the previous year.

45. The Council recognises that any increase in Council Tax can impact on vulnerable people and families. To mitigate the increase in Council Tax, we will increase the Council Tax Hardship Fund by £200k in 2019/20. The Hardship Fund will total £1.4m and is reviewed on an annual basis.
46. The phrase “Band D equivalent properties” is used throughout this report because Band D is used by the Government as the standard for comparing Council Tax levels, between and across local authorities. This measure is not affected by the varying distribution of properties in bands that can be found across authorities. A definition of Council Tax can be found in **Appendix 11**.
47. A summary of the Council Tax levels by band can be found in Table 11 in the ‘Financing the 2019/20 Budget Requirement’ section of this report. Further details can also be found in **Appendix 6**.
48. The calculation of the tax base for 2019/20 has involved an assessment of the following factors:
 - There has been an increase in the number of domestic properties that are liable for Council Tax. An increase in house building has resulted in an additional 2,777 band D equivalent properties.
 - There has been a decrease in the expected Council Tax Support Scheme (CTSS) caseloads. This reduction amounts to 1,219 fewer band D equivalent properties claiming Council Tax Support.
 - There is an increase of 1,141 in the number of band D equivalent properties that are entitled to discounts and exemptions. This is mostly due to additional student properties which are exempt from Council Tax.
49. The estimated collection for 2019/20: the practice has been to set a prudent in year collection rate as part of the tax base calculations, although eventually the Council recovers up to 99% of Council Tax income. As anticipated, the introduction of CTSS and other welfare reforms such as the ‘Spare Room Subsidy’ (the ‘Bedroom Tax’) has increased the level of financial hardship for many taxpayers resulting in late payments and non-payment of Council Tax. Therefore for tax base setting purposes in 2019/20, a prudent in-year collection rate of 95.5% has been assumed (although we still intend to collect 99% over the long term), which is unchanged from 2018/19. The collection

rate will continue to be closely monitored during the year as the ongoing impact of the CTSS, Universal Credit and other welfare reforms continue to put pressure on taxpayers' ability to meet their payments.

50. The Council Tax Base for 2019/20 has therefore been determined as 138,746.41 Band D equivalent properties, as shown in Table 5 below. This is an increase of 2,855.62 properties (or 2.1%) compared to 2018/19 and will result in an increase in Council Tax income of £10.6m assuming a 2.99% increase in Band D Council Tax and no increase in the Social Care Precept. Of the £10.6m increase, £4.3m is as a result of the net increase in Band D equivalent properties, £6.3m is due to the proposed 2.99% increase in Band D Council Tax.

Table 6

| | Band D equivalent number of properties |
|---|---|
| Council Tax Base of Band D equivalent properties for 2018/19 | 135,890.79 |
| Additional properties in 2018/19 | 2,777.44 |
| Reduction in properties entitled to CTSS | 1,219.47 |
| Increase in number of properties entitled to discounts / exemptions | -1,141.29 |
| Council Tax Base of Band D equivalent properties for 2019/20 | 138,746.41 |

Long Term Empty (LTE) premium

51. Currently, properties liable for Council Tax and which have been empty for more than 2 years are charged an additional 50% Council Tax. This is known as the Long Term Empty (LTE) premium. The intention behind this additional charge is to encourage owners of empty properties to bring them into use, so as to improve the housing supply, locally and nationally.
52. The Government has recently enacted legislation which, over time, will allow Local Authorities to increase the Council Tax charged LTE properties as set out below:
- From April 2019, the Council can increase the LTE premium to 100% from 50% on all properties empty for over 2 years.
 - From April 2020 the Council can increase the LTE premium to 200% from 100% on all properties empty for 5 years or more.

- From April 2021 the Council can increase the LTE premium to 300% from 200% on all properties empty for over 10 years.
53. It is the intention of the Council to apply this updated legislation.
54. Due to uncertainties on collection rates and the relatively small number of properties affected, no net increase in income has been assumed for the 2019/20 budget. This will be monitored during 2019/20 with any anticipated future income built into later year's budgets.

Council Tax referenda

55. The Localism Act 2011 introduced the requirement for a local authority to determine whether its Council Tax for a financial year is excessive. If the Council Tax were to be considered excessive, a referendum is required in respect of that amount.
56. The principles upon which a Council Tax is considered to be excessive are determined by the Secretary of State for Housing, Communities and Local Government. This replaces the capping powers that were previously available to the Secretary of State.
57. The 2019/20 Local Government Finance Settlement announced that an authority's relative basic amount of Council Tax for 2019-20 is excessive if the authority's relevant basic amount of Council Tax for 2019-20 is 3% more than its relevant basic amount of Council Tax for 2018/19.

Business Planning for 2019/20

58. The Council's approach to managing its financial position in the medium term is controlled through the Business Planning process. This requires Services and Portfolios to develop business plans, which show what activities will be provided in 2019/20 for a specified cash limited budget. The Business Planning process for 2019/20 began before the consideration of the MTFS report by Cabinet in July 2018.
59. As reported in the MTFS, 2019/20 will be the ninth year of the Government's austerity programme, and we have had to plan for another cash reduction in our Revenue Support Grant, this year by £15.5m. Given the scale of the year-on-year reductions we have faced, it is becoming increasingly difficult to balance the budget whilst protecting our front-line services.
60. For 2019/20, we have continued the approach adopted in 2018/19 of concentrating on finding savings from a smaller number of discrete areas. This means continuing a four-year programme of transformative strategic changes in individual services, intended to release sufficient savings, to

enable our budget to be balanced in the immediate and medium term. This programme is supplemented by a Council-wide and continuing search for lower level “tactical” reductions in expenditure, where we identify that there is scope for further efficiencies in individual services.

Formulation of the Budget for 2019/20

61. In formulating the budget for 2019/20, there are a number of adjustments that will need to be made to reflect variations in costs and resources, some of which are outside of the control of the Council, whilst others reflect the continuation of current Council policy. The following section shows those items that have been included in the proposed budget, along with a summary table (Table 7) which demonstrates how the Council’s revenue budget for 2019/20 has been balanced.
62. Aside from the adjustments already mentioned in the Business Rates, Council Tax and Local Government Settlement sections above, the most significant additions and reductions to the budget are as follows:

Additional Budget Provisions

63. There are a number of proposed additions to the budget for 2019/20, the most significant of which are as follows:
- **Portfolio pressures:** Portfolios are faced with increased levels of demand for services and rising costs of service provision, particularly in the area of social care, all of which is exacerbated by additional legislative changes to the Council’s statutory responsibilities and by loss of funding. The total cost of Portfolio pressures amounts to around £50.7m. Details of the pressures are in **Appendix 1**.
 - **Streets Ahead (£1.0m):** the planned Council investment in the Streets Ahead programme will increase by £1.0m as planned. This consists of contract inflation of £1.4m and a reduction in repayments to borrowing for the programme of £0.4m.
 - **Pay strategy (£4.6m):** the expected cost of implementing the new nationally agreed NJC pay spine and award of full increments is around £4.6m greater than the 2018/19 budget. This figure excludes the 2% cost of living increase also agreed as part of national pay bargaining which is covered within Portfolio pressures and equates to approximately £3.8m.
 - **Heart of the City 2 Capital Financing (£4.6m):** This £4.6m is split between the interest costs of £2.3m and MRP of £2.3m in relation to the development costs of Blocks D and F. These costs are to be financed

via rental and business rates income generated by the scheme. Further details of the Heart of the City Development can be found on the following link:

<http://democracy.sheffield.gov.uk/ieDecisionDetails.aspx?ID=2016>

Budget Reductions

64. The corporate Social Care Contingency has been reduced by £1.7m to reflect the removal of the 2018/19 one off grant. The replacement grant for 2019/20 is reflected within the overall income afforded to the People Portfolio for 2019/20.

Contribution from Reserves in 2019/20

65. The £11.2m increase in use of reserves for 2019/20, as set out in Table 7 below, is required in order to deliver a balanced budget.
66. The budget proposals involves other uses of reserves to meet expenditure in 2019/20, and/or smooth costs in future years, for various purposes which are explained further in **Appendix 4**.

Table 7

Please see overleaf: NB: the total pressures and savings figures are shown net of the approximate £900k cut to Public Health grant, and the £3.9m reduction in the 'Additional Better Care Fund (aBCF)'. aBCF is one-off grant but also requires joint approval on spend with the CCG and therefore is not reflected within the ongoing budget formulation.

| | £m | £m | £m |
|---|--------------|--------------|--------------------------|
| Variations in funding from Government | | | |
| Reduction in Revenue Support Grant (RSG) | | 15.5 | |
| Business Rates Growth (inc. inflation) | 0.2 | | |
| S31 Grant for Business Rate Inflation Cap (BRIC) | -0.9 | | |
| S31 Small Business Rates Relief Grant | -1.0 | | |
| S31 Grant for Retail Relief Scheme | -1.5 | | |
| S31 Additional Business Rates Top Up Grant | -0.2 | | |
| Variations in Specific Grants | <u>-14.8</u> | | |
| | | <u>-18.2</u> | |
| | | | -2.7 |
| Portfolio pressures | | | |
| Loss of funding | | | 16.1 |
| Increasing demand on services | | | 24.1 |
| Pay & price inflation | | | 10.3 |
| Other | | | 0.3 |
| 2019/20 budget gap before portfolio savings proposals | | | <u>48.1</u> |
| Portfolio savings proposals | | | -29.7 |
| 2019/20 budget gap after portfolio savings proposals | | | <u>18.5</u> |
| Additional Council Tax income | | | |
| 2.99% increase in council tax | | -6.3 | |
| Growth in taxbase impact on Social Care Precept | | -0.3 | |
| Growth in tax base | | <u>-4.0</u> | |
| | | | -10.6 |
| Collection Fund estimated surplus in 2019/20 | | | -8.2 |
| Removal of one-off items | | | |
| Collection Fund estimated surplus in 2018/19 | | | 1.9 |
| Portfolio Adjustments | | | -0.8 |
| Additional budget provisions | | | |
| Increments | | | 4.6 |
| Streets Ahead Investment | | | 1.0 |
| Heart of the City Financing costs | | | 4.6 |
| Schools and Howden PFI | | | 0.2 |
| Other | | | 1.5 |
| Budget reductions | | | |
| Social Care Contingency Reduction | | | -1.7 |
| Planned contributions from reserves to support the revenue budget | | | -11.2 |
| 2019/20 budget gap | | | <u><u>0.0</u></u> |

Savings Proposals for 2019/20

67. Discussions with Members have taken place since the consideration of the MTFs, to produce a set of proposals that will achieve a balanced budget. The proposals set out in this report form the basis of a balanced budget and a recommendation to Council on 6 March 2019. The total amount of Portfolio savings are £29.7m. If any of these proposals were not to be approved by Council then alternative compensating savings would need to be identified and recommended to Council. Details of the Portfolio savings are summarised in **Appendix 2** of this report, with full details being set out in Budget Implementations Plans (BIPs) available at the following link:
<https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>

Table 8

| Portfolio | Savings Proposals for 2019/20 £m |
|--------------|---|
| People | -19.5 |
| Place | -8.3 |
| PPC | -0.6 |
| Resources | -1.3 |
| Total | -29.7 |

Development of Portfolio Budgets

68. The following table (Table 9) shows how the portfolio budgets are proposed to change from 2018/19 to 2019/20. The three main reasons for changes to portfolio budgets are:
- Pressures £50.7m – further details can be found in both **Appendix 1** as well as the budget implementation plans at the following link: <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>;
 - Savings £29.7m – further details can be found in the Savings Summary in **Appendix 2** of this report and /or the budget implementation plans at the following link: <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>;

- Other movements (£2.3m net reductions) – virements from corporate items to Portfolios, mainly in relation to corporately funded contract inflation on Streets Ahead contract of £1.4m and pay strategy of £4.6m, offset by the transfer of one-off additional Adult Social Care grant funding of £7.3m for 2019/20.

Table 9

| | Adjusted Budget 2018/19 | Pressures 2019/20 | Savings 2019/20 | Other Movements 2019/20 | Original Budget 2019/20 |
|---------------------------------------|--|------------------------------|----------------------------|--|--|
| | £000 | £000 | £000 | £000 | £000 |
| Portfolio budgets: | | | | | |
| People | 213,144 | 43,762 | -19,484 | -4,767 | 232,655 |
| Place | 147,714 | 5,569 | -8,269 | 409 | 145,423 |
| Policy Performance and Communications | 1,973 | 741 | -622 | 103 | 2,195 |
| Resources | 38,400 | 675 | -1,294 | 1,966 | 39,747 |
| | 401,231 | 50,747 | -29,669 | -2,289 | 420,020 |

69. The figures in Table 9 demonstrate that, subject to Full Council approval, the People Portfolios with its social care responsibilities will see significant investment, in order to enable future mitigation against the impact of central government funding reductions.
70. It is also worth noting that some specific budget transfers within the 'other movements' complicate the appearance of Portfolio 2018/19 budgets. For example the level budget reduction within Place is partly offset by the aforementioned Streets Ahead contract inflation for which the increased cost are fully offset by planned contribution from reserves.
71. Therefore, setting aside 'other movements', the net change in the four portfolios is as follows:
- People – £17.0m increase (reduced from £24.3m by additional £7.3m ASC grant inc. in other movements).
 - Place – £2.7m reduction.
 - Resources (including PPC) – £0.5m reduction.
72. The net £17.0m increase in the People portfolio budget understates the scale of the challenge facing the Council's social care services and is also predicated upon the Portfolio's ability to deliver £19.5m worth of savings for 2019/20. Also, as aforementioned, the net savings of £17.0m have only been delivered as a result of additional £7.3m one-off ASC grant funding. There is a

risk that this additional income will not be reflected in future financial settlements and therefore cause a funding pressure from 2020/21 onwards.

73. This level of additional funding has only been possible via a combination of a net increase in Better Care Fund income of £5.4m, a significant investment of £8.4m from the Social Care reserve and the Council's difficult decision to increase council tax. The Council has had to balance the extra costs to Sheffield taxpayers from the increase, with the urgent need to protect its social care services to its most vulnerable residents.
74. It will be vital that this additional investment allows the People portfolio to continue its implementation of the approved recovery plans (details included in the Portfolio Spend Revenue Plans section below) to drive down costs and manage demand. These actions should deliver savings and help remove some of the reliance currently placed on one-off or temporary funding sources.
75. There is however a significant risk around the impact of any delays in or non-delivery of the aforementioned recovery plans and the significant savings proposed in this budget. The increasing demand pressures on social care, both adults and children's, and the funding crisis in social arising from the cumulative Government funding reductions to local government are now widely recognised, not just in Sheffield, but across the country. As well as lobbying for improved funding, SCC will need to remain resolute in delivering its strategic plans but also flexible in response to new or changing demands.
76. Whilst some increased funds have been provided by Government for Adult Social Care (through the Better Care Fund and ASC one offs), these additional funds have not compensated for the larger national funding cuts, and they also focus on NHS related services for older people and delayed discharges from hospital, whereas many of our pressures are in mental health and learning disability services. In addition the Government has not compensated us for the additional costs in our Children's social care services, which has resulted in the use of temporary funds and diversion of budget from other council services to ensure effective service delivery and transformation. This transfer of funds is highlighted by increases in funding to children's service such as:
 - Placements budget requires additional funding of £3.2m for 2019/20 to support the increase in demand but also the current upward cost trend in the local placements market: and
 - £2.2m is required in Fieldwork Services due to current social work caseloads, the increase in the complexity of needs and social worker

recruitment and retention issues, which again are being driven by local market conditions.

77. Should future demand for children's services increase beyond anticipated levels and/or no new investment from Central Government be forthcoming, the Service will continue and even increase its reliance on temporary funding sources such as reserves. Consideration of this potential impact has been given by the S151 officer (Executive Director of Resources) when reviewing the adequacy of reserves as set out in the reserves strategy **Appendix 4**.
78. The Place Portfolio has pressures of £5.6m for 2019/20, which are mainly the result of contract inflation, loss of income in some areas, undelivered prior year savings and pay pressures. However, the Portfolio has been able to commit to additional savings of £8.3m, via a combination of reducing costs by doing things differently, utilising external funding, rather than the General Fund, to pay for some activities delivering growth, increasing fees and charges to reflect the actual cost of the service, and driving further savings from our significant contracts. This will facilitate a £2.7m contribution towards the Council's funding shortfall.
79. Resources portfolio has also been able to more than mitigate its 2019/20 pressures to deliver a reduced budget, and therefore contribute towards offsetting the Council's funding shortfall. The total level of contribution is £0.5m.

Revenue Budget Position for 2018/19

80. At its meeting in March 2018, the Council approved a Net Revenue Budget for 2018/19 of £401.857m. The Council increased Council Tax by 4.99% from the previous year, raising the rate for a Band D equivalent property to £1,513.92.
81. The level of spending against budget is subject to a rigorous monitoring and review process each month and results in a comprehensive budget monitoring report being submitted to Cabinet each quarter, which shows the forecast outturn position.
82. The budget monitoring position at month 9, covering the period April to December 2018, shows a forecast overspend of £10.9m. Further details can be found in the table below.
83. The cumulative effect of funding cuts due to the national austerity programme, combined with escalating social care pressures are making the Council's current financial predicament extremely difficult. Based on the current forecast overspend, and in spite of a stop on all non-essential spend and a major review of corporate budgets, it would appear that the Council will inevitably

overspend in 2018/19. Reserves have been identified to meet the forecast overspend.

Table 10

| Portfolio | FY Outturn £000s | FY Budget £000s | FY Variance £000s | Movement from Month 6 |
|-------------------------------------|------------------------|-----------------------|-------------------------|-----------------------------|
| PEOPLE | 231,620 | 215,622 | 15,998 | ↑ |
| PLACE | 189,553 | 190,612 | (1,059) | ↓ |
| POLICY, PERFORMANCE & COMMUNICATION | 2,460 | 2,131 | 329 | ↔ |
| RESOURCES | 43,803 | 44,010 | (208) | ↓ |
| CORPORATE | (456,574) | (452,376) | (4,199) | ↓ |
| GRAND TOTAL | 10,861 | - | 10,861 | ↓ |

Balances and Reserves

84. The Council budget has been prepared against a backdrop of uncertainty and potential risk as set out in earlier section of this report. There is nothing new in this and, whilst some of these are risks which the authority has managed for many years, these risk and impacts are becoming more difficult to control or mitigate, placing greater reliance on reserves for delivering a balanced budget but also offsetting any failures to deliver a balance outturn at year end. This was highlighted in 2017/18, where £2.3m of reserves were required to offset the in year overspend. This is also likely to be the case for 2018/19, given the current forecast overspend highlighted above.
85. It is also important that the Council has adequate financial reserves to meet any unforeseen expenditure. For an organisation of the size of Sheffield City Council relatively small movements in cost drivers can add significantly to overall expenditure.
86. The Executive Director of Resources has reviewed the position relating to Reserves and has produced a Reserves Strategy which is attached at **Appendix 4**. This sets out the estimated requirement for Reserves and explains the purpose of each earmarked reserve. This report also includes the statutory statement (section above) from the Executive Director on the sustainability of reserves and the budget.

Risk Management

87. Attached at **Appendix 5** are details of corporate risks which will need to be monitored closely throughout the year. The budget proposals identified in this

report will be risk assessed and given a risk rating. The implementation of the budget proposals will then be closely monitored and reviewed based on the risk assessment and this will be reported as part of the budget monitoring process for 2019/20.

Levies

88. The Council currently has approximately £22.9m in its revenue budget for levies. This includes the following :
- Sheffield City Region (SCR) Combined Authority Local Transport Board (CALTB) levy; the SCR Combined Authority approved its budget for 2019/20 on 28 January 2019. A transport levy reduction of £0.6m is expected for Sheffield. This reduction is included in the City Council budget proposals under the Place Portfolio.
 - Payments to the South Yorkshire Pensions Authority and to the Environment Agency amounted to £181k and £227k respectively in 2018/19. The figures for 2018/19 are £170k and £234k respectively.

Portfolio Revenue Spending Plans for 2019/20

89. A Budget Implementation Plan (BIP) has been completed for each of the four Portfolios and can be found via the attached link:
<https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html> A summary of the savings contained within the BIPs, together with a detailed cash allocation for each Portfolio, are provided / summarised at **Appendix 2 and Appendix 3a to 3d** respectively. As in previous years, the BIPs will be subject to regular monitoring reports throughout the year, in accordance with the City Council's overall budget monitoring procedures.
90. Set out below is a high level summary of the Portfolio savings proposals. This section reflects the content of the Council website relating to budget proposals.

Our Priorities

91. Our budget for 2019/20 is driven by the five key priorities:
- An in-touch organisation: This means listening; being connected and being responsive to a range of people and organisations; ideas and developments. This includes local people; communities and Government, as well as keeping pace with technology. This means understanding the increasingly diverse needs of individuals in Sheffield, so the services we and our partners provide are designed to meet these

needs. It also means understanding how to respond. This priority is also about empowering individuals to help themselves and providing opportunities to do this, so they and their communities are increasingly independent and resilient.

- **Strong economy:** This means creating the conditions for local businesses to grow and making Sheffield an attractive location to start a business. We want Sheffield to achieve our economic potential and for the pace of Sheffield's economic growth to quicken, particularly in the private sector. This means being well-connected, both physically and digitally, building on our success as a city that supports businesses to grow and play a full, distinctive role in the global economy. We want local people to have the skills they need to get jobs and benefit from economic growth; and to make the most of the distinctive things Sheffield has to offer, such as cultural and sporting facilities.
- **Thriving neighbourhoods and communities:** This means neighbourhoods where people are proud to live, with communities that support each other and get on well together. This includes good, affordable housing in places that are well-maintained and easy to get around. It means places with access to great, inclusive schools that also act as community amenities, together with libraries and it means places with access to high quality sport and leisure facilities, including green and open spaces. We want people living in Sheffield to feel safe and will continue to join with other agencies in the city to make it easier for local people and communities to get involved, so we can spot and tackle issues early. We will work with communities to support them and to celebrate the diversity of the city.
- **Better health and wellbeing:** This means helping people to be healthy and well, by promoting and enabling good health whilst preventing and tackling ill-health, particularly for those who have a higher risk of experiencing poor health, illness or dying early. Health and wellbeing matters to everyone. We will provide early help and look to do this earlier in life to give every child the opportunity to have a great start in life. This is strengthened by our other priorities that make sure the city has facilities and amenities that help people to stay healthy and well, such as leisure and culture, as well as access to green and open spaces.
- **Tackling inequalities:** This means making it easier for individuals to overcome obstacles and achieve their potential. We will invest in the most deprived communities; supporting individuals and communities to

help themselves and each other, so the changes they make are resilient and long-lasting. We will work, with our partners, to enable fair treatment for individuals and groups, taking account of disadvantages and obstacles that people face.

92. Part of our response to the recommendations made by the Fairness Commission, was to embed the fairness principles into our Corporate Plan. The Fairness Commission report available on the Council's website at www.sheffield.gov.uk/fairnesscommission and we have continued to use the Fairness Principles to influence the shape of the budget as a whole, ensuring the Council's budget is invested as fairly and equitably as possible. These principles are:

- Those in greatest need should take priority.
- Those with the most resources should make the biggest contributions.
- The commitment to fairness must be for the long-term.
- The commitment to fairness must be across the whole city.
- Preventing inequalities is better than trying to cure them.
- To be seen to act in a fair way as well as acting fairly.
- Civic responsibility - all residents to contribute to making the city fairer and for all citizens to have a say in how the city works.
- An open continuous campaign for fairness in the city.
- Fairness must be a matter of balance between different groups, communities and generations in the city.
- The city's commitment to fairness must be both demonstrated and monitored in an annual report.

93. We need to find savings of around £29.7m to meet grant cuts and pressures in 2019/20 compared to 2018/19. The Council is structured with three large spending Portfolios: People; Place and Resources. Our approach to the budget has been to seek to identify budget savings from different Portfolios, whilst bearing in mind the Council's overall priorities and the fairness principles.

94. Our broad approach for each portfolio is set out below.

People Portfolio

95. The People Portfolio is an integrated service supporting adults, children, young people families, and communities with three key areas of focus:

- Early intervention and **prevention**, enabling the people who use our services live successfully and safely. Our strategy has been and continues to be delivery of the right level of support by the right services.
 - **High-quality**, diverse and robust care and support for our customers, providing good value for money for the Council.
 - Developing our **workforce**, making sure we have the right-sized staff groups, enabled by effective systems and support to develop their skills.
96. Our ambition is for an 'All Age' approach to disability related services across the portfolio which supports individuals from childhood through to old age in a consistent and seamless way, and without barriers or difficult transition points. We are ambitious for all children, young people and adults with disabilities. All Age services for children and young people, adults of working age and older adults with disabilities will work with people and their families and carers to achieve their full potential.
97. In 2019/20, we are budgeting to spend in the region of £233m cash and £14m of Public Health grant on delivering services for People. A further £432m of funding was allocated separately by Government for schools and early year providers. The majority of our funding is spent on social care: £117m for Adults Care and Support and £73m for Children, Young People and Families which includes spending for Children, Young People and Adults with disabilities.
98. The following summary highlights our ambition and approach for our Services.

Children, Young People and Families

99. Our ambition is that all children, young people and families in Sheffield achieve their full potential in all aspects of their lives, that they have a great start in life, go to great schools, are safe, healthy, active, informed and engaged in society.
100. We will continue to work together with all of our partners and communities to ensure we raise expectations and attainment and enable our children, young people and adults to gain first class qualifications and skills, have enriching experiences and make a positive contribution to their local community and our City and to support them through their journey to independence.
101. We will continue to respond to increases in demand for services, the range of our statutory duties and expectations of Ofsted inspections despite the cuts to our budgets. We will be creative, innovative and transformational in the way we work and deliver services to ensure that outcomes for children, young people and families continue to improve.

102. We will continue to improve our IT systems to enable better quality of information, improve automation and integration with other systems that will enable our staff to spend more time working with families. Furthermore, we are committed to the training and development of our staff so they are equipped to face the challenges ahead and are rolling out signs of safety, a strength based safety organised approach to child protection casework.
103. We are being creative about how we commission, deliver and pay for services, increasingly working with our internal services and all our partner organisations, including health, schools and the community sector, and seeking alternative funding streams. We are committed to protecting, as far as we can, services to children, young people and families; this will always be a priority for us and is where we spend the majority of our revenue budget.
104. The strategies that underpin our ambition for successful children, young people and families are shaped in three main areas:
- **Keeping children, young people and families healthy, safe and strong and giving every child a great start in life.** Our services have developed a preventative approach and continue to focus on safeguarding, learning difficulties/disabilities, early help and intervention and the city's health strategy for children and young people. We provide multi-agency support services for children with additional needs and social care services for Children in Need (CIN), including those at risk of harm, in need of accommodation and those in care. Our services promote the early identification of children in need and deliver high quality preventative and supportive services, enabling children to achieve their potential, through good quality assessments that inform effective plans to address children's needs, including the need to be safeguarded, and improve their outcomes. We will ensure that services are put in place to support children and young people living within their families, wherever possible. Where they cannot remain in their families, we will make timely decisions to ensure that they are secured in an appropriate setting as soon as possible. We will deliver, monitor and provide the highest quality care and placements for our children in care, and care leavers.
 - **Developing skills for life and work and encouraging active, informed and engaged young people and adults into further education, employment, training and their journey to independence.** We target our resources in supporting those teenagers and adults who are most at risk of not being in education, employment or training. We work to create the technical pathways that better connect education and

employers and we are working with Government to redesign the skills and employment systems so that they better meet the needs of the local economy. This includes creating a multi-agency and localised employment service for those facing the greatest barriers to work, that integrates support from the Council, Health and Jobcentre Plus, a jobs and skills brokerage service that makes best use of the apprenticeship levy and the generation of job opportunities for the most vulnerable and activity in support of the Combined Authority to redesign a devolved skills system that is better able to meet the training priorities of our residents and our businesses.

- **Supporting schools, children and young people’s education, lifelong and community learning and being the champion and advocate for children, young people and their families, improving the quality of learning outcomes, raising attainment and enabling enriching experiences.** The quality of the school experience for children is fundamental to their later life chances. Children who experience high quality teaching and learning are much more likely to experience positive outcomes (sustained employment, good mental and physical health, avoidance of poverty and increased social mobility) in the short and long term. The Council has a vital role to play to ensure all our children and young people achieve their full potential. We do this by working in partnership with schools, colleges and other education providers on the key educational issues affecting the whole city, such as ensuring enough school places across the city and support for vulnerable learners. With Learn Sheffield and our partners we work to raise attainment and expectations by challenging schools and other education providers where their performance is not good enough and supporting them to improve.

105. We are seeing significant and growing demand and need in areas such as special educational needs, emotional health and wellbeing, child and family poverty. We are investing additional resource to manage this growth. Growing demand is set alongside changes in legislation and policy which impact on the way we operate and the expectations children, young people and families have of us. Most significant among these are the Children and Families Act 2014 (and the linked Care Act) and the National Minimum Wage; this represents an ongoing shift towards more autonomy for schools. We are working with the schools in the city to prepare for the implementation of National Fair Funding Formula. Our concern continues to remain for primary

and small schools and the impact the changes will have on their financial sustainability.

106. Our biggest challenge has been around an increase in demand for children services. The current position in Sheffield reflects a national position. Analysis by the Local Government Association (LGA) found that 133 out of 152 councils (88%) responsible for children's services overspent in 2017-18 including Sheffield. Nationally local authorities went over budget on children's social care by an estimated £807m, by far the highest area of overspending in council budgets. We will address this challenge through early identification of children with additional needs, and deliver high quality preventative and supportive services to enable children to continue living successfully and safely with their families and communities, bringing them into care and providing the right placement if needed. Our strategy has been and continues to be to deliver right level of support by the right service at the right time.
107. The scale of financial challenge facing children social care is significant and cannot be resolved in the short term. An improvement and recovery plan has been produced which focuses on delivery of new initiatives to support families and to improve the practice. Our improvement and recovery plan is structured under three themes.
- **Demand Management:** We are working to reduce referrals to social care and the number of children entering looked after system by delivering earlier support and the development of several evidence based programs. This will include working with expectant parents who have already had children removed to prevent repeat removals. We will also deliver targeted parenting programmes to increase resilience and help reduce family breakdown. We will engage with families and the wider community by delivering restorative practice techniques (Family Group Conferences, Multi Systemic Therapy) for young people to stay with their families wherever possible instead of entering into care system.
 - **Supply Management:** We are redesigning and investing in the availability of resources within Sheffield to ensure the right resources are available for maintaining Sheffield Children in Sheffield. We are working to ensure appropriate sufficiency of placements to meet changing needs. Our focus will be to increase the number of local authority foster carers through development of a comprehensive package of support which will include wraparound support of foster carers and ongoing training packages.

- **Performance management:** Having the right number and an appropriately-trained workforce is critical in improving the quality of service delivery. We are committed to ensuring that children and families receive support in a timely manner and we are investing in training and development of our staff to deliver strong social care work practices and good quality risk management.

Adult Services

108. Our vision for Adult Social Care is based on three different kinds of need, each requiring a slightly different “conversation” to ensure the right support from the right person at the right time:
- People who may need a little support to stay resilient and strong. They will maintain their level of independence if they are connected to the resources and support available within their neighbourhoods and networks.
 - People who have experienced some difficulty, perhaps following a period of poor health. They will regain their previous level of independence if they get focused help.
 - People for whom regaining their previous level of independence may not be possible. They will still live a good life if they receive targeted and co-ordinated support that is geared to priorities important to them.
109. The financial pressures facing adult social care are well publicised. Nationally, the LGA has estimated that there will be a national social care funding shortfall of £3.5bn by 2025 just to maintain existing standards of care, while latest figures show that councils in England receive 1.8 million new requests for adult social care a year – the equivalent of nearly 5,000 a day. In Sheffield, the Council’s financial pressures can broadly be defined in two categories: rising provider costs (predominantly the costs associated with the crucial investment in staff wages to meet the National Minimum Wage) and an increasing demand for care and support services (resulting from increasing numbers of people requiring higher levels of support in the community for longer). A significant element of these demand pressures is associated with progress in supporting increasing numbers of people out of hospital, and other restrictive health related settings, into care in or nearer the home.
110. In partial recognition of these pressures, the Council received some additional one off Government funding through the ‘Improved Better Care Fund’ (iBCF) for the three years (2017/18-2019/20) and through the emergency winter planning fund. This has improved the Council’s medium term financial position but the funding is not sufficient to meet the social care pressures described

above, and as the tapered funding reduces in the final year this creates an additional budget challenge in 2019/20. The full cessation of iBCF after 2019/20 will create a very large pressure for all Councils nationally, which will have to be managed from 2020/21.

111. The scale of the financial challenge facing adult social care is significant and will not be resolved in the short term. An Adult Social Care Improvement Plan was developed during 2017/18 which has been updated for 2019/20 and which sets out how the Council will seek to meet the financial challenges ahead whilst ensuring that Sheffield people can stay healthy, stay out of hospital and live independently at home for as long as possible. The budget proposals for 2019/20 form a part of this plan.
112. The Adults Improvement Plan is structured under five themes:
 - **Increasing the shift to prevention.** The strategic intention of Adult Social Care in Sheffield is to support a shift into prevention and well-being. This means that we are increasingly moving our focus to early help and preventative support. This approach is improving outcomes for local people and promotes better usage of adult social care resources.
 - **Increasing independence and inclusion.** There are significant opportunities to improve the support provided to existing people who receive adult social care services. The starting point is to value people for the strengths and motivations they bring, rather than seeing them as passive recipients of support. For example, a range of opportunities exist to help people with disabilities into employment. Working or making a contribution to Sheffield life in other ways builds a sense of belonging and also of independence. We are continuing work with disabled children and young people to ensure there are opportunities for them to attain their ambitions as they reach adulthood. In addition, we are working with people of all ages to ensure our approach is to help them get the best possible life, not just the best possible service.
 - **Developing a sustainable provider market.** Sheffield City Council has overseen significant provider fee rate uplifts in recent years in recognition that the cost of providing quality care through a properly remunerated and resilient workforce has also been rising. 2019/20 will see a renewed focus on the Council's relationship with care and support providers to ensure consistent prevention, quality and value for money and consistency. This will be achieved through procurement, contract management, review and negotiation, efficient use of provision, through making better use of the Council's directly provided services, through the

development and introduction of new framework rates which will ensure greater consistency and fairness in the cost of care, and through greater emphasis on new approaches such as Shared Lives and short breaks.

- **Increasing the proportion of adults who are able to live at home.** Better preventative support means that people are able to live in their own homes and remain active in their communities for longer. We continue to improve our joint working with NHS colleagues to ensure people are able to return home from hospital or other NHS settings in a timely way, continuing to reduce the number of people who are put in the position of being asked to move to a care home straight from a hospital bed. We will also work preventatively with our NHS colleagues to ensure that people are better supported to remain healthy and safe at home, avoiding the need for hospital admission in the first place.
- **Fairer charging.** A programme of change to improve the way we support service users to pay their contributions for care and avoid accruing debt will also deliver efficiencies to the Council in 2019/20. We will continue to ensure uplifted fee rates, benefit income and capital asset information is used to inform contribution calculations. In 2019/20 the Council will continue to expand its appointeeship service and will introduce an in-house Deputyship Service which will be able to provide vulnerable people with quicker access to Deputies at a lower cost than is available currently in the private sector. The Council will also continue to work with health colleagues to ensure that the allocation of Continuing Health Care funding in Sheffield is balanced and equitable.

113. The success of the Improvement Plan depends on focused and targeted use of resources at individual, community and city-wide levels linked to the delivery of outcomes. Services and support must work efficiently with resources focused on delivery and minimised bureaucracy and waste. The enabling activity for this work comes from a programme of transformational change taking place in Adult Social Care. As one example in 2017/18, social work teams moved to a new locality structure to allow for more personalised, locally tailored support. During 2018/19 the programme has seen the roll out of a new social work practice model in the form of 'Conversations Count' which puts greater emphasis on what matters to the individual and their individual circumstances; and in October 2018 the Council implemented a new core ICT system for social work to support this practice change. 2019-20 will see this new structure, practice and system embedded, and teams will increasingly become visible in their communities working positively with local services and citizens to improve health and wellbeing.

114. The Sheffield Mental Health Transformation Programme is a collaborative programme of work that has been jointly developed and is being jointly delivered by the Council, NHS Sheffield CCG (SCCG) and Sheffield Health and Social Care NHS Foundation Trust (SHSC). The projects which make up the programme have a focus on reablement and progression, reduced use of restrictive settings, developing alternative models of provision, seeking best value, more efficient ways of delivering services and better ways of working and will deliver better value for money across the partnership.
115. We continue to work closely with our partners in the NHS to maintain a single budget for health and social care under the Better Care Fund but we recognise that in order to achieve significant further improvements to the quality of experience of people accessing Health and Social Care services and to deliver a financially sustainable model for the future, greater progress is needed to more fully integrate the system. 2019/20 will see Local Authority and Health partners take significant steps to bring together budgets and decision making in order that the system is better able to support people to stay in their own home or community for longer, avoid unnecessary hospital visits and return home as soon as they are able.

Services in Sheffield's communities

116. Our aim is for thriving communities in Sheffield in which people stay healthy and well, and live the lives they want to live. Our services support communities to become resilient and successful. We want people to feel they are listened to and enable them to access support and gain benefit from community infrastructure, assets and actions.
117. Funding for the core service of Council run hub libraries, the home library service and Central Library and funding is protected at current levels in 2019/20. In addition the Council will also continue to support the co-delivered and associate libraries, which are run by volunteers, in line with the Cabinet decision of November 2016. The Council will make a small saving due to the end of a lease for its devices for borrowing and returning books.
118. 2019/20 will see the implementation of year three of the Council's three year grant funding strategy for Sheffield's voluntary, community and faith (VCF) sector. Reductions to grant aid will be undertaken in line with this strategy and following dialogue with providers in order to protect services to the most vulnerable.

Learning and Skills

119. Learning and Skills will continue to support the development of thriving communities where citizens are supported to develop the skills, confidence

and ambition for life, active citizenship and work. The Lifelong Learning and Skills Service works to ensure people are supported and enabled to achieve their learning, skills and employment outcomes and develop their careers through high quality, locally led learning and employment opportunities.

120. In pursuit of our skills goals this work includes the delivery of a localised employment service for those facing the greatest barriers to work, jobs and skills brokerage, making best use of the apprenticeship levy, the generation of job opportunities for the most vulnerable and the redesign of a devolved skills system.
121. In pursuit of our Lifelong Learning goals this work includes the delivery of a wide range of learning programmes including Family, Adult and Community learning to improve the life chances and opportunities of adults and their families, and provision for young people including those with Special Education Needs and Disabilities via our specialist training centres. The service also leads on brokerage of education provision, support and progression planning within the 14-25 education arena.
122. A restructure of the Lifelong Learning and Skills service, approved by Council as part of the last year's budget setting process, will refocus capacity to meet demand and to re-set the structure of the service so that it better reflects changing priorities within the 14-19 education landscape.
123. 2019/20 will also see the long anticipated ending of some Employment and Skills grant funding streams (City Deal and Ambition SCR) and the commencement of some new ones (ESF Pathways to Progression and ESF Pathways to Success). These changes to the way some Learning and Skills programmes will be funded from 2019/20 require technical changes to the Council's accounts but have no impact on planned delivery, staffing or services.

Cross-portfolio

124. We have a number of administrative, financial, planning and research teams which provide crucial support for our front-line services. Over 19/20 we will continue to find ways to deliver this support efficiently and effectively in as streamlined a way as possible.
125. In 2019/20 we will renew our focus on the support we provide to our workforce in order to increase the number of people who are active and healthy at work and reduce our reliance on agency staff.

Public Health

126. Across People Services we will continue to deliver our distributed public health model, ensuring that all service delivery is evidence based and meets need. We will ensure that the Public Health grant is allocated where it will have the greatest impact in improving people's health and wellbeing and reducing inequalities. Despite significant challenges with the Public Health Grant being reduced nationally year on year we continue to prioritise service delivery particularly focusing on ensuring children and families have the best start in life. Services such as the 0-19 Healthy Child Programme and Substance Misuse Services have been prioritised and we are working with NHS partners including Sheffield Clinical Commissioning Group, Sheffield Teaching Hospitals, Sheffield Health and Social Care Trust and Sheffield Children's NHS Foundation Trust to redesign and remodel services including Sexual Health Services and Mental Health services, Overall People Services is prioritising through the use of the Public Health grant a model which ensures prevention and early intervention is focused on ensuring that people, children, young people and families are supported to maintain their health and wellbeing.

Place

127. In Place, our vision is to make Sheffield a great place for people to live, work and visit. To achieve this, we need to continue to deliver core services that keep the city and its communities moving, as well as investing in the city's future development.

128. The Place portfolio has six main priorities:

- **Economic growth** that is inclusive and ambitious
- **Housing** that provides homes for all
- **Quality of life** that supports people's health and wellbeing
- **Sustainability** to ensure that the city is resilient for the future
- **Transport** that connects people in Sheffield and beyond
- **Business change** to underpin a stable, financially sustainable future and efficient, value-for-money services for customers.

129. We want to build an inclusive economy that creates good jobs for Sheffield people through investing in key sectors like advanced manufacturing, creative & digital industries and energy & the environment; helping existing businesses to grow; and attracting new businesses to the city. In 2018, the Advanced Manufacturing Park welcomed the opening of Boeing Sheffield, the company's

first manufacturing site in Europe, and the McLaren Composites Technology Centre, creating over 250 jobs between them including more than 20 apprentices.

130. In the city centre, significant investment is being made to improve public spaces and buildings in areas like The Moor, University of Sheffield Campus, and as part of Heart of the City 2. This is making it safer and easier for pedestrians and cyclists to move around, and is more welcoming for businesses like HSBC which is relocating its Sheffield office to the new Grosvenor House building. The regeneration of Castlegate sets out to make the area a distinctive new hub for technology and creative start-up businesses as well as an addition to the city's visitor attractions. Outside the city centre, the Council has played a major part in the development of the Olympic Legacy Park creating a setting for both public and private investment, in education and medical related industries.
131. The city's major cultural and sporting assets, including Sheffield Theatres, Sheffield Museums, City Hall, the FlyDSA Arena and Ponds Forge, and its reputation as The Outdoor City attract visitors and investors to the city. This is enhanced by a major events programme that brings national and international visitors into the city.
132. In order to support inclusive economic growth, Sheffield needs a housing market that offers choice, affordability and good quality homes for everyone. Place is working to increase the range of housing to ensure a more balanced offer across the city, as well as tackling poor and inappropriate housing in some areas. The Council acts as landlord for around 39,000 homes and so has a responsibility to improve quality and safety, as well as ensuring people's homes are warm and more energy efficient to help reduce fuel poverty. Place takes a citywide approach to helping younger, older and vulnerable people to live independently through supporting people to live in their Council or private rented home, home adaptations, and helping people to find accommodation if they have nowhere to live.
133. We want people in Sheffield to have a good quality of life that supports their health and wellbeing, feel proud of where they live and have access to local amenities as well as good housing. This is about neighbourhoods that are safe and clean with well-maintained green and open spaces, and where people have access to quality sports, leisure and play facilities. We continue to work with our main partners including Amey to deliver the Streets Ahead Programme to improve our roads and pavements and Veolia to provide waste and recycling services.

134. Working with residents and neighbourhood groups, we want to build communities that are tolerant and cohesive with people having a say over what happens in their local area, as well as protecting them from rogue traders and environmental hazards.
135. A significant proportion of the Council's revenue spending is on maintaining quality of life in the city's neighbourhoods on a day-to-day basis including a number of services that we are required to provide by law. These include planning, pest control, trading standards, health protection services, bereavement services and the coroner and medico-legal centre.
136. The Council is committed to helping Sheffield to be a city that is more resilient to climate change, takes action to reduce its impact on the climate and promotes clean and green growth. This includes reducing the carbon footprint of our own buildings and vehicles; encouraging Sheffield's businesses to reduce their carbon emissions; and working with our partners to invest in sustainable and affordable energy, such as in our district heating network; and the development of a clean air zone in the city.
137. Our approach to the development of transport infrastructure also has a part to play in the sustainability of the city by minimising the negative impacts of transport on air quality, noise and carbon emissions. Working with transport partners, we are investing in an efficient transport system to support the city's growth, and to ensure that people have a choice in how they travel around the city including walking, cycling and using public transport.
138. In Place, we are taking a new approach to ensuring the sustainability of our resources so that we can continue to focus on delivering our priorities for the city. This means doing the same with less resource by making efficiency improvements, generating net additional income where we can and working with partners to find ways of managing our costs better.
139. The Place portfolio spends around £510m per year providing our services. This is funded in a range of ways including through the Housing Revenue Account, external income and recharging other services for professional support, e.g. capital project management. Place also receives around £148m from the Council's General Fund, £120m of which is spent on the Streets Ahead and waste management contracts, and the South Yorkshire Passenger Transport Executive (SYPTTE) payments towards the provision of transport interchanges, concessionary fare schemes and tendered bus services. The remaining £28m contributes to the £200m cost of providing the significant, various and wide-ranging services provided by the portfolio on a day-to-day basis. The balance of this is made up through customer charges.

140. In 2019/20, we need to reduce our portfolio budget by a further £8.3 million to meet the reduced central government funding, inflation and demand pressures, and to be able to make a £2.7m contribution to the pressures in social care. These changes need to be made at pace and while keeping track of the impact on different groups of people and communities in the city. Our approach to a sustainable financial future that preserves our public facing services involves improving our use of resources by developing new business models, streamlining processes and increasing our productivity, either through using less resource or releasing resources by earning additional income through the services we provide.
141. As part of an agreed plan being led by the SYPTE, we aim to reduce our spending across this area by around £0.6m in 19/20 as a result of previous decisions to restructure the financing of the authority's debt and reduce operating costs. We will be seeking to drive additional value from the waste and Streets Ahead contracts, and our external partners who operate as trusts delivering services in the city.
142. Given the importance of income from service users, we are proposing a review of charges for services to ensure we recover the full cost of provision and reflect inflationary pressures. Those charges that do increase will be benchmarked against market rates. Where charges are made to the public or other Council departments, these services will be set targets to make a small return and achieve approximately 12% of the savings needed.
143. Place is developing a new funding model to align services to the nature of their activities. Operational services will be funded through fees and charges although statutory responsibilities will be covered by the General Fund. Growth and investment activities will be funded by external development grants or the financial return from growth such as New Homes Bonus or capital receipts from the sale of Council-owned land.
144. We plan to transfer approximately £3.1m of growth related activities from the General Fund to the Growth Investment Fund (GIF). These activities will be subject to review to ensure they meet the GIF criteria before funding is allocated.

