



Report to Overview and Scrutiny Management Committee

Report of: Eugene Walker - Executive Director of Resources

Subject: Revenue Budget 2020/21 and Capital Strategy 2020 to 2025

Author of Report: Dave Phillips, Head of Strategic Finance (x35872)
Tim Hardie, Head of Commercial Business Development (x53609)

Summary:

This report summarises key features of the 2020/21 Revenue Budget and 2020-25 Capital Strategy which are being presented to the Overview and Scrutiny Committee for review. These documents are due to be presented to Cabinet on 19th February 2020, and to be presented to Full Budget Council for formal approval (subject to any Amendments) on 4th March 2020.

The context and background information relating to the financial position for the Council in setting the 2020/21 Revenue Budget was presented and discussed with the Overview and Scrutiny Committee in September 2019.

Type of item: The report author should tick the appropriate box

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|---|----------|
| Reviewing of existing policy | |
| Informing the development of new policy | |
| Statutory consultation | |
| Performance / budget monitoring report | |
| Cabinet request for scrutiny | |
| Full Council request for scrutiny | |
| Call-in of Cabinet decision | |
| Briefing paper for the Scrutiny Committee | |
| Other | X |

The Scrutiny Committee is being asked to:

Provide views and comments on the 2020/21 Revenue Budget and 2020 to 2025 Capital Strategy.

Background Papers:

The 2020/21 Revenue Budget

The 2020/25 Capital Strategy

Category of Report: OPEN

Report of the Director of Finance and Commercial Services

The Revenue Budget 2020/21 and Capital Strategy 2020 to 2025

1. Introduction

Every Local Authority must by law set a balanced revenue budget including setting its Council Tax annually. Setting the budget requires the calculation of the budget requirement including an allowance for contingencies, and consideration of the adequacy of reserves. These calculations must be completed before the 11th March preceding the financial year in question (i.e. before 11th March 2020 for the 20/21 budget).

The Council's Revenue Budget includes all the relevant information and calculations necessary to complete this process.

Sections 4 and 5 of this report summarise the Council's Capital Strategy.

Sections 6 and 7 summarise Consultation and Engagement, and assessment of equalities implications.

2. Contents of the Revenue Budget

The Revenue Budget consists of the main report itself, which gives information on the background to the budget, the challenges faced, the development of the budget and the key figures. It ends with a number of recommendations, including the recommended Net Revenue Budget for 2020/21 and the recommended Council Tax (shown as the amount required for a Band D property).

The Revenue Budget also contains a number of Appendices covering:

- Portfolio pressures
- Portfolio savings
- Overall summary budget, and summary budgets by Portfolio
- Reserves
- Corporate risk register
- Council Tax Determination
- The annual Treasury Management Strategy
- Pay Policy and supporting information
- Equality Impact assessment
- Glossary of Terms

3 Short summary of the key messages

Key messages in the Budget are as follows:

a) 4-year view

The October 2019 Medium Term Financial Analysis predicted an overall funding gap of approximately £35m between 2019/20 to 2022/23. More recent updates indicate this gap remains broadly the same for 2020/21 to 2023/24.

Funding uncertainty continues to hamper effective budget planning.

Growth in demand for services and cost inflation continues to outstrip additional funding available from Central Government or local taxation over the medium term.

b) Council Tax and Reserves

Subject to Council approval, the Council Tax rate will increase by 3.99%. This increase will be 1.99% for the Core Council Tax and 2% for the Adult Social Care Precept.

There is a £10.9m reduction in use of reserves when compared to 2019/20, mainly due to the reversal of the £11.2m draw from reserves required to balance the previous year's budget.

The Section 151 Officer (the Executive Director of Resources) has reviewed the adequacy of reserves and the robustness of the estimates behind calculating the budget requirement in line with the requirement under Section 25 of the Local Government Act 2003.

c) Corporate

There are a number of Council-wide or major programmes and projects funded centrally. Examples include the Heart of the City 2 development and the new Customer Experience programme. The increased cost of these corporately-funded items is £9.1m for 2020/21.

d) Portfolio Budgets

Additional funding is provided to cover inflation and service demand costs, as well as, corporate investments for major projects. This increase is offset by budget reductions delivered by proposed savings identified within portfolio's strategic plans.

The transfer of additional funds and/or the agreement to deliver savings receive political sign off to ensure the efficient use of funds in delivery of the Council's priorities and statutory duties.

