Sheffield City Council

Revenue Budget 2021/22

Sheffield City Council

FOREWORD

The last twelve months have been some of the most challenging in Britain's recent peacetime history. The COVID pandemic has dominated every aspect of people's day to day lives, and has caused huge disruption, economic turmoil, and very sadly many deaths and serious illnesses.

Against this backdrop, the Council has had to maintain its critical services for the citizens of Sheffield, such as looking after older people, safeguarding vulnerable children, maintaining our streets, pavements and verges, and providing the services on which we all depend such as waste collection, parks and environmental health services. In addition there has been the pandemic-related pressures of providing additional support and Personal Protective Equipment to the care sector, helping schools to remain open, and administering large numbers of COVID support schemes for businesses and residents, such as free school meals during holidays and support for businesses closed by the pandemic.

Short-term Central Government (CG) financial support for these activities has been welcome, and it allows us to produce a balanced budget for 2021/22 without using reserves or making unplanned cuts to services. However, the impacts of the pandemic on people's livelihoods and businesses, the care sector, and on families and the additional support they may need, will continue well into the future. Currently we have no indication that any additional CG financial support will continue beyond 2021/22, and there is a the very real prospect of a further period of austerity to deal with the large national budget deficit. This uncertainty in our future funding makes it more challenging to plan, and we continue to lobby Central Government for certainty over our medium-term funding that recognises the vital role that the Council plays in looking after the citizens of Sheffield, and in helping the City to recover from the pandemic.

In response to the challenging medium-term financial position, the Council continues to push forward with a programme to transform its services. We are putting citizens at the heart of these services, learning lessons from how we have all adapted to the pandemic by making better use of technology to provide services in a more accessible way, focusing on preventing family breakdown and ill-health, and in enabling vulnerable people to live safely in their own homes wherever possible. In doing all of this we continue to work closely with our partner organisations across the City, in particular the NHS.

This programme will enable citizen-centred services to be provided, whilst helping to contain costs, allowing scarce resources to be used to support social services for both adults and children.

Social care services, many of which are preventative in nature, help people to live independently and safely in the community, and to leave hospital in a timely manner. The rising cost of social care for our elderly people, as our population ages, remains a national issue that urgently needs addressing. It is accepted by most commentators that the current model for adult social care is unsustainable. However, despite various reviews over the past 20 years, to date no solution has emerged from Central Government, and one is urgently required. This lack of funding puts additional operational and financial pressures on the Council and on its partners.

Over the last 4 years, the Council has provided these vital services with above inflation funding increases and this year is no different. A 14% increase for 2021/22 and an average of 11% over the last 4 years has seen the budget for adults and children's social services rise by a total of £88m. The Council recognises that much of the funding for these increases has been raised from local businesses and council tax payers, and it remains committed to supporting those who are struggling pay. However to protect the services upon which the citizens of Sheffield rely, it is vital that everyone who can pay, does so.

Key to our activities over the coming years will be helping Sheffield to recover from the effects of the pandemic and careful financial management in recent years means that we are starting from a position of relative financial strength. We want to make Sheffield a great place for everyone to live, work and enjoy themselves, building on the spirit of its people, and the many great amenities in the City and its beautiful surrounding countryside.

A balanced budget for 2021/22 is recommended to Council for approval, and sufficient reserves are being retained. We will use these reserves carefully to protect essential services in the short-term if further Central Government funding reductions occur after 2021/22 and to support COVID-related growth and recovery activity as far as we are able.

We urge Central Government to commit to sustainable funding for Local Government for the medium term, maintaining key services, helping to sustain and grow our communities, promoting economic growth and jobs, and in particular recognising the protection these services give to the most vulnerable in our society

The Council remains committed to providing the best possible services for the people of Sheffield, whilst maintaining a sustainable medium-term financial position.

Terry Fox

Deputy Leader and Finance Cabinet Member

BUDGET REPORT 2021/22

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2021/22 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 2021/22, including the position on reserves and balances;
- approve a 2021/22 Council Tax for the City Council; and
- note the levies and precepts made on the City Council by other authorities.

Medium Term Financial Outlook

Key messages

The October 2020 Medium Term Financial Analysis predicted an overall funding gap of approximately £72m between 2021/22 to 2024/25.

Funding uncertainty continues to hamper effective budget planning.

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

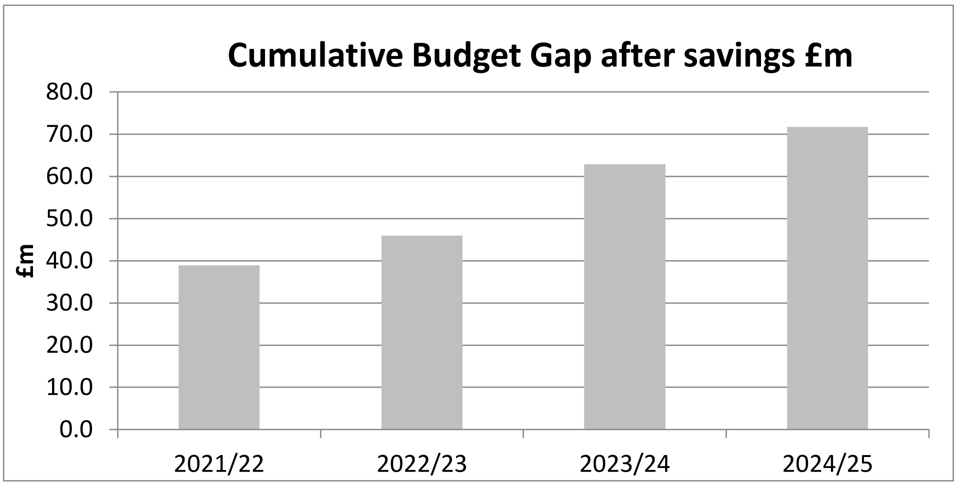
The Coronavirus Pandemic adds further uncertainty to the medium term financial outlook, both in terms of impact on the Government's ability to fund Local Government and also the longer term impact on local taxation such as Council Tax and Business Rates.

2. This budget has been set in the context of the likely resources available and calls on those resources over the medium term to ensure sustainability. The Medium Term Financial Analysis (MTFA), published in October 2020, set out the Council's latest financial forecast for the period 2021/22 to 2024/25.

3. The Council's Social Care services continue to experience significant cost and demand pressures which, even with additional social care funding announced in the 2020 Spending Round and Provisional Settlement, completely outstrip growth in local taxation. Even after significant proposed portfolio savings and mitigating actions the net gap still stood at approximately £72m over the MTFA period.

4. The following graph, Figure 1, shows the forecast net gap as per the published MTFA (October 2020). This budget sets out proposals to balance the 2021/22 budget, which will reduce the net budget gap shown below. However, caution will have to be applied in assuming the medium-term outlook will improve significantly as a result. A significant amount of the funding provided to balance the 2021/22 budget is one-off and will therefore impact on 2022/23 budget pressures. In addition, the issues discussed below in relation to uncertainty of funding, especially the long term impact of the Covid pandemic, are likely to have an adverse impact on future forecasts.

Figure 1



Reform to Local Government funding

5. The Council's financial planning continues to be hampered by short term Spending Review announcements by Central Government. The Final Settlement announced on the 10th February 2021 is no different as it only confirms funding for 2021/22, a large proportion of which was only one-off funding. Effective planning beyond 2021/22 is not possible, which is not conducive to delivery of long-term value for money solutions.

6. In addition to the uncertainty created by short-term funding announcements, there are currently two ongoing Government consultations underway which will change the way Local Government is funded in future in total, and could also significantly affect the distribution of these funds. These consultations are changes to the Business Rates Retention scheme and the Fair Funding Review.

7. Under previously announced Government plans, the assumed level of business rates retained by Local Authorities was due to be increased from 50% to 75% from 2020/21. However, this change has been delayed until 2022/23 at the earliest, but is more likely to be implemented for 2023/24,

leading to more uncertainly and possibly another single year settlement for 2022/23.

8. The Council continues to assume 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 assumption is consistent with the views of public commentators such as the ‘Public Finance’ publication, and by Government comments that the change will be “fiscally neutral”.

9. In addition, the Ministry for Housing, Communities & Local Government (MHCLG) is still reviewing the formula that determines baseline funding levels for all local authorities, the Fair Funding Review. This review was also due for completion during 2020 and should have formed part of the Council’s settlement for 2021/22, but it has also been delayed and will be delivered on the same timescales as the Business Rates Retention scheme.

10. The results of this Review are uncertain for the Council and further consultations are yet to be announced. 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).

11. For the reasons set out above, we continue to assume the impacts will be fiscally neutral, and that the impact will simply slip by at least one year to 2022/23. Therefore, no increase or reduction to Central Government funding has been assumed from 2022/23 onwards. This assumption is a key uncertainty and risk for the Council going forward.

Coronavirus Pandemic

12. The UK Government has significantly increased its level of borrowing over the last 12 months to cope with the impact of the Coronavirus Pandemic. This level of borrowing cannot be sustained and will have to be repaid in the coming years. The repayment of this debt is likely to impact the Government’s ability to fund public services and therefore reductions in funding or very limited increases have to be anticipated.

13. SCC has been afforded some short term protection from the impact of the Pandemic on local taxation via Government schemes to protect jobs and business, such as furlough and the expanded retail, leisure and hospitality business rates relief scheme. The Government has also committed to funding some of the 2020/21 in year irrecoverable losses from local taxation. However, no long term support has been announced to protect Council’s from

the lasting impact of the pandemic on local taxation income. This lasting impact will be continually assessed and reflected in updated MTFA's.

Business Planning for 2021/22

Key messages

The budget gap identified for 2021/22 (additional costs - less grant income + local taxation) needs to be met by service savings.

SCC will focus on delivering savings via transformative strategic changes both in discrete areas and via overarching Council wide programmes.

14. 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 Implementation Plans (BIP's), which show what activities will be provided in 2021/22 for a specified cash limited budget. The Business Planning process for 2021/22 began before the consideration of the MTFA report by Cabinet in October 2020.

15. As reported in the MTFA and detailed above, budget pressures such as contract inflation and the increasing demand for services continue to outstrip available resources over the medium term. Consequently, budget savings and service efficiencies will have to be delivered during 2021/22 and beyond, in order to achieve a balanced budget and protect our front-line services.

16. For 2021/22, we have continued the approach adopted in the previous three years of concentrating on finding savings from a smaller number of discrete areas and continuing a four-year programme of transformative strategic changes in individual services. However, for 2021/22 these programmes will be supplemented by Council-wide transformations in relation to workforce planning, customer experience and its support services operating model, as well as a continuing search for lower level "tactical" reductions in expenditure. Further details on the council wide transformations are provided in the Corporate Expenditure / Savings section of this report.

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

> ### *Key messages*
>
> *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.*

17. The Chartered Institute of Public Finance & Accountancy (CIPFA) published the Financial Management Code in October 2020, which included the Financial Management Framework as a way of self-assessing compliance with the Code. Part of the Framework reinforces the requirement under Section 25 of the Local Government Act 2003 for the Section 151 Officer (the Executive Director of Resources) to review the adequacy of reserves and the robustness of the estimates behind calculating the budget requirement. This section specifically addresses this requirement, with relevant data referenced elsewhere within this Report.

The adequacy of reserves

18. **Appendix 4** details the Council's current reserves and balances, and the overall strategy for the coming years. Holding reserves is part of good financial management for any organisation, and the Council holds reserves mostly as a provision against future liabilities. The Council also holds unearmarked reserves to deal with unknown emergencies, and the amount of this (£13.2m) benchmarks as low compared to other authorities.

19. As above at Paragraph 2, the Council maintains a Medium Term Financial Analysis (MTFA) to assess the risks within the Council's financial position. The MTFA is reviewed alongside the Reserves Strategy to assess the level of future sustainability.

20. Following the Provisional Settlement (announced by MHCLG in December 2020) the Council expects to receive a funding uplift of approximately £25.9m from a mix of grant funding and increases to local taxation. This figure has been confirmed within the Final Settlement.

21. This section, read together with Appendix 4, satisfies the requirement to review reserves balances and confirms them as adequate in the medium term. However, there are three key factors at play that could undermine the sustainability of future budgets.

22. The three key factors are:

- The Council's own ability to continue to deliver savings and manage increased pressures. The Council has an excellent track record of delivery, but ten years of reductions make it harder every year to achieve more;
- the lack of a more stable funding regime from Central Government that recognises the pressures in social care linked to the NHS Long Term Plan. Without sustainable levels of funding, the Council will not be able to protect the services that local citizens rely upon; and
- any unfunded longer-term impacts of the Covid pandemic such as sustained reductions in local tax revenues and/or increased demand for Council service.

23. Only one of these factors is fully within the Council's control.

The robustness of estimates behind the budget requirement

24. This Report proposes a budget requirement of £365.8m, and a Band D Council Tax charge of £1,702.31 for the year 2021/22. The calculations behind these figures are reported principally within **Appendix 6**, though the calculations are based on estimates from a number of sources that are also published within this Report. The publication and inclusion of relevant estimates within this document stands as confirmation of their robustness. The Council has a proven track of record of establishing realistic and robust balanced budgets, relying on its specialist functions of business and financial planning.

- The Business Planning Process is described above at Paragraph 14 and informs the Portfolio Spending Plans beginning at Paragraph 75[1].
- The Council's main sources of income taken into account when setting the budget are Council Tax, retained Business Rates and specific grant funding. These income streams can be subject to considerable variation year on year. The Business Rate position is discussed at Paragraph 29, and the grant funding position is discussed at Paragraph 27.

25. The Council maintains a Risk Register to assess the main financial risks facing the Council. In doing so, the Council maintains an awareness of issues that would greatly prejudice the accuracy of the estimates in the Budget. This Register is published in its entirety in **Appendix 5** and reviewed throughout the year.

[1] The full Business Implementation Plans (BIPS) are published online here;https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html

Formulation of the Budget for 2021/22

Key messages

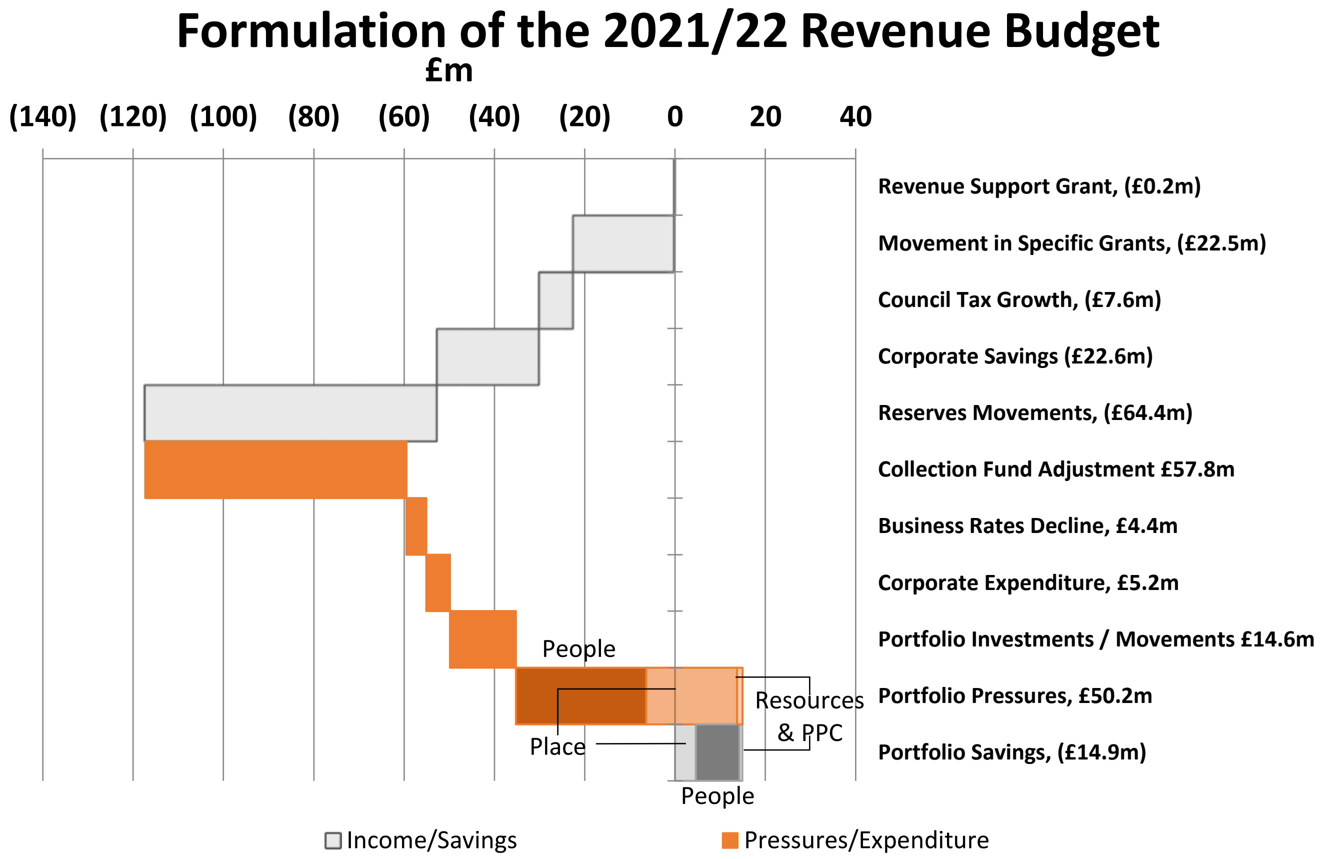
The Council is required by statute to set a balanced budget. There are a number of stages involved in formulating a balanced budget, these include:

- *The assessment of likely increases or reductions to income sources such as Central Government grants, Council Tax and Business Rates.*
- *Assessment of increased expenditure for both Corporate funded items and cost pressures within Portfolios resulting from increased demand for services, cost inflation and planned investments.*
- *The resulting Budget Gap from the above two stages has to be met by delivery of budget savings. Should the level of savings be insufficient to meet this Gap, the Council's reserves must be used.*
- *There is a technical and temporary increase in the use of reserves of £64.4m for 2021/22 when compared to 2020/21. However the vast majority of this use is the result of a technical Collection Fund accounting adjustment following changes to the accounting for Business Rates funding in 2020/21. No underlying reserve funding is currently forecast to be required to bridge a budget gap for 2021/22.*

The following sections provide details of the assessments undertaken and the processes followed to ensure the 2021/22 budget is balanced.

26. In formulating the Budget for 2021/22, 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 sections show those items that have been included in the proposed budget, along with a summary graph (Figure 2) which demonstrates how the Council's revenue budget for 2021/22 has been balanced.

Figure 2



Local Government Finance Settlement

> ***Key messages***
>
> *The annual Local Government Finance Settlement announced on the* 10th February *2021 confirmed the financial settlement allocations from Central Government for the year 2021/22.*
>
> *This confirmed, among other things, various grants payable to the Council for the year and levels of Business Rates funding to be retained locally, as well as the referendum threshold for Council Tax.*

27. The Government announced details of the Provisional Local Government Finance Settlement for 2021/22 on 17th December 2020, with the Final Settlement allocations presented to the House of Commons on the 10th February 2021.

28. Below is a summary of the key points set out in the Final Settlement which impact on the 2021/22 budget for the Council:

- Revenue Support Grant (RSG) for Sheffield will increase in 2021/22 by around £0.2m or 0.55% in line with CPI as at September 2020.

- Additional Social Care (ASC) Support Grant of £300m for 2021-22 was announced during the Provisional Settlement in December 2020 and confirmed in the Final Settlement. Sheffield's share of this funding is £4.9m.
- An overall reduction in New Homes Bonus funding for SCC of £1.1m resulting from the unwinding of legacy payments not being replaced. This reduction in funding was recycled into the ASC Support Grant and a new Lower Tier Services Grants
- A new grant (Lower Tier Services Grant) effectively using £111m of the NHB reductions. It is a peculiar grant with the purpose of helping to minimise the range of increases in Core Spending Power (CSP), and particularly to ensure that no authority receives a reduction in CSP. It is very heavily weighted towards district councils. SCC's share of this grant is £0.9m
- The overall referendum trigger for Council Tax increases has been increased to 4.99%, to accommodate authorities' ability to raise a 'Social Care Precept' of up to 3% (an additional flexibility of 1% compared to 2020/21). The threshold for Core Council Tax before a referendum is triggered is maintained at 1.99% for 2021/22. Full details of the anticipated increase to Council Tax income for 2021/22 are reported later in this report.
- The Government announced that the Business Rates Multiplier, the amount Business Rates would normally increase by each year, has been frozen for 2021/22. Local Authorities are to be compensated for this freeze, resulting in a £1.7m grant uplift for SCC. Full details of the forecast changes to Business Rates income including the impact of the Local Government Finance Settlement are detailed in the following section.
- There were no announcements with regards to the extension or continuation of the Retail Relief schemes established over recent years. This results in a £2.3m reduction in Section 31 grants. However, this grant is paid as compensation for reduced business rates income, which will now be due from effected businesses.
- The settlement also confirmed one-off funding to support Councils with the ongoing immediate impacts of the Covid pandemic. This came in the form of three grants. A general un-ringfenced grant of £17.7m, a Local Council Tax Support grant of £5.6m to support the Council with lost income resulting from increases Council Tax Support claimants and a

three month extension to the Sale , Fees and Charges compensation scheme established during 2020/21, the value of which will depend on the level of lost income for the Council.

Business Rates Income

Key messages

The Council retains 49% of business rates collected within the authority (remainder paid to Government and SY Fire).

The Council also receives grant income, to top up this income to the level of a set 'baseline' need.

For 2020/21, the Council will receive £157.6m income from business rates, made up of £99.5m retained rates and £58.1m of grant income. This is ***£4.4m*** *less than budgeted for in 2020/21.*

29. 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 retain a portion (49%). The remaining portion is paid over to Government (50%) and South Yorkshire Fire Authority (1%). There have been long-mooted changes to the overall retention scheme, allowing authorities to retain 75% of business rates, but these are now not expected until 2022/23.

30. The basis for the Business Rates estimate is the valuation list issued by the Valuation Office Agency (VOA) in December 2020, and Sheffield's figures are given in the table to the right. These figures include two parts of the city where special rules apply.

Table 1	Dec 2020	Dec 2019	Change (+/-)
Number of hereditaments	19,065	19,078	-13
Gross Rateable Value (RV), £m	547.9	554.5	-6.6

Sheffield Retail Quarter and Enterprise Zone

31. As shown in the table to the right, the designated areas referred to as the Sheffield Retail Quarter and the Enterprise Zone account for less than 2% of the aggregate rateable value of the city.

Table 2	RV (£m)	%
EZ	4.9	0.9%
NDD	3.9	0.7%
Rest of Sheffield	539.1	98.4%
Total	**547.9**	

However, both areas are significant because any growth in business rates above the "baseline" established in 2013/14 and subsequently lifted for inflation can be retained in full locally, rather than half being repaid to Government.

32. The Business Rates growth above baseline for the Sheffield Retail Quarter and Enterprise Zone are forecast to be £20k and £678k respectively.

Calculating the Business Rates Estimate for 2021/22

33. Based on the Rating List and the 2021/22 rating multiplier (the "rate poundage", which is set by Government) produces a gross business rate estimated income of £268.2m (£274.9m in 2020/21). A summary of the calculation to determine the Council's share of business rates is shown below:

Table 3 (all figures £m)

	2021/22	2020/21	Change (+/-)
Gross Income Yield	(268.2)	(274.9)	6.7
Cost of Reliefs	50.1	52.8	(2.7)
Losses on collection	6.9	4.5	2.4
Losses on appeals	9.1	7.7	1.4
Disregarded Amounts	2.3	3.0	(0.7)
Net Estimated Business Rates	**(199.9)**	**(207.0)**	**7.2**
Allocation to...			
MHCLG (50%)	(99.9)	(103.5)	3.6
SCC (49%)	(97.9)	(101.4)	3.5
South Yorkshire Fire (1%)	(2.0)	(2.1)	0.1
	(199.9)	**(207.0)**	**7.2**

34. The Gross Income Yield is the most realistic estimate of the expected level of income before any adjustments. There are however 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. Eligibility for the majority of reliefs is determined by the Government, and the Council is able to set discretionary reliefs if it so wishes. It is estimated that the total value of these reliefs and deductions will amount to approximately £50.1m (£52.8m in 2020/21).

- Losses and costs of collection: this includes an estimate of the bad and doubtful debts in 2021/22, the potential legal and other recovery costs.

Using the assumptions set out in Government guidance, the estimated figure is £6.9m (£4.5m in 2020/21).

- 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). A prudent provision has been established to mitigate the impact of any appeals that are outstanding.

Overall Business Rates Estimate for 2021/22

35. In the table above the net business rates allocated to the Council is £97.9m (£101.4m in 2020/21). Additionally, the Council may retain the business rates collected from designated renewable energy hereditaments and from the designated city centre hereditaments. This is shown in the table below. It is proposed that the Council include both of these figures within its share of business rates income – in total, £99.5m.

Table 4

All figures in £k	2021/22	2020/21	Change (+/-)
Net Business Rates	(97,927)	(101,448)	3,521
Designated Area Business Rates (NDD)	(20)	(987)	967
Renewable energy amounts	(1,585)	(1,396)	(189)
Business Rates Top Up Grant	(43,222)	(43,222)	0
Small Business Rates Relief grant	(7,340)	(6,852)	(488)
Business Rate Inflation Cap (BRIC) grant	(7,543)	(5,834)	(1,709)
Retail Relief Scheme grant (2020/21 only)	0	(2,312)	2,312
Total Income from Business Rates	**(157,637)**	**(162,051)**	**4,414**

36. The net business rates income for 2021/22 has decreased by £4.4m from 2020/21 figures. This is mainly due to an overall £3.5m reduction in net business rates due to anticipated growth in reliefs awarded to empty, charitable and partially occupied premises due to the ongoing economic impacts of the COVID-19 pandemic and decreased rates payable within the city centre Designated Area, following the reduction in rateable value of large hereditaments.

37. The variations in related grant income are primarily due to the cessation of the budgeted figure or retail relief for 2020/21 at £2.3m, and the increase in compensation due to the freezing of the multiplier for 2021/22 at 2020/21 levels announced within the Spending Review.

Council Tax income

Key messages

Subject to Council approval, the Council Tax rate will increase by 4.99%. This will be 1.99% for the Core Council Tax and 3% for the Adult Social Care Precept.

There are 138,033 Band D equivalent properties, a decrease of 1.6% from 2020/21 (table 5, below).