Resources

145. We have a number of corporate services which support Sheffield residents in their day to day lives directly through the Council's Customer Service function, our service for assessing and paying benefits, and collecting Council Tax and Business Rates.

146. The Council is, a large and complex organisation, where we rely on effective professional support to run our business and the services we provide to Sheffield people. This indirect support from the Resources portfolio includes:
- helping our teams to manage their budgets and staff;
 - providing and maintaining the information technology systems which are essential to delivering Council savings in an efficient and cost effective way;
 - helping our teams with legal advice ensuring our activities are lawful and transactions are effected;
 - making sure we get the best value for money when we buy goods and services; and
 - helping us as a whole Council to manage our performance, financial and human resources, contracts and our plans for the future.
147. The Resources and PPC portfolios can help deliver savings across the Council by changing the way the Council works. In 2019/20 directors from these portfolios will lead five initiatives aimed at delivering better value for money user satisfaction. This is part of the Council's SCC 2020 programme to transform and deliver better and more sustainable council services for the future. These initiatives are:
- ensuring we deliver value for money services to Sheffield;
 - preparing the Council for future technology changes and ensuring there are business planning procedures which deliver member priorities;
 - develop talent and skills within the workforce to ensure high quality performance in everything the Council does;
 - redesign, reform and improve our public services through citizen involvement, customer insight and business intelligence; and
 - review of the Council's governance and assurance framework to ensure open and transparent decision making is enabled.
148. Resources portfolio is also leading the re-commissioning of ICT services and, in 2019, some insourcing of local staff employed by the current contractor in order to ensure we have a service that can deliver change. The portfolio is also planning for the insource of Revenues and Benefits Service in 2020.
149. We have already made substantial savings for example we have reduced the number of offices we occupy: consolidating 27 locations into three city centre sites, thereby avoiding expenditure of £34 million over 10 years.

150. For 2019/20, further reviews to streamline process and concentrate on the priority tasks will allow us to meet the predominantly salary based inflationary pressures of £0.7m faced by the Portfolio without drawing on additional support from the General Fund budget.
151. Continuous improvement in risk management, addressing the causes, and reducing the frequency, of claims and losses, has improved the Council's risk profile to the insurance market. This has allowed us to reduce the provisions we hold for potential insurance losses and make a contribution of £0.61m towards improving the Council's financial position in 2019/20.
152. Many corporate services have small core budgets and are increasingly reliant on trading income (some are fully traded, so receive no budget allocation) – this trading income is effectively subsidising the strategic functions that would need to exist irrespective of general services to Council departments, such as Legal Services. It would, therefore, be high risk to reduce such service budgets much further.

Policy, Performance and Communications

153. Policy, Performance and Communications provides a number of strategic support services for the Council, including policy advice, performance management, partnership development, research and analysis, equalities and consultation advice, communications support, and web and intranet services. It is also responsible for supporting the Council's statutory Scrutiny function and running electoral services.
154. Sheffield City Council is a democratically elected organisation. This means we have specific additional responsibilities associated with running elections, ensuring that the public can engage with the Council and have their say on important decisions, and supporting Councillors who make these decisions on behalf of the people of Sheffield. We are also responsible for ensuring people are registered to vote, and for running parliamentary and regional elections.
155. The majority of the service's Revenue Budget funded expenditure is incurred on core democratic services (elections, electoral registration, and Scrutiny), and the provision of policy, equalities, and analytical advice and support to the organisation. The Communications service generates a net surplus to the Council, through a range of income sources, including through external trading and the management of the Council's external advertising.

Financing the 2019/20 Budget Requirement

156. The earlier part of this report is concerned with the formulation of the revenue budget and the issues which need to be considered in arriving at a total budget for 2019/20. This section of the report sets out the overall summary position and the statutory determinations relating to total net expenditure, and its financing. In accordance with the Local Government Finance Act 1992 (as amended by the Localism Act 2011) the Council is required to make a number of determinations. These are set out in **Appendix 6** and include:

- a Budget Requirement (a “section 32 calculation”)
- a Council Tax Requirement (a section 31A(4) calculation)
- a basic amount of tax (Band D equivalent)

157. The Budget Requirement will be financed by a combination of Revenue Support Grant, Business Rate income, Top Up Grant and Council Tax income.

Council Tax

158. After taking account of the Revenue Support Grant, Business Rate income and Top Up Grant for 2019/20, the total amount to be raised from Council Tax amounts to £216.3m: this is the Council’s Council Tax Requirement.

Collection Fund

159. The City Council is required to estimate, for Council Tax setting purposes, the projected year-end balance on the Collection Fund. This estimate must take account of payments received to date, the likely level of arrears and provision for bad debts, based on information available by 15 January. Taking these factors into account, the projection on 15 January was that the Collection Fund is in surplus, with a distribution to the City Council of £8.2m due in 2019/20. The surplus is made up of a £4.5m surplus from Council Tax and £3.7m on Business Rates. The Council Tax surplus is made up of £2.5m brought forward from 2017/18, and an in year surplus of £2.0m, caused by increased property construction in late 2017/18. The £3.7m surplus on Business Rates consists of £0.8m brought forward from 2017/18, a £1.9m in year surplus, plus a £1.0m reduction in the appeals provision, and is primarily due to increased business rates from one major utility company following revaluations conducted after the formulation of the 2018/19 budget.

Council Tax Base

160. On 15 January, the Executive Director of Resources, under delegated authority, approved the calculation of the Council Tax Base for the 2019/20

financial year. The amount of the Tax Base is 138,744.42 Band D equivalent properties.

Budget Requirement for 2019/20

161. If the Council votes in favour of increasing the Council Tax by 2.99% the Budget Requirement for 2019/20 will be £403.2m, as shown in the table overleaf.

Table 11

| Table 11 | 2018/19 £'000 | 2019/20 £'000 |
|-----------------------------------|------------------|------------------|
| Service Expenditure | 401,857 | 403,291 |
| Total Expenditure | 401,857 | 403,291 |
| Financed by: | | |
| Revenue Support Grant | 52,390 | -36,893 |
| Business Rates | 99,508 | -99,341 |
| Top Up Grant | 42,355 | -42,529 |
| Council Tax | 205,731 | -216,328 |
| Collection Fund Surplus | 1,873 | -8,200 |
| Budget Requirement | 401,857 | -403,291 |
| | | |
| Band D Council Tax (City Council) | £ 1,513.92 | £ 1,559.18 |

Council Tax Levels

162. Details of the indicative level of Council Tax for Bands A to H are set out below with further details in **Appendix 6**.

Table 12

| Band | Multiplier | Value (up to) in 1991 | Chargeable Properties % | Tax £ |
|------|------------|--------------------------|-------------------------------|----------|
| A | 6/9 | £40,000 | 58.4 | 1,039.46 |
| B | 7/9 | £52,000 | 15.9 | 1,212.70 |
| C | 8/9 | £68,000 | 12.6 | 1,385.94 |
| D | 9/9 | £88,000 | 6.5 | 1,559.18 |
| E | 11/9 | £120,000 | 3.7 | 1,905.67 |
| F | 13/9 | £160,000 | 1.7 | 2,252.16 |
| G | 15/9 | £320,000 | 1.1 | 2,598.64 |
| H | 18/9 | over £320,000 | 0.1 | 3,118.37 |
| | | | 100.00% | |

Precepts

163. {Work in progress}

Legal Advice

Responsibility of the Chief Financial Officer

164. Under s25 of the Local Government Act 2003, the Chief Finance Officer of an authority is required to report on the following matters:
- the robustness of the estimates made for the purposes of determining its budget requirement for the forthcoming year; and
 - the adequacy of the proposed financial reserves.
165. There is a requirement for the authority to have regard to the report of the Chief Finance Officer when making decisions on its budget requirement and level of financial reserves. Details of Reserves are set out in **Appendix 4**. The view of the Executive Director of Resources is that Reserves are low (compared to benchmarks) but are not inadequate.
166. In addition, under the Prudential Code framework the Chief Finance Officer of an authority is required to prepare and report upon a series of Prudential and Affordability indicators. These are set out in **Appendix 7**.
167. The Local Government Finance Acts of 1988 and 1992 specify that the City Council determines its Revenue Budget before 11 March each year. The City Council is also required by Section 30 of the Local Government Finance Act 1992 to set its Council Tax after having determined its Revenue Budget

requirement in accordance with the provisions of section 32 to 36 of the Act. Details of how the Council Tax has been calculated are included as part of the Council Tax resolution in this report at **Appendix 6** , which is set out as required by legislation.

168. By law the Council must set a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves and s25 Local Government Act 2003 which sets obligations of adequacy on controlled reserves.
169. In the Provisional Local Government Finance Settlement 2019/20 on 13 December 2018, the Secretary of State for Housing, Communities and Local Government announced that authorities would be able to raise Council Tax by 2.99%. This is a repeat of the increase to the 2018/19 limit. During February 2019 the House of Commons is expected to approved the Referendums Relating to Council Tax Increases (Principles) (England) Report 2019/20. This means that the basic amount of Council Tax increase will only be deemed to be excessive (thus triggering the requirement for a local referendum on such an increase) if it exceeds 2.99% for other expenditure or more than its relevant basic amount of Council Tax for 2018/19. As this report proposes an increase of 2.99% for the 'core' element, this is deemed not to be an excessive increase and a referendum is therefore not required before the Council approves the increase.
170. In determining its budget as in all other matters, an authority should have due regard towards the interest of Council Tax payers and Members must, in arriving at a balanced decision based on the evidence, take into account all relevant information placed before them and ignore irrelevant matters.
171. The proposed budget has been prepared in the context of the requirement for the Council to make significant savings in its overall expenditure. The implementation of some of the proposals in the budget will require Executive decisions. These will be made in accordance with the Leader's Scheme of Executive Delegations, and any further delegations (e.g. from Cabinet) made in accordance with the Leader's Scheme. It is important to note that in making these decisions, there will have to be full consideration of all the relevant issues such as the Council's legal duties and contractual obligations).

172. In setting the budget the Council has a duty to have regard to the need to eliminate discrimination and advance equality of opportunity between all, irrespective of whether they fall into a protected category such as race, gender, religion etc. Further detail on this is in the Equalities Impact section and the Equality Impact Assets in **Appendix 9**.
173. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable. In some cases further consultation may be required.
174. If the outcome of such further considerations were to present difficulties in adhering to the agreed Council budget, officers would bring further proposals to members as appropriate.

Housing Revenue Account (HRA) Budget

175. This Report concerns the position of the Revenue Account of the Council, i.e. the income and expenditure for the majority of Council services, other than those that are accounted for separately as part of the Housing Revenue Account. A separate report on the HRA budget was considered by Cabinet on 16 January 2019.

Treasury Management Strategy

176. As part of its budget decision, the Council is required to approve a Treasury Management Strategy for 2019/20. Treasury Management relates to the management of the Council's investments, borrowings and banking operations.
177. The Council's Treasury Management activities must comply with the CIPFA Code of Practice on Treasury Management which sets out the controls over the risks associated with those activities and looks to achieve optimum performance consistent with those risks.
178. A separate CIPFA code, the Prudential Code for Capital Finance, requires the Council to set a range of Prudential Indicators as part of the budget process to ensure that capital spending plans are affordable, prudent and sustainable. The Local Government Act 2003 requires the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three financial years.
179. The Sheffield City Council Treasury Management Strategy for 2019/20, including the proposed Annual Investment Strategy, Prudential Indicators and the Minimum Revenue Provision Policy, is set out in **Appendix 7**. The

responsibility for day to day management of the Council's treasury management activities rests with the Head of Strategic Finance, and it is recommended that authority for undertaking treasury management activity and relevant reporting continue to be delegated to the Head of Strategic Finance.

180. The Administration has requested the inclusion of provisions in the Annual Investment Strategy to make clear the Administration's desire not to hold any direct investments in fossil fuels or companies involved in tax evasion or grave misconduct.

Financial Implications

181. The financial implications of the recommendations in this report (below) are set out in the preceding sections of the report.

Workforce Impact

182. There are a number of potential workforce impacts, as a result of the recommended actions in the report.
183. The potential workforce impact arising from the recommended savings proposals to set the 2019/20 budget, equates to a reduction of approximately 135.5 full time equivalent (FTE) posts. The Budget Implementation Plans (BIPs) found at the following link <https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html>; contain details of these reductions. This will be managed, in the first instance, through deleting vacant posts, voluntary early retirement (VER) and voluntary severance (VS) schemes, where appropriate, and then through the Council's Managing Employee Reductions (MER) procedure to achieve the balance of reductions and re-design services.
184. VER/VS activity and the outcomes of MER processes have been the subject of Equality Impact Assessments (EIAs), as described in the Equality Impact section of this report, and they will continue to be monitored on an ongoing basis to ensure there is no disproportionate impact on any group within the workforce.
185. Consultation is taking place with the trade unions at a corporate and Portfolio level to identify opportunities to mitigate redundancies and support is provided to any employee who is affected by potential redundancy.
186. The Council is required to submit an HR1 form each year to inform the Government of any potential Council redundancies. This form includes an estimate of how many potential redundancies we think we may have to make in the year ahead. As aforementioned in this report, an estimate of up to 135.5 redundancies has been made for the purposes of the 2019/20 form.

Pay Policy

187. In accordance with the Localism Act the Council is required to publish a Pay Policy for 2019/20. Details of this can be found in **Appendix 8**.

Members' Allowances

188. Prior to 1 April each year, the Council has to agree a Members' Allowances Scheme for the forthcoming financial year. At least every four years, or whenever the Council wishes to amend its Scheme, its Independent Remuneration Panel has to consider the Scheme (and any changes being proposed by the Council) and make recommendations to the Council.
189. The Council's Independent Remuneration Panel conducted a review of the Council's Members' Allowances Scheme in January 2017. The report of the Panel was considered by the Council at its budget meeting held on 3 March 2017, and the Council approved a Scheme for 2017/18 and onwards. The 2017/18 Scheme was also implemented for 2018/19.
190. The Scheme that was approved for 2017/18 was unchanged from the previous Scheme. The structure of the previous Scheme had first been implemented in 2013/14 and had subsequently only been subject to minor alterations, as noted in previous years' budget reports, for example, as a result of regulatory changes introduced in 2014/15 to remove, on a phased basis, Members' entitlement to participation in the Local Government Pension Scheme (LGPS).
191. Savings well in excess of £200k have been achieved on the budget for Members' Allowances since 2013/14 as a result of the changes that the 2013/14 Scheme made to the responsibilities/duties in respect of which Special Responsibility Allowances were to be paid, and to the amounts of the Special Responsibility Allowances, together with the savings on superannuation contributions following the removal of Members' entitlement to participation in the LGPS.
192. As regards the Scheme for 2019/20, officers have not identified any forthcoming changes in the structure or operation of the Council's decision-making arrangements which would require consideration by the Independent Remuneration Panel due to their impact on the structure of the Scheme, and, accordingly, it is recommended that the current Scheme be rolled forward unchanged for 2019/20. The Council will be required to reconvene the Independent Remuneration Panel in late 2020/early 2021 to undertake a review of the Scheme to ensure the requirement for the Scheme to be reviewed at least every four years is met.

193. The Scheme contains provision for the allowances to be adjusted on an annual basis in line with an agreed index. The index that has been used for many years for applying to the allowances (and continues to be the index within the current Scheme) is the average percentage officer pay award in Sheffield. The Council agreed to implement the annual increase in 2017/18, and again in 2018/19, having agreed not to apply the annual increase each year from 2010/11, including in four years when Council employees received a pay rise.
194. Implementation of the annual increase on allowances in 2019/20 would give rise to a budgetary pressure. Savings will be found from elsewhere within the Council's overall financial position.

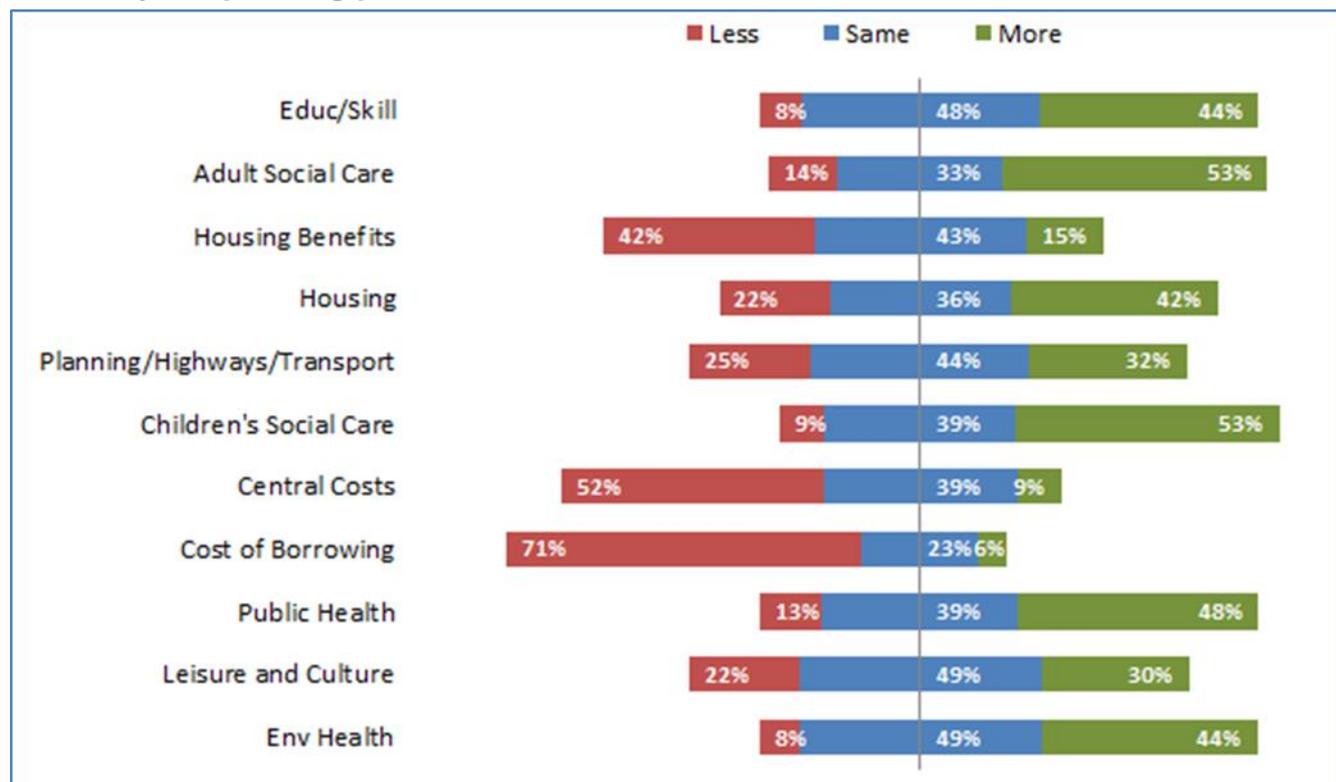
Budget Consultation

195. As part of the development and testing of options for the 2019/20 budget, the Council ran a budget survey between December 2018 and January 2019, in addition to engaging with partner organisations over the last year. This has helped us to ensure that the proposals we are putting forward have been shaped by people who may be affected by decisions taken as part of the budget, and that they have had an opportunity to put forward ideas for consideration.
196. To inform longer term thinking and Equality Impact Assessments our budget consultation activity consisted of two main strands:
 - An online survey supported by social media promotion activity that looked at the financial challenge and the Council-wide approach. This provided opportunities for residents to have their say on priorities, investment in services and capital projects, our proposals for Council Tax, and provide suggestions on areas for further savings or generating income.
 - On-going conversations on particular topics and specific proposals, including meetings with the VCF and Businesses and key partner agencies.
197. Our consultation activity continued to confirm public support for prioritising services for the most vulnerable.
198. Over a 6 week period during December and January we ran an online survey that received 381 responses.
199. In relation to a question about the Council's priorities there were 361 responses with the majority of comments indicating that money should be

spent on Children and Adult Social Care with references to support services, education, and protecting the most vulnerable. Health and well-being also had a significant number, in particular 'helping people to stay healthy', and also supporting people with mental health issues.

200. Adult Social Care, Children's Social Care and Public Health were highlighted as the top three priorities that the Council should fund more. Over 350 comments were received on these areas with 182 comments relating to why people suggest increasing spend. Responses included wanting to see support for people that cannot help themselves; increasing spending especially around Mental Health and drug support services; more support for children with mental health issues; and that children with special needs needed particular attention. A number of respondents who indicated that more should be spent on Public Health felt that cuts in people's health and well-being has had a huge impact on the people of Sheffield. Some indicated that more promotions to get children, adults and the elderly exercising and moving more would have a positive impact on people's health and lessen the impact on later care.
201. Leisure and Culture, Environmental Health, and Education and Skills Highways and Transport were the areas where the largest proportion of respondents would prefer spending to stay the same.
202. Spending on the costs of borrowing, central costs and housing benefits were the highest scoring areas where people felt the council should spend less. We received 360 comments relating to these three areas with 75 comments about why they suggested a decrease. Reasons given included the cost of borrowing being unproductive; reducing spend on things that don't work in the city or the Sheffield area; the ability to engineer Central Services without an impact on direct services; and that people should be encouraged into work to help reduce the amount of housing benefits paid.

Summary of spending priorities

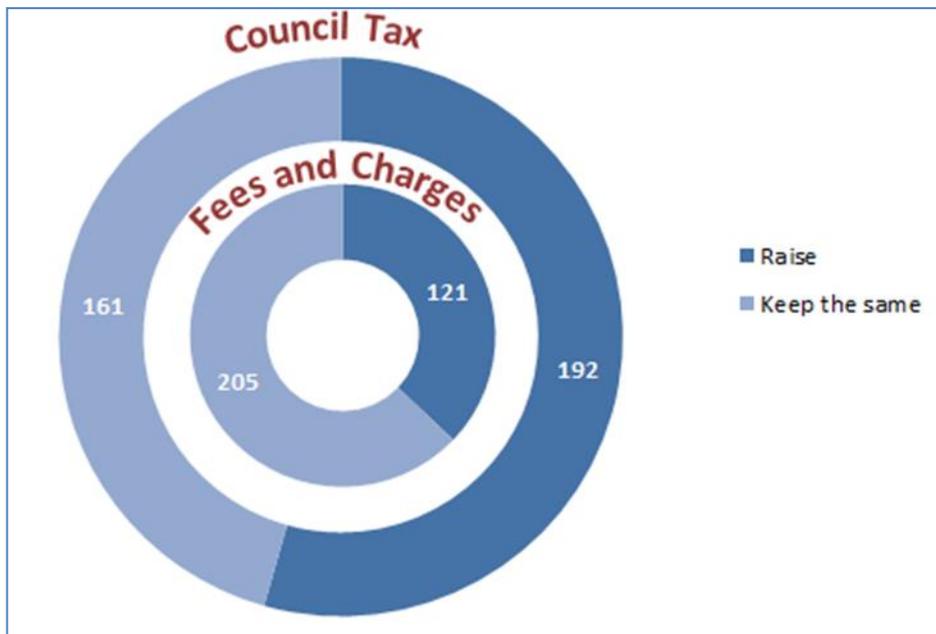


203. The majority of people responding (192) supported raising Council Tax with 161 indicated council tax should stay the same. Many people who gave reasons indicating why a rise in council tax would be their preferred option suggested that any rise should be focussed most on those that can afford it. A number of people supported an increase but there would need to be reassurance and a positive publicity campaign that this extra money would be spent wisely and have a real impact. As with last year's comments, a common justification (around 20% of the comments) was that there was simply no other choice, which was often combined with a sense of dissatisfaction about the actions of Central Government.

204. The majority of respondents did not want to see an increase in fees and charges. Many thought that they are already high enough and an increase would be unacceptable, and those who are the poorest would be affected most. Twenty-six comments related to parking fees in particular, which people felt were already too high and had contributed to the decline of the city centre. People who opted to raise charges and fees suggested that those who could most afford to pay should incur the largest increases. Another common response to both questions was that there was no other choice if the Council need to increase funding. Approximately a third of responses received agreed that fees and charges must be increased but should not include Libraries,

Bereavement or Social Care. A quarter of people agreeing to raising charges thought that charges for parking should be increased.

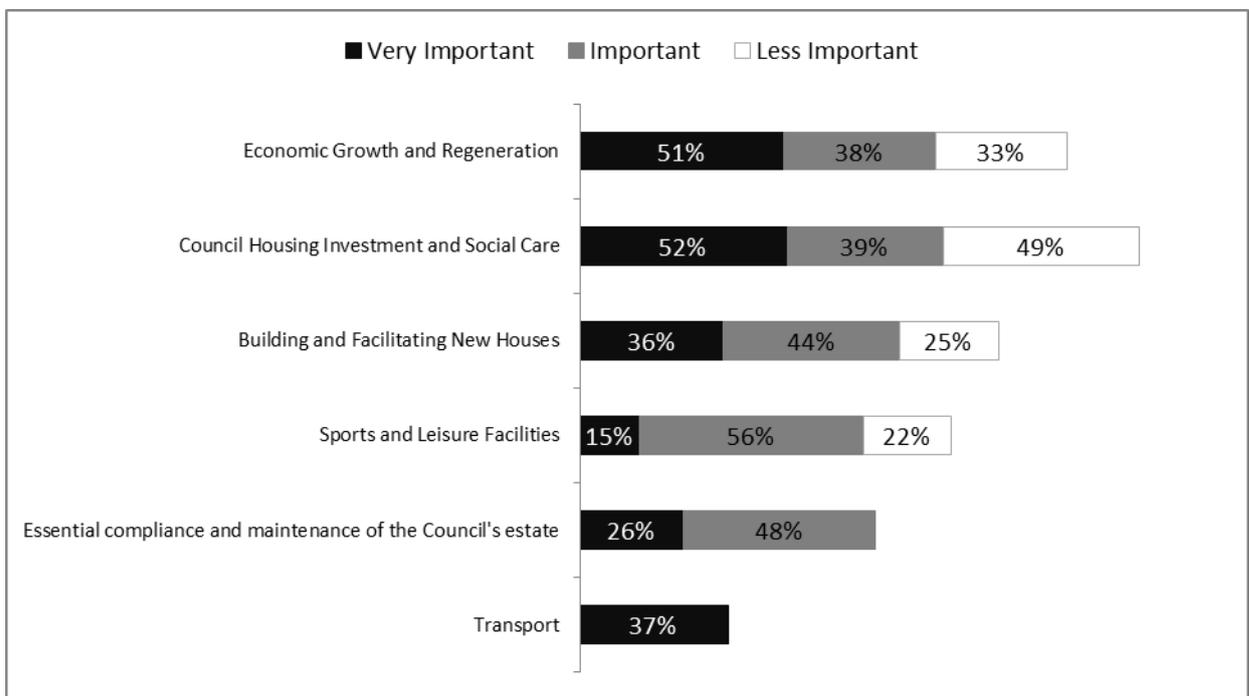
Council Tax and fees and charges



205. Areas where people felt it was very important for the Council to invest were economic growth and regeneration, Council housing investment and social care, building and facilitating new houses and Transport. Of the comments received, the thread throughout is that people agree that investment is important to promote regeneration. More building of new housing and transport network is seen as encouraging investment.
206. Many people stated that more new Council housing that was of good quality and affordable was very important. Social housing is seen as a priority, but there should be more mixed (social and private) housing developments. A number of responses noted that that they thought there should be more private investment in building and facilitating new housing. Many stated that current housing stock needs major investment as much of it is in disrepair or run down. A number of people indicated that investment in sports and leisure facilities would be a very positive move to enhance physical and mental wellbeing.
207. In relation to essential compliance and maintenance of the Council's estate, many agreed that there needs to be investment in where we all live, and gave positive feedback regarding changes to the Moor and some parks. Some people felt that there are areas in the community which are very neglected and only help to encourage graffiti and detritus.

208. Some of those who felt that Transport was a very important area for investment noted that we need an accessible service which can run on an upgraded infrastructure. Comments also noted that currently people who do not live in the city centre find it very difficult to travel across the city and many felt the much more investment was needed for bikes and pedestrians. A good transport network was commented on as essential for the city's regeneration along with regular and clean public transport.
209. The following chart indicates the proportion of comments that fell into each of the three categories. It should be noted that some respondents made several comments/suggestions that fitted into two or all three categories.

Council investment



210. We received an extensive range of comments and suggestions on how the Council could increase income, reduce costs or make savings to support the budget. In terms of raising income these included collecting owed Council Tax and Rents; creating either a Sheffield Lottery or Bond; raising Council Tax or encouraging a voluntary increase; increasing car parking charges and business rates; and lobbying central Government for more money. Examples of comments about reducing costs included reducing pay, pooling local authority resources for South Yorkshire, and working more closely with the NHS and Universities. Comments on savings included ending the Amey contract and investing in IT.
211. Alongside our corporate budget consultation, we consulted people about proposals in particular areas. This consultation has taken different forms,

depending on both the nature of the proposals and which providers, service users and communities are likely to be affected. This has included consultation with employees where we are proposing staffing reductions.

212. In the **People Portfolio (Children's and Young Peoples' and Families)** consultation has taken place on changes to Public Health. In Public Health, as part of the Sexual Health Redesign, service specifications have been developed in response to the updated Sexual Health Needs Assessment and service user consultation. Also the small reduction in Public Health spending with the Voluntary, Community and Faith sector has been negotiated through engagement with VCF providers.
213. In **People Services (Adults)**, many of the proposals will require communication with individuals and forms of co-production to develop ideas further. For example, testing out thinking on developments in Adult Social Care with the Customer Service Improvement Forums will continue.
214. We have consulted closely with Voluntary, Community and Faith organisations providing Community Services to adults to inform the detail of our proposals to taper the level of Grant Aid in 2019/20, as outlined in our grant agreements. Following an on-going engagement exercise, grant agreements with Associate Libraries will similarly be tapered in 2019/20. We will consult on different options for the day to day service currently offered for adults with learning difficulties at Love Street – the redevelopment of the West Bar area will see the site close. Further consultation may be required as we develop other in-house services.
215. Within **Place Portfolio**, the 2019/20 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners, changes to charges/fees and changes to service standards. A range of data has been used to help inform if there are any potential differential equality impacts and these will be considered as part of the decision making process for these proposals. Consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council's governance process. Where appropriate, equality impact assessments on specific budget proposals include details about our approach to consulting people and further work that may be required. Reports on the consultation activity will be made available on the Council's consultation hub and the Council's budget webpages.

216. Consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council's governance process. Where appropriate, equality impact assessments on specific budget proposals include details about our approach to consulting people and further work that may be required. Reports on the consultation activity will be made available on the Council's consultation hub and the Council's budget webpages{work in Progress}

Equality Impact

217. Under the Equality Act 2010, as a Council we have a statutory Public Sector Equality Duty to pay due regard to:
- Eliminating discrimination, harassment and victimisation.
 - Advancing equality of opportunity.
 - Fostering good relations.
218. This is with regard to people who share Protected Characteristics under the Act and those who don't. Each individual has some of the protected characteristics e.g. sex or age, so the Act protects everyone. The Duty means we need to understand the effect our policies and practices have on inequality. To do this we examine available evidence and work with staff and those who use services to consider the impacts on people who share protected characteristics. This includes conducting Equality Impact Assessments (EIAs) on our proposals.
219. We have undertaken a Council-wide EIA on the budget as a whole, and individual EIAs on the proposals that are being recommended. This can be found attached in **Appendix 9** and can be requested individually or as a group.
220. Both the Council-wide EIA and the service EIAs focus on the impact on the protected characteristics in the Equality Act. These are age, disability, race, marriage and civil partnership, sex, sexual orientation, religion/belief, gender reassignment, pregnancy and maternity.
221. In Sheffield, we have taken a decision to go beyond our statutory duty and we also assess the impact on the voluntary and community and faith sector (VCFS), health and wellbeing, poverty, carers, armed forces and cohesion. As we believe this approach gives us a wider understanding.

222. It is possible that some decisions will have a disproportionate impact on some groups in comparison to others e.g. on certain geographic locations or groups, for example disabled people. Our assessments help us to identify, avoid or mitigate these impacts.
223. It's also important that we consider the cumulative effect of any decisions made. This could be cumulative year on year or different proposals impacting on the same group. EIAs also help us identify and make positive changes where possible.
224. Inevitably, when funding is reducing year on year at the scale that we are experiencing there will be an impact on front-line services and on people and groups with protected equality characteristics. We have tried to minimise the impact on the most vulnerable and those at risk, however we have to make some tough choices.
225. Tackling inequality is fundamental to the values of the Council and is considered throughout our proposals. The substantial savings required mean we must prioritise supporting those at risk or in need, and focus on ensuring we do not slide backwards or lose ground in tackling areas of persistent inequality. However, it is inevitable when funding levels are cut year on year that there will be an impact on the services we deliver, including some of our work with those who are most vulnerable.
226. Impact analysis is started early in the process of considering service changes, to ensure we involve relevant individuals and groups, including those who use services. This also gives us time to understand and consider evidence we have about the potential impact of any proposal. The action plans for individual EIAs are designed to ensure that the services concerned implement changes with as little negative impact as possible. There is also careful management control of each proposal. The impact analysis process helps to shape both proposals which were not accepted and not included in the budget and those that are.
227. Through our 'live' EIA process we closely monitor any adverse equality impacts, as reductions and changes in provision occur during the year. As a consequence, not all EIAs are currently complete and so this assessment should be seen as a reflection of our current understanding of the impact but not necessarily of how the impact may look in three or nine months' time. Therefore we will ensure that all equality impacts are fully considered when services report on the specific implementation plans for their saving proposals.

228. We have tried as far as possible to achieve savings through changes to the way we work, by redesigning and restructuring our services and support teams and by restructuring our contracts. However, the size and pace of the financial challenge means that we have to continue to reduce our investment in services next year and in future years.
229. Elected Members have ensured that they are familiar with the equality implications of the proposals and consider the aggregated impact on different communities. Impact assessments are made available to all Council Members in advance of any decision being taken. Cabinet Members have been briefed and are aware of the impact assessments related to proposals in their area of responsibility.
230. We are confident that our budget proposals mean that services for those that most need our help and support will be prioritised. However, this does mean significantly reduced universal provision. This may have a particular impact, on those households who, although not in the greatest need are still struggling financially and may not be able to pay for alternative provision.

Evidence used to inform impact assessments – Welfare Reform and poverty

231. Although not within the scope of our budget proposals, the impacts of welfare reform are affecting financial inclusion in the city, including the roll-out of Universal Credit.
232. Sheffield's Child Poverty report in 2017 shows the proportion of children living in poverty has increased. In line with other Core City and national trends, the data in Sheffield shows 31% or 35,820 children, after housing costs (AHC) are recorded as living in poverty. However, the figures mask the wide and well-documented variation between different parts of Sheffield. In Ecclesall ward, 7.8% of children were living in poverty, whilst in Burngreave the figure was at 51.19% and Central and Firth Park at 49% of children in poverty. In 2017, 17 of Sheffield's 28 wards had more than 20% of children living in relative poverty (AHC). There are clearly multiple causes of child poverty; however, it is likely that national welfare reforms are a significant driver of the changes seen.

Demographic evidence

233. As well as consultation evidence, we have used monitoring information we already hold to help us identify possible impacts and to help shape and inform the EIA process. To help us identify possible impacts requires an understanding of how the city is made up and the issues people face. The 2011 Census, Sheffield's Population , Open Data and Community Knowledge Profiles show:

- Sheffield's population has grown at the same rate as the national average and above that of the City Region, rising from 513,100 in 2001, to 552,700 at the time of the 2011 census, and 575,400 by 2016. This is projected to increase to around 588,000 by 2020. This has resulted from increases in births, net inward migration, and longer life expectancy.
- Sheffield is a diverse city and the ethnic profile continues to change. The proportion of residents classifying themselves as BAME (Black, Asian and Minority Ethnic includes everyone except for those who classify themselves as White British) has grown from 11% in 2001 to 21% in 2017. BAME adults make up 18% of the population and BAME children 32%. Sheffield has a higher proportion of its population aged 65 years or over (16 % or 93,000 people) than the other English Core Cities. This is projected to increase to 19.2% by 2034, with the largest increase in the number of people aged over 85.
- There are 100,000 people with a long term limiting illness, equivalent to 19% of the population, with 9% saying this limits their activity a lot. This is the closest estimate it's possible to reach of disabled people living in the city.

Evidence – Consultation

234. Between December 2018 and January 2019, the Council ran a budget survey, in addition to engaging with partner organisations over the last year. The full results of our consultation will be made available on our website.

Managing Impact: Mitigation

235. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. Our priorities and decisions are influenced by the Fairness Principles, Tackling Poverty Strategy, our Equality Objectives, and Corporate Plan.

236. This year represents a real financial challenge again, we have achieved large cost savings over the last few years but 2019/20 will be the ninth year of the Government's austerity agenda. Our overall approach is to protect services for those in greatest need, develop preventive solutions for the longer term, and to make savings by changing how we manage and deliver services. This will have an impact on what the Council can continue to deliver, especially our universal offer.

237. The year on year reductions and the scale of the savings required mean there will be impacts which affect the people of Sheffield, including those in greatest

need. Most impacts relate to age, younger and older people, disabled people and their carer's, women and households on lower incomes. In all of these areas mitigating actions, wherever possible, have been identified and will be implemented as part of EIA action plans. We are:

- Assessing proposals in line with the Fairness Principles and the Tackling Poverty Strategy.
- Working with external providers to achieve savings in our large contracts, and as far as possible achieving this through non front line service functions.
- Working with private sector to encourage the support of activities/ events to promote Sheffield.
- Working to increase our income through fees and charges, debt collection, full cost recovery, and increased trading of our services.
- Continuing where possible with successful schemes from last year that impacted positively, such as the apprenticeship and employability schemes.
- Continuing to invest in prevention, early intervention and delivering targeted support for those most vulnerable. Also improving the conversations we have with people when they first contact adult social care to help them find the right support.
- Continuing to encourage people to be independent, safe and well through both children's and adult social care, and reducing reliance on institutional or restrictive care in Sheffield and expensive provision outside of the city.
- Reviewing care and support arrangements, focusing on the outcomes people want to achieve, and re-tendering services where applicable to ensure fair contributions and value for money.
- Working in partnership with the NHS Clinical Commissioning Group to develop the Better Care Fund to provide more efficient and joined up services.
- Restructuring management and services to increase efficiencies and create simpler routes of access.
- Continuing to invest in Public Health, but shifting the focus to address the root causes of ill health, to help reduce health inequalities.

- Continuing to invest in the Voluntary and Community Sector through Grant Aid, although at a reduced level, by recognising the value of frontline organisations that tackle inequality; and protecting investment in Lunch Clubs.
- Continuing to support those at risk of financial hardship through a Council Tax Support Scheme and Hardship Fund, Local Assistance Scheme and Local Independence Grants.
- Continuing to administer the Discretionary Housing Payment (DHP) scheme, funded by the Department for Work and Pensions (DWP), to provide assistance to households who are receiving Housing Benefit and are experiencing financial hardship.

238. Although there are very difficult choices to make, our impact assessments illustrate our commitment to fairness principles and to mitigate negative impacts where possible. We will monitor closely for any adverse equality impacts as reductions and changes in provision occur during the next year.

Cumulative impact

239. We have looked back at the cumulative impact of changes over the last few years to inform our decision making this year, and found that service transformation, including staff reductions and joined up services, and the prioritisation of those in most need have been the most effective ways to mitigate the negative impact of budget reductions and increased cost pressures.

240. The groups which are impacted across EIAs and portfolios are disabled people, older and young people, women, carers and people on low incomes. Due to low income some groups are more likely to be cumulatively impacted, these are disabled people, carers, young people and some groups of women, such as lone parents and female pensioners and some BAME groups tend to have lower incomes.

241. Some people who previously received a service will receive a changed or reduced service, or no service, as we focus services on those most in need. The reduction in universal provision is likely to impact on those who are not in the greatest need, but who are struggling financially and may find it difficult to pay for alternative provision.

242. A further impact across a range of proposals will be the transition from one provider to another. These changes have the potential for impact on the individuals. We will take this into account and provide support for people and their carers.

243. It is difficult to quantify the cumulative level of impact as mitigations have been highlighted in all EIAs and external factors, such as welfare reform, are also impacting negatively on some of the same groups of people.

Headline summary of the Impact Assessment

244. There are over 100 EIAs on proposals, and the groups most likely to be impacted by proposals and cumulatively are disabled people, young and older people, women and people on a low income. The overall EIA (Appendix 9) includes information on the approaches taken by each portfolio, workforce impacts, and summarises impact by protected characteristic.

- Many services are continuing to comprehensively restructure services and teams and as a result we have saved money on offices and technology. Staffing levels across the council have also reduced. Last year the majority of changes were managed through voluntary severance schemes. In 2019/20 we will be reducing the workforce by approximately 135.5 further posts.
- Services will continue to look at how they collect income and how debt is recovered. We will increase charges where appropriate and continue with the work to apply costs fairly. We understand that, increasing changes will impact more heavily on individuals and families struggling on a low income.
- It is clear from the respective collection rates that under the Council Tax Support (CTS) scheme some working age households have found (and will continue to find) it harder to meet their Council Tax liability than others. However, collection rates from CTS customers have increased in 2018/19.
- We have a Council Tax Support scheme at 77% despite Government cuts in these areas. However we will overall increase Council Tax by 2.99% (£0.58p). This will enable us to continue to protect services for people in greatest need and at risk. As above, we will mitigate the impact of this by increasing the Council Tax Hardship scheme by £200k in 2019/20.
- **Public Health** spending is integrated throughout the Portfolios. Overall there has been a significant reduction in funding from Central Government of 2.6%, equating to £881k so our investment in this area has reduced. In line with what was agreed last year we are reviewing staffing and how and where the funding is spent to ensure that it is targeted to tackle the root causes of ill health and to have the maximum

impact on reducing inequalities. This means that we will save on existing activities including reducing contract and staffing costs and encouraging efficiencies in order to reinvest in other areas.

- 2015 saw the start of the Better Care Fund between the Council and the NHS Clinical Commissioning Group (CCG) to create a combined budget in Adult Social Care to develop joined up services. This approach aims to ensure people receive the right care when and where they need it, but it will also create efficiencies in processes. It focuses on supporting people at home where possible to help increase independence and to delay access to Health and Social Care services.
- The Council currently receives £17.4m of funding via the NHS to meet the costs of providing adult social care. In addition, the Council has pooled elements of its adult social care budget with that of the local CCG. The Better Care Fund is not enough to support both adult social care and the NHS to work differently. While we continue to work with our CCG partners and have a joint budget, there is still a need to deliver significant change in how services are planned, commissioned and delivered in Sheffield.
- We continue to develop and implement major transformative projects to take forward our proposals. Through our work with health partners, we plan to enable more people to move from care into their own home, to live in their own home for longer and to return home sooner from hospital.
- We are continuing to invest in the Voluntary and Community Sector including through Grant Aid and Public Health albeit at reduced levels.
- We are continuing to target resources at those who most need our support and are at risk, to help people to become more independent, to intervene earlier where possible and do more preventative work, to get even better value for money from the services we purchase and to pursue innovative approaches in service commissioning and design.
- We are continuing to develop our approach to commercialisation, including pursuing external funding where possible to help invest in innovative services including redesigned Youth Services and continuing to develop employment schemes for vulnerable and disadvantaged people especially those aimed at young and disabled people.
- We are continuing with restructures of Council services and are both internalising and externalising services where appropriate.

- We are continuing to get value for money from our contracts. This is with our major strategic providers but also across Portfolios such as with our, housing commissioning, learning disability services, youth services etc.
 - We are continuing to work regionally where appropriate to save costs but also to enable better joined up services.
245. As already stated, through our 'live' EIA process we will closely monitor any adverse equality impacts over the coming year and EIA's will be updated accordingly. As a result, this assessment should be seen as a reflection of our current understanding of impact.
246. A list of the available EIA's is attached in **Appendix 9** and can be accessed online via 'Our Equality Duty. EIA's can be requested individually or collectively and at the time of your request you will receive the most up to date version.

Recommendations

247. Cabinet is recommended:
- a) To approve a net Revenue Budget for 2019/20 amounting to £403.291m;
 - b) To approve a Band D equivalent Council Tax of £1,559.18 for City Council services, i.e. an increase of 2.99%;
 - c) To approve the Council Tax charges in respect of Long Term Empty properties, as outlined above from paragraph 51, with effect from 1 April 2019;
 - d) To note that the section 151 officer has reviewed the robustness of the estimates and the adequacy of the proposed financial reserves, in accordance with Section 25 of the Local Government Act 2003. Further details can be found in **Appendix 4** and within the Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves from paragraph 6;
 - e) To approve the savings as set out in **Appendix 2**;
 - f) To approve the revenue budget allocations for each of the services, as set out in **Appendices 3a to 3d**;
 - g) To note that, based on the estimated expenditure level set out in **Appendix 3** to this report, the amounts shown in part B of **Appendix 6** would be calculated by the City Council for the year 2019/20, in accordance with sections 30 to 36 of the Local Government Finance Act 1992;

- h) To note the information on the precepts issued by the South Yorkshire Police & Crime Commissioner and of South Yorkshire Fire & Rescue Authority, together with the impact of these on the overall amount of Council Tax to be charged in the City Council's area;
- i) To approve the proposed amount of compensation to Parish Councils for the loss of Council Tax income in 2019/20 at the levels shown in the table below paragraph {tbc};
- j) To note the latest 2018/19 budget monitoring position;
- k) To approve the Treasury Management and Annual Investment Strategies set out in **Appendix 7** and the recommendations contained therein;
- l) To approve the Minimum Revenue Provision (MRP) Policy set out in **Appendix 7**; which takes into account the revisions proposed for 2018/19 onwards;
- m) To agree that authority be delegated to the Executive Director of Resources to undertake Treasury Management activity, to create and amend appropriate Treasury Management Practice Statements and to report on the operation of Treasury Management activity on the terms set out in these documents;
- n) To note the information provided on the medium term financial outlook contained within the Medium Term Financial Analysis, attached as **Appendix 10**;
- o) To approve a Pay Policy for 2019/20 as set out in **Appendix 8**; and
- p) To agree that the Members' Allowances Scheme for 2017/18 and onwards, approved on 3 March 2017, and implemented for 2018/19, be also implemented for 2019/20.