People are the only portfolio to receive significant investment, with a net budget increase in funding of £17.9m for 2020/21. This investment demonstrates the Council's ongoing commitment to social care and the most vulnerable residents in the city.

The total level of in-year savings proposed by the Portfolios for 2020/21 is £14.7m and covers categories such as services effectiveness, cost reduction and staff savings.

e) Workforce

The potential workforce impact arising from the recommended savings proposals to set the 2020/21 budget equates to a reduction of approximately 35 full time equivalent (FTE) posts.

4. Contents of the Capital Strategy

The Capital Strategy first provides a succinct Executive Summary, setting out the broad budget position for next year and the following 5 years. It also sets out the brief background to each of the nine priority areas for investment.

Section 2 then provides greater background and key facts on the Capital Programme, including how it is funded, our investment strategies and programme governance.

Sections 3 – 11 then provide greater detail on each of the nine priority areas, setting out:

- Background and context
- Projects completed in 2019/20
- Key current projects already in delivery
- Potential priority areas / projects under consideration
- Key challenges and how we are addressing them.

The nine priority areas covered are:

- Economic Growth
- Transport
- Housing growth
- Housing investment
- Love where you live
- Green and open spaces
- People: capital and growth
- Heart of the City II
- Essential compliance and maintenance.

Appendix 1 provides information on the Corporate Investment Fund. Appendix 2 provides a full list of all projects, split by priority area.

5. Short summary of the key messages

a) Size of the capital programme

The size of the proposed capital programme in 2020/21 is £176.4m:

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| | £4.9m |
| Transport | £7.2m |
| Housing growth | £38.9m |
| Housing investment | £44.1m |
| Love where you live | £19.2m |
| Green and open spaces | £0.9m |

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| People: capital and growth | £5.4m |
| Heart of the city II | £53m |
| Essential compliance and maintenance | £1.4m |
| ICT | £1.4m |

The size of the proposed 5-year capital programme for 2020/21 to 2024/25 is £726.1m. These amounts represent headline figures for existing commitments within the Capital Programme and those currently within the approvals process. They do not, however, include allocations for potential pipeline projects which have not yet received approval.

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| | £6.1m |
| Transport | £7.5m |
| Housing growth | £241.7m |
| Housing investment | £272.2m |
| Love where you live | £72.4m |
| Green and open spaces | £1.2m |
| People: capital and growth | £9.9m |
| Heart of the city II | £112.3m |
| Essential compliance and maintenance | £1.4m |
| ICT | £1.4m |

b) Capital Planning Principles

- Capital planning is integrated into the Council's overall strategic planning, ensuring capital activities are considered in relation to the Council's overall corporate plans, its budget, its financial strategies and the Priorities set out in this Capital Strategy;
- We maximise the external funding of capital investments wherever possible to maximise the availability of the Council's scarce funds to support agreed activity, using our funds as 'match' funding to lever in external investment as much as we can;
- Our capital investments are affordable, sustainable and prudent (ensuring compliance with the CIPFA Prudential Code);

- Our capital projects deliver value for money, by ensuring that our governance processes for the appraisal and approval of capital projects are robust and challenging; and
- We ensure effective risk management through our governance, in accordance with best professional practice set out in the Treasury Management Code of Practice.

c) Investment Strategy Principles

Sheffield City Council will invest in Land and Property and provide loan/equity investments to third parties when:

- The primary purpose of the investment is to benefit the people of Sheffield – for example through regeneration or redevelopment – rather than income generation for its own sake;
- The investment supports the delivery of an existing Council policy or strategy;
- The investment will take place within Sheffield City Council’s boundary (or immediate environs);
- The investment adheres to clear criteria set for investment decisions and risk management both individually and cumulatively;
- A full risk and return analysis of the investment has been completed and Members and senior officers are content that any risks are appropriate for the Council to take and proportionate to the potential benefit being delivered;
- The investment has been taken through Sheffield City Council robust and transparent governance procedures and been subject to enhanced decision making and scrutiny prior to approval;
- The investment would be subject to ongoing monitoring and management with reporting by exception to Full Council when necessary; and
- The loan to a third party/equity investment is state aid compliant.

d) Funding sources

In descending order, these are:

- HRA contribution to capital
- Prudential borrowing
- Government grants
- Capital receipts
- Other grants and contributions
- CIL

e) Future priorities

Members are currently engaged in a ‘strategic commissioning’ process, which will inform our investment priorities over the coming years. We anticipate that this will be launched early in the new financial year, if not before.