*The Council will therefore receive £235.0m of income via Council Tax, which is **£7.6m** greater than 2020/21. Additionally, the Council will receive £5.6m of grant funding to compensate for reduced Council Tax base resulting from Increased Council Tax Support claimants.*

This Report recommends the 4.99% increase to Council Tax, and the increased levy on long-term empty properties (pars 45-47 below).

<u>Council Tax base for 2021/22</u>

38. It is proposed to set a Council Tax Requirement of £235.0m for 2021/22 based on a 4.99% increase. This includes the application of the 3% flexibility for Adult Social Care precept. This results in a Band D tax charge of £1,702.31, including the Adult Social Care precept.

39. This includes a determination that the Council Tax base – the number of properties on which a tax can be charged – will be 138,033 Band D equivalent properties. This represents a decrease of 1.6% compared to the previous year. This drop in taxbase is largely due to the growth in households eligible for Council Tax Support and a reduction in the estimated collection rate due to the economic impacts of the COVID-19 pandemic. The Council will receive £5.6m grant income from Government intended to compensate for this.

40. 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 2021/22. The Hardship Fund will total £1.8m and is reviewed on an annual basis.

41. 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 10**.

42. A summary of the Council Tax levels by band can be found in Table 10 in the 'Financing the 2020/21 Budget Requirement' section of this report. Further details can also be found in **Appendix 6.**

43. The practice has been to establish a prudent estimated in year collection rate as part of the tax base calculations. For tax base setting purposes, a collection rate of 95% has been assumed (although we still intend to collect 99% over the long term). This has been reduced by 0.5% from last year, due to the anticipated ongoing effects of the COVID pandemic on the city's economy, resulting in an increase in arrears and bad debts. Part of the grant mentioned above will be used to mitigate this loss of income. The collection rate is continuously monitored to ensure that it accurately reflects the current trends on collection.

44. The Council Tax Base for 2021/22 has therefore been determined as 138,032.64 Band D equivalent properties, as shown in Table 5 below. This is a decrease of 2,211 properties (or 1.6%) compared to 2020/21 but will result in an increase in Council Tax income of £7.6m assuming a 1.99% increase in 'core' Band D Council Tax and a 3% increase in the Social Care Precept. Of the £7.6m increase, £4.5m is due to the proposed 1.99% increase in Band D Council Tax and £6.7m is as a result of the 3% Adult Social Care Precept. This is offset by the decrease in tax base due to anticipated increases in revenue foregone due to Council Tax Support.

Table 5

	Band D equivalent number of properties
Council Tax Base of Band D equivalent properties for 20/21	140,243.9406
Additional properties in 2021/22	1,425.38
Increase in properties entitled to CTSS	-2,758.79
Increase in number of properties entitled to discounts / exemptions	-877.90
Council Tax Base of Band D equivalent properties for 21/22	138,032.6368

Long Term Empty (LTE) premium

45. In Sheffield, under amendments to the Local Government Finance Act 1992, dwellings that are liable for Council Tax and are a Long Term Empty Dwelling, which is a dwelling that has been continuously unoccupied and substantially

unfurnished for a period of 2 or more years, where the dwelling has been empty for less than 5 years are charged an additional 100% Council Tax and dwellings empty for 5 or more years are charged an additional 200% Council Tax. This is known as the Long Term Empty (LTE) premium. The intention behind this additional charge is to encourage owners of empty dwellings to bring them into use, so as to improve the housing supply, locally and nationally.

46. Further, arising from amendments to the Local Government Finance Act 1992, which comes into force 1 April 2021, Local Authorities from that date may increase the LTE premium to 300% for dwellings that have been Long Term Empty Dwellings for a period of 10 years or more.

47. For the purpose of encouraging owners of Long Term Empty Dwellings within Sheffield to bring them back into use, so as to improve the housing supply; it is proposed that the LTE premium is amended, in line with the amended legislation that comes into force 1 April 2021. It is therefore proposed that with effect from 1 April 2021, dwellings that have been a Long Term Empty Dwelling for a period of less than 5 years shall be subject to a LTE premium of 100%, dwellings that have been a Long Term Empty Dwelling for at least 5 years but less than 10 years shall be subject to a LTE premium of 200% and dwellings that have been a Long Term Empty Dwelling for at least 10 years shall be subject to a LTE premium of 300%.

Table 6

Length	Current LTE Premium	**Proposed LTE Premium**
>2 years	100%	**100%**
5-10 years	200%	**200%**
>10 years	200%	**300%**

Council Tax referenda

48. 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.

49. The Secretary of State for Housing, Communities and Local Government has announced[2] that an authority's relative basic amount of Council Tax for 2021/22 is excessive if the authority's relevant basic amount of Council Tax for 2021/22 is 2% more than its relevant basic amount of Council Tax for 2020/21 and that its Adult Social Care precept increase for 2021/22 is greater

[2] https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2021-to-2022

than 3% of the relevant basic amount of Council Tax for 2020/21. This Budget report does not include increases that would be considered ‘excessive’ by this definition, thus no referendum is required.

Collection Fund Deficit

Key messages

There are specific regulations that govern the accounting treatment of taxation income, in particular relating to any surplus or deficit in collection of business rates and Council Tax.

There have been significant changes to these as a result of the COVID-19 pandemic.

The Council distributed a Collection Fund surplus of £8.2m in 2020/21. For 2021/22, the Council must account for a £49.6m overall deficit, however, has received £56.1m of grant to fund this. In addition, £2.9m of Collection Fund deficit must be recognised in the following 2 years’ revenue budgets.

50. In previous years, the approval of this Budget report has set the level of taxation income that the Collection Fund must transfer to the General Fund. Any surplus or deficit against this level is then transferred from/to the Collection Fund in following years, and shared between the relevant preceptors. For 2020/21 this figure was an £8.2m surplus

51. In 2021/22, the Council would ordinarily receive the budgeted taxation figures, any surplus deficit from 2020/21 and the difference between estimate and actual surplus/deficit from 2019/20. This would ordinarily have resulted in a surplus figure of £764k. This figure is made up of an £8.7m 2020/21 deficit, offset by a brought forward £9.5m surplus. The deficit exists due to increased debts and reduced tax bases as a result of the Pandemic, whilst the brought forward surplus is a result of reducing the Business Rates Appeals Provisions following the introduction of the Check, Challenge and Appeal scheme, which has significantly reduced the number of appeal claims.

52. However, there have been two complicating factors to the way the deficit has been calculated for 2021/22. These complications include changes to regulations in relation to the treatment of in year deficits for 2020/21 and the impact of the new Expanded Business Rates Relief scheme grant paid to Local authorities.

53. Due to higher levels of projected Collection Fund deficit , and to smooth the impact of this larger deficit, the Government is requiring billing authorities to spread any relevant deficit (the 'exceptional balance') in 2020/21 over the next three financial years. This change in regulations currently only applies to the financial year 2020/21.

54. This deficit against 2020/21 collection therefore will be a feature of the next 3 budgets irrespective of the progress of the continuing recovery from the pandemic. The actual figures will be determined with the completion of the NNDR1 for 2021/22 by the end of January 2021, but current forecasts put this figure at £2.9m as per the table below.

55. After the 2020/21 Revenue Budget was passed, the Government announced a 100% discount on business rates for retail, hospitality and nursery hereditaments. As such, this was not included within the Council's budget. This discount was estimated at £119m at the time, £115m above the £4.6m discount assumed at time of writing. Thus, the 2020/21 deficit for business rates is estimated at £114.6m, which is unprecedentedly large. Under the rates retention scheme, the Council's share of this deficit would be £56.1m.

56. The Council received £111.5m grant income in April 2020 as part of the Government's policy of cash flow support for the local government sector. The Council anticipates further grant income to cover the difference between the estimated amount and the final amount once the 2020/21 financial year is closed. This income will be held by the Council and released to the Council's General Fund in the 2021/22 Budget, and this treatment is required by Collection Fund accounting regulations.

57. The below table demonstrates the overall picture of the impact of the 2020/21 estimated deficit over the next three years.

Table 7

	2021/22		2021/22	*2022/23*	*2023/24*
	NNDR	**Council Tax**	**Total**	*Total*	*Total*
2020/21 'Exceptional balance'	3,040	5,653	**8,694**		
Spreading adjustment	(2,027)	(3,769)	**(5,796)**	*2,898*	*2,898*
2021 Deficit Spreading	**1,013**	**1,884**	**2,898**	***2,898***	***2,898***
2021 deficit due to retail relief	56,150		**56,150**		
Prior year (surplus)/deficit	(12,270)	2,812	**(9,458)**		
Overall Collection Fund Impact	**44,893**	**4,697**	**49,590**	***2,898***	***2,898***

Balances and Reserves

> ***Key messages***
>
> *2021/22 sees a £64.4m increase in the use / reduction in contributions to reserves when compared to 2020/21. This is mainly the result of a £55.4m draw from reserves to fund a collection fund deficit and a reduced contribution to reserves following the full repayment of funds borrowed to prepay the previous pension deficit contribution.*
>
> *The Attached to this report as* ***Appendix 4*** *is the Council's Reserves Strategy showing details of the reserves held and planned uses.*

58. 2021/22 sees a £64.4m increase in the use / reduction in contributions to reserves when compared to 2020/21. This is mainly due to:

    - A £55.4m draw from the Collection Fund reserve is required to offset the collection fund deficit created by a change to business rates funding and associated accounting treatment in 2020/21.The draw from reserves is funded by the transfer of a grant to the reserve during 2020/21.
    - The last couple of years have seen large contributions to reserves in respect of repaying funds used to prepay the pension deficit charge. This borrowing was fully repaid during 2020/21 and therefore reduces the contribution to reserves by £8.7m.

59. 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 to meet expenditure in 2021/22, and/or smooth costs in future years, for various purposes 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.

Corporate Expenditure / Savings

Key messages

There are a few council wide programmes and budget items funded centrally. These include a provision for a national pay award, funds to support Council Tax Support Claimants meet the burden of additional Council Tax costs and project support funding to deliver Council wide savings. The increased cost of these corporately funded items is £5.2m for 2021/22.

Corporate savings for 2021/22 total £22.6m and involve the release of previously held corporate contingencies, as well as, the delivery of overarching council wide savings schemes such as the implementation of a corporate Managing Employee Reduction Programme, development of a target operating model for Support Services and a more efficient customer experience.

60. There are a number of proposed additions to the budget for 2021/22, which are to be funded corporately, the most significant of which are as follows:

    - Pay strategy - £2.4m: additional funds to provide a provision to cover a possible cost of living increase. A transfer of £2.6m has been made to portfolio budgets to cover the cost of salary increments for 2021/22.
    - Council tax Support - £0.5m: The current administration recognises the pressures on the poorest in society from the proposed 4.99% council tax increase, and will allocate £0.5m to support those people currently in receipt of Council Tax Hardship payments to ensure their council tax bills do not increase in 2021/22.
    - Corporate project support - £1.2m; Investment is needed to enable the delivery of the council wide savings programmes detailed in the following section. The programmes are anticipated to deliver £6m worth of saving for 2021/22, with more the following year when the full year effects are realised.

61. There are also a number of proposed corporate reductions / savings to the budget for 2021/22, the most significant of which are as follows:

    - Heart of the City 2 Capital Financing (HotC2) (£4.0m): This £4.0m saving brings the total cost to £1.5m. The costs are split between the interest of £1.0m and MRP of £0.5m in relation to the development costs of Blocks D, F and G1 and after the assumed sale of Block D.

- Adult Social Care Contingencies (£10.3m); over recent years, Social Care contingencies have been held corporately to protect the Council from in-year overspends resulting from increased demand and/or contract costs. Due to significant additional funding requirement for Social Care in 2021/22, these funds have been released to the portfolio, and now form part of Social Care based budgets. This transfer is a necessity but does leave the Council less able to deal with in-year Social Care pressures in future years.
- Operating Model (£1.0m): a review of all business support and corporate functions to deliver improvements in operational efficiency and reduce duplication. The Operating Model redesign will include the following Corporate Support Services: Finance, HR, IT, Commissioning, Procurement, Contract Management, Business Intelligence, Performance, Business Strategy, Communications, Property, Facilities Management, Emergency Planning, Public Health, Equalities and Engagement and Information Management. However not all of these areas will be included in the first phase. Assumed part year effect for the savings.
- Customer Experience (£0.5m) - Review of the Council's customer facing support services to improve the service offered whilst reducing duplication. The services to be reviewed are Revenues and Benefits, the Council's central call centre, and customer services within the Housing Service. The aim is to have one single initial point of contact for the City's residents, reducing the need for people to make multiple calls. Assumed part year effect for the savings.
- Workforce planning (£4.0m) - Implementation of a corporate programme aimed at facilitating the departure of around 300 staff who wish to leave the Council's employment. Around 100 of the posts deleted will be replaced by new apprentice posts. The aim is to support services to develop and implement workforce plans that mitigate the risk of a large number of retirements over a short time period in a few years' time. At the same time, the proposal will provide a significant number of additional job opportunities for younger people. Assumed part year effect for the savings. .

Development of Portfolio Budgets

Key messages

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 portfolios' 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 priorities and statutory duties.

The People and Place portfolios receive significant investment with net budget increases in funding of £29.3m and £19.3m respectively for 2021/22. However, a significant amount, 73% or £14.1m, of the Place increase in funding, is to cover one-off costs in relation to the Covid pandemic and will therefore reduce in 2022/23 along with the one-off funding provided by the Government.

The People portfolio will receive a £4.9m increase to its ASC grant, in addition to the £29.3m net revenue budget increase, demonstrating the Council's ongoing commitment to social care and the most vulnerable residents in the city.

62. The following table (Table 8) shows how the portfolio budgets are proposed to change from 2020/21 to 2021/22. The three main reasons for changes to portfolio budgets are:

- Pressures £50.2m – 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 £14.9m – 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 / Investments (£14.6m net increase) - The 14.6m includes details of £11.2m of new investments for 2021/22, along with virements from corporate items to portfolios, mainly in relation to corporately funded contract inflation and pay and reward pressures. Further details on the £14.6m are provided below in table 8.

Table 8

	Adjusted Budget 2020/21	Pressures 2021/22	Savings 2021/22	Investments / Other Movements 2021/22	Original Budget 2021/22
	£000	**£000**	**£000**	**£000**	**£000**
Portfolio budgets:					
People	214,443	28,845	(9,702)	10,159	243,745
Place	111,626	20,100	(4,595)	3,834	130,965
Policy Performance and Communications	2,158	0	(80)	257	2,335
Resources	42,285	1,237	(537)	384	43,369
	370,512	**50,182**	**(14,914)**	**14,634**	**420,414**

Note **Appendix 3** will reconcile between the figures above, and the Net Budget requirement of £365.8m shown in paragraph 24.

Investment and Other Movements

63. These adjustments fall into two categories; corporate transfers of funding for pre-agreed programmes and projects and new investments agreed by the current administration. Details of the most significant transfers and investments are as follows:

Investments

- Youth Strategy – £2.0m: additional investment in Youth Services is being made to improve the lives of Sheffield's young people. This investment is planned to increase the delivery of youth clubs and social action groups, providing youth services to the most deprived areas in the city to promote positive engagement and activities, enable keyworkers to support young people experiencing difficulties, and to support partnership working with the voluntary sector.
- Care Sector Pay - £4.2m: the current administration remains committed to improving pay for staff providing services on its behalf. It therefore plans to work with care providers to deliver enhanced pay terms for front line workers in 2021/22.
- Investment in Children's Services £2.5m: a range of measures are proposed to improve outcomes for children and support them and their families. These measures include a review of payments to carers, investment in Children's mental health services, implementation of a whole-family hub to provide wrap-around social care support to the family from the first visit, and expanding the multi-agency support for adolescents moving in and out of care.

- Community Safety £1.1m: to develop an improved community safety offer for the city. The aim is to work jointly with our partners (e.g. SY Police, the NHS and the voluntary sector) to improve community safety and reassurance, improve links to communities, and reduce exploitation of the young and vulnerable.
- Libraries £0.2m; to replace outdated public access PCs.
- Private Sector Housing £0.3m: to fund a new team take a targeted and proactive approach to improving the standards in private sector rented housing within the City.
- Parks and activities £0.4m: to fund various schemes including work on drainage in Hillsborough Park, development work on the Central Library, and encouraging more physical activity.
- Local Area Committees £0.5m: initial funding for the set-up of these Committees.

Corporate transfers

- Streets Ahead - £0.5m: the planned Council investment in the Streets Ahead programme will increase by £0.5m as planned.
- Pay strategy - £2.4m: this covers the expected costs of staff salary increments for 2021/22. This figure excludes a provision funded by Portfolios to cover a possible cost of living increase.
- Heart of the City 2 - £0.6m: there is a planned reduction in rental income for the project, which will require additional budget support. However, this reduced rental income is a result of plans to sell Block D, which delivers a considerable capital financing saving as detailed in the corporate savings section above.

64. The figures in Table 8 demonstrate that, subject to Full Council approval, the People Portfolio with its social care responsibilities will see significant investment of £29.3m in addition to £4.9m of extra ASC Grant. This is the fourth successive year of investment totalling approximately £88m, the equivalent to a 11% year on year increase when compared to its net revenue budget.

65. The net £29.3m 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 £9.7m worth of savings for 2021/22.

66. This level of additional funding has only been possible due the Council's difficult decision to increase council tax, including the Adult Social Care precept. The Council has had to balance the extra costs to Sheffield taxpayers from the increase, with the need to protect its social care services to its most vulnerable residents.

67. 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.

68. Whilst increased funds have been provided by Government for Social Care (through the Social Care Grant) for 2021/22, these additional funds will not compensate for the larger national funding cuts imposed over the previous decade.

69. Should no new investment from Central Government be forthcoming after 2021/22 and into the medium term, the Portfolio, and therefore the Council, is likely to become reliant on temporary funding sources such as reserves.

70. The Place Portfolio has pressures of £20.1m for 2021/22. Most of these pressures, £14.1m, are hoped to be short term as a result of the Coronavirus pandemic. These pressures, the majority of which result from reduced income across the portfolio, including leisure services, have therefore been matched to the one-off funding provided by Government as part of the Local Government Settlement. The lasting effects of the pandemic on these income streams is not yet known. If income does not recover to pre-Covid levels and/or the Government provides no further funding, this loss of income will pose a financial risk in the medium term.

71. If we ignore the impact the pandemic on the Place portfolio budget pressures, the underlying budget gap is approximately £1.4m. This is the remaining pressure of £6.0m versus £4.6m of proposed savings.

72. Resources portfolio has a small budget gap for 2021/22 of £0.7m. This gap is predominantly the result of additional costs in relation to ICT support for remote working. It is anticipated that this investment will be more than offset in the coming years, as the Council rationalises its office accommodation in light of more flexible working practices.

Savings Proposals for 2021/22

> ***Key messages***
>
> *The total level of savings proposed by the Portfolios for 2021/22 is £14.9m and covers categories such as services effectiveness, cost reduction and staff savings.*

73. Discussions with Members have taken place since the consideration of the MTFA, 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 3rd March 2021. The total amount of Portfolio savings are £14.9m. 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.

74. The graphs below display the level of savings by portfolio but also by category.

Figure 3

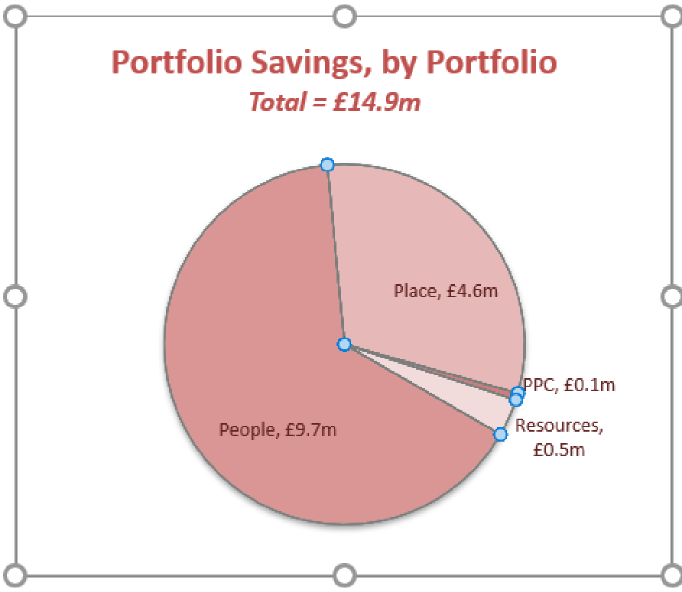
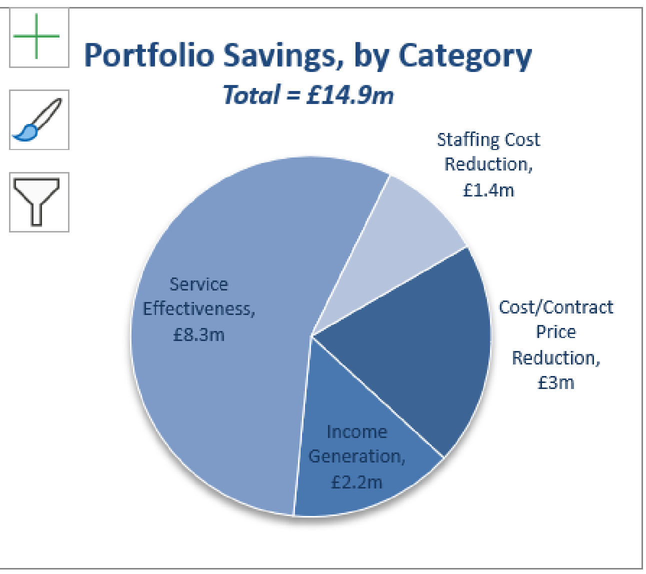


Figure 4



Portfolio Revenue Spending Plans for 2021/22

Key messages

Each Portfolio develops a Revenue Spending Plan, which provides a high level summary on how funding will be spent to deliver service priorities. These are set in line with the Councils' overarching priorities and ensure the Fairness principles are adhered to. These plans also include a high level summary of the savings to be delivered for 2021/22.

75. Attached at Appendix 3a to 3d are the Portfolio Revenue Spending Plans, which include high level summaries of the Portfolio savings proposals required to deliver the £14.9m in 2021/22. These plans also set out the future direction of the Portfolio's, the challenges faced, but also how longer term financial sustainability will be achieved.

76. Further details of the funding allocated to each service to support these plans along with the detailed savings proposals are contained within the Budget Implementation Plans (BIP's). BIP's have been completed for each of the three Portfolios and can be found on the website via the attached link: https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html

77. A summary of the savings contained within the BIPs, together with a detailed cash allocation for each Portfolio, is provided and 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.

Financing the 2021/22 Budget Requirement

Key messages

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") = £365.8m*
- *a Council Tax Requirement (a section 31A(4) calculation) = £235.0m*
- *a basic amount of tax (Band D equivalent) = £1,702.31*

78. 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 2021/22. This section of the report sets out the overall summary

position and the statutory determinations relating to total net expenditure and its financing.

Council Tax

79. After taking account of the Revenue Support Grant, Business Rate income and Top Up Grant for 2021/22, the total amount to be raised from Council Tax amounts to £235.0m: this is the Council's Council Tax Requirement.

Collection Fund

80. 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 15th January. Taking these factors into account, the projection on 15th January was that the Collection Fund is in a deficit position of £49.6m. The Council will also recognise £56.1m grant funding in 2021/22 to offset this deficit.

81. As discussed in the Collection Fund Deficit section above, the element of the 2020/21 deficit attributable to COVID is required to be spread over the next three years. The 1/3rd share of this deficit to be absorbed by the revenue budget in 2021/22 is £2.9m.

Council Tax Base

82. On 15 January, the Executive Director of Resources, under delegated authority, approved the calculation of the Council Tax Base for the 2021/22 financial year. The amount of the Tax Base is 138,032.64 Band D equivalent properties.

Budget Requirement for 2021/22

83. If the Council votes in favour of increasing the Council Tax by 4.99% the Budget Requirement for 2021/22 will be £365.8m, as shown in the table below.

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

Table 9

	2020/21 £'000	2021/22 £'000
Service Expenditure	420,171	365,812
Total Expenditure	420,171	365,812
Financed by:		
Revenue Support Grant	-37,494	-37,694
Business Rates	-103,828	-99,512
Top Up Grant	-43,222	-43,222
Council Tax	-227,391	-234,974
Collection Fund (Surplus)/Deficit	-8,236	49,590
Budget Requirement	-420,171	-365,812
Band D Council Tax (City Council)	£ 1,621.40	£ 1,702.31

Council Tax Levels

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

Table 10

Band	Multiplier	Value (up to) in 1991	Dwellings as % of total	Tax Charge (£)
A	6/9	Up to £40k	58.0%	1,134.87
B	7/9	£40k to £52k	15.8%	1,324.02
C	8/9	£52k to £68k	12.6%	1,513.16
D	9/9	£68k to £88k	7.0%	1,702.31
E	11/9	£88k to £120k	3.7%	2,080.60
F	13/9	£120k to £160k	1.7%	2,458.89
G	15/9	£160k to £320k	1.1%	2,837.18
H	18/9	Over £320k	0.1%	3,404.61
			100.0%	

Precepts

{Work in Progress}

Table 11

Parish and Town Councils

86. The overall level of Council Tax needs to include the precepts of Parish and Town Councils that lie within the City's boundaries. The levels of precepts for Parish Councils is set out in the table below and highlights a Council Tax freeze across all 3 parishes:

Table 12

Parish Council	Council Tax Income (£)	Council Tax Band D (£)		Council Tax Increase
Bradfield	248,829	42.7378		0.00%
Ecclesfield	260,991	28.5392		0.00%
Stocksbridge	128,124	33.8443		0.00%
Total/average	637,944			

Legal Advice

Key messages

The Chief Finance Officer has a number of responsibilities for which the authority should have regard. These include:-

- *Reporting on the robustness of estimates in determining the budget requirement and the adequacy of reserves.*
- *Producing a balanced Revenue Budget and setting the Council Tax in line with the budget requirement.*
- *Having due regard towards the interest of Council Tax payers, eliminating discrimination and advance equality of opportunity to all.*
- *Being satisfied that the Council can continue to meet its statutory duties.*

Responsibility of the Chief Financial Officer

87. 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.

88. 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. Details of Reserves are set out in Appendix 4. The view of the Executive Director of Resources is that Reserves are adequate to cover the medium term financial risk.

89. 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.

90. 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 determining its Revenue Budget requirement in accordance with the provisions of sections 31A, 31B and 34 to 36 of the same 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.

91. By the 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 under section 25 of the Local Government Act 2003, which sets obligations of adequacy on controlled reserves.