John Mothersole
Chief Executive

Eugene Walker
Executive Director, Resources

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Portfolio Pressures

| | BIP Reference* | Loss of Funding £'000 | Increasing Demand on Services £'000 | Pay & Price Inflation £'000 | Other £'000 | Total £'000 |
|---|----------------|--------------------------|--|--------------------------------|----------------|----------------|
| People | | | | | | |
| Additional spend on equipment contract and advocacy | 6 | | 403 | | | 403 |
| Contribution to Mental Health Services | 24 | 80 | | 251 | | 331 |
| End of additional income | 18, 19 | 2,444 | | | | 2,444 |
| Funding gap on People Keeping Well CSW budget | 8 | 300 | | | | 300 |
| Increased business rates plus library fine income | 7 | 20 | | 40 | | 60 |
| Learning Disabilities costs | 1 | 433 | 6,243 | 1,073 | | 7,749 |
| Long Term Support cost | 2 | 3,323 | 7,770 | 3,059 | | 14,152 |
| Loss of grant funding | 1,6,21,28,29 | 3,584 | | | | 3,584 |
| Pay pressures | Various | | | 2,892 | | 2,892 |
| Placement costs | 16 | 250 | 5,899 | | | 6,149 |
| Services to Families and Children | 13, 14 | 2,648 | 2,863 | | | 5,511 |
| Travel training grant | 9 | 57 | | | | 57 |
| Tunstall contract extension | 3 | | | 130 | | 130 |
| | | 13,139 | 23,178 | 7,445 | 0 | 43,762 |
| Place | | | | | | |
| 3 year ESIF Growth Hub funding ceases. | 31 | 150 | | | | 150 |
| Pay pressures | Various | | | 1,020 | | 1,020 |
| Provision for sinking fund contribution on Markets | 32 | | | | 300 | 300 |
| Slippage in delivery of prior year budget savings | 30 | 2,727 | | | | 2,727 |
| Utility price inflation | 35 | | | 72 | | 72 |
| Waste Management inflation and service demand | 30 | | 200 | 1,100 | | 1,300 |
| | | 2,877 | 200 | 2,192 | 300 | 5,569 |
| Policy, Performance and Communications | | | | | | |
| Advertising contract shortfall | 37 | 131 | | | | 131 |
| Electoral services pressure | 37 | | 522 | | | 522 |
| Pay pressures | 37 | | | 88 | | 88 |
| | | 131 | 522 | 88 | 0 | 741 |
| Resources | | | | | | |
| Pay pressures | Various | | | 585 | | 585 |
| Contract costs | 46 | | 90 | | | 90 |
| | | 0 | 90 | 585 | 0 | 675 |
| Total Pressures | | 16,147 | 23,990 | 10,310 | 300 | 50,747 |

* - The full Business Implementation Plans (BIPS) are published online here -

<http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html>

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Portfolio Savings

| | BIP Reference* | Cost/Contract Price Reduction £'000 | Reduce/Cease Service £'000 | Service Effectiveness £'000 | Staff Cost Reductions £'000 | Income Generation £'000 | Total £'000 |
|---|----------------|--|-------------------------------|--------------------------------|--------------------------------|----------------------------|----------------|
| People | | | | | | | |
| Additional Recovery Plan savings | 13, 14, 16 | | | 1,113 | | | 1,113 |
| Children's Public Health savings | 21 | | | | 15 | | 15 |
| Children's Social Care Demand Management Strategies | 16 | 1,000 | | | | | 1,000 |
| Deputyships | 10 | | | 188 | | | 188 |
| End of investment activity | 13, 18 | | 2,396 | | | | 2,396 |
| End of lease - RFIDs | 7 | 128 | | | | | 128 |
| Grant income | 28 | | | | | 1,000 | 1,000 |
| Grant reductions | 7, 8, 28 | | 76 | | | | 76 |
| Learning Disabilities process reviews | 2 | 167 | 315 | 101 | | 46 | 629 |
| Learning Disabilities tailored service packages | 2 | | 996 | 556 | | | 1,552 |
| Long Term Support | 2 | 63 | 650 | 1,250 | | 2,584 | 4,547 |
| Mental Health | 24 | | 600 | | | | 600 |
| Music service savings | 26 | | | | | 67 | 67 |
| Prevention and Intervention savings | 23, 25 | | | | 10 | | 10 |
| Procurement savings | 1, 2, 16, 24 | 1,350 | | | | | 1,350 |
| Review of fair charging & payments | 1, 10 | | | 128 | | 230 | 358 |
| Review of Portfolio-wide business support | 9, 10 | | | 806 | | | 806 |
| Staffing savings | Various | | | | 1,506 | | 1,506 |
| Strengthening Families Change Programme | 13, 16 | 1,250 | | 700 | | | 1,950 |
| Supporting Vulnerable People savings | 24 | | | | 136 | | 136 |
| Travel Training Grant reduction | 9 | | | | | 57 | 57 |
| | | 3,958 | 5,033 | 4,842 | 1,667 | 3,984 | 19,484 |
| Place | | | | | | | |
| Grant income | 31 | | | | | 3,100 | 3,100 |
| Grant Reduction - Sheffield City Trust | 32 | 788 | | | | | 788 |
| Grant Reduction - Sheffield Industrial Museums Trust | 32 | 32 | | | | | 32 |
| Improvements to operational efficiency | 31, 35 | | | 525 | | | 525 |
| Place Transformation Programme | 30, 31 | | | 600 | | | 600 |
| Reduction in ITA Levy | 31 | 600 | | | | | 600 |
| Review of fair charging & payments | 30, 31, 32, 35 | | | | | 1,894 | 1,894 |
| Streets Ahead contract savings | 32 | | | 580 | | | 580 |
| Waste Management contract | 30 | 150 | | | | | 150 |
| | | 1,570 | 0 | 1,705 | 0 | 4,994 | 8,269 |
| Policy, Performance and Communications | | | | | | | |
| Expenditure prioritisation | 37 | | | 522 | | | 522 |
| PPC service restructure | 37 | | | 100 | | | 100 |
| | | 0 | 0 | 622 | 0 | 0 | 622 |
| Resources | | | | | | | |
| Benefit of renewal of Customer Relationship Management software | 42 | 67 | | | | | 67 |
| Expenditure prioritisation | 48 | 29 | | | | | 29 |
| External income generation | 46, 48 | | | | | 94 | 94 |
| Learning & Development management restructure | 46 | | | 50 | | | 50 |
| Reduction in Insurance Reserves | 44 | | | 659 | | | 659 |
| Staffing savings | Various | | | | 395 | | 395 |
| | | 96 | 0 | 709 | 395 | 94 | 1,294 |
| Total Savings | | 5,624 | 5,033 | 7,878 | 2,062 | 9,072 | 29,669 |

* - The full Business Implementation Plans (BIPs) are published online here -

<http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html>

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Appendix 3

| 2018/19 | <u>Summary Revenue Budget</u> | 2019/20 |
|-----------------|---|-----------------|
| £000 | | £000 |
| | Portfolio budgets: | |
| 213,144 | People | 232,655 |
| 147,714 | Place | 145,422 |
| 1,973 | Policy Performance and Communications | 2,195 |
| 38,400 | Resources (inc. Housing Benefit & Council Tax Collection) | 39,748 |
| 401,231 | | 420,020 |
| | Corporate Budgets: | |
| | Specific Grants | |
| -74,437 | PFI Grant | -74,437 |
| -5,722 | New Homes Bonus (LGF) | -5,961 |
| -2,375 | Business Rates Transitional Grant | -3,261 |
| -5,870 | Small Business Rates Relief | -6,841 |
| -12,641 | Improved Better Care Fund | -21,896 |
| 0 | Retail Relief | -1,518 |
| -1,700 | Adult Social Care Grant (One-Off 2018/19) | 0 |
| | Corporate Items | |
| 5,500 | Redundancy Provision | 5,500 |
| -13,507 | Pension Costs | -13,507 |
| 5,722 | New Homes Bonus (LGF) | 5,961 |
| -1,138 | Public Health Savings / re-investments | -1,138 |
| 3,000 | Better Care Fund | 3,000 |
| 4,990 | Social Care Demand Contingency | 3,290 |
| 4,000 | Strengthening Families | 4,000 |
| 25,488 | Schools and Howden PFI | 25,702 |
| 900 | Infrastructure Investment | 900 |
| 17 | Payment to Parish Councils | 14 |
| 2,900 | Other | 4,600 |
| | Capital Financing Costs | |
| 13,662 | General Capital Financing Costs | 13,662 |
| 0 | Heart of the City 2 | 4,573 |
| 13,454 | Streets Ahead Investment | 13,092 |
| 18,993 | MSF Capital Financing Costs | 18,887 |
| | Reserves Movements | |
| -2,098 | Contribution from Reserves | -13,268 |
| 21,917 | Reserves Movements Relating to Pension Early Payment | 21,917 |
| 402,286 | Total Expenditure | 403,291 |
| | Financing of Net Expenditure | |
| -52,390 | Revenue Support Grant | -36,893 |
| -99,508 | NNDR/Business Rates Income | -99,341 |
| -42,355 | Business Rates Top Up Grant | -42,529 |
| -190,803 | Council Tax income | -201,090 |
| -1,876 | Collection Fund surplus | -8,200 |
| -14,925 | Social Care Precept | -15,238 |
| -401,857 | Total Financing | -403,291 |

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People

| | <u>Gross Expenditure</u> £000's | <u>Gross Income</u> £000's | <u>Net Expenditure</u> £000's |
|--|------------------------------------|-------------------------------|----------------------------------|
| BUSINESS STRATEGY - PEOPLE | | | |
| Business Strategy | 10,899 | (7,444) | 3,455 |
| Portfolio Leadership Team | 687 | (381) | 306 |
| Portfolio Wide Budgets | 67,825 | (61,709) | 6,116 |
| School Budgets | 150,344 | (150,344) | 0 |
| | <u>229,755</u> | <u>(219,878)</u> | <u>9,877</u> |
| CARE AND SUPPORT | | | |
| Access and Prevention | 15,000 | (4,873) | 10,127 |
| Care and Support Commissioning | 7,892 | (4,511) | 3,382 |
| Learning Disabilities | 71,532 | (19,739) | 51,793 |
| Long Term Support | 92,118 | (42,738) | 49,380 |
| Practice Development | 401 | 0 | 401 |
| Safeguarding Adults | 1,820 | (332) | 1,488 |
| | <u>188,763</u> | <u>(72,193)</u> | <u>116,570</u> |
| CHILDREN & FAMILIES | | | |
| Children's Disabilities Service | 1,833 | (164) | 1,669 |
| Provider Services | 17,633 | (6,224) | 11,409 |
| Fieldwork Services | 20,325 | 288 | 20,613 |
| Health Strategy | 2,981 | (388) | 2,594 |
| Placements | 31,848 | (3,030) | 28,818 |
| Policy & Service Improvement | 600 | (108) | 492 |
| Prevention and Early Intervention | 16,095 | (10,711) | 5,384 |
| Safeguarding Children | 2,872 | (1,330) | 1,542 |
| | <u>94,186</u> | <u>(21,666)</u> | <u>72,520</u> |
| INCLUSION & LEARNING SERVICES | | | |
| Children's Public Health | 14,366 | (13,965) | 401 |
| Early Support and Intervention | 3,394 | (1,059) | 2,335 |
| Inclusion and Schools Service | 5,352 | (5,006) | 346 |
| Schools and Learning | 6,902 | (6,902) | 0 |
| SEN | 13,702 | (12,874) | 828 |
| Supporting Vulnerable People | 35,870 | (15,053) | 20,817 |
| | <u>79,586</u> | <u>(54,859)</u> | <u>24,727</u> |
| COMMUNITY SERVICES | | | |
| 14-24 Partnership | 1,835 | (1,414) | 421 |
| Employment & Skills | 5,384 | (3,460) | 1,924 |
| Family and Community Learning | 5,823 | (5,538) | 285 |
| Libraries, Archives and Information | 5,373 | (971) | 4,402 |
| Locality Management | 3,419 | (1,489) | 1,930 |
| | <u>21,834</u> | <u>(12,872)</u> | <u>8,962</u> |
| | 614,123 | (381,468) | 232,655 |

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Place

| | <u>Gross Expenditure</u> | <u>Gross Income</u> | <u>Net Expenditure</u> |
|-------------------------------------|--------------------------|---------------------|------------------------|
| | <u>£000's</u> | <u>£000's</u> | <u>£000's</u> |
| Business Strategy and Regulation | 47,082 | (17,861) | 29,221 |
| City Growth | 40,900 | (20,311) | 20,589 |
| Culture and Environment | 101,429 | (23,784) | 77,645 |
| Housing General Fund | 9,580 | (7,239) | 2,341 |
| Major Projects | 130 | (39) | 91 |
| Transport and Facilities Management | 77,105 | (61,571) | 15,534 |
| | 276,227 | (130,805) | 145,421 |

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Resources

| | <u>Gross Expenditure</u> | <u>Gross Income</u> | <u>Net Expenditure</u> |
|---|--------------------------|------------------------|------------------------|
| | <u>£000's</u> | <u>£000's</u> | <u>£000's</u> |
| Business Change and Information Solutions | 2,998 | (1,682) | 1,316 |
| Contract Rebates and Discounts | 500 | (1,798) | (1,298) |
| Customer Services | 7,359 | (1,641) | 5,718 |
| Finance and Commercial Services | 9,899 | (3,715) | 6,184 |
| Human Resources | 6,340 | (1,272) | 5,068 |
| Legal and Governance | 7,054 | (3,194) | 3,860 |
| Resources Management and Planning | 228 | 0 | 228 |
| | <hr/> 34,378 | <hr/> (13,302) | <hr/> 21,076 |
| Central Costs | 16,289 | (18,037) | (1,748) |
| Central Costs - CAPITA | 20,364 | (100) | 20,264 |
| Housing Benefit | 179,465 | (179,309) | 156 |
| | <hr/> 216,118 | <hr/> (197,446) | <hr/> 18,672 |
| | <hr/> 250,496 | <hr/> (210,748) | <hr/> 39,747 |

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Policy, Performance & Communications

| | <u>Gross Expenditure</u> <u>£000's</u> | <u>Gross Income</u> <u>£000's</u> | <u>Net Expenditure</u> <u>£000's</u> |
|--|---|--------------------------------------|---|
| Accountable Body Organisations | 95 | (95) | 0 |
| Policy, Performance and Communications | 4,841 | (2,511) | 2,330 |
| Public Health PPC | 1,466 | (1,601) | (135) |
| | 6,403 | (4,208) | 2,195 |

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Reserves Strategy

Introduction

1. This appendix reports on the latest position in relation to the level of the Council's reserves. Section 25 of the Local Government Act 2003 requires the statutory Chief Finance (section 151) Officer (the Executive Director of Resources) to present to the authority, in determining council tax levels, a report assessing the adequacy of unallocated reserves in the context of corporate and financial risks facing the Authority. The Authority needs to balance the necessity for reserves against the immediate impact on council taxpayers and arrive at a level it considers adequate and prudent, but not excessive. This Appendix, together with the Statutory Statement by Section 151 Officer on Sustainability of Budget and Level of Reserves section in the main report, constitutes the formal report of the CFO (s151).
2. This Reserves Strategy therefore needs to be considered and agreed by the Authority in setting its 2019/20 budget, capital programme and council tax. The Strategy explores the purpose of the general and earmarked reserves held by the Authority and sets out a recommended approach to optimise their use over the 2019-23 Medium Term Financial Strategy period.
3. This assessment of reserves is even more important in the context of the significant and continuing cuts in central government funding. In addition, there is pressure on the capital programme and ultimately any deficit on the programme would have to be charged to revenue reserves. Reserves can be used temporarily to fund services and this is reviewed as part of the budget strategy. However:
 - reserves are “one off” funds and using them in the budget will only delay the need to make savings. Once used, they are clearly not available to support future years.
 - they are therefore most suited to covering “one off”, unexpected costs such as emergencies (e.g. the Sheffield flood in 2007) or costs that are likely to be incurred in the future but the timing is uncertain (e.g. legal or other claims against the council).

Total Reserves

4. The [Council's Statement of Accounts for 2017-18](#) shows a figure for “usable” reserves in the balance sheet at page 10 of £363.2m as at 31 March 2018.

However, this figure is a technical accounting one and is not relevant for the purposes of setting the General Fund revenue budget. The definition of “usable” is important here – it means usable in some way, but there are very specific rules about what different parts of this type of reserve can be used for. The Council’s total spending and total reserves is legally separated in to four main blocks:

- delegated school budgets, held in trust and only usable for schools spending;
 - Housing Revenue Account (HRA), i.e. spend on council housing, funded by rents;
 - capital spending, i.e. investment in long term assets such as roads and buildings;
 - “General Fund” spend, which is spend on all other services not in the above three categories and is funded from government grants, local share of business rates and council tax. It is only this category with which this reserves strategy and budget report to Cabinet and Full Council is concerned.
5. None of the resources for schools, HRA or capital can be used for the Council’s General Fund spending, so for the purposes of setting the budget, £190m of the “usable reserves” are irrelevant, namely:
- Schools reserves of £17.5m;
 - Housing revenue account reserves of £13.4m, and;
 - Capital reserves of £159.1m, which are committed to funding schemes planned over a number of years, e.g. school rebuilding, highways, council housing major repairs or rebuilding.
6. This leaves around £173.2m of General Fund reserves. However, as part of the assessment of the adequacy of reserves referred to above, a number of reserves are “earmarked” ie committed to cover liabilities for expenditure which is already committed but not yet paid for, as explained below.
7. The table below shows that next year (2019/20), earmarked/committed reserves levels are planned to increase by £8.6m. This is primarily a cash flow movement as a result of repayments to reserves following the temporary use to fund an early pension deficit payment made during 2016/17 to deliver savings for 2017/18 to 2019/20. This is a repetition of the process followed in 2014/15, and 2015/16. A key issue for the s151 Officer to advise on is the long term sustainable position on reserves, so this advice focuses on the medium term plan horizon and beyond.

8. Given that in 2019-20, the budget is not balanced and is being set with the use of £11 million of reserves, the danger is that this use of reserves continues over the medium term, or worsens, and puts the Council in an unsustainable position.
9. The table also highlights the split of earmarked/committed and non-earmarked reserves. Of the £191.3m as at 31 March 2019, all but £12.8m is set aside as earmarked reserves for future liabilities.

Summary Estimate of Non-Earmarked & Earmarked Reserves at 31 March 2019 & 31 March 2020

| Description | Balance at 31/03/19 £000 | Movement in 2019/20 £000 | Balance at 31/03/20 £000 |
|---|--------------------------------|--------------------------------|--------------------------------|
| Non-earmarked Reserves | | | |
| General Fund Reserve | 12,771 | (150) | 12,621 |
| | 12,771 | (150) | 12,621 |
| Earmarked Reserves | | | |
| Invest to Save Post 2015 | 5,323 | 1,610 | 6,933 |
| PFI Reserve | 14,701 | (1,704) | 12,997 |
| Highways PFI Reserve | 8,002 | (3,672) | 4,329 |
| Total PFI Reserve | 22,702 | (5,376) | 17,326 |
| Major Sporting Facilities | 24,159 | (5,147) | 19,012 |
| New Homes Bonus | 10,960 | 0 | 10,960 |
| Insurance Fund Reserve | 9,212 | (610) | 8,602 |
| Public Health | 1,333 | (345) | 988 |
| Service Area Reserves | 11,079 | 0 | 11,079 |
| Children's and Adult Social Care | 14,078 | (8,400) | 5,678 |
| Business Rates Appeal | 20,124 | 19 | 20,143 |
| Other earmarked | 59,575 | 27,049 | 86,623 |
| Total Earmarked Reserves | 178,545 | 8,800 | 187,345 |
| Total Revenue Reserves | 191,316 | 8,650 | 199,966 |

General (non-earmarked) revenue reserves

10. The purpose of general revenue reserves is to provide funding for any unforeseen risks and expenditure which may arise in the year, but only as the last resort for emergency funding. The Council will always need a minimum level of emergency reserves. Reserves also provide flexibility in managing fluctuations between budgets and actual expenditure or emergencies: a good example being the Sheffield floods in 2007, when we had to use reserves to fund spending on the recovery operation before reclaiming costs from insurance or the Government. Finally, cash reserves and other working capital generate interest which is used in the funding of the budget.

11. Non-earmarked General Fund Reserves (the “working balance”) are estimated to be £12.8m at 31 March 2019, representing only 3.2% of the 2019/20 budget (at the maximum net budget requirement of £403.3m).
12. The £12.8m figure for General Fund Reserves as at 31 March 2019 is assessed to be the minimum requirement. There is no overall formula that can calculate what the level of reserves should be; it is a matter of judgement based on the known risks, budgetary pressures and local factors. The 2012 Audit Commission report ‘Striking a Balance’ indicated that:

“most Chief Finance Officers in our research regarded an amount between 3 and 5 per cent of the council’s net spending as a prudent level for risk-based reserves...”

13. Sheffield’s level of General Fund reserves as at 31 March 2019 meets this benchmark. However, it is low in comparison to most other major cities. The table below shows that Sheffield had one of the lowest levels of General Fund reserves as at 31 March 2018 as a percentage of its 2018/19 net revenue budget when compared to similar councils.

| | Un-earmarked Reserves at 31/3/18, (£m) * | Un-earmarked Reserves as % of Net revenue Budget 2018/19, (£m) ** |
|------------|--|---|
| Birmingham | 170.4 | 19.0% |
| Bristol | 20.0 | 5.9% |
| Leeds | 28.1 | 5.3% |
| Newcastle | 10.1 | 4.5% |
| Manchester | 22.3 | 4.5% |
| Liverpool | 16.3 | 3.7% |
| Sheffield | 10.6 | 2.6% |
| Nottingham | 5.6 | 2.2% |

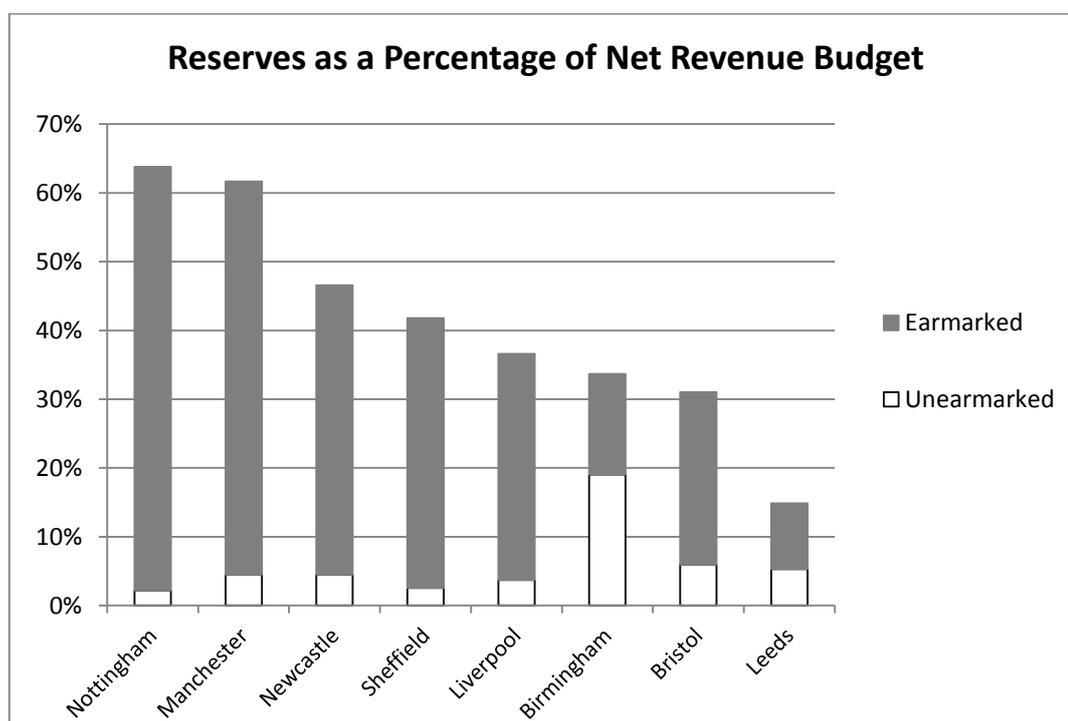
* Based on 2017-18 Statement of Accounts

** Based on 2017/18 RO data

14. It should be noted that, during the year 2018/19, the General Fund balance was increased by £2.2m to £12.8m, representing 3.2% of the 2018/19 Net Revenue Budget. This decision was taken in order to replenish the reserve to the minimum level that would be considered prudent.

Earmarked Reserves

15. Earmarked reserves are set aside to meet known or predicted liabilities, but ones that are not certain enough to create an exact provision in the accounts. The liabilities are, however, likely enough to say that the earmarked reserves are not normally available to fund the budget or other measures.
16. Using the same data as in section 12 the graph below shows a comparison of both earmarked and un-earmarked reserves in relation to other major cities;



17. A list of earmarked reserves, their purpose and proposed use are set out below. Figures in brackets represent their anticipated balance at 31/3/19.

Invest to Save Projects (£5.3m)

18. The Council has delivered a number of core infrastructure and business transformation projects that are essential to the future success of the Council's business operations.
- a. In 2017/18, the Council invested £3.3m into the Place Portfolio to fund the Place Transformation Programme. This investment has subsequently been repaid, and delivered the benefits of a more financially sustainable organisation that ensures value for money, and improved customer and partner relationships.

- b. To date, the Council has invested £3.1m into its SCC2020 Programme to provide the Council with improved ICT capabilities needed to meet our current and future targets.

Private Finance Initiative (PFI) Reserve (£22.7m)

19. This PFI grant is a good example of why we have earmarked reserves – Government pays us money in advance to pay future years’ liabilities, so we set it aside in a reserve until it is needed. If we did not do so, there would be insufficient funds to cover the cost of contracts in future years. These reserves are therefore firmly committed in the medium to long term.
20. The reserve is reporting a balance of £22.7m as at 31st March 2019 and is forecast to reduce by £5.4m over the course of 2019/20 in line with the established PFI spend profile.

Major Sporting Facilities (MSF) (£24.2m)

21. The remaining funds are required for the future costs of the Major Sporting Facilities debt (re: Ponds Forge, Hillsborough Leisure Centre, etc.). It was agreed at Cabinet in June 2013 to reschedule the leasing arrangements with Sheffield City Trust, as a result of which this reserve has been re-profiled, this has released significant savings over recent years. £5.1m will be used in 2019/20 to service the outstanding MSF debt in line with the established spend profile. The remaining balance will reduce over the remaining life of the contract ending in 2023/24.

New Homes Bonus (£11.0m)

22. The Government is paying all Councils “New Homes Bonus” to incentivise them to bring empty properties back into use or encourage new housing to be built. The Council intends to use the payments to promote housing development and to fund economic growth projects. This reserve sets aside the payments until required for agreed projects, which now form part of the wider Growth Investment Fund.

Insurance Fund (£9.2m)

23. This reserve was created in 2013/14 following the audit of the 2012/13 accounts. The External Auditor recommended that the difference between the Council’s best estimate of actual losses and the maximum potential liability should be classified as an earmarked reserve.

Public Health (£1.3m)

24. Public Health grant funding is given to the Council on a yearly basis and is restricted to spending on public health functions. The conditions of the grant

specify that any surpluses must be carried to a reserve for use in future years – and any eventual use of these funds is restricted also to public health functions. The balance on this reserve therefore represents underspends in prior years.

Service Area Reserves (£11.1m)

25. These are a variety of service specific reserves agreed by Cabinet in previous years set aside for long term projects / plans, examples include the Workplace Accommodation Strategy and the Flexible Development Fund.

Children's and Adults Social Care (£14.1m)

26. Social Care reserves are held to deal with transforming Social Care in Sheffield to better meet the much publicised challenges facing the sector and to deal with unforeseen costs. It is forecast that £8.4m of this reserve will be required to fund pressures in 2019-20 and deliver a balanced budget.

Business Rates Appeals (£20.1m)

27. This reserve is required to cover potential reductions in Business Rates income following future successful appeals.

Other Earmarked Reserves (£59.6m)

28. This includes various specific earmarking including:
- pension deficit payments;
 - equal pay claims;
 - redundancies;
 - contingencies for potential budget deficits, including interest rate risk;
29. There is a forecast net in-year increase on these reserves totalling £27.0m in 2019/20. This is largely due to a repayment to the pension reserve following the early payment in 2016/17 of £21.9m.

Assessment of levels of reserves

30. The Section 151 officer has carried out an assessment of the adequacy of the level of reserves held by the Authority in light of the principal risks it faces. While the maximum total financial impact of these risks far exceeds the reserve held, the overall likelihood of all these risks being incurred in any one year is low and therefore, it is not deemed prudent, nor offers best value to hold sufficient reserves to cover all eventualities. **Appendix 5** details the risks and the level of their potential impact.
31. Given the severely restricted funding outlook for the foreseeable future and the level of risk in the 2019/20 budget, the level of reserves is low but not currently

inadequate, but may become so over the next four years. The Executive Director of Resources recommended during the 2019/20 budget process that:

- The General Fund Balance be maintained at the agreed figure of around £12.8m, and therefore in line with the recommended level of 3% to 5% of the council's net spending, regarded by most Chief Finance Officers in the Audit Commission's research as a prudent level for General Fund reserves.
- Given the current overspend position, and the possibility of an overspend against the revenue budget at year end, the General Fund balance will be charged with the amount of any overspend. In this event, the Executive Director of Resources will recommend replenishing the General Fund balance to the minimum level outlined above, either by un-earmarking part of an earmarked reserve, or charging the 2019/20 Revenue Budget with an alternative savings plan.
- Clearly, the most significant risk, as set out in the main report, is the delivery of financial savings and managing pressures in social care over the next few years. Non-delivery of the plans over an extended period of time would start to hit earmarked reserves and threaten the financial stability of the Council. The position is not yet critical, but is at risk within the four year planning period of the Medium Term Strategy stringent focus on monitoring and review of the plans will be essential.
- The Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves, contained in the main body of the report, details a summary of the financial advice to members from the s151 Officer in respect the sustainability of the budget and should be read in conjunction with this Appendix.

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CORPORATE RISK REGISTER

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2019/20 and beyond. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

Corporate Risks

2019/20 Budget Savings & Emerging Pressures

2. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2019/20 are achieved, especially given the cumulative impact of savings over the term 2011-19.
3. In the business planning round for the year 2019/20, officers have identified numerous pressures which, if left unchecked, could lead to significant overspends in 2019/20 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

4. The Council currently maintains a substantial but manageable under borrowed position (i.e. The Council has used reserves to cash-flow capital spend, rather than borrow externally) to help support the revenue budget and mitigate residual counterparty default risk on cash investments. In operating with an under borrowed position the Council exposes itself to interest-rate risk. This risk is exacerbated by the uncertainty created by the on-going Brexit negotiations. Recognising this, our Treasury Management function maintains a regular dialogue with the Director of Finance and Commercial Services and the Executive Director of Resources to monitor the risk and review mitigation opportunities.

Business Rates

5. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth.
6. There has been a concerted effort by the Valuation Office Agency to clear outstanding appeals prior to and following the launch of the 2017 Revaluation. As at 31st December 2018, there were still over 500 properties relating to the 2010 valuation list with a rateable value of approximately £75m under appeal in Sheffield.
7. Not all of the £75m rateable value noted above is at risk and not all the appeals will be successful. However due to uncertainty around these factors prudent provisions are

taken whenever appropriate to mitigate the loss of income as a result of successful appeals.

8. Of the 500 properties outstanding, approximately 40% are ATM's. There is a longstanding legal case concerning the right to charge Business Rates on ATM's. The case has currently been decided in favour of the the supermarkets bringing the case however the VOA has appealed the right to petition the Supreme Court against this ruling. Sheffield City Council has fully provided for the risk of losing this appeal.
9. As part of the Business Rates Retention Scheme, there is a built-in revaluation process every five years to ensure the rateable values of the properties remain accurate. This process was delayed for 2 years but eventually came into effect from 1 April 2017. This has seen all hereditaments in Sheffield revalued and assigned a revised rateable value. There is the potential that there will be a large number of appeals due to this revaluation which has been taken into account when compiling the 2019/20 budget.
10. The appeals process following the 2017 Revaluation has also changed and is now known as Check, Challenge, Appeal. The aim of this system is to reduce the number of spurious and speculative appeals and reduce the time taken to process genuine appeals.
11. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG in November 2019 show a national reduction in Check, Challenges and Appeals however we have very little cumulative data at a local level. There were only 470 outstanding challenges for South Yorkshire as at 30th September 2018 of which approximately half will relate to Sheffield.
12. Up to the point at which the General Election was called for June 2017, the local government sector was working on the assumption that 2019/20 would see the implementation of 100% business rates retention, the implications of which were covered in significant detail in last year's MTFS.
13. However, the Provisional Local Government Finance Settlement (Dec 17) announced that only 75% of business rates would be retained by Local Authorities. The new level of retention is set to be implemented in 2020/21. The Council still expects this increase to replace existing grants such as RSG and the Public Health grant, and as such we expect this to have no overall impact on the Council's net financing position.
14. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility, especially give the legislative changes above, and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

Medium Term Financial Analysis

15. On 18th July 2018, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFA) 2018/19 to 2022/23. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2018/19 and the potential impact on the next 5 years of the Government's plans for deficit reduction. This report established the planning scenarios for the medium term.
16. The report on the MTFA indicated that there would be ongoing reductions in Revenue Support Grant (RSG) as outlined in the December 2015 Autumn Statement, which covers the period to 2020/21. These reductions in RSG will exceed £84m including 2019/20.

Implementation of savings proposals

17. The MTFA attached in Appendix 10 describes a net revenue funding gap of £31.1m by 2022/23. This position assumes the delivery of £68.7m of savings in that term. The risks of delivery of savings in all years specific areas such as adults' and children's social care is considerable, given the increasing demand pressures and the levels of savings that have been achieved in previous years. These risks are underscored by the need for the Council to identify and deliver additional savings to be able to address the £31.5m gap. The risk is that non-delivery of budgeted savings will create a threat to the medium term financial sustainability of the Council.
18. To mitigate this, officers are working on the safe and legal implementation of budget proposals by:
 - (a) Ensuring that there is a thorough understanding of the impact of proposals on different groups and communities, including undertaking Equality Impact Assessments for budget proposals and discussed with Cabinet Members;
 - (b) Carrying out appropriate, meaningful consultation activity with affected communities and stakeholders, and ensuring that where the proposal affects a supplier or provider, that they undertake appropriate consultation and equalities work with service users; and
 - (c) Discussing budget proposals with affected members of staff in advance of them being made public, and putting in place MER processes where required, in consultation with HR.

Pension Fund

19. External bodies whose pension liability is underwritten by the Council are likely to find the cost of the scheme a significant burden in the current economic context. If they become insolvent the resulting liability may involve significant cost to the Council.

20. The greatest risks to the Council are those schemes at risk of their pension fund closing in a deficit position. The deficit when the fund crystallises is based upon a 'least risk basis' calculation by the actuary, which results in a significantly higher deficit than if calculated on an ongoing basis. The Triennial Review which covers 2017-20 highlights the total liabilities being underwritten by the Council for external bodies is £10.4m. This figure is on an ongoing, rather than least risk, basis. In the worst case, if these funds were to crystallise, the potential liability could be much higher.
21. These risks are continually reviewed to ensure that any impacts of potential crystallisations are minimised.

Economic Climate

22. There is potential for current adverse economic conditions to result in increased costs (e.g. increased homelessness cases) or reduced revenues.
23. The Council seeks to maintain adequate financial reserves to mitigate the impact of unforeseen circumstances.

External Funding

24. The Council utilises many different grant regimes, for example central government, Sheffield City Region and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. In order to minimise risk strong project management skills and sound financial controls are required by Project Managers along with adherence to the Leader's Scheme of Delegation to approve external funding bids.
25. As SCC funding reduces, portfolios are increasingly seeking out new sources of external funding, both capital and revenue. EU funding contracts have more complex conditions, require greater evidence to substantiate expenditure claims and are less flexible on timescales and output delivery targets. This increases the inherent risk in projects which are EU funded. Furthermore as the Council reduces its staff resources a combination of fewer staff and less experienced staff increases the risk of non-compliance with the funding contract conditions and exposes the authority to potential financial claw back.
26. Moreover, the pressure on the General Fund means that Service Managers are forced to seek more external funding such that the general level of risk associated with grants is increasing because of the additional workload this creates amongst reduced and potentially inexperienced staff.
27. The result of the referendum on EU membership does not in the short term change the risk profile of EU grants.

Taxation

28. As a general rule, the Authority is able to recover the majority of the value added tax (VAT) incurred on its payments to suppliers, i.e. its input tax. There are, however, special rules surrounding the recovery of input tax relating to supplies that are deemed 'exempt' from VAT, e.g. selling, leasing and letting of commercial land and buildings, education and insurance services. The VAT Act 1994 allows local authorities to recover input tax incurred in providing VAT-exempt supplies, so long as the tax attributable to exempt activities is less than 5% of the VAT incurred on all goods and services purchased.
29. The Council took advantage of its partial exemption position when making an exempt lease to a strategic partner as part of the Heart of the City development, delivering substantial savings. The Council has agreed a 7-year average partial exemption calculation with HMRC due to the spikes in construction costs which result in a breach in a couple of individual years. Any breach of the agreed threshold over the term would lead to substantial VAT recovery by HMRC.
30. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just below 4% in terms of the 5% limit, i.e. headroom of just over 1%. As a result, continual monitoring of our partial exemption position is vital in ensuring that we do not breach and also to inform decision-making on future projects being undertaken by the Authority.
31. Land and property transactions potentially pose one of the greatest risks of partial exemption breach. The Tax Team currently engages with colleagues in the Property Services team on at least a monthly basis to establish whether planned land and property transactions are likely to cause any partial exemption issues. In addition to this, communications are due to be issued in the next month to Heads of Service in portfolios making exempt supplies, which will further raise awareness of the partial exemption issues currently being faced by the Authority. Furthermore, systems have been developed internally to enable effective monitoring.

Treasury Management

32. The Council proactively manages its counter-party risk. Counterparty risk arises where we have cash exposure to bank and financial institutions who may default on their obligations to repay to us sums invested. Counterparty risk has diminished over the last few years as banks have been obliged to improve their capital funding positions to mitigate against future financial shocks. However, the UK's decision to leave the European Union has the potential to intensify these risks as the UK's decision to exit the EU creates significant political, economic, legislative and market uncertainty which is unlikely to be resolved in the short term. The Council is continuing to mitigate counterparty risk through a prudent investment strategy, placing the majority of surplus cash in AAA-rated, highly diversified and liquid funds.

33. As part of the 2019/20 budget process, we developed Treasury Management and Investment Strategies, both of which were based on discussions with members and senior officers about our risk appetite. This included a review of our counter-party risk to ensure it is reflective of the relative risks present in the economy. A cautious approach was adopted whilst the uncertainties created by the exit from the EU are resolved and the level of market volatility returns to normal levels. Given the profound nature of the exit from the EU, we will continue to review our Treasury Management and Annual Investment Strategies during 2019/20 to ensure we have the ability to respond appropriately to market volatility.
34. The Council is also actively managing its longer term need for cash. Cash flow requirements show that the Council will require new borrowing in the coming years to finance capital investment (current and past unfunded expenditure). This is intensified by the size and timing of investment requirement arising from the development of the Heart of the City II project and any divestment. Added to this are the uncertainties caused by the UK exit from the EU will require the Council to remain vigilant to interest-rate risk, and will draw down loans in a timely manner to militate against borrowing costs rising above our target rates.
35. The Council is continuing its efforts to ensure full compliance with the increasingly stringent requirements of Payment Card Industry Data Security Standard (PCI DSS). PCI DSS is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa, MasterCard and American Express. Work continues to improve systems and control measures; following the major system upgrade and the introduction of secure manual telephone system during 2017/18 which brought significant improvements to the handling of card data and to reflect the changing nature of the Council's card data environment.
36. A key supplier of card payment services [Santander] have indicated that they will withdraw from the market with effect from 31st May 2019 and we therefore have to move card payment traffic to another provider at relatively short notice. Contract negotiations with the Council's main payment services provider are being brought to a conclusion and we would anticipate undertaking work to implement the transfer to happen early in the new calendar year. Given the importance of the payment channel we have also established back up plans to mitigate some of the effects of this service being terminated. This situation may be further exacerbated by further contractual changes as a result of the Tech2020 programme.
37. IFRS 9 introduces a new expected credit loss model which broadens the information that the Council is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments. Given the Council has a number of loans that have been awarded on a 'non-commercial' basis,

there is the potential that impairment provisions on these loans will increase and impact on revenue budgets.

Welfare Reforms including Universal Credit

38. A programme of welfare reforms, introduced in 2013, led to cuts in a range of benefits including Housing Benefit (HB) and Council Tax Support posing a risk to residents' ability to pay their rent and council tax and therefore increases in arrears.
39. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, is being rolled out in Sheffield with full take up expected in 2023 or later.
40. UC poses a significant financial risk to the Council as support towards housing costs, which is currently paid through HB direct to the Housing Revenue Account will in most cases, under UC, be paid directly to individuals. It is estimated that this could double or even treble the cost of collection and increase rent arrears to £15m by the end of 2020/21. However, impacts are uncertain at present as there is limited data available therefore estimates will be reviewed as we learn from the roll out.
41. The Council administers a locally funded hardship scheme to provide extra support to residents who cannot pay their council tax and a government funded scheme which supports those who cannot afford to pay their rent (a review of these, and other , discretionary schemes is currently underway which aims to consolidate these different support schemes). The Council will also continue to take robust action to recover arrears from those who simply will not pay. It is however committed to not evicting a tenant as a result of arrears due to delays in universal credit payments.
42. There is also a UC Project Working Group which is supporting the roll-out of UC and taking steps to ensure the Council is prepared for full take up.

People Risks – Children Young People and Families

Education Funding

43. Schools are entitled to receive a proportion of the Council's Dedicated Schools Grant (DSG) which Schools Forum have decided can be de-delegated back to CYPF to fund central services. Academies can on conversion choose whether to buy into those services thus creating a potential funding gap. Up to £500k could be at risk to centrally funded services should Academies choose not to buy back those services funded from de-delegated DSG from the local authority.
44. If an academy is a sponsored conversion then the Council will have to bear the cost of any closing deficit balance that remains in the Council's accounts. In 2018/19 this cost to the Council is estimated at around £500k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

45. As part of transition to a National Funding Formula, when all funding allocations to schools will be directly managed by Education Funding Agency, Sheffield school forum is expected to review and approve all previously held centrally held allocation subject to a limitation of no new commitments or increase in expenditure over the next two years. These historical commitments are now part of central school block and school forum approval is required each year to confirm the amounts on each line. Expenditure in centrally held funding amounts to around £8m.

Children's Social Care

46. There has been an increase in demand and costs for services for children social care both in terms of placement costs, fieldwork costs and support costs.
47. A number of transformational projects have been put in place to manage the increasing demand and costs within available resources. These include preventing children coming into care and ensuring appropriate family based services, thereby avoiding the need for high cost, out of city placements. Implementation of these programmes is contingent upon cross service and cross portfolio working.

People Risks – Adult Social Care

48. In 2019/20 we have a significant partnership arrangement with the CCG which includes various funding streams for core services in Adult Social Care. There is a risk that these funding streams are not sustainable long term and there would be a risk to the Council delivering core services should this funding cease.
49. The new year will see a continuation of the pooled budget arrangement with the Clinical Commissioning Group and the Sheffield Health and Social Care Foundation Trust to manage Mental Health services jointly within the Better Care Fund and identify savings through a new joined up approach to delivering services. Work needs to strengthen within the arrangement to ensure that all partner organisations benefit from the joint working and that the clients receive the right level of support irrespective of where the funding of the service happens.
50. For 2019/20 we have put in measures to address the budget gap on all Adult Social Care Purchasing both Older People and Learning Disabilities however the risk remains that continued demand pressures increasingly affect our position to balance. Demand management plans within service should address some of the continued pull on resources and potentially redress some of the continued increases seen over the last two years.
51. There is a risk around legislation changes imposed by central government on future funding of social care and the potential impact on client contributions to their care.
52. For 2019/20 there is a risk that providers will seek to increase their fees, given the current level of over spend on the ASC budgets this will cause increased pressure.

Place Risks

2018/19 Revenue Budget savings

53. The Place budget comprises three significant contracts - Streets Ahead programme, Waste Management and the South Yorkshire Passenger Transport Levy – which together absorb the major part of the portfolios General Fund support. The Portfolio cannot meet projected reductions in local authority funding by only reducing costs in the services that share remaining part of the General Fund budget without a significant reduction to those services. Thus in the 2015-16 Business planning round, the Portfolio's strategy was based on reducing the cost of these contracts to preserve the other services.
54. The South Yorkshire Transport Levy has been successfully reduced and savings have now been agreed and are in delivery. Savings from within the Streets Ahead commenced in 17/18. Following a renegotiation of the Waste Management contract in first part of 2018, substantial savings were achieved.
55. This has supported the Place budget but made further savings a challenge without new ideas and partner cooperation.
56. The Portfolio has also developed further strategic interventions including reducing the level of support to Sports Trusts, and is embarking on a Place Change Programme to review all the other services seeking a business-like approach to service delivery. Realising the efficiencies and opportunities within these reviews are crucial to the Portfolio delivering a sustainable balanced position going forward. Delivery of the Sports Trusts savings will be dependant on the performance of the Council's partners and the general leisure market conditions. This is being carefully monitored.
57. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience in 2018/19 has shown that this discipline is not present in all projects and has exposed the portfolio on occasions to find funding from the Revenue Budget to fund overspends.
58. The Council has committed to a number of positive capital investments in the city, in particular taking forward the Heart of the City II project, involving substantial spending over the next 7 years, financed by an assumed significant growth in business rates and long term borrowing. This carries significant levels of risk in relation to cost increases and letting demand which if these were to crystallise would result in additional pressure on Capital and Revenue budgets.