6. Consultation and engagement

We are committed to representing the needs and views of Sheffielders across all the city's neighbourhoods and communities.

This year, to inform, develop and enable citizens to have their say on options for the 2020/21 budget, the Council ran a budget survey between 20 December 2019 and 24 January 2020, in addition to wider engagement with citizens, and partner organisations over the last year. This has helped us to ensure that our budget proposals 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.

Over a 5 week period during December and January we ran an online survey that received 313 responses through the Council's Citizen Space consultation portal (<https://sheffield.citizenspace.com>).

The consultation on our 2020/21 budget proposals has taken place alongside the Big City Conversation. This has been a citywide conversation, talking to citizens from across the city's neighbourhoods about the issues that matter most to them, what they would like to see change in Sheffield and how they want to get involved in the decisions that affect their communities and their city. There is a clear link between how the City Council invests its budget and the issues and priorities that Sheffielders have talked to us about in the Big City Conversation.

Key findings from the Budget Consultation:

- As in the consultation on our 2019/20 budget, Adult Social Care, Children's Social Care and Public Health/Education were highlighted as the top three priorities that the Council should fund more
- Respondents cited leisure and culture, Environmental Health/Waste and Recycling, and Housing as areas where spending levels should stay the same Respondents were more likely to say that the Sheffield City Council should spend less on the cost of borrowing, central costs and housing benefits. The majority of respondents supported raising Council Tax. Of those that gave a reason as to why they felt that Council Tax should be raised, the most common reason given was that a slight increase would be worth it to have improved public services
- Over half of respondents said that they did not want to see an increase in fees and charges and that the levels should stay the same. Many thought that fees and charges are high enough, that increases would be deemed unacceptable and likely to have most impact on poorer residents of the city
- Respondents mainly suggested that it was important for the Council to invest in transport, green and open spaces and quality of life. When asked why, people tended to suggest that investment is important to promote regeneration and the need for a fair and improved transport infrastructure to support both business and leisure.
- Transport was seen as a very important area for investment, and noted that we need a far more 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. A proportion of people felt much more investment was needed to support more environmentally friendly travel 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.

- 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 raising Council Tax; increasing car parking charges and business rates; and lobbying central Government for more money.

Further, as specific budget proposals are developed, services and portfolios across the council are required to produce Equality Impact Assessments (EIAs) on their budget proposals.

This process ensures that services have fully considered any potential implications for their proposals for people in Sheffield (particularly the protected characteristics covered by the Equality Act 2010) and explain any mitigations that are necessary to avoid any unlawful discrimination that may result from the proposed changes.

69 individual Equality Impact Assessments have been developed in support of the specific proposals in the budget and Appendix 9 of the Revenue Budget contains a summary of some of the key implications for Sheffield's communities.

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 and maternity.

7. What does this mean for the people of Sheffield?

Equality Impact Assessments (EIA) have been completed in relation to the elements of the budget already approved as part of the thematic approach and continue to be updated to reflect the impact upon Sheffield citizens. Any new savings / income generation proposals will be presented with accompanying EIA's when approved.

As set out above, we have undertaken engagement with the population on our budget proposals and Portfolios will have engagement with citizens and service users as part of the development of specific proposals.

In setting its budget for 2020/21, the Revenue Budget recommends an increase in council tax, in order to protect essential services whilst allowing a balanced budget to be set. The Council acknowledges the financial impacts this can have on the City's residents, and will therefore increase its Hardship Fund to support those least able to afford any increase.

8. Recommendations

The Committee is asked to:

- a) provide its views and comments on the contents of the 2020/21 Revenue Budget and 2020 to 2025 Capital Strategy;

APPENDIX 1 Areas not covered by the 2020/21 Revenue Budget

The following financial areas are subject to separate arrangements for review and approval.

Capital

Alongside the Revenue Budget the Council has been developing its capital strategy and key priorities for the forthcoming years, and setting its Capital Strategy for 2020 to 2025. This Strategy is presented alongside the Revenue Budget.

Housing Revenue Account (HRA)

The HRA is a statutorily separate ring-fenced fund that accounts for the revenue income and expenditure relating to Council Housing. Its budget is therefore set separately to the Council's main Revenue Budget, and does not affect the setting of Council Tax.

Dedicated Schools Grant (DSG)

Funding for schools is ring-fenced and so it not included in the Council's main Revenue Budget or in the setting of Council Tax. Spending for the forthcoming year is discussed and agreed with the Schools Forum and with the relevant Cabinet Members.

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