Report to Policy Committee

Author/Lead Officer of Report: Ryan Keyworth, Director of Finance and Commercial Services

Tel: +44 114 474 1438

Report of:	Director of Finance and Commercial Services
Report to:	Strategy and Resources Committee
Date of Decision:	5 July 2022
Subject:	Medium Term Financial Analysis and Committee Budget Recommendations

Has an Equality Impact Assessment (EIA) been undertaken?	Yes		No	X	
Has appropriate consultation taken place?	Yes		No	X	
Has a Climate Impact Assessment (CIA) been undertaken?	Yes		No	X	
Does the report contain confidential or exempt information?	Yes		No	X	

Purpose of Report:

This report sets out the medium term financial position for the Council and proposes how individual Policy Committee budget targets for 2023/24 are set.

Recommendations:

The Committee is recommended to:

1. Note, as a planning assumption, core Council Tax increases of 2% each year.
2. Note, as a planning assumption, Adult Social Care Precept increases of 1% each year.
3. Note, the three-year Government settlement was prior to the high inflation rates and lobby Central Government for additional financial support to offset the pressure caused.
4. Note, the Council’s current level of reserves provides a limited amount of time for action to be taken strategically in response to the financial position;
5. Note, unless firm action is taken to contain pressures and deliver significant savings and/or mitigations, the Council’s financial position will soon be unstainable.

6. Note, an updated MTFA will be presented in October 2022 following identification of savings by Committees and refinement of pressures in the coming months. Any further action required will also be set out.
7. Approve that Policy Committees will be asked to develop savings / additional income options that cover their own pressures – in effect cash standstill.
8. Require Policy Committees to report at their meetings in September on how they can balance their budgets.
9. Note that a consolidated report based on the individual Policy Committee reports will be brought to the 12 October meeting of this Committee

Background Papers:
[2022/23 Revenue Budget]
[Month 1 2022/23 Budget Monitoring]

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: *Ryan Keyworth, Director of Finance and Commercial Services*
		Legal: *David Hollis, Assistant Director, Legal and Governance*
		Equalities & Consultation: *James Henderson, Director of Policy, Performance and Communications*
		Climate: n/a
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**SLB member who approved submission:**	*Ryan Keyworth*
3	**Committee Chair consulted:**	
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Committee by the SLB member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: *Ryan Keyworth*	**Job Title:** *Director of Finance and Commercial Services*
	Date: *24 June 2022*	

PROPOSAL

1. Month 2 Budget Monitoring – Similar to Month 1 - £19.1m Over

1.1. **The largest area of forecast overspend is £17.3m in the people portfolio**

£'000	FY Outturn	FY Budget	FY Variance
City Futures	46,601	46,126	475
Corporate	(458,347)	(458,321)	(26)
Operational Services	112,205	112,269	(64)
People	309,767	292,466	17,301
Policy, Perf & Comms	2,963	2,812	151
Resources	5,983	4,649	1,334
Total	**19,171**	**(0)**	**19,171**

High-cost packages of care put in place during the pandemic continue to cause overspends for the people portfolio. Savings targets of over £11m agreed as part of the 22/23 budget to review and rationalise care plans are falling short by £6m.

1.2. **The position has worsened in M2 forecast by £0.5m, mainly in Children's & Families**

£'000	M1 FY Variance	M2 FY Variance	Movement
City Futures	475	817	(342)
Corporate	(26)	95	(121)
Operational Services	(64)	(68)	4
People	17,301	16,284	1,017
Policy, Perf & Comms	151	51	100
Resources	1,334	1,533	(198)
Total	**19,171**	**18,712**	**459**

Children's & Families was the main reason for movement in the month. There is an underlying issue with Home Office funding for unaccompanied asylum seeker children not matching expenditure forecasts in the year along with overspends in Family Time due to increasing staffing forecasts.

City Futures improved by £342k due to additional income on highways network management and planning fees.

1.3. **The position by Committee highlights the underlying issue in social care and shortfall in delivering savings targets**

£m	FY Outturn	FY Budget	FY Variance @M2
Adult Health & Social Care	162.2	150.5	11.7
Communities, Parks and Leisure	45.1	45.7	(0.6)
Economic Dev't and Skills	5.9	6.0	(0.1)
Edu'n, Children and Families	134.5	128.9	5.6
Housing	8.9	8.8	0.0
Strategy and Resources	(435.4)	(436.9)	1.5
Transport, Regen' and Climate	39.2	37.9	1.2
Waste and Street Scene	58.9	59.1	(0.2)
Total	**19.2**	**(0.0)**	**19.2**

Savings plans agreed as part of budget setting for 22/23 are falling short by £18.3m. Committees need to work with officers to develop action plans to mitigate the overspends and note the underlying budget variance emerging in addition to missed savings plans. One-off items such as grant funding or provisions totalling £4.2m go some way to mitigating the in-year impact of the emerging pressures but do not offer permanent solutions to increased baseline costs.

2. Medium Term Financial Analysis 2023/24 to 2026/27

2.1. The purpose of the Medium Term Financial Analysis ("MTFA") is to provide Members with an early view of the forecast financial position of the Council for the next 4 years, and to set the financial constraints within which the budgeting and business planning process will need to work to achieve a balanced budget position over the medium term.

2.2. The last MTFA covering the period 2022/23 to 2025/26 was presented to Cabinet in October 2021. This update provides a full refresh of that report, rolling forward the period covered to 2023/24 to 2026/27. This roll forward includes Services updating their estimates of pressures and the impact of the 2022/23 financial position. At this stage, the figures do not include any savings or mitigations other than anticipated additional grant income. Future work to identify additional mitigations /savings will be undertaken in the coming months.

2.3. Background context to this analysis is the £19m forecast overspend for 2022/23. This is in addition to the £15m worth of reserves which were required to balance the budget. This overspend, if unchecked, will use most of the Council's remaining available reserves in 2022/23, and leaves a recurrent overspend of £10.6m to flow into 2023/24. Without significant mitigation, there is a very real risk that the Council will not be able to set a balanced budget for 2023/24.

2.4. A specific section of this report is dedicated to the 2023/24 budget gap and the required actions recommended to Policy Committees to ensure a balance budget is set for next year.

Background

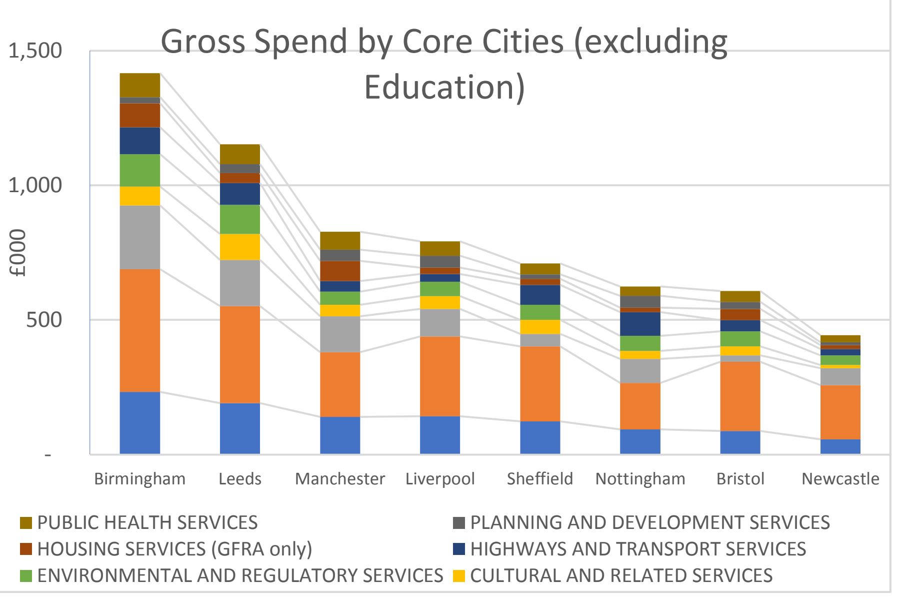
2.5. **Sheffield is not the only Core City struggling with financial sustainability.** Due to magnitude of the 4- year budget gap Sheffield faces, we reviewed the medium-term forecasts for similar councils, these being the Core Cities. Our research highlighted the latest MTFA's for these councils reported budget gaps between £10m and £35m per annum. Our current forecast is an average of £26m per annum.