Housing Revenue Account Risks

59. There are a number of future risks and uncertainties that could impact on the 30 year HRA business plan. Work is continually ongoing to assess the financial impact of these. Identified risks to the HRA are:

- **Welfare Reform /Universal Credit:** the Government's welfare reform continues to be a significant risk to the HRA. The risk to income collection will continue to become increasingly difficult as Universal Credit and continues to be rolled out. Mitigations are in place such as funding additional officers to manage the impacts of welfare changes on affected tenants. Work is continually ongoing analysing the financial risk to the business plan.
- **Interest rates:** fluctuations in the future levels of interest rates have always been recognised as a risk to the HRA. These are managed through the Council's Treasury Management Strategy.
- **Repairs and Maintenance:** existing and emerging risks within the revenue repairs budget include unexpected increased demand (for example due to adverse weather conditions).

Capital Programme Risks

Project Cost Control

60. There is an inherent risk within all the programme of overspending on any single project as a result of unforeseen circumstances (e.g. ground conditions or contamination) or poor management and planning. The Council has made significant improvements in the management of capital projects including improved risk management, however, in the event of an overspend it will have to use its own limited resources to plug the gap.

Housing Growth

61. There is a risk to delivering the full scope of major schemes such as Park Hill and other housing growth schemes because of the instability in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved and delayed realisation of the projected benefits including New Homes Bonus and Community Infrastructure Levy. Along with capital receipts these funding streams form key elements of the Growth Investment Fund. Any reduction in these funding streams will limit the Council's investment capacity.

Olympic Legacy Park

62. The Council supports the on-going development of the Olympic Legacy Park to regenerate the Lower Don Valley. Some parts of the infrastructure need private party or external funding to realise the vision. The Council has an obligation to provide a number of facilities to the educational establishment facilities on site against a very tight timescale. If the other site developments do not proceed in time, the Council may have to step in with funding which will place additional strain on the funding of the capital programme.

Heart Of the City 2 (formerly Sheffield Retail Quarter)

63. The Council committed to incur around £62m to acquire land and carry out initial feasibility work to develop a plan for the retail quarter in the city centre. A further budget of £27m was approved for the appointed development manager to take forward the pre-construction phases of the scheme.
64. The Council has also approved a further £89m for the construction of the first building and associated public realm. The office accommodation of the building has been pre-let to HSBC on a 25 year lease, with options to exit at years 10 and 15. This means the Council carries the longer term vacant property risk on the office and also on a more periodic basis for retail and food and beverage units created as shorter leases expire.
65. The route for delivery of the remainder of the Heart of the City II has changed since originally approved. The Council will no longer be looking to deliver the scheme as one “big bang” corporate development and then be reliant on a single developer. It is envisaged that delivery will now be done via an incremental measured block by block approach, working within the approved masterplan, which can be delivered comprehensively over time but not necessarily by a single developer and/or the Council. This approach mitigates the Council’s risk and financial exposure and delivers momentum.
66. This phased approach to delivery also allows for future changes in the scheme to reflect changes in shopping habits/behaviours and the expectations of shoppers and users of the city centre. As a result of this approach a further £35m has also now been approved for the development of blocks B & C of the scheme.
67. The remainder of the £27m budget is now allocated across the development blocks to complete its own pre-construction phase. On completion of that phase further funding will be sought through the capital approval process to develop the properties.
68. The scheme is being funded through prudential borrowing which will be repaid primarily from the rental value created from the various types of property and from the increased Business Rates that the completed scheme will produce (known as Tax Incremental financing (TIF)). The financing costs are being capitalised while the scheme is in development. There is a risk that if the scheme ceases to be active that the financing costs of circa £4m pa will have to be provided for from existing budgets. The long term impact of the phased delivery has been built in to the Medium Term Financial Strategy.
69. A programme of development of this size, carries with it, significant levels of risk across a number of areas. These risks are amplified because of the length of the development programme and because of the uncertainties caused by the rapidly changing retail landscape and the unknown effect of Brexit.

70. In order to mitigate those risks stringent governance will be exercised over the progression of the scheme so that additional cost commitments will only be made if there is tangible evidence that scheme has positively achieved its pre-conditions and that the demand, rental levels and costs can be evidenced to be in line with or an improvement on base assumptions.

Schools' Expansion programme

71. In February 2016 the Cabinet approved a report setting out the need to provide additional places in primary, secondary and Sixth Form establishments. The immediate demand for places in the next three years will require the Council to commit funds ahead of receipt from central government. The latest estimate of the gap is a maximum of £21m in 2018/19 after mitigating action. Initial forecasts indicated sufficient funding to repay the cash flow would be received from Government by 2021/22. However, the recent announcement of a lower than expected settlement for 2020/21 (£6.4m compared to £10m expected), and further emerging pressures in the programme will require this assumption to be revisited.
72. In the event of a change of government policy which further reduced the financial support available to local authorities' capital programmes, the Council would very probably be faced with a greater affordability gap in the schools' capital programme than has already been identified above, requiring it to contribute its own capital resources.
73. The Council already faces pressure to maintain the condition of the school building estate so there is a limited opportunity to divert funds earmarked for maintenance to support the school place expansion programme. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against Education Funding Agency standards, and, matching the provision of some 16–18 year places to demand.
74. Basic Need funding allocations for the purpose of school expansion are now confirmed up to 2020/21. The modelling of the Schools Capital Programme has been revised in light of the recent funding announcement reducing the forecast allocation to £6.5m p.a. from £10m for 21/22 and 22/23. Any further reduction in these estimated amounts will delay the timescale for the repayment of the cash flow and also any future investment.

Appendix 6 (the Council tax Determination) will be completed following formal approval of Parish and Preceptor Council Tax Levels for 2019/20, and will appear here.

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Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Ethical Investment Strategy for 2019/2020

1. Introduction

1.1 Background

The Council operates a balanced revenue budget, which should mean that cash raised will meet its cash requirements; over the medium term. A key role of the treasury management operation is to ensure that cash flow is adequately planned for and available when needed. Surplus cash is invested in low risk counterparties and instruments in alignment with the Council's risk appetite. The security and liquidity of the portfolio of investments are our primary concerns before considering investment return (yield).

Another primary function of the treasury management service is the funding of the Council's capital programme. The capital plans provide a guide to the borrowing needs of the Council; informing longer term cash flow planning to ensure that the Council can meet its capital spending obligations. The management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any loans or credit liabilities previously drawn may be restructured to meet Council risk or cost objectives.

CIPFA defines treasury management as:

"The management of the local authority's borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

Accordingly, the document provide a strategic framework for the achievement of the following objectives:

Borrowing:

- Proposed levels of borrowing are sustainable and affordable.
- The expected costs are well-matched to the relevant revenue streams to maximise budgetary certainty.
- Financing is readily available when required for major capital expenditure.
- The most economical sources of borrowing for a given situation are identified and made use of.

Investments:

- Security: Public funds are not lost.

- Liquidity: Cash is available when required for essential expenditure.
- Yield: Returns are maximised, so far as the above constraints allow, to maintain the spending power of public funds held by the Authority.

Effective Balance Sheet Management:

- A sustainable and prudent balance is struck between the use of cash balances in lieu of external borrowing and any potential risks of refinancing.

Revised reporting is required for 2019/20 following a number of updated Codes and guidance during the period since the last TMS was agreed including:

- the CIPFA Prudential and Treasury Management Codes;
- MHCLG Investment Guidance; and
- MHCLG Minimum Revenue Provision (MRP) Guidance.

The primary reporting changes include the introduction of a Capital Strategy, to provide a longer-term focus to the capital plans, and greater reporting requirements surrounding any commercial activity undertaken under the Localism Act 2011. The Council's Capital Strategy, including details of any commercial activity, will be reported separately from the Treasury Management Strategy.

1.2 Reporting Requirements

1.2.1 Capital Strategy

The CIPFA revised 2017 Prudential and Treasury Management Codes require, for 2019/20, all local authorities to prepare an additional report, a capital strategy report, which will provide the following:

- a high-level long term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services.
- an overview of how the associated risk is managed.
- the implications for future financial sustainability.

The aim of the capital strategy is to ensure that all elected members on the Full Council fully understand the overall long-term policy objectives and resulting capital strategy requirements, governance procedures and risk appetite.

1.2.2 Treasury Management Reporting

The Council is currently required to receive and approve a number of reports each year, incorporating a variety of policies, estimates and actuals.

These reports include:

Prudential and treasury indicators and treasury strategy (this report) which covers Capital and Treasury Management issues (see 1.3 below):

A mid-year treasury management report – This will update members with the progress, amending prudential indicators as necessary, and advise whether any policies require revision.

Annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

The above reports are required to be adequately scrutinised before being recommended to the Council. This role is undertaken by the Cabinet Member for Finance.

1.3 Treasury Management Strategy for 2019/20

The strategy covers two main areas:

Capital issues:

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

Treasury management issues:

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- the investment strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- creditworthiness policy; and
- policy on use of external service providers.

These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

1.4 Training

The CIPFA Code requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training. This especially applies to members responsible for scrutiny.

The Cabinet Member for Resources and Finance has been provided with treasury management training from officers in the final quarter of 2017/18. Further internal and external training will be considered as necessary.

The training needs of treasury management officers are also periodically reviewed. During the year officers attended workshops, seminars and conferences provided by CIPFA, the Council's treasury management consultants and other relevant organisations..

The Council's Treasury Manager holds a qualification in international treasury management awarded by the Association of Corporate Treasurers as well as being a CCAB qualified accountant.

1.5 Treasury Management Consultants

The Council uses Link Asset Services as its external treasury management advisors.

The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.

It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subject to regular review.

2. The Capital Prudential Indicators: 2019/20 – 2021/22

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

2.1 Capital Expenditure

This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of the budget cycle.

Members are asked to approve the capital expenditure forecasts:

The following table shows capital expenditure forecasts:

| Capital Expenditure | 2017.18 Actual £'m | 2018.19 Forecast £'m | 2019.20 Budget £'m | 2020.21 Estimate £'m | 2021.22 Estimate £'m |
|-------------------------------|--------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| Resources | £0.1 | £1.4 | £0.6 | £0.0 | £0.0 |
| CYP | £31.7 | £43.0 | £1.2 | £0.1 | £0.3 |
| Communities | £0.9 | £5.2 | £2.5 | £2.2 | £2.2 |
| Place | £98.9 | £97.5 | £62.2 | £53.9 | £25.3 |
| Housing | £63.0 | £59.9 | £72.7 | £93.7 | £85.6 |
| Highways General | £12.4 | £8.3 | £3.3 | £0.5 | £0.0 |
| Highways Capital Contribution | £39.5 | £0.3 | £0.0 | £0.0 | £0.0 |
| Total | £246.5 | £215.6 | £142.5 | £150.4 | £113.4 |

The table shows the Council's on-going commitment to investing in the city and how we strive to use our capital monies to make the biggest possible positive impact upon Sheffield people we can. However, the table does not include allocations for pipeline projects that have yet to secure approval or funding.

In addition to the table above, the council may also undertake commercial investments, i.e. those taken primarily for financial reasons such as generating surplus funds. Currently the Authority has no investments taken exclusively for commercial purposes.

The Prudential Code requires Commercial investments to be 'proportional' to the level of available resources and subject to the same robust consideration of risk and return as all other investments. Assurance of these requirements and the extent to which the authority uses commercial investments will be disclosed via the Capital Strategy.

The Council focuses on the following key priority areas:

- **Economic Growth:** Getting more people into good jobs, helping them to earn more and live healthy lives, using and building their skills and knowledge. We want to see more businesses setting up, growing, innovating and creating good jobs; a connected city with the transport and digital infrastructure to support the city's growth and help everyone to connect to economic opportunities
- **Housing Investment:** We want our tenants to live in warm, dry, safe and secure properties which are efficient to run. By doing this, we hope to improve our tenants' quality of life.
- **Housing Growth:** We want a housing market that delivers choice, quality and affordability in every part of Sheffield. We have set out our commitment to build over 2,000 new homes each year by 2022. Of these 725 must be affordable.

- **Transport:** to deliver safe, well maintained streets enabling the City’s on-going development and helps every resident access the jobs market and local services. We also want to improve the City’s air quality to improve the quality of life for our residents.
- **Quality of Life:** creating places and spaces where people enjoy being and contributing to the quality of life for our citizens. It’s about ensuring access to high quality facilities which underpin our communities and support mental and physical wellbeing.
- **Green and open Spaces:** providing well maintained green and open spaces, creating environments which people are proud of and help them to thrive.
- **People – Capital and Growth:** ensuring sufficient school places, that council run state education is fit for purpose, early years investment and supporting vulnerable people live independently are just a few of the key priorities.
- **Heart of the City:** Heart of the City II (HotC II) will meet an identified a need for improved retail provision in the City Centre together with housing and leisure and providing additional office space for jobs and, in doing so, will integrate and complement the existing City Centre.
- **Essential Compliance and Maintenance:** Compliance works on a number of key civic buildings.

An analysis of the above capital expenditure by these nine priority areas is shown in the table below.

| Capital Expenditure | 2018.19 Forecast £'m | 2019.20 Budget £'m | 2020.21 Estimate £'m | 2021.22 Estimate £'m |
|------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| People Capital & Growth | £48.2 | £3.7 | £2.2 | £2.5 |
| Essential Compliance & Maintenance | £6.6 | £1.5 | £0.2 | £0.0 |
| Economic Growth | £10.0 | £7.4 | £1.3 | £0.0 |
| Housing Investment | £53.0 | £46.5 | £64.3 | £59.4 |
| Quality of Life | £20.8 | £13.8 | £14.6 | £15.6 |
| Transport | £7.9 | £3.3 | £0.5 | £0.0 |
| Housing Growth | £18.3 | £28.5 | £30.4 | £26.2 |
| Heart of the City II | £49.4 | £36.8 | £36.6 | £9.7 |
| Green & Open Spaces | £1.4 | £1.0 | £0.2 | £0.0 |
| Total | £215.6 | £142.5 | £150.3 | £113.4 |

The above financing need excludes other long term liabilities, such as Public Finance Initiatives (PFI) arrangements.

Assets will be acquired through PFI arrangements according to the following profile:

| Assets acquired through PFI | 2017.18 Actual £'m | 2018.19 Forecast £'m | 2019.20 Budget £'m | 2020.21 Estimate £'m | 2021.22 Estimate £'m |
|-----------------------------|--------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| Highways | £11.1 | £0.0 | £0.0 | £0.0 | £0.0 |
| Total | £11.1 | £0.0 | £0.0 | £0.0 | £0.0 |

Through PFI financing we leveraged financial support from Government to address investment need in our highways infrastructure. As the table (above) shows, 2017/18 was the last year of the large scale investment with the Streets Ahead contract subsequently moving into the maintenance phase for the remainder of the contract term.

The table below summarises our capital expenditure plans and how these plans are being financed by capital or revenue resources. Any capital expenditure not funded by grants, receipts, or revenue contributions, results in a need for borrowing.

| Capital Expenditure: | 2017.18 Actual £'m | 2018.19 Forecast £'m | 2019.20 Budget £'m | 2020.21 Estimate £'m | 2021.22 Estimate £'m |
|--|--------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| Capital expenditure: | | | | | |
| Non-housing | £183.5 | £155.7 | £69.8 | £56.7 | £27.8 |
| Housing | £63.0 | £59.9 | £72.7 | £93.7 | £85.6 |
| Total | £246.5 | £215.6 | £142.5 | £150.4 | £113.4 |
| Financed by: | | | | | |
| Capital Receipts | £12.9 | £21.3 | £18.2 | £13.5 | £4.1 |
| Capital Grants & Contributions | £61.0 | £78.1 | £17.5 | £6.3 | £3.6 |
| Revenue Contributions | £52.2 | £49.3 | £56.2 | £79.2 | £65.4 |
| Net borrowing need for the year | £120.4 | £66.9 | £50.6 | £51.3 | £40.3 |
| Fund Split | | | | | |
| General Fund | £120.4 | £66.9 | £50.6 | £51.3 | £25.3 |
| HRA | £0.0 | £0.0 | £0.0 | £0.0 | £15.0 |
| Total | £120.4 | £66.9 | £50.6 | £51.3 | £40.3 |

Continued investment in the City is essential to ensure Sheffield remains an attractive place to live and do business. Investment does not simply mean development of our built environment, but also investment in our services to ensure we carry out business in an efficient and cost effective manner.

As in previous years, judicious use of borrowing to support that investment remains a prudent financing option whilst borrowing costs remain low, and those costs can be supported by the increased income generation we expect to flow from our

investments by way of increases in rates or from efficiencies generated in the way we conduct our business.

The Council will also continue to use borrowing to support the development of the HotC II project. The flagship scheme is aimed at regenerating the city centre and the borrowing costs will, in time, be offset by capital receipts from the sale of our interest in the HotC II development and by increased income generated from business rates.

The significant use of revenue resources to fund capital expenditure primarily relates to the use of revenue reserves and rental income raised in the Housing Revenue Account (HRA) to fund capital works on the Council's housing stock.

2.2 The Council's need for borrowing (the Capital Finance Requirement)

The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying need for borrowing that has been built up over time and will be repaid in accordance with statutory rules. Any capital expenditure which has not immediately been paid for from grants, receipts, or contributions, during the year will increase the CFR.

The increase in CFR relates to General Fund expenditure; while the HRA finances its capital expenditure through the income it raises from housing rents. Financing expenditure in this way means the HRA has less need for credit.

The CFR does not increase indefinitely. Statute requires the Council to charge an amount each year to the budget known as the Minimum Revenue Provision (MRP). This charge mimics depreciation, reduces the CFR, and ensures the Council has enough cash to repay its debts.

The CFR also includes other long term liabilities such as PFI arrangements. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of arrangements include a borrowing facility which means the Council is not required to separately borrow for these schemes. The Council currently has £400.8m (2017/18 £409.6m) of such arrangements within the CFR.

The following table shows projections for the Council's CFR:

| Capital Financing Requirement | 2017.18 Actual £'m | 2018.19 Forecast £'m | 2019.20 Budget £'m | 2020.21 Estimate £'m | 2021.22 Estimate £'m |
|--|--------------------------|----------------------------|--------------------------|----------------------------|----------------------------|
| CFR non-housing | £1,156.8 | £1,197.3 | £1,220.0 | £1,238.0 | £1,229.3 |
| CFR housing | £345.9 | £345.9 | £345.9 | £345.9 | £360.8 |
| Total CFR - Year End | £1,502.7 | £1,543.2 | £1,565.9 | £1,583.9 | £1,590.1 |
| In Year Movement in CFR | £88.6 | £40.5 | £22.7 | £18.0 | £6.2 |
| <u>Movement in CFR represented by:</u> | | | | | |
| Expenditure not funded by grants, receipts, or contributions | £120.4 | £66.9 | £50.6 | £51.3 | £40.3 |
| Additional PFI liabilities | £11.1 | £0.0 | £0.0 | £0.0 | £0.0 |
| - MRP/VMRP and other movements | -£42.9 | -£26.4 | -£27.9 | -£33.3 | -£34.0 |
| In Year Movement in CFR | £88.6 | £40.5 | £22.7 | £18.0 | £6.2 |

The table above shows that although the Council is taking on additional borrowing (and PFI liabilities in 17/18) to create assets through capital expenditure, it is also charging prudent amounts of MRP to the budget to ensure it has enough cash to pay down its debts.

The costs of this debt will be funded through the revenue flows generated from the investment it enables. These flows will arise from increased rates as new businesses set up in the city, and from cost reductions generated from investment that allows us to conduct our business in a more cost effective and efficient manner.

3. Minimum Revenue Provision (MRP) Policy Statement

3.1 MRP Introduction

Each year statute requires the Council to charge an amount to its General Fund revenue budget to raise cash to reduce the General Fund element of its CFR. This cash then ensures that the Council can pay down its debts.

The statute requires a minimum amount to be charged, but also allows the Council to charge more if it feels it prudent to do so. This is known as a Voluntary Minimum Revenue Provision (VMRP).

Regulations issued by the Ministry for Housing, Communities and Local Government (MHCLG) require the full Council to approve an MRP statement setting out how the Council determines how the MRP will be calculated in advance each year. Guidance affords a variety of options to Councils, as long as the calculation results in a prudent provision and the statement below explains the option taken by the Council.

3.2 MRP Policy Statement

The Council is recommended to approve the following MRP statement:

For capital expenditure incurred before 1st April 2008, or which in the future will be Supported Capital Expenditure (expenditure which receives income support from government), MRP will be charged on a flat line basis over fifty years. This will ensure that all debt associated with Supported Capital Expenditure is fully provided for up to the Adjustment A level that is required of us by government within fifty years and better aligns the charges we make to the General Fund with the funding we receive from government. Adjustment A is a device for achieving neutrality between the old and new MRP systems. This was an amount calculated at the start of the new system in 2004 and is not subsequently varied.

The above approach is a prudent way of ensuring the Council can pay down debt in good time. In the event changes to the policy create over provisions, the over provision will be recovered over a prudent period; ensuring that at no point the resultant MRP charge is negative. This is the case arising from the 2017/18 policy change and the over provision is being recovered over a seven year period ending 2023/24. Going forward, changes to the guidance prevents over provisions arising from change in MRP policy from 2018/19 onwards.

The Council will apply VMRP to realign overall charges to the 'regulatory method' where it is considered prudent to do so.

From 1st April 2007, the MRP on all unsupported borrowing has been based on the 'asset life method'. This means that MRP is based on the estimated useful life of the assets created.

Where it is considered prudent to do so, the Council will adopt an annuity profile for MRP charges under the asset life methodology. Adoption of this approach will be considered on a scheme-by-scheme basis, and will only be used where adoption will result in costs being better aligned to the benefit flows that will accrue from the investment.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made. The HRA may opt to make voluntary revenue provisions where it is prudent to do so.

Where appropriate, the Council will defer the MRP related to specific projects until the asset(s) for the project become(s) operational. This is known as an MRP holiday and will allow the Council to align borrowing repayments to the economic benefit generated from those assets.

The Council will also withhold MRP payments related to the acquisition of assets purchased under compulsory purchase orders (CPO) where there is a commitment to pass these assets and their costs onto a development vehicle.

Where capital loans are provided by the Council under section 25 of the 'The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003', the

Council will, where it is prudent to do so, align MRP profiles to loan repayments. This will ensure the Council does not unnecessarily charge amounts to its revenue budget.

The Council can at times receive capitalisation directives from the Secretary of State. Where this is the case, the Council's policy will be to provide for MRP as the capitalisation is defrayed, rather than on initial recognition. The 'asset-life' approach will be taken to providing for MRP on capitalized spend, but where there is no discernible asset-life the Council will opt for a 20 year life.

Repayments included in annual PFI or finance leases are applied as MRP.

3.3 MRP Overpayments

A change introduced by the revised MHCLG MRP Guidance was the allowance that any charges made over the statutory minimum revenue provision (MRP), voluntary revenue provision or overpayments, can, if needed, be reclaimed in later years if deemed necessary or prudent.

In order for these sums to be reclaimed for use in the budget, this policy must disclose the cumulative overpayment made each year. In the period to 31 March 2019 the total VRP overpayments were £0.2m.

4. Core Funds and Expected Investment Balances

The application of resources (capital receipts, grants, revenue reserves) to finance capital expenditure will have an associated impact on investment balances, unless resources are supplemented each year from new sources such as asset sales or the receipt of other grants. This is simply because as receipts, reserves, and grants are spent, there is less cash available to place on deposit.

Detailed below are estimates of the year end balances for each resource and anticipated cash balances.

| Core Funds and Expected Investment Balances | 31/03/18 Actual £'000 | 31/03/19 Forecast £'000 | 31/03/20 Budget £'000 | 31/03/21 Estimate £'000 | 31/03/22 Estimate £'000 |
|--|--------------------------------------|--|--------------------------------------|--|--|
| Year End Resources: | | | | | |
| Cash backed reserves* | 255.2 | 203.4 | 204.6 | 194.9 | 176.7 |
| Capital Receipts | 132.7 | 125.0 | 115.0 | 109.0 | 104.0 |
| Provisions | 48.5 | 48.1 | 42.8 | 37.5 | 33.3 |
| Total Core Funds | 436.4 | 376.5 | 362.4 | 341.4 | 314.0 |
| Working Capital | -65.3 | -29.3 | -5.8 | 15.3 | 20.4 |
| (Under)/over Borrowing | -281.0 | -310.9 | -285.8 | -260.9 | -176.1 |
| Expected Investments | 90.1 | 36.3 | 70.8 | 95.8 | 158.3 |

*The vast majority of these reserves are earmarked for future spend, and do not represent available surplus for revenue budget purposes

The above table shows that the Council remains 'under-borrowed'. This means that we have not yet taken loans from banks, government, or other parties to finance all our borrowing needs. Instead, the Council has used its own cash balances that it doesn't need right now. These balances include grants received in advance that the Council is yet to spend, reserves and provisions being held over for future spend, and capital receipts that have yet to be deployed.

Operating in this manner is a good-fit for our wider operating environment. Low interest-rates mean that investment returns from cash held on deposit are poor. This does not provide us with an incentive to hold cash on deposit. Conversely, whilst borrowing costs are still very low they are still higher than investment returns. So, where possible, it is cheaper to use our own cash balances than use external loans at more expensive rates.

Aligned to this is the residual counterparty risk in the market place. This means that we are still wary about investing with some financial institutions (such as banks and pension funds) following the credit-crunch of 2008 and bank failures. Limiting our exposure to these institutions remains a prudent course of action.

Whilst retaining the under-borrowed position we have also looked to use our cash balances efficiently, as we would any other asset. This has encouraged us to look at using our cash in more innovative means to both provide revenue savings and support service delivery changes.

The negative working capital shown in the table above for 2017/18 resulted from up-front payments relating to the Major Sporting Facilities and the Triennial Pension Deficit set in 2016/17 which continues to reduce over the remainder of the period.

The above table shows that the Council's investment balances are expected to end 2018/19 at a more modest level than 2017/18 as a result of a rise in under borrowing, but this will revert to higher levels as new borrowing is taken to adjust the under borrowed position to a more sustainable level in the long term.

The HRA is also aiming to reduce their under borrowed position but the plan is maintain the current level in the next couple of years and to address the under borrowing in 2021/22.

Whilst an under-borrowed position is currently advantageous, it does expose us to a level of risk around interest rates. Should the Council's plans change it may need additional cash that is no longer available to support the under-borrowed position. If this occurred the Council would be required to go to the markets to raise cash through loans. The risk is, therefore, that should we need to raise loans they will be more expensive than they are now.

Accordingly, it is important that we manage this risk, and retain exposure at a level we think is appropriate. To mitigate this risk, and to further reduce the under-

borrowed position, the Council intends to take additional loans over the forecast period based on current expectations that rates remain relatively low in historical terms. These loans will bring cash into the Council to offset the outflows principally associated with our programme of capital investments including, in particular, the HotC II scheme.

Treasury officers will continue to monitor the financial markets to ensure our cash management plans are properly aligned to the Council’s investment decisions and the ongoing risks in the wider economy.

The Council’s expected investment balances are likely to fluctuate considerably during the year due to the irregular nature of cash flows, in particular grant income received from Government.

5. Affordability Prudential Indicators

The previous sections cover the overall capital and control of borrowing prudential indicators. Prudential indicators are also required to assess the affordability of the capital investment plans. These indicators highlight the impact of the capital investment plans on the Council’s overall finances.

The Council is asked to approve the following indicators:

5.1 Ratio of Financing Costs to Net Revenue Stream

This indicator identifies the trend in the cost of capital (principally borrowing and PFI arrangements) against the net revenue stream. The net revenue stream consists of the money we have available from grant, Council Tax, and other sources that is without restriction and can be spent as the Council sees fit.

The indicator below highlights a rise in the amount of the General Fund (non-HRA) and HRA net revenue stream that is being spent on financing costs:

| Ratio of Financing Costs to Net Revenue Stream: | 2017.18 Actual | 2018.19 Forecast | 2019.20 Budget | 2020.21 Estimate | 2021.22 Estimate |
|--|-----------------------|-------------------------|-----------------------|-------------------------|-------------------------|
| General Fund | 16.7% | 16.8% | 17.0% | 18.6% | 18.2% |
| HRA | 9.6% | 9.5% | 9.2% | 8.9% | 10.0% |

This reflects three prominent issues:

1. Fluctuations in income and costs arising from PFI arrangements are included in the above calculation;
2. We anticipate incurring more borrowing costs (interest and MRP costs) in the future than we do now; and
3. The revenue income streams used for this calculation continue to fall to 20/21 and are expected to rise modestly thereafter on the basis the impact of austerity lessens after the current Spending Review period.

At a very high and unsophisticated level, this means that we are spending more on capital financing, and have a smaller income base from which to pay for it. However, these ratios should not be viewed entirely in isolation from other sources of information.

The increase in General Fund financing costs primarily relates to the Council's investment in the HotC II scheme. These investments will not only help to deliver a revived retail area, to enable the city centre to compete with out-of-town alternatives and regional competition, but will also keep businesses in the city and attract new rate payers.

The HRA's ratio reflects the fact that costs are largely being funded through housing rents, restricting the need for additional borrowing including borrowing to address the HRA's under borrowed position being towards the end of the forecast period – hence the uptick in 2021/22.

Despite this indicator showing borrowing costs increasing as a proportion of net revenue, the forecast levels of borrowing remain affordable and are indicative of sound long term strategic decisions taken by the Authority.

6. Borrowing

The capital expenditure plans provide details of the Council's investment plans. The treasury management function ensures that the Council's cash is organised in accordance with relevant professional codes, so that sufficient cash is available to meet this service activity and the Council's capital strategy. This will involve both the organisation of the cash flow and, where capital plans require, the organisation of appropriate borrowing facilities. This section of the strategy covers the relevant treasury and prudential indicators, the current and projected debt position, and the annual investment strategy.

6.1 Current Portfolio Position

The Council's debt portfolio position is outlined below. The table below shows actual external debt against the CFR which represents the Council's need to borrow for capital purposes.

Comparing actual debt to the CFR highlights any under or over borrowing.

Under borrowing represents the Council's use of its own cash surpluses rather than external debt, whilst over borrowing represents the Council taking on more debt than it needs at that point in time.

| Current Portfolio Position | 2017.18 Actual £'m | 2018.19 Forecast £'m | 2019.20 Budget £'m | 2020.21 Estimate £'m | 2021.22 Estimate £'m |
|---|-----------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| External Debt | | | | | |
| Loans at 1st April | 746.7 | 799.9 | 822.9 | 884.8 | 947.3 |
| Expected change in Loans | 53.2 | 23.0 | 61.9 | 62.5 | 110.8 |
| PFI liabilities at 1st April | 426.2 | 409.6 | 400.8 | 390.7 | 375.7 |
| Expected change in PFI liabilities | -16.6 | -8.8 | -10.1 | -15.0 | -19.8 |
| Transferred Debt at 1st April | 15.6 | 12.2 | 8.5 | 4.5 | 0.0 |
| Expected Change in Transferred Debt | -3.4 | -3.7 | -4.0 | -4.5 | 0.0 |
| Actual Gross Debt at 31st March | 1221.7 | 1232.3 | 1280.1 | 1323.0 | 1414.0 |
| The Capital Financing Requirement | 1502.7 | 1543.2 | 1565.9 | 1583.9 | 1590.1 |
| Authority Under/(Over) Borrowing | 281.0 | 310.9 | 285.8 | 260.9 | 176.1 |
| less HRA under/ (over) borrowing | 55.9 | 60.9 | 60.9 | 60.8 | 1.1 |
| GF Under / (Over) Borrowing | 225.0 | 250.0 | 225.0 | 200.0 | 175.0 |
| | 280.9 | 310.9 | 285.9 | 260.8 | 176.1 |

The rise in external loans is consistent with the Council's investment plans over the period in question, not least in terms of the HotC II project.

The above table also highlights that the Council plans to continue to manage an under borrowed position. This means that in the near term the Council will opt to use some of its surplus cash to fund capital expenditure rather than take out new loans.

This policy is helping the Council to meet its budget challenges by allowing us to avoid the interest charges that come with external loans. It does, however, mean that the Council loses investment income from cash that would otherwise be on deposit. As investment returns are currently poor, and default risk from financial institutions still elevated, this represents a prudent use of our cash.

However, as the above table shows, the Council intends to reduce the under borrowed position for the General Fund to more sustainable levels and move towards broadly eliminating the HRA under borrowed position by the end of this forecast period. Once the HRA under borrowing has been eliminated, the HRA loan portfolio would be in line with the overall HRA CFR.

These actions are a deliberate move to mitigate the Council's exposure to interest rate risk. Whilst using our surplus cash in the short term is beneficial, in the longer term we are likely to have to replenish that cash with loans in order for it to be spent as originally planned for. Interest rate risk is the risk that when we come to raise

those loans the cost of servicing them is prohibitively high. This is an issue the Council is monitoring closely, as interest rates are likely to rise in the coming years.

This indicator also serves as a test as to whether the Council complies with the requirement to ensure that its gross debt does not, except in the short term, exceed the total of the CFR in the preceding year plus the estimates of any additional CFR for 2019/20 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue or speculative purposes.

The Director of Finance & Commercial Services reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitment, existing plans, and the proposals in this budget report.

6.2 Treasury Indicators: Limits to Borrowing Activity

The **operational boundary** is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be higher or lower depending on the levels of actual debt and the ability to fund under borrowing by other cash resources.

The following table shows the Council's estimates for its operational boundary; which in future years build in both planned (i.e. known schemes) and makes some allowance for future capital expenditure:

| Operational Boundary | 2017.18 Actual £'m | 2018.19 Actual £'m | 2019.20 Proposed £'m | 2020.21 Proposed £'m | 2021.22 Proposed £'m |
|-----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| Loans | £1,160 | £1,160 | £1,220 | £1,250 | £1,270 |
| Other Long Term Liabilities | £440 | £440 | £400 | £380 | £360 |
| Total | £1,600 | £1,600 | £1,620 | £1,630 | £1,630 |

The **authorised limit on external debt** represents a control on the maximum amount of debt the Council can legally hold. Under Section 3 of the Local Government Act 2003 this limit is agreed by full Council and cannot be revised without that body's agreement. The Council is required to ensure that total capital investment remains within sustainable limits and, in particular, that the impact upon its future council tax and council rent levels is acceptable.

The authorised limit reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the long term.

The Council is asked to approve the following limits:

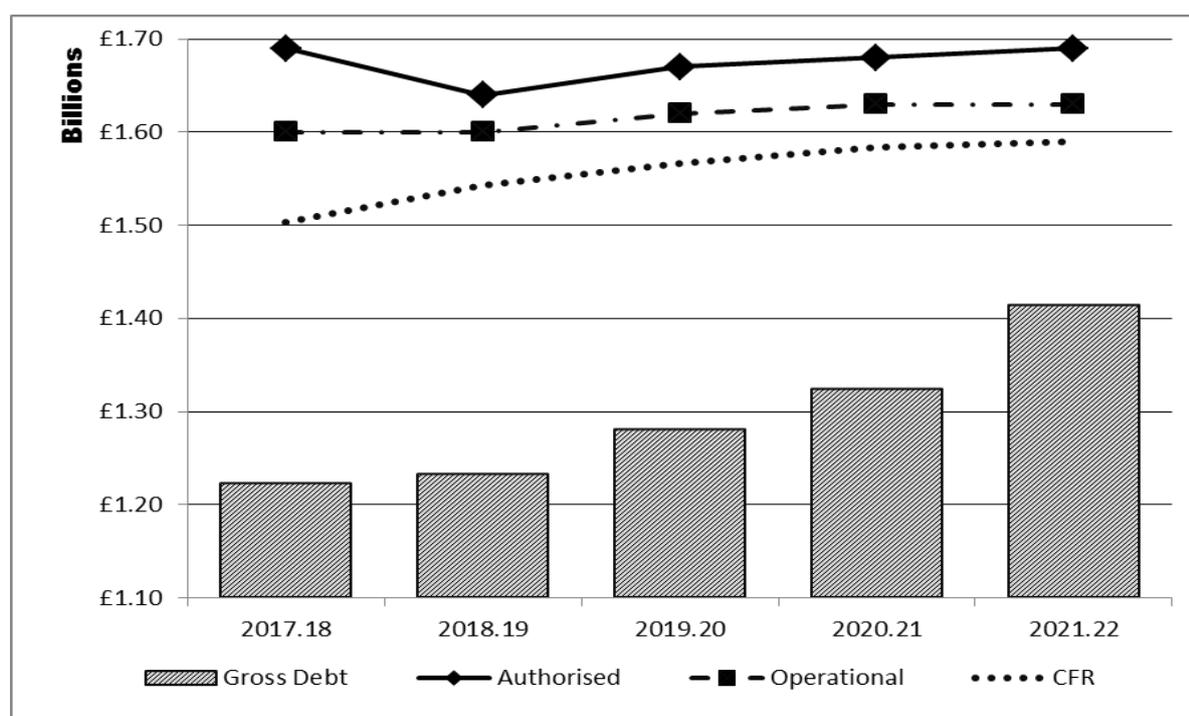
| Authorised Limit | 2017.18 Actual £'m | 2018.19 Actual £'m | 2019.20 Proposed £'m | 2020.21 Proposed £'m | 2021.22 Proposed £'m |
|-----------------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| Loans | £1,250 | £1,200 | £1,270 | £1,300 | £1,330 |
| Other Long Term Liabilities | £440 | £440 | £400 | £380 | £360 |
| Total | £1,690 | £1,640 | £1,670 | £1,680 | £1,690 |

The government removed the HRA debt cap in the October 2018 budget giving the Council more freedom to borrow to help address the city's housing needs. However, as the HRA is self-financed, any additional borrowing must remain prudent, affordable and sustainable. Consequently the operational and authorised limits below have been established which also forms part of the overall limits above.

| HRA Debt Limit | 2017.18 Actual £'m | 2018.19 Actual £'m | 2019.20 Proposed £'m | 2020.21 Proposed £'m | 2021.22 Proposed £'m |
|-------------------------|--------------------------|--------------------------|----------------------------|----------------------------|----------------------------|
| HRA Authorised Limit | £388.3 | £388.3 | £425.0 | £425.0 | £440.0 |
| HRA Operational Limit * | £388.3 | £388.3 | £388.3 | £388.3 | £388.3 |
| HRA CFR | £345.9 | £345.9 | £345.9 | £345.9 | £360.8 |
| HRA Headroom ** | £42.4 | £42.4 | £79.1 | £79.1 | £79.2 |

It should be noted that the HRA's limits are forecast to remain fairly static because the current capital investment plan anticipates to be funded from rental income or reserves built up for this purpose rather than new prudential borrowing.

The above limits, the capital financing requirement (CFR) and the underlying gross debt can be compared on the graph below:



The authorised limit is higher than the gross debt to all allow us to deal with both planned capital expenditure, future capital expenditure over and above the current planned capital expenditure and any opportunities that may arise in-year to restructure contracts. However, the projected CFR and gross debt figures represent current planned expenditure only and not potential pipeline projects that have yet to be approved.

7. Economic Backdrop

Until recently world growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken.

In the UK, the flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November Quarterly Inflation Report meeting, the Monetary Policy Committee (MPC) repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; giving a figure for this equilibrium rate of around 2.5% in ten years' time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit.

While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

In the political arena, there is a risk that the current Conservative minority government may be unable to muster a majority in the House of Commons over Brexit. However, our central position is that Prime Minister May’s government will endure, despite various setbacks, along the route to reaching an orderly Brexit in March 2019. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

Further information on the economic picture is shown in Appendix 1.

7.1 Prospects for Interest Rates

The Council has appointed Link Asset Services as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives our central view.

| | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 | Jun-20 | Sep-20 | Dec-20 | Mar-21 | Jun-21 | Sep-21 | Dec-21 | Mar-22 |
|----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bank Rate | 0.75% | 1.00% | 1.00% | 1.00% | 1.25% | 1.25% | 1.25% | 1.50% | 1.50% | 1.75% | 1.75% | 1.75% | 2.00% |
| 5yr PWLB Rate | 2.10% | 2.20% | 2.20% | 2.30% | 2.30% | 2.40% | 2.50% | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.80% |
| 10yr PWLB Rate | 2.50% | 2.60% | 2.60% | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% |
| 25yr PWLB Rate | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% | 3.50% | 3.50% | 3.60% | 3.60% |
| 50yr PWLB Rate | 2.70% | 2.80% | 2.90% | 2.90% | 3.00% | 3.10% | 3.10% | 3.20% | 3.20% | 3.30% | 3.30% | 3.40% | 3.40% |

The interest rate forecasts provided by Link Asset Services are predicated on an assumption of an agreement being reached on Brexit between the UK and the EU.

On this basis, while GDP growth is likely to be subdued in 2019 due to all the uncertainties around Brexit depressing consumer and business confidence, an agreement is likely to lead to a boost to the rate of growth in 2020 which could, in turn, increase inflationary pressures in the economy and so cause the Bank of England to resume a series of gentle increases in Bank Rate. Just how fast, and how far, those increases will occur and rise to, will be data dependent. The forecasts in this report assume a modest recovery in the rate and timing of stronger growth and in the corresponding response by the Bank in raising rates.

- In the event of no agreement but orderly exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.
- If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

However, there would appear to be a majority consensus in the House of Commons against any form of non-agreement exit from the EU so the chance of this occurring has now substantially diminished.

Forecasting economic conditions and interest rate remains difficult with so many external influences weighing on the UK. The above forecasts, (and MPC decisions), will be liable to further amendment depending on how economic data and developments in financial markets transpire over the next year. Geopolitical developments, especially in the EU, could also have a major impact. Forecasts for average investment earnings beyond the three-year time horizon will be heavily dependent on economic and political developments. These are set out more fully in Appendix 2.

7.2 Investment and borrowing rates

- Investment returns are likely to remain low during 2019/20 but then to be on a gently rising trend over the next few years.
- Borrowing interest rates have been volatile so far in 2018/19 and have increased modestly since the summer. The policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years. However, this needs to be carefully reviewed to avoid incurring higher borrowing costs in the future when authorities may not be able to avoid new borrowing to finance capital expenditure and/or the refinancing of maturing debt.
- There will remain a cost of carry, (the difference between higher borrowing costs and lower investment returns), to any new long-term borrowing that causes a temporary increase in cash balances as this position will, most likely, incur a revenue cost.

8. Borrowing strategy

The Council is currently maintaining an under-borrowed position and plans to do so while it remains prudent. This means that the capital borrowing need (the Capital Financing Requirement) has not been fully funded with loans and other credit arrangements such as PFI arrangements.

Instead cash supporting the Council's reserves, balances and working capital has been used as a temporary measure. This strategy is prudent as investment returns have remained low and counterparty risk is still an issue that needs to be considered. This approach has allowed us to avoid interest costs and thus support the revenue budget.

However, in accordance with the view taken in previous years, the Council recognises the inherent risk in operating to this strategy. As outlined in the 2018/19 Treasury Management Strategy, where there is an extension to the current low cost period, then the Council's plans for its reduction of the internal borrowing position would be reviewed, with consideration being given to maintaining the position at its

current levels, or increasing it. This has been the case during 2018/19 and therefore the underborrowing position has increased.

The Council's under borrowed position is currently supported by reasonable cash balances from reserves, grants unapplied, receipts and other sources. However, these balances are expected to fall, which in turn increases our exposure to interest rate risk.

The Council plans to mitigate its position through a further draw down of loans in 2019/20 to finance the Council's investment plans and to replenish cash balances.

Against this background and the risks within the economic forecast, caution will be adopted. The Director of Finance & Commercial Services will continue to monitor the interest rate environment and market borrowing rates and adopt a pragmatic approach to changing circumstances.

However, if it is felt that there is likely to be a sharp fall in the cost of borrowing, or a further extension to the current low cost period, then the Council's plans for its reduction of the internal borrowing position will be reviewed again; with consideration being given to maintaining the position at its current levels, or increasing it. Alternatively, use short term borrowing to defer longer term borrowing until rates had fallen sufficiently.

Conversely, if it was felt that there was a significant risk that the cost of borrowing was likely to increase beyond that currently being forecast perhaps arising from a sudden increase in inflation risks, an acceleration in the rate of increase in central rates in the USA, a start of borrowing rate increases in the UK, or an increase in world economic activity then the Director of Finance & Commercial Services will give consideration to taking on more fixed-rate loans whilst interest rates are still lower than they would be in future years.

The cost of borrowing is likely to continue to be effected by global events. The 2018 financial year has seen 'event-risk' consistently effect both borrowing and investment rates as global instability has intermittently pushed investors back into safe-haven assets. The pace of recovery in the global economy will also weigh heavily on demand for sovereign debt.

Any decisions on the drawdown of loans will be reported to the Cabinet Member for Finance at the next available opportunity.

8.1 Treasury management limits on activity

There are three debt related treasury activity limits. The purpose of these are to restrain the activity of the treasury function within certain limits, thereby managing risk and reducing the impact of any adverse movement in interest rates. However, if these are set to be too restrictive they will impair the opportunities to reduce costs / improve performance. The indicators are:

- Upper limits on variable interest rate exposure. This identifies a maximum limit for variable interest rates based upon the debt position net of investments;
- Upper limits on fixed interest rate exposure. This is similar to the previous indicator and covers a maximum limit on fixed interest rates;
- Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing, and are required for upper and lower limits.