92. Each billing authority and precepting authority must determine whether its relevant basic amount of council tax for a financial year is excessive. In essence, the relevant basic amount of council tax for an authority is that authority's average band D council tax, excluding local precepts. If an authority's relevant basic amount of council tax is excessive a referendum must be held in relation to that amount. The question of whether an

authority's relevant basic amount of council tax is excessive must be decided in accordance with a set of principles determined by the Secretary of State. For 2021/22 the Secretary of state for Housing, Communities and Local Government proposed that local authorities relevant basic amount of council tax of an authority is excessive if the authority's relevant basic amount of council tax for 2021-22 is 5% (comprising 2% for expenditure on adult social care, and 3% for other expenditure), or more than 5%, greater than its relevant basic amount of council tax for 2020-21.

93. 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.

94. 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.

95. 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.

96. 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.

97. 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.

Levies

98. The Council currently has approximately £23.0m 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 2021/22 on 27th January 2021. The transport levy payable is frozen at 2020/21 levels of £22.6m.
- Payments to the South Yorkshire Pensions Authority and to the Environment Agency are forecast to be are £140k and £234k respectively.

Housing Revenue Account (HRA) Budget

99. 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 20 January 2021.

Treasury Management Strategy

Key messages

As part of its budget decision, the Council is required to approve a Treasury Management Strategy for 2021/22. Treasury Management relates to the management of the Council's investments, borrowings and banking operations. This is set out in detail in **Appendix 7.**

100. 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.

101. 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.

102. The Sheffield City Council Treasury Management Strategy for 2021/22, 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.

103. 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

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

Workforce Impact

Key messages

The potential workforce impact arising from the recommended savings proposals to set the 2021/22 budget, equates to a reduction of approximately 247 full time equivalent (FTE) posts.

105. As aforementioned in the Corporate Savings section of this report, the Council plans to implement corporate programme aimed at facilitating the departure of around 300 staff (240 FTE) who wish to leave the Council's employment. Around 100 of the posts deleted will be replaced by new apprentice posts. The aim is to support services to develop and implement workforce plans that mitigate the risk of a large number of retirements over a short time period in a few years' time. At the same time, the proposal will provide a significant number of additional job opportunities for younger people.

106. 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 smaller scale reductions across portfolios. These 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 of services.

107. 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.

108. Consultation is taking place with the trade unions at a corporate and Portfolio level to identify opportunities to mitigate compulsory redundancies and ensure support is provided to any employee who is affected by potential redundancy.

Pay Policy

109. In accordance with the Localism Act the Council is required to publish a Pay Policy for 2021/22. Details of this can be found in **Appendix 8**.

Members' Allowances

Key messages

Each year the Council has to agree a Members' Allowances Scheme. There are no proposed changes to the structure of the scheme for 2021/22.

110. 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.

111. The Members' Allowances Scheme is currently under review in accordance with statutory requirements and will be the subject of a separate report at the Budget Council meeting on 3 March 2021.

112. The current Scheme was implemented in 2013/14 and has been subject to minor alterations, as noted in previous years' budget reports. For example, as a result of the reduction in the number of special responsibility allowances and regulatory changes introduced in 2014/15 relating to the phased removal of Members' entitlement to participation in the Local Government Pension Scheme, savings in excess of £200k have been achieved on the budget for Members' Allowances.

113. The Scheme contains provision for the allowances to be adjusted on an annual basis in line with an agreed index, which is the average percentage officer pay award in Sheffield. The Council has agreed to implement the annual increase in each year from 2017/18 having previously agreed not to apply the annual increase each year from 2010/11, including in four years when Council employees received a pay rise.

114. A referendum will be held in 2021 relating to the Council's governance arrangements. Any changes to the structure or operation of Council decision making as a result of the outcome of the referendum would also need to be considered by the Independent Remuneration Panel. The impact on the Members' Allowances budget arising from changes to governance arrangements will be assessed in advance of a new structure being implemented.

115. It is worth noting that the Members Allowance budget will deliver a £19k saving for 2021/22. The City Council is no longer required to meet the cost of allowances for its Members appointed to the South Yorkshire Pensions Authority. These costs will be met directly by the Pensions Authority.

Budget Engagement

116. As part of our approach to developing the budget, we always talk to people in Sheffield and representatives of the city's Voluntary, Community and Faith sector and business community to get their views on our proposals. The impact of the Covid-19 meant that this year, engagement activity was conducted using online channels – specifically, online survey using SCC's Citizenspace engagement hub and through virtual conversation sessions.

117. Our approach to listening to the views of citizens and partners focused on three main elements;

- Portfolios talking with service users, customers and clients about any specific changes to services proposed in the budget to inform specific proposals and Equality Impact Assessments.
- A population survey for all citizens on the overall budget.
- Discussing the budget proposals with representatives from the city's voluntary, community and faith sector and with representatives of Sheffield businesses.

Citizen engagement: budget survey

118. The budget consultation ran from 22nd December 2020 to 19th January 2021. 724 responses were received from across Sheffield which was a notable increase in response compared to previous years. The survey was hosted here: https://sheffield.citizenspace.com/performance-research/budget-consultation-2021-22/

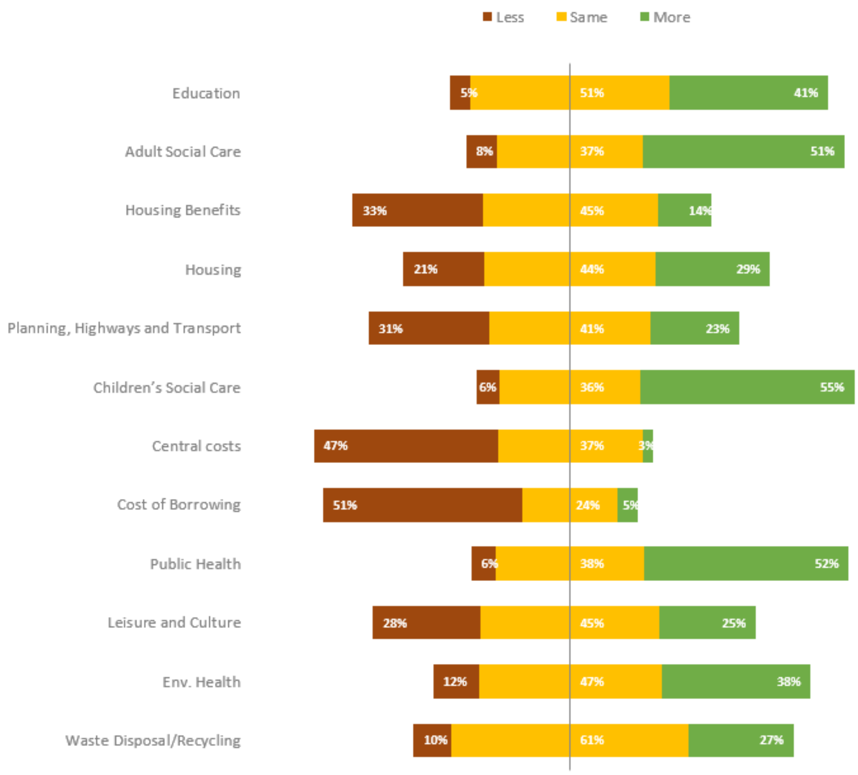
119. The online survey was supported by a social media campaign and was included SCC's e-newsletter alerts to citizens that are registered to receive them. It was also supported by coverage on SheffNews here.

120. As in previous years, the survey 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. The views of citizens have 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.

Citizens' spending priorities

121. In line with previous years, respondents said that their main priorities for more investment were some of our most critical and key services – particularly adult social care, children's social care and education. Public Health is also usually a key priority for citizens and with the impact of the Covid-19 pandemic, this has grown in importance. It is also worth noting that respondents indicated that they were happy to see the level of investment remain the same in some core services, particularly waste disposal/recycling where there was a significant reduction in the proportion of people who want SCC to spend more on the service (see below).

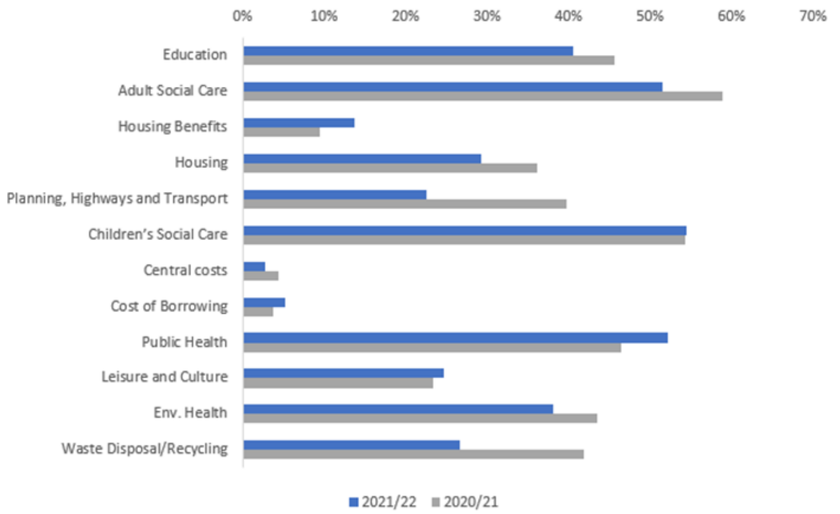
Figure.5



122. The chart below shows the percentage of respondents who stated that they wanted the council to spend more in each area, with results from the 2020/21 budget consultation alongside results from the 2021/22 consultation. Public Health (6 percentage point increase) and Housing Benefits (4ppt increase)

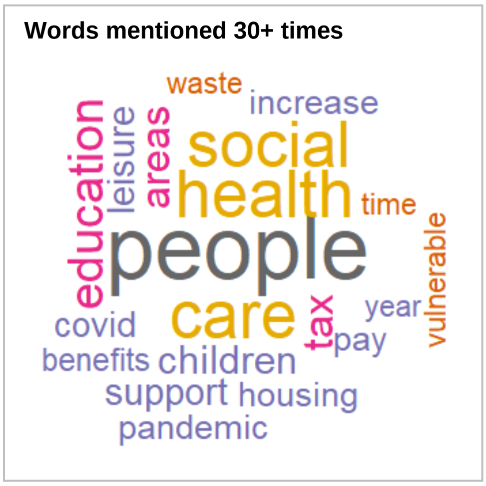
showed the biggest increase, with Planning, Highways and Transport (17 ppt decrease) and Waste Disposal/Recycling (15ppt decrease) seeing the majority of respondents happy to see funding stay the same in these areas. These changes may be due to the impact of the Covid-19 pandemic on lifestyles, for example less travel and mobility around the city due to lockdowns.

Figure.6



123. The survey also asked respondents for any comments they have about our spending priorities. The most commonly recurring themes in response to this question were adult social care, children's social care, education, support for the most vulnerable, and public health.

124. Many respondents specifically referred to the impact of the Covid-19 pandemic on individuals and council services. There was recognition that the economic impact could require the council to do more to support businesses and the unemployed. Some respondents also suggested that there would be a greater need for mental health support due to the pandemic.



125. Respondents also linked the need for better public transport and active travel options to the changes in modes of transport and types of journeys undertaken due to the pandemic, however others noted that private cars remain the preferred mode of transport for a lot of people in the city and that car users should remain the priority.

126. The themes of climate change and the climate emergency were raised in several comments. Climate change was also often linked to environmental issues and air quality. A number of comments referred to the quality of the local environment, and generally recognised the quality and importance of parks and green spaces. Comments relating to the cleanliness of and facilities in public spaces were generally less positive.

127. A large number of comments suggested that the council could do more to manage costs and improve efficiencies, however others recognised that the funding available to the council has been reduced significantly over several years and the council is already doing all it can reasonably expected to do to maintain services. Suggestions for increasing the amount of money available to the council included taking advantage of low borrowing costs, and pressuring central government for increased financial support.

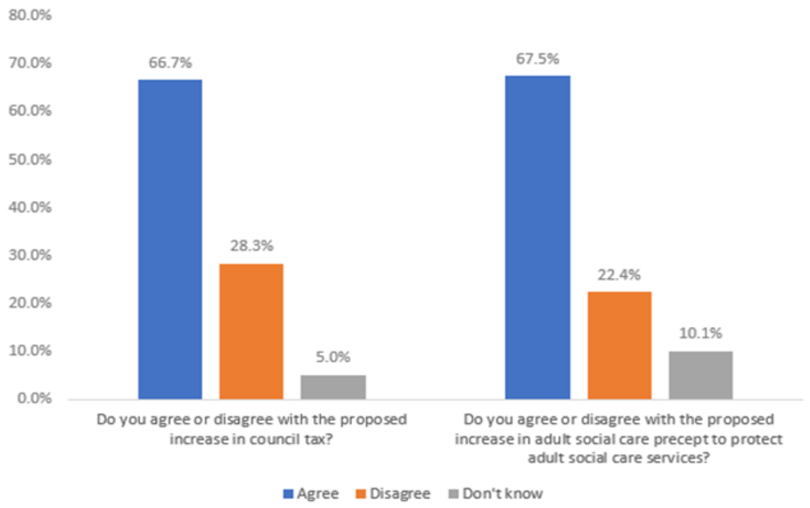
Council Tax

128. In the 2021/22 budget consultation, we asked respondents about whether they agreed or disagreed with the proposed 1.99% increase in Council Tax for 2021/22. We stated that this increase would help protect key services and help the city's continued response to Covid-19.

129. As the chart on the left below demonstrates, two-thirds of respondents said that they agreed with the proposed increase with around 28% saying that they disagreed. When prompted say why they gave this view, comments largely focused on two main themes: respondents recognising the challenges for local public finances following a decade of austerity and the role that increased Council Tax could play in supporting core services and the city's covid response; and concerns about the implications of higher local taxes for people on the lowest incomes and those who have seen their incomes reduce because of covid.

130. This year, the timing of the budget consultation ensured that we could directly ask citizens about the proposed level of Council Tax increase and thus, the 2021/22 data isn't directly comparable to last year's results.

Figure.7



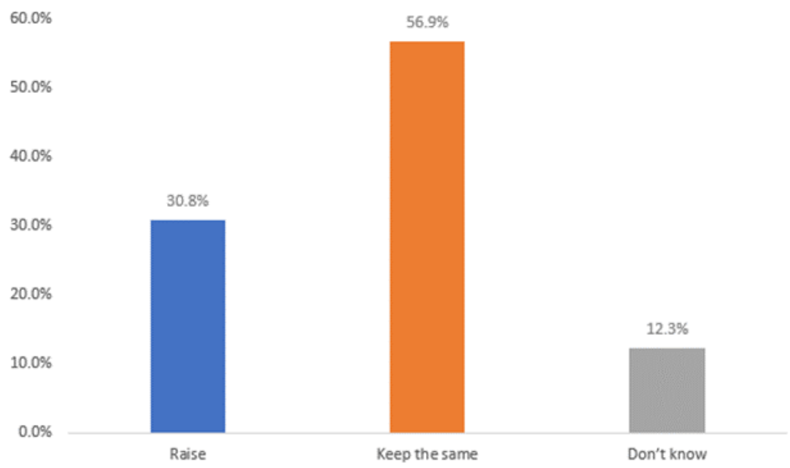
Adult Social Care Precept (ASCP)

131. In the 2021/22 budget consultation, we also asked citizens about the proposed 3% increase in the Adult Social Care Precept which is specifically to invest in local adult social care services. In line with the response to the Council Tax question, over a two-thirds of respondents said that they agreed with the proposal with a slightly lower proportion of people disagreeing (22%). Respondents' comments about the ASCP were largely supportive of the 3% increase to support the needs of vulnerable people in the city. People suggested that they were keen to ensure that the money went to improving care for people and to care workers in the city but there were a number of respondents who raised concerns about the sustainability of local taxation increases to fund social care, often stating that need dedicated Government funding was needed, particularly in the light of the impact of Covid-19 on vulnerable people and the care sector. A number of respondents reiterated the risks of increasing local taxation on already stretched household incomes.

Fees and charges

132. As in previous years, we asked respondents about the level of fees and charges that Sheffield City Council collects for a range of services as part of our overall budget. The survey made clear that in some cases, the law restricts what we can spend money raised from fees and charges on.

Figure.8



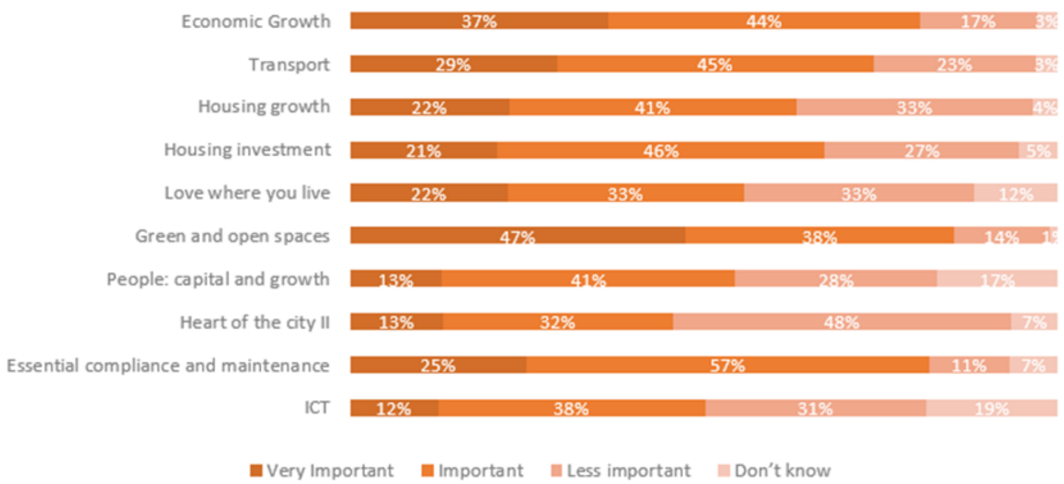
133. In line with previous years, the majority of respondents said that they are keen to see us hold fees and charges at the current level (57%) with 31% suggesting that they would be happy to see fees and charges increased.

134. Of the people that provided additional comments to explain their views on fees and charges, a number suggested that their view was not uniform across all services and that we could consider increasing fees and charges for some services but should keep charges the same in others (bereavement services was a frequently mentioned example of where charges shouldn't be increased). In line with responses to the Council Tax and ASCP questions, respondents also raised concerns about increases to fees and charges impacting on the incomes of households and businesses that have particularly suffered because of the impact of Covid on Sheffield. Further, respondents also expressed differing perspectives on the policy implications for raising fees and charges. For example, some respondents suggested that an increase in parking charges might have a positive impact the environment and 'getting people out of their cars', while others voiced concerns about how such an increase would impact on the city and local centres.

Capital investment priorities

135. We asked citizens how important they thought it was that we used our capital programme to invest in the city. As the chart below demonstrates, people strongly supported investment in the city's economy, essential maintenance and green and open spaces. Transport and housing investment were also seen as of significant importance.

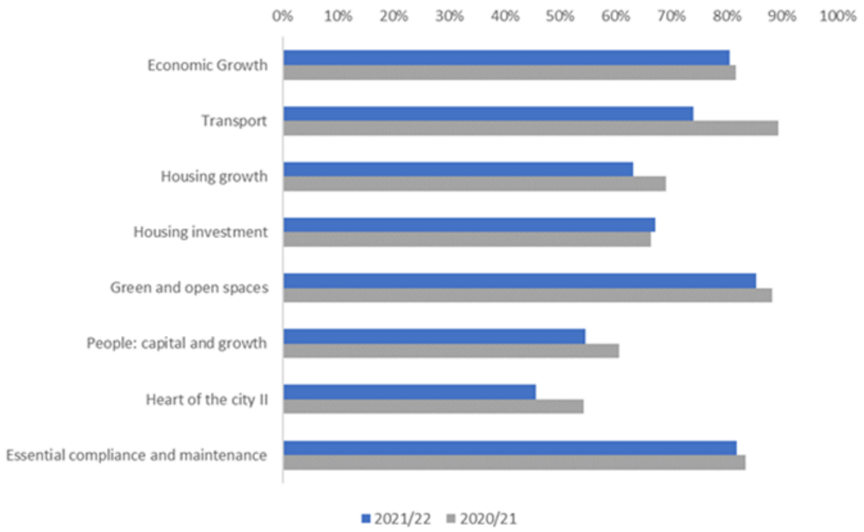
Figure. 9



136. Apart from 'housing investment, in comparison with the 2020/1 budget consultation, there were some decreases in the percentage of respondents stating it is 'important' or 'very important' for the council to invest in all areas. For example, fewer people said that 'transport' was very important/important but this may be due to the impact that the pandemic has had on lifestyles, with fewer people travelling during lockdowns.

137. The additional comments received focused heavily on the impact of Covid-19 on Sheffield and thus implications for the city's future and for investment priorities to be considered within the new context. This clearly impacted respondents who stated that they had more focus on housing and parks and open spaces because of the impact of lockdowns over the last year. There were a number of comments supportive of investing in tackling climate change as a key area for the city's future (eg. through clean public transport and active travel infrastructure) and a number of respondents raised concerns about what the impact of the pandemic might be for the city centre and the Heart of the City II project. But economic recovery and growth were regularly cited as vital areas for investment.

Figure.10



(NB. IT and Love Where You Live didn't feature in the 2020/21 survey and thus can't be compared)

Other comments

138. Finally, we asked respondents to provide any additional comments they may have or suggestions about how Sheffield City Council could save money, increase income or make savings. Respondents provided a very wide range of views and comments but particularly focused in a number of areas:

Words mentioned 30+ times

- **Ways of working** – the impact of Covid and forced move to large-scale home working could provide an opportunity for rationalising of council office bases, so that more people could work from home for the long term, be based in local centres (eg. libraries) and there should be increased investment in IT and the digitisation of services.
- **Being an efficient and effective council** – a range of comments focused on the importance of Sheffield City Council being an efficient organisation with appropriate levels of officer pay, value for money contracts and effective at collecting Council Tax, levying appropriate fees and changes and using enforcement (eg. parking fines).

- **Fair funding for councils** – Government should be adequately and fairly funding local councils and Sheffield City Council should be lobbying for a fairer funding for the city.
- **Stronger community focus** – a range of ideas and proposals centred on empowering Sheffielders to have more control and influence over their local area (eg. funding for parks, libraries; taking responsibility for neighbourhood tidy-ups etc) or using innovative funding (crowd sourcing, Sheffield Investment Bonds) for citizens to contribute to new projects to improve the city.
- **Joining up and improving local services** – looking at opportunities to learn from councils elsewhere but also closer joint working with public and VCF sector partners in the city and beyond (eg. South Yorkshire) to improve quality and efficiency.
- **Focus on climate change** – investing in the future and in particular, tackling the climate emergency by investing to make Sheffield a more sustainable city (clean/active travel regularly cited).

Business engagement

139. On the 8th January 2021, we held a budget conversation with Sheffield's Business Response Group (BRG) who have worked in partnership with the City Council to develop a plan for the economic recovery in the city after Covid-19. The BRG's plan is available here: https://sheffieldcc.moderngov.co.uk/mgIssueHistoryHome.aspx?IId=31572&EVT=113

140. The session with a presentation of the Council's financial position and the key elements of the proposed budget by the Deputy Leader and the Director of Finance and Commercial Services. There then followed a broad discussion which picked up the following themes:

    - Interlink between the council's financial position and our economic performance – the importance of having a strong, thriving economy in improving quality of life, with more people in good jobs work, in good health and with better incomes as fundamental to the city's future.
    - Recognition that local council finances are complex and under significant pressure following a decade of austerity, demand on critical services and Covid-19.
    - Opportunity for a stronger collaboration between public and private sector on short and medium-long term which will start to tackle

underpinning challenges which impact on the people's wellbeing, the city's success and ultimately the city's finances. This included:

- Focusing on children and young people – particularly around education, training, and employment opportunities.
- Importance of supporting investment to tackle key challenge – investing in the city centre, supporting digital inclusion.
- Developing local economic culture in our town and local centres across the city.

Voluntary, community and faith (VCF) sector engagement

141. On the 18th January 2021, we held a conversation with representatives of Sheffield's VCF sector about the City Council's 2021/22 budget. The Deputy Leader and the Director of Finance and Commercial Service presented an overview of the Council's financial position and the proposed budget measures. The discussion then focused on the following:

- Adult social care – recognition of the existing scale of demand on services, employees and carers which has been exacerbated by Covid-19. Need for a more comprehensive longer-term solution to the funding of social care.
- Concern about the implications of Brexit and Covid-19 on the city's economy and in particular, what this could mean for the wellbeing of communities, incomes and inequality.

142. Communities at the heart of the city's recovery from Covid-19 – investing to create more resilient and empowered communities across the city and working to drive better public and VCF collaboration at neighbourhood level in Sheffield.

Equality Impact

143. 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.

144. 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.

145. 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 people who use services 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).

146. The Council-wide EIA (Appendix 9) 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.

147. 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.

148. This provides an overview of the potential implications of the proposals in the 2021/22, taking learning from the individual EIAs that support each proposal.

149. The individual EIAs are not however a one-off tasks; instead they are ongoing or 'live' ensuring that they develop as the budget proposals develop and evolve 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.

150. 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.

151. 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.

152. It is 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.

153. Inevitably, funding reductions at the scale and pace that we have experienced over the last ten years does have implications for 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.

154. Tackling inequality is fundamental to the values of the Council and is considered throughout our proposals. Although the required level of savings have reduced we still and we are investing in a number of areas, including Adult Social Care, 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.

155. 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.

156. We have also undertaken a comprehensive set of rapid health impact assessments and a city wide COVID impact consultation which ran from July 21st 2020 to the 30th September 2020 had over 3600 responses on the impact of the pandemic on people lives.

157. We are still committed to the key priorities of tackling inequality, ensuring fairness and increasing social justice being at the heart of the Council's values. We continue to support the Fairness and Tackling Poverty Partnership. The Tackling Poverty Framework has influenced our priorities and decision making across the Council.

158. We continue to work towards our Equality Objectives 2019-23 which demonstrate our commitment to challenging inequality and promoting a fair and inclusive Sheffield. Our Equality Objectives are based on evidence and feedback and they also reflect and help address areas of persistent inequality. The four Objectives are:

- Strengthen knowledge and understanding of our communities
- Ensure our workforce reflects the people that we serve
- Lead the city in celebrating diversity and promoting inclusion
- Break the cycle of inequality and improve life chances.

159. This year we have also supported the setup of the Sheffield Race Equality Commission. The Commission will run for one year to provide an independent strategic assessment of the nature, extent, causes and impacts of racism and race inequality within the city. Although the Commission will not report until later in the year, we will, as always, continue to consider race equality in our equality impact assessment process.