2.6. **Arbitrary funding cuts to high need Local authorities during the decade of** All Core Cities therefore appear to be struggling with financial sustainability and having to deliver significant savings. This is likely due to the arbitrary Central Government (CG) funding cuts throughout the decade of austerity, which were disproportionately targeted towards high need authorities such as Core Cities. For example, the real terms spend power (the amount of funding a Council has to delivery services) reduction

austerity make it harder to react to inflationary budget pressures.	in Sheffield was 29% or £828 per resident, compared the national average of 21% and £563 per resident. Continuing to lobby Government to equalise the impact of this reduction and implement the Fair Funding review to redistribute funding more equitably, must be a priority. As part of this analysis, we also reviewed spend across the Core Cities to identify any trends or differences worth exploring.

2.7. **SCC's % of gross spend mainly in line with other Core Cities but does highlight a greater proportion spent on Social Care**

The first graph below shows gross expenditure across the eight Core Cities. Total funding and gross spend are largely driven by population but also by variables such as deprivation factors in the funding formula. Sheffield has the fifth highest gross expenditure overall despite being the third largest by population, though Birmingham and Leeds are far and away the biggest.



2.8. **Deprivation as well as population size are key determinants of overall spend and spend on social care.**

One of the main reasons for this is depravation, measured using the Index of Multiple Deprivation (IMD). The IMD combines information from seven domains to produce an overall relative measure of deprivation. Sheffield is the second least deprived Core City these measures. Liverpool and Manchester top this list and this is one of the main reasons their overall funding exceeding Sheffield's.

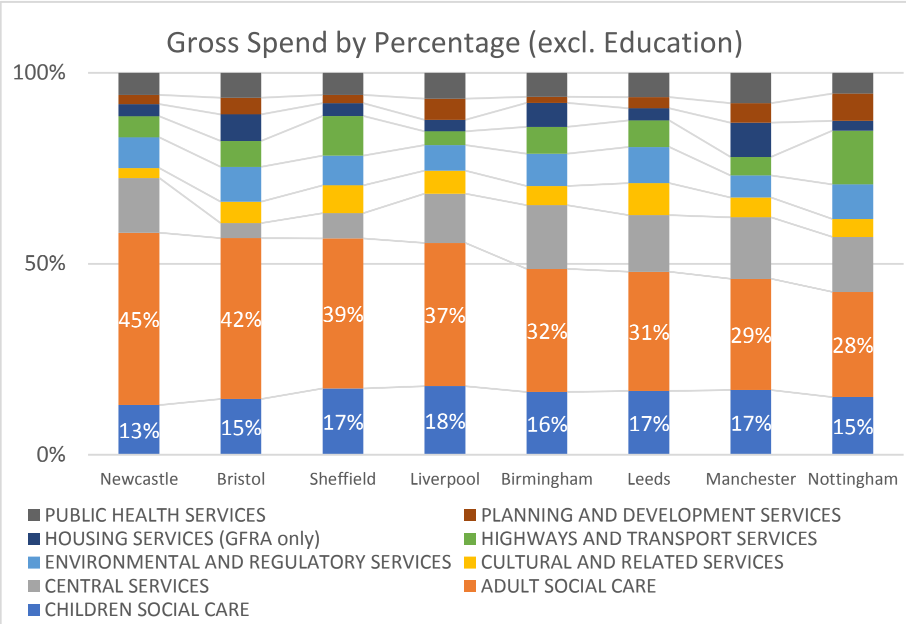
	Liverpool	Manchester	Birmingham	Nottingham	Newcastle	Leeds	Sheffield	Bristol
IMD Score	42.4	40.0	38.1	34.9	29.8	27.3	27.1	26.4

The pattern is repeated when looking at Core Cities that have the most areas which are in the most deprived 10% in the country.

	Liverpool	Manchester	Birmingham	Nottingham	Newcastle	Leeds	Sheffield	Bristol
IMD: % LSOAs most deprived decile	49%	43%	41%	31%	26%	24%	24%	16%

2.9. **The proportion of Sheffield's spend on Social Care is out of line with our relative deprivation.**

The graph below shows that SCC is broadly in line with the mean distribution of spend. SCC does however, spend 56% of its gross expenditure (excluding Education) on Social Care, which is above the average across the other Core Cities of 51%. This is despite the fact the lower relative deprivation in Sheffield would be expected to drive lower social care costs, particularly across children's services.



MTFA Detail

2.10. **Our mid case forecast is that the Council faces a budget gap of £105m by 2026/27**

Under the mid-case assumptions in Appendix 1, the budget gap grows to **£105m** by 2026/27.

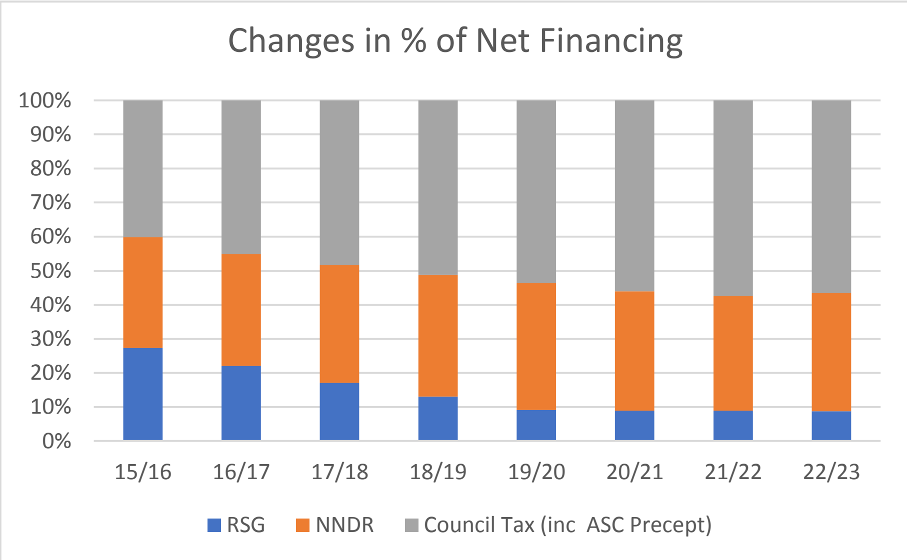
£m	**23/24**	**24/25**	**25/26**	**26/27**
Government Funding	-1.2	-1.2	-1.2	-0.8
Bus Rates & Council Tax	-15.5	-16.1	-15.9	-12.8
Corporate Expenditure	16.7	5.2	2.7	1.7
Social Care pressures*	38.8	24.1	24.0	22.5
Other service pressures*	20.0	7.8	6.4	6.0
Overall Budget Gap	**58.8**	**19.9**	**16.0**	**16.6**
Proposed Savings / Mitigations	-6.0	0.0	-0.1	-0.4
Net Gap Still to Find	**52.8**	**19.9**	**15.8**	**16.2**
Cumulative Gap	**52.8**	**72.7**	**88.5**	**104.7**

* 23/24 figures include brought forward Social Care pressures from 2022/23 of £10.6m

The following sections provide the details behind the numbers included in this assessment for the medium-term financial outlook.