The Council is asked to approve the following treasury indicators and limits:

| Limits on interest rate exposure based on net debt | 2018.19 Forecast | 2019.20 Budget | 2020.21 Estimate | 2021.22 Estimate |
|--|------------------|----------------|------------------|------------------|
| | Upper | Upper | Upper | Upper |
| Fixed interest rates (%) | 100% | 100% | 100% | 100% |
| Variable interest rates (£'m) | £110 | £110 | £155 | £170 |

The above table indicates our desire not to increase the number of variable rate loans we have beyond our current floating-rate lender option buyer option (LOBO) bank loans. The increases in variable rate limits above are exclusively from existing LOBO loans entering their call period.

| Maturity structure of fixed interest rate borrowing: | 2019.20 | |
|--|---------|-------|
| | Lower | Upper |
| Under 12 months | 2% | 5% |
| 12 months to 2 years | 1% | 5% |
| 2 years to 5 years | 4% | 8% |
| 5 years to 10 years | 11% | 15% |
| 10 years to 20 years | 18% | 25% |
| 20 years to 30 years | 13% | 20% |
| 30 years to 40 years | 22% | 25% |
| 40 years to 50 years | 17% | 20% |
| Over 50 years | 9% | 15% |

The above table shows the Council's desire to avoid having too many loans maturing in any one period; but retain flexibility over the term of any new borrowing to take advantage of the yield curve. The Council currently expects the majority of its loans

to mature in the medium term, supporting the HRA business plan and aligning maturities to our CFR profiles to avoid over-borrowing situations.

| Maturity structure of variable interest rate | 2019.20 | |
|--|---------|-------|
| | Lower | Upper |
| Under 12 months* | 0% | 100% |
| 12 months to 2 years | 0% | 0% |
| 2 years to 5 years | 0% | 0% |
| 5 years to 10 years | 0% | 0% |
| 10 years + | 0% | 0% |

The above table is reflective of our floating-rate LOBO bank loans. The bank has the option to re-set the interest rate on these loans, typically every six months. As the Council then has the option to accept the rate or repay these loans, we are required to show them as maturing within 12 months for the purposes of this indicator.

The Council monitors the potential for the rates on these loans to re-set, but does not believe this is likely during the next twelve months. Accordingly, and despite this indicator, we do not expect to repay these loans during the financial year.

8.2 Policy on Borrowing in Advance of Need

The Council will not borrow more than, or in advance of, its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.

Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

8.3 Debt Rescheduling

As short term borrowing rates will be considerably cheaper than longer term fixed interest rates, there may be opportunities to generate savings by switching from long term debt to short term debt. However, these savings will need to be considered in the light of the current treasury position, the cost of debt repayment premiums incurred, and changes to the council risk exposure.

The reasons for any rescheduling to take place will include:

- the generation of cash savings and / or discounted cash flow savings;
- helping to fulfil the treasury strategy;
- enhance the balance of the portfolio (amend the maturity profile and/or the balance of volatility).

Consideration will also be given to identify if there is any residual potential for making savings by running down investment balances to repay debt prematurely as short term rates on investments are likely to be lower than rates paid on current debt.

During 2018/19, the Council has restructured the inverse LOBO previously held with a lender; as they offered a significant discount on the premium due on early redemption of the loan. In accepting this offer and by re-financing the principal repaid from the PWLB, the Council's cost of borrowing has been reduced as has the risk associated with variable rate debt.

8.4 Municipal Bond Agency

The Municipal Bond Agency is aiming to offer loans to local authorities in the near future at borrowing rates will be lower than those offered by the Public Works Loan Board. The Council may consider making use of this new source of borrowing as and when appropriate.

9. Annual Ethical Investment Strategy

The Council's investment policy has regard to the government's Guidance on Local Government Investments ("the Guidance") and the CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2017 ("the CIPFA TM Code").

The Council's investment priorities will be security first, portfolio liquidity second and then return (yield). This ensures we do not chase yield at the expense of the security of our investment.

The Council will not knowingly invest in businesses whose activities and practices are inconsistent with the Council's values. To that end, the Council commits not to hold any direct investments in fossil fuels, tobacco or arms companies or to the best of our knowledge companies involved in tax evasion or grave misconduct.

In accordance with the above guidance from government and CIPFA, and in order to minimise the risk to investments, the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties for inclusion on the lending list. This approach also enables diversification of counterparties and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.

Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets.

The creditworthiness methodology (see section 9.1 below) used to create the counterparty list fully accounts for the ratings, watches, and outlooks, published by all three ratings agencies with a full understanding of what these reflect in the eyes of each agency. Using these ratings services, potential counterparty ratings are monitored on a real time basis with knowledge of any changes notified electronically.

The intention of the strategy is to provide security of investment and minimisation of risk. The strategy also enables the Council to operate a diversified investment portfolio to avoid an over concentration of risk.

Investment instruments identified for use in the financial year are listed under the 'specified' and 'non-specified' investments categories. Counterparty limits will be as set through the Council's treasury management practices.

9.1 Creditworthiness Approach

This Council applies the creditworthiness service provided by Link Asset Services. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:

- credit watches and credit outlooks from credit rating agencies;
- CDS spreads to give early warning of likely changes in credit ratings; and
- sovereign ratings to select counterparties from only the most creditworthy countries.

This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads. The end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands :

| Colour Band | Duration |
|--------------------|--|
| Yellow | 5 years * |
| Dark pink | 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25 |
| Light pink | 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5 |
| Purple | 2 years |
| Blue | 1 year (only applies to nationalised or semi-nationalised UK Banks) |
| Orange | 1 year |
| Red | 6 months |
| Green | 100 days |
| No colour | not to be used |

| | | | | | | | | |
|------------|------------|------------|------------|-----------|-----------|-------------|---------------|-----------|
| Y | Pi1 | Pi2 | P | B | O | R | G | N/C |
| 1 | 1.25 | 1.5 | 2 | 3 | 4 | 5 | 6 | 7 |
| Up to 5yrs | Up to 5yrs | Up to 5yrs | Up to 2yrs | Up to 1yr | Up to 1yr | Up to 6mths | Up to 100days | No Colour |

Whilst the above gives the council scope to invest for periods in excess of 12 months, the Council does not expect to do so during 2019/20. Should it choose to do so, the action will be reported to the Cabinet Member for Finance at the earliest available opportunity.

Link Asset Services' creditworthiness service uses a wide array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue significance to just one agency's ratings.

Typically the minimum credit ratings criteria the Council use will be a short term rating (Fitch or equivalents) of short term rating F1, and a long term rating A. There may be occasions when the counterparty ratings from one rating agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.

| | Colour (and long term rating where applicable) | Money and / or % Limit | Time Limit |
|---|--|------------------------|------------|
| Banks * | Yellow | 100% | 5 years |
| Banks | Purple | £30m | 2 years |
| Banks | Orange | £30m | 1 year |
| Banks – part nationalised** | Blue | £50m | 1 year |
| Banks – UK only | Red | £20m | 6 months |
| Banks – non UK | Red | £15m | 6 months |
| Banks | Green | £10m | 100 days |
| Banks | No colour | Not to be used | |
| Council's banker in the event of the bank being 'no colour' | - | 100 % | 5 days *** |
| DMADF | UK Sovereign Rating | 100% | 6 months |
| Local authorities | n/a | £30m | 5yrs |
| Money market funds CNAV**** | AAA | 100 % | liquid |
| Money market funds LVNAV***** | AAA | 100 % | liquid |
| Money market funds VNAV***** | AAA | £30m | liquid |

| | Colour (and long term rating where applicable) | Money and / or % Limit | Time Limit |
|--|--|------------------------|------------|
| Ultra-Short Dated Bond Funds with a credit score of 1.25 | Dark pink / AAA | 100 % | liquid |
| Ultra-Short Dated Bond Funds with a credit score of 1.5 | Light pink / AAA | 100 % | liquid |

* Please note: the yellow colour category is for UK Government debt, or its equivalent, constant net asset value money market funds and collateralised deposits where the collateral is UK Government debt.

** When placing deposits with part nationalised banks the Council will take care to review when it expects the UK Government to divest its interest in the institution, and the impact this move would have on the Council's view of the institutions security.

*** to cover period to next working day allowing for weekends and bank holidays e.g. Easter

**** CNAV refers to Constant Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a constant Net Asset Value (£1 in / £1 out)

***** LVNAV refers to Low Volatility Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a stable Net Asset Value to two decimal places, provided the fund is managed to certain restrictions

***** VNAV refers to Variable Net Asset Value Money Market Funds where the price may vary

All credit ratings will be monitored weekly. The Council is alerted to changes to ratings of all three agencies through its use of the Link Asset Services creditworthiness service.

- if a downgrade results in the counterparty / investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
- in addition to the use of credit ratings, the Council will be advised of information in movements in credit default swap spreads against the iTraxx benchmark and other market data on a weekly basis. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.

Sole reliance will not be placed on the use of this external service. The Council will also use market data and market information, information on government support for banks, and the credit ratings of that supporting government.

9.2 Country limits

The Council has determined that it will only use approved counterparties from the UK and from countries with a minimum sovereign credit rating of AA- from Fitch (or Equivalent).

The list of countries that qualify using this credit criteria as at the date of this report are shown in an appendix 4. This list will be added to, or deducted from, by officers should ratings change in accordance with this policy.

9.3 Investment strategy

When considering its investments the Council will consider:

- Its longer term cash balances. This is cash available for use in the medium to long term, and comes from reserves, grants and receipts that are yet to be spent;
- Short term cash flow requirements that arise on a daily or weekly basis; and
- Expectations on interest rates. Important when determining a required rate of return on the Council's investments.

Bank Rate is forecast to increase steadily but slowly over the next few years to reach 2.00% by quarter 1 2022. Base rate forecasts for financial year ends (March) are as follows:

| Year | 2018.19 | 2019.20 | 2020.21 | 2021.22 |
|-----------------------|---------|---------|---------|---------|
| UK Base Rate Forecast | 0.75% | 1.25% | 1.50% | 2.00% |

The overall balance of risks to economic growth in the UK is probably neutral.

The balance of risks to increase the Bank Rate and short term PWLB rates are probably also even; and are dependent on how strong GDP growth turns out, how slowly inflation pressures subside, and how quickly Brexit negotiations move forward positively.

The suggested budgeted investment earnings rates for returns on investments placed for periods up to 100 days during each financial year for the next few years are as follows:

| Year | 2018.19 | 2019.20 | 2020.21 | 2021.22 | 2022.23 | 2023.24 |
|------------------|---------|---------|---------|---------|---------|---------|
| Proposed Returns | 0.75% | 1.00% | 1.50% | 1.75% | 1.75% | 2.00% |

The Council also offers an indicator for the forecast total funds invested for greater than 365 days. These limits are set with regard to the Council's cash requirements and to reduce the need for early sale of an investment and are based on the availability of funds after each year end.

The Council does not expect to place deposits with maturity dates in excess of 12 months, but should it do so the monetary value of those deposits will not exceed:

| Sums Invested- greater than 365 days | 2018.19 | 2019.20 | 2020.21 | 2021.22 |
|---|----------------|----------------|----------------|----------------|
| Maximum Amount | £30m | £30m | £30m | £30m |

The Council is asked to approved the above treasury indicator and limits

9.4 Investment benchmark

The Council will continue to use the un compounded 3 month LIBID rate as a benchmark for its investment returns.

9.5 End of year investment report

At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Outturn Report.

Appendix 1 – Economic Backdrop

GLOBAL OUTLOOK

World growth has been doing reasonably well, aided by strong growth in the US. However, US growth is likely to fall back in 2019 and, together with weakening economic activity in China and the Eurozone, overall world growth is likely to weaken.

Inflation has been weak during 2018 but, at long last, unemployment falling to remarkably low levels in the US and UK has led to an acceleration of wage inflation. The US Fed has therefore increased rates nine times and the Bank of England twice. However, the ECB is unlikely to start raising rates until late in 2019 at the earliest.

KEY RISKS - central bank monetary policy measures

Looking back on nearly ten years since the financial crash of 2008 when liquidity suddenly dried up in financial markets, it can be assessed that central banks' monetary policy measures to counter the sharp world recession were successful. The key monetary policy measures they used were a combination of lowering central interest rates and flooding financial markets with liquidity, particularly through unconventional means such as quantitative easing (QE), where central banks bought large amounts of central government debt and smaller sums of other debt.

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have, indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action

wrong are now key risks. At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

The world economy also needs to adjust to a sharp change in liquidity creation over the last five years where the US has moved from boosting liquidity by QE purchases, to reducing its holdings of debt (currently about \$50bn per month). In addition, the European Central Bank ended its QE purchases in December 2018.

UK. The flow of positive economic statistics since the end of the first quarter of 2018 has shown that pessimism was overdone about the poor growth in quarter 1 when adverse weather caused a temporary downward blip. Quarter 1 at 0.1% growth in GDP was followed by a return to 0.4% in quarter 2 and by a strong performance in quarter 3 of +0.6%. However, growth in quarter 4 is expected to weaken significantly.

At their November quarterly Inflation Report meeting, the MPC repeated their well-worn phrase that future Bank Rate increases would be gradual and would rise to a much lower equilibrium rate, (where monetary policy is neither expansionary or contractionary), than before the crash; indeed they gave a figure for this of around 2.5% in ten year's time, but declined to give a medium term forecast. However, with so much uncertainty around Brexit, they warned that the next move could be up or down, even if there was a disorderly Brexit. While it would be expected that Bank Rate could be cut if there was a significant fall in GDP growth as a result of a disorderly Brexit, so as to provide a stimulus to growth, they warned they could also raise Bank Rate in the same scenario if there was a boost to inflation from a devaluation of sterling, increases in import prices and more expensive goods produced in the UK replacing cheaper goods previously imported, and so on. In addition, the Chancellor could potentially provide fiscal stimulus to support economic growth, though at the cost of increasing the budget deficit above currently projected levels.

It is unlikely that the MPC would increase Bank Rate in February 2019, ahead of the deadline in March for Brexit. Getting parliamentary approval for a Brexit agreement on both sides of the Channel will take well into spring 2019. However, in view of the hawkish stance of the MPC at their November meeting, the next increase in Bank Rate is now forecast to be in May 2019, (on the assumption that a Brexit deal is agreed by both the UK and the EU). The following increases are then forecast to be in February and November 2020 before ending up at 2.0% in February 2022.

The Consumer Price Index (CPI) measure of inflation has been falling from a peak of 3.1% in November 2017 to 2.1% in December 2018. In the November Bank of England quarterly Inflation Report, inflation was forecast to still be marginally above its 2% inflation target two years ahead, (at about 2.1%), given a scenario of minimal increases in Bank Rate.

As for the labour market figures in October, unemployment at 4.1% was marginally above a 43 year low of 4% on the Independent Labour Organisation measure. A combination of job vacancies hitting an all-time high, together with negligible growth in total employment numbers, indicates that employers are now having major difficulties filling job vacancies with suitable staff. It was therefore unsurprising that wage inflation picked up to 3.3%, (3 month average regular pay, excluding bonuses). This meant that in real terms, (i.e. wage rates less CPI inflation), earnings are currently growing by about 1.2%, the highest level since 2009. This increase in household spending power is likely to feed through into providing some support to the overall rate of economic growth in the coming months. This tends to confirm that the MPC was right to start on a cautious increase in Bank Rate in August as it views wage inflation in excess of 3% as increasing inflationary pressures within the UK economy.

In the political arena, the Brexit deal put forward by the Conservative minority government was defeated on the 15th January 2019. It is unclear, at the time of writing, how this situation will move forward. However, our central position is that Prime Minister May's government will endure, despite various setbacks, along the route to reaching an orderly Brexit though the risks are increasing that it may not be possible to get a full agreement by the UK and the EU before 29th March 2019; in which case this withdrawal date is likely to be pushed back to a new date. If, however, the UK faces a general election in the next 12 months, this could result in a potential loosening of monetary and fiscal policy and therefore medium to longer dated gilt yields could rise on the expectation of a weak pound and concerns around inflation picking up.

USA. President Trump's massive easing of fiscal policy is fuelling a (temporary) boost in consumption which has generated an upturn in the rate of strong growth which rose from 2.2% (annualised rate), in quarter 1 to 4.2% in quarter 2 and 3.5%, (3.0% y/y), in quarter 3, but also an upturn in inflationary pressures. The strong growth in employment numbers and the reduction in the unemployment rate to 3.9%, near to a recent 49 year low, has fed through to an upturn in wage inflation which hit 3.2% in November, However, CPI inflation overall fell to 2.2% in November and looks to be on a falling trend to drop below the Fed's target of 2% during 2019. The Fed has continued to increase interest rates with another 0.25% increase in December to between 2.25% and 2.50%, this being the fifth increase in 2018 and the ninth in this cycle. However, they did also reduce their forecast for further increases from three to two. This latest increase compounded investor fears that the Fed is over doing the speed and level of increases in rates and that it is going to cause a US recession as a result. There is also much evidence in previous monetary policy cycles, of the Fed's series of increases doing exactly that. Consequently, we have seen stock markets around the world falling under the weight of fears around the Fed's actions, the trade war between the US and China and an expectation that world growth will slow.

The tariff war between the US and China has been generating a lot of heat during 2018, but it is not expected that the current level of actual action would have much in the way of a significant effect on US or world growth. However, there is a risk of escalation if an agreement is not reached soon between the US and China. The results of the mid-term elections are not expected to have a material effect on the economy.

Eurozone - Growth was 0.4% in quarters 1 and 2 but fell back to 0.2% in quarter 3, though this was probably just a temporary dip. In particular, data from Germany has been mixed and it could be negatively impacted by US tariffs on a significant part of its manufacturing exports e.g. cars. For that reason, although growth is still expected to be in the region of nearly 2% for 2018, the horizon is less clear than it seemed just a short while ago. Having halved its quantitative easing purchases of debt in October 2018 to €15bn per month, the European Central Bank ended all further purchases in December 2018. The ECB is forecasting inflation to be a little below its 2% top limit through the next three years so it may find it difficult to warrant a start on raising rates by the end of 2019 if the growth rate of the EU economy is on a weakening trend.

China - Economic growth has been weakening over successive years, despite repeated rounds of central bank stimulus; medium term risks are increasing. Major progress still needs to be made to eliminate excess industrial capacity and the stock of unsold property, and to address the level of non-performing loans in the banking and credit systems. Progress has been made in reducing the rate of credit creation, particularly from the shadow banking sector, which is feeding through into lower economic growth. There are concerns that official economic statistics are inflating the published rate of growth.

Japan - has been struggling to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. It is also making little progress on fundamental reform of the economy. It is likely that loose monetary policy will endure for some years yet to try to stimulate growth and modest inflation.

Emerging countries - Argentina and Turkey are currently experiencing major headwinds and are facing challenges in external financing requirements well in excess of their reserves of foreign exchange. However, these countries are small in terms of the overall world economy, (around 1% each), so the fallout from the expected recessions in these countries will be minimal.

Appendix 2 - Downside and Upside risks

Downside risks to current forecasts for UK gilt yields and PWLB rates currently include:

- Brexit may to cause significant economic disruption and a major downturn in the rate of growth.
- Bank of England monetary policy takes action too quickly, or too far, over the next three years to raise Bank Rate and causes UK economic growth, and increases in inflation, to be weaker than we currently anticipate.
- A resurgence of the Eurozone sovereign debt crisis, possibly in Italy, due to its high level of government debt, low rate of economic growth and vulnerable banking system, and due to the election in March of a government which has made a lot of anti-austerity noise. The EU rejected the initial proposed Italian budget and demanded cuts in government spending which the Italian government initially refused. However, a fudge was subsequently agreed but only by delaying the planned increases in expenditure to a later year. This can have therefore only been kicked down the road to a later time. The rating agencies have started on downgrading Italian debt to one notch above junk level. If Italian debt were to fall below investment grade, many investors would be unable to hold it. Unsurprisingly, investors are becoming increasingly concerned by the words and actions of the Italian government and consequently, Italian bond yields have risen – at a time when the government faces having to refinance large amounts of debt maturing in 2019.
- Weak capitalisation of some European banks. Italian banks are particularly vulnerable; one factor is that they hold a high level of Italian government debt - debt which is falling in value. This is therefore undermining their capital ratios and raises the question of whether they will need to raise fresh capital to plug the gap.
- Minority Eurozone governments such as Germany, Spain, Portugal, Ireland, the Netherlands and Belgium all have vulnerable minority governments dependent on coalitions which could prove fragile. Sweden is also struggling to form a government due to the anti-immigration party holding the balance of power, and which no other party is willing to form a coalition with. The Belgian coalition collapsed in December 2018 but a minority caretaker government has been appointed until the May EU wide general elections.
- Further increases in interest rates in the US could spark a sudden flight of investment funds from more risky assets e.g. shares, into bonds yielding a much improved yield. Throughout the last quarter of 2018, we saw a sharp fall in equity markets but this has been limited, as yet. Emerging countries which have borrowed heavily in dollar denominated debt, could be particularly exposed to this risk of an investor flight to safe havens e.g. UK gilts.

- US corporate debt has swollen massively during the period of low borrowing rates in order to finance mergers and acquisitions. This has resulted in the debt of many large corporations being downgraded to a BBB credit rating, close to junk status. Indeed, 48% of total investment grade corporate debt is now rated at BBB. If such corporations fail to generate profits and cash flow to reduce their debt levels as expected, this could tip their debt into junk ratings which will increase their cost of financing and further negatively impact profits and cash flow.
- Geopolitical risks, especially North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

The potential for upside risks to current forecasts for UK gilt yields and PWLB rates, especially for longer term PWLB rates include: -

- Brexit, if both sides were to agree by the 29th March 2019 a compromise that quickly removed all threats of economic and political disruption and so led to an early boost to the UK economy.
- The Fed causing a sudden shock in financial markets through misjudging the pace and strength of increases in its Fed Funds Rate and in the pace and strength of reversal of QE, which then leads to a fundamental reassessment by investors of the relative risks of holding bonds, as opposed to equities. This could lead to a major flight from bonds to equities and a sharp increase in bond yields in the US, which could then spill over into impacting bond yields around the world.
- The Bank of England is too slow in its pace and strength of increases in Bank Rate and, therefore, allows inflation pressures to build up too strongly within the UK economy, which then necessitates a later rapid series of increases in Bank Rate faster than we currently expect.
- UK inflation, whether domestically generated or imported, returning to sustained significantly higher levels causing an increase in the inflation premium inherent to gilt yields.

Appendix 3 - Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS:

All such investments will be sterling denominated, with **maturities up to a maximum of 1 year**, meeting the minimum ‘high’ quality criteria where applicable.

The following specified investment instruments, along with their minimum credit rating, have been outlined below:

| | * Minimum credit criteria / colour band | ** Max % of total investments / £ limit per institution | Max Maturity Period |
|--|--|--|---|
| DMADF – UK Government | UK sovereign rating | 100% | 6 months |
| UK Government Gilt | UK sovereign rating | 100% | 12 months |
| UK Government Treasury Bills | UK sovereign rating | | 12 months |
| Bonds issued by multilateral development banks | AAA | 100% | 6 months |
| Money market funds CNAV | AAA | 100% | Liquid |
| Money market funds LVNAV | AAA | 100% | Liquid |
| Money market funds VNAV | AAA | £30m | Liquid |
| Ultra-Short Dated Bond funds with a credit score of 1.25 | AAA | 100% | Liquid |
| Ultra-Short Dated Bond funds with a credit score of 1.5 | AAA | 100% | Liquid |
| Local authorities | N/A | 100% | 5 years |
| Term deposits with banks and building societies | Blue Orange Red Green No Colour | | 12 months 12 months 6 months 100 days Not for use |

| | * Minimum credit criteria / colour band | ** Max % of total investments / £ limit per institution | Max Maturity Period |
|--|--|--|---|
| CDs or corporate bonds with banks and building societies | Blue Orange Red Green No Colour | | 12 months 12 months 6 months 100 days Not for use |

NON-SPECIFIED INVESTMENTS:

These are any investments which do not meet the specified investment criteria. Non-specified investments are typically viewed as being riskier than specified investments. A maximum of £30m will be held in aggregate in non-specified investment.

A variety of investment instruments are outlined below. The Council has selected these instruments based on their high credit quality.

The criteria, time limits and monetary limits applying to institutions or investment vehicles are:

| | * Minimum credit criteria / colour band | ** Max % of total investments/ £ limit per institution | Max. maturity period |
|------------------------------|--|---|-----------------------------|
| UK Government gilts | UK sovereign rating | 100% | 5 years |
| UK Government Treasury bills | UK sovereign rating | 100% | 5 years |
| Local authorities | N/A | 100% | 5 years |
| Gilt funds | UK sovereign rating | 100% | 5 years |
| Banks | Purple | 100% | 2 years |
| | Yellow | 100% | 5 years |

Accounting Treatment of Investments

The accounting treatment may differ from the underlying cash transactions arising from investment decisions made by the Council. To ensure the Council is protected from any adverse revenue impact, which may arise from these differences, we will review the accounting implications of new transactions before they are undertaken.

Appendix 4 - Approved countries for investments:

This list is based on the lowest available sovereign rating from the three main rating agencies: Fitch, Moody's and Standard & Pools.

AAA

- Australia
- Canada
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland
- U.S.A

AA+

- Finland
- Hong Kong
- Austria

AA

- Abu Dhabi (UAE)
- France
- U.K.
- New Zealand

AA-

- Belgium
- Qatar

Pay Policy Statement

Background

1. Sheffield City Council is required under Sections 38 – 43 of the Localism Act 2011 to publish its pay policy; Sheffield City Council has routinely, on an annual basis, published data on all posts which have remuneration above £50,000.
2. The Council continues to monitor closely its senior management posts and keeps the structure under review to ensure it continues to be fit for purpose.
3. This policy statement does not cover or include staff employed by schools and is not required to do so.
4. This policy statement is required to be considered and approved by full Council at the Council meeting.

Definition of Officers Covered by this Policy Statement

5. This policy statement covers the following posts, and full details of these posts are attached at **Annex 1**.
 - a) **Head of the Paid Service**, required by Local Government & Housing Act 1989, in Sheffield City Council is the post of the Chief Executive
 - b) **Statutory Chief Officers**, which in Sheffield City Council are the posts of:
 - i) Director of Adult Services (under Local Authority Social Services Act 1970)
 - ii) Executive Director of People (Director of Children's Services under Children's Act 2004)
 - iii) Director of Legal and Governance (Monitoring Officer, also required by the Local Government & Housing Act 1989)
 - iv) Executive Director of Resources (Chief Finance Officer under Sec 151 of Local Government Act 1972)
 - v) Director of Public Health (required under National Health Service Act 2006).
 - c) **Non-statutory Chief Officers** (those who report to the Head of Paid Service or Statutory Officer)
 - d) **Chief Officers** (those who report to Non Statutory Chief Officers)

Pay Policy Statement

6. Sheffield City Council's aim on matters of remuneration is to have in place an approach that enables the authority to:
- Recruit and retain people with the skills and expertise to deliver high quality services to the citizens of Sheffield City Council;
 - Manage employee remuneration in a manner that is fair, transparent and reasonable;
 - Take account of national and regional pay policy and market trends in the context of local government;
 - Have a framework for managing the range of pay across the Council's workforce, this is known as pay ratios;
 - Have simple uniform packages across all employment groups and to manage pay matters within national guidelines and agreements;
 - Protect and remunerate low paid employees at appropriate levels and this includes the Council's commitment to the Living Wage, and;
 - Protect jobs and services for as long as reasonably possible and this includes a prudent, affordable and fair approach to pay.

Policy on Remunerating Chief Officers

7. Sheffield City Council's policy is to pay Chief Officers' basic annual salary; Chief Officers' salaries do not attract enhancements or bonus of any kind. There are no additional enhancements to redundancy payments, pension contributions or pension payments outside of the Council's normal arrangements for all Sheffield City Council employees. Travel and other expenses are paid through the normal authority procedures.
8. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time. Grading decisions are determined through a process of Job Evaluation which assesses the key factors of each role. The Chief Officer Grading Structure is attached as **Annex 2**.
9. Recruitment to a Chief Officer post is undertaken by the Senior Officers Employment Committee which is a sub committee of the Council; membership is agreed by Council on an annual basis. All recommendations for appointment at this level are ratified by Cabinet.

10. All posts will be advertised and appointed to at the appropriate approved salary for the post in question, unless there is good evidence that a successful appointment of a person with the required skills, knowledge, experience, abilities and qualities cannot be made without varying the remuneration package. In such circumstances a variation to the remuneration package may be appropriate under the authority's policy and any variation will be approved through the appropriate authority decision making process.
11. The authority will apply any pay increases that are agreed by relevant national negotiating bodies and/or any pay increases that are agreed through local negotiations. The authority will also apply any pay increases that are as a result of authority decisions to significantly increase the duties and responsibilities of the post in question beyond the normal flexing of duties and responsibilities that are expected in senior posts.
12. The authority will not make additional payments beyond those specified in the contract of employment unless varied by the appropriate authority decision making process.
13. The Council sets and makes payment to the Returning Officer for the management and administration of local elections. The Returning Officer will make payments to those officers who undertake specific duties in relation to the elections (including Chief Officers) dependent on their role.
14. It should be noted that any fees payable for duties in connection with Parliamentary and European elections, election for Police Commissioners or referenda are recouped from Central Government subject to a prescribed aggregate maximum amount, and are not funded by the Council.
15. The authority does not operate a performance related pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.
16. The authority does not operate an earn-back pay system as it believes that it has sufficiently strong performance management arrangements in place to ensure high performance from its senior officers. Any areas of under-performance are addressed rigorously.

Policy on Remunerating the Lowest Paid in the Workforce

17. The authority applies terms and conditions of employment that have been negotiated and agreed through appropriate collective bargaining mechanisms (national or local) or as a consequence of authority decisions, these are incorporated into contracts of employment. The lowest pay point in this authority

is Grade 1, point 1; this relates to an annual salary of £17,346 and can be expressed as an hourly rate of pay of £8.99 (April 2019 to March 2020).

18. A decision was taken at Cabinet on 16 January 2013 to uplift the pay of employees earning less than the nationally recognised Living Wage.
19. From April 2019 this will increase to £9.00 per hour. The payment will be made as a supplement which will be reviewed on an annual basis.
20. Pay rates are increased in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services.

Remuneration ratios

21. The requirement for the Policy also reflects the concerns over low pay highlighted in Will Hutton's 2011 Review of Fair Pay in the Public Sector. This stated that the ratio between the highest paid salary and the median average, should provide a pay multiple of no more than 20:1. It is not a requirement to publish this ratio as part of the Council's Pay Policy Statement, but is a requirement of the Local Government Transparency Code 2014. Currently in this authority the ratio between the highest salary (£195,905) and the median average salary (£23,958) is 8.18:1. This demonstrates the authority's commitment to a fair approach to pay.

Approval of Salary Packages in Excess of £100k

22. The authority will ensure that, at the latest before an offer of appointment is made, any salary package for any post (not including schools) that is in excess of £100k will be considered by full Council. The salary package will be defined as base salary, any fees, routinely payable allowances and benefits in kind that are due under the contract.

Flexibility to Address Recruitment Issues for Vacant Posts

23. In the vast majority of circumstances the provisions of this policy will enable the authority to ensure that it can recruit effectively to any vacant post. There may be exceptional circumstances when there are recruitment difficulties for a particular post and where there is evidence that an element or elements of the remuneration package are not sufficient to secure an effective appointment. This policy statement recognises that this situation may arise in exceptional circumstances and therefore a departure from this policy can be implemented without having to seek full Council approval for a change of the policy statement. Such a departure from this policy will be expressly justified in each case and will be approved through an appropriate authority decision making route.

Amendments to the Policy

24. As the policy covers the period April 2019 to the end of March 2020, amendments may need to be made to the policy throughout the relevant period.

As the Localism Act 2011 requires that any amendments are approved by the Council by resolution, proposed amendments will be reported to the Cabinet Member for Finance and Resources for recommendation to the Council.

Policy for Future Years

25. This policy statement will be reviewed each year and will be presented to full Council each year for consideration in order to ensure that a policy is in place for the authority prior to the start of each financial year.

Mark Bennett
Director of Human Resources
January 2019

Annex 1 – Chief Officer Posts

None of the Post holders listed below receives an honorarium payment for increased duties and responsibilities. Nor do any receive a payment related to joint authority duties.

| Status | Post | Base Salary (£) | Other Payments |
|---|---|-----------------|--|
| Head of Paid Service | Chief Executive | 195,905 | The Returning Officer's fee is based upon that payable at a national election and is variable dependent upon the type of election taking place. The Chief Executive will not be taking fees for local elections. |
| Statutory Chief Officers which in Sheffield City council are the posts of: | Executive Director of People (Director of Children's Services under Children's Act) | 146,930 | |
| | Director of Adult Services under LASSA 1970 | 107,338 | |
| | Director of Legal and Governance (Monitoring Officer) | 88,384 | Election duty fees are in accordance with normal authority procedures. |
| | Executive Director of Resources (Chief Finance Officer under Sec 151 of LGA1972) | 146,930 | |
| | Director of Public Health | 120,359 | |
| Non Statutory Chief Officers (those who report to the Head of the Paid Service or a Statutory Officer) which in Sheffield City Council are the posts of: | Executive Director of Place | 150,193 | |
| | Director of Policy and Performance | 88,384 | |
| | Director of Children and Families (People) | 106,029 | |
| | Director of Business Strategy (People) | 88,384 | |
| | Children's & Schools Commissioner | 88,384 | |

| | | | |
|--|--|---|--|
| | Director of Human Resources & Customer Services (Resources) | 88,384 | |
| | Director of Finance & Commercial Services (Resources) | 85,258 | |
| | Director of Business Change and Information Solutions | 95,030 | |
| | Director of Transport and Facilities Management (Resources) | 88,384 | |
| Chief Officers (those who report to Non Statutory Chief Officers) which in Sheffield City Council are the posts of: | Director of Housing Services (Place) | 97,246 | |
| | Director of Regeneration & Development Services (Place) | 95,030 | |
| | Director of Culture and Environment (Place) | 96,138 | |
| | Director of Business Strategy (Place) | 88,384 | |
| | Director of Capital & Major Projects (Place) | 97,246 | |
| | Assistant Director of Legal & Governance (Deputy Monitoring Officer) | 63,031 x 2 Directors in same post - only one of these acts as Deputy Monitoring Officer | |

Annex 2 - Chief Officer Grading Structure

| Grade Desc | Spinal Pt | 01/04/2019 |
|--------------------|-----------|------------|
| DG 7 | 1 | 58,728 |
| | 2 | 60,164 |
| | 3 | 61,599 |
| | 4 | 63,031 |
| DG 6 | 1 | 69,090 |
| | 2 | 70,771 |
| | 3 | 72,452 |
| | 4 | 74,136 |
| DG 5 | 1 | 79,294 |
| | 2 | 81,283 |
| | 3 | 83,270 |
| DG4 | 1 | 85,258 |
| | 2 | 87,242 |
| | 3 | 88,384 |
| DG3 | 1 | 90,597 |
| | 2 | 92,814 |
| | 3 | 95,030 |
| | 4 | 97,246 |
| DG2 | 1 | 99,673 |
| | 2 | 102,166 |
| | 3 | 104,720 |
| | 4 | 107,338 |
| DG 1 | 1 | 111,963 |
| | 2 | 114,596 |
| | 3 | 117,534 |
| | 4 | 120,359 |
| | 5 | 123,247 |
| EXECUTIVE DIRECTOR | 1 | 124,069 |
| | 2 | 130,611 |
| | 3 | 137,140 |
| | 4 | 143,668 |
| | 5 | 150,193 |
| Chief Executive | | 195,905 |

Budget 2019-20 Equality Impact Assessment

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Purpose

1. The purpose of the Revenue Budget report is to:
 - Approve the City Council's revenue budget for 2019/20, including the position on reserves and balances;
 - Approve a 2019/20 Council Tax for the City Council, and;
 - Note the levies and precepts made on the City Council by other authorities.

Background

2. Section 149 of the Equality Act 2010, the Public Sector Equality Duty states that a Public Authority must, in the exercise of its functions, have due regard to:
 - Eliminating discrimination, harassment, and victimisation.
 - Advancing equality of opportunity.
 - Fostering good relations.
3. Having due regard to these involves:
 - Removing or minimising disadvantage suffered by persons.
 - Taking steps to meet the needs of persons with different characteristics.
 - Encouraging people to participate in public life.
 - Tackling prejudice and promote understanding.
 - Taking steps to take account of a person's disabilities.
4. This is with regard both to people who share Protected Characteristics under the Act and those who don't. The Duty means we need to understand the effect of our policies and practices have on inequality. To do this we will examine the available evidence and work with staff and service users to consider the impact of Council activity and actions on the people who share protected characteristics. One of the ways we do this is through conducting Equality Impact Assessments (EIAs).
5. The Council-wide EIA and the individual service EIAs on budget proposals that underpin it are focused on the impact on the protected characteristics in the Equality Act 2010. These are age, disability, race, marriage and civil partnership, sex, sexual orientation, religion/belief, gender reassignment, pregnancy & maternity.

6. In Sheffield, we have decided to go beyond our statutory duty under the Equality Act 2010. We also assess the impact on health and wellbeing, the Voluntary and Community Sector (VCS), poverty and financial exclusion, carers, armed forces and cohesion. We believe that this gives us a wider understanding than the statutory framework would without these additions. This Equality Impact Assessment is based upon the EIAs completed by services for each budget saving proposal. The individual EIA is not however a one-off task; instead it is an ongoing process that develops as the budget saving proposal develops and evolves over time. So, for example, an EIA may identify the need to consult with a particular section of the community and the outcome of this may mean the EIA needs to be updated and change the way the proposal is to be implemented. The EIA should be a record of the process not just the ultimate outcome. Through our 'live' EIA process we will be monitoring closely any adverse equality impacts as reductions and changes in provision occur during the next year.
7. As a consequence not all EIAs are currently complete and therefore this assessment should be seen as a reflection of our current understanding of the impact but not necessarily how the impact may look in three or nine months' time. Therefore, it's important to ensure that all equality impacts are fully considered when services report on the specific implementation plans for their Budget Saving Proposals.
8. All reports outlining a budget reduction proposal include an outline of the key findings of the EIA undertaken for that Budget Saving Proposal. This should describe:
 - The main impacts anticipated if any;
 - How this has been assessed and the evidence used;
 - How the views of those impacted have been sought;
 - What options for mitigation should be considered as part of the proposal, and;
 - How the actual impact will be reviewed after implementation.
9. A list of EIAs available is attached and can be requested individually or as a group.
10. It is possible that some decisions will have a disproportionate impact on some groups in comparison to others. The impact assessments help us identify, and avoid or mitigate, these impacts. There could, for example, be disproportionate impacts on certain geographic locations or different parts of the population, such as younger or older people, women or men, disabled

people, Black, Asian and Minority Ethnic (BAME) communities or lesbian, gay, bisexual, and transgender (LGBT) communities etc. It's also important that we consider the cumulative effect of any decisions made on these groups. This could be cumulative, year on year or different proposals on the same group. EIAs also help us identify and make positive changes wherever possible.

11. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. We have a [Corporate Plan](#) for 2015-18 which includes tackling inequalities as one of the Council's five key priorities. We have also supported the Fairness and Tackling Poverty and Social Exclusion Partnership and the [Making Sheffield Fairer](#) Campaign. The Fairness and Tackling Poverty Partnership, of which the Council is a part of, has produced a Sheffield wide [Tackling Poverty Strategy](#). The Fairness Framework and campaign, as well as our Corporate Plan and Tackling Poverty Strategy, have influenced our priorities and decision making across the Council.
12. The total amount of Portfolio savings we are required to make this year amount to £29.7million. This saving reduction is a result of grant reduction, including our main source of Central Government funding, Revenue Support Grant, having fallen from £190m in 2013/14 to £37m in 2019/20. This has come at a time when there have been unprecedented increased in demand and cost pressures, particularly in relation to social care services.
13. All of the Council's services are affected in some way by demand, pay or price inflation, as well as by legislative changes. One of our biggest cost pressures arises from the need to continue to provide key services for the growing and ageing population of Sheffield, particularly in social care and children's social care. We are also facing increased demand and complexity of support needs, increase in national pay awards for staff and increasing prices e.g. energy.
14. It is not possible to balance the budget by making percentage cuts across the Council, whilst still protecting our front-line services. So we have continued to concentrate on finding savings from a smaller number of areas through larger, multi-year changes. Our approach to meeting the challenge is based on prioritising:
 - Prevention and early intervention: An approach across the Council to drive a focus on prevention in all areas. We know that working with people to help them avoid a crisis in their life, such as going into hospital, or intervening early when we identify an issue, is better for the individual and costs us less. To do this means redesigning public services to work in a more integrated and preventative way.

- Targeted solutions: For the most vulnerable including offering the right support and advice when people need it.
 - Inclusive Economy: Inclusive growth means economic growth that distributes the social and economic benefits of greater prosperity across society.
 - At the same time Government is further reducing the main Revenue Support Grant and allocating new responsibilities to Councils. This means we need to encourage business and housing growth in the city in order to meet changing population needs and aspirations and to increase our tax base so that we can continue to provide the services that people rely on.
15. We know inequality is widening, and growing numbers of people are experiencing financial insecurity. We are also aware of our need to meet the needs of an increasingly diverse population, in a context of public services austerity and a continuing to attract and retain diversity. Our approach aims to ensure that different groups of people get services that are appropriate and meet their needs, such as older people accessing timely care and support. Also that groups, including disabled people, people from BAME backgrounds, young people and women are more able to access better quality employment. The State of Sheffield report notes that Sheffield has faced particular challenges around inclusion and equality and that “Austerity has put some of Sheffield’s vital public services under significant strain. Sheffield’s most important services are experiencing some of their toughest difficulties ever with more and more people needing increasing complex support”
16. The issue of inequality is fundamental to the Council and is considered throughout our proposals. One of the strongest mitigations is that we continue to prioritise those in greatest and complex need, targeted solutions, prevention and an inclusive economy.
17. The substantial reductions in funding mean our work to tackle inequality will prioritise supporting those at risk or in need, and will focus on ensuring we do not slide backwards or lose ground in tackling existing persistent areas of inequality. However, it is inevitable when funding levels are cut year on year that there is an impact on the services we deliver, including some of the work we do with people who are most vulnerable. As far as practically possible within the confines of a cumulatively reduced financial settlement, we have tried to minimise the impact on those in greatest need and most at risk. However, these are extremely challenging choices and difficult decisions have to be made.

18. Impact analysis is started early in the process of considering service changes, to ensure we involve all relevant individuals and groups, such as those who use the services. This also gives us time to understand and consider any evidence we have about the potential impact of any proposal. The action plans for individual EIAs are designed to ensure that the services concerned implement changes with as little negative impact as possible. There will be careful management control of each proposal. The impact analysis process helps to shape both proposals which are not included in the budget and those that are.
19. We have tried as far as possible to achieve savings through changes to the way we work, including with other partners, by redesigning and restructuring our services and support teams, and by restructuring our contracts, but it is inevitable that there will be some negative impact on service delivery for those in greatest need and on those who share protected characteristics under the Equality Act.
20. The size and pace of the financial challenge means that a number of the reductions or changes in service provision began in previous years will continue. Therefore the impacts on individuals and groups will be monitored to ensure that any potential negative impact is reduced as far as possible. EIAs are 'live' documents and will be subject to change, as proposals or evidence of impact changes.
21. Elected Members have ensured that they are familiar with the equality implications of proposals and consider the aggregated impact on different communities. Impact assessments are made available to all Council Members in advance of any decision being taken at Cabinet or Full Council. Cabinet Members have been briefed on impact assessments related to proposals in their area of responsibility.
22. We are confident that our budget proposals mean that services for those that most need our help and support will be prioritised. However this does mean reductions and changes in universal provision that may impact on those households who, although not in the greatest need, are still struggling financially and may not be able to pay for alternative provision.

Evidence: what we already know – Sheffield demographics

23. As well as consultation evidence, we have used monitoring information we already hold to help us identify possible impacts and to help shape and inform the EIA process. To help us identify possible impacts requires an understanding of how the city is made up and the issues people face. The

[2011 Census](#), [Sheffield Facts and Figures](#), [State of Sheffield](#), and [Community Knowledge Profiles](#) show:

- Sheffield's population has grown at the same rate as the national average and above that of the City Region, rising from 513,100 in 2001, to 552,700 at the time of the 2011 census, and 577,790 by 2017. This is projected to increase to around 588,000 by 2020. This has resulted from increases in births, net inward migration, and longer life expectancy.
- Sheffield is a diverse city and the ethnic profile continues to change. The proportion of residents classifying themselves as BAME (Black, Asian and Minority Ethnic includes everyone except for those who classify themselves as White British) has grown from 11% in 2001 to 21% in 2017. BAME adults make up 18% of the population and BAME children 32%.
- The Pakistani community, at 4%, is the second largest ethnic group in Sheffield after the White British category. Sheffield's BAME population is increasingly dispersed across the city, although there remain geographical areas with high proportions of BAME people. These areas tend to correlate with the areas of the city which are also the most economically deprived. More than a third of the BAME population live in areas that are amongst the 10% most deprived in the country and for some groups this is higher. This is above the citywide average of 23%.
- Sheffield has a higher proportion of its population aged 65 years or over (16 % or 93,000 people) than the other English Core Cities. This is projected to increase to 19.2% by 2034, with the largest increase in the number of people aged over 85.
- The age group that has increased the most from 2011 to 2017 is the 25-34 group; 14.9% of our population is in this group and a further 18.1% is under 16. The factors which are having the most impact on this changing city profile are increasing numbers of university students and the inward migration of households with young families.
- Sheffield has a geographical pattern of communities that experience differing levels of deprivation and affluence. Generally, the most deprived communities are concentrated in the north and east of the city whilst the most affluent are located in the south and west.
- There are currently approximately 51,600 households who receive Council Tax Support, and of these approximately 30,300 are of working age.