Evidence supporting our impact analysis

160. As set out in Appendix 9, our equality impact analysis is underpinned by a robust evidence base, including:

- **Demographic analysis -** the 2011 Census and population data, Joint Strategic Needs Assessment, Open Data and Community Knowledge Profiles, which are used to help us identify possible impacts requires an understanding of how the city is made up and the issues people face

- **Welfare and poverty data** - although not within the scope of our budget proposals, we consider the impact of welfare reform and the rollout of Universal Credit on our communities
- **Health Impact – COVID 19** Rapid Health Impact Assessments and Health Inequalities and Covid- 19 and the Covid Impact consultation questionnaire
- **Consultation** - to inform, develop and enable citizens to have their say on options for the 2021/22 budget, the Council ran a budget survey between 22 December 2020 and 19 January 2021.

Mitigating impact

161. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. We have also considered the Tackling Poverty Framework and the 2019-23 Equality Objectives. These have influenced our priorities and decision making across the Council.

162. 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

163. As throughout austerity, our overall approach has been 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.

164. The year-on-year reductions over the last ten years have impacted on the people of Sheffield, including those in greatest need and groups that share equality characteristics. In all of these areas mitigating actions have been identified and will be implemented as part of EIA action plans.

165. 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.

Cumulative impact

166. As in previous years, we have regard to the cumulative impact of changes from recent years to inform our decision making this year. Whilst there are fewer implications this year and important investments in key services like social care, we should recognise the impact that almost a decade of austerity has had on communities and public services. We have 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.

167. The groups which are impacted across EIAs and portfolios are disabled people, older and young people, women, carers and people on low incomes.

168. Due to low income some groups are more likely to be cumulatively impacted, these are disabled people, carers, some BAME groups, young people and some groups of women, such as lone parents and female pensioners.

169. 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.

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

171. Looking across this year's budget proposals, there may be cumulative implications for a number of protected characteristics, largely because of increased investment and the positive development of services. This includes:

- **Women -** looking across the proposals in the 2020/21 budget, women may experience positive cumulative impacts through increased investment in areas such as the Strengthening Families (supporting families and addressing issues around domestic and sexual abuse), and the Fresh Start Programme (working with those most at risk of having a child removed). Also see the living wage commitments.

- **Older people and disabled people –** Many older people have been affected by Covid-19, facing health concerns and isolation during periods of lockdown. Care home residents have faced heightened risks. We need to ensure our plans help to address the very challenging situation. When older people need care and support, we will aim to make sure it is right for them and promotes wellbeing and independence. the budget includes increased investment in social care and enables the People Portfolio to continue to develop the services for adults including through the 'Conversations Count' approach and the focus of the Home First team in helping keep people out of hospital and keeping people independent, safe and well at home.

- Care Sector Pay - £4.2m: The current administration remains committed to improving pay for staff providing services on its behalf to the living wage. It therefore plans to work with care provider to deliver enhanced pay terms for front line workers in 2021/22. This will impact on the people who are most likely to work in this area such as women.

- **BAME Communities we have seen the differential impact on some bame communities due to COVID 19** – This impact may manifest itself in different ways across the portfolios – for example, exacerbating existing inequalities in educational outcomes, employment and skills as a higher proportion of BAME workers are in frontline roles or are self employed, income disparities and health. BAME communities access the voluntary sector services supported by the portfolio in higher proportions

- **Younger people** – Amongst other areas we have invested extra in the Youth Strategy of £2.0m: this is being made to improve the lives of Sheffield's young people. This investment is planned to increase the delivery of youth clubs and social action groups, providing youth services to the most deprived areas in the city to promote positive engagement and activities, enable keyworkers to support young people experiencing difficulties, and to support partnership working with the voluntary sector.

172. 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 impact assessments

173. Inevitably, funding reductions at the scale and pace that we have experienced over the last ten years does have implications for 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 especially after the impact of COVD 19.

174. 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. The substantial reductions in funding over the last ten years 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.

175. 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:

- Improved management of demand for services by shifting from crisis response to a greater focus on early intervention and prevention, ensuring we listen to the people who use our services and work with our partners to do the right thing at the right time.

- Ensuring that there is 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 supported to develop their skills.

- Underpinning this is an ‘all age’ approach to mental health and disability-related services across the portfolio which supports individuals from childhood through to old age in a consistent and seamless way, without barriers or difficult transition points.

- Improving our use of resources, by seeking new business models, streamlining processes and raising productivity, either through using less, or releasing resource, to earn additional income through the services we provide to business and residents. Through this transformation programme we will be able to preserve the public facing services, without reducing service standards or ceasing services.

- We will be seeking to drive additional value from our key contracts and our external partners who operate as trusts providing services once delivered by the Council.

- Given the importance of income from external users of our services, we are proposing therefore that we review charges for services to ensure we recover the full cost of providing these services reflecting the inflationary pressures the Council faces. Those charges that do increase will be benchmarked against market rates.

- Finally, we have developed a new funding model to align Council services to the nature of their activities. So, where allowed by statute, those activities providing services to the public or business will be funded from fees and charges.

- To do this means continuing to shape and redesign public services to work in a more integrated and preventative way. We are at all times guided in these choices by our values, commitment to fairness and tackling persistent inequality.

Cumulative Impact

176. As in previous years, we have regard to the cumulative impact of changes over recent years to inform our decision making this year. Whilst there are fewer implications this year and important investments in key services like social care, we should recognise the impact that almost a decade of austerity has had on communities and public services. We have 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.

177. 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 and some BAME communities tend to have lower incomes and are more likely to be cumulatively impacted. See Community Knowledge Profiles for details.

178. We are continuing to work with partners, such as the NHS, to deliver better, joined up services for people in Sheffield. We are also continuing to work across the region where appropriate to help save costs and to enable better joined up services.

179. There has been a significant impact on the Council’s workforce over the last decade due to restructuring and reductions. The Council plans to implement corporate programme aimed at facilitating the departure of around 300 staff (240 FTE) who wish to leave the Council's employment. Around 100 of the posts deleted will be replaced by new apprentice posts. The aim is to support services to develop and implement workforce plans that mitigate the risk of a large number of retirements over a short time period in a few years' time. At the same time, the proposal will provide a significant number of additional job opportunities for younger people.

180. 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.

Key policy areas implications:

- **Council Tax** – the proposed increase in Council Tax (including the Adult Social Care Precept) has enabled the Council to invest in social care services for the third year in a row, supporting some of the most vulnerable people in the city. The increase in Council Tax was largely supported by respondents to the Budget Consultation. However, the increase in Council Tax brings increased financial pressure on lower income households (particularly those impacted on by Welfare Reform) and it is clear from the collection rates that under the Council Tax Support 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. The impact of this is mitigated through a Local Assistance Scheme and the 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. The Council Tax increase is also mitigated by increasing the Council Tax Hardship Scheme in 2021/22 by £200k to 1.8m.

- **SCC workforce** - We recognise the ongoing impact of Covid-19 on our workforce., this includes many staff in frontline roles, supporting people and families in most need of help. During the pandemic, many employees have wanted to move into roles where they could be of most help to communities. For others, the coronavirus has meant long hours and an impact on work and home life balance. In all Portfolios the budget proposals include some reduction on staffing budgets. The reductions arise from proposals to manage or deliver services in a different way. The Council also plans to implement a Corporate programme, aimed at facilitating the departure of around 300 staff (240FTE) who wish to leave the Council's employment. The aim of the scheme is to deliver savings but also facilitate the Council's wider workforce plan.

- **Voluntary, Community and Faith Sector** – We recognize the vital role played by organisations in the voluntary, community and faith sector, and the volunteers and staff who work for them. This has been demonstrated by the way the sector has supported people across the city during the coronavirus pandemic. People with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services.

The decision was taken to maintain the level of voluntary sector grant funding for 2021-22.

- **Helping people to live in their home and community -**We will continue the aim to support more people in their own homes, through home care and other support. At the same time, we will work to ensure organisations are able to offer the right mix of domiciliary and residential-based support for those who need it. We have been working closely with organisations providing care and support as they face the effects of Covid-19. Work will continue to commission the right dementia-appropriate support and to help adults with enduring mental health needs to live more independently in the community. We will help to ensure Direct Payments can help people exercise choice and control and have more of the funding available by reducing administrative costs.

- **Health** – 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. We are continuing to look at 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 especially given the widening inequalities as a result of COVID 19.

- **Inequality** – whilst Council Tax increases will impact on people on low incomes (mitigated through increased investment in the Council Tax Hardship Scheme), there are a number of positive investments which contribute to addressing the root causes of inequality. For example the extra investment in Youth services, improving educational attainment and inclusion for children and young people with more complex needs through the Strengthening Inclusion Programme which will help pupils with a number of protected characteristics). Further, there are also a range of investments through the Strengthening Families Programme to support some of our must vulnerable children, young people and families.

Recommendations

181. Council is recommended:

a) To approve a net Revenue Budget for 2021/22 amounting to £365.812m;

b) To approve a Band D equivalent Council Tax of £1,702.31 for City Council services, i.e. an increase of 4.99% (1.99% City Council increase and 3% national arrangement for the social care precept);

c) To approve the proposed amendments to the Long Term Empty premium which applies to Council Tax charges in respect of Long Term Empty Dwellings, as set out in paragraph 47, with effect from 1 April 2021;

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 17;

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 2021/22, 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) notes the precepts issued by local parish councils which add £637,944 to the calculation of the budget requirement in accordance with Sections 31 to 36 of the Local Government Finance Act 1992;

j) To approve the Treasury Management and Annual Investment Strategies set out in **Appendix 7** and the recommendations contained therein;

k) To approve the Minimum Revenue Provision (MRP) Policy set out in **Appendix 7**; which takes into account the revisions proposed for 2021/22 onwards;

l) 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;

m) To approve a Pay Policy for 2021/22 as set out in **Appendix 8**; and

n) To agree that the Members' Allowances Scheme for 2017/18 and onwards, approved on 3 March 2017, and implemented for 2018/19, 2019/20, and 2020/21 be also implemented for 2021/22.

Kate Josephs	Eugene Walker
Chief Executive	**Executive Director, Resources**

Appendix 1

Portfolio Pressures

	BIP Reference*	Loss of Funding	Increasing Demand on Services	Pay & Price Inflation	Legislation Changes	Total
		£'000	£'000	£'000	£'000	£'000
People						
Client Growth, Increased Service Demand & Demographic Increases	10.E2/11.E2/21.E1		6,864			6,864
Inflationary Increases	10.E1/11.E1&E5/30.E1/30.E4/28.E3			4,636		4,636
Transforming Care Discharges	10.E4		169			169
Growth & Package Changes	11.E6		2,329			2,329
The Impact of Covid & the Corresponding Demand Increases	10.E5/21.E2/22.E1		5,077			5,077
Strength Based Reviews	11.E7		346			346
Loss of Grant Funding & Sundry Income	10.E3/11.E3/30.E2/30.E3/28.E2	1,781				1,781
Pressures from changes to care home gross payment model	11.E4				200	200
Staffing Costs	8.E1/2.E2/2.E3/2.E4/2.E5		478			478
Increased Legal Fees (Covid 19)	19.E3		200			200
Reduction of Grants to Providers (Cost to SCC)	28.E4		500			500
Previous Savings Undelivered	2.E1/19.E1/19.E2/20.E1/21.E3/18.E1		5,190			5,190
Additional demand - business and project support	7.E1/29.E1/1.E1/15.E1/25.E1		670			670
Procurement Savings undelivered	21.E4/28.E1		405			405
		1,781	**22,228**	**4,636**	**200**	**28,845**
Place						
Increased Demands of Homelessness	39.E1		500			500
Inflationary & Cost Increases	41.E3/38.E1			885		885
Hub MER not Deliverable	41.E1		118			118
Underlying Deficit in Sheffield City Markets	41.E2	800				800
Reduced on Street Parking Spaces (West Bar)	41.E4	90				90
Impact / Reduced Income (Covid 19)	41.E5/38.E3/38.E4/37.E3	14,057				14,057
Die Back Disease in Ash & Larch Trees	38.E2		150			150
CIF Funding	37.E1	2,900				2,900
Funding for Strategy & Change Team	42.E1		600			600
		17,847	**1,368**	**885**	**0**	**20,100**
Policy, Performance & Communications						
						0
		0	**0**	**0**	**0**	**0**
Resources						
Inflationary Increases	46.E1			83		83
Additional Office 365 licenses due to Insourcing Services	46.E2		375			375
Telephony Headsets for Staff (Storm)	46.E3		138			138
Remote Working	46.E4/46.E5/53.E2		541			541
A Partially Undeliverable Saving from 2020/21	52.E1		30			30
Replacement Case Management System	53.E1		40			40
Reducing Subscriptions to the Schools Traded Service	50.E1	30				30
		30	**1,124**	**83**	**0**	**1,237**
Total Pressures		**19,658**	**24,720**	**5,604**	**200**	**50,182**

* - Full Budget Implementation Plans (BIPs) available here –

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

Portfolio Savings

	BIP Reference*	Cost/ Contract Price Reduction £'000	Service Effectiveness £'000	Staff Cost Reductions £'000	Income Generation £'000	Total £'000
People						
Deputyship Income & Appointeeship Efficiencies	10.B1		(221)			(221)
Direct Payment Support	10.B2		(56)			(56)
Dementia Support	11.B1		(350)			(350)
Homecare Account Management	11.B2				(100)	(100)
Uplift to the Contribution Cap (Non-Residential Care Home)	11.B3	(344)				(344)
Market Reshaping (Care Homes)	11.B4		(3,000)			(3,000)
Continued Improvement of Income & Payment Services	11.B5				(1,099)	(1,099)
Libraries Offer & Income Opportunities	30.B1				(122)	(122)
Library Archive & Information Resources Review	30.B2			(94)		(94)
Reduction in Pension Costs	4.B1	(100)				(100)
Operational Efficiencies	4.B2			(16)		(16)
Annual Uplift on Traded Income	4.B3				(5)	(5)
Reduction to Postage & Insurance	4.B4		(160)			(160)
Capacity of Team Reduced (Transfer of Responsibility)	2.B1			(55)		(55)
Permanent vs Agency staff (Integrated Workforce)	19.B1			(200)		(200)
Placement Mix	21.B1		(1,460)			(1,460)
Demand Management in Placements	21.B2		(1,000)			(1,000)
Young Careleavers Transition & Semi Independent Living	21.B3	(500)				(500)
Residential Home Generating Additional Income	18.B1				(500)	(500)
Mental Health Reviewing & Reshaping	28.B1		(250)			(250)
Youth Staffing	28.B2			(15)		(15)
Staffing Review	34.B1			(55)		(55)
		(944)	(6,497)	(435)	(1,826)	(9,702)
Place						
Fees & Charges Review (Inflationary Increase)	41.B1/38.B2/37.B1/43.B2				(368)	(368)
Contract Saving & Refinancing	41.B2/41.B4	(1,950)				(1,950)
Sustainable Development Fund (Match Funding Ceased)	41.B3		(500)			(500)
End of Lease (Parkway Market)	41.B5	(100)				(100)
Housing Repairs Team	43.B1		(1,077)			(1,077)
Corporate Mail Service	43.B3		(100)			(100)
Vacant Posts Review	43.B4			(500)		(500)
		(2,050)	(1,677)	(500)	(368)	(4,595)
Policy, Performance & Communications						
Staffing Review	44.B2			(39)		(39)
General Savings	44.B3		(26)			(26)
Joint Research Project Income	44.B4				(15)	(15)
		0	(26)	(39)	(15)	(80)
Resources						
Register Office Charges	49.B2/49.B3				(28)	(28)
Workstyle Changes (Covid 19)	49.B5			(70)		(70)
Disestablishment of Planning and Performance Team	49.B6		(80)			(80)
New HR and Payroll System	52.B1		(30)			(30)
Members Allowances	53.B4	(19)				(19)
Staffing Review	50.B2			(310)		(310)
		(19)	(110)	(380)	(28)	(537)
Total Savings		(3,013)	(8,310)	(1,354)	(2,237)	(14,914)

* - Full Budget Implementation Plans (BIPs) available here – http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html

Restated 2020/21	Summary Revenue Budget	2021/22
£000		**£000**
	Portfolio budgets:	
214,443	People	243,745
111,626	Place	130,965
2,158	Policy Performance and Communications	2,335
42,285	Resources (inc. Housing Benefit & Council Tax Collection)	43,369
370,512		**420,414**
	Corporate Budgets:	
	Specific Grants	
-5,929	New Homes Bonus (LGF)	-4,844
-5,834	Business Rates Inflation Cap Grant (BRIC)	-7,543
-6,852	Small Business Rates Relief	-7,340
-2,312	Retail Relief	0
-600	Health Income	0
0	Covid Funding one-off	-17,664
0	Lower Tier Services Grant	-900
0	Local Council Tax Support Grant	-5,612
	Corporate Items	
5,500	Redundancy Provision	5,500
5,929	New Homes Bonus (LGF)	4,844
3,000	Better Care Fund	0
3,290	Social Care Demand Contingency	0
4,000	Strengthening Families - Think Forward Investment	0
900	Infrastructure Investment	0
11	Payment to Parish Councils	0
1,500	Customer Experience Programme	1,500
0	Managing Employee Reduction programme	-4,000
0	Target Operating Model	-1,500
0	Customer Focus	-500
0	Council Tax Support Protection	500
0	Corporate Savings Project Costs	1,160
1,975	Other	5,100
	Capital Financing Costs	
13,662	General Capital Financing Costs	13,662
5,473	Heart of the City 2	1,473
12,730	Streets Ahead Investment	12,387
6,134	MSF Capital Financing Costs	6,516
	Reserves Movements	
7,082	Contribution to / (from) Reserves	-57,341
420,171	**Total Expenditure**	**365,812**
	Financing of Net Expenditure	
-37,494	Revenue Support Grant	-37,694
-103,828	NNDR/Business Rates Income	-99,512
-43,222	Business Rates Top Up Grant	-43,222
-207,615	Council Tax income	-208,484
-8,236	Collection Fund (Surplus)/Deficit	49,590
-19,776	Social Care Precept	-26,490
-420,171	**Total Financing**	**-365,812**

People

	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Business Strategy - People	217,385	(205,443)	11,942
Care & Support	234,595	(128,491)	106,104
Children & Families	110,297	(22,910)	87,387
Commissioning Inclusion & Learning Services (CILS)	63,927	(37,310)	26,617
Community Services	10,940	(2,584)	8,356
Education & Skills	38,281	(34,942)	3,339
	675,425	**(431,680)**	**243,745**

People Portfolio Revenue Spend Plan

People Services

1. The People Services Portfolio is an integrated service within Sheffield City Council ('the Council') which supports adults and children, young people, families and communities, and has three key areas of focus:

   - Improved management of demand for services by shifting from crisis response to a greater focus on early intervention and **prevention**, ensuring we listen to the people who use our services and work with our partners to do the right thing at the right time.
   - Ensuring that there is **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 supported to develop their skills.

   Underpinning this is an 'all age' approach to mental health and disability-related services across the portfolio which supports individuals from childhood through to old age in a consistent and seamless way, without barriers or difficult transition points.

2. During 2020/21 the portfolio's services has been significantly impacted by the pandemic. Services have been impacted by reduced staff levels due to sickness, shielding and social distancing as well as increased costs due to infection control measures and the provision of Personal Protective Equipment. Some services have been asked to adapt to meet the challenge of Covid such as those involved in freeing up of hospital beds, maintaining school places or in supporting different sectors to maintain critical services. Many services have had to respond to significant changes in demand. The portfolio has uplifted independent sector payment rates where appropriate, flexed payment arrangements to support cashflow of providers including temporary funding to support providers with significant reductions in demand and non-financial support such as PPE and temporary staffing support.

3. The Covid pandemic is estimated to have had a £16.9m cost to the portfolio with the most significant financial impact (£13.4m) with adults, £3m in Childrens services and £0.5m in community services. Because of the uncertainty around the future impacts of the pandemic budget setting process for 2021presents a challenge.

4. In 2021/22, we are budgeting to spend in the region of £244m cash and £28m of Public Health grant on delivering services for People. A further £504m of funding was allocated separately by Government for schools and early year providers. The majority of our funding will be spent on social care: £118m for Adults Care and Support and £87m for Children, Young People and Families

Children, Young People and Families

5. 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.

6. We will continue to work together with 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.

7. We will continue to respond to increases in demand with good quality services, our range of statutory duties, and expectations of inspections (e.g. Ofsted). 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.

   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, for example the roll-out and continued use of ‘Signs of Safety’, a strength-based safety organised approach to child protection casework.

8. We are being creative about how we commission, deliver and pay for services, increasingly working with all our partner organisations, including schools, and seeking alternative funding streams. We are committed to protecting services which support children, young people and families, and this will always be a priority for us.

9. 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 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, including those at risk of harm, in need of accommodation, Children in Care, and children on the Child Protection register. Our services promote the early identification of children in need and deliver high quality preventative and supportive services, enabling children to achieve their potential.

  Effective plans are informed by good quality assessments, and 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 to live within their families, wherever possible. Where they cannot remain in their families, we will make timely decisions to ensure that they are secured in a permanent placement as soon as possible. We will deliver, monitor and provide the highest quality care and placements for our children in care.

  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 technical pathways that better connect education and employers, and we are working to redesign the skills and employment systems so that they better meet the needs of the local economy. This has included creating a multi-agency and localised employment service for those facing the greatest barriers to work, integrating support from the Council, Health and Jobcentre Plus to create a jobs and skills brokerage service that makes best use of the apprenticeship levy and the generation of job opportunities for the most vulnerable.

- **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 children's school experiences is fundamental to their later life chances. Children who experience high quality teaching and learning are much more likely to experience positive outcomes, such as sustained employment, good mental and physical health, avoidance of poverty and increased social mobility.

We have a vital role in working in partnership with schools, colleges, Learn Sheffield, 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. In addition, this partnership working enables a focus on raising attainment and expectation by challenging schools and other education providers when required and supporting them to improve

10. We are seeing significant and growing demand and need in areas such as special educational needs, emotional health and wellbeing, and child poverty. Alongside this are changes in legislation and policy which impact on the way we operate, and the expectations children, young people and families have of us, including the Children and Families Act 2014 (and the linked Care Act), the National Minimum Wage, and an ongoing shift towards more autonomy for schools. In addition, we are continuing working with the schools in the city to prepare for the implementation of National Fair Funding Formula.

11. The scale of financial challenge facing children's social care is significant. We will manage increasing numbers of CIC post Covid-19 and continue to invest in local accommodation solutions such as development of Aspire3 hub. The pandemic will impact on unemployment, family debt and lead to more domestic violence, substance misuse, and emotional and mental health, affecting children and young people, as well as adults. Post pandemic increase in demand is already being evidenced across Children and Families services. We will implement a whole family hub model, which brings together multi agency teams within social care, (social worker, domestic abuse specialists, substance misuse and mental health workers) which address root causes of adult's issues which impact the family.

12. One of our biggest challenges is the increase in demand for children's services, and this has been exacerbated by the impact of Covid-19 on service delivery. We will address this challenge through the 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, and receive the right support to ensure their emotional wellbeing and mental health. Our strategy continues to be to deliver the right level of support by the right service at the right time, as

we work towards delivering an all-age approach to mental health and wellbeing.

13. Our improvement and recovery plan focuses on the delivery of new initiatives to support families and to improve practice, and is structured under three themes

- **Demand**: We are working to reduce referrals to social care and the number of children entering the care system by delivering earlier support and the development of several evidence-based programmes. This includes working with expectant parents who have already had children taken into care, to prevent repeat removals. We are also delivering targeted parenting programmes to increase resilience and help reduce family breakdown, as well as engaging with wider families and 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.
- **Supply**: We are redesigning and investing to ensure the right resources are available so that children taken into care in Sheffield are able to stay within the city. We are also working to ensure appropriate sufficiency of placements to meet changing needs. Our focus is on increasing the number of local authority foster carers through development of a comprehensive package of support, including wraparound support and ongoing training packages and appropriate allowances for our local foster & kinship carers and Special Guardianship Orders.
- **Performance**: Having the right number of appropriately trained, well-motivated staff is critical to improving the quality of service delivery and supporting Sheffield families. We are committed to children and families receiving support in a timely manner, and we are investing in staff training and development to ensure strong and consistent social care work practices and good quality risk management.

Dedicated Schools Grant (DSG)

14. The provisional 2021/22 DSG settlement amounts to £503.6m for Sheffield, of which it is estimated that £385.7m will be earmarked for mainstream schools. The remaining funding is used to provide Early Years activities (£36m), services for children and young people with Special Education Needs and/or Disabilities (£75.4m), and statutory educational services (£6.3m). The final settlement for DSG will be received in Spring 2021.

In recent years, the national Government has been implementing the National Funding Formula (NFF), with the aim of providing 'fairer funding' for all schools. As a result, Sheffield Schools will receive a DSG increase of an estimated £12.6m (Schools Block) in 2021/22, all of which will be transferred directly to schools.

15. We have agreed with Sheffield Schools Forum to implement a transitional model in 21/22 towards the National Fair Funding (NFF) by prioritising the use of new funding allocation to deliver it. The reason we are making the decision to transition towards the national funding is to protect Sheffield schools from the sudden impact of a hard-national funding formula in the future.

The proposed changes for 21/22 are:

a. Increase AWPU (Age Weighted Pupil Unit) so all schools benefit from the increase in funding.
b. Maintain 1:1.29 primary: secondary sector balances as per NFF.
c. Align Social Deprivation to the national %age proportion of 8.59%.
d. Maintain the 50: 50 split between free school meals and IDACI.
e. Alignment with NFF values and proportions.
f. Maintain Lump Sum at £120k.
g. Models reflect the new 2019 IDACI data set in line with Government expectation.
h. Demonstrate the newly rolled-in grants figure has been included in AWPU.

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.

To reduce the gap in Education achievement between the least and most disadvantaged Sheffield children, which has widened during the pandemic, we are developing a five year programme of targeted preventative work, funded through a combination of the council and the wider education school system.

Learning and Skills

16. We 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. We will work 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.

17. 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.

18. In addition, this 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.

Adult Services

19. Adult social care supports thousands of people every year in Sheffield. Our vision is to keep people healthy, safe and well, and to support them to live the lives they want to live.

20. We do this by having the right conversations with people to ensure they receive the right support from the right person at the right time, focussed on three different kinds of need:

    - 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 from 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.