2.11.	**Total available resources over the MTFA will be determined by to 3 key factors.**	The starting point of the MTFA is to establish the overall financial envelope in which services must be delivered. The main factors affecting the amount of resources available to the Council are: • the level of Government funding provided; • its ability to raise income via items such as local taxation and sales fees and charges; and • the amount of available reserves.
2.12.	**Very limited additional Government funding is assumed over the medium term. Approximately £4.3m**	In February 2022 the Department for Levelling Up, Housing and Communities (DLUHC) approved a 3-year settlement for Local Government. This settlement frontloaded funding to Councils for 2022/23, with no additional funds been made available for 2023/24 and 2024/25. The only exception being funding to support the new Health and Social Care reforms, which caps individual's contributions to care costs and helps provide for the Fair Cost of Care. It is expected that Councils will be compensated to the resultant impact of these reforms with no overall benefit to the Council.
2.13.	**Fair Funding delays and transition arrangements means no additional funding can be relied upon.**	SCC had been hoping to see the conclusion of the Fair Funding Review. The Fair Funding formula is the basis for the calculation of a Local Authority's (LA's) needs-based funding. This formula has not been updated since 2013 and is still using data as old as 2011. A review of this formula should result in a reassessment of the financial needs of each Council and a redistribution of funding accordingly. In theory, as a high needs LA, SCC should gain from this reform. However, there is speculation about ongoing delays and the transitional arrangements required following any review, to protect those LA's who lose significantly from the new formula. For these reasons SCC is not forecasting any significant additional income in the medium term due to Fair Funding. SCC mid-case assumption is very limited addition income **(£4.3m)** will be providing by Government to support its core functions in the medium term. It should also be noted, the agreed settlement was prior to any knowledge of the current inflation and cost of living crisis impacts on LA's. SCC will therefore continue to lobby the Government for additional funds to meet these pressures. At this stage in the planning process, we are not assuming that we will get additional inflation-linked funding from government.

2.14.	**Local taxation is forecast to increase by £60.2m**	The majority of additional resources will come from local taxation over the next 4 years. A total increase of **£60.2m** for additional Business Rates and Council Tax is forecast over the medium term. Full details of the mid-case assumptions applied can be found in **appendix 1**.
2.15.	**The Council Continues to be more reliant on Council Tax increases. It now accounts for nearly 60% of the Net Financing**	The graph below highlights the increasing reliance on Council Tax increases to fund services as Central Government ("RSG") funding reduces. This reliance further exacerbates the unfairness in the current funding regime, with high tax base councils, predominantly in the Southeast of England, being able to raise significantly more funds than Sheffield to support services.



At this stage, no increases in Sales, Fees and Charges ("SFC") have been included. SFC will be considered by each Policy Committee in response to the mitigations required to set a balanced budget for its area of responsibility.

2.16.	**Only £16m of available reserves remain to support the medium-term planning.**	There are limited reserves available to support the medium term planning. During the 2022/23 to 2025/26 MTFA process, £70m of Reserves were identified to support budget pressures. However only £16m remains as per the table below.

Reserves Usage	**£m**
2021/22 Overspend	20
2022/23 Budget Balancing	15
2022/23 Current Overspend	19
Unallocated	***16***
Total	**70**

Based on current analysis this will be insufficient to enable a balanced budget to be set for 2023/24.

2.17.	**Pressures forecast to increase by**	Corporate expenditure variations and Portfolio pressures are forecast to increase by **£176m** over the next 4 years. **£109m** of which is for Social Care costs.

£176m over the next 4 years.

Corporate pressures total **£26m (over 4 years)** and are largely the impact of having to absorb the pressure resulting from the non-delivery of the Strategic Review savings during 2022/23, planned to reduce the £15m reserves contribution to the budget. In addition, capital financing costs are due to rise in the coming years as the Council's borrowing requirement increases.

The Strategic Reviews 2023/24 pressure will be offset by income from Government, Business Rates and Council Tax as detailed above. Therefore, any savings delivered as a result of the ongoing Strategic Reviews, will contribute towards the relevant Committee's savings target.

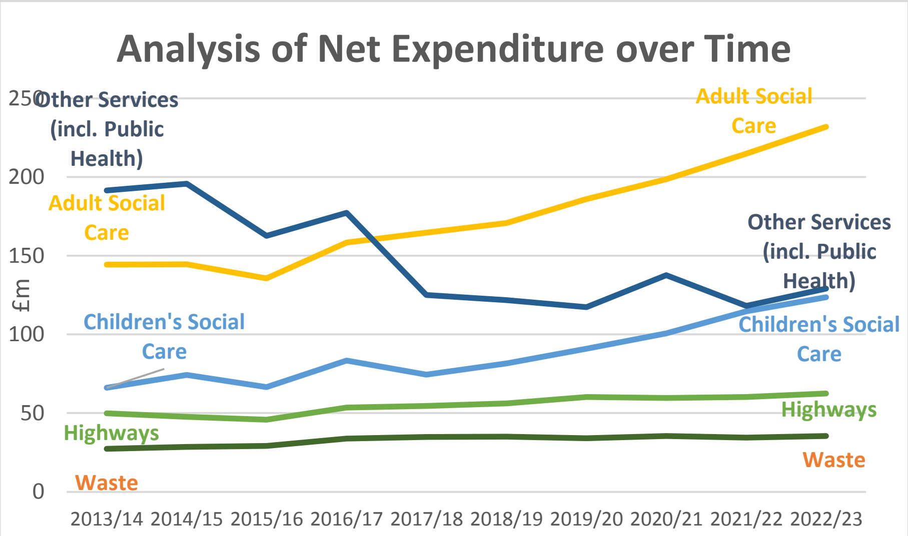
Non Social Care pressure **£40m** are mainly the result of high inflation on RPI linked large contract such as highways and waste, plus forecast pay awards costs. The assumptions around inflation rates are set out in Appendices 1 and 3. They are guided by the Bank of England's anticipation that rates of inflation will remaining high for the next 2 years before returning to the 2% target.

2.18. **Social Care costs are mainly driven by inflation and Fair Cost of Care legislation**

Social Care Pressures at **£109m** are the biggest cause for concern over the medium term and reflect the trend in recent years. As with the other areas of the Council, cost and pay inflation are the major drivers for social care pressures. Adults Social Care services are also forecasting increased pressures as result of; fee uplifts in relation to the Fair Cost of Care legislation, increased transitions costs between children's and adults care and grant reductions from Government such as the Independent Living Fund. For Children's Social Care, additional placements cost resulting from rising demand for higher cost services are being anticipated.

2.19. **Limited resources remain outside of Social Care, so diverting additional funds is no longer feasible.**

Our social care costs are rising at an unsustainable rate putting the financial stability of the Council at risk. The rest of the Council cannot support this level of spend. Our flexibility elsewhere is limited because we have already transferred investment from other services to support social care as highlighted in the graph below:



This disinvestment is not sustainable due to the remaining budgets outside Social Care being insufficient to offset the pressures anticipated within Social Care. A reduction in, or efficiencies within, Social Care spending are the only way the Council can continue to set a balanced budget in the medium term.