- Fuel poverty is slightly higher than the national average in Sheffield, at 12.2% of households, thereby impacting 28,700. National statistics suggest that this rises to 28% of unemployed households and 22% of lone parent households with dependent children.
- However there is also increased polarisation of deprivation. Over 23% of small areas, as defined by indices of multiple deprivation, are now within the most deprived national category, and over 10% of small areas are within the least deprived national category.
- While the pay gap between men and women has been reducing on average, there is still evidence that, on average, men are paid more than women; the average gender gap in median incomes in Sheffield was £8,675 in 2017.
- In 2018 male full time workers earn £557.50 per week and women £472.50 per week (gross pay).
- Single female pensioners tend to have a lower income than male pensioners. Other issues which cannot be separated from experiences of financial exclusion and poverty include age, ethnicity, sexuality, disability and domestic abuse etc.
- People within some groups can be disproportionately affected by disadvantage and inequality. For example, children are more likely to live in poverty if they are from a BME background; 40.4% of Somali, 42.1% of Yemeni and 50.5% of Roma children in Sheffield are eligible for Free School Meals compared to 20.9% of all children in Sheffield. Children with SEN are also more likely to live in poverty; 34.6 % of children with SEN Support, EHC Plan or Statement in Sheffield are eligible for Free School Meals compared with 18.0% of those without support (SCC, January School Census 2018)
- There are 100,000 people with a long term limiting illness, equivalent to 19% of the population, with 9% saying this limits their activity a lot. This is the closest estimate it's possible to reach of disabled people living in the city.
- Although the city is becoming healthier for most people, health inequalities across the city remain, and are in some cases are widening in particular for those living in areas of higher deprivation and those with learning disabilities and mental illness.

- Life Expectancy in the city is 79.2 years for men and 82.4 years for women. However the healthy life expectancy for women remains lower than men's and is now 3.5 years below the national average.
- Healthy life expectancy is similarly below the national average at 62.5 for men (UK 63.1) and 60.1 for women (UK average 63.6).

Evidence: what we already know – Welfare Reform and poverty

24. Although not within the scope of our budget proposals, the impacts of welfare reform are affecting financial inclusion in the city, including the roll-out of Universal Credit. In 2014 Sheffield City Council commissioned [some research from Sheffield Hallam University](#).
25. It considered all the planned welfare reforms and whilst some changes have been made since it was carried out, the findings remain very relevant, with many of the reforms already implemented.
26. The report shows that in Sheffield overall, it is estimated that the city will lose nearly £170m a year in benefits and tax credits. This is equivalent to £460 a year for every adult of working age in the city. Also that:
 - Some communities will see five times the level of reductions from welfare reform than others.
 - Just under half of the loss from welfare reform, £75m a year falls on working households.
 - Couples with children will lose an average of nearly £1,700 a year and lone parents will lose an average of over £2,000 a year.
 - Disabled people and those with health problems or disabilities will be significantly affected.
27. Also although our understanding of the impacts of the introduction of Personal Independence Payment in Sheffield so far is anecdotal. Sheffield Citizens Advice published a report in 2017 which found:
 - There are winners who receive more and those whose benefit is reduced, often substantially.
 - More restrictive Personal Independence Payment (PIP) criteria have adversely affected many disabled people with severe walking problems, with older people more likely to be adversely affected.
 - A growing cohort of older people has no opportunity for a review of their benefit if their condition worsens.

- The assessment process presents specific access problems for deaf clients and places particular strain on people with mental health issues.
 - There is a question over the quality of decision making and the PIP process is far from easy to understand.
28. Sheffield's Child Poverty report in 2017 shows the proportion of children living in families in receipt of out of work benefits, or in receipt of tax credits where their reported income is less than 60% of UK median, has increased. In line with other Core City and national trends, the most up-to-date data shows 31.31% or 35,820 children, after housing costs (AHC) of children in Sheffield are living in poverty in Sheffield. However, the figure masks the wide and well-documented variation between different parts of Sheffield. In Ecclesall Ward, 7.8% (AHC) of children were living in poverty, whilst in Burngreave the figure was much higher at 51.19% and Central and Firth Park at 49% in poverty.
29. In 2017, 17 of the Sheffield's 28 wards had more than 20% of children living in relative poverty (AHC). There are clearly multiple causes of child poverty; however, it is likely that national welfare reforms are a significant driver of changes seen.

Managing impact – mitigation

30. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. We have considered the Fairness Commission and the resultant Fair City Campaign. We have also considered the Tackling Poverty Strategy, Equality Objectives, and our Corporate Plan. These have influenced our priorities and decision making across the Council. The five priorities of our corporate plan are:
- **An in-touch organisation:** This means listening; being connected and being responsive to a range of people. Better understanding the increasingly diverse needs of individuals in Sheffield, so the services we and our partners provide are designed to meet these needs. Also to empower individuals to help themselves, so they and their communities are increasingly independent and resilient.
 - **Strong economy:** This means creating the conditions for local businesses to grow. We want local people to have the skills they need to get jobs and benefit from inclusive economic growth.
 - **Thriving neighbourhoods and communities:** This means neighbourhoods where people are proud to live, with communities that support each other and get on well together. It means places with access

to great, inclusive schools. We want people living in Sheffield to feel safe. We will work with communities to support them and to celebrate the diversity of the city.

- **Better health and wellbeing:** This means helping people to be healthy and well, by promoting and enabling good health whilst preventing and tackling ill-health because health and wellbeing matters to everyone. We will provide early help and look to do this earlier in life, to give every child the opportunity to have a great start in life.
 - **Tackling inequalities:** This means making it easier for individuals to overcome obstacles and achieve their potential. We will invest in the most deprived communities; supporting individuals and communities to help themselves and each other, so the changes they make are long-lasting. We will work, with our partners, to enable fair treatment for individuals and groups, taking account of disadvantages and obstacles that people face
31. Our overall approach as noted above is to protect services for those in greatest need, develop preventive solutions for the longer term, and to make savings by changing how we manage and deliver services. This will have an impact on what the Council can continue to deliver, and especially on the Council's universal offer.
32. This year represents a real financial challenge again. We have achieved large cost savings, but 2019/20 will be the ninth year of the Government's austerity agenda, and so ways of reducing budgets across the board are harder to find whilst protecting our frontline services. We have continued the approach of concentrating on finding savings from a smaller number of discrete areas. This means continuing delivery of a four-year programme of transformative strategic changes, intended to release sufficient savings, to enable our budget to be balanced in the immediate and medium term. This programme is supplemented by a Council-wide and continuing search for lower level specific reductions in expenditure, where we identify that there is scope for further efficiencies in individual services.
33. The year on year reductions and the scale of the savings required mean there will be impacts which affect the people of Sheffield, including those in greatest need and groups that share equality characteristics. Most impacts relate to age, both younger and older people, disabled people and their carer's, women and households on lower incomes. In all of these areas mitigating actions have been identified and will be implemented as part of EIA action plans. We are:

- Assessing all proposals in line with the Fairness Framework and the cities Tackling Poverty Strategy.
- Working with external providers to achieve savings in our large contracts, and as far as possible achieving this through non front line service functions.
- Working with the private sector to encourage the support of activities/ events to promote Sheffield.
- Working to increase our income through fees and charges, debt collection, full cost recovery, and increased trading of our services.
- Continuing where possible with successful schemes from last year that impacted positively, such as the apprenticeship schemes and employability programmes.
- Continuing to invest in prevention, early intervention and delivering targeted support for those most vulnerable.
- Improving the conversations we have with people when they first contact adult social care to help them find the right support.
- Continuing to encourage people to be independent, safe and well through both children's and adult social care, and continuing to reduce reliance on institutional or restrictive care in Sheffield and expensive provision outside of the city.
- Reviewing care and support arrangements, focusing on the outcomes people want to achieve, and re-tendering services where applicable to ensure fair contributions and value for money.
- Working in partnership with the NHS Clinical Commissioning Group to develop the Better Care Fund to provide more efficient and joined up services.
- Restructuring management and services to increase efficiencies and create simpler routes of access.
- Continuing to invest in public health, but shifting the focus to address the root causes of ill health, to help reduce health inequalities.
- Continuing to invest in the Voluntary and Community Sector through Grant Aid, although at a reduced level, by recognising the value of frontline organisations that help tackle inequality; and protecting our investment in Lunch Clubs across the Council.

- Continuing to support those at risk of financial hardship through a Council Tax Support Scheme and Hardship Fund, Local Assistance Scheme and Local Independence Grants.
 - We also administer the Discretionary Housing Payment (DHP) scheme, funded by the Department for Work and Pensions (DWP), to provide assistance to households who are receiving Housing Benefit and are experiencing financial hardship as a result of a result of welfare changes such as the benefit cap and bedroom tax. In Sheffield, we have always spent the full amount allocated by DWP £1,351,260 in 2018/19.
34. Although there are very difficult choices to make, our impact assessments illustrate our commitment to fairness principles and to mitigate negative impacts where possible. Through our 'live' EIA process we will monitor closely for any adverse equality impacts as reductions and changes in provision occur during the next year.

Consultation and evidence to support EIAs

35. Notwithstanding our legal responsibilities under the Equality Act, we believe that it is critically important that we understand how the difficult decisions taken by the Council impact on different groups and communities within the city, and that we take action to mitigate any negative impacts that might be highlighted.
36. Tackling inequality is crucial to increasing fairness and social cohesion, reducing health problems, improving wellbeing and helping people to have independence and control over their lives. It underpins all that we do. The Fairness Framework has guided the approach we have taken in developing these proposals such as:
- Those in greatest need should take priority.
 - Those with the most resources should make the biggest contributions.
 - The commitment to fairness must be a long-term one.
 - The commitment to fairness must be city-wide.
 - Prevention is better than cure.
 - Be seen to act in a fair way as well as acting fairly.
 - Civic responsibilities among residents contribute to the maximum of their abilities and ensuring all citizens have a voice.
 - Open a continuous campaign for fairness in the city.

- Fairness must be a matter of balance between different groups, communities and generations.
 - The city's commitment to fairness must be both demonstrated and monitored.
37. As part of the development and testing of options for the 2019/20 budget, the Council ran a budget survey between December 2018 and January 2019, in addition to engaging with partner organisations over the last year. This has helped us to ensure that the proposals we are putting forward, have been shaped by people who may be affected by decisions taken as part of the budget, and that they have had an opportunity to put forward ideas for consideration.
38. To inform longer term thinking and Equality Impact Assessments our budget consultation activity consisted of two main strands:
- An online survey supported by social media promotion activity that looked at the financial challenge and the council-wide approach. This provided opportunities for residents to have their say on priorities, investment in services and capital projects, our proposals for Council Tax, and provide suggestions on areas for further savings or generating income.
 - On-going conversations on particular topics and specific proposals, including meetings with the VCF and Businesses and key partner agencies.
39. Our consultation activity continued to confirm public support for prioritising services for the most vulnerable.
40. Over a 6 week period during December and January we ran an online survey that received 381 responses. Key findings include:
- Adult Social Care and Children's Social Care and Public Health were highlighted as the top three priorities that the Council should fund more, Leisure and Culture, Environmental Health, Education and Skills, and Planning, Highways and Transport were the areas where the most number responses would prefer spending to stay the same.
 - Spending on the costs of borrowing, central costs and housing benefits were the highest scoring areas where people felt the council should spend less.
 - The majority of people responding supported raising Council Tax and the majority of respondents felt fees and charges should be kept the same.

- Areas where people felt it was very important for the Council to invest were economic growth and regeneration, Council housing investment and social care, and building and facilitating new houses.
41. We received an extensive range of comments and suggestions on how the Council could increase income, reduce costs or make savings to support the budget ranging from collecting owed Council Tax and Rents; creating either a Sheffield Lottery or Bond; raising Council Tax or encouraging a voluntary increase; increasing car parking charges and business rates; to lobbying central Government for more money. Examples of comments about reducing costs included reducing pay, pooling local authority resources, and working more closely with the NHS and Universities. Comments on savings included ending contracts and investing in IT.
 42. Alongside our corporate budget consultation, we consulted people about proposals in particular areas. This consultation has taken different forms, depending on both the nature of the proposals and which providers, service users and communities are likely to be affected. This has included consultation with employees where we are proposing staffing reductions.
 43. In the **People Services (Children's and Young Peoples' and Families)** a small reduction on Public Health funding has been negotiated with VCF providers and is being mitigated.
 44. In **People Services (Adults)**, many of the proposals will require communication with individuals and forms of co-production to develop ideas further. For example, testing out thinking on developments in Adult Social Care with the Customer Service Improvement Forums will continue.
 45. We have consulted closely with Voluntary, Community and Faith organisations providing Community Services to adults to inform the detail of our proposals to taper the level of Grant Aid in 2019/20, as outlined in our grant agreements. Following an on-going engagement exercise, grant agreements with Associate Libraries will similarly be tapered in 2019/20. We will consult on different options for the day to day service currently offered for adults with learning difficulties at Love Street – the redevelopment of the West Bar area will see the site close. Further consultation may be required as we develop other in-house services.
 46. In **Place Portfolio**, the 2019/20 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners, changes to charges/fees and changes to service standards. A range of data has been used to help inform if there are any potential differential equality impacts and

these will be considered as part of the decision making process for these proposals.

47. Across the Council, consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council's governance process. Where appropriate, equality impact assessments on specific budget proposals include details about our approach to consulting people and further work that may be required.
48. This information has been considered by officers and members in developing and refining the budget proposals, and in looking forward to how future engagement around the budget will take place. Reports on the consultation activity will be made available on the Council's consultation hub and the Council's budget webpages.

Impact analysis overall

49. Inevitably when funding is reducing year on year at the scale and pace that we are experiencing, there will be an impact on the front-line services we deliver, on those in greatest need and on some of the work we do with groups who share equality characteristics under the Equality Act 2010. We have tried to minimise the impact on the most vulnerable and those in greatest financial hardship as far as possible, however we have to make some really difficult choices. This year the savings and demand pressures that are required mean that we are less able to protect frontline services than before.
50. These substantial reductions in funding mean that progress on work to tackle inequality is much more focused on ensuring fairness and that we do not slide backwards and lose ground in tackling persistent areas of inequality.
51. We have tried to minimise the impact on front line services to customers as far as possible by finding more efficient ways to deliver services, including by reducing costs of:
 - Management, offices and corporate services such as legal services.
 - Renegotiating contracts, and increased partnership working.
 - Focusing on prevention and early intervention.
 - Transformational projects/creative and innovative change.
 - We know that working with people to help them avoid a crisis in their life (such as going into hospital), or intervening early when we spot an issue is better for the individual and costs us less.

52. To do this means redesigning public services to work in a more integrated and preventative way. However this takes time and we have had to make some really difficult choices. We are being guided in these choices by our values, commitment to fairness, and by our priorities as outlined in the Corporate Plan such as tackling inequality.
53. Our approach to the budget is in Portfolio Areas which correspond to the way Council is structured:
- People
 - Place
 - Resources and
 - Chief Executive's (Policy, Performance and Communications, or PPC).
54. **People Services** is the largest portfolio and has had a £17.0m increase in budget and it covers Children, Young People and families; social care, youth scheme, Education Lifelong and Community Learning Skills and employment; care and support for Adults; Housing & Neighbourhood services and Libraries & Community Services. The majority of funding is spent on social care.
55. **Place** has had a £8.3m budget reduction and work to address this affects the following services: waste management; environmental regulation; sports & culture, parking; bereavement service, highways maintenance; growth & investment; repairs and maintenance service for council housing; and transport & facilities management.
56. **Resources** is the second smallest Portfolio and together with **PPC**, has seen a £0.5 million budget reduction. **Resources** covers: information technology; finance and commercial services; customer services; human resources and legal & governance.
57. **Policy, Performance and Communications** (Inc **Public Health**, hereinafter **PPC**) is very small, it has less than 100 staff and covers the corporate services of Policy; Research; Communications; Public Health Intelligence; Elections, Equalities and Involvement and Scrutiny. Public Health is distributed across the Council with the addition of a Director and small central team in PPC.
58. In line with their longer term plans Portfolios have undertaken an initial impact analysis on all budget proposals. Where the risk of disproportionate impact has been identified an in-depth impact assessment has been undertaken and mitigations sought. The impact analysis shapes proposals which do not make it forward into the budget proposals as well as those that do. See the website for more detail on the Council budget and how we spend it.

Place Portfolio

59. The **Place** Portfolio has completed 31 Budget EIAs on savings totalling £8.3m for 2019/20. Overall, the proposals are a mix of:
- Savings achieved through internal reorganisation of some services and by ensuring they operate within the principles of the Place Change Programme: better, quicker, easier and more affordable.
 - Working with our delivery partners to ensure we achieve maximum value for money through renegotiating our contractual agreements e.g. Veolia and Streets Ahead.
 - Reviewing existing charges and introducing new ways of generating income.
 - Changes to service standards.
60. A range of data and consultation through pilot schemes where appropriate, will be used to identify if there are any differential impacts of the proposals.
61. Some of the proposals will result in a reduction in posts across the Portfolio and the usual Council employee consultation framework will apply. The largest reduction is in the Repairs & Maintenance Service and due to the workforce profile the main impact is on white British older men. For the rest of the portfolio, until further detail is known, there is no identified disproportionate impact on a specific group.

Equalities impacts

62. As identified in previous years, the year on year key equalities impacts remain in relation to financial inclusion/poverty.

People Services

63. In the **People Portfolio**, 73 EIAs have been carried out in relation to the business planning savings proposals. The areas these cover are summarised below, according to whether they apply mainly to services for adults or children, young people and families. Within **People Services**, there are 12 Equality Impact Assessments have been produced on Public Health proposals. We have had to manage the pressure of budget cuts due to national reductions in Public Health Grant.

People Services (Adults)

64. 25 EIAs cover the business planning savings proposals for 2019-20 developed by Adult Social Care; Commissioning ; Libraries & Community Services; Employment & Skills (which includes proposals aimed at children &

young people as well as adults). Some EIAs cover more than one proposal where there are close links. EIAs may also describe a larger project of work that contributes to business planning (savings). EIA titles therefore may not precisely match the names of proposals but reference is made between them.

Supporting people's independence

65. In **People Services**, we will continue to support people's independence and inclusion, living at home and within their communities. We will refresh our employment and skills services, allowing us to focus on key priorities (like learning difficulties/disabilities, people with low level skills and children at risk of exclusion) and to carry out a review of some provision. This has included consolidating and updating our staffing arrangements to reflect changes in education priorities and funding within the 14-25 education system.
66. To support our wider work, we are pleased to receive European Social Fund income for two projects to support young people and adults with complex barriers to work, education, training and skills development; and other people and communities at risk of being marginalised.
67. Two further projects will gather momentum in 2019-20: the first aims to equip young people with disabilities and long-term conditions to develop the skills and confidence to aspire to more independent adult lives; the second supports adults of working age who are able to progress from lower levels of social care support towards work, community involvement and other inclusive goals.
68. We want to do more to develop day activity opportunities for people with learning disabilities. In 2019-20, we will work with VCF partners, and explore the potential for new funding arrangements, to encourage creative ways to promote people's community participation and independence. We will look at the different types of day activities that people access and consider ways to achieve a fair cost of care and balance of activity. We will test out the demand for day services alongside other options.

Making Conversations Count

69. Our social care teams have introduced the principle that 'Conversations Count' – an approach that focuses on the goals, strengths and needs of the person rather than an assessment form or process. The First Contact team will continue its successful work helping people to find the right opportunities and support when they get in touch. By offering conversations with people that explore personal interests and goals, First Contact is introducing more (and quicker) options for people. A key priority for First Contact, recognized for 2019-20, is the team's support for carers who may be facing a crisis.

70. The locality teams are benefiting from being based in the communities they serve, helping people to connect to the opportunities around them. 2019-20 will see full year benefits of our new Whole Family Case Management IT system. All of this will help us to keep people independent, safe and well; and address the financial pressure on Adult Social Care.
71. The major focus for our Home First team will be to provide prompt support for people who are on the referral route to or from hospital: those at risk of being admitted unnecessarily; patients who need things sorting at home before they can leave hospital; and people who have already been discharged and need some short-term help to avoid longer-term care.

Helping people to live at home

72. We are working with NHS Sheffield Clinical Commissioning Group (CCG) to commission homecare at night jointly, which will improve consistency and quality for people who need this support and also create efficiencies.
73. Increasing opportunities for people with learning disabilities to have supported living remains a priority. We will continue to focus on making improvements that people can see – more effective night time support and reviews of shared accommodation; and on achieving administrative efficiencies that will not directly affect them – managing vacancies and costs. We will also create opportunities for people to live in new, purpose-built supported living schemes, which are more progressive options than restrictive care and/or out-of-city residential placements. Extra Care provides flexible accommodation for older people in Sheffield – our plans for 2019-20 include reviewing and making this resource sustainable for the future.
74. We will continue to support people who care for others at home to have the support they need, including breaks from their caring role. We want to make sure our own short breaks services are better able to respond to people's needs – for example, when there is a crisis or urgent need for support. At the same time, we will encourage more people to sign-up to Shared Lives as hosts/carers and as people who could benefit from this positive option for family-based support.

Focusing on Mental Health

75. The Council is leading on different elements within the Mental Health Transformation Programme (the five year Integrated Mental Health Plan) – a major area of work with our partners in NHS Sheffield. We want to ensure that, when people are discharged from hospital, the aftercare they receive helps them to make progress and move on with their lives. We will continue to

promote opportunities for supported living where this a positive alternative to residential care for people. We will also help with the process of verifying doctors' fees. We will gather evidence that might support the case for shifting funding from statutory services to more preventative support services in the voluntary, community and faith (VCF) sector.

Supporting the voluntary, community and faith sectors and libraries

76. In 2019-20, **People Services** will deliver funding that supports our community partners to maintain essential services and develop themselves for the future. Grant aid recognises organisations' key role working with diverse communities. As planned, and factored into our grant agreements, year three funding will be tapered. However, we have made sure the exact arrangements were informed by consultation with the organisations concerned. It factors in other income streams. Funding in 2019-20 prioritises frontline service delivery, particularly acknowledging work with vulnerable people living rough and work which alleviates poverty and the impact of welfare reform.
77. Similarly, by talking to Associate libraries, we will ensure the tapering grant agreements in place can support their sustainability. Both grant-aided organisations and libraries provide services to diverse populations, including black, Asian and minority ethnic people.

Looking for value for money

78. Like the Council as a whole and other organisations, **People Services** is focused on achieving even better value for money in 2019-20. We will talk to people who provide care, and those who receive it, to make sure the support that is in place is proportionate to need and consistent. This will include a focus on care homes and day activities. We will do more to ensure people are able to pay contributions to the cost of their care – taking into account essential personal expenses; making the process of paying easier and clearer; and doing more to recover any money that is owed. We plan to expand the role of our Executive Services Team to create a deputyship service. This will support the quality assurance of best interest decision-making for people who lack capacity in Sheffield; and do so at lower costs (both to individuals and to the Council) than independent companies are likely to charge.
79. The portfolio will benefit financially from the Council's plans to look at the efficiency of its procurement (how it agrees and acquires goods, services or works from others) and contract management. While, in the Council and in **People Services**, we rely upon the huge contributions of our workers, many of whom work in challenging areas. In 2019-20, we will do more to support our

staff who are off sick to return to work; and to reduce the risk of absences from work that could be avoided.

Equalities impact

80. In **People Services**, many of proposals relate to vulnerable, disabled or older people, and other protected characteristics. With any planned savings, there is a risk of a potentially impact. Full EIAs have been carried out and will continue to developed and monitored throughout the year ahead. Where possible, mitigations have been put in place to minimise the impact.
81. We are also aware of the cumulative impact of changes in services and broader public policy. We will continue to work across the Council and with our partners to develop a shared understanding of the impact of these changes on groups with protected characteristics.

Workforce

82. Where Managed Employee Reductions are required, we will work to minimise the impact on direct provision. We will try to ensure that this will not have a disproportionate impact on any group already under represented within the staffing profile.

People (Children Young People and Families)

83. Within **People Services (Children, Young People, and Families)** a total of 18 Equality Impact Assessments (EIA) have been produced across the Portfolio. We have had to manage both the pressure of budget cuts due to reductions in grant funding, along with a significant and growing level of demand in need. Levels of need have increased in areas such as special educational needs and emotional health and wellbeing. Poverty also has an impact, particularly on our greatest challenges, which is an overall increase in demand for children's services. We will address this challenge through early identification of children with additional needs, and by delivering high quality preventative and supportive services to enable children to continue living successfully and safely with their families and communities.
84. In addition, changes in legislation and policy will impact on the way in which we operate, and on the expectations children, young people and families have of us. Our ambition is that all children, young people and families in Sheffield achieve their full potential in all aspects of their lives, that they have a great start in life, go to great schools, and are safe, strong and healthy, active, informed and engaged in society.
85. The strategies that underpin our ambition for successful children, young people and families are shaped in three main areas:

- Keeping children, young people and families safe, healthy and strong and giving every child a great start in life.
 - Developing skills for life and work and encouraging active, informed and engaged young people into further education, employment, training and their journey to independence.
 - Supporting schools, children and young people’s education, lifelong and community learning and being the champion and advocate for children, young people and their families, improving the quality of learning outcomes, raising attainment and enabling enriching experiences.
86. The scale of financial challenge facing children’s social care is significant and cannot be resolved in the short term. An improvement and recovery plan has been produced which focuses on delivery of new initiatives to support families and to improve the practice. Our improvement and recovery plan is structured under three themes.
- Demand Management: We are working to reduce referrals to social care and the number of children entering the care system by delivering early help and intervention and the development of several evidence based programs.
 - Supply Management: We are redesigning and investing in the availability of resources within Sheffield to ensure the right resources are available for maintaining Children’s Services.
 - Performance management: Having the right number and appropriately-trained workforce is critical in improving the quality of service delivery.
87. The strategy to manage the potential impact of our budget proposals helps us with Prevention, early help and intervention; Partnership working; Transformational projects/creative and innovative change, and continuing to reduce costs where we can.
88. This enables us to:
- Re-design Public Health services
 - Review youth services
 - Establish the skills hub
 - Invest in change and have a continued focus on prevention and whole life planning and progression into independence
 - Plan for young people’s progression into adulthood
 - Ensure that the needs of vulnerable pupils are met

- Have a whole family approach to supporting children, young people and parents/carers
- Work collaboratively to ensure every child has a school place, that the needs of vulnerable pupils are met; and act as champions for parents and families, and
- Reduce costs where we can.

Workforce

89. The year on year workforce reduction has resulted in a positive impact on the workforce diversity profile in the **People Portfolio**, as well as across the Council. There have been steady improvements in the workforce profile for the majority of the characteristics that are monitored by the Council.

Equalities impacts

90. Wherever possible, we have sought to minimise the impact that changes to **People Portfolio** services will have on children, young people and their parents/carers. We recognise that some children, young people and their families use more than one service that has been subject to changes since 2010. This includes adult services provided by **People Portfolio** and services provided by our partners. We also recognise that some people will have received a changed or a reduced service as we focus on the most in need and at risk and wherever possible we have sought to mitigate this. However, this may have impacted on those families who are struggling financially, but who are not in the most need.

Public Health

91. There are a number of EIAs which relate to **Public Health** spending, which is approximately £32 million and is integrated throughout the Portfolios. More detail on the use of our Public Health grant is given in the portfolio sections. Overall there will be a reduction in investment in this area of 2.6% or £864k to reflect Central Government reductions to the ring fenced Public Health grant which comes into the Local Authority. We are reviewing how and where the funding is spent to ensure that it is targeted to tackle the root causes of ill health and to have the maximum impact on reducing inequalities. This may mean that we will need to save on existing activities in order to reinvest in other areas which have been prioritised.
92. The proposals which involve more cost effective delivery, the retendering of contracts, earlier intervention leading to prevention, internal restructuring, and staff reductions will have fewer equality impacts. We will continue to support

advice and information and where possible the delivery of front line services (particularly for vulnerable and at risk groups), so the impact of the overall investment will remain positive on the groups identified to be most in need within the EIAs.

93. The outcomes expected of the Public Health Grant will continue to be assessed under the Public Health Outcomes Framework (PHOF), and broadly fall into the following categories:
- Health and wellbeing is built into all that we do.
 - To protect people from preventable infections and environmental hazards to health.
 - To reduce health inequalities.
 - To support people to live healthier lives.
94. As we target the households in most need there will be an inevitable impact on those who are still struggling financially but are not on the lowest incomes and who will be not eligible for targeted programmes. The biggest impact is likely to be on families with dependent children.

Resources

95. In the **Resources Portfolio** there are 10 EIAs which cover all budget proposals for 2019/20. These proposals are predominantly around staff savings through vacancy management or further realization of savings through existing Managing Employee Reduction (MER) processes. Every service is meeting all or part of its savings target through a staff saving and this covers Business Change and Information Solutions (BCIS), Finance and Commercial Service (FCS), Legal and Governance, Customer Service and Human Resources.
96. Alongside the staff savings there a few additional savings being offered:
- Increasing external income in Legal Services and Learning and Development.
 - Efficiencies within services that will allow for vacant posts to be deleted.
 - To keep the same Council Tax Support (CTS) system this year.
 - To continue to offer to the Council Tax Hardship Scheme, and to increase spending by £200k.
 - An increase in Council Tax of 2.99%. There is no increase attributable to the social care precept for 2019/20.

97. It is not anticipated that there will be any disproportionate impacts on staff or customers however the impacts will continue to be monitored through the EIA process and action plans will be developed to mitigate impacts where appropriate.

Workforce

98. Some of the proposals will result in a reduction in posts across the Portfolio. However, there is no identified disproportionate impact on a specific group.
99. A number of Voluntary Severance/Voluntary Early Retirement schemes across **Resources** will result in voluntary staff reductions and changes. There are also some ongoing Managing Employee Reduction processes to achieve non-voluntary staff reductions. In both instances, there is a possibility of wider workforce impact through increased workload and the impact on health and wellbeing of staff.

Equalities impact

100. The greatest impact will be in relation to the increase in Council Tax. See detail later in the report and mitigation through the increased Hardship Scheme.

Policy, Performance and Communications

101. In Policy, Performance and Communications (**PPC**) there are less than 100 staff overall and only one EIA. The proposal concerns the restructure of **PPC** services through a Managing Employee Reductions (MER) process. These changes will not have any customer impacts. The restructure will result in staff reductions however there is not anticipated to be a disproportionate impact on any group, except men who are currently over represented in management grades within the service.

Key Themes

102. In summary there are a number of key themes that run through the proposals:
- The restructuring and integrating of services and teams to increase efficiency and effectiveness.
 - Developing solutions for the longer term.
 - Taking preventative action and intervening earlier.
 - Stopping some functions or activities and working with partners so they can be delivered by others where possible.

- 'Managing Employee Reductions' processes to reduce the number of staff employed, especially in non -front line roles.
- Targeting of resources and prioritising support to those who need it most and those at risk.
- Helping people to be independent, safe and well and to make their own choices.
- Better value for money in the services we commission or purchase, including joint funding.
- Working with other partners to avoid duplication, so people get co-ordinated help and support.
- Fairer contributions and charges to ensure full cost recovery and as a way to maintain services.
- Increasing commercialisation and traded services such as with schools.
- Investing and supporting the Voluntary Community Sector, with a renewed focus on frontline services that directly work with people who face financial hardship and /or with protected equality characteristics.
- Reducing public health investment and shifting the focus to address the root causes of ill health.
- Spending more time with those in contact with Adult Social Care to see how we can enable people to find the right support to lead better lives, and to manage demand on services.
- Continuing with changes made in the past year to have full year effect.
- Continuing to monitor the impact of changes over the coming year.

103. Furthermore, we will continue to fund a Local Assistance Scheme and to have a Council Tax Support Scheme which limits support to 77% of the Council Tax liability for working age applicants despite Government funding cuts in these areas. We will also mitigate the impact of the 2.99% increase (58p per week on the majority of households) in Council Tax, by increasing the Council Tax Hardship Scheme in 2019/20 by £200k. There are currently approximately 49,200 households who receive Council Tax Support, and of these approximately 29,600 are of working age.

104. In 2013/14, the Council made awards from the Council Tax Hardship Scheme totaling £410,000. The hardship fund has increased steadily each year and was £1.2m in 2018/19. Due to the increase in 2019/20 of Council Tax (2.99%) and Adult Social Care (3%), the budget for the Council Tax Hardship Scheme

increased to £1.4m. The under occupancy rules were introduced in April 2013 in Sheffield; approximately 5,000 households are currently affected by the changes, with approximately 4,000 of these being subject to the 14% reduction, and approximately 800 subject to the 25% reduction. The numbers of those affected in the city are staying quite steady over time.

105. Many of the people affected by under-occupancy rules are supported by Discretionary Housing Payments (DHP), funded by a grant we receive from the Department of Work and Pensions (DWP). However, the introduction of the revised benefit cap has placed additional demands on the DHP budget.
106. In Sheffield, 415 households are having their Housing Benefit reduced as a result of the benefit cap. The split by tenure is: Council tenants 39%; Housing Association 24%; and Private-rented tenants 37%. In total, those households who are affected by the reduced benefit cap contain 1,579 children. The total annual reduction in Housing Benefit for those households is around £1m (£19,525 per week). This amounts to an average weekly reduction of £47.05 per household.
107. Sheffield City Council also provides grant funding to several organisations which support the financial resilience of people in the city, including Sheffield Citizens Advice. Much of the work of the Council also impacts on financial inclusion, including that of social work, Housing+ (support for Council Housing tenants), the People Keeping Well Programme and Trading Standards work with the regional Illegal Money Lending Team.
108. Overall, this year the proposals do have the potential to impact negatively in some areas and service EIAs have sought to mitigate this, however there are also positive impacts which have been identified. Further details of the impacts are contained in individual service EIAs.
109. Our impact assessments identify and provide mitigations for any potential impacts in services for younger people, older people, disabled people, BAME, women and men, religion and belief, sexual orientation, voluntary community and faith sector, cohesion and financial inclusion/ poverty. There is over representation within this last group of people financially excluded or in poverty of disabled people, carers, young people, some women and some BAME communities. Further details of the impacts are contained in individual service EIAs which are listed at the end.

Age – older people

110. In 2011 Sheffield had a higher proportion of its population aged 65 years or over (16.7 % or 85,700 people) than the other English Core Cities. The

proportion of Sheffield's population aged over 65 is also projected to increase, with the largest increases in the number of people aged over 85.

111. Across all Portfolios impacts on age have been identified; however for older people the impacts are largely in **People Services**.
112. In **People Services**, in 2019-20 we will go further to help older people receive the care, support and health services they need closer to home. The Home First programme will provide timely interventions and support as an alternative to lengthy and avoidable hospital stays. Often older people face the disruption and upset of being admitted to hospital because agencies feel it is the safest option, even if there is not a clinical need. Our Home First team will get involved to offer practical and preventative support to help people sustain their independence. The focus will be on making the home environment supportive and developing older people's community access, relationships, activities and wellbeing. Home First will also help out where hospital patients who are ready to go home but are not able to be discharged until practical arrangements are in place. And once back at home, the aim is to sort some short-term support to help people recover and re-discover their independence.
113. Having access to services and support in the community is vital for older people. Through our grant funding, we will play our part in helping voluntary sector organisations and Associate libraries to deliver key local services across Sheffield.
114. When older people need care and support, we will aim to make sure it is right for them and promotes their wellbeing and independence. We are working with NHS Sheffield Clinical Commissioning Group (CCG) to commission home support at night – creating a more effective and consistent service while helping with costs. We will do more to make sure paying personal contributions to the cost of care is easier and clearer. As every year, we will raise contributions to reflect increases in national pension and benefit rates. As we are forced to focus even more closely on value for money, we will look to achieve fair cost of care for people who live in care homes.
115. When people get in touch for support, our First Contact team will give the time needed to explore the help they need. The service will continue to find people information and better connections to the community where they live.
116. In 2019-20, we aim to develop a deputyship service to support those who lack mental capacity to manage their own finances. This will support vulnerable people and offers a quality and cost-effective alternative to deputyships charged for by independent suppliers.

117. **People Services** funds Extra Care housing schemes for older people in Sheffield, offering personal care and a range of other assistance. In 2019-20, these contracts will be renewed, and this is an opportunity to make sure we pay for the right types of support.
118. Each of the above proposals aims to create changes that enhance people's wellbeing, support and experience. However, there will be an inevitable impact from such changes and, where possible, we will mitigate any negative consequences of these proposals. The EIA process provides critical information to enable us to target our approach carefully.
119. We are faced with having to reduce the overall budget for Grant Aid to the local voluntary sector, and this means that services for specific age groups will be affected. However, we are ensuring that our investment is directed at those organisations that provide frontline services, including for those at risk of financial exclusion. And we are continuing to support lunch clubs to help reduce isolation in older people.
120. In the present financial environment, and in order to protect services to vulnerable people, the Council has to explore all options to optimise income, which includes service-users' contributions for the care they receive. As in each year, we will raise contributions to reflect increases in Government benefits; because of the 'triple- lock' guarantee, state pensions (and therefore older people's contributions) will rise proportionately higher than benefits and contributions for working-age service-users. We will also do more to make sure we receive contributions from people in care homes when they become liable (e.g. after a property they own becomes empty). Financial pressures mean we are not able to commit additional public health investment into dementia support. But we will work with our partners to review the Dementia Strategy in Sheffield and seek to create a single support pathway. We are also expanding our in- house appointeeship service to increase the availability and affordability of this essential service for older people and other vulnerable groups.
121. In **Place** the potential negative impact on older people of removing subsidised bulky waste collection is mitigated through the continued provision of the service at full cost as well as free disposal at Household Waste Recycling Centres. There is also a potential negative impact on older people due to the increase in bereavement services fees as well as the cessation of free and subsidised provision of pest control services, which may impact on those on low income in receipt of state pension and/or benefits.

122. **People Services (Children's, Young People and Families), Resources and PPC** have few proposals which impact directly on older people. However, as part of the Sexual Health redesign, service specifications have been developed in response to the updated Sexual Health Needs Assessment and service user consultation and as such are based on specific and identified needs that include the needs of older people. In **Resources**, the changes to the Council Tax Support Scheme are likely to have a low impact in this area as regulations prescribe that current claimants of a pensionable age continue to receive at least the same level of support as they would under the former Council Tax Benefit regulations. This means that if they are eligible for support, the amount of support that they receive is based on 100% of their net Council Tax liability. Those who receive Pension Guarantee Tax Credit will currently have their full Council Tax charge covered by CTS (less any non-dependant deductions), and this will still be the case if Council Tax increases.

Age – young people

123. The age group that has increased the most from 2001 to 2011 is the 16–24 groups. We now have 16.7% of our population in this group and a further 18.2% of the city's population is under 16. 28% of BAME residents are aged Under 16. Around 20% of people in Sheffield will live in relative poverty at any one time. In 2012 this included 23% of all Sheffield children and almost a third of all children under 10.

124. In **People Services (Children, Young People and Families Services)**, the proposals and subsequent EIA's relate to responding to demand led and loss of grant pressures. The proposals with the main differential impact are summarised below:

- Lifelong Learning, Skills and Communities will be mitigating pressures and continuing to support the employment of vulnerable and disadvantaged learners as apprentices.
- We are supporting children and young people who are in care to travel independently. This will have a longer term positive impact on them as it will equip the young person with skills that can be utilised in further study, wider access to the labour market, and independent living.
- We are working through key demand management projects such as using Multi Systemic Therapy (MST), Family Group Conferencing (FGC) Fresh Start, Domestic Abuse, Parenting and Reunification with the aim of reducing the number of children entering the care system and also to facilitate the reunification of families where it is safe to do so.

- Proposals plan to increase the number and range of suitable places available within the city. Leading to vulnerable young people having a better chance of placement suitability and stability which would lead to better outcomes for the young persons which are more likely to enhance a sense of belonging and engagement with society.
 - Through the Strengthening Inclusion Programme there will be sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with SEND. For the most complex children we will have a range of sufficient, quality specialist provision as close to home as possible.
125. As part of the Sexual Health Redesign, service specifications have been developed in response to the updated Sexual Health Needs Assessment and service user consultation and as such are based on specific and identified needs that include the needs of younger people as Sheffield has a sizable student population.
126. We also continue to commission a service to provide support to Children and Young People who are vulnerable to the impact of substance misuse on their neurological development, physical and mental health.
127. Adult services-led schemes in **People Services** will also contribute to supporting young people to achieve their potential in 2019/20. European Social Fund income will fund projects to support 15-18 year olds who are Not in Education, Employment or Training (NEET) and those aged over 18 facing complex or long-term barriers.
128. In **Resources** and **PPC**, there are mainly none to low impacts, as most of the EIAs relate to internal restructuring. The main areas of customer impact are Council Tax. In relation to Council Tax, it is clear from the collection rates that under the CTS scheme some working age households have found (and will continue to find) it harder to meet their Council Tax liability than others, though the overall collection rate amongst Council Tax Support recipients has increased.
129. We are proposing this year to continue to keep the same Council Tax Support (CTS) scheme. The CTS scheme continues to be based on the principles of the old Council Tax Benefit (CTB) regulations and provides for the maximum financial support being made available to those with the greatest financial need. They protect some of the income of the disabled and of families whilst providing assistance to those people who move off benefits into paid employment. The Council recognises, however, that requiring all working age customers to pay a minimum of 23% of their Council Tax has caused financial

hardship amongst some households. There are currently approximately 49,200 households who receive Council Tax Support, and of these approximately 29,600 are of working age.

130. As a result, we have a Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. Analysis of the awards made under the CTHS scheme show that over 90% of awards have been made to working age taxpayers, the group most adversely affected by the introduction of CTS. We increased the hardship scheme significantly in 2013/14, and the Council made awards totaling £410,000. The hardship fund has increased steadily each year and was £1.2m in 2018/19. Due to the increase in 2019/20 of Council Tax (2.99%), the budget for the Council Tax Hardship Scheme has increased to £1.4m.
131. In **Place**, we have worked closely with Sheffield City Trust to identify a level of grant reduction that is manageable and has minimal impact on visitors. This includes continuing with a pricing policy that encourages participation from the widest possible range of audiences e.g. work with schools across the city & the Peoples Theatre and free entry for students of Drama.

Disability

132. There are over 110,000 adults with a long term limiting illness in Sheffield, equivalent to around 20% of the population, with 9% saying this limits their activity a lot. Service EIAs have identified a potential risk of negative impact on disabled people, both directly and indirectly, through impacts on people on a low income and noted mitigations to be put in place. Over a third of disabled people in Sheffield live in areas which are in the 10% of the most deprived areas in the country, which is 10% higher compared to 23% which is the overall average in Sheffield. For further information, please see [Community Knowledge Profiles](#).
133. When the extra costs of disability are partially accounted for, half of all people in poverty are either disabled, or in a household with a disabled person.
134. A key focus of the 2019-20 proposals is for people with disabilities who have contact with the **People Services** portfolio. Adult Social Care's plans to achieve more consistency and proportionality of support, and to identify more independent and preventative options, will have inevitably have an impact. Our social work teams and other staff will continue to prioritise a more personalised conversation-based approach with people. The actual inflationary cost of Disability Related Expenditure will continue to be disregarded when we calculate people's contribution to the costs of their care.

135. We are working with NHS Sheffield strategic organisations to deliver the Mental Health Transformation Programme – all partners involved share in its development, costs and rewards. The Council's particular focus going into 2019-20 will be to help promote people's independence by overseeing the Section 117 Aftercare that is in place for people following hospital discharge and by finding opportunities for people to move from residential care into supported living. We will also look at ways in which VCF sector funding could shift the focus towards more preventative support; and make sure there is financial integrity in fees for Section 12 Mental Health Act assessments.
136. For people with learning disabilities, we will look to further improvements in the quality of supported living through carrying out reviews, focusing on night time support and managing costs and vacancies. Purpose-built supported living accommodation will become available to support people with complex needs to move into from more restrictive care settings. The new schemes will provide self-contained homes with opportunities for peer support and shared staff support.
137. We will review the quality and opportunities that people with learning disabilities have from day activities to ensure fair cost of care; and explore funding options for our partners in the VCF sector could encourage innovative approaches. In preparation for the West Bar redevelopment in the city, we will continue to plan for the closure of our Love Street base and develop new options and opportunities for those who use or work at the site.
138. In **People's Services (Children, Young People and Families)** the employment projects will have a positive impact through making significant inroads into long-term unemployment, particularly for disabled jobseekers and those with health conditions. Employment programmes, which are targeted, will positively impact on disabled people's opportunities to continue accessing opportunities.
139. The Strengthening Inclusion Programme aims to increase inclusion of children's and young people with additional needs. There will be sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with SEND. For the most complex children there will be a range of sufficient quality specialist provision as close to home as possible and effective transition from mainstream primary to mainstream secondary.
140. In **Public Health**, the Sexual Health Resdesign will promote improved access to sexual health services for disabled people.

141. In **Place** the potential negative impact on some disabled people due to the removal of the subsidy for bulky waste collection is mitigated through the continued provision of the service at full cost and free disposal at Household Waste Recycling Centres. There is also a potential negative impact on disabled people due to the increase in bereavement services fees. These proposals may have more impact on this group as they are more likely to be on reduced income and in receipt of state benefit. The proposal to cease the free and subsidised service for pest control may also have a negative impact on this group. However for those in private rented accommodation, the responsibility for pest control rests with the landlord and for those in council-owned property, costs may be met by Sheffield Homes.
142. There are low impacts on disabled people in **Resources**. Most changes are internal restructures or relate to contracts, which will not impact directly on customers except for Council Tax. The Council recognises that changes to Council Tax may cause hardship for some customers in this group as there are there are in excess of 12,000 taxpayers with a disability who are in receipt of CTS. However, by continuing to closely align our CTS scheme with the principles of the old National Government CTB scheme customers in receipt of disability benefits will continue to receive the highest possible level of CTS.
143. To continue to offer the highest possible support to all disabled customers, the Council intends to continue to disregard as income for calculating eligibility for CTS, Attendance Allowance (AA), Personal Independence payment (PIP) & Disability Living Allowance (DLA), and War Disablement Pensions/Armed Forces Compensation Scheme.
144. In recognition of the impact that the change to CTS has on disabled taxpayers the Council introduced, and in 2019/20 proposes to maintain with increased funding, a Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. This will increase £200k, this year.
145. Analysis of the CTHS shows that approximately 55% of all awards are made to customers in receipt of Employment and Support Allowance.
146. This underlines a key aim of the CTHS, which is to prioritise support to those in financial need who are least able to change their circumstances. It also supports the council's original understanding, when setting up the CTHS scheme, that hardship is not linear within customers with a shared protected characteristic, nor is it uniform across different customer groups and that targeted assistance, as opposed to blanket exemption, is an effective way of providing assistance to those taxpayers in most financial need. Under our CTHS, we do not take account of DLA (care or mobility components) or PIP

(daily living element or mobility component) as income when calculating entitlement to assistance.