21. The financial pressures facing adult social care nationally are long standing and well publicised. In its October 2020 report the House of Commons Health and Social Care Committee set out the impacts of national adult social care funding shortfalls and called for “an increase in annual funding of £3.9 billion by 2023-24”. In Sheffield the financial pressures impacting on adult social care have previously been defined in two broad 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 - increasing numbers of people are requiring higher levels of support in the community for longer.

22. From 2020 a third financial pressure for adult social care has emerged because of the pandemic. The impact of Covid on Sheffield City Council budgets will exceed £80m in 2020/21 with the direct cost to Adult Social Care budgets estimated at around £13m. These costs include £10.8m additional one-off financial support to ensure continuity of care and stability in the independent sector care market, £2.2m cost of Personal Protective Equipment for adult social care services, and £0.4m on additional staffing to maintain delivery of essential care services. In addition to this around £10m cost is associated with the disruption by Covid to the Adult Social Care change programme.

23. During 2020/21 the Council has received Covid related funding from Government, some of which has been used to partially offset these costs.
    - £51.8m for Sheffield City Council in recognition of the additional Covid costs for adult social care and other council services.
    - Up to around £11m for Sheffield City Council, via the NHS, to support discharge from hospital and to free up hospital beds
    - £11m for Infection Control. This funding was mostly passported directly to independent sector care providers on a pro rata basis in line with Government grant conditions with the remainder used to support providers with additional exceptional costs associated with infection control

24. In recognition of the financial challenges facing local authorities nationally the Government also announced in November the continuation of temporary Social Care Grant into 2021/22 (£3m for Sheffield) and the ability of Councils to raise Council Tax by up to 3% (£6.6m for Sheffield) via the Social Care precept.

25. Notwithstanding this additional funding the overall impact of Covid on the Council's medium term financial plan for adult social care has been to see a sharp increase in the size of the gap between the cost of services and the funding available.

26. The scale of the financial challenge now facing adult social care is more significant than ever. In recognition of this the Council is undertaking a full review of its Adult Social Care operating model and models of care in order to ensure that it is able to meet the financial challenges ahead whilst ensuring that Sheffield people can stay healthy, out of hospital and independently at home for as long as possible.

27. This new transformational plan for Adult Social Care will be structured under three key theme areas – Prevention and Wellbeing, Social Care Operating Model and Models of Care. The current 2021/22 budget proposals set out under these headings are largely a continuation of proposals brought forward for 2020/21 in recognition that planned change in 2020/21 was significantly disrupted by the pandemic emergency.

28. The Council's new plan for Adult Social Care, including a new medium-term financial strategy, will be brought to Cabinet as a dedicated report in 2021 with the aim of establishing a more sustainable future for adult social care in Sheffield.

Improving Outcomes - Prevention

29. The strategic intention of Adult Social Care in Sheffield is to prioritise prevention and individual wellbeing. This means we are increasingly moving our focus to early help and preventative support via universal services, the development of resilient communities, greater use of online resources and faster equipment and adaptations support before people have need for formal adult social care support. This approach to supporting people earlier and in their community, including those with dementia and young people as they prepare for adulthood, is improving outcomes for local people whilst promoting better use of adult social care resources.

Improving Outcomes – Social Care Operating Model

30. The operating model is the means by the which the Council engages with people, their families and their carers as they start to consider the need for social care support, or through their adult social care journey as support plans are updated to reflect changing needs and aspirations. It also describes the way adult social care links to other key partners such as health and the way our back office processes work to support individuals such as the financial assessment process.

31. A continued focus within the plan is to embed the Conversations Count social work practice model. We value people for the strengths and motivations they bring, and work with people of all ages to help them get the best possible life, not the best possible service. A strengths-based approach based on regular high quality conversations with people will focus on enabling people to live with the least restrictive support package around them.

32. Linked to our practice model is the way we work with Health colleagues to support people with health and social care needs. We are continuing to work

with Health colleagues to ensure that the allocation of Continuing Health Care funding in Sheffield is balanced and equitable and that our processes are joined up and ensure the way we work is always person-centred.

33. It is crucial that we ensure people do not have financial worries or concerns about being supported properly, but also that we charge fairly and consistently for social care. 2020/21 has seen a step change in the speed at which we are able to speak to people about their financial contributions and this has meant fewer people getting into debt and worrying about their ability to pay their bills. In 21/22 we will continue to deliver our programme of transformational change to the way we support people to access benefit income, pay their contributions for care and avoid accruing debt. We will also continue to ensure uplifted fee rates, benefit income and capital asset information is used to inform our contribution calculations and we will review the cap on contributions to ensure it is appropriately set.

Improving Outcomes – Models of Care

34. A fundamental part our Adult Social Care strategy is ensuring we are able to give access to modern, high quality care that meets need, delivers value for money and leads to positive outcomes.

35. The Council committed to a strategic review of adult social care in 2020/21 to inform future models of care and associated funding, and whilst the timescales for this review have been impacted by the pandemic emergency, the need for a longer term view of the sector following the impacts of Covid is now greater than ever.

36. The large-scale provision of additional temporary funding to providers affected by Covid is now all but over and 2021/22 will see the rebalancing of the care market. Support arrangements to providers will continue through improvement to payment systems, processes and support, implementation of gross payments to care homes and through continued provision of PPE where required.

37. Improvements to Direct Payments and other operational commissioning approaches will continue into 2021/22 and our Council run Deputyships service will continue to grow.

38. 2020/21 is the last year of the Mental Health Transformation Programme owned jointly by the Council and its Health partners. This programme has been successful in creating a more person-centred focus through the use of a pooled budget arrangement. Subject to national funding arrangements next year a new risk and benefit share will be negotiated with Sheffield CCG for

2021/22 and beyond, linked to a new all age Mental Health Strategy. This programme will have a continued focus on recovery, independence and prevention to deliver improved outcomes for people.

39. In December the NHS announced its next steps for building Integrated Care Systems across England. These arrangements, which at the time of writing are being consulted upon, are intended to support greater collaboration between partners in health and care systems. The Council will contribute to this conversation and be active in steering how these new arrangements take shape at a local level.

40. Closer integration of the system is essential to the delivery of a financially sustainable future and to improving the quality of experience of the thousands of people accessing health and social care services in Sheffield. We remain focused on supporting people to leave hospital as early as possible and enabling as many people as possible to stay at home, avoiding admissions to nursing and residential care where appropriate.

Services in Sheffield's communities

41. Our aim is that Sheffield's communities thrive and are positive places for people to live and be 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.

42. The Covid pandemic required a significant response from Sheffield's communities and the services the Council provides to support them. Workers have been temporarily deployed from other teams in the Council to our Community Response Teams to provide emergency food parcels and to support vulnerable people in our communities who were advised by Government to shield.

43. Emerging from the changes to Community Services as a result of the pandemic emergency the Council is establishing a programme of change to ensure our Community Services are best able to support Sheffield's communities in the future. This programme will include the development of the Council's Youth Services offer; improvements to library services and sustainability; Community safety; relationships with the Voluntary, Community and Faith sector organisations; cohesion strategy; community hub development and a focussed support for Page Hall.

44. In 2021/22 we are committed to continue funding for the core service of Council-run hub libraries, the Home Library service and Central Library but recognise there are ways that libraries can better support the communities

they serve whilst offsetting long term reductions in libraries income by a review of its service offer including job roles, developing use of shared spaces and making commercial use of archive materials.

45. In 2020/21 the city's Youth Services was brought into direct delivery by the Council in order to ensure it continues to be able to meet the needs of young people across Sheffield and is properly integrated into other public services.

46. The Council's Safer Communities teams are also now operationally located within our Communities and Libraries service area.

Cross-portfolio

47. Over 21/22 we will continue to find ways to deliver support to our many front line teams efficiently and effectively as possible. Small reductions will come from the reconfiguration of staff teams, budgets where costs have reduced such as pensions and insurance and from annual inflationary uplifts to service charges to schools.

Public Health

48. Across People Portfolio we continue to deliver our distributed public health model, ensuring that all service delivery is evidence based and meets need. We will continue to 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. The impact of the pandemic will have significant consequences for people's health and wellbeing. As we move forward into recovery we will reflect carefully on the impact and how Public Health resources should be used and allocated in the future.

49. We continue to prioritise working with NHS partners including Sheffield Clinical Commissioning Group, Sheffield Teaching Hospitals, Primary Care Sheffield and Sheffield Children's NHS Foundation Trust to further transform and remodel services including Emotional Wellbeing and Mental Health Services and the 0-19 Healthy Child Programme. The Public Health Grant will continue to fund a range of services provided by the Voluntary, Community and Faith sector working to support the needs of the most vulnerable. This will especially be important during post COVID recovery.

50. Overall, People Portfolio is prioritising through the use of the Public Health grant prevention and early intervention. This is focused on ensuring that older people, adults, children, young people and families are supported to maintain their health and wellbeing.

51. There will also be consideration of the Public Health capacity and workforce in response to the demands and pressure of COVID 19 and in recognition of the importance of Health Protection.

Place

	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Housing General Fund	12,168	(6,982)	5,186
Major Projects	133	(39)	94
Operational Services	119,325	(68,204)	51,121
Culture & Environment	50,516	(13,764)	36,752
City Growth	48,458	(25,188)	23,270
Place Strategy & Change	1,934	(670)	1,264
Transport & Facilities Management	79,707	(66,429)	13,278
	312,241	**(181,276)**	**130,965**

Place Portfolio Revenue Spend Plan

1. We want Sheffield to be a city that has successful places and sustainable communities, with access to high quality housing, local services, shops, and jobs, as well as having excellent parks, streets and other physical infrastructure. Our ambition is that everyone in Sheffield should have a high quality of life, and that people feel proud of where they live.
2. The portfolio works to further develop and strengthen Sheffield's economy by helping existing and new businesses to grow, and provide more, and better, jobs. The successful attraction of Boeing and McLaren to the Advanced Manufacturing Park are two examples of helping businesses thrive. We also recognise the need to develop small businesses (which of course have the potential to grow into larger employers) through initiatives like our Launchpad programme which provides practical technical advice and support.
3. Alongside this, Place will proactively lead the initiatives required to meet the city's housing needs across all sectors and areas. Both of these two priority objectives can only be delivered if the city has an efficient transport infrastructure which supports journeys for work and leisure.
4. The Council's commitment to environmental responsibility is demonstrated by our Green agenda. This includes reducing the carbon footprint of our own activities ; 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. Transport and Sustainability priorities will be further aligned through plans to improve air quality. Our Parks and Countryside service works to preserve and develop Sheffield's woodlands which hold approximately 2.1 million trees and the recently developed Street Tree Strategy that has been co-produced with partners reaffirms our commitment to see trees as assets in the city for future generations.
5. We also want to continue to offer a vibrant mix of cultural, leisure and sporting facilities and events. This includes staging and hosting events supporting cultural venues such as the Sheffield Theatres – the Crucible, Studio and the Lyceum; Sheffield Museums – Millennium Gallery, Weston Park Museum, and Graves Gallery; as well as major sporting and cultural facilities, such as the Arena, Ponds Forge and the City Hall. The city is one of the greenest in the country with extensive local parks and the Better Parks strategy will strengthen this in the future.
6. We want to create new and improved existing public spaces and buildings so that they are safe and welcoming for businesses and people to use, for

example our improvements to the Moor pedestrian area and creating a pedestrian area around the University of Sheffield campus and West Bar. Much of our work in this area relies on large one-off project funding, and large scale projects, such as the Future High Street Fund and Heart of the City (formerly the Sheffield Retail Quarter), will continue to transform the city over the next few years - the new Grosvenor House, home to HSBC and CMS along with Marmadukes, Weekday and Monki at Moorhead is one tangible example of this. We are also incorporating the city's heritage within the design for the City Centre. Construction work adjacent to this building is well underway to develop the next phases of this project and we are looking forward to welcoming Radisson Blu to the city as part of this. Construction work to improve the public realm has also begun to encourage the regeneration of the Castlegate area.

7. 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. This is also leading to regeneration of the wider area around the park as shown by the opening of the National Centre of Excellence for Food Engineering, developed by Sheffield Hallam University.

8. We will work with partners to make our neighbourhoods safe and easy to move around, through delivering our Streets Ahead scheme to improve our roads and pavement and keep them in good condition. We also want people to be able to choose how they travel about the city, whether by bus, tram, cycling or walking.

9. We need to maintain our parks, sports and leisure facilities to encourage people to use and enjoy them, and keep the streets clean by collecting and processing the city's waste and recycling, whilst continuing to review the affordability and costs of all of our strategic contracts. As well as making Sheffield a better place to live in, all of these help to promote the health of the people of Sheffield as part of our responsibilities for Public Health. We have dedicated teams running weight management, smoking cessation and campaigns against illicit alcohol and tobacco supplies. We also want communities to be better able to help themselves and for people to have a say over what happens in their local area.

10. As a local authority, we also provide a number of other public protection services that are required by law. These include planning, environmental health, pest control, trading standards and health protection services, as well as the coronial and bereavement services for the city.

11. The portfolio spends around £425m per year providing these services. This is funded by the Housing Revenue Account, external income and recharging

internal services for those activities Place provides as the professional expert of the Council e.g. project management. The remainder (approximately £130m comes from the Council's General Fund. Of this support, around (75%) is expended on four key areas – the Streets Ahead and Waste Management contracts and payments to the South Yorkshire Passenger Transport Executive (for the provision of transport interchanges, concessionary fare schemes and tendered bus services), and the provision Leisure and entertainment facilities via the Sheffield City Trust .

12. The remaining amount of around £33m supports the rest of the vast range of services which Place provides. We spend approximately £159m providing these services and the gap is made up by charging the (internal and external) users for the service.

13. In 2021/22, we propose to implement mitigations of £4.6 million to meet the reduced central government funding, inflationary and demand pressures.

14. As a result of COVID, we will continue to plan for the impact that COVID has had, and will continue to have, on our budget as we could see a further drop in external income and an increase in costs that are associated with keeping the city safe and protecting the citizens of Sheffield from the impacts of the pandemic. One of the significant impacts of the pandemic has been on the leisure sector and as a consequence, the Council is working with its' leisure partners to ensure that the services they provide can be sustainably delivered not only during the pandemic but in the longer term future. The projected cost pressure of this in 21/22 is £12 million.

15. Not only do we need to reduce how much we spend; we need to do it quickly. The level and pace of change isn't easy so we will make sure that we keep a close eye on how any changes affect different groups of people in the city.

16. A key part of this strategy is to improve our use of resources, by seeking new business models, streamlining processes and raising productivity, either through using less, or releasing resource, to earn additional income through the services we provide to business and residents. Through this programme we aim to preserve public facing services, without reducing service standards.

17. We will be seeking to drive additional value from our key contracts and our external partners who operate as trusts providing services once delivered by the Council.

18. Given the importance of income from external users of our services, we are proposing to review delivery models to ensure we recover the full cost of providing these services and reflecting the inflationary pressures the Council faces. Charges that do increase will be benchmarked against market rates.

Resources

	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Business Change & Information Solutions	17,608	(2,626)	14,982
Contract Rebates & Discounts	0	(451)	(451)
Customer Services	6,535	(1,577)	4,958
Finance & Commercial Services	42,763	(26,901)	15,862
Human Resources	6,781	(1,384)	5,397
Legal & Governance	7,696	(3,536)	4,160
Resources Management & Planning	262	0	262
	81,645	(36,475)	45,170
Central Costs	15,483	(20,107)	(4,624)
Other Central Costs - Capita	2,667	0	2,667
Housing Benefit	179,465	(179,309)	156
	197,615	(199,416)	(1,801)
	279,260	**(235,891)**	**43,369**

Resources Portfolio Revenue Spend Plan

1. 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.

2. The Council is, a large and complex organisation; 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.

3. The Resources portfolios can help deliver savings across the Council by changing the way the Council works. In 2021/22 directors from these portfolios will continue to lead five broadly themed 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.

4. Resources portfolio has just completed a major change project insourcing 250 locally based staff employed by the previous contractor to deliver ICT and Revenues and Benefits services. The focus for 2021/22 will be ensuring these services have an efficient and effective operating model, that meets the needs of the Council.

5. For 2021/22, additional ICT pressures have been identified largely because of the Covid-19 pandemic. The rapid roll-out of new ICT solutions to enable staff to work from home where possible has put pressure on the Resources Portfolio budget which will require additional support to be drawn from the General Fund budget.

6. 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 as they provide necessary services Council departments, such as Legal Services. The Resources Portfolio Leadership Team has concluded that it would be high risk to reduce the net budgets of those services much further by assuming additional speculative income.

Policy, Performance & Communications

	Gross Expenditure £'000	Income £'000	Net Expenditure £'000
Policy, Performance & Communications	5,076	(2,606)	2,470
Public Health (PPC)	1,488	(1,623)	(135)
	6,564	**(4,229)**	**2,335**

Policy, Performance and Communications Portfolio Revenue Spend Plan

1. 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.
2. 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.
3. 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.

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 Officer (the Executive Director of Resources) to present to the authority a report assessing the adequacy of unallocated reserves in the context of corporate and financial risks facing the Council and in determining council tax levels.
2. The Council 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.
3. This Reserves Strategy therefore needs to be considered and agreed by the Council in setting its 2021/22 budget, capital programme and council tax.
4. This assessment of reserves is even more important in the context of the pressures faced by the Council in relation to the Covid-19 pandemic and the continuing rise in Social Care costs. In addition, there is pressure on the capital programme and ultimately any deficit on the programme would have to be charged to revenue reserves.
5. Reserves can be used temporarily to fund services, and this approach is reviewed as part of the budget strategy. However:
    - they 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 and emergencies (e.g. the 2019 floods) 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).
    - they may be suitable to cover Covid pressures in some circumstances; but an estimate of whether these pressures are likely to recede or reoccur has to be made.
6. Our reserve strategy is a living document. The Council continually assesses its reserves position, balancing the need to retain sufficient reserves to meet future risks, with a plan to utilise any reserves that are not needed.

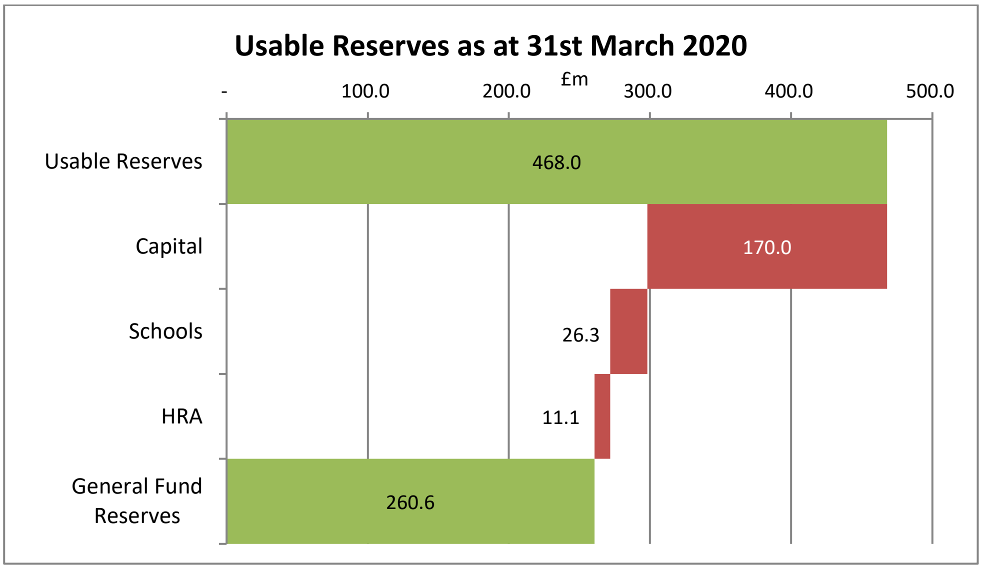
Total Reserves

7. The Council's Statement of Accounts for 2019-20 shows a figure for "usable" reserves in the balance sheet at page 23 of £468.0m as at 31st March 2020. However, this figure is a technical accounting one and is not relevant for the purposes of setting the General Fund revenue budget.

8. The Council's total spending and reserves is legally separated in to four main blocks:

   - Capital - committed to funding schemes planned over a number of years, e.g. highways, major repairs or rebuilding;
   - Schools - held in trust and only usable for schools spending;
   - Housing Revenue Account (HRA) - spend on council housing, funded by rents;
   - General Fund - spend on all other services not in the above three categories, funded from government grants, the local share of business rates and council tax.

9. For the purposes of setting the budget and this reserves strategy, £207.4m of the "usable reserves" are irrelevant as below:



10. This leaves around £260.6m of General Fund reserves as at 31st March 2020. However, as part of the assessment of the adequacy of reserves referred to above, a number of reserves are "earmarked" i.e. committed to cover liabilities for expenditure which is already committed but not yet paid for.

Estimate of reserves going forward

11. The table below highlights the split of earmarked and non-earmarked reserves forecast at 31st March 2021 and 31st March 2022.

12. Of the £296.4m total reserves forecast as at 31 March 2021, all but £13.2m is set aside as earmarked reserves for future liabilities.

13. Reserves levels are planned to decrease by £57.3m during 2021/22. Whilst this looks a large figure this is primarily due to a £55.4m reduction in the Collection Fund Reserve for the retail discount grant from Government that was carried forward at year end to be spent in 2021/22. A further £7.8m is due to planned re-payments in relation to PFI and Major Sporting Facilities.

Estimate of reserves at 31 March 2021 & 31 March 2022

Description	Balance at 31/03/21 £000	*Movement in 2021/22 £000*	Balance at 31/03/22 £000
Non-earmarked Reserves			
General Fund Reserve	13,150	0	13,150
	13,150	**0**	**13,150**
Earmarked Reserves			
PFI Reserve	30,731	(2,358)	28,373
Highways PFI Reserve	1,715	(1,474)	241
Total PFI Reserve	**32,446**	**(3,832)**	**28,614**
Invest to Save	**8,276**	**1,408**	**9,684**
Insurance Fund Reserve	**10,352**	**0**	**10,352**
New Homes Bonus	**19,019**	**0**	**19,019**
Major Sporting Facilities	**23,872**	**(3,999)**	**19,873**
Collection Fund	**74,911**	**(55,351)**	**19,560**
Public Health	**(0)**	**0**	**(0)**
Service Area Reserves	**19,120**	**500**	**19,620**
Other earmarked	**95,254**	**3,934**	**99,188**
Total Earmarked Reserves	**283,251**	**(57,341)**	**225,910**
Total Revenue Reserves	**296,401**	**(57,341)**	**239,060**

General (non-earmarked) revenue reserves

14. The purpose of general revenue reserves is to provide funding for any unforeseen risks and expenditure which may arise during the year. The Council will always need a minimum level of emergency reserves. A good example being the Sheffield floods in 2007 and 2019, when we had to use reserves to fund spending on the recovery operation before reclaiming costs from insurance or the Government. Finally, cash backed reserves and other working capital generate interest which is used in the funding of the budget.

15. Non-earmarked General Fund Reserves are estimated to be £13.2m at 31 March 2021, representing 3.6% of the 2021/22 budget (at the maximum net budget requirement of £365.8m).

16. 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…"

17. Sheffield's forecast level of General Fund reserves as at 31 March 2021 meets this benchmark.

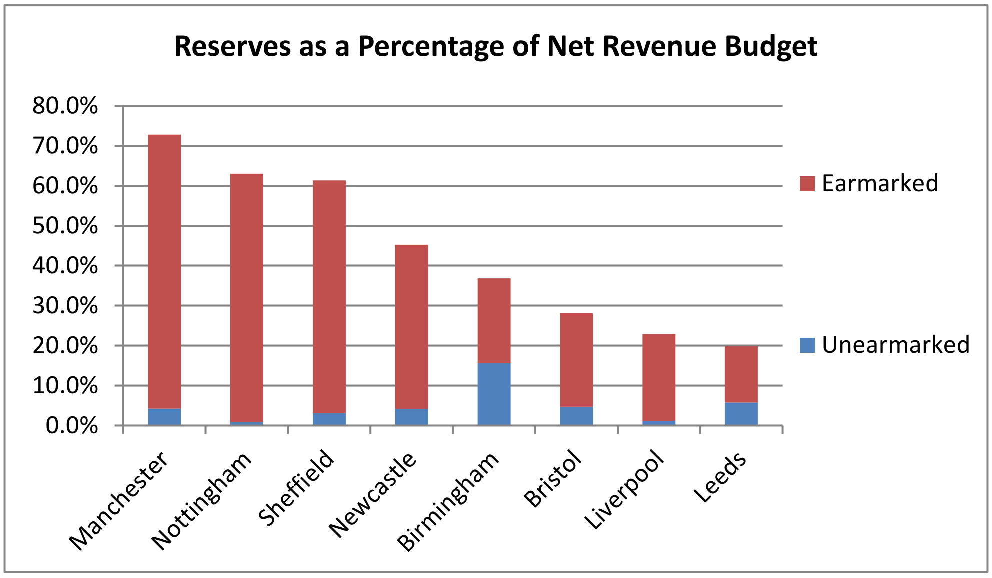
18. The table below shows that Sheffield had a relatively low level of General Fund reserves as at 31 March 2020 as a percentage of its 2020/21 net revenue budget when compared to similar councils.

	Unearmarked Reserves at 31/3/20, (£m) *	Unearmarked Reserves as % of Net Revenue Budget 2020/21, (£m) **
Birmingham	141.7	15.6%
Leeds	31.5	5.7%
Bristol	17.0	4.7%
Manchester	21.4	4.2%
Newcastle	10.1	4.2%
Sheffield	13.2	3.1%
Liverpool	5.7	1.2%
Nottingham	2.2	0.9%

* Based on 2019-20 Statement of Accounts

** Based on 2020-21 RA data

19. The graph below shows a comparison of both earmarked and un-earmarked reserves as a percentage of Net Revenue Budget in relation to other major cities for the same period;



N.B Reserve levels based on 2019-20 Statement of Accounts and NRB based on 2020-21 RA data

<u>Earmarked Reserves</u>

20. A list of earmarked reserves, their purpose and proposed use are set out below. Figures in brackets represent their anticipated balance at 31/3/21.

21. 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.

Private Finance Initiative (PFI) Reserve (£32.4m)

22. 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 these sums aside in a reserve until they are 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.

23. The PFI reserve balance is forecast at £32.4m as at 31st March 2021 and is expected to reduce by £3.8m over the course of 2021/22 in line with the established PFI spend profile.

Invest to Save Projects (£8.3m)

24. The Council's Modern and Efficient Council programme has delivered a number of core infrastructure and business transformation projects that are essential to the future success of the Council's business operations. The ongoing successes of these programmes have delivered in excess of £10.6m of permanent savings, which have been used to help offset budget pressures over the last few years.