2.20. **Mitigations to need to be identified by Committees and should include a review of income.**

The only mitigations identified against pressures and included within the MTFA assumptions, are taxation income and grants. Any savings or mitigation proposed by Portfolios will need to be agreed by Committees. Any 2023/24 savings will be used to offset the 'savings target by Committee' identified in this report and required to deliver a balanced budget for next year.

These mitigations should include a full review of increased income targets where applicable. Recovery of additional costs via fees and charges needs to be examined and could yield significant increases.

MTFA Summary

2.21. **The Mid case shows that significant action will be needed to ensure**

The mid case shows the need for the delivery of significant efficiencies across all Portfolio's and Committees to avoid unsustainable short to medium-term pressure on the Council's finances.

This task will be made much easier if we are able to agree clear and long-term policy-led priorities with the Administration.

financial sustainability Without firm action, it will be challenging to set a legal budget for 2023/24 onwards.

Sensitivity Analysis

2.22. **Best Case**

This gap lessens to £60m under more optimistic assumptions

In contrast, if the Council were able to secure some additional funding from Government, focus its spending on key priorities and constrains pressures, then its financial position becomes more sustainable. It would still require the delivery of £15m of saving / mitigations per annum.

This scenario does assume (£13.9m in 2023/24 and £13.4m in 2024/25) additional CG support compared to the Mid case.

Full details of the assumption compared to the Mid-case are set out in Appendix 3.

2.23. **Worst Case**

The gap grows to £154m by 26/27 under pessimistic assumptions

The failure to constrain service delivery pressures, high inflation continuing into the medium term, a fall in local taxation revenues from BR and no additional funding provided by CG, would result in the budget gap worsening to £154m by 2026/27.

It is vital Sheffield mitigates against any of these outcomes that are controllable, including lobbying Government for additional funding, in order to reduce the level of saving / service reductions required to set a balanced budget.

Early 2023/24 Budget Assessment & Options

2.24. **The 2023/24 budget will require around £53m savings / additional income to balance**

Latest 2023/24 Budget Gap	£m
Unwind of 2022/23 use of reserves	15
2023/24 Impact of 2022/23 Overspend	11
2023/24 Pressures	49
2023/24 Savings / additional income	(23)*
Total Gap	**53**

* Council Tax / NNDR, Fair Cost of Care Grant

2.25. **That £53m represents around 11% of the spend we have any control over.**

Our net budget, excluding the PFI credits and HRA Income, is around £478m, split by Committee as follows:

2022/23 Gen Fund Revenue Budget	£m	Notes
Adult Health & Social Care	140.5	
Communities Parks and Leisure	40.0	
Economic Development & Skills	3.9	
Education, Children & Families	113.8	
Housing (General Fund)	5.2	
Strategy & Resources	98.4	Debt, FM, Youth, Resources / PPC
Transport, Regeneration & Climate	23.8	Incl PTE Levy
Waste & Street Scene	51.9	Veolia/Amey
Total	**477.5**	

2.26. **There are also some very hard to shift costs – meaning the gap is really closer to 14%**

2022/23 Costs	£m
PTE Transport Levy	23
Waste Contract	28
Highways Contract*	21
Historic Debt Costs	39
Total	**111**

*Net Council contribution excluding PFI grant

2.27. **So far, we have identified pressures of £75m and offsetting income / savings of £23m leaving a £53m gap**

£m 2023/24 Only	Pressure *	Saving / Income	Net
Corporate	16.7	(16.6)	0.1
People - Adults	24.2	(6.0)	18.2
People – Children's	14.5	0.0	14.5
City Futures	2.5	0.0	2.5
Operational Services	14.8	0.0	14.8
Resources / PPC	2.7	0.0	2.7
Total*	75.4	(22.6)	52.8

*Pressures include £10.4m carried forward pressure from 2022/23

2.28. **By Committee, the net pressures show wide variations with 5 Committees facing pressures over 10% of their 2022/23 budgets.**

£m 2023/24 Only	Pressure	Saving / Income	Net	% of 22/23 Budget
Adult Health and Social Care	23.5	(6.0)	17.5	12%
Communities, Parks and Leisure	1.8	0.0	1.8	5%
Economic Dev't and Skills	0.1	0.0	0.1	4%
Education, Children & Families	14.7	0.0	14.7	13%
Housing (General Fund)	1.2	0.0	1.2	23%
Strategy and Resources	20.6	(16.6)	4.0	4%
Transport, Regen & Climate	4.5	0.0	4.5	19%
Waste and Street Scene	9.0	0.0	9.0	17%
Total	75.4	(22.6)	52.8	11%

Details of the assumptions applied by Committee are reported in **Appendix 3**

2.29. **In addition to General Fund, there are net pressures of £5.3m for DSG and £20m HRA**

To date, £20m of Housing Revenue Account pressures and £5.3m of Dedicated Schools Grants pressures have been identified. These pressures will need to be addressed by the relevant Committees in addition to the General Fund budget gaps. Details of the HRA pressures are set out in the attached appendix 3 for the Housing Committee**.**

Balancing Committee Budgets

2.30. **Committees should first address their own pressures**

Committees are set a target of cash stand-still, broadly reflecting the Council's overall position, and asked to identify savings / income to bridge any gap.

In the first iteration, this keeps the task within each Committee, with no cross-committee trading of budgets and means that Committees will need to examine their services and come up with options for income / savings that they are able to agree on.

It also means that any changes in assumptions / pressures will stay within each Committee rather than affecting others or the corporate position.

This approach should mean that a balanced budget position for each Committee and the Council can be arrived at by the 12 October Strategy and Resources meeting.

The Strategy and Resources Committee would then be able to assess the consequences of each Committee's proposals and decide whether a further iteration of the process is needed. This could involve asking one or more Committees to remove savings whilst requiring others to find more savings to bridge any gap.

Any iteration would start and end with a balanced budget, protecting the Council's overall position. Any additional government funding announced late in the process could be invested in Member priority areas.

How Does This Decision Contribute?

3. This report sets out an early view of the medium-term financial position to support Council wide strategic planning to ensure long term sustainability. The recommendations in this report will also ensure that the Council has a robust budget process for 2023/24 and that each Policy Committee undertakes any work required to balance their 2023/24 budget.

Has There Been Any Consultation?

4. There has been no consultation on this report, however, it is anticipated that the budget process itself will involve significant consultation as the Policy Committees develop their budget proposals

5. Risk Analysis And Implications Of The Decision

Equality Implications

5.1. There are no direct equality implications arising from this report. It is expected that individual Committees will use equality impact analyses as a basis for the development of their budget proposals in due course.

Financial and Commercial Implications

5.2. There are no direct financial implications from this report.

Legal Implications

5.3. Under section 25 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.

5.4. There is also 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.

5.5. By the law the Council must set and deliver 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 under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.

Climate Implications

5.6. There are no direct equality implications arising from this report. It is expected that individual Committees will consider climate implications as they develop their budget proposals in due course.

Other Implications

5.7. No direct implication

Alternative Options Considered

6. The Council is required to both set a balance budget and to ensure that in-year income and expenditure are balanced. No other alternatives were considered.

Reasons For Recommendations

7. The majority of the recommendations are asking Members to note the assumptions applied to, and the unsustainable financial position highlighted by, the medium-term financial analysis. The aim is to set out the scale of the challenge ahead, the limited resources and timescales in which to deliver change and some of the difficult decisions that will need to be taken.