Race

147. Sheffield is a diverse city and the ethnic profile continues to change, with the proportion of residents of working age classifying themselves as BAME (Black, Asian and Minority Ethnic which includes everyone except for those who classify themselves as White British) growing from 11% in 2001 to 19.2 % in 2011. BAME adults make up 16% of the population and BAME children make up 29% of the BAME population as a whole. The largest group is the Pakistani community and the biggest proportional increases are occurring in the Arabic, East European, Indian and Chinese communities. Sheffield's BAME population is increasingly dispersed across the city, although there remain geographical areas of the city with high proportions of BAME people, these tend to correlate with areas of higher deprivation. For further details, we refer to the [Community Knowledge Profiles](#).
148. There were very few impact assessments which highlighted a direct medium/high impact on race. There are more indirect impacts identified; this is mainly in the areas of impacts on young people and people on low incomes. Mitigation strategies have been identified and put in place in individual service EIAs.
149. In **People's Services (Children, Young People and Families)** proposals will positively impact on BAME (Black and Asian Minority Ethnic) groups. Employment projects, for example protecting apprenticeships and employment programmes, will positively impact on BAME groups as well as others.
- The demand management projects will engage with wider families and the community by delivering restorative practice techniques (Family Group Conferences, Multi Systemic Therapy) for young people to stay with their families wherever possible instead of entering into the care system. This will positively impact on BAME backgrounds where a gradual increase in all children in care has been noted, though there has been an increase in BAME children in the general population as well.
 - The Strengthening Inclusion Programme will mean that children, young people and families from BAME groups will be able to access a range of local, flexible support.
 - There is an ongoing progress to recruit more diverse foster carers.

150. In **Public Health**, the Young People Substance Misuse Service specification ensures that interventions are targeted to reach those most at risk and in need and recognises that BAME groups are over represented.
151. The Sexual Health Redesign will promote improved access to sexual health services for BAME groups some of whom can be hard to engage with sexual health services including some overseas students.
152. The European Social Fund will enable **People Services** to run a 'Pathways to Success' project to support people and communities of BAME heritage who are at risk of marginalisation break down barriers to work, education, training and the development of new skills. We recognise the important role that voluntary groups and libraries play for many people from BAME communities. Following consultation with VCF organisations and Associate libraries, we will taper grant agreements in 2019-20 as planned; but continue to work closely together to monitor the impact. Other proposals that affect adults using services in the portfolio may have indirect impacts on people from BAME communities.
153. In **Place**, the increase in parking permit charges across the city has potential to have a disproportionate impact on the BAME population. This is because the largest proportion of permits issued, are for the city centre and peripheral parking zones, which have a significant BAME population profile. The change to the Pest Control policy shows that 43% of pest control jobs were carried out in areas with high BAME population numbers. These areas also have a higher proportion of social housing and private rented properties. However, this change will transfer responsibility for treatment and resolution to the landlord, not the tenant, who may be currently receiving the subsidy. For those in private rented accommodation, the responsibility for pest control will rest with the landlord and for those in council-owned property, costs may be met by the Housing Revenue Account.
154. In **Resources**, the proposal to increase Council Tax will affect all working age taxpayers. It is clear from analysing overall collection rates that some households from across the City have found it more difficult to meet their Council Tax liability. As the CTS caseload is representative of the City's differing ethnic make- up, it is reasonable to assume households from different ethnic backgrounds will form part of the overall group of CTS taxpayers who are struggling financially. Also BAME communities are more likely to be working age taxpayers rather than of pension age. However, there is no evidence available which would suggest that taxpayers from differing ethnic backgrounds will be disproportionately affected by an increase.

155. In recognition of the potential impact that the change to CTS will have on taxpayers we propose to maintain, with increased funding a Council Tax Hardship Scheme (CTHS) to offer additional support to those taxpayers from differing ethnic backgrounds who are in severe financial need.
156. Access to the scheme is open to all taxpayers in receipt of CTS. Analysis of our CTS caseload shows that 25% of all applicants are from a BAME background whilst 26% of all awards made under the CTHS are made to BAME households.

Religion/Belief

157. According to the 2011 Census the largest religion/belief held in the city is Christian (52.5%), followed by no religion (31%), Muslim (7.7%) and no religion stated (6.8%). Few service impact assessments have detailed any disproportionate impacts in this area.
158. In **Place**, people of all faiths and beliefs (including non-belief) will be impacted by increased fees for bereavement services. The increase for exclusive rights and burial has the potential to have a more significant impact on people of the Muslim and Jewish faiths due to their religious preference for burial.
159. There are no identified disproportionate impacts in **People Services (Children, Young People and Families or Adults)**, **Resources**, or **PPC**.

Sex – including men, women, pregnancy and maternity

160. Sheffield has a population overall which is approximately 51% female and 49% male with some variations at different ages. 58% of carers are women and 89% of lone parents. While the pay gap between men and women has been reducing, there is still evidence that, in general, men are paid more than women; the gender pay gap in Sheffield is 17.5%. 55% of women are economically active compared to 65% of men. See Community Knowledge Profile for more information on this.
161. Few impact assessments have noted clear direct disproportionate impacts on gender. However, as women have lower incomes overall, are a larger proportion of adult social care service users, carers and lone parents, there will therefore be an indirect impact from multiple proposals such as increasing in charging, changes in Adult Social Care, and Council Tax. See the sections on older people, disability and carers for the potential of indirect impact due to multiple disadvantages in the **People** Portfolio.
- In **People Portfolio (Children, Young People and Families)** the Strengthening Families demand management work will continue to work with survivors and perpetrators of abuse regardless of gender, with a

focus on early intervention and prevention. However as most victims of domestic and sexual abuse are female this will have a disproportionate impact.

- The Fresh Start Project will work with those most at risk of having a child removed, this will include women with substance misuse issues, mental health problems and teenage mothers. The project will primarily work with women however where they are with a partner we will work with them as a couple wherever we can and link to the Domestic Abuse Project if needed.
- The Parenting Project highlights increasing areas of support specific to fathers and works with those families in need of support.
- The Strengthening Inclusion Programme will support more boys and girls. Boys are more disproportionately represented in SEN and EHCP plans.

162. In **Public Health**, the Sexual Health Redesign will promote improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs.

163. None of the proposals in **People Services (Adults)** affecting adults have a direct impact relating to sex. However there may be indirect impacts on women, who are in the majority of older people, carers and those who either use, or work in Adult Social Care services. Higher proportions of women also volunteer and work in the VCF sector.

164. There are no identified direct impacts on gender in **PPC**. However, across Portfolios, women are more likely to be unemployed and have lower incomes. Any changes impacting on people on a low income, will more indirectly impact on women.

165. In **Resources**, pregnant customers claiming CTS have their award based on 77% rather than 100% of their Council Tax Liability. By continuing to closely align our CTS scheme with the principles of the revoked CTB scheme, once these customers give birth their change in circumstances will be positively reflected in the level of CTS that they will receive. The Council will also continue to disregard child benefits as income when assessing a customer's eligibility to CTS. In recognition of the impact that the CTS has on pregnant taxpayers or new parents the Council proposes to maintain with increased funding of £200k, the Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. By maintaining the scheme in its present format, it will continue to include in calculating

- entitlement to support, the family premium for working age customers, which the Government removed from Housing Benefit entitlement decisions in 2016.
166. Further, the Government proposed to reduce Housing Benefit entitlement for families or single parents who have a third child after April 2017. We could also have incorporated this change into our CTS scheme and reduce support for working age customers, but by choosing not to do so we will continue to be able to offer the maximum possible support to families with more than 2 children. This is particularly relevant given that the second phase of the Government's "Benefit Cap" was introduced in 2017. Unlike the first phase, which predominantly affected families with 4+ children, the reduced benefit income allowed under this phase of the cap will affect households with 3 children and some with 2 children.
167. In Sheffield, there are currently just over 400 households who are affected by the benefit cap. The benefit cap, until a household moves on to Universal Credit, reduces the weekly Housing Benefit received, thus increasing the amount of rent these households have to pay. The average Housing Benefit reduction in Sheffield is £47.05 per week. By increasing the funding available for the CTHS we will increase our ability to offer, where appropriate, priority financial assistance to these families, as demand for assistance from this group of customers increases.
168. It is recognised that lone parents in receipt of CTS, the majority of whom tend to be female, are likely to be affected not just by the advent of CTS but by other welfare reforms, such as the removal of the family premium in Housing Benefit calculations, which we are proposing not to replicate for working age CTS customers, and the benefit cap. As such, by maintaining the CTS scheme in its present format and proposing to maintain and increase the funding for the CTHS, the Council will continue to offer financial assistance to single parents.

Sexual orientation

169. The Community Knowledge Profiles note that approximately 5 to 7% of people identify nationally as LGB (lesbian, gay or bi-sexual), although we do not have more local information. We estimate though that Sheffield is likely to have a similar proportion of people who identify as LGB+ as the national average, so approximately 28,000 to 38,000 people. The proportion of younger people identifying as LGB+ is usually higher than the national average.
170. In **People Portfolio (Children, Young People, and Families)** the domestic abuse project on prevention and early intervention has a positive impact and recognises support includes people who may be attracted to or are in a same

sex relationship. The Sexual Health Redesign will promote improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs, for example MSM.

171. Overall, across the Council, in **Place, Resources** or **PPC** we do not think there will be a negative disproportionate impact for LGB+ people, but information on our service users in this area is limited. In the past year we have integrated appropriate monitoring into key areas like social care. Further monitoring will be undertaken as part of individual EIAs to assess this as appropriate.
172. In **Resources** there is no evidence to suggest that assessing CTS based on 77% of Council Tax liability has had a greater or lesser impact on customers purely as a result of their sexual orientation. It is clear from analysing overall collection rates that some households from across the City have found (and will continue to find) it more difficult to meet their Council Tax liability. As the CTS caseload is representative of the City's differing make up, it is reasonable to assume taxpayers of different sexual orientation will form part of the overall group of CTS taxpayers who are struggling financially. Therefore the CTHS will help to mitigate the impact of CTS amongst the most financially vulnerable regardless of sexual orientation.

Trans

173. There are nationally approximately 0.6% of the population that are trans, and so we would expect there to be similar numbers in Sheffield, which equates to 3,300 people.
174. Service impact assessments have detailed any disproportionate impacts in this area except in the **People Services (Children, Young People and Families)** which notes that the Domestic Abuse Project will have a positive impact as it recognises that trans people also face domestic abuse within a relationship. The Sexual Health Redesign will promote improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs, for example, transgender people or those identifying as non-binary.
175. Overall, across the Council in **Place, Resources** or **PPC** we do not think there will be a negative disproportionate impact on trans people. However we do not have a sufficient amount of monitoring information about our service users in a lot of services, so further monitoring will be undertaken as part of individual EIAs to assess impact as relevant and appropriate.

Financial exclusion and poverty

176. Sheffield's Child Poverty report in 2017 shows the proportion of children living in families in receipt of out of work benefits, or in receipt of tax credits where their reported income is less than 60% of UK median, has increased. In line with other Core Cities and national trends, the most up-to-date data shows 31.3% (35,820) children are living in poverty in Sheffield after housing costs (AHC). However, the figure masks the wide and well-documented variation between different parts of Sheffield. In Ecclesall ward, 7.8% (AHC) of children were living in poverty, whilst in Burngreave the figure was much higher at 51.19% and Central and Firth Park at 49% in poverty.
177. In 2017, 17 of the Sheffield's 28 wards had more than 20% of children living in relative poverty (AHC). There are clearly multiple causes of child poverty; however, it is likely that national welfare reforms are a significant driver of changes seen.
178. Joseph Roundtree Foundation (JRF) research ([Monitoring poverty and social exclusion 2016 report](#)) notes 'While overall levels of poverty have remained fairly static over the last 25 years, risks for particular groups have changed. Income poverty among pensioners fell from 40% to 13%, while child poverty rates remain high at 29%, and poverty among working-age adults without dependent children has risen from 14% to around 20%. The number of people in poverty in a working family is 55%. Four-fifths of the adults in these families are themselves working, some 3.8 million workers. Those adults that are not working are predominantly looking after children.
179. Between 2008 and 2014 the cost of essentials went up three times faster than average earnings and the cost of essentials went up twice as fast as general inflation. At the same time, average earnings were stagnant and benefits that low-income households rely on (both in and out of work) were cut in real terms. The face of poverty has also changed in other ways:
- Pensioners are now less likely to be in poverty than previously, but other groups are more likely to be in poverty. Poverty amongst pensioners is directly linked to their experience in earlier life.
 - Nationally, poverty rates for disabled people have reversed, with poverty increasing.
 - When the extra costs of disability are partially accounted for, half of all people in poverty are either disabled, or in a household with a disabled person.
 - People from minority ethnic backgrounds are more likely to be in poverty.

- People in poverty face reduced and falling financial resilience. For example, 69% of the poorest fifth have no savings whatsoever, an increase from 58% in 2005/06.
 - Care leavers, and carers (both young carers and adult carers) are at increased risk of poverty.
 - Children in large or single parent families are at greater risk of poverty. Almost two thirds of children living in single parent families live in poverty; they are also one of the groups hardest hit by the new benefit changes.
180. The Government's commitment to make a further £12bn reduction in welfare spending will be achieved in part through increased employment and wages, in part through reducing and limiting specific welfare benefits, and in part through a dramatic reduction in the resources available to offer employment support that will accompany the termination of the Work Programme in 2017. A detailed analysis of the impact of the planned reductions in welfare spending is being carried out by Sheffield Hallam University and can be found at <http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016.pdf>.
181. Sheffield City Council's budget reductions, coupled with issues above like welfare reform, mean that preventing inequality from worsening or not widening is one of the main aims of the assessments.
182. Across all Portfolios we have tried to minimise the impact as far as possible, especially on those that are in greatest need or at risk, such as those that face financial exclusion and poverty. We have also aimed to ensure the budget proposals are in line with the Fairness Commission Principles and our priorities outlined in our Corporate Plan such as tackling inequality.
183. We have considered the key drivers of poverty and its effects (short, medium, and long term). Our proposals therefore reflect the Council's intention to tackle poverty and reduce inequality, as outlined in the Tackling Poverty Strategy 2015. The strategy notes three ways we will make an impact:
- Changing the way we do things so that tackling poverty is always a priority.
 - Taking action to make things better for children and adults who are struggling and in poverty now (including providing advice, reducing the cost of essentials and reducing crime).
 - Tackling some of the root causes of poverty and giving our children the best chance of a poverty-free future (including improving skills and

employability, increasing the supply of good quality jobs, giving children a great start in life and a good education, improving health and tackling health inequalities and providing more affordable, decent homes).

184. In **People Services**, our Grant Aid funding arrangements for 2019-20 prioritise support that helps to alleviate poverty, manage debt and maximise income. In particular, our funding proposals respond to ongoing concerns about the impact on people in Sheffield of the introduction of Universal Credit and wider welfare reform.
185. We see positive opportunities in bringing forward proposals that help to reduce pressure on services by enhancing people's skills and independence. In 2019-20, using occupational therapy and other support, we aim to deliver a project that helps working age adults move from lower levels of care and support towards greater social inclusion, employment prospects and financial benefits.
186. For disabled people who need care and support, we will continue to recognise their real cost of living expenses when we calculate financial contributions to care. And we will carefully consider individual circumstances and take a sensitive approach to recovering any overdue contributions. In **Public Health**, the reduction in funding of People Keeping Well (PKW) will have minimal impact as the small reduction is being spread over 14 projects across Sheffield. Therefore the reduction to each PKW programme will be small and will mainly impact on supplies and services budgets rather than front line delivery.
187. Sexual Health inequalities are the starkest for people who are financially excluded and the Sexual Health Redesign aims to be inclusive in meeting the needs of this vulnerable group.
188. In **Place** there are a number of proposals with an impact on financial inclusion and poverty:
- There is an increase in the charge for replacement green and general waste bins. Replacement or new recycling containers will be free of charge and no charge will be made if the bin is damaged during the collection activity.
 - Increase in the charge for larger or additional bins.
 - Removal of the subsidy for bulky waste collection. The service will still be available at full cost and there is free disposal at Household Waste Recycling Centres across the city.

- Free and subsidised pest control will end. This change will transfer responsibility for treatment and resolution to the landlord, not the tenant, who may be currently receiving the subsidy. Owner occupiers and land owners will be responsible for paying the full cost.
- An increase in Bereavement Services fees could negatively impact those on reduced income as the cost of a funeral is likely to have a more significant proportional financial impact on this group.
- We have worked with our Sports and Culture trusts partners, to identify a level of year on year grant reduction that is manageable. This involves a minimal impact on visitors, which includes a pricing policy that encourages participation from the widest possible range of audiences e.g. reduced prices for particular groups, work with schools across the city & the Peoples Theatre, free entry for students of Drama etc.
- A broad range of potential impacts may result from the Place Change Programme. Examples may include, but are not be limited to, reviewing charging models for service provision, changing or reviewing service standards and ceasing activity altogether.

189. In **People Services (Children, Young People and Families)**, there are a number of proposals with an impact on financial inclusion and poverty including:

- Protecting targeted support to children and young people and employment projects, such as protecting apprenticeships and employment programmes, will positively impact on reducing financial exclusion and poverty.
- Supporting children and young people who are in care to travel independently will equip them with the skills which they can utilise in further study and to get wider access to the labour market, therefore increasing their opportunities for improved financial inclusion.
- Proposing to offer improved rates of pay to foster carers, over a period of time this will bring them in line with the rate paid in the local region.
- More foster carers in the city will lead to greater placement choice for children in care, improved placement stability and better long term outcomes for children in care.
- Demand management work on the Domestic Abuse investments note that factors such as poverty act as a fuel for domestic violence in low-income families.

- Demand management work on the Fresh Start Project will work with those most at risk of having a child removed, and this will include teenage mothers. Care leavers and young parents are amongst those most vulnerable to poverty.
 - By having the right support at the right time and in the right place so children and young people, we are preparing the young person for transition into independence and employment. By preparing the young person for independence and employment, we are mitigating against one of the key determinants of financial exclusion and poverty.
190. The Council administers the following schemes which have an impact on financial inclusion, including:
- Local Assistance Scheme (LAS) provides grants for those in greatest need as a result of an emergency or crisis, or in order to establish themselves in the community (after, for example, a lengthy hospital stay).
 - Council Tax Support Scheme (CTS) – this was established in April 2013, when the Government abolished Council Tax Benefit. It provides some support for people to pay their Council Tax who are eligible due to low income or being in receipt of particular benefits.
 - Council Tax Hardship Scheme (CTHS) – this scheme helps people who receive Council Tax Support and who are in severe hardship.
 - Discretionary Housing Payments – funded by the DWP these payments provide assistance to households who are receiving Housing Benefit and who are experiencing financial hardship as a result of a shortfall between their Housing Benefit and Rent.
191. In **Resources** it is intended that the CTS scheme continues to be closely aligned with the principles of the revoked CTB regulations. These regulations provide for the maximum financial support being made available to those with the greatest financial need. They protect some of the income of the disabled and of families whilst providing assistance to those people who move off benefits into paid employment. However, the Government in pursuing its Welfare Reform agenda has made changes to the Housing Benefit scheme which reduces support to certain working age customer groups. If we replicate those changes in our CTS scheme we will also reduce support under our scheme to those customers. It is proposed not to incorporate those changes into our CTS scheme. By taking this decision we will continue to provide the maximum available support under our scheme.

192. The Council recognises however that requiring all working age customers to pay a minimum of 23% of their Council Tax may cause financial hardship amongst these households. Therefore the Council is proposing to continue to operate the Council Tax Hardship Scheme (CTHS) in 2019/20 and to increase the assistance available under the scheme by £200k, in order to continue to offer assistance to the most financially vulnerable households. By doing so we will be able to target assistance to those customers in the greatest financial need. Further the Council also maintains a Local Assistance Scheme which can provide additional financial support to certain CTS taxpayers in financial difficulties.
193. However we will increase Council Tax by 2.99% (approx. 58p per week for most households) to enable us to continue to protect services to those who are in greatest need and at risk.
194. The Local Assistance Scheme (LAS) is run by the Council and replaces the Crisis Loans and Community Care Grants that were previously available from the DWP. The LAS provides grants to help people as a result of an emergency or crisis, or to help them establish themselves in the community or to ease exceptional pressure, and can be awarded for household furniture and other essentials.
195. The LAS was reviewed in 2017 and the following changes have been made to the scheme:
- Instead of providing crisis loans via Sheffield Credit Union, LAS now provides Sheffield Crisis Grants, which follow the same criteria as the Local Assistance Loans except that they do not have to be repaid.
 - Local Assistance Grants have been renamed Sheffield Independence Grants. Individuals under exceptional pressure are now considered in addition to families for these grants. Applications from customers who are assessed to have insufficient income, including those not in receipt of a qualifying benefit, are now considered (previously customers had to be receiving certain benefits to qualify).
196. The Council provides funding to Sheffield Citizens Advice as well as providing other organisations with grants to support people who are living in poverty or who are at the risk of poverty. The Revenues and Benefits service also has close links with this sector, particularly with advice agencies and supported housing providers. The service will continue to engage with them where appropriate to review and refine the scheme in order to ensure that it continues to be fit for purpose. By proposing to maintain the scheme in its current format and therefore not making it less generous, the Council is

ensuring that during a challenging period of change for many low income households, it will provide continuity for those already claiming CTS.

Carers

197. According to the Carers Community Profile (see Community Knowledge Profiles) and 2011 Census there are 57,373 residents who provide unpaid care, including 4,559 young people under age 25. 58% of carers are women. Few impact assessments have noted clear direct negative impacts on carers. However, as carers overall have lower incomes and, by definition, care for a large proportion of adult social care service users, there will be an indirect impact from multiple proposals.
198. In the sections on older people and disability, some proposals put forward by **People Services** could have an indirect impact on carers due to multiple disadvantages this group faces. The portfolio is taking forward plans to review the best use of its in-house short break facilities – potentially, to help more when there is an emergency or carers face a crisis. A minority of carers may be negatively impacted as we look for more consistency in the take-up of short break services; but there will be wider benefits for the majority of carers. We will also continue to develop both short-term and long-term use of our Shared Lives service, enabling people to live ordinary lives in the community, with benefits for them and their host.
199. The Better Care Fund partnership with the NHS CCG will continue, with the aim to deliver better joint commissioning, to ensure people get the right care when and where they need it. This should also lead to more effective and efficient services which will lead to positive impacts for disabled people and their carers. However the Better Care Fund is not enough to support both adult social care and the NHS to work differently. There is still a need to deliver significant change in how services are planned, commissioned and delivered in Sheffield.
200. There are some proposals which were implemented following last year's budget, where the reductions did not fully take effect until this year. We have reviewed and updated EIAs from last year to make sure that we have implemented EIA action plans and identified next steps.
201. In **People Services (Children, Young People and Families)**, recruitment of Foster Carers by Sheffield City Council may impact on other organisations ability to recruit as potential carers will come from the same or similar cohort. The Strengthening Inclusion programme will positively impact on carers as children, young people and families will be able to access a range of local, flexible support at the right time and in the right place, that meets their needs

and enables them to be prepared for transition to independence, employment, to access the community and manage their health needs.

202. In **Place** there is a positive impact for residential carers due to the removal of the charge for residential carers parking permit, which was previously £10.00.
203. In **PPC** there are few impacts on carers highlighted.
204. In **Resources** there is no evidence to suggest that assessing CTS based on 77% of Council Tax liability has had a greater or lesser impact on carers. The revoked CTB scheme provided maximised financial assistance to eligible carers. By basing the current scheme on the revoked CTB scheme we will ensure that the CTS scheme continues to offer carers the maximum support they are entitled to. In addition carers may apply for support from the CTHS scheme. As carers are often amongst those who are least likely to be able to change their financial situation, through for example increasing income via employment, they are one group to whom support under the CTHS is, where appropriate, prioritised.

Voluntary and Community and Faith Sector

205. When considering the impact on the VCFS, the importance of 'social value' is recognised by the 'Best Value' guidance, which was published by the previous Government in September 2011. This states that authorities have a duty to consider the impact of budget reductions on VCF or other organisations that have a 'social value'. The Public Services (Social Value) Act requires us to take social value into consideration when we commission services. In order to do this effectively we will continue to monitor the impact of changes over the next year on service changes as well as the knock on effects of reductions on other providers, and continue detailed consultation with customers and other stakeholders as specific activities are implemented.
206. In 2019-20, **People Services** will enter year three of the current agreements to pay Grant Aid and play our part in supporting voluntary sector partners. The agreements are based on a tapering model of funding, which allows a gradual reduction in Council financial support while organisations look to develop their income streams and sustainability. We recognise the important role the organisations have, and the potential impact of any funding reduction. After consulting with each, our proposals reflect the priority being given to supporting services that work directly with vulnerable people, or that help to tackle injustice and poverty. **People** with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services. The impact of Universal Credit and

- welfare reform was an important factor. Our proposals also consider alternative sources of funding that organisations have in place.
207. **People Services** will look for new ways to involve the VCF sector, recognising its potential to find innovative and preventative ways of supporting people. Priorities for 2019-20 will be to explore new funding opportunities for organisations to support people with mental ill health and people who currently use learning day facilities.
 208. In **People Services (Children, Young People and Families)**, recruitment of Foster Carers by Sheffield City Council may impact on other organisations' ability to recruit as potential carers will come from the same or similar cohort and there are a limited number of individuals interested in becoming Foster Carers.
 209. In **Public Health**, Central Government reductions have meant a cut to our budget of 2.6% or £864k. However we are continuing to address the root causes of ill health by supporting community groups that help people improve individuals their health and wellbeing. These contracts are being reviewed to ensure value for money and this may result in reduced contract values for some organisations.
 210. It is possible that the combination of cumulative budget reductions over the last few years may have the unintended effect of destabilising some organisations that the Council and communities value. We are however working to mitigate this, including by ensuring no reduction to Grant Aid this year. Therefore this impact in this area will be low this year and not disproportionate.
 211. There are no identified disproportionate impacts in **Place** or **PPC**.
 212. The Council provides funding to Sheffield Citizens Advice as well as providers to support people who are living in poverty or who are at risk of poverty. The Revenues and Benefits service in **Resources** has close links with this sector, particularly with advice agencies and housing providers. The service will continue to engage with them where appropriate to review and refine the Council Tax and Hardship Schemes in order to ensure that it continues to be fit for purpose. By proposing to maintain the scheme in its current format and therefore not making it less generous, the Council is ensuring that during a challenging period of change for many low income households, it will provide continuity for those already claiming CTS and ensure that no additional confusion or disruption is brought about which otherwise may result in significant additional pressures being put on the Voluntary, Community and

Faith sectors as customers seek advice and assistance in order to deal with changing financial circumstances.

213. Spending in **Public Health** is integrated throughout the Portfolios, so more detail on the use of our **Public Health** grant is given in the specific EIAs. Overall there may be a negative impact which reflects National Government cuts of 2.6% (£864k) in this grant. We are reviewing how and where the funding is spent to ensure that it is targeted to tackle the root causes of ill health and to have the maximum impact on reducing inequalities. This may mean that we will save on some activities in order to reinvest in other areas which have been prioritised.
214. The outcomes expected of the Public Health Grant will continue to be assessed under the Public Health Outcomes Framework (PHOF), and broadly fall into the following categories:
- Health and wellbeing is built into all that we do
 - To protect people from preventable infections and environmental hazards to health
 - To reduce health inequalities
 - To support people to live healthier lives
215. Overall however as we target the households in most need there will be an inevitable impact on those who are still struggling financially but are not on the lowest incomes and who will be not eligible for targeted programmes. The biggest impact is likely to be on families with dependent children.

Council staffing implications, including workforce diversity

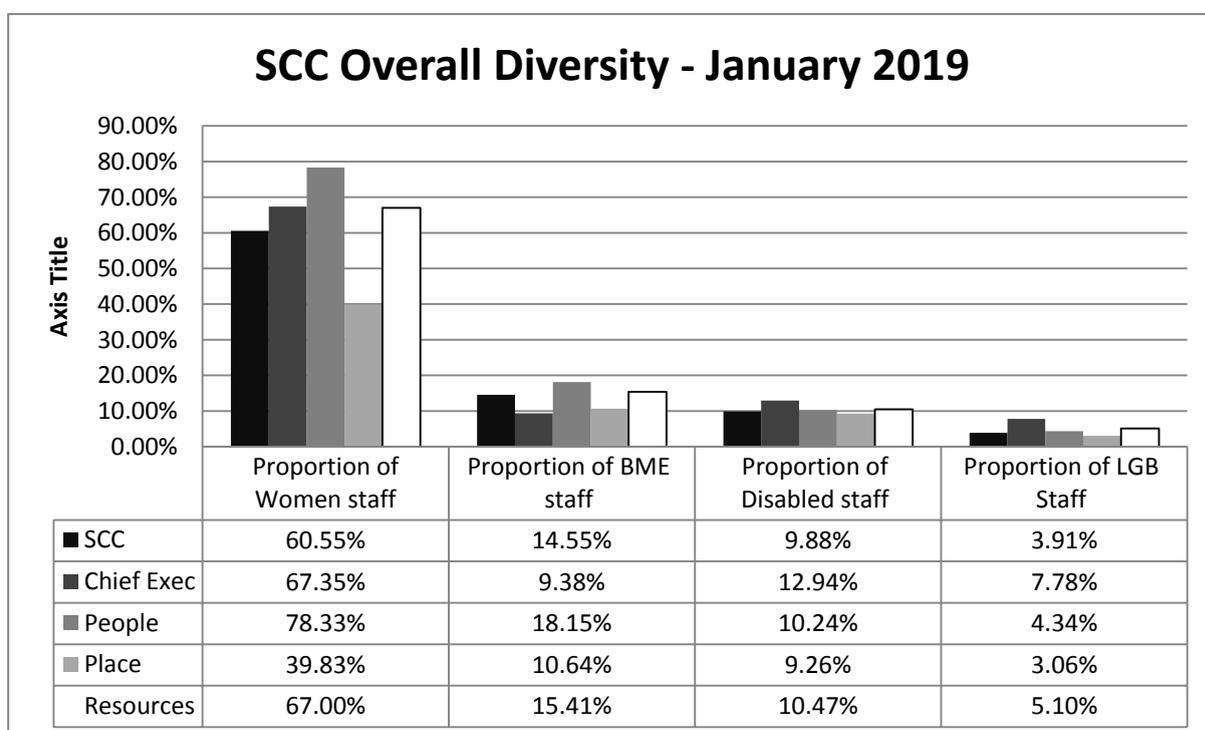
216. In all Portfolios the budget proposals include reduction on staffing budgets. The reductions arise from proposals to manage or deliver services in a different way. In all cases we will seek to manage employee reductions through voluntary early retirement, voluntary severance and by actively supporting staff that are vulnerable to redundancy to find alternative employment. The Council has also taken measures to minimise the impact on frontline staff where possible and appropriate.
217. Additionally we have introduced a stronger emphasis on workforce planning to ensure that our resourcing models and choices, including agency arrangements, are well planned and cost effective. Unfortunately, despite all our efforts and mitigations, there may be the need for compulsory redundancies, although this has been limited to four in the last 12 months.

There was a further 48 employees left on voluntary redundancy schemes (including Voluntary Early Retirement).

218. We continue to promote employee led measures such as voluntary reductions in hours, career breaks and annual leave purchase schemes to further contribute to savings on staffing budgets and we have seen an increase in the popularity of these options each year. We are committed to continue to pay a 'Living Wage' to Council employees and to extend this to our contracted providers where possible. We are also now a member of the Living Wage Foundation.

219. The Council believes that the composition, skills and commitment of the workforce are vital factors in our ability to deliver effective, efficient responsive and personalised services. We continue to monitor workforce issues within Portfolios and across the Council, and are aware of the need to address:

- The degree of occupational segregation within the workforce, such as a high proportion of women in the **People** workforce and a slightly higher proportion of men in the **Place** portfolio, and;
- Under-representation of disabled, BAME and lesbian, gay, bisexual (LGB+) people in the workforce compared to the city average.
- There is also an under-representation of disabled, women, LGB+ and BAME staff at Chief Officer grades.



220. Given the amount of internal restructuring as a result of the budget proposals and other significant drivers, for example the change programmes linked to SCC2020, and possible staff reductions of up to a further 135.5 FTE positions 2019/20, a significant number of workforce EIAs within Portfolios have been completed.
221. The monitoring of the MER and VER/VS schemes in 2016/17 period shows a downward trend on our Disabled workforce profile. We have measured this again in 2017/18 along with other protected Characteristics, and we can report there is no negative disproportionate impact on people who are Disabled, BAME or LGB+ in the latest reporting period. When measuring this, an important factor to consider is our workforce diversity at different age ranges.
222. As in the previous year, monitoring shows some disproportion of females leaving the organization through MERs. The majority being people who volunteered to leave on enhanced schemes. We will continue to measure this. Workforce diversity has decreased this year in all areas but some more than others. However overall trend over 5 years is still positive.
223. We will continue to work within our Recruitment and Selection policy and associated procedures to promote workforce diversity to reflect the demographics of the city. We currently hold Disability Confident at Level 2 with a view to apply and be successful for Level 3 Disability Confident this year. We are a Stonewall Diversity Champion.
224. We are also working with managers, staff and trade unions to ensure the workforce is viable and appropriate to the council's future operating and service needs, with a balance of skills and experience. This has included the implementation of the Organisational Workforce and OD Strategy that acts as one of the enablers to ensure the programme delivery for SCC2020.

Cumulative impact

225. We have looked back at the cumulative impact of changes over the last few years to inform our decision making this year, and found that service transformation, including staff reductions and joined up services, and the prioritisation of those in most need have been the most effective ways to mitigate the negative impact of budget reductions and increased cost pressures.
226. The groups which are impacted across EIAs and portfolios are disabled people, older and young people, women, carers and people on low incomes. Disabled people, some women such as lone parents and female pensioners, carers, young people tend to have lower incomes and some BAME groups

(who are more likely to be unemployed) and are more likely to be cumulatively impacted. See [Community Knowledge Profiles](#) for details.

227. Some people who previously received a service will receive a changed, reduced or no service, as we focus services on those most in need. The reduction in universal provision is likely to impact on those who are not in the greatest need, but who are struggling financially and may find it difficult to pay for alternative provision.
228. We are continuing to work with partners to be more efficient and joined up. For example, we are working with the CCG to develop a single pooled budget for Health and Social Care. We are also continuing to work across the region where appropriate to help save costs and to enable better joined up services.
229. A further impact across a range of proposals will be the transition from one provider to another, which may include moving from one location to another. These changes have the potential for significant impact on those individuals affected by the change. We will take this into account in any changes, undertake risk assessments where necessary and provide support for users and carers.
230. There will be an impact on the workforce across all areas given the amount of internal restructuring as a result of the budget proposals, and there are possible staff reductions of up to a further 172 posts in 2018/19. A significant number of workforce EIAs are ongoing and a Council wide MER EIA has been completed. Over the last few years changes to staffing have resulted in a positive impact on workforce diversity.
231. It is difficult to quantify the cumulative level of impact as mitigations have been highlighted in all EIAs. External factors, such as welfare reform, are also impacting negatively on some of the same groups.

Summary

232. There are over 100 EIAs on proposals and the groups most likely to be impacted negatively by individual proposals and cumulatively are disabled people, young and older people, women and individuals and families on a low income.
- Many services are continuing to comprehensively restructure services and teams and as a result we have saved money on offices and technology. Staffing levels across the Council have also reduced. Last year the majority of changes were managed through voluntary severance schemes. In 2019/20 we will be reducing the workforce by approximately 135.5 further posts.

- Services will continue to look at how they collect income and how debt is recovered. We will increase charges where appropriate and continue with the work to apply costs fairly. We understand that, increasing charges will impact more heavily on individuals and families struggling on a low income.
- It is clear from the respective collection rates that under the Council Tax Support (CTS) scheme some working age households have found and will continue to find it harder to meet their Council Tax liability than others. However, collection rates from CTS customers have increased in 2018/19.
- We have a Council Tax Support scheme at 77% despite Government cuts in these areas. However we will overall increase Council Tax by 2.99% (58p per week on the majority of households). This will enable us to continue to protect services for people in greatest need and at risk. As above, we will mitigate the impact of this by increasing the Council Tax Hardship scheme by £200k in 2019/20. Analysis of awards made under the CTHS scheme shows that well over 90% of awards have been made to working age taxpayers and 55% of all awards are made to customers in receipt of a sickness or disability benefit.
- **Public Health** spending is integrated throughout the Portfolios. Overall there has been a significant reduction in funding from Central Government of 2.6%, equivalent to £864k, so our investment in this area has reduced. In line with what was agreed last year we are reviewing staffing and how and where the funding is spent to ensure that it is targeted to tackle the root causes of ill health and to have the maximum impact on reducing inequalities. This means that we will save on existing activities including reducing contract and staffing costs and encouraging efficiencies in order to reinvest in other areas.
- 2015 saw the start of the Better Care Fund between the Council and the NHS Clinical Commissioning Group (CCG) to create a combined budget in Adult Social Care to develop joined up services. This approach aims to ensure people receive the right care when and where they need it, but it will also create efficiencies in processes. It focuses on supporting people at home where possible to help increase independence and to delay access to Health and Social Care services.
- The Council currently receives £17.4m of funding via the NHS to meet the costs of providing adult social care. In addition, the Council has pooled its adult social care budget with that of the local CCG. The Better

Care Fund is not enough to support both adult social care and the NHS to work differently. While we continue to work with our CCG partners and have a joint budget, there is still a need to deliver significant change in how services are planned, commissioned and delivered in Sheffield.

- We continue to develop and implement major transformative projects to take forward our proposals. Through our work with health partners, we plan to enable more people to move from care into their own home, to live in their own home for longer and to return home sooner from hospital.
- When considering the impact on the VCF, the importance of 'social value' is recognised by the 'Best Value' guidance, which was published by the Government in 2011. This states that authorities have a duty to consider the impact of budget reductions on VCF or other organisations that have a 'social value'. The Public Services (Social Value) Act requires us to take social value into consideration when we commission services. In order to do this effectively we will continue to monitor the impact of changes over the next year on service changes as well as the knock on effects of reductions on other providers and continue detailed consultation with customers and other stakeholders as specific activities are implemented.
- We are continuing to invest in the Voluntary and Community Sector including through Grant Aid and Public Health albeit at reduced levels.
- We are continuing to target resources at those who most need our support and are at risk, help people to become more independent, where possible intervene earlier and do more preventative work, get even better value for money from the services we purchase and pursue innovative approaches in service commissioning and design.
- We are continuing to develop our approach to commercialisation, including pursuing external funding where possible to help invest in innovative services including redesigned Youth Services and continuing to develop employment schemes for vulnerable and disadvantaged people especially those aimed at young and disabled people.
- We are continuing with restructures of Council services and are both internalising and externalising services where appropriate.
- We are continuing to get value for money from our contracts. This is with our major strategic providers but also across Portfolios such as with our, housing commissioning, learning disability services, youth services etc.

- We are continuing to work regionally where appropriate to save costs but also to enable better joined up services.
233. The Impact Assessment also highlights some positive implications of budget proposals. Examples include improving the process of assessment and supporting planning for existing and future social care customers whilst ensuring choice and control over support to meet their eligible needs, and reshaping transport to provide services which promote independence. We will have better targeted and joined up pathways and services. Also, as we restructure services there should be clearer and more efficient ways to contact services.
234. Although we are confident that our budget proposals will mean services for those that most need our help and support will be prioritised, it will mean cumulatively significantly reduced universal provision that may impact especially on those households not in the greatest need, but who are still struggling financially and not able to pay for alternatives. Growing inequality is likely to therefore impact on stability and cohesion, and this will need further monitoring.
235. A list of EIAs available is attached and can be made available on request.

EIA Action Plan

| Area of impact | Action and mitigation | Lead, timescale and how it will be monitored/reviewed |
|---|--|---|
| Overall and for specific issues relating to communities sharing characteristics under the Equality Act 2010 | <p>Individual proposals have had detailed EIAs and specific mitigation has been devised wherever possible. These will contain the detail of the actions required be monitored as appropriate.</p> <p>In some cases as proposals are developed further and implemented alongside consultation, some impact assessments will be revisited or updated.</p> <p>Continued focus on applying corporate priorities, the Fairness Framework</p> <p>Randomly sample 10% of EIAs in the year across portfolios to assess progress and effectiveness.</p> | <p>Service Managers within Portfolios as noted in EIAs.</p> <p>Performance monitoring within Portfolios - Directors of Business Strategy.</p> <p>Strategic Equality and Inclusion Board to examine in more detail the cumulative impact of the budget cuts made on Sheffield over the last 9 years.</p> |
| Poverty and financial exclusion | <p>Analyse, assess and monitor:</p> <ul style="list-style-type: none"> • The impact and effectiveness of the Fairness Principles and poverty proofing as part of the EIA budget process. • The impact of the reduction in universal provision especially in culture, leisure, sport and young people. • The use and impact of the Council Tax Hardship Scheme. | The Tackling Poverty Group to develop further monitoring and analysis arrangements within the year which seek to assess the issues highlighted. |
| Workforce | The corporate workforce EIAs will be monitored annually. | Director of HR, annually at the Strategic Equality and Inclusion Board. |

Approved (Lead Officer): James Henderson: January 24th 2019

Approved (EIA Lead Officer): Michael Bowles: January 24th 2019

Equality Impact Assessment List 2019/20

www.sheffield.gov.uk/equality

| EIA No. | Title | Portfolio |
|---------|--|---------------------------|
| | People Services | |
| 482 | Deletion of PH Consultant Post | People |
| 521 | Deletion of Health Improvement Principal Post | Director of Public Health |
| | People (Children's, Young People and Families) | |
| 119 | Strengthening Families Change Programme Supply Management-Local Foster Care (Fostering) | People - CYPS |
| 150 | Pensions | People - CYPS |
| 183 | Strengthening Families Change Programme – Review LAC | People - CYPS |
| 194 | Strengthening Families: Placements - demand management reduction in costs | People - CYPS |
| 275 | Sexual Health Service Procurement | People - CYPS |
| 381 | Strengthening Inclusion | People - CYPS |
| 394 | Review of Facilities Management Charges | People – CYPS |
| 395 | Review of Portfolio-wide Business Support | People – CYPS |
| 400 | Information Systems and Analysis Efficiencies | People – CYPS |
| 406 | Increased income from information systems and analysis | People- CYPS |
| 465 | Travel Training Grant | People – CYPS |
| 466 | Review of Performance and Analysis Functions | People – CYPS |
| 467 | CILS – Staff Cost Pressures (SEND & Inclusion Services) | People – CYPS |
| 468 | CILS – Staff Cost Pressures (excluding SEND and Inclusion | People – CYPS |
| 469 | CILS – Staff Cost Pressures SEND & Inclusion Services | People – CYPS |
| 484 | Sheffield Young Carers project & What About Me Contract | People – CYPS |
| 505 | Strengthening Families – Tri-Party Health Contribution | People – CYPS |
| 506 | Strengthening Families – Field Work non-staffing savings (Section 17 contact, Direct Payments) | People – CYPS |
| 518 | Young People Substance Misuse Service | People – CYPS |
| | People (Adults Services) | |

| | | |
|------------------------------|---|-----------------|
| 161 | Employment & Skills: New ESF Grant Allocation – Pathways to progression and Pathways to Success | People - Adults |
| 170 (continuous from 18/19) | Support working age adults to be more independent | People - Adults |
| 187 (continuous from 18/19) | First Contact | People - Adults |
| 189 (continuous from 18/19) | Support independence in young adults | People - Adults |
| 190 (continuous from 18/19) | In House Appointeeship | People - Adults |
| 192 (continuous from 18/19) | Contributions to care - payments and recovery | People - Adults |
| 346 | Integrated tender for Care at Night service | People - Adults |
| 349 | Employment & Skills: Training Units – Service MER | People - Adults |
| 379 | LLS Pay Award Pressures | People - Adults |
| 399 | Voluntary Sector Grant Aid 2019-20 | People - Adults |
| 401 | Associate Library Funding | People - Adults |
| 403 | Conversations Count | People - Adults |
| 411 | Home First | People - Adults |
| 433 | Love Street forward-planning | People - Adults |
| 458 | LD Programme - Short Breaks and Shared Lives | People - Adults |
| 459 | LD Programme – Supported Living | People - Adults |
| 480 | Procurement efficiencies | People - Adults |
| 481 | Managing down sickness absence | People - Adults |
| 485 | Young People & Employment Project | People – Adults |
| 490 | Consistency and proportionality of support | People - Adults |
| 491 | Learning Disability Programme - day activities | People - Adults |
| 497 | Fair cost of care in complex residential and nursing packages | People - Adults |
| 501 | RFID (Radio Frequency Identification Device) end of lease | People - Adults |
| 510 | Learning Disability Programme – New build supported living schemes | People - Adults |
| 511 | DACT Team Infrastructure savings | People - Adults |
| 514 | Residential Rehab (drug and alcohol) | People – Adults |
| 515 | CJIT service savings 2019/20 | People – Adults |
| 516 (replaces EIA 207 18/19) | Mental Health Transformation Programme | People – Adults |
| 517 | Public Health Grant | People - Adults |
| 519 | Extra Care housing | People - Adults |

| | | |
|-----------------------------|---|-----------------|
| 520 | Community Well-being as part of People Keeping Well | People-Adults |
| 522 | Unallocated Funding - Carers Breaks | People - Adults |
| | Place | |
| 200 (continuous from 18/19) | Reduction in grant to Sheffield City Trust | Place |
| 202 | Reduction in subsidy to Upperthorpe Healthy Living Centre (UHLC) | Place |
| 232 (continuous from 18/19) | Place Change Programme (T3) | Place |
| 232 (continuous from 18/19) | Place Change Programme – full year effect | Place |
| 233 (continuous from 18/19) | Reduction in Integrated Transport Authority Levy | |
| 413 | Parks & Countryside - Increase car parking fees in major 'Destination Parks' | Place |
| 415 | Bereavement Services fees | Place |
| 416 | Moor Market & Outdoor Market – Rent revisions | Place |
| 417 | Pest Control: Revised policy for Treatment & Enforcement | Place |
| 418 | Charge for the provision of bins to new properties in the city | Place |
| 419 | Waste Management – Collection and Disposal Contract | Place |
| 420 | Waste Management – Capacity Change Fee | Place |
| 421 | Waste Management – Bulky Bin Rental | Place |
| 442 | Waste Management - end subsidised bulky waste collections | Place |
| 423 | Streets Ahead Contract – Review of street lighting (Combination of further efficiencies and income measures) | Place |
| 424 | Streets Ahead Contract – Implement new Traffic Signs Regulations and General Directions (TSRGD) in relation to illuminated traffic signs and bollards (Combination of further efficiencies and income measures) | Place |
| 437 | Streets Ahead Service Standard 1 - Review internal reporting deadlines (Combination of further efficiencies and income measures) | Place |
| 438 | Streets Ahead Service Standard 1 – Cease issuing letters to the public regarding advance notification of works (Combination of further efficiencies and income measures) | Place |

| | | |
|-----|--|-----------|
| 439 | Streets Ahead Service Standard 1 – Two hour response to incidents on the highway network (Combination of further efficiencies and income measures) | Place |
| 443 | Review Management Information System (MIS) (Combination of further efficiencies and income measures) | Place |
| 440 | Highway Asset Sponsorship Scheme - Generate additional income (Combination of further efficiencies and income | Place |
| 441 | Increased income from other Highways Maintenance Division services (Combination of further efficiencies and income | Place |
| 396 | Parking Services – Review of car parking fees for on/off street parking | Place |
| 397 | Parking Services – Review of parking permit charges | Place |
| 461 | Growth & Capital Investment Activities | Place |
| 462 | Electric Works - Traded return | Place |
| 463 | Traded return – Marketing Sheffield | Place |
| 464 | Review service activities to deliver improvements to operational efficiency - Housing Repairs & Maintenance | Place |
| 507 | Review service activities to deliver improvements to operational efficiency - Transport & Facilities Management | Place |
| 523 | Inflation on existing charges | Place |
| | Resources and PPC | |
| 390 | Policy Performance and Communications MER | PPC |
| 341 | Customer Services Out of Hours Contact Centre staffing | Resources |
| 304 | Customer Services Structural Refresh | Resources |
| 340 | Customer Services Customer Relationship Management (CRM) | Resources |
| 344 | BCIS Staff Savings | Resources |
| 358 | Increase in external income in Legal Services | Resources |
| 74 | Legal Services MER | Resources |
| 353 | HR Business Services Structure | Resources |
| 351 | Learning and Development Management Structure | Resources |
| 352 | External Business Development Strategy | Resources |
| 380 | FCS Vacancy Management | Resources |

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Medium Term Financial Analysis (MTFA)

Purpose of the Report

1. The purpose of the Report is to:
 - provide Members with details of the forecast financial position of the Council for the next 4 years; and
 - recommend the approach to budgeting and business planning that will be necessary to achieve a balanced budget position over the medium term.