25. Following this success, the Council is launching a number of new initiatives aimed at delivering significant long-term savings as a result of some upfront developmental investment.

Insurance Fund (£10.4m)

26. 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.

New Homes Bonus (£19.0m)

27. The Government pays all Councils the 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 Corporate Investment Fund.

Major Sporting Facilities (MSF) (£23.9m)

28. The remaining funds are required for the future costs of the Major Sporting Facilities debt (Ponds Forge, Hillsborough Leisure Centre, etc.). £4.0m will be used in 2021/22 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.

Collection Fund (£74.9m)

29. This reserve is required to cover potential reductions in Business Rates and Council Tax income. £55.4m of this is expected to be carried forward on the 31st March 2021 for the grant supplied by Government for business retail discounts. This is required for use in 2021/22 to cover the collection fund deficit carried forward from 2020/21 to 2021/22. This is expected to be a one off due to the complexity of the accounting requirements instructed by Government in relation to Covid related grants.

Service Area Reserves (£19.1m)

30. 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.

Other Earmarked Reserves (£95.3m)

31. This includes various specific earmarked reserves including:

- pension deficit payments;
- children's and adults social care;
- redundancies;
- contingencies for potential budget deficits, including interest rate risk;

Assessment of levels of reserves

32. The Section 151 officer has carried out an assessment of the adequacy of the level of reserves held by the Council 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.

33. The Executive Director of Resources recommended during the 2021/22 budget process that:

- The General Fund Balance be maintained at around £13.2m, 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.
- There are currently significant external risks to Local Authorities budgets, covered in greater detail elsewhere, but those that were already a significant ongoing risk, for example, the cost pressures in social care have been exacerbated by the Covid pandemic.
- The pandemic has also brought significant other risks, such as the short and long-term impacts on the collection fund due to Business Rates pressures. Earmarked reserves may have to be bolstered where possible to mitigate these risks.
- The position is not yet critical, but stringent monitoring will be essential to ensure that reserve levels are adequate to cover future expected pressures in the medium term.

Corporate Financial Risk Register as at 1st April 2021

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2021/22 and beyond. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

2. In addition to the risks discussed below, there are a range of broader service-related risks presented by the Covid-19 pandemic and by the UK leaving the EU. These risks are managed through corporate and service risk frameworks, so are not discussed in this appendix, except as relevant to the financial risks below.

Corporate Risks

Business Rates

3. Business owners can appeal against the rateable value of any hereditament, which, if successful, would ultimately reduce the Council's tax take. To protect the revenue budget from loss of income, the Council will take prudent provisions to cover lost income because of appeals.

4. The appeals process following the 2017 Revaluation has also changed and is now known as Check, Challenge, Appeal. The aim is to reduce the number of spurious and speculative appeals and reduce the time taken to process genuine appeals.

5. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG[1] for September 2020 show that there were only 120 checks outstanding for Sheffield and 410 challenges outstanding. A review of the appeals provision has been conducted to ensure that it remains adequate to cover all outstanding checks and challenges.

6. There has been a long-mooted change in the retention regime, allowing authorities to retain 75% rather than 50% of business rates income. This was expected to begin in 2020/21, though was delayed due to a turbulent political landscape even before the Covid-19 pandemic.

7. As such, the current assumption is that this will not begin before 2022/23. At that point, this transfers more risk to the Council as the planning assumption is that any increased tax take will be matched by a reduction in grant income elsewhere.

8. The impact of the Covid-19 pandemic on business rates is not yet easy to determine. The likely impacts seem to be a loss of retail footfall, causing appeals against rateable values, and increased business failure and empty properties.

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[1] Available here - https://www.gov.uk/government/statistics/non-domestic-rating-challenges-and-changes-2017-and-2010-rating-lists-september-2020

9. This is a complex legal and economic issue and no formal updates have been published in time for 2021/22 budget setting. Individual appeals will be settled by the VOA on individual merits, and it may be some time before a city-wide picture emerges. In the annual assessment of business rates tax base for 2021/22, the Council has taken prudent assessments of how these factors may influence the 2021/22 tax take.

10. 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 and will require close monitoring and a focus on supporting the local economy through recovery from the pandemic to protect our income and on delivering outcomes jointly with other public sector bodies and partners.

Medium Term Financial Analysis

11. On 21st October 2020, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Analysis (MTFA) 2021/22 to 2024/25[2]. This report provided 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.

12. Over the next 4 years, the Council has predicted a cumulative budget gap of £71.7m.

13. In the absence of further government support, the Council will need to deliver significant savings over the coming years to balance the budget. This gap cannot be met from reserves alone.

14. The Council undertakes an ongoing business planning process to identify mitigations to these pressures and develop demand management strategies.

Future Funding Uncertainty

15. The Government is currently reviewing the basis on which funding is distributed to local authorities (Fair Funding Review (FFR)). This was initially contemporaneous with the introduction of 75% retention of business rates described above, the wider Spending Review, and allocating budgets to central Government departments. However, the FFR has been subject to considerable delay. It is now the Government's intention to implement the FFR and other funding reforms in 2022-23, but it is far from certain that they will be able to do so.

16. There is a potential risk of net loss in terms of revenue funding, either in terms of how funding is distributed within the system or the amount of funding being distributed by whatever mechanism. Any loss would have an immediate impact on service delivery and financial sustainability and creates uncertainty for business planning.

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[2] October 2020 Cabinet Meeting

17. In November 2020, the Chancellor delivered the 2020 Spending Review, setting out plans for Government spending for 2021/22 only. Financial planning for 2022/23 and beyond is currently proceeding on uncertain and cautious footing, especially considering the Covid-19 pandemic. Late announcements of temporary, one-off funding do not create a safe foundation for business planning.

18. The current situation is being closely monitored by business planning functions and the Strategic Finance team. These teams can respond quickly to consultations and communicate with colleagues in other authorities our position, to argue for a fair financial settlement and to formulate a sustainable plan for future years. The overriding planning assumption is that it will be fiscally neutral.

Implementation of Savings Proposals

19. The MTFA described the budget gap before savings as £108m over four years, of which £88m relates to Social Care.

20. The risks in delivering savings in all areas is considerable given the increasing demand pressures and the levels of savings that have been achieved in previous years. The risk is that non-delivery of budgeted savings will create a threat to the medium-term financial sustainability of the Council.

21. To mitigate this, officers are working on the safe and legal implementation of budget proposals by:

    a) Ensuring that there is a clear understanding of the impact of proposals on different groups and communities, including undertaking Equality Impact Assessments for budget proposals and these are discussed with Cabinet Members.

    b) Carrying out appropriate and meaningful consultation with affected communities and stakeholders, and where the proposal impacts on a supplier or provider, that they undertake appropriate consultation and equalities work with service users; and

    c) Discussing budget proposals with the affected members of staff in advance of them being made public and putting in place Managing Employee Reductions (MER) processes where required, in consultation with Human Resources (HR).

External Funding

22. The Council utilises many grant funding sources, for example, Government Departments, Sheffield City Region Mayoral Combined Authority and historically the EU.

23. Delivering projects that are grant funded usually have an element of risk (claw back), where agreed terms and conditions are not stringently adhered to and evidenced. 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.

24. As SCC funding reduces, portfolios are increasingly seeking out new sources of external funding, both capital and revenue.

25. Historically, EU funding grant agreements have more intricate and detailed conditions, requiring greater evidence to substantiate expenditure claims and are less flexible on timescales and output delivery targets. This increased the inherent risk in projects and the risk was further exacerbated as the Council's resources reduced. A combination of fewer officers with less experience, increased the risk of non-compliance. Exposing the Authority to potential financial claw back by the Funder.

26. The result of the UK leaving the EU does not in the short term change the risk profile of EU grants.

27. During the Covid-19 crisis the government issued a high number of new and material grants. They usually required quick turnaround times between offer, acceptance, and receipt, and often required prompt approval with conditions absorbed. Additional reporting requirements was sometimes required on several of the grants.

28. In the dynamic and demand led landscape of external funding, the risks and workloads associated with grant management has increased and SCC is having to be flexible in managing these workloads whilst complying with Funder requirements.

Taxation

29. 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.

30. 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 2 (HoC2) 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 would 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.

31. 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 the limit and to inform decision-making on future projects being undertaken by the Authority.

32. 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.

Sheffield City Trust

33. Sheffield City Trust (SCT) was set up in 1987 to oversee running the City's sport and leisure facilities, linked to the Major Sporting Facilities (MSF) that were built for the 1991 World Student Games. The MSF are Ponds Forge, Hillsborough Leisure Centre, and the FlyDSA Arena.

34. SCT manage all the facilities through several separate contracts, including a shortfall agreement on the MSF venues. In addition, the Council has, for many years, also provided a Letter of Support to SCT as part of the annual audit process. This letter allows SCT's auditors to sign the accounts on a "going concern" basis. The letter requires the Council to provide short term cash flow support should it be required to enable SCT to meet its financial obligations.

35. The Council has faced 10 years of austerity, with significant funding cuts and a consequent increase in the maintenance backlog across the Council's asset base, including the Council-owned facilities that are leased to SCT. In 2018, a 6-year business plan was received from SCT that proposed a zero subsidy by 2019/20. This proposal was agreed by the Council but has not been achieved to date by SCT. This has resulted in significant pressures on the SCT reserves/ cash balances.

36. The Covid-19 pandemic has significantly reduced SCTs income streams as many of its facilities have been closed for long periods. Consequently, additional financial subsidy has been provided by the Council.

37. The existing relationship with SCT may naturally come to an end in 2024 with the end of the MSF debt. However, the process is not simple with several transactions relating to the Bond, Leases and Tax that will need to be carefully managed.

38. Consequently, there are several risks around the future financial position of SCT, and around the level of funding required to support future sporting and leisure facilities within the City. These risks will be considered and mitigated by longer-term planning. Work is now at an advanced stage in developing this longer-term leisure and entertainment strategy which is planned to be reported to Cabinet during 2021.

Treasury Management and Capital Financing Costs

39. 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 caused by the UK leaving the European Union (EU) and Covid-19. 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.

40. 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.

41. Counterparty risk continues to diminish 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 EU has the potential to intensify these risks creating 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 a substantial proportion of surplus cash in AAA-rated, highly diversified, and liquid funds and the remainder with counterparties with investment grade ratings.

42. As part of the 2021/22 budget process, SCC are developing 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 is needed whilst the uncertainties created by the exit from the EU and Covid-19 are resolved and the level of market volatility returns to normal levels.

43. Given the profound nature of these influences, we will continue to review our Treasury Management and Annual Investment Strategies during 2021/22 to ensure we can respond appropriately to market volatility.

44. The Council is also actively managing its longer term need for cash. Cash flow requirements indicates that the Council will require new borrowing in the coming years to finance capital investment (current, future, and past unfunded expenditure). This is intensified by the size and timing of the investment requirement arising from the development of the HoC2 project and the timing of any divestment. Added to this are the uncertainties caused by the UK's exit from the EU. This will require the Council to remain vigilant to interest-rate risk and draw down loans, in a timely manner, to militate against borrowing costs rising above our target rates.

45. IFRS 9 introduced a new expected credit loss model which broadened the range of information the Council is required to consider when determining its expectations in terms of credit losses; and resulted in an increased level of provision. On the positive side, when making new loans to third parties, the new expected credit loss model ensures the Council undertakes effective due diligence and understands the potential financial implications at the outset of the loan and annually thereafter.

Welfare Reforms including Universal Credit

46. 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.

47. 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.

48. 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 (HRA) 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 2021/22. However, impacts are uncertain at present as there is limited data available therefore estimates will be reviewed as we learn from the roll out.

49. 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. 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.

50. 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

Education Funding

51. 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 SCC to fund central services. Academies can on conversion choose whether to buy into those services thus creating a potential funding gap. In 2021/22 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.

52. 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 2021/22 this cost to the Council is estimated at around £500k and remains a risk for any future conversions, especially with the continuation of the academy conversion programme.

53. As part of transition to a National Funding Formula, all school funding allocations will be directly managed by the Education Funding Agency. Sheffield Schools Forum is expected to review and approve all previously centrally held allocations, subject to a limitation of no new commitments or increase in expenditure over the next two years.

54. These historical commitments are now part of a central school block and Schools Forum approval is required each year to confirm the amounts on each line. Expenditure in centrally held funding amounts to around £7m. The funding announcements for 2021/22 have confirmed that the central school block will reduce by £950k for Sheffield and is likely to continue to reduce over the next few years.

Children's Social Care

55. There continues to be an increase in demand and costs for services for children's social care both in terms of placement costs, fieldwork costs and support costs.

56. The Covid-19 pandemic will impact on unemployment, family debt and lead to more domestic violence, substance misuse, and emotional and mental health. Post pandemic increase in demand is already being evidenced across Children and Families services.

57. There are several ongoing transformational projects 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.

Special Educational Needs and Disabilities (SEND)

58. There continues to be an increase in demand/ costs for children with special educational needs and disabilities. This includes increasing demand for Special School Autistic Spectrum Disorder (ASD) places and pressures on mainstream schools to support increasingly complex needs, with increasing statutory assessment pressure reforms.

59. The Government has announced additional DSG of £9m for High Needs Funding and there are several ongoing transformational projects to manage increasing demand and costs within available resources. Delivery of these programmes is contingent upon cross service, cross portfolio and cross partnership working with Health and Schools.

People Risks – Adult Social Care

60. In 2021/22 we have a significant partnership arrangement with the Clinical Commissioning Group (CCG), which includes various funding streams for core services in Adult Social Care. There is a risk that the funding streams are not sustainable long term, leaving the delivery of core services at risk, should the funding cease.

61. The impact of the Covid-19 pandemic on Adult Social Care has meant additional one-off financial support to ensure continuity of care and stability in the independent sector care market, disruption to the Adult Social Care change programme, additional cost of Personal Protective Equipment for adult social care services, and additional staffing to maintain delivery of essential care services.

62. As a result of the financial challenges facing local authorities, in November 2020 the Government announced the continuation of a temporary Social Care Grant in 2021/22 along with £4.9m of additional funding for Sheffield. The announcement also allows SCC to raise Council Tax by up to 3%, via a Social Care precept. Notwithstanding this additional funding, the overall impact of Covid-19 on the Council's medium term financial plan for adult social care is a sharp increase in the gap between the cost of services and the funding available.

63. In recognition of the gap, the Council is undertaking a full review of its Adult Social Care Improvement Plan in 2021/22 to ensure that it can meet the financial challenges ahead. Measures have been put in place to address the budget gap on all Adult Social Care purchasing (Older People, Physical Disabilities and Learning Disabilities), however, continued demand pressures increasingly affect the balance of the budget. Demand management plans within service should address some of the continued pull-on resources and potentially redress some of the continued increases.

64. The higher National Living Wage threshold has the potential to increase costs of externally procured services over and above that assumed in the pressures calculated during business planning. This places an additional pressure on all delivery of Adult Social Care and could impact on clients in terms of their contributions.

65. For 2021/22 there is a risk that providers will seek to increase their fees above the level of pressure that the Council has allowed, which could increase the potential overspend beyond that created by the additional increase to National Living Wage.

Place Portfolio Risks

Revenue Budget savings

66. The Place budget comprises of five significant contractual commitments - Streets Ahead programme, Waste Management, the South Yorkshire Passenger Transport Levy, repayment of MSF debt and the Private Finance Initiative costs of some buildings. Together they absorb a major part of the Portfolio's General Fund support.

67. The Portfolio cannot meet projected reductions in local authority funding by only reducing costs in the services that share the 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 the first three of these contracts to preserve the other services. The direct PFI cost is fixed and cannot be reduced without buying out the provider. However, refinancing options are now being investigated to deliver savings.

68. The South Yorkshire Transport Levy and Waste Management contracts have been successfully reduced in previous years. Officers continue to review the opportunities to realise further benefits from the Streets Ahead contract and this forms a significant part of the future cost reduction plans.

69. The Portfolio has also developed further strategic interventions planned over the next four years, including reducing the level of support to Sports Trusts and has embarked on the Place Change Programme. The Programme reviews all the other services seeking a business-like approach to service delivery to maximise efficient and effective delivery, whilst understanding the full cost of operational decisions. This knowledge can then be used to set fees and charges to recover the full cost of the service.

70. 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 dependent on the performance of the Council's partners, the outcome of Leisure strategy project, and the general leisure market conditions. This is proving to be very challenging with the impact of the Covid-19 pandemic not yet realised. It is being carefully monitored.

71. The portfolio's future financial strategy is to reduce its dependence on General Fund support by replacing it with funding from third parties or fees and charges. Raising additional income will be dependent on the performance of the overall economy, post Covid-19, and the competitive position of the services in the marketplace.

72. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience 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.

73. Furthermore, the Council has agreed several contingent liabilities relating to developments within the city centre. If these were to crystallise there would be an immediate Revenue and Capital Budget impact.

Housing Revenue Account

74. 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 UC 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 interest rates have always been recognised as a risk to the HRA. Managed via SCC'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 and increases in construction costs due to inflation.

Capital Programme Risks

Project Cost Control

75. 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, 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

76. There is a risk to delivering the full scope of major schemes 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 Community Infrastructure Levy, which along with capital receipts, form a key element of the Corporate Investment Fund. Any reduction in these funding streams will limit the Council's investment capacity.

77. The New Homes Bonus funding (Government funding to incentivise house building) will not continue beyond 2021/22. This will be the final set of allocations under the current approach, and the proposal is that year 11 payments will not attract new legacy commitments in future years. This funding stream was a key element of the Corporate Investment Fund and could negatively impact on the council's investment capacity.

Heart of the City 2 (formerly Sheffield Retail Quarter)

78. The delivery of the remainder of the HoC2 programme is now on an incremental measured block by block basis, working within the approved masterplan, which is being delivered comprehensively over time by a combination of commercial developers and the Council. This approach mitigates the Council's risk and financial exposure and delivers momentum.

79. The Council has committed significant funding for the delivery of the HoC2. This is made up of several phases:

Block	Committed Capital budget £m	Development Stage	Risk Position
Enabling Costs	77	Sunk site wide acquisition and feasibility cost and ongoing programme management	Capitalised interest costs vary with remaining program length.
D	97	Construction complete, 90% let	Letting of vacant units impacted by Covid-19. Longer term vacant property risk on the office and on a more periodic basis for retail, food and beverage units created as shorter leases expire.
G1	3	Fully let subject to completion of tenants works	Minimal risk that operator will not complete works.
F	1	Site sold for development	None
B	20	In construction, no pre-lets	Some construction risk due to Covid-19 impact, but development well progressed. Letting risk for the Office, Residential and Retail space being created.
C	21	In construction, no pre-lets	Some construction risk especially with retained facade and due to Covid-19 but development quite well progressed. Letting risk for the Office and Retail space being created.
A	47	Pre-construction, Hotel anchor tenant selected	Construction price risk until contractor secured and prices fixed. Hotel occupancy risk remains with the Council. Letting risk on remainder of retail and leisure units
H	61	Construction about to commence. Food hall operator secured	Letting risk for the Office, and remaining leisure/retail spaces being created.
H1	9	Stabilisation works in progress. Leah's yard operator secured	Let on a largely turnover rent basis so occupancy risk remains with the Council.
E	5	Retail units striped out, Car Park cladding replacement in progress	Some construction risk due to emerging condition of building. Letting risk for the leisure/retail spaces being created.
G	5	SCC part of site at design stage, remainder to be	Construction risk on "Pocket park" being developed by SCC.

		offered for sale for commercial development	Risk on sale value on remainder of plot and future income generation from private development.
I (JLP)	21	New lease entered. Refurbishment programme to be agreed	Covid-19 could impact on JLP viability and put store refurbishment at risk. Let on a turnover rent basis so future store performance risk remains with the Council.
Totals	367		

80. 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 and to reflect on Council priorities such as the Climate Emergency.

81. Creating confidence in the City through the successful delivery and letting of the early phases, stimulates more market interest in the later phases and hence third-party development is being pursued for some blocks.

82. 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 (Tax Incremental financing (TIF)). The financing costs are being capitalised while the scheme is in development.

83. A programme of development of this size carries significant levels of risk across several 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 longer-term effects of Covid-19. However, it should be borne in mind that the next 2 major sites to be delivered will not be complete for more than 2 years and so it is hoped that there will be some degree of economic recovery by then.

84. 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 the 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. The final fit-out phases of the elements of buildings could be delayed as required to meet market demand if necessary.

Schools' Expansion programme

85. In February 2016, Cabinet approved a report setting out the need to provide additional Primary, Secondary and Sixth Form school places. The clear need for places required the Council to commit funds ahead of the annual capital Basic Need grant allocation from Central Government. 2019/20 year end the total value of council funds utilised was £6m. Following the announcement of the 2021/22 Basic Need allocations this position was expected to reduce to £3.8m at the end of 2021/22, with final repayment of council funds being dependent on funding allocated for 2022/23 and beyond.

86. During 2020/21 additional Secondary school place pressures were identified in the South West of the City. After negotiations with the Department for Education (DfE), SCC were advanced £14.67m of future years' Basic Need allocations to address the issue.

87. This funding advance means that £7.75m of council funds will be repaid to corporate resources this year. Current estimates indicate that the additional places required should be delivered at a cost below the level of funding received, leaving some scope to address other known pressures in the system.

88. There is still significant work still to be done to firm up the costs and delivery mechanism of the new places and the level of advanced funding received will impact upon SCCs future grant allocations. While the current situation mitigates the previous risk of council funds not being recovered, careful monitoring of this situation will be required to provide early warning of any further pressures.

89. There is significant backlog in building condition issues across the school estate, which means any capital grant funding allocated through the School Condition capital grant Allocation (SCA) is already committed to essential building maintenance programmes. There is also an outstanding pressure on Specialist Education provision where we are awaiting further capital grant to support necessary expansions to accommodate current demand.

90. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against the DfE schools building standards guidance and matching the provision of some 16–18 year-old places to demand.

91. The Council has a statutory duty providing sufficient pupil places across both mainstream and specialist provision. The need for places is under constant review to monitor population growth and migration patterns.

Appendix 6 (the Council tax Determination) will be completed following formal approval of Parish and Preceptor Council Tax Levels for 2021/22, and will appear here.

Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and the Annual Ethical Investment Strategy for 2021/22

Executive Summary

Introduction

Treasury Management fulfils several key roles that link the Revenue Budget and the Capital Programme. In line with the CIPFA definition of Treasury Management, these roles include:

- ensuring that cash flow is adequately planned for and cash is available when needed
- investing surplus funds in line with the authority's risk appetite
- the funding of the Council's capital programme
- the effective control of the risks associated with those activities

The 2021/22 Treasury Management Strategy Statement (TMSS)

In Section 2, we highlight that the TMSS covers both capital issues and treasury management issues as required by the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

This section also reports on the Council's response to requirements under the above codes in relation to training and the use of Treasury Management Consultants.

Capital Prudential Indicators

In Section 3, we discuss that 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 *Capital Prudential Indicators*, which are designed to assist members' overview and confirm capital expenditure plans.

The Council's Borrowing Need (Capital Financing Requirement)

In Section 4, we explain that the Council's Capital Financing Requirement (CFR), the second Prudential Indicator, is the total historic capital expenditure that has not yet been paid for; either from revenue or capital resources and is a measure of the Council's underlying need for borrowing.

Any new capital expenditure not immediately paid for, from grants, capital receipts or revenue contributions, will increase the Council's overall CFR.

The Council's CFR is expected to steadily increase over the next few years based on the Council's capital investment plans; moving from £1.5bn in 2018/19 to £1.6bn in 2023/24.

Minimum Revenue Provision

Section 5 sets out its Minimum Revenue Provision (MRP) policy for the 2021/22 financial year, which outlines how the Council will set aside some of its revenue resources as a provision for reducing the underlying need to borrow (as identified by the CFR). The core requirement is that:

- The Council has an approved policy for calculating MRP (this policy)
- The Council sets aside an amount which is deems to be prudent, having regard to MHCLG's statutory guidance.

The MRP policy for 2021/22 is unchanged from 2020/21. Changes under Accounting Standard IFRS16 to show principal elements of leases as MRP have been delayed until April 22.

Application of Resources

Section 6 outlines how the Council uses resources other than borrowing temporarily to finance capital expenditure. This allows the Council to remain "under borrowed" - meaning that we have not yet externally borrowed sufficiently to fund fully the CFR.

A consequence of being under borrowed is that the Council has less cash available to invest. However as we receive lower interest on our investments than we pay on borrowing, this approach is financially advantageous.

Current Debt Portfolio

In section 7, we explain that the new forecast of borrowing to be taken is based on funding expenditure in the Capital Programme, whilst broadly maintaining a sustainable under-borrowed position.

In addition to external borrowing, we are forecasting PFI Liabilities to fall over the forecast period as payments are made, and in 2020/21 we see the final payment on the transferred debt relating to the old South Yorkshire County Council.

Treasury Indicators

Section 8 sets out the Treasury Indicators that assess the affordability of planned capital expenditure and its effect on the Council's overall finances.

This main body of the report details the indicators for:

- Revenue cost as a proportion of net revenue
- Limits to Borrowing activity

Members are asked to approve the Treasury indicators within this section.

Borrowing Strategy

In section 9 we point out that increased borrowing rates and the Council's relatively strong cash balances support continuing the Council's under-borrowed position at current levels.

The capital programme will require new borrowing to be taken to achieve this aim.

PWLB have had their margin decreased by 1% making this an attractive source of borrowing again, however Borrowing from Locals could provide very cheap alternative in the short term.

Treasury Limits on Activity

Section 10 highlights the boundaries and limits imposed in relation to variable rate exposure and maturity profiles.

Debt Rescheduling

Section 11 notes that during 2020/21, no rescheduling of the Council's debt was undertaken and none is expected in the foreseeable future.

Annual Ethical Investment Strategy

In section 12, we set out the Annual Ethical Investment Strategy that aims to ensure investment decisions comply with its investment priorities (Security, Liquidity and Yield) and do not contradict the Council's ethical values.

Investment Strategy

In Section 13 we highlight the distinction between Treasury and other investments types, the considerations in making short and long term decisions as well as limits for investment over 12 months.

Section 1 – Introduction

Key Messages

Treasury Management fulfils several key roles that link the Revenue Budget and the Capital Programme. In line with the CIPFA definition of Treasury Management, these roles include:

- ensuring that cash flow is adequately planned for and cash is available when needed
- investing surplus funds in line with the authority's risk appetite
- the funding of the Council's capital programme
- the effective control of the risks associated with those activities

1.1 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).