The main decision for Members set out within the recommendations is the preferred approach to tackling the forecast budget gap for 2023/24. Policy Committees will be asked to develop savings / additional income options that cover their own pressures – in effect cash standstill. This approach is deemed to be the most equitable and likely for ensuring a balanced budget is delivered for 2023/24.

Appendix 1 – Underlying 4 -Year MTFA Assumptions

Key Assumptions / Scenario - Mid Case

	Income Variations
RSG and Fair Funding	RSG funding normally rises with CPI which is currently running at around 8%, we have assumed the Government will cap this at 3% in 2023/24, 2024/25 and 2025/26 and then reduce to the target 2% in 2026/27. We are prudently assuming SCC is neither a significant gainer nor loser from the long-awaited Fair Funding reforms. There is no certainty if or when these reforms will happen, with 2024/25 the earliest possible date.
Social Care funding	We are not anticipating any further funding announcements in relation to specific Social Care funding.
Business rates	Business Rates income is expected to show a steady decline over the course of the MTFA of around £0.5m per annum. This is partly due to the impact of Covid and the ongoing effects on the high street. We have assumed the Business Rates multiplier will be frozen for businesses and the funding for Local Authorities capped at 3%, returning to 2% from 2026/27 onwards. 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. 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. The total value of these reliefs and deductions was £68.2m for 2022/23. Top-up Grant is forecast to rise in line with Government announcements but will used to offset reduction in rates income.
Council tax	A planning assumption of a 2% per annum rise in Core Council Tax and a 1% per annum rise in the Social Care Precept from 2023/24 to 2026/27, although the actual levels will be set by members each year. The tax base for Sheffield is forecast to continue growing and provides us with enough confidence to forecast an increase of 1,300 new Band D equivalent properties for 2023/24 onwards. We are assuming that the number of properties claiming discounts, reliefs and/or the Local Council Tax Support Schemes, will increase in the short term due to Covid 19 and the cost of living crisis, but they will recover during the MTFA period. Any reductions in income as a result of the above schemes or due to properties falling into arrears, will be managed via the collection fund and associated reserves.

	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 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 2023/24 onwards.
Collection Fund surplus/ deficit	The Collection Fund is more unpredictable than ever as we come out of the Covid pandemic and into a cost of living crisis. However, any gains or losses are expected to be smoothed through the use of the Collection Fund reserve and so are not anticipated to affect the MTFS.
Specific grants	No additional specific grants are forecast.
Other Income	Rental income from the Heart of the City Development of approximately £0.8m for 2023/24. This increases again in 2024/25 and 2025/26 as further phases of the development are completed.
Public Health	The public health grant will remain at 2022/23 levels for the period of MTFS.
	Expenditure Variations
Pay inflation	4% per annum for 2023/24 and 2% thereafter, to be absorbed by Committees
Pension Contributions	Due to healthy returns on investment over recent years and the fund now being in an overall surplus position, we anticipate no increases in contributions for the MTFA period.
Streets Ahead Contract Inflation	The Council investment in the Streets Ahead contract will result in the required amount increasing by £4.1m in 2023/24, £3.2m in 2024/25 and £1.9m per annum in 2025/26 and 2026/27, totalling £11.1m over the MTFA period. This is high due to RPI running at, and expected to continue at, a significantly higher than normal rate.
Council Tax Hardship Fund	Hardship Fund increases by £0.2m per annum.
Heart of the City Capital Financing Costs	The Capital Financing Budget is expected to be sufficient to fund the MRP and Interest on borrowing for the city centre development. This is also partly offset by the additional rental and business rates income the scheme is anticipated to generate.
Capital Financing Costs	SCC has been operating with an artificially low capital financial budget due to being under borrowed as a result of high cash balances. The level of cash available to SCC is anticipated to fall in the coming years with SCC having to therefore borrow to fund its capital spending. Costs are expected to increase by £3.5m in 2023/24 and an additional £1.0m in 2025/26 and 2026/27.
Major Sports Facilities	An anticipated £0.5m budget uplift in 2023/24.
ITA Levy	An anticipated additional £0.5m per annum over the course of the MTFA to offset costs inflation on the levy.

Portfolio pressure	Are the best estimates of the future costs in relation to demand for services, contract inflation cost pressures and national & Local Government pay awards.
Savings / Mitigations	No savings are included at this stage and are for Committees to identify and agree before inclusion in the MTFA update later this year
Strategic Reviews	Any savings delivered under the ongoing Strategic Reviews will be to the benefit of the relevant Committee but at this stage are not included in the MTFA analysis.

Appendix 2 – Assumptions adjustments applied to the Best, Worst and Mid cases

Area	Mid Case	Best Case	Worst Case
Business Rates Income	Multiplier capped at 3% then returns to 2% from 26/27 onward. A steady decline of £0.5m per annum in base.	Multiplier at 10% for 23/24, 5% for 24/25 and 2.5% for 25/26 & 26/27. No decline in base.	Multiplier capped at 2%. A steady decline of £1.0m per annum in base
Council Tax Income	1300 new Band D properties per year. A 1.99% rise in Council Tax bills each year.	1500 new Band D properties per year. A 1.99% rise in Council Tax bills each year.	1300 new Band D properties per year. A 1% rise in Council Tax bills each year.
RSG / Fair Funding	CPI capped at 3% until 2025/26 when reduces to target 2%.	CPI at 8% for 23/24, 3% for 24/25 and 2% for 25/26 & 26/27. Fair Funding Review results in £10m of additional funding for SCC in 24/25.	No Increase
Heart of the City	£13.0m additional rental and NNDR income over the MTFA period.	£13.0m additional rental and NNDR income over the MTFA period.	£6.1m additional rental and NNDR income over the MTFA period as project delayed.
Highways PFI (Streets Ahead)	RPI at 10% for 23/24, 5% for 24/25 and 2.5% for 25/26 & 26/27.	RPI at 10% for 23/24, 5% for 24/25 and 2.5% for 25/26 & 26/27.	RPI at 10% for 23/24, 7.5% for 24/25, 5% for 25/26 and 2.5% 26/27.
ITA levy	Increase of £0.5m per year.	Increase of £0.5m per year.	Increase of £1.0m per year.
Portfolio Pressures (excluding ITA and HW PFI)	As forecast for each portfolio	Services can constrain Pressures by 10% per year below current forecast	Pressures are greater than current forecast by 20% per year

APPENDIX 3 – Detailed Assumptions by Committee for 2023/24

Strategy and Resources Policy Committee

This is intended as a brief overview into how the Strategy and Resources pressures have been derived and what mitigations towards those pressures exist:

Pressures in Strategy and Resources	Generally, pressures fall into five main categories in Strategy and Resources. 1. Government Funding 2. Business Rates and Council Tax Income 3. Other Corporate Items 4. Resources Service Pressures 5. Direct Services Pressures
RSG **-£1.2m**	RSG funding normally rises with CPI which is currently running at around 8%, we have assumed the Government will cap this at 3% in 2023/24.
Business rates **-£4.6m**	Business Rates income is expected to show a steady decline over the course of the MTFA of around £0.5m per annum. This is partly due to the impact of Covid and the ongoing effects on the high street. We have assumed the Business Rates multiplier will be frozen for businesses and the funding for Local Authorities capped at 3%.
Council tax **-£9.2m**	A planning assumption of a 2% per annum rise in Core Council Tax and a 1% per annum rise in the Social Care Precept, although the actual levels will be set by members each year. The tax base for Sheffield is forecast to continue growing and provides us with enough confidence to forecast an increase of 1,300 new Band D equivalent properties for 2023/24.
Heart of the City **-£1.2m**	Rental income & BR growth anticipated from the Heart of the City Development of approximately £0.8m for 2023/24.
Council Tax Hardship Fund **£0.2m**	Hardship Fund increase by £0.2m per annum.
Strategic Reviews Reverse of Reserves **£14.5m**	£14.5m will be required in 2023/24 to remove the ongoing contribution from reserves required to deliver a balanced budget in 2022/23. The Reserves contributions were due to be substituted by savings delivered by Strategic Reviews. However, these savings have slipped and will now contribute towards relevant Committee targets.
Risks in the MTFS	1. RSG may not increase. 2. The Business Rates Multiplier could be capped at 2%. 3. NNDR income could decline more than forecast. 4. Council Tax rises may not always be taken at the maximum 1.99%. 5. Heart of the City project and anticipated rental / NNDR income could be delayed. 6. RPI could be higher than forecast affecting Highways PFI payments.