Executive Summary

2. The Medium Term Financial Analysis (MTFA) sets out the Council's latest financial forecast for the period 2019/20 to 2022/23. Over the next 4 years, our current view is that the Council's cumulative overall budget gap will be circa £100m by 2022/23, as shown in Figure 1 below. This takes account of changes to the Council's main sources of income (i.e. central government grant and local taxation), corporate expenditure (e.g. capital financing costs) and pressures on services (arising from inflation, demand or legislative changes such as the increase to the minimum wage).

Figure 1 – Summary of Projected Budget Gap for the 4 years to 2022/23

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 | cumulative |
|--|-------------|-------------|-------------|--------------|-------------|
| | £m | £m | £m | £m | |
| Business Rates & Council Tax Income | (17.1) | 1.1 | (9.7) | (15.0) | (40.7) |
| Corporate Grant / Other Income | (5.7) | (0.1) | (0.2) | 3.3 | (2.7) |
| Corporate Expenditure variations | 13.0 | 6.9 | 8.1 | 0.9 | 28.9 |
| Social Care pressures* | 44.1 | 27.9 | 12.8 | 13.0 | 97.9 |
| Other service pressures | 6.6 | 3.4 | 3.3 | 3.2 | 16.4 |
| Challenge before Mitigations | 40.9 | 39.2 | 14.3 | 5.4 | 99.8 |
| Savings / Mitigations | (29.7) | (21.4) | (9.3) | (8.3) | (68.7) |
| Net Gap Still to Find | 11.2 | 17.8 | 5.0 | (2.9) | 31.1 |

3. The Council's Social Care services are experiencing significant cost and demand pressures which, even with additional adult social care funding,

completely outstrip growth in local taxation. Estimated pressures on services account for £114.3m over the four year period from 2019/20 to 2022/23, of which £97.9m (86%) relates to Social Care. Even after taking in to account £14.6m of corporate improvements, the cumulative position is a £99.8m overall budget challenge before mitigations by the end of 2022/23.

4. After significant proposed portfolio savings and mitigating actions totalling £68.7m the net gap still to find stands at £31.1m over the MTFA period. The gap reduces and is balanced by year four (2022/23), but this position is subject to considerable uncertainty, particularly in relation to the low level of pressures in years three and four and the uncertainty over Government grants for social care.
5. The MTFA is recommending a continuation of approach to business planning which will focus on savings which support the Council's strategic priorities of economic growth, prevention and making the most effective use of our resources.

Recommendations

6. It is recommended that Members:
 - note the forecast position for the next 4 years; and
 - agree the approach to budgeting and business planning.

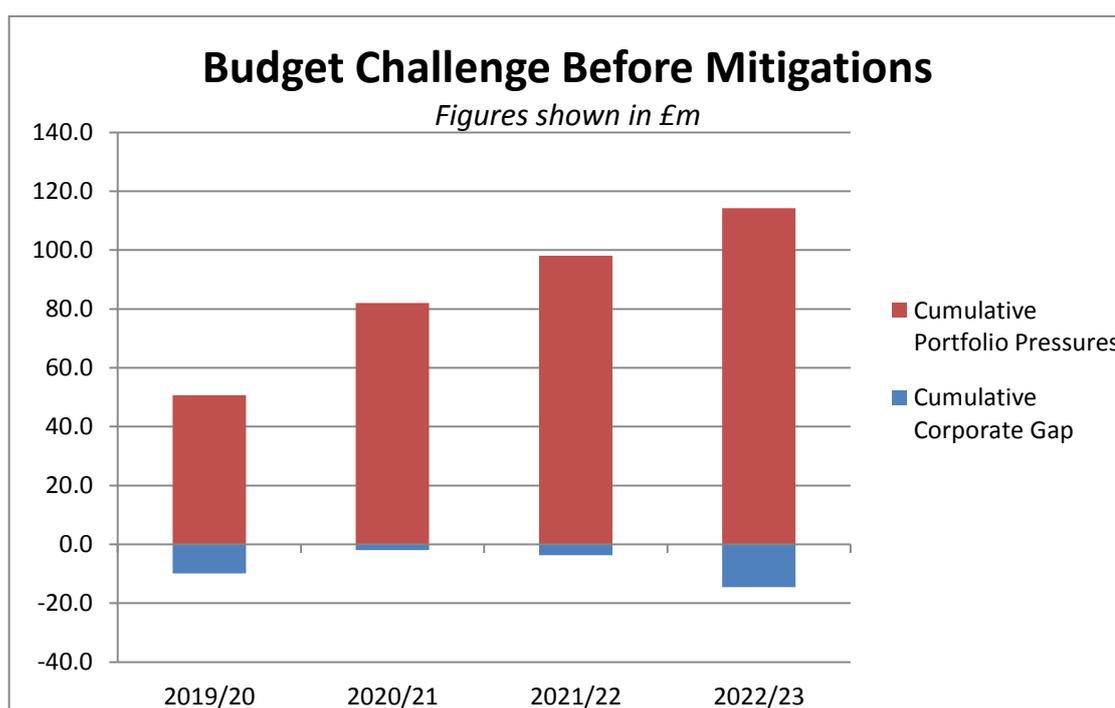
MTFA Contextual Information

Background

7. Every year the Council is required by law to set a balanced budget. The approval of the Council's budget in March is the culmination of the annual business planning process. This report seeks Cabinet endorsement of the proposed approach to this year's business planning process. For further details please see Section 4, Balancing the Budget.
8. The first step in the business planning process for 2019/20 was to estimate the gap between the Council's resources and expenditure.
9. In addition to cuts to Revenue Support Grant of around £140m over the last 5 years (from £192.5m in 2013/14 to £52.3m in 2018/19), the cut to RSG in 2019/20 will be £15.5m. However, due to additional Better Care Funding and forecast rises in other income such as business rates and council tax, the cut in RSG in 2019/20 will be completely offset, leaving a broadly cash standstill position. This standstill position still leaves us needing to meet very significant demand and cost pressures without any increase in resources.
10. Our estimates also reflect expenditure variations such as:

- Capital financing requirements for economic development project in the city, including Heart of the City;
 - the estimated cost of implementing a new pay & reward strategy; and
 - contractual inflation on the Streets Ahead contract.
11. The budget challenge before mitigations also takes into account pressures on services arising from inflation, demand or legislative changes such as the increase to the minimum wage. These pressures are becoming harder to deal with as budgets reduce and are currently forecast at £50.8m for 2019/20.
 12. Further details on the overall budget challenge before mitigations of £99.8m for 2019/20 to 2022/23 are detailed in **Annex 1** and **2**.
 13. The chart below (figure 2) shows how the forecast gap increases over the next 4 years from 2019/20 to 2022/23.

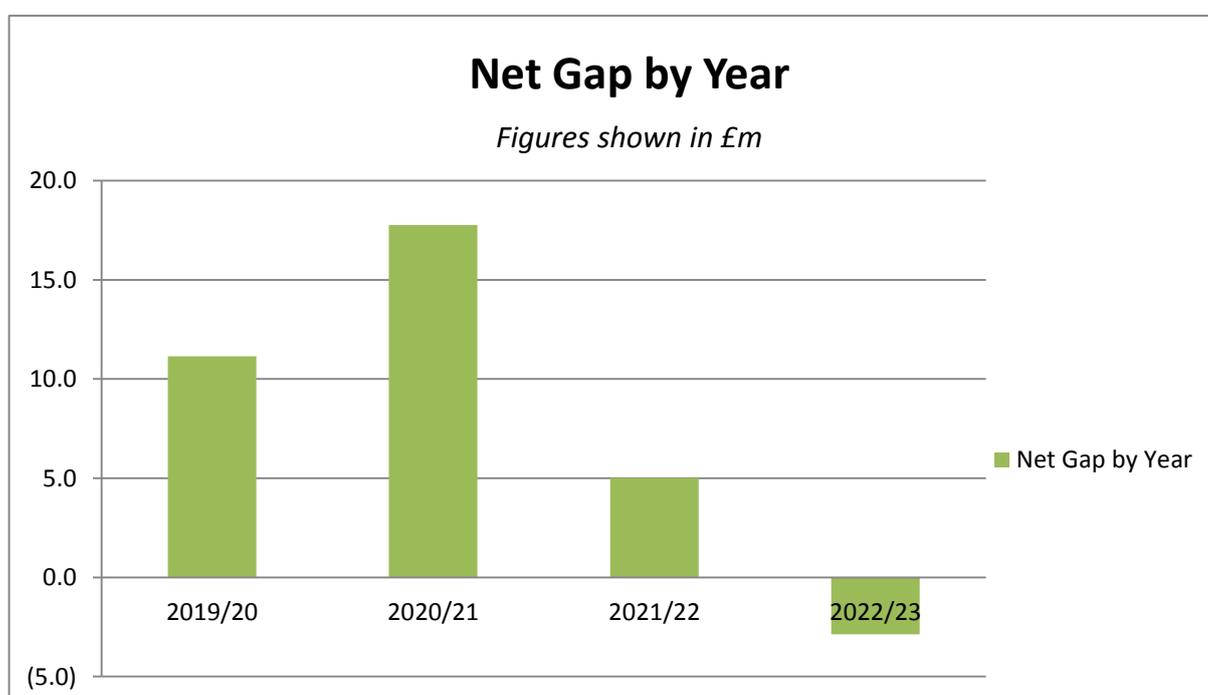
Figure 2 – Projected Budget Challenge before mitigations for the 4 years to 2022/23 (including an estimate of pressures in future years)



14. The net gap (the budget gap after planned mitigations) still to find for 2018/19 to 2022/23 now stands at £31.1m (see figures 1 & 3). The 2019/20 net gap is £11.2m and is detailed in the main body of this report. It is to be funded by reserves to ensure the Council meets its legal obligation to set a balanced budget. The net gap figure increases, and peaks at £17.4m in 2020/21 partly as the result of the removal of a one-off Collection Fund surplus totalling £8.2m built into 2019/20 budget income.

15. Over 4 years, a net gap of the £31.1m is significant but is felt to be manageable over the medium term. Solutions will have to involve the identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves.
16. It has to be acknowledged that the net gap assumes the successful delivery of the £68.7m of planned mitigations over this MTF5 period. This is a substantial ask given the amount of savings already delivered by the Council over the last 9 years of austerity. However, the successful delivery of this medium term financial strategy and implementation of the management solutions highlighted above will deliver a sustainable ongoing position for the Council. However failure to deliver these mitigations will leave the Council in a very vulnerable position.

Figure 3 – Projected Net Gap for the 4 years to 2022/23



Reform to Local Government

17. The Local Government Finance Settlement for 2018/19 announced the Government's intention to increase the retention of business rates by Local Authorities from 50% to 75%. Whilst increased retention has been a proposal for some time, the objective had, prior to this announcement, been for 100% retention.
18. The Council has always assumed that any growth in retained rates would be matched by reductions in Government grants – in effect; the net increase in finances would be nil. This has been echoed by public commentators such as

- the 'Public Finance' publication, and by Government comments that the change will be "fiscally neutral".
19. For the reasons set out above, and given the uncertainty of any future deals around business rates retention, we continue to assume 75% retention will be fiscally neutral. This assumption is a key uncertainty and risk for the Council going forward.
 20. In addition, the Ministry for Housing, Communities & Local Government (MHCLG) is currently in the process of reviewing the formula that determines baseline funding levels for all local authorities, the Fair Funding Review.
 21. As of February 2019, the result of this Review is uncertain for the Council. There are potential downsides if the parts of the formula that benefit the Council (e.g. the funding for population density) are, in the round, decreased, in favour of less-advantageous measures to Sheffield. There are also potential upsides, in so far as re-baselining has the chance to recognise better our funding needs (i.e. our social care pressures and level of deprivation).
 22. There is also the question of the amount, rather than split, of funding – the formula may change in a way that advantages the Council relative to other authorities, but if the overall pot of funding from Central Government decreases, the effect of this will be minimal. The new baseline of funding currently under review is scheduled to begin for the year 2020/21. Officers are continuing to represent the Council during the phases of consultation and support Members to lobby Ministers and prominent Government influencers.
 23. Due to the uncertainty surrounding the outcome of this review, the MTFA assumes no impact on its overall resources. In the event that this position becomes clarified and the Council is materially impacted, either positively or negatively, by its outcome, then we will revise our forecasts to highlight the changes, and the approaches will then need to take to deal with the outcome.
 24. The extract below, taken from a public account committee report (Financial Sustainability of Local Authorities, July 18), reiterates the points above and sets out the consequences of these significant levels of uncertainty.
 25. **The lack of a long-term funding plan for local authorities is a risk to value for taxpayers' money.** A series of significant changes to the funding of local government and the scale of funding will come into force in 2021. These are the 2019 Spending Review, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50% retention). The Spending Review will set the total amount of government funding available for local authorities, the Fair Funding Review will set the framework for distributing funding between authorities, and increased business rates

retention will affect the size of fluctuations in local income (depending on precisely how increased retention is implemented). Local authorities will not know the cumulative outcome of these changes until late in 2019, by which stage they will be well into the process of setting their budgets for 2020–21. The government is considering making changes to funding arrangements for adult social care too, although both the timing and the impact of these is uncertain. The lack of clarity over the design of the new funding framework and the potential scale of changes to their funding means that authorities are not able to manage their financial planning within their normal three to five year medium-term financial strategies, and will have to take a short-term approach. This makes it more difficult for local authorities to take a considered, long-term approach to delivering savings and making investments. This is a risk both to the value-for-money of local authority spending and also to their financial sustainability.

Assessing the Budget Gap

Budget Gap

26. As shown in Figure 1, the scale of the budget gap is affected by changes in the Council's resources (Revenue Support Grant - RSG, Business Rates, Council Tax and other specific grants) and expenditure, as well as one-off and exceptional items. **Annex 1** provides a more detailed breakdown of these changes.
27. **Annex 2** details all the assumptions applied in reaching the numbers in figure 1 in detail but the key assumptions in summary are:-
 - **Revenue Support Grant (RSG)** - Grant reduced by £15.5m in 19/20 as per the 2017/18 Local Government Finance Settlement, but no further reductions are assumed in the MTFAs in future years. This is because we anticipate any further reductions being rolled in to a wider change in settlement linked to the proposed move to 75% Business Rates Retention resulting in a broadly cash neutral effect at point of transfer in 20/21.
 - **Business Rates** - A business rates growth model to analyse potential growth has been developed by a multi-disciplinary team of Council officers. This model pulls information from a variety of sources in order to quantify growth in our business rates base. We have assumed relatively prudent growth in the model. Possible major retail redevelopments are forecast to result in a decline in NNDR income during construction (as they will disrupt businesses and hence reduce rateable values). This impact is prudently forecast to be £6.0m over the three years 2019/20 to 2021/22, with an additional £5.0m rates forecast per year thereafter (as

rateable values will increase once the redevelopments have finished). However only one year of this increase is in the scope of this MTFA, resulting in a net £1.0m loss in this period.

- **Inflation** on the business rates multiplier is based on the forecasts made by the Office for Budget Responsibility in March 2018 - CPI (e.g. 2.4% for 2019/20) minus 0.5% to account for market volatility. From 2019/20 the inflation figure has changed to CPI in line with the policy announced by the former Chancellor in the 2015 Autumn Statement. Top-up Grant is forecast to rise in line with Government announcements..
- **Council Tax** - The Government has announced a 3% referendum trigger for Council Tax. For planning purposes the current MTFA assumes a 2.99% rise for each of the next four years, although the actual Council Tax level is set by members each year. The tax base has been re-baselined for 2019/20 following substantial developments within the city to include an extra 2,855 new Band D equivalent properties. In addition to this increase, we are forecasting 1,000 new Band D equivalent properties for each of the next 4 years. We assume that the number of properties claiming discounts/reliefs in future years and Local Council Tax Support Schemes will stay the same.
- **Better Care Fund** – An additional £9.3m Better Care Fund grant for 2019/20 as per the 2017/18 Local Government Finance Settlement allocations. We have assumed this revenue stream continues in some form, either as a specific grant, or rolled into general funding, from 2020/21.
- **Pay Inflation** - 2% pay inflation year on year in line with the recently agreed national pay award. This is to be absorbed by portfolios.
- **Pay Strategy** – An estimated £11.9m of pay and reward costs has been included over the period of this MTFA to reflect the overall funding envelope which the Council believes is affordable given its current financial pressures. This funding will be required to cover the cost of assimilation to the new nationally agreed NJC pay spine in line with Living Wage Foundation. This is above the 2% pay inflation that portfolios have added to their pressures. It also allows for the cost of increments to be taken corporately rather than by portfolios. This was never specifically funded but forms part of the overall corporate gap.
- **Portfolio Pressures** - By far the largest component of the pressures the Council faces relates to Social Care. The Government has provided some specific additional Social Care funding for the past three years. Whilst welcome, with pressures of around £44.1m and only the aforementioned £9.3m of ongoing additional ASC funding anticipated for

2019/20, this is clearly insufficient to enable ongoing delivery of current services. The challenge is compounded over the medium term, with a further £26.1m gap between social care cost pressures and resource levels by 2022/23. The MTFA assumes the one-off additional BCF funding of £3.8m, announced in the Spring 2017 budget, will be discontinued after 2019/20. However it assumes that the improved BCF funding announced in the autumn 2015 budget, totalling £22m per annum in 2019/20, which includes the £9.3m mentioned above, will continue.

28. The budget gap has been assessed on a relatively neutral basis. Our 'base case' has some upsides (e.g. we hope our pensions deficit payments will fall from 20/21 when the actuary completes our next tri-ennial valuation), but also some financial risks that, should they materialise, would have a significant impact on the Council's ability to achieve a balanced budget position. See **Annex 3** for the details of the main financial risks. Some examples include:
- **Change in Forecast Pressures** - Figure 1 highlights a significant reduction in the level of pressures in 2021/22 and 2022/23 when compared to 2019/20 and 2020/21. Given the size of the current forecast Budget Gap and against a net revenue budget of around £400m, any ability to deal with any adverse change in forecast pressures, when resources are severely constrained, will be a key challenge. Non-delivery of savings. The base case assumes all the savings we have declared will be achieved, or alternative sources of savings will be found.
 - **Local Government Reform** - As mentioned in the previous sections, the impact of 75% local retention of Business Rates and the Fair Funding Review have not yet been reflected in the table due to uncertainty around any transfer mechanisms and financial impacts on the Council.

Capital Programme

29. Capital spending pays for buildings, roads and council housing and for major repairs to them. It does not pay for the day-to-day running costs of council services. Therefore for budgetary purposes, the Capital Programme is kept separate to the General Fund revenue budget. The revenue consequences of capital expenditure, in terms of interest payments and allowances for the consumption of capital assets (known as the Minimum Revenue Provision or MRP) have been included however. The next update to the Capital Programme will be presented to Cabinet in February 2019.
30. The largest forecast area of capital expenditure is the Heart of the City Two (HotC2) project, which aims to revitalise the City Centre with additional high

quality office, retail and residential spaces. This project is timetabled to occur over the next seven years, and incur up to £470m of capital expenditure, which should be largely recouped by the sale of the redevelopments. This scheme will require cash-flowing by the Council however, with the revenue consequences forecast as peaking at £2.3m in 2022/23. We have allowed for this sum in this MTFA. If the forecasts of asset sales fail to reach expectations, then additional revenue impacts will occur, and consequent reductions in services will have to be made to compensate. This remains a key area of financial risk for the Council.

Housing Revenue Account

31. The Housing Revenue Account (HRA) is the statutory financial account of the Local Authority as landlord. The Council owns approximately 39,700 homes that are home to around 45,400 tenants, together with their families or other occupiers. In addition, 4,500 leaseholders also receive housing services from the Council. It is the Council's current and future tenants and leaseholders who are impacted by the decisions made in the HRA Business Plan.
32. For budgetary purposes, the HRA is kept separate to the General Fund revenue budget, hence any proposed changes to the HRA business plan are not expected to have any impact on the MTFA. The next update to the HRA Business Plan will be presented alongside the HRA revenue budget for 2019/20 to Cabinet in February 2019.

Approach to Balancing the Budget

33. 2019/20 is the ninth year of the Government's austerity programme, and we have had to plan for another cash reduction in our Revenue Support Grant, this year by £15.5m. Given the scale of the year-on-year reductions we have faced, it is becoming increasingly difficult to balance our budget whilst protecting our front-line services, particularly by trying to make a series of across-the-Council percentage cuts to each service.
34. Consequently for 2019/20 we have used a blended approach, of largely expecting services to manage their own pressures, whilst asking Place and Resources Portfolios to contribute some additional savings to help alleviate some of the Social Care pressures faced by People Portfolio. This approach means we are refreshing a four-year programme of transformative strategic changes in individual services intended to release sufficient savings to enable our budget to be balanced. As part of this process, we are seeking to focus activities on the Council's key priorities of economic growth, prevention and making effective use of our resources. This programme is supported by a Council-wide continuing search for lower level "tactical" reductions in

expenditure, where we identify that there is scope for further efficiencies in individual services.

Reserves

35. The Medium Term Financial Analysis is prepared against a backdrop of uncertainty and potential risk. There is nothing new in this, and whilst some of the risks have been managed by the Council for many years, it is important that the Council has adequate financial reserves to meet any unforeseen expenditure. For an organisation of the size of Sheffield City Council, relatively small movements in cost drivers can add significantly to overall expenditure.
36. The Executive Director of Resources has reviewed the position relating to Reserves and has produced a Reserves Strategy as part of the 2019/20 revenue budget which is attached at **Appendix 4** of the main budget report. This sets out the estimated requirement for Reserves and explains the purpose of earmarked reserves

Implications and Alternative Options

Implications

37. Financial & Commercial Implications
 - This is a revenue & capital financial report, as such all financial and commercial implications are detailed in the main body of the report.
38. Legal Implications
 - There are no specific legal implications arising from the recommendations in this report.
39. Equal Opportunities Implications
 - There are no specific equal opportunities implications arising from the recommendations in this report.

Alternative Options

40. A number of alternative courses of action are considered as part of the process undertaken by Officers before decisions are recommended to Members. The recommendations made to Members represent what Officers believe to be the best options available to the Council, in line with Council priorities, given the constraints on funding and the use to which funding is put within the Revenue Budget and the Capital Programme.

Annex 1- Forecast Revenue Position 2019 - 2023

| | 2019/20 | 2020/21 | 2021/22 | 2022/23 |
|---|-------------|-------------|-------------|--------------|
| | £m | £m | £m | £m |
| <u>Grant variations:</u> | | | | |
| RSG | | | | |
| Reductions in RSG | 15.5 | 0.0 | 0.0 | 0.0 |
| Re: Business rates | | | | |
| Top-up grant - inflation | -0.2 | 0.0 | 0.0 | 0.0 |
| Section 31 business rates grants | -3.3 | 0.0 | 0.0 | 0.0 |
| <u>Other specific grants / Other Income</u> | | | | |
| Improved BCF | -9.3 | 0.0 | 0.0 | 0.0 |
| Heart of the City Rent Income | -3.0 | -0.1 | -0.2 | 3.3 |
| Adult Social Care Grant Movement | -5.4 | 0.0 | 0.0 | 0.0 |
| <u>Business rate income:</u> | | | | |
| Inflation on business rate multiplier | -1.9 | 0.0 | 0.0 | 0.0 |
| Growth / decline in business rate base | 1.8 | 0.9 | -1.5 | -6.6 |
| <u>Council Tax income:</u> | | | | |
| Growth in Council Tax Income | -10.6 | -8.0 | -8.2 | -8.4 |
| Collection Fund Surplus | -6.3 | 8.2 | 0.0 | 0.0 |
| <u>Expenditure variations:</u> | | | | |
| Pay Strategy | 4.7 | 3.5 | 2.5 | 1.2 |
| Council Tax Hardship Fund | 0.2 | 0.2 | 0.2 | 0.2 |
| Streets Ahead contract | 1.3 | 1.8 | 1.8 | 1.8 |
| MSF ongoing increase | 0.6 | 0.5 | 0.5 | 0.5 |
| Howden House PFI | 0.1 | 0.1 | 0.0 | 0.1 |
| Schools PFI | 0.2 | 1.0 | 1.1 | 0.1 |
| Capital Financing costs | -0.5 | -1.0 | 0.0 | 0.0 |
| Heart of the City Capital Financing Costs | 4.6 | 0.8 | 2.0 | -3.0 |
| Other Movements | 1.8 | 0.0 | 0.0 | 0.0 |
| TOTAL Year on year movement, excluding service pressures | -9.8 | 7.9 | -1.8 | -10.8 |
| Social care pressures | 44.1 | 27.9 | 12.8 | 13.0 |
| Other services' pressures | 6.6 | 3.4 | 3.3 | 3.2 |
| add bf position | | 40.9 | 80.1 | 94.4 |
| Budget Challenge before Mitigations | 40.9 | 80.1 | 94.4 | 99.8 |

Annex 2 – Key Assumptions

| Assumption / Scenario | Base Case |
|---------------------------------|---|
| <u>Income Variations</u> | |
| RSG | <p>Indicative reductions as per 2017/18 Local Government Finance Settlement, i.e.:</p> <ul style="list-style-type: none"> £15.5m (2019/20) |
| Business rates | <ul style="list-style-type: none"> A business rates growth model has been developed by a multi-disciplinary team of Council officers to analyse potential growth. This model pulls information from a variety of sources in order to quantify growth in the business rates base. Any forecasts of potential growth need to be treated with caution as there may be reductions in business rate income elsewhere as businesses relocate or have their rate liability re-assessed by the Valuation Office Agency (VOA). Possible major retail redevelopments are forecast to result in a decline in NNDR income during construction. This impact is prudently forecast to be £6.0m over the three years 2019/20 to 2021/22, with an additional £5.0m rates forecast per year thereafter (as rateable values will increase once the redevelopments have finished). However only one year of this increase is in the scope of this MTFA, resulting in a net £1.0m loss in this period. Business ratepayers can seek an alteration to the rateable value of a property by appealing to the VOA. However, because of the large volume of appeals, decisions by the VOA can take several years. A prudent provision has been taken for the appeals and as such this should not impact on the MTFA. It is difficult to arrive at a reliable estimate of the potential refunds due on outstanding appeals in addition to any new ones that may be lodged. Based on the most recent data provided by the VOA, it is assumed that the cost of refunds due to appeals will remain at 2018/19 levels. There are a number of reliefs against business rates liability, including small business rates relief, charitable relief, and deductions for empty properties and partly occupied premises. It is estimated that the total value of these reliefs and deductions will be approximately £46.7m. Inflation on business rates multiplier is based on the forecasts made by the Office for Budget Responsibility in March 2018 CPI (e.g. 2.4% for 2019/20) minus 0.5% to account for market volatility. From 2019/20 the inflation figure has changed to CPI in line with the policy announced by the former Chancellor in the 2015 Autumn Statement. Top-up Grant is forecast to rise in line with Government announcements. Business Rates growth – We have assumed relatively prudent growth in line with the Business Rates Growth Model. |
| Council tax | <ul style="list-style-type: none"> To recognise increase in properties, the tax base has been re-baselined for 2019/20 following substantial development within the city. In addition to this, we are forecasting 1,000 new Band D equivalent properties for each of the next 4 years. The tax base for 2019/20 assumes that 38,731 properties would be eligible for discounts and exemptions. At the present time, it is assumed that the number of properties claiming discounts/reliefs in future years will remain the same. However, this figure is subject to fluctuations throughout the year, particularly as a result of student homes exemptions. Local Council Tax Support Scheme stays the same. The current CTSS in Sheffield which was introduced in 2013 requires council tax payers of working age to pay a minimum of 23% of their |

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| | <p>council tax bills. For financial planning purposes, it has been assumed that the scheme will not be altered in the medium term. However this will be an issue for Members to consider alongside the savings proposals for 2019/20.</p> <ul style="list-style-type: none"> • The Government has announced a 3% referendum trigger for Council Tax. The current MTFS assumes a 2.99% rise. • There is no forecast Adult Social Care precept for 2019/20 and beyond. Sheffield City Council has used the flexibility available to it under the current scheme. • In-year collection rate remains at 95.5%: for budgeting purposes, the practice has been to set a prudent in-year collection rate as part of the tax base calculations, although eventually the Council recovers up to 99% of council tax. The introduction of CTSS has also had an impact on the collection rate. The forecast level of council tax income for 2019/20 assumes an in-year collection rate of 95.5% (unchanged from 2018/19). • No change to reliefs & discounts |
| Collection Fund surplus/ deficit | <ul style="list-style-type: none"> • £8.2m of collections fund surplus is played into the 2019/20 budget but creates a pressure in 2020/21 due to its one-off nature. Not futures years surpluses are anticipated within the MTFA. |
| Specific grants | <ul style="list-style-type: none"> • Improved BCF grant as per 2017/18 Local Government Finance Settlement allocations i.e. additional £9.3m for 2019/20. These increases have been factored into the calculation of the forecast corporate budget gap, as illustrated in Annex1. • We assume this revenue stream continues in some form (i.e. as a specific grant, or rolled into general funding) from 2020/21 |
| Other Income | <ul style="list-style-type: none"> • Rental income from the Heart of the City Development of approximately £3.0m per year for 2019/20 to 2021/22. This reduces during 2022/23 after the anticipated sale of part of the development. This income along with the anticipated additional business rates mentioned above offsets the majority of capital financing costs relating to the development highlighted in the expenditure variation section below. |
| Public Health | <ul style="list-style-type: none"> • Based upon the latest available information, we are of the view that the Public Health grant will be reduced by 2.5% to 2.6% per year up to 2019/20, after which point it is likely to form part of the exchange of grant for an increased share of business rates. Any reduction in grants is expected to be offset by reduced expenditure by portfolios. |
| Dedicated Schools Grant (DSG) | <ul style="list-style-type: none"> • Within DSG there are three blocks of funding: the Schools Block, the High Needs Block and the Early Years Block. • For the Schools Block, Central Government is progressing implementation of fair funding for all schools in the country. The timeline for full implementation is yet to be confirmed, as it requires parliament’s approval, but it could be in 2020/21 or beyond. The proposed changes will mean an increase in Sheffield income when the proposed changes are fully implemented as we have received historically low funding settlement from the Government. We have assumed that Sheffield’s income will increase by 2% for 2019/20 and a further 1.7% for the year when full implementation may take place. These assumptions are subject to changes on policy in relation to growth and mobility and schools revenue funding guidance issued by ESFA (Education and Skills Funding Agency). • Funding allocations and policy decisions for 2020/21 and beyond are part of the next national government spending review and these allocations are less certain. • Within the Schools Block, there is a sub-block ‘Central Schools Block’. This contains funding for central schools’ services and historic local authority spending commitments. It is anticipated that the Central |

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| | <p>Schools Block will be subject to reductions in funding over the coming years and there are specific limitations on the historic commitments. This reduction in funding will inevitably create budget pressures for a number of council departments. We are awaiting guidance from ESFA if limitation on central school block will start to be applied in 2019/20.</p> <ul style="list-style-type: none"> • For the High Needs Block, income is anticipated to increase by £1.5m for 2019/20 and then by a further £1.3m from 2020/21 onwards, as part of the implementation of the national fair funding formula. • For the Early Years Block, we are not anticipating any significant changes. |
| <u>Expenditure Variations</u> | |
| Pay inflation | 2% per annum from 2019/20, to be absorbed by portfolios |
| Pay strategy | The estimate of £11.9m of pay and reward costs over the period of this MTFA reflects the overall funding envelope which the Council believes is affordable given its current financial pressures. This funding will be required to cover the cost of assimilation to the new nationally agreed NJC pay spine and in line with Living Wage Foundation. This is above the 2% that portfolios have added to their pressures. It also allows for the cost of spinal increments to be taken corporately rather than by portfolios. This was never specifically funded but forms part of the overall corporate gap. |
| Employers' national insurance | No further changes to NI anticipated. |
| Streets Ahead Contract Inflation | The Council investment in the Streets Ahead contract will result in the required amount increasing by approximately £1.8m per annum from April 2017, as planned, taking the total cost in 2018-19 to £85m. It does not include any additional costs arising from possible delays to the programme arising from street trees. The costs rise as the contractor invests in bringing the highways infrastructure up to the agreed standard. This includes the full debt charges associated with borrowing £135m to finance the acquisition of assets (a saving on the previous borrowing via PFI). |
| MSF | Corporate support for Sheffield City Trust (SCT) debt charges: The additional costs shown against the 'MSF ongoing increase' line in Annex 1 |
| Capital financing costs | We anticipate that the capital financing budget can be reduced by £1.0m in 2020/21. This is for two main reasons. Firstly, future borrowing is likely to be taken at lower rates of interest than we have achieved historically. Secondly, some of the capital programme could be temporarily funded from borrowing from internal resources, lowering the overall level of interest incurred. |
| Schools PFI | Additional Funding of £1.0m is needed in 2020/21 and a further £1.0m in 2021/22 to cover the shortfall between the PFI income and unitary charge cost for the schools' PFI projects. |
| Howden House PFI | Additional costs associated with the annual inflation uplift in the unitary charge. Based on current inflation forecasts, the additional annual cost is expected to be approximately £100k per annum from 2020/21 and 2022/23. |
| Council Tax Hardship Fund | Hardship Fund increases by £0.2m per annum. |
| Heart of the City Capital Financing Costs | The MRP and Interest on borrowing for the city centre development will be approximately £4.6m for 2019/20, increasing to £7.4m by 2021/22, before reducing by £3.0m in 2022/23 following the sale of some of the development. As mentioned above, this additional capital financing requirement is significantly offset by the additional rental and business rates income the scheme is anticipated to generate. |

Annex 3 – Key Financial Risks

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| RSG reductions | Our current assumption is based on the 2017/18 Local Government Finance Settlement announced in February 2017. Although RSG is part of the multi-year settlement offer made by the Government, there is a risk that the offer could be affected by external factors such as global recession, Brexit, further austerity and/or any further localisation of business rates retention. |
| Business rates | Key sensitivities relate to: <ul style="list-style-type: none"> • Meadowhall Redevelopment could realise a greater drop in income than already forecast • 2020 reset – no indications presently available, but could have a significant impact on the Council's top-up grant • Appeals – highly volatile; the Council seeks to mitigate fluctuations in appeals by regular monitoring and communications with VOA. |
| Council tax | <ul style="list-style-type: none"> • The increasing level of Council Tax may mean that collection rates fall amongst more disadvantaged and vulnerable residents. • The Government has announced a 3% referendum trigger for Council Tax. The current MTFs assumes a 2.99% rise. Failure to act on this increase would have a material impact on our delivery of services. It will be for Council to decide the policy regarding future Council Tax increases. |
| HoC2 | This scheme will require cash-flowing by the Council however, with the revenue consequences forecast to reach £1.8m by 2022/23. We have allowed for this sum in this MTFs. If the forecasts of asset sales fail to reach expectations, then additional revenue impacts will occur, and consequent reductions in services will have to be made to compensate. This remains a key area of financial risk for the Council. |
| Better Care Fund | The Council currently receives £5m from the CCG towards the funding shortfall on the Better Care Fund. Pressures elsewhere in the health sector might create budget issues for the CCG and therefore impact upon their ability to provide this funding. |
| Fair Funding | The MTFs assumes the impact of the Fair Funding review will be net nil on the Council. However, there are potential downfalls if the parts of the formula that benefit the Council (e.g. the funding for population density) are, in the round, decreased, in favour of less-advantageous measures to Sheffield. There is also the question of the amount, rather than split, of funding. If the government attempts to reduce the amount of funding available to Local Government as part of the review government spending, this could impact on Sheffield. |
| Spending Review | National policy announcements affecting the future of local government funding, in particular the Chancellor's Budget due in late November each year, could have a profound effect on all sources of Central Government funding, including RSG and specific grants such as Public Health. |
| 2018/19 budget savings | Any risk of further non-achievement of agreed savings in the 2018/19 budget will be reported in monthly budget monitoring reports and could increase the 2019/20 pressures. |

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| Glossary | |
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| Term | Definition |
| Abbreviations | The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million. The symbol 'bn' following a figure represents £billion. |
| Capital Expenditure | Expenditure that is incurred to acquire, create or add value to a non-current asset. |
| Capital Financing Requirement | It measures an authority's underlying need to borrow or finance by other long-term liabilities for a capital purpose. It represents the amount of capital expenditure that has not yet been resourced absolutely, whether at the point of spend or over the longer term. Alternatively, it means capital expenditure incurred but not yet paid for. |
| Capital Receipts | The proceeds from the sale of capital assets which, subject to various limitations (e.g. Pooling Arrangements introduced in the Local Government Act 2003) can be used to finance capital expenditure, invested, or to repay outstanding debt on assets originally financed through borrowing. |
| Collection Fund | A fund administered by the Council recording receipts from Council Tax, National Non-Domestic Rates and payments to the General Fund. All billing authorities (including the Council), are required by law to estimate the year-end balanced on the Collection Fund by 15 January, taking account of various factors, including reliefs and discounts awarded to date, payments received to date, the likely level of arrears and provision for bad debts. Any estimated surplus on the Fund must be distributed to the billing authority (the Council) and all major precepting authorities (Police, Fire and DCLG) in the following financial year. Conversely, any estimated deficit on the Fund must be reclaimed from the aforementioned parties. |
| Contingency | A condition which exists at the Balance Sheet date, where the outcome will be confirmed only on the occurrence of one or more uncertain future events not wholly within the Council's control. |
| Council Tax | A banded property tax that is levied on domestic properties. The banding is based on assessed property values at 1 April 1991, and ranges from Band A to Band H. Around 60% of domestic properties in Sheffield fall into Band A. Band D has historically been used as the standard for |

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| | comparing council tax levels between and across local authorities, as this measure is not affected by the varying distribution of properties in bands that can be found across authorities. |
| Council Tax Support | Support given by local authorities to low income households as a discount on the amount of Council Tax they have to pay, often to nothing. Each local authority is responsible for devising its own scheme designed to protect the vulnerable. CTS replaced the nationally administered Council Tax Benefit. |
| Credit Risk | The possibility that one party to a financial instrument will fail to meet their contractual obligations, causing a loss to the other party. |
| Designated Areas | These are specific parts of the city referred to as the New Development Deal and Enterprise Zone. They are significant because any growth in business rates above the “baseline” established in 2013/14 can be retained in full locally, rather than half being repaid to Government. |
| Equality Impact Assessment (EIA) | A process designed to ensure that a policy, project or scheme does not discriminate against people who are categorised as being disadvantaged or vulnerable within society. |
| General Fund | The total services of the Council except for the Housing Revenue Account and the Collection Fund, the net cost of which is met by Council Tax, Government grants and National non-domestic rates. |
| Hereditament | A non-domestic property occupied by a business that is liable for business rates. |
| HR1 | Each local authority is required to submit an HR1 form to inform the Government of potential redundancies in the organisation. The Redundancy Payments Service then collects the information and distributes it to the appropriate government departments and agencies who offer job brokering services and/or training services. This happens so that the government can discharge its obligation to these employees. |
| Least risk basis calculation | The relevant discount rate used for valuing the present value of liabilities is consistent with that used under the most recent valuation but removing the allowance for asset out-performance. In addition, the basis contains a full allowance for the market implied rate of inflation. |
| Mazars | The Mazar’s ruling otherwise known as “Staircase Tax”, refers to the separating of hereditaments down to smaller hereditaments if they are connected by communal areas to |

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| | move between floors or offices. The Mazar's ruling is currently under review by the Government. |
| MHCLG | The Ministry for Housing, Communities and Local Government. This is the new name for what was the Department for Communities and Local Government, prior to January 2018. |
| Minimum Revenue Provision (MRP) | The minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government and Housing Act 1989. |
| National Non-Domestic Rates (NDR) | These are often referred to as Business Rates, and are a levy on business properties based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines the national rate multiplier and the Valuation Office Agency determine the rateable value of each business property. Business Rates are collected by the Local Authority and paid into their collection fund, this amount is then distributed 49% to the Local Authorities general fund, 1% to the South Yorkshire Fire and Rescue Authority and 50% to Central Government. The Central Government share is then redistributed nationally, partly back to Local Authorities through Revenue Support Grant. |
| LAC | Looked After Children |
| Precepts | The amount levied by another body such as the South Yorkshire Police Authority that is collected by the Council on their behalf. |
| Private Finance Initiative (PFI) | A contract in which the private sector is responsible for supplying services that are linked to the provision of a major asset and which traditionally have been provided by the Council. The Council will pay for the provision of this service, which is linked to availability, performance and levels of usage. |
| Provisions | Amounts charged to revenue during the year for costs with uncertain timing, though a reliable estimate of the cost involved can be made. |
| Public Works Loan Board (PWLB) | A government agency, which provides loans to authorities at favourable rates. |
| Remuneration | All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as those sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded. |
| Reserves | Result from events that have allowed monies to be set aside, |

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| | surpluses, decisions causing anticipated expenditure to have been postponed or cancelled, or by capital accounting arrangements. |
| Revenue Expenditure | Expenditure incurred on the day-to-day running of the Council, for example, staffing costs, supplies and transport. |
| Revenue Support Grant (RSG) | This is a Government grant paid to the Council to finance the Council's general expenditure. It is based on the Government's assessment of how much a Council needs to spend in order to provide a standard level of service. |
| Specific Government Grants | These are designed to aid particular services and may be revenue or capital in nature. They typically have specified conditions attached to them such that they may only be used to fund expenditure which is incurred in pursuit of defined objectives. |
| Spending power | <p>DCLG measures the impact of government funding reductions against local authorities' combined income from both government funding and council tax. This combined measure of income is called revenue spending power.</p> <p>NB: in a press release from the Chartered Institute of Public Finance & Accountancy (CIPFA) following the Local Government Finance Settlement, CIPFA made the following notable comment: <i>"CIPFA's measure of funding used in this analysis is "unfenced spending power". This is funding that councils have available to meet their priorities and fund existing staff and commitments and which is not already ring-fenced for other use. This includes Revenue Support Grant (RSG), retained business rates, council tax and a number of special grants that authorities are free to spend as they wish. In contrast DCLG's measure also includes Public Health Grant (which can only be spent on public health matters) and the Better Care Fund (which is largely NHS money or budgets that local authorities have pooled with the NHS, and can only be spent on priorities agreed with local NHS managers)."</i></p> |
| Under-borrowed | The Council's use of its own cash surpluses rather than external debt, resulting in a level of external debt below the authorised limit. |
| Unsupported (Prudential) Borrowing | Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from current revenue budgets. |
| VCF | Voluntary, Community and Faith Sector |

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