1.2 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*."

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

<u>Borrowing:</u>

- 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 to maintain, so far as the above constraints allow, 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

1.4 The Council is currently required to receive and approve several 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 2.1/2.2 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.

Section 2 - The 2020/21 Treasury Management Strategy Statement (TMSS)

Key Messages

The TMSS covers both capital issues and treasury management issues as required by the Local Government Act 2003, the CIPFA Prudential Code, MHCLG MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

This section also reports on the Council's response to requirements under the above codes in relation to training and the use of Treasury Management Consultants.

2.1 The TMSS covers capital issues:

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

2.2 The TMSS covers 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
- the Council's policy on use of external service providers

2.3 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 and the Audit and Scrutiny Committee has been provided with treasury management training from officers during the year. 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.

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

The Council recognises that responsibility for treasury management decisions always remains with the organisation 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 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.

Section 3 – Capital Prudential Indicators

Key Messages

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 *Capital Prudential Indicators*, which are designed to assist members' overview and confirm capital expenditure plans.

3.1 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. These plans are approved as part of approving the Capital Budget, so are noted here for information.

Capital Expenditure	2019.2 Actual £'m	2020.21 Forecast £'m	2021.22 Budget £'m	2022.23 Estimate £'m	2023.24 Estimate £'m	2024.25 Estimate £'m
ESSENTIAL COMPLIANCE & MAINT	4.9	£9.8	£0.0	£0.0	£0.0	£0.0
TRANSPORT	6.2	£12.3	£6.1	£0.0	£0.0	£0.0
CORPORATE	1.3	£0.0	£0.0	£0.0	£0.0	£0.0
ECONOMIC GROWTH	9.2	£8.0	£5.2	£0.0	£0.0	£0.0
HOUSING GROWTH	19.8	£29.7	£50.3	£72.9	£99.4	£66.4
HEART OF THE CITY II	20.8	£39.5	£62.9	£56.1	£3.4	£0.0
QUALITY OF LIFE	14.5	£17.1	£20.0	£17.7	£17.9	£0.0
GREEN & OPEN SPACES	1.0	£2.2	£0.4	£0.0	£0.0	£0.0
PEOPLE CAPITAL & GROWTH	13.4	£16.3	£4.6	£2.2	£0.0	£0.0
HOUSING INVESTMENT	37.3	£18.3	£42.2	£56.9	£57.8	£99.7
ICT	0.0	£1.4	£0.0	£0.0	£0.0	£0.0
Total	**128.5**	**£154.5**	**£191.7**	**£205.8**	**£178.6**	**£166.1**

The Council's Capital Strategy and Capital Programme provides more detail on the key investment priorities aligned to the Council's overall corporate objectives and are available from the Council's Website.

3.2 In addition to the table above, the Council may also invest up to a limit of £10m per year in loans to local enterprises, local charities, wholly owned companies, and joint ventures as part of a wider strategy for local economic growth.

3.3 The Council may also make commercial investments, and these will be reported via the Capital Strategy as they are non-treasury investments. There are currently no plans to make investment of this type, not least because following recent Central Government rule changes, making these investments limits our ability to access PWLB funds.

3.4 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:	2019.20 Actual £'m	2020.21 Forecast £'m	2021.22 Budget £'m	2022.23 Estimate £'m	2023.24 Estimate £'m	2024.25 Estimate £'m
Capital expenditure:						
Non-housing	£71.4	£106.5	£99.2	£76.0	£21.4	£0.0
Housing	£57.1	£48.0	£92.5	£129.8	£157.2	£166.1
Total	**£128.5**	**£154.5**	**£191.7**	**£205.8**	**£178.6**	**£166.1**
Financed by:						
Capital Receipts	£14.7	£20.4	£11.0	£8.3	£9.8	£13.9
Capital Grants & Contributions	£39.1	£46.4	£25.6	£15.5	£19.1	£8.4
Revenue Contributions	£38.8	£13.0	£40.7	£55.6	£56.7	£98.2
Net borrowing need for the year	**£35.9**	**£74.7**	**£114.5**	**£126.4**	**£93.1**	**£45.6**
Fund Split						
General Fund	£35.9	£61.1	£79.0	£72.6	£21.1	£0.0
HRA	£0.0	£13.6	£35.5	£53.8	£72.0	£45.6
Total	**£35.9**	**£74.7**	**£114.5**	**£126.4**	**£93.1**	**£45.6**

Capital Receipts and grants are anticipated to be an important but declining source of funding for the Council's capital investment programme.

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 and acquisitions to meet the Council's housing ambitions.

As in previous years, judicious use of borrowing to support capital investment remains a prudent financing option whilst borrowing costs remain very low (in historical terms).

The above financing need excludes other long-term liabilities, such as Public Finance Initiatives (PFI) arrangements, no new PFI assets are expected to be acquired during the term of this strategy.

Section 4 – The Council's Borrowing Need (Capital Financing Requirement)

Key Messages

The Council's Capital Financing Requirement (CFR), the second Prudential Indicator, is the total historic capital expenditure that has not yet been paid for; either from revenue or capital resources and is a measure of the Council's underlying need for borrowing.

Any new capital expenditure not immediately paid for, from grants, capital receipts or revenue contributions, will increase the Council's overall CFR.

The Council's overall CFR is expected generally to increase over the next few years based on the Council's capital investment plans. However General Fund CFR is forecast to reduce from 23/24 due to lower levels of capital expenditure and receipts expected from HOTC II.

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

Capital Financing Requirement	2019.20 Actual £'m	2020.21 Forecast £'m	2021.22 Budget £'m	2022.23 Estimate £'m	2023.24 Estimate £'m	2024.25 Estimate £'m
CFR non-housing	£1,183.5	£1,209.3	£1,248.7	£1,242.5	£1,185.2	£1,105.6
CFR housing	£345.9	£359.5	£395.0	£448.7	£520.7	£566.3
Total CFR - Year End	£1,529.4	£1,568.8	£1,643.7	£1,691.2	£1,705.9	£1,671.9
In Year Movement in CFR		**£39.3**	**£74.9**	**£47.6**	**£14.7**	**-£34.1**
Movement in CFR represented by:						
Expenditure not funded by grants, receipts, or contributions	£35.9	£74.7	£114.5	£126.4	£93.1	£45.6
Additional PFI liabilities	£0.0	£0.0	£0.0	£0.0	£0.0	£0.0
- MRP/VMRP and other movements	-£46.9	-£35.4	-£39.6	-£78.9	-£78.4	-£79.7
In Year Movement in CFR	**-£11.0**	**£39.3**	**£74.9**	**£47.6**	**£14.7**	**-£34.1**

4.2 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 form part of 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 £358.0m (2019/20 £373m) of such arrangements within the CFR.

Section 5 - Minimum Revenue Provision

Key Messages

Each year the Council sets out its Minimum Revenue Provision (MRP) policy, which outlines how the Council will set aside some of its revenue resources as a provision for reducing the underlying need to borrow (as identified by the CFR). The core requirement is that:

- The Council has an approved policy for calculating MRP (this policy)
- The Council sets aside an amount which is deems to be prudent, having regard to MHCLG's statutory guidance.

The MRP policy for 2020/21 is largely unchanged from 2019/20. Changes under Accounting Standard IFRS16 to show principal elements of leases as MRP have been delayed until April 22.

This report recommends the Council approves the MRP statement in this section, as below:

5.1 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.

5.2 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. Going forward, changes to the guidance prevents over provisions arising from change in MRP policy from 2018/19 onwards.

5.3 The Council will apply Voluntary Revenue Provisions (VRP) 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.

5.4 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.

5.5 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.

5.6 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.

5.7 In line with MHCLG guidance and to mitigate the impact of the move to International Financial Reporting Standards (IFRS) on the Council's revenue account, it is the policy of the Council to make an annual MRP charge equal to the portion of the PFI unitary charge or lease payment taken to the Balance Sheet to reduce the liability.

During 2020/21, the Council will implement the new leasing standard (IFRS16) which will result in more lease assets being recognised on the balance sheet and therefore impact on the Councils CFR. As a result there will be an increased MRP charge (replacing the revenue impact of the principal element of the lease payments so the impact is only presentational).

5.8 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 (VRP) 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 2021 the total VRP overpayments were £0.3m.

Where revenue funds are identified as being available to make VRP payments by a service, advice is to use the surplus to offset in year capital expenditure if possible, before allocating funds to reduce existing MRP costs.

Section 6 - Application of Resources

Key Messages

The Council uses resources other than borrowing temporarily to finance capital expenditure. This allows the Council to remain “under borrowed” - meaning that we have not yet externally borrowed sufficiently to fund fully the CFR.

A consequence of being under borrowed is that the Council has less cash available to invest. However, as we receive lower interest on our investments than we pay on borrowing, this approach is financially advantageous.

6.1 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	2019.20 Actual £'000	2020.21 Actual £'000	2021.22 Budget £'000	2022.23 Estimate £'000	2023.24 Estimate £'000	2024.25 Estimate £'000
Year End Resources:						
Cash backed reserves*	349.9	343.1	298.1	273.3	261.2	264.6
Capital Receipts	136.5	130.0	124.0	118.0	112.0	106.0
Provisions	25.0	20.0	20.0	20.0	20.0	20.0
Total Core Funds	**511.4**	**493.1**	**442.1**	**411.3**	**393.2**	**390.6**
Working Capital	-45.1	-35.2	-25.3	-15.4	-5.4	-5.4
(Under)/over Borrowing	-283.9	-352.9	-336.5	-332.6	-325.6	-312.3
Expected Investments	**182.5**	**104.9**	**80.3**	**63.4**	**62.2**	**72.9**

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

6.2 The above table shows that the Council plans to remain 'under-borrowed' throughout the period. This means that we have not yet taken loans to finance all our borrowing needs. Instead, the Council has used its own cash balances that it does not need immediately. These balances include grants received in advance, reserves and provisions being held over for future spend, and capital receipts that have yet to be deployed.

6.3 Operating in this manner is a good fit for our wider operating environment. Current 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 in historical terms, these costs 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.

This approach also minimises our counterparty risks, as it reduces the amount of cash we invest in counterparties (i.e. banks and pension funds) Following the financial crash in 2008, we remain cautious about where we invest.

6.4 Whilst an under-borrowed position has yielded significant savings over the past few years, it does expose us to a level of risk around interest rates changes. Should interest rates increase markedly from the current, historically low, levels, then we might regret not taking out fixed interest borrowing now. As a counter-incentive, increasing our borrowing before we would use the resulting cash would incur significant interest costs. Ultimately this is a judgement call.

Accordingly, it is important that we continue to manage this risk, and retain exposure at a level we think is appropriate. To provide a balanced approach to this risk, and to keep the under borrowing position at a sustainable level, the Council intends to take sufficient additional loans over the forecast period to bring enough cash into the Council to offset the outflows principally associated with our programme of capital investments and to reduce the under-borrowed position.

6.5 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.

Section 7 - Current Debt Portfolio

Key Messages

The new forecast of borrowing to be taken is based on funding expenditure in the Capital Programme whilst broadly maintaining a sustainable under-borrowed position.

In addition to external borrowing, we are forecasting PFI Liabilities to fall over the forecast period as payments are made, and in 2020/21 we see the final payment on the transferred debt relating to the old South Yorkshire County Council.

7.1 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.

7.2

Current Portfolio Position	2019.20 Actual £'m	2020.21 Forecast £'m	2021.22 Budget £'m	2022.23 Estimate £'m	2023.24 Estimate £'m	2024.25 Estimate £'m
External Debt						
Loans at 1st April	802.9	868.5	857.7	968.4	1040.4	1080.4
Expected change in Loans	65.6	-10.7	110.7	72.0	40.0	-2.0
PFI liabilities at 1st April	400.2	372.7	358.1	338.7	318.3	299.9
Expected change in PFI liabilities	-27.5	-14.6	-19.3	-20.4	-18.4	-18.8
Transferred Debt at 1st April	8.5	4.5	0.0	0.0	0.0	0.0
Expected Change in Transferred Debt	-4.1	-4.5	0.0	0.0	0.0	0.0
Actual Gross Debt at 31st March	1245.5	1215.8	1307.2	1358.7	1380.3	1359.5
The Capital Financing Requirement	1529.4	1568.8	1643.7	1691.2	1705.9	1671.9
Authority Under/(Over) Borrowing	**283.9**	**352.9**	**336.5**	**332.6**	**325.6**	**312.3**
HRA under/ (over) borrowing	66.1	80.4	87.0	90.7	102.7	108.3
GF Under / (Over) Borrowing	217.8	272.5	249.5	241.8	222.9	204.0
	283.8	**352.9**	**336.5**	**332.6**	**325.6**	**312.3**

7.3 In order to avoid any increases to the under-borrowed position, new external debt is expected to be needed over the forecast period. The majority of this debt is expected to be needed by 2022/23

7.4 This analysis shows that 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 2021 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.

Section 8 - Treasury Indicators

Key Messages

The Treasury Indicators assess the affordability of planned capital expenditure and it effect on the Council's overall finances.

This section details the indicators for:

- Revenue cost as a proportion of net revenue
- Limits to Borrowing activity

Members are asked to approve the Treasury indicators below.

8.1 Revenue cost as a proportion of net revenue is monitored both with and without PFI cost and revenue included.

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.

General fund costs forecast a modest rise proportionally until 2022/23 when disposals in the Heart of the City development are set to reduce MRP and interest costs.

HRA cost also rises over the forecast period due to significant capital expenditure following the lifting of the debt cap. The obvious exception is 2020/21 where accounting adjustments for historic early repayment of debt ends.

Excluding PFI

Ratio of Financing Costs to Net Revenue Stream:	2019.20 Actual	2020.21 Forecast	2021.22 Budget	2022.23 Estimate	2023.24 Estimate
General Fund	9.24%	9.34%	9.88%	9.44%	9.66%
HRA	9.8%	9.4%	9.0%	9.7%	10.4%

Including PFI

Ratio of Financing Costs to Net Revenue Stream:	2019.20 Actual	2020.21 Forecast	2021.22 Budget	2022.23 Estimate	2023.24 Estimate
General Fund	19.3%	18.5%	19.7%	19.1%	18.5%
HRA	9.8%	9.4%	9.0%	9.7%	10.4%

8.2 This reflects three prominent issues:

1. Fluctuations in income and costs arising from PFI arrangements make a significant difference to the above ratios.
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 increase very modestly.

At a very high and unsophisticated level, this means that we are spending more on capital financing, and the rate at which income increases is not quite keeping pace with it. However, the increase in the ratio is relatively small, and falls when PFI costs are considered. These ratios should not be viewed entirely in isolation from other sources of information; such as the balanced Revenue Budget and Capital Strategy.

8.3 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 business rate payers.

8.4 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.

8.5 **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.

8.6 The following table shows the Council's estimates for its operational boundary; which in future years builds in both planned (i.e. known schemes) and makes some allowance for future capital expenditure and an estimate of the likely impact arising from the change to lease accounting due to IFRS 16:

Operational Boundary	2019.20 Actual £'m	2020.21 Actual £'m	2021.22 Proposed £'m	2022.23 Proposed £'m	2023.24 Proposed £'m	2024.25 Proposed £'m
Loans	£1,200	£1,240	£1,360	£1,420	£1,450	£1,450
Other Long Term Liabilities	£440	£400	£380	£360	£340	£320
Lease Arrangements	£0	£10	£10	£10	£10	£10
Total	**£1,640**	**£1,650**	**£1,750**	**£1,790**	**£1,800**	**£1,780**

8.7 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 is still affordable though not desirable due to the impact on revenue budgets. External Debt will not rise above this limit without Cabinet approval.

Authorised Limit	2019.20 Actual £'m	2020.21 Actual £'m	2021.22 Proposed £'m	2022.23 Proposed £'m	2023.24 Proposed £'m	2024.25 Proposed £'m
Loans	£1,200	£1,280	£1,410	£1,480	£1,510	£1,510
Other Long Term Liabilities	£440	£400	£380	£360	£340	£320
Lease Arrangements	£0	£10	£10	£10	£10	£10
Total	**£1,640**	**£1,690**	**£1,800**	**£1,850**	**£1,860**	**£1,840**

8.8 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.

The HRA's ambition is to add 3,100 new housing units over the next 10 years, 500 of which have already been provided. The limits established below provide headroom to borrow should other sources of income fall short of target.

HRA Debt Limit	2019.20 Actual £'m	2020.21 Actual £'m	2021.22 Proposed £'m	2022.23 Proposed £'m	2023.24 Proposed £'m	2024.25 Proposed £'m
HRA Authorised Limit	£388.3	£384.2	£430.0	£485.0	£555.0	£600.0
HRA Operational Limit *	£388.3	£365.2	£415.0	£460.0	£535.0	£580.0
HRA CFR	£345.9	£359.5	£395.0	£448.7	£520.7	£566.3
HRA Headroom **	**£42.4**	**£24.7**	**£35.0**	**£36.3**	**£34.3**	**£33.7**

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

8.10 The authorised limit is higher than the gross debt to allow us to deal with 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.

Section 9 - Borrowing Strategy

Key Messages

Increased borrowing rates and the Council's relatively strong cash balances support continuing the Council's under-borrowed position around current levels.

The large capital programme will require new borrowing to be taken to achieve this aim.

9.1 The Council is currently maintaining an under-borrowed position and plans to do so while this position 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. However, these balances are expected to fall gradually, which in turn increases our exposure to interest rate risk.

9.2 In accordance with the view taken in previous years, the Council recognises the inherent risk in operating this strategy. Whilst the current low borrowing rate period continues, the Council intends to maintain the position at its current levels, or to modestly increase it.

9.3 Conversely, if we believe that there is developing a significant risk that the cost of borrowing is likely to increase beyond that currently, 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.

9.4 The Borrowing Strategy may be impacted by changes in the economic environment. For example, borrowing may be taken earlier if the chance of interest rates increasing rises. A detailed economic review can be seen at the end of this appendix in **Note 1**. Additionally, the risks impacting on interest rates can be seen in **Note 2** alongside the forward forecast for several relevant interest rates.

9.5 The Municipal Bond Agency is aiming to issue bonds for local authorities soon and borrowing rates should 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.

Section 10 - Treasury Limits on Activity

Key Messages

This section highlights the boundaries and limits imposed in relation to variable rate exposure and maturity profiles.

10.1 There are three debt related treasury activity limits. The purpose of these limits is 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	2020.21 Forecast	2021.22 Budget	2022.23 Estimate	2023.24 Estimate	2024.25 Estimate
	Upper	**Upper**	**Upper**	**Upper**	**Upper**
Fixed interest rates (%)	100%	100%	100%	100%	100%
Variable interest rates (£'m)	£120	£145	£160	£160	£180

10.2 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 that are entering their call period.

Maturity structure of fixed interest rate borrowing:	2021.22	
	Lower	Upper
Under 12 months	2%	5%
12 months to 2 years	3%	5%
2 years to 5 years	5%	8%
5 years to 10 years	12%	15%
10 years to 20 years	15%	20%
20 years to 30 years	15%	20%
30 years to 40 years	24%	30%
40 years to 50 years	16%	20%
Over 50 years	8%	15%

10.3 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 most 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	2021.22	
	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%

10.4 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 actual contracted term of these loans is more than 40 years.

10.5 The Council will not borrow more than, or in advance of, its needs purely 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.

10.6 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.

Section 11 - Debt Rescheduling

Key Messages
During 2019/20, no rescheduling of the Council's debt was undertaken, and none is expected in the foreseeable future

11.1 Rescheduling of current borrowing in our debt portfolio is unlikely to occur during 2021/22 despite the cheap PWLB borrowing Available. Break costs to exit existing loans would make this an unattractive proposition.

Approval of the Head of Service would be sought prior to any rescheduling.

Section 12 Annual Ethical Investment Strategy

Key Messages
This section sets out the Annual Ethical Investment Strategy that aims **to ensure investment decisions comply with its investment priorities (Security, Liquidity and Yield) and do not contradict the Council's ethical values.**

12.1 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.

12.2 The Council only invests in a limited number of financial institutions, and does not hold equities (shares) or other forms of investments in listed companies. Investment of the Council's pension contributions to the Local Government Pensions Scheme is carried out by South Yorkshire Pensions Authority in accordance with its own rules for investing, and the Council has no direct control over these decisions. In any event 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.

12.3 In accordance with the above guidance from Central 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. The Criteria applied can be seen in **Note 4**.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 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). These are included in Note 5 at the end of this appendix.

12.4 The creditworthiness methodology (see section 16 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.

12.5 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.

Section 13 - Investment Strategy

Key Messages

This section highlights the distinction between Treasury and other investments, the considerations in making short and long term decisions as well as limits for investment over 12 months.

13.1 The MHCLG and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with financial investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets, are covered in the Capital Strategy.

13.2 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 1.25% by quarter 1 2022. Base rate forecasts can be see above in section 10.1.

13.3 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	2020.21	2021.22	2022.23	2023.24	2024.25
Proposed Returns	0.25%	0.25%	0.35%	0.50%	0.60%

13.4 The Council does not typically 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	2020.21 £'m	2021.22 £'m	2022.23 £'m	2023.24 £'m	2024.25 £'m
Maximum Amount	£60	£60	£60	£60	£60

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

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

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

Note 1 – Economic Backdrop

- **UK.** The Bank of England's Monetary Policy Committee kept **Bank Rate** unchanged on 5th November. However, it revised its economic forecasts to take account of a second national lockdown from 5th November to 2nd December which is obviously going to put back economic recovery and do further damage to the economy. It therefore decided to do a further tranche of **quantitative easing (QE) of £150bn**, to start in January when the current programme of £300bn of QE announced in March to June, runs out. It did this so that "announcing further asset purchases now should support the economy and help to ensure the unavoidable near-term slowdown in activity was not amplified by a tightening in monetary conditions that could slow the return of inflation to the target".
- Its forecasts appeared, at the time, to be rather optimistic in terms of three areas:
    - The economy would recover to reach its pre-pandemic level in Q1 2022
    - The Bank also expects there to be excess demand in the economy by Q4 2022.
    - CPI inflation is therefore projected to be a bit above its 2% target by the start of 2023 and the "inflation risks were judged to be balanced".
- Significantly, there was no mention of **negative interest rates** in the minutes or Monetary Policy Report, suggesting that the MPC remains some way from being persuaded of the case for such a policy, at least for the next 6 -12 months. However, rather than saying that it "stands ready to adjust monetary policy", the MPC this time said that it will take "whatever additional action was necessary to achieve its remit". The latter seems stronger and wider and may indicate the Bank's willingness to embrace new tools.
- One key addition to **the Bank's forward guidance** in August was a new phrase in the policy statement, namely that "it does not intend to tighten monetary policy until there is clear evidence that significant progress is being made in eliminating spare capacity and achieving the 2% target sustainably". That seems designed to say, in effect, that even if inflation rises to 2% in a couple of years' time, do not expect any action from the MPC to raise Bank Rate – until they can clearly see that level of inflation is going to be persistently above target if it takes no action to raise Bank Rate. Our Bank Rate forecast currently shows no increase through to quarter 1 2024 but there could well be no increase during the next five years due to the slow rate of recovery of the economy and the need for the Government to see the burden of the elevated debt to GDP ratio falling significantly.
- **Downside risks**. The MPC reiterated that the "recovery would take time, and the risks around the GDP projection were judged to be skewed to the downside". It also said "the risk of a more persistent period of elevated unemployment remained material". Downside risks could well include severe restrictions remaining in place in some form during the rest of December and most of January too. That could involve some or all of the lockdown being extended beyond 2nd December.

- As for **upside risks**, we have been waiting expectantly for news that various **COVID19 vaccines** would be cleared as being safe and effective for administering to the general public. The Pfizer announcement on 9th November was very encouraging as its 90% effectiveness was much higher than the 50-60% rate of effectiveness of flu vaccines which might otherwise have been expected. However, their phase three trials are still only two-thirds complete. More data needs to be collected to make sure there are no serious side effects. We don't know exactly how long immunity will last or whether it is effective across all age groups. The Pfizer vaccine specifically also has demanding cold storage requirements of minus 70C that might make it more difficult to roll out. However, the logistics of production and deployment can surely be worked out over the next few months.

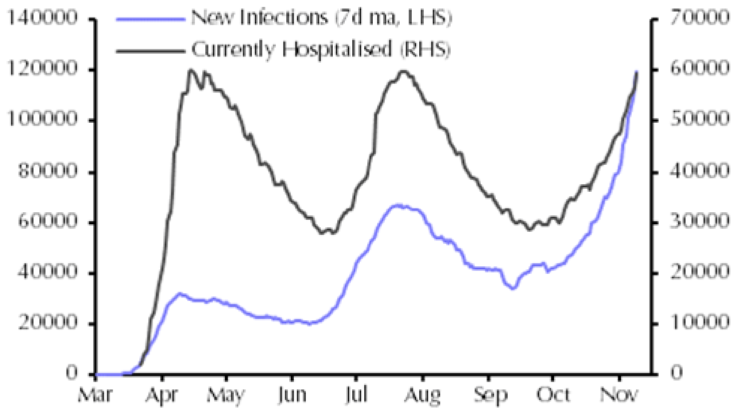
- **Public borrowing** is now forecast by the Office for Budget Responsibility (the OBR) to reach £394bn in the current financial year, the highest ever peace time deficit and equivalent to 19% of GDP. In normal times, such an increase in total gilt issuance would lead to a rise in gilt yields, and so PWLB rates. However, the QE done by the Bank of England has depressed gilt yields to historic low levels, In addition, the UK has one of the longest average maturities for its entire debt portfolio, of any country in the world. Overall, this means that the total interest bill paid by the Government is manageable despite the huge increase in the total amount of debt. The OBR was also forecasting that the government will still be running a budget deficit of £102bn (3.9% of GDP) by 2025/26. However, initial impressions are that they have taken a pessimistic view of the impact that vaccines could make in the speed of economic recovery.
- Capital Economics have not revised their forecasts for Bank Rate or gilt yields after this major revision of their forecasts for the speed of recovery of economic growth, as they are also forecasting that inflation is unlikely to be a significant threat and so gilt yields are unlikely to rise significantly from current levels.

- There will still be some **painful longer-term adjustments** as e.g. office space and travel by planes, trains and buses may not recover to their previous level of use for several years, or possibly ever, even if vaccines are fully successful in overcoming the current virus. There is also likely to be a reversal of globalisation as this crisis has exposed how vulnerable long-distance supply chains are. On the other hand, digital services are one area that has already seen huge growth.