7. The ITA Levy may need to increase further.

	Resources and PPC Service Pressures
The pay award has been calculated at 4% for 23/24 (£1.85m)	To calculate the 23/24 impact, the 22/23 salary budget has been uplifted by 2% to account for a potentially higher pay award of 4%, and then a further 4% has been added to calculate the 23/24 budget pressure.
In Democratic Services a pressure has been included to reflect the additional cost of the structure to support the Committee System.	Temporary funding was made available in 22/23 to cover the cost of the Democratic Services structure introduced to support the new committee system. This cost has been included as a pressure for 23/34 onwards. (£550k). In addition, a pressure has been included to reflect increases members' allowances (£160k).
In BCIS, pressures have been included to reflect increases in Microsoft costs and indexation of 2% on application costs	The total pressure included for increased costs of applications and licenses is £241k. This will be refined further over the next few weeks to ensure the 2% uplift calculated last year is still a reasonable reflection of the potential cost increase. There are also some reversals proposed on one-off 22/23 pressures that were added to the budget (£247k).
In HR pressures have been included for the TU convenor budget.	A pressure of £176k has been included to reflect the current month 1 forecast overspend.
	Direct Services Pressures
Pay Award £357K	Given the cost of living crisis, the **2324 pay award pressure** has been calculated at **4% or £357K**. Services will be expected to absorb the impact of any increments within their existing budgets.
Energy costs £885K	**Energy costs** are being mitigated by provision in 2223 but are expected to continue at a similar level into 2324, giving rise to a total pressure of **£885K** (£579K of which is Howden House)
Wood Lane Countryside Centre £50K	10. 2223 BIP that is now thought to be unachievable. Discussions as to the future of the site are ongoing.
Previously proposed or known pressure mitigations (savings plans) -£610K	Howden Housing refinancing gain better than 2223 BIP £110K Sponsorship prior year approval £300K. Corporate Mail prior approval £200K (requires resource to deliver the saving)

This is intended as a brief overview into how the pressures for Adult Social Care have been derived and what level of mitigations towards those pressures exist from previous business planning rounds:

Pressures in Adult Social Care

Generally pressures fall into three main categories in Adult Social Care.

1. Fee increases to providers
2. Growth in package sizes for clients
3. Pay Awards to staff

1. Fee Pressure Calculation

£13.9m

This is a complicated methodology and different assumptions are made depending on the type of care delivered.

For Care Providers operating in their own premises, we assume that 71% of the fee rate covers the cost of salaries to their staff and 29% covers their running costs for buildings, insurance, meals and overheads.

For Care Providers operating in the homes of the clients we assume that 85% of the fee rate covers the cost of salaries with only 15% covering their running costs for their offices, insurance and overheads.

The actual fee increase percentage is derived by looking at the anticipated change in National Living Wage (NLW) which is currently £9.50 up to £9.97 per hour which represents a 4.95% pay increase (£0.47/£9.50). This is applied to 71% of the fee for care homes 71% * 4.95% means the wage element increase needs to be 3.51%. For other care types like Supported Living it would be applied to 85% of the fee which equates to 4.2%.

For all provision types we have assumed a 9% inflationary rate on the non-staffing element of the fee so 9% * 29% for Care Homes equates to 2.61% and 9% * 15% for Supported Living equates to 1.35%.

The overall increases are included in the table below:-

Inflation Increases - Care Homes/Day Care	23/24	
	Increase	Weighted
60% Front Line Staff at or close to NLW levels	4.95%	2.97%
11% Staff at higher pay levels	4.95%	0.54%
29% non-staffing costs	9.00%	2.61%
		6.12%

Inflation Increases - Supported Living	23/24	
	Increase	Weighted
75% Front Line Staff at or close to NLW levels	4.95%	3.71%
10% Staff at higher pay levels	4.95%	0.49%
15% non-staffing costs	9.00%	1.35%
		5.56%

The assumption in the Fee Pressures for Homecare Services is that the hourly rate goes up to £21 per hour per the Form 2 tabled at Committee 15th June 2022.

2. Growth Pressure Calculation

Each year we look at the current cost of delivering care across all cohorts and we convert that cost into a twelve-month view ie the cost of every persons'

£6.4m	care for a whole year. We also apply the same principle to the amount of client contribution we achieve currently. We try to make educated predictions about growth in package sizes based on the two-year history of each cohort type and we apply a demographic growth figure based on POPPI data.
3. Pay Award / Increment Pressure **£2.3m**	Given the cost of living increases we are currently assuming 4% Pay Award across the piece and that services will consume the cost of any increments staff may be entitled to.
Other Pressures on the MTFS **£0.9m**	Minor amounts for assumed loss of income and Investment/Recovery Plans agreed in 2022/23 business planning. It is currently assumed that all ASC 2022/23 BIPS will be fully delivered by the end of the financial year so no on-going pressure is on the Medium-Term Financial Strategy (MTFS) allowing for under-delivery.
Pressure Mitigations **£6m**	Potentially there is an offset for fee increase, there is a specific Government grant for implementing the “Fair Cost of Care”. We have assumed Sheffield City Council normally receive about 1% of Government funding which would equate to £6m. It should be noted however that decisions about how this money will be distributed have not been made at a national level and that we could see more or less than this number once those announcements are made. There is a view that authorities already paying a *Fair Cost of Care (FCoC)* don’t need additional funding and may receive nothing whilst authorities the farthest behind on paying a FCoC may benefit to a greater extent.
Risks in the MTFS	The biggest risk we can foresee is that the Low Pay Commission are lobbying government for the rise in National Living Wage to be £10.32 per hour. A further 35p per hour on top of the already calculated 47p would increase our pressures by a further circa £5m. This would also impact on the decision taken about raising Homecare rates to £21 per hour as this does not take into account the level of increase needed to that sector and further analysis would need to be done to establish what the rate of pay would need to be for that sector. If the Low Pay Commission succeed in lobbying the government about the NLW that also impacts on SCC’s ability to move towards the Foundation Living Wage (FLW) which I would assume will raise above the £10.20 it is currently forecast to be next year, at a rate that would put this further out of the Council’s reach from a budget perspective. We have assumed 9% as an adequate inflation rate but given that forecasts last year predicted April would see an inflation of 3%, it is clear this could be inadequate to meet the rising cost of fuel particularly for the Care Home sector running their premises and for the Home Care sector paying employees higher mileage rates to cover the cost of fuel in their vehicles. These numbers assume that by the end of 2022/23 all the BIPS will have been delivered in full and there will be no carry over pressure into 2023/24 financial year.

Future Years The table below shows the predicted increase in pressures against Adult Social Care in both £'000s and assumed % increases against fees, growth and pay inflation.

	2023/24 £'000s	2024/25 £'000s	2025/26 £'000s	2026/27 £'000s
Pay Award & Increments	2,301	939	958	977
Fees	13,869	10,161	9,149	7,392
Growth	6,391	6,666	6,842	7,646
Investments	394	0	0	0
Recovery Plans	316	0	0	0
Loss of Income/Other	208	78	78	78
	23,479	17,845	17,026	16,093

	2023/24 %	2024/25 %	2025/26 %	2026/27 %
Pay Award & Increments	4%	2%	2%	2%
Care Home/Day Care Fee Pressures	6.12%	4.05%	3.28%	2.55%
Home Care (2024/25 onwards)/Supported Living Fee Pressures	5.56%	4.18%	3.55%	2.66%

The assumption in the above fee increases is that we can move towards FLW but from a base of £9.97 NLW so whether these assumptions are valid depends on the outcome of the Low Pay Commission. These percentages would get us to a wage rate of £11.10 per hour by 2026/27.

The non-staffing element also assumes a return to much lower levels of inflation in the 2024/25-2026/27 period.

This paper summarises the planning assumptions that have been made in production of the first Children and Families MTFA for 23/24 onwards. This paper excludes the Direct Schools Grant (DSG), as this will be reported/presented separately.

	Planning Assumptions for Demand Increases
Demographic Changes	An allocation of £1.25m is included in the Children's MTFA to account for demographic changes that will affect service demand. This is a historical calculation and will be reviewed over the next few weeks.
Placement Demand in Children's Social Care results in a pressure of £2.86m	A further provision of £2.86m has been included to mitigate the potential impact of an increase in service demand cause by poverty and the economic impact of the Covid pandemic. This allocation has been calculated using a model developed in 21/22 and provides for a 3% growth in placements and 3% growth in social work caseloads.

	Planning Assumptions for Staff Costs
The pay award has been calculated at 4% for 23/24 and 2% pa thereafter.	To calculate the 23/24 impact, the 22/23 salary budget has been uplifted by 2% to account for a potentially higher pay award of 4%, and then a further 4% has been added to calculate the 23/24 budget pressure. Results for Children, Families and Education are as follows:

Service Area	**£000**
Children and Families	2,300
Education and Skills	405
Commissioning	348
Youth Services	125
Total General Fund Pressure	**3,178**

Services will be expected to consume the cost of any increments staff may be entitled to.

Other Staffing Pressures consider the use of agency, the levels of sickness and whether cover is required and areas where demand for service has increased establishment requirements.	Provision has been included within Children and Families, to reflect staffing pressures forecast at month 1 in several service areas. Overspends are being forecast largely because staffing levels are over budgeted establishment. This may be because agency is being used to cover long-term sickness or because demand means additional staffing resources are required. Work will be undertaken over the next few months to refine these pressures which may be mitigated by actions this financial year, and thus reduce future costs. Services in this position include Edge of Care, Family Time, QAIS, children's residential homes, Commissioning, and the Disability Service. The total pressure included is £1.4m.

Planning Assumptions for Non-Staffing Costs

Fee Uplifts have been calculated for independent placement providers, based on knowledge about regular requesters. April 22 CPI rate has been used.	Provision has been included for fee uplifts requested by independent placement providers – this may be Independent Fostering Agencies; Specialist SEND providers and Universal and Short-break Clubs. Fee uplifts are only applied if a provider specifically requests one, and so a blanket pressure has not been calculated. Instead, an assumption has been made that a similar number of providers will request an uplift each year. The April CPI rate of 7.9% has been used to calculate the value of the pressure. Further work is required to verify whether this pressure is already covered within the growth pressures explained above.
Fuel prices increases affect Social Care transport costs.	Social Care transport costs will be affected by fuel price increases as well as increases in demand – the current forecast overspend as at month 1 22/23 has been included as the pressure (£160k).
Other General Fund pressures (£830k)	The month 1 forecast overspend for Unaccompanied Asylum-Seeking Children has been included as a pressure for 23/24. Some current placements have no agreed government funding and in some cases the grant received is less than the placement costs, creating a pressure on the service budget. There is also a forecast overspend for Direct Payments at month 1, which is included as an initial pressure. This will be reviewed and refined over the next few weeks.

Assumptions for 22/23 BIP Delivery

As at Month 1 of the monitoring cycle, Children and Families Services was forecast non-deliver of £4.64m of approved savings.	If full delivery of the 22/23 agreed savings is not achieved by the end of the financial year, an on-going pressure is created on the Medium-Term Financial Strategy (MTFS). For Children and Families, this is forecast to be £4.64m of savings. It is assumed that BIPs for Education and Skills and Commissioning will be fully delivered.

This paper summarises the planning assumptions that have been made in production of the first MTFA for 23/24 onwards.

Housing General Fund – Total 23/24 pressures of £1.1m

Planning Assumptions for Staff Costs

The pay award has been calculated at 4% for 23/24 and 2% pa thereafter	Staffing costs for 22/23 included provision for 2% pay award – the actual award is expected to be 4%. To calculate the 23/24 impact, the 22/23 salary budget has been uplifted by 4% and then a further 4% has been added to calculate the 23/24 budget pressure. This is £340k for 23/24.
Housing Growth Delivery Team (£800k)	Removal of CIF funding for the team in 23/24, per approved CIF profile. There may be some carry forward CIF funding available as a one-off in 23/24, but this has not been assumed available to the team at this stage.

Housing Revenue Account – Total 23/24 pressures of £20m

Planning Assumptions for Staff Costs

The pay award has been calculated at 4% for 23/24 and 2% pa thereafter.	Staffing costs for 22/23 included provision for 2% pay award – the actual award is expected to be 4%. To calculate the 23/24 impact, the 22/23 salary budget has been uplifted by 4% and then a further 4% has been added to calculate the 23/24 budget pressure. This is £1.2m for 23/24

Planning Assumptions for Non-Staffing Costs

Disrepair Claims (£2.6m)	Assumed that the current number of disrepair claims continues, with costs being incurred for legal fees, expert witnesses etc. A pressure of £2.6m has been included based on the current forecast overspend in 22/23.
Fuel and Utilities (£1.5m & £1m)	A pressure of £1.5m has been included for increased gas and electricity costs for communal areas. This is based on the latest information available about energy costs and is 118% increase. A further £1m has been included for energy increases for District and Communal Heating, due to increases in gas and electricity prices, this is based on the lastest forecast position for 22/23.
Void Rent Loss (£3m)	Assumed that the current rent loss due to vacant properties of £3m continues.
Council Tax on voids (£1m)	Assumed that the current overspend of £1m on council Tax on vacant properties continues into 23/24, this is based on the forecast for 22/23.
Council Housing Repairs (23/24 £8.1m)	Assumed that the current overspend on repairs to Council Housing continues in 23/24, this is currently forecast to be £6m. Have assumed further pressures from 23/24 due to pay award and inflationary increase on material costs. For 23/24 have assumed 13.6% for 23/24, 5.3% for 24/25 and 5.5% for 25/26 for inflation on materials, this is based on current RPIX forecast plus an additional increase for

	specific repairs and maintenance inflation. These rates need to be reviewed, based on building specific estimates.
Other Pressures	Assumed the following specific pressures: • £800k for additional block cleaning. • £200k in 23/24 and £200k 24/25 agreed contribution to Community Safety Team • £300k in 23/24 as an increase to the Hardship Fund, to help tenants pay for their rent in the current cost of living crisis.
	Planning Assumptions for Mitigations
Rent Increase	Rents are usually increased by September CPI + 1%, based on April CPI at 9%, this would increase rents by 10%. This has not been built into the planning assumptions at the moment.
Other Mitigations	The service has some plans for mitigations which total around £2.1m, these have not been built into the MTFA at this stage, until further details have been discussed and Members have discussed.
District Heating price increase	The service are looking at the options of introducing a mid-year price increase from October, for district heating, this may mitigate the £1m increase in energy costs, but this has not yet been built in to the MTFA. There is a further risk, that the £400 energy discount, announced by Government, does not apply to district heating customers.
22/23 BIP Savings	It is assumed that the BIP savings for 22/23 are delivered in full.

Waste & Street Scene Policy Committee

This paper summarises the assumptions used to calculate the pressures contained in the draft 2324 MTFA for the Waste and Street Scene Committee and details the savings and mitigations that were put forward to, or have arisen since, the prior year Business Planning cycle:

2324 pressures can be summarised into two categories	Generally, pressures fall into four main categories: 1) Inflation pressures 2) Other pressures
Inflationary pressures are significantly higher than in previous years, at a total of £8.9m and are by far the biggest pressure for this committee.	Inflationary pressures are expected to be significantly higher than in previous years, reflecting the challenging economic environment in the UK. The Council investment in the Streets Ahead contract will result in the required amount increasing by £4.1m in 2023/24. This is high due to RPI running at a significantly higher than normal rate. The waste contract increases by the RPIX rate prevalent in January on an annual basis. The current SCC assumption is that this will be 9.4% or £2.64m. Energy costs are being mitigated by provision in 2223 but are expected to continue at a similar level into 2324, giving rise to a total pressure of £2m (£1.8m of which is street lighting) Given the cost of living crisis, the 2324 pay award pressure has been calculated at 4% or £0.2m. Services will be expected to absorb the impact of any increments within their existing budgets. Inflation on other costs is expected to be absorbed within existing budgets.
Demand & other pressures are £0.1	**Counter Terrorism workstream post £75K -** Funding for a post to carry out work on the Protect Duty and Publicly Accessible Locations workstream
Other risks	If inflation increases beyond the rates used to calculate the assumptions the pressures will increase. Ongoing high energy costs in the Markets service may not be fully recoverable from traders which will further increase SCCs costs. There is a risk that the 2223 BIP for Kennelling will not be fully achieved, which will increase the 2324 pressures.
Previously proposed or known pressure mitigations (savings plans)	**Markets –** Explore alternative uses to reduce the cost of the service. **Streets Ahead** – Revise standards to realise a saving **Fees & Charges** – Agree annual increase and introduction of new charges.

Transport, Regeneration and Climate Change Policy Committee

This paper summarises the assumptions used to calculate the pressures contained in the draft 2324 MTFA for the Transport, Regeneration and Climate Change Committee and details the savings and mitigations that were put forward to, or have arisen since, the prior year Business Planning cycle:

2324 pressures can be summarised into three categories	Generally, pressures fall into four main categories: Approved 2223 BIP that is now considered to be partly or wholly unachievable. Inflation pressures Demand & other pressures
£2.1m 2223 BIP now considered to be unachievable	Net CAZ revenue was approved as a BIP saving in 2223. Subsequent detailed work to understand the restrictions around the potential use of the revenue has determined that it cannot be used to displace General Fund budget and therefore alternative savings will need to be found.
Inflationary pressures are significantly higher than in previous years	Inflationary pressures are expected to be significantly higher than in previous years, reflecting the challenging economic environment in the UK. Given the cost of living crisis, the **2324 pay award pressure** has been calculated at **4% or £1.2m**. Services will be expected to absorb the impact of any increments within their existing budgets. The pressure on road fuel costs is expected to carry forward into 2324. Inflation on other costs is expected to be absorbed within existing budgets
Demand & other pressures	**City Regeneration Team funding £0.2.** The team is currently partly funded by income generation, however increasingly the team is working on pre delivery work (bid work, business cases and master planning), which does not generate income and requires core funding. This cost was covered from the Flexible Development Fund in 2223. **Electric Works £0.4m.** Current occupancy is 15% lower than budget and there are increased cost pressures including energy and management fees. The remaining reserve is insufficient to cover these shortfalls in addition to providing for building lifecycle costs.
Other Risks	The current year **ITA Levy pressure** is currently being covered by a **Corporate reserve**. The reserve remaining is **£0.4m**. Any costs above this will further increase the pressures. **Legacy Park Ltd** – SCC has agreed to **underwrite** income shortfalls **up to £120K p.a**. Should the pay award settlement be higher than 4% this will increase the pressure
Previously proposed or known pressure mitigations (savings plans)	**Parking Services -** Residents parking scheme expansion, Carver Lane new car park, Connecting Sheffield & Highways Enforcement. Plans and associated savings to be reviewed. Fees & charges – new charges and annual increases to be determined. To note the Corporate RPIX assumption is 9.4%.

Economic Development & Skills Committee

This is intended as a brief overview into how the Economic Development & Skills pressures have been derived.

Pressures in Economic Development & Skills	The revenue budgets for this Committee are mainly comprised of staffing costs. To date other than the annual pay award increase, no other specific pressures have been identified.
Pay Award £140K	Given the cost of living crisis, the **2324 pay award pressure** has been calculated at **4% or £140K**. Services will be expected to absorb the impact of any increments within their existing budgets.
Risks in the MTFS	Should the pay award settlement be higher than 4% this will increase the pressure.

Communities, Parks & Leisure Committee

This is intended as a brief overview into how the Communities, Parks & Leisure pressures have been derived and what mitigations towards those pressures exist:

Pressures in Communities, Parks & Leisure	Generally, pressures fall into four main categories in Communities, Parks & Leisure. Inflationary Pressures Other cost increases New pressures
Pay Awards £941K	Given the cost of living crisis, the **2324 pay award pressure** has been calculated at **4% or £941K**. Services will be expected to absorb the impact of any increments within their existing budgets. The breakdown between services is as follows: Parks, Libraries & Leisure £603K Communities Prevention (DSG) - £243K Community Services Management Area - £22K Community Safety – £73K
Local Area Committee Staffing £267K	Staffing level above original plan
Energy Costs £419K	**Energy costs** are being mitigated by provision in 2223 but are expected to continue at a similar level into 2324, giving rise to a total pressure of **£419K** in Parks, Leisure & Libraries.
Shortbrook Funding gap £220K	**Loss funding for Services**
Fuel costs £35K	The current year pressure on road fuel costs is expected to carry forward into 2324.
Transport costs £156K	Increased cost of Transport in Parks & Bereavement Services
Business Applications Officer £55K	Pressure for post that transferred into Operational Services Business Applications team from the Planning service. The Planning service is funding this post for 2223, after which time the post will be unfunded.
Risks in the MTFS	If inflation increases beyond the rates used to calculate the assumptions the pressures will increase. There is a risk that Bereavement services fees and charges increases may not be sufficient to cover the service cost increases in 2324.
Previously proposed or known pressure mitigations (savings plans)	**Better Parks (prior approval) £500K–** second half of the £1m saving approved in 2223 Fees & charges – new charges and annual increases to be determined. To note the Corporate RPIX assumption is 9.4%.

This page is intentionally left blank