- The **Financial Policy Committee** (FPC) report on 6th August revised down their expected credit losses for the banking sector to "somewhat less than £80bn". It stated that in its assessment "banks have buffers of capital more than sufficient to absorb the losses that are likely to arise under the MPC's central projection". The FPC stated that for real stress in the sector, the economic output would need to be twice as bad as the MPC's projection, with unemployment rising to above 15%.

US. The economy had been recovering quite strongly from its contraction in 2020 of 10.2% due to the **pandemic** with GDP only 3.5% below its pre-pandemic level and the unemployment rate dropping below 7%. However, the rise in new cases during quarter 4, to the highest level since mid-August, suggests that the US could be in the early stages of a third wave. While the first wave in March and April was concentrated in the Northeast, and the second wave in the South and West, the latest wave has been driven by a growing outbreak in the Midwest. The latest upturn poses a threat that the recovery in the economy could stall. This is **the single biggest downside risk** to the shorter-term outlook – a more widespread and severe wave of infections over the winter months, which is compounded by the impact of the regular flu season and, as a consequence, threatens to overwhelm health care facilities. Under those circumstances, states might feel it necessary to return to more draconian lockdowns.

COVID-19 New infections & hospitalisations



However, with the likelihood that highly effective vaccines are going to become progressively widely administered during 2021, this should mean that life will start to return to normal during quarter 2 of 2021. Consequently, there should be a sharp pick-up in growth during that quarter and a rapid return to the pre-pandemic level of growth by the end of the year.

After Chair Jerome Powell unveiled the **Fed's adoption of a flexible average inflation target** in his Jackson Hole speech in late August, the mid-September meeting of the Fed agreed by a majority to a toned down version of the new inflation target in his speech - that *"it would likely be appropriate to maintain the current target range until labour market conditions were judged to be consistent with the Committee's assessments of maximum employment and inflation had risen to 2% and was on track to moderately exceed 2% for some time."* This change was aimed to provide more stimulus for economic growth and higher levels of employment and to avoid the danger of getting caught in a deflationary “trap” like Japan. It is to be noted that inflation has actually been under-shooting the 2% target significantly for most of the last decade, (and this year), so financial markets took note that higher levels of inflation are likely to be in the pipeline; long-term bond yields duly rose after the meeting. The FOMC’s updated economic and rate projections in mid-September showed that officials expect to leave the fed funds rate at near-zero until at least end-2023 and probably for another year or two beyond that.

EU. The economy was recovering well towards the end of Q2 and into Q3 after a sharp drop in GDP caused by the virus, (e.g. France 18.9%, Italy 17.6%). However, growth is likely to stagnate during Q4, and Q1 of 2021, as a second wave of the virus has affected many countries, and is likely to hit hardest those countries more dependent on tourism. The €750bn fiscal support package eventually agreed by the EU after prolonged disagreement between various countries, is unlikely to provide significant support, and quickly enough, to make an appreciable difference in the worst affected countries. With inflation expected to be unlikely to get much above 1% over the next two years, the ECB has been struggling to get inflation up to its 2% target. It is currently unlikely that it will cut its central rate even further into negative territory from -0.5%, although the ECB has stated that it retains this as a possible tool to use. It is therefore expected that it will have to provide more monetary policy support through more quantitative easing purchases of bonds in the absence of sufficient fiscal support from governments. The current PEPP scheme of €1,350bn of QE which started in March 2020 is providing protection to the sovereign bond yields of weaker countries like Italy. There is therefore unlikely to be a euro crisis while the ECB is able to maintain this level of support. However, the PEPP scheme is regarded as being a temporary measure during this crisis so it may need to be increased once the first PEPP runs out during early 2021. It could also decide to focus on using the Asset Purchase Programme to make more monthly purchases, rather than the PEPP scheme, and it does have other monetary policy options.

However, as in the UK and the US, the advent of highly effective vaccines will be a game changer, although growth will struggle during the closing and opening quarters of this year and next year respectively before it finally breaks through into strong growth in quarters 2 and 3. The ECB will now have to review whether more monetary support will be required to help recovery in the shorter term or to help individual countries more badly impacted by the pandemic.

China. After a concerted effort to get on top of the virus outbreak in Q1, economic recovery was strong in Q2 and then into Q3 and Q4; this has enabled China to recover all of the contraction in Q1. Policy makers have both quashed the virus and implemented a programme of monetary and fiscal support that has been particularly effective at stimulating short-term growth. At the same time, China's economy has benefited from the shift towards online spending by consumers in developed markets. These factors help to explain its comparative outperformance compared to western economies.

However, this was achieved by major central government funding of yet more infrastructure spending. After years of growth having been focused on this same area, any further spending in this area is likely to lead to increasingly weaker economic returns in the longer term. This could, therefore, lead to a further misallocation of resources which will weigh on growth in future years.

Japan. Japan's success in containing the virus without imposing draconian restrictions on activity should enable a faster return to pre-virus levels of output than in many major economies. While the second wave of the virus has been abating, the economy has been continuing to recover at a reasonable pace from its earlier total contraction of 8.5% in GDP. However, there now appears to be the early stages of the start of a third wave. It has also been struggling to get out of a deflation trap for many years and to stimulate consistent significant GDP growth and to get inflation up to its target of 2%, despite huge monetary and fiscal stimulus. There has also been little progress on fundamental reform of the economy. The change of Prime Minister is not expected to result in any significant change in economic policy.

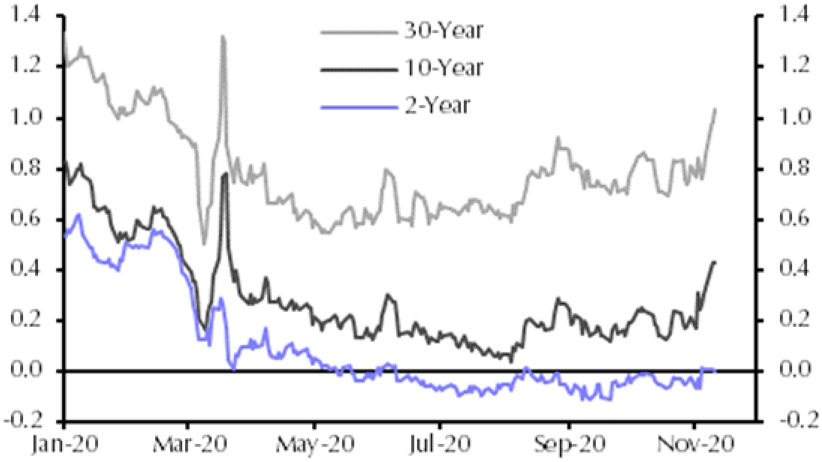
World growth. While Latin America and India have, until recently, been hotspots for virus infections, infection rates have begun to stabilise. World growth will be in recession this year. Inflation is unlikely to be a problem for some years due to the creation of excess production capacity and depressed demand caused by the coronavirus crisis.

Summary

Central banks are, therefore, likely to support growth by maintaining loose monetary policy through keeping rates very low for longer. Governments could also help a quicker recovery by providing more fiscal support for their economies at a time when total debt is affordable due to the very low rates of interest. They will also need to avoid significant increases in taxation or austerity measures that depress demand in their economies.

If there is a huge surge in investor confidence as a result of successful vaccines which leads to a major switch out of government bonds into equities, which, in turn, causes government debt yields to rise, then there will be pressure on central banks to actively manage debt yields by further QE purchases of government debt; this would help to suppress the rise in debt yields and so keep the total interest bill on greatly expanded government debt portfolios within manageable parameters. It is also the main alternative to a programme of austerity.

The graph below as at 10th November, shows how the 10 and 30 year gilt yields in the UK spiked up after the Pfizer vaccine announcement on the previous day, (though they have levelled off during late November at around the same elevated levels): -



Interest Rate Forecasts

Brexit. The interest rate forecasts provided by Link below were predicated on an assumption of a reasonable agreement being reached on trade negotiations between the UK and the EU by 31.12.20. However, as the differences between a Brexit deal and a no deal were not as big as they once were. The risk now is that relations between the UK and the EU deteriorate to such an extent that both sides start to unravel the agreements already put in place.

Link Group Interest Rate View 9.11.20													
These Link forecasts have been amended for the reduction in PWLB margins by 1.0% from 26.11.20													
	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
3 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
6 month ave earnings	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10
12 month ave earnings	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20
5 yr PWLB	0.80	0.80	0.80	0.80	0.90	0.90	0.90	0.90	0.90	1.00	1.00	1.00	1.00
10 yr PWLB	1.10	1.10	1.10	1.10	1.20	1.20	1.20	1.20	1.20	1.30	1.30	1.30	1.30
25 yr PWLB	1.50	1.60	1.60	1.60	1.60	1.70	1.70	1.70	1.70	1.80	1.80	1.80	1.80
50 yr PWLB	1.30	1.40	1.40	1.40	1.40	1.50	1.50	1.50	1.50	1.60	1.60	1.60	1.60

The real risk is if the UK and the EU completely fall out. The UK could override part or all of the Withdrawal Agreement while the EU could respond by starting legal proceedings and few measures could be implemented to mitigate the disruption on 1.1.21. In such an “uncooperative no deal”, GDP could be 2.5% lower in 2021 as a whole than if there was a deal. The acrimony would probably continue beyond 2021 too, which may lead to fewer agreements in the future and the expiry of any temporary measures.

Relative to the slump in GDP endured during the COVID crisis, any hit from a no deal would have been small. But the pandemic does mean there is less scope for policy to respond. Even so, the Chancellor could loosen fiscal policy by about £10bn (0.5% of GDP) and target it at those sectors hit hardest. The Bank of England could also prop up demand, most likely through more gilt and corporate bond purchases rather than negative interest rates.

Brexit may reduce the economy's potential growth rate in the long run. However, much of that drag is now likely to be offset by an acceleration of productivity growth triggered by the digital revolution brought about by the COVID crisis.

In summary there is not likely to be any change in Bank Rate in 20/21 – 21/22 due to whatever outcome there is from the trade negotiations and while there will probably be some movement in gilt yields / PWLB rates after the deadline date, there will probably be minimal enduring impact beyond the initial reaction.

The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably now skewed to the upside but is subject to major uncertainty due to the virus and how quickly successful vaccines may become available and widely administered to the population. It may also be affected by what, if any, deal the UK agrees as part of Brexit.
- There is relatively little UK domestic risk of increases or decreases in Bank Rate and significant changes in shorter term PWLB rates. The Bank of England has effectively ruled out the use of negative interest rates in the near term and increases in Bank Rate are likely to be some years away given the underlying economic expectations. However, it is always possible that safe haven flows, due to unexpected domestic developments and those in other major economies, could impact gilt yields, (and so PWLB rates), in the UK.

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

- **UK** - further national lockdowns or severe regional restrictions in major conurbations during 2021.
- **UK / EU trade negotiations** – if they were to cause significant economic disruption and downturn in the rate of growth.
- **UK government** takes too much action too quickly to raise taxation or introduce austerity measures that depress demand in the economy.
- **UK - Bank of England** 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.** The ECB has taken monetary policy action to support the bonds of EU states, with the positive impact most likely for "weaker" countries. In addition, the EU agreed a €750bn fiscal support package. These actions will help shield weaker economic regions for the next year or so. However, in the case of Italy, the cost of the virus crisis has added to its already huge debt mountain and its slow economic growth will leave it vulnerable to markets returning to taking the view that its level of debt is unsupportable. There remains a sharp divide between northern EU countries favouring low debt to GDP and annual balanced budgets and southern

countries who want to see jointly issued Eurobonds to finance economic recovery. This divide could undermine the unity of the EU in time to come.

- Weak capitalisation of some **European banks**, which could be undermined further depending on extent of credit losses resultant of the pandemic.
- **German minority government & general election in 2021.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, as a result of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in subsequent state elections but the SPD has done particularly badly. Angela Merkel has stepped down from being the CDU party leader but she intends to remain as Chancellor until the general election in 2021. This then leaves a major question mark over who will be the major guiding hand and driver of EU unity when she steps down.
- **Other minority EU governments.** Austria, Sweden, Spain, Portugal, Netherlands, Ireland and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland and Hungary** now form a strongly anti-immigration bloc within the EU. In November, Hungary and Poland threatened to veto the 7 year EU budget due to the inclusion of a rule of law requirement that poses major challenges to both countries. There has also been a rise in anti-immigration sentiment in Germany and France.
- **Geopolitical risks,** for example in China, Iran or North Korea, but also in Europe and other Middle Eastern countries, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **UK -** a significant rise in inflationary pressures. These could be caused by an uncooperative Brexit deal or by a stronger than currently expected recovery in the UK economy after effective vaccines are administered quickly to the UK population which leads to a resumption of normal life and a return to full economic activity across all sectors of the economy.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary pressures to build up too strongly within the UK economy, which then necessitates a rapid series of increases in Bank Rate to stifle inflation.
- **Post-Brexit** – if a positive agreement was reached that removed the majority of threats of economic disruption between the EU and the UK.

Note 2 - The balance of risks to the UK

- The overall balance of risks to economic growth in the UK is probably even, but dependent on a successful outcome of negotiations on a trade deal.
- The balance of risks to increases in Bank Rate and shorter term PWLB rates are broadly similarly to the downside.
- If a Brexit deal was agreed with the EU and approved by Parliament, the balance of risks to economic growth and to increases in Bank Rate is likely to change to the upside.

One risk that is both an upside and downside risk, is that all central banks are now working in very different economic conditions than before the 2008 financial crash as there has been a major increase in consumer and other debt due to the exceptionally low levels of borrowing rates that have prevailed since 2008. This means that the neutral rate of interest in an economy, (i.e. the rate that is neither expansionary nor deflationary), is difficult to determine definitively in this new environment, although central banks have made statements that they expect it to be much lower than before 2008. Central banks could therefore either over or under do increases in central interest rates.

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

- **Brexit** – if it were to cause significant economic disruption and a major downturn in the rate of growth.
- **Bank of England** acts 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.** In 2018, Italy was a major concern due to having a populist coalition government which made a lot of anti-austerity and anti-EU noise. However, in September 2019 there was a major change in the coalition governing Italy which has brought to power a much more EU friendly government; this has eased the pressure on Italian bonds. Only time will tell whether this new coalition based on an unlikely alliance of two very different parties will endure.
- Weak capitalisation of some **European banks**, particularly Italian banks.
- **German minority government.** In the German general election of September 2017, Angela Merkel's CDU party was left in a vulnerable minority position dependent on the fractious support of the SPD party, because of the rise in popularity of the anti-immigration AfD party. The CDU has done badly in recent state elections, but the SPD has done particularly badly, and this has raised a major question mark over continuing to support the CDU. Angela Merkel has stepped down from being the CDU party leader, but she intends to remain as Chancellor until 2021.
- **Other minority EU governments.** Austria, Finland, Sweden, Spain, Portugal, Netherlands, and Belgium also have vulnerable minority governments dependent on coalitions which could prove fragile.
- **Austria, the Czech Republic, Poland, and Hungary** now form a strongly anti-immigration bloc within the EU. There has also been rising anti-immigration sentiment in Germany and France.
- In October 2019, the IMF issued a report on the World Economic Outlook which flagged up a synchronised slowdown in world growth. However, it also flagged up that there was **potential for a rerun of the 2008 financial crisis**,

but his time centred on the huge debt binge accumulated by corporations during the decade of low interest rates. This now means that there are corporates who would be unable to cover basic interest costs on **some $19trn of corporate debt in major western economies,** if world growth was to dip further than just a minor cooling. This debt is mainly held by the shadow banking sector i.e. pension funds, insurers, hedge funds, asset managers etc., who, when there is $15trn of corporate and government debt now yielding negative interest rates, have been searching for higher returns in riskier assets. Much of this debt is only marginally above investment grade so any rating downgrade could force some holders into a fire sale, which would then depress prices further and so set off a spiral down. The IMF's answer is to suggest imposing higher capital charges on lending to corporates and for central banks to regulate the investment operations of the shadow banking sector. In October 2019, the deputy Governor of the Bank of England also flagged up the dangers of banks and the shadow banking sector lending to corporates, especially highly leveraged corporates, which had risen back up to near pre-2008 levels.

- **Geopolitical risks,** for example in North Korea, but also in Europe and the Middle East, which could lead to increasing safe haven flows.

Upside risks to current forecasts for UK gilt yields and PWLB rates

- **Brexit** – if agreement was reached all round that removed all threats of economic and political disruption between the EU and the UK.
- The **Bank of England is too slow** in its pace and strength of increases in Bank Rate and, therefore, allows inflationary 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.

Note 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		12 months 12 months 6 months 100 days

	* Minimum credit criteria / colour band	** Max % of total investments / £ limit per institution	Max Maturity Period
	No Colour		Not for use
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 blls	UK sovereign rating	100%	5 years
Local authorities	N/A	100%	5 years
Gilt funds	UK sovereign rating	100%	5 years
Banks	Purple Yellow	100% 100%	2 years 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.

Note 4 - 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;
- 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, credit score of 1.25
Light pink	5 years for Ultra-Short Dated Bond Funds , credit score of 1.5
Purple	2 years
Blue	1 year (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
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 stableNet 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.

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).

Note 5 - 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 & Poors.

Based on lowest available rating 05/01/21

AAA

- Australia
- Denmark
- Germany
- Luxembourg
- Netherlands
- Norway
- Singapore
- Sweden
- Switzerland

AA+

- Canada
- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France

AA-

- Belgium
- Hong Kong
- Qatar
- **U.K.**

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, full details of these posts is attached at Annex 1.

a) **Head of the Paid Service**, which 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 LASSA 1970)

   ii) Executive Director of People (Director of Children's Services under Children's Act)

   iii) Director of Legal and Governance (Monitoring Officer)

   iv) Executive Director of Resources (Chief Finance Officer under Sec 151 of LGA1972)

   v) Director of Public Health

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 £17,842 and can be expressed as an hourly rate of pay of £9.30 (April 2020 to March 2021).

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 and align this with the Living Wage Foundation rate.

19. From April 2021 this will increase to £9.50 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 (£201,292) and the average median salary (£27,041) is 7.44:1. 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 2021 to the end of March 2022, 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 & Customer Services
January 2021

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. The following table sets out pay as of 1/4/21 using the Chief Officer pay scale as of 1/4/21. Any pay award during 21/22 would be applied as agreed.

Status	Post	Base Salary (£)	Other Payments
Head of Paid Service	Chief Executive	201,292	
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)	154,322	
	Director of Adult Services under LASSA 1970	102,414	
	Director of Legal and Governance (Monitoring Officer)	90,815	Election duty fees are in accordance with normal authority procedures.
	Executive Director of Resources (Chief Finance Officer under Sec 151 of LGA1972)	154,332	
	Director of Public Health	126,636	
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	127,482	The post is currently vacant
	Director of Policy and Performance	90,815	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.
	Director of Children and Families (People)	110,290	
	Director of Business Strategy (People)	90,815	
	Director Libraries Learning Skills & Communities	90,815	

	Director of Culture and Environment (Place)	87,603	
	Director of Education and Skills	87,603	
	Director of Human Resources & Customer Services (Resources)	90,815	
	Director of Finance & Commercial Services (Resources)	99,919	
	Director of Business Change and Information Solutions	99,919	
	Director of Transport and Facilities Management (Resources)	89,641	
Chief Officers (those who report to Non Statutory Chief Officers) which in Sheffield City Council are the posts of:	Director of Housing Services (Place)	99,919	
	Director of City Growth (Place)	99,919	
	Head of Business Strategy and Change (Place)	76,176	
	Director of Capital & Major Projects (Place)	99,919	
	Assistant Director of Legal & Governance x3 (Deputy Monitoring Officer)	61,821 & 64,765 x2 Directors in same post - only one of these acts as Deputy Monitoring Officer	

Annex 2 - Chief Officer Grading Structure

Grade Desc	Spinal Pt	01/04/2020
DG 7	1	60,344
	2	61,821
	3	63,293
	4	64,765
DG 6	1	70,991
	2	72,718
	3	74,444
	4	76,176
DG 5	1	81,476
	2	83,519
	3	85,561
DG4	1	87,603
	2	89,641
	3	90,815
DG3	1	93,088
	2	95,366
	3	97,642
	4	99,919
DG2	1	102,414
	2	104,975
	3	107,600
	4	110,290
DG 1	1	115,042
	2	117,748
	3	120,767
	4	123,669
	5	126,636
EXECUTIVE DIRECTOR	1	127,482
	2	134,204
	3	140,910
	4	147,619
	5	154,322

Chief Executive		201,292

Equality Impact Assessment

Background

1. 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.

   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.
2. 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 people who use services 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).
3. 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.
4. 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.
5. This Equality Impact Assessment is based upon the EIAs completed by

services for each budget 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.

6. 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.

7. 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;
   - How the actual impact will be reviewed after implementation.

8. A full list of EIAs is available is at the following link: https://www.sheffield.gov.uk/equality and can be requested individually or as a group.

9. 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 (LGB &T) 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.

10. This year the impact assessment as well as the budget as a whole, has to be seen in the context of the impact of the worldwide Covid-19 pandemic on the city and its people. As a result, we have seen the widening of already existing inequalities across the city. Disabled people, carers, Black, Asian and Minority ethnic communities, older people and poorer people have been hit particularly hard by the virus and younger people by the financial and educational consequences. Public Health colleagues have reported throughout the year on these worsening inequalities to the Health and Wellbeing Board.

11. We have also undertaken a comprehensive set of rapid health impact assessments and a city wide COVID impact consultation which ran from July 21st 2020 to the 30th September 2020 had over 3600 responses on the impact of the pandemic on people lives.

12. We are still committed to the key priorities of tackling inequality, ensuring fairness and increasing social justice being at the heart of the Council's values. We continue to support the Fairness and Tackling Poverty Partnership. The Tackling Poverty Framework has influenced our priorities and decision making across the Council.

13. We continue to work towards our Equality Objectives 2019-23 which demonstrate our commitment to challenging inequality and promoting a fair and inclusive Sheffield. Our Equality Objectives are based on evidence and feedback and they also reflect and help address areas of persistent inequality. The four Objectives are:

    - Strengthen knowledge and understanding of our communities
    - Ensure our workforce reflects the people that we serve
    - Lead the city in celebrating diversity and promoting inclusion
    - Break the cycle of inequality and improve life chances.

14. This year we have also supported the setup of the Sheffield Race Equality Commission. The Commission will run for one year to provide an independent strategic assessment of the nature, extent, causes and impacts of racism and race inequality within the city. Although the Commission will not report until later in the year, we will, as always, continue to consider race equality in our equality impact assessment process.

15. This budget has been set in the context of the likely resources available and calls on those resources over the medium term to ensure

sustainability. The Medium Term Financial Analysis (MTFA), published in October 2020, set out the Council's latest financial forecast for the period 2021/22 to 2024/25.

16. The Council's Social Care services continue to experience significant cost and demand pressures which, even with additional social care funding announced in the 2020 Spending Round and Provisional Settlement, completely outstrip growth in local taxation. Even after significant proposed portfolio savings and mitigating actions the net gap still stood at approximately £72m over the MTFA period.

17. SCC has been afforded some short term protection from the impact of the Pandemic on local taxation via Government schemes to protect jobs and business, such as furlough and the expanded retail, leisure and hospitality business rates relief scheme. The Government has also committed to funding some of the 2020/21 in year irrecoverable losses from local taxation. However, no long term support has been announced to protect Council's from the lasting impact of the pandemic on local taxation income. This lasting impact will be continually assessed and reflected in updated MTFA's.

18. In line with previous years, respondents to our consultation said that their main priorities for more investment were some of our most critical and key services – particularly adult social care, children's social care and education. Public Health is also usually a key priority for citizens and with the impact of the Covid-19 pandemic, this has grown in importance.

19. As noted above, inequality due the pandemic has widened, and growing numbers of people were already experiencing financial insecurity following a decade of austerity and the financial impact of the pandemic. 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 and also that groups, including disabled people, people from BAME backgrounds, young people and women are more able to access quality employment.

20. The issue of taking action to reduce inequality is fundamental to the Councils business 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.

21. 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 have been 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.

22. 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.

23. We have tried as far as possible, in line with consultation, to achieve any savings through changes to the way we work, including by working 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 2010.

24. The size and pace of the financial challenge over the last decade means that a number of the reductions or changes in service provision began in previous years will continue although in 2021/22. However, reductions are in light of the impact of Covid - 19 and we are again seeing more investment in necessary services such as social care. The impacts on individuals and groups will be monitored to ensure that any potential negative impact is reduced as far as possible.

25. We have however also invested in two main areas related to tackling inequality, extra investment to the Youth Strategy of £2.0m: this is being made to improve the lives of Sheffield’s young people. This investment is planned to increase the delivery of youth clubs and social action groups, providing youth services to the most deprived areas in the city to promote positive engagement and activities, enable keyworkers to support young people experiencing difficulties, and to support partnership working with the voluntary sector.

26. Care Sector Pay - £4.2m: The current administration remains committed to

improving pay for staff providing services on its behalf to the living wage. It therefore plans to work with care providers to deliver enhanced pay terms for front line workers in 2021/22.

27. To fund the extra investment in areas like social care we are planning to increase Council Tax at the rate of 4.99%. This includes the application of the 3% flexibility for Adult Social Care precept. This results in a Band D tax charge of £1,702.30, including the Adult Social Care precept.

28. 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 2021/22. The Hardship Fund will total £1.8m and is reviewed on an annual basis.

29. 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.

30. We are confident that our budget proposals mean that services for those that most need our help and support will be prioritised. However this may mean reductions and changes in universal provision could 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

31. As well as evidence from consultations, 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 and we have used 2011 Census, Sheffield Facts and Figures, State of Sheffield, and Community Knowledge Profiles , Joint Strategic Needs Assessment, Rapid Health Impact Assessments, Health Inequalities and Covid-19 to support our EIA. The census is due to be completed again in March 2021 so we will be able to update our demographic information as a result. In summary, this shows:

- 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 584,000 by 2019.

- 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 36% (based on reception to Year 11 pupils, Feb 2020).
- 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 23.8%.
- Sheffield has a higher proportion of its population aged 65 years or over (16%, or 93,600 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 2018 is 25-34 year olds, with 15.5% of our population being in this group. 18.1% of the population 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 46,600 households who receive Council Tax Support, and of these approximately 27,900 are of working age.
- Sheffield is the seventh least deprived of England's eight core cities, however almost a quarter (23.8%) of Sheffield LSOAs (lower-layer super output areas are in the most deprived decile nationally, with 9.9% being in the least deprived decile. The broad pattern of deprivation in Sheffield has changed relatively little between 2015 and 2019.
- In 2019, median gross weekly earnings of full-time workers were £572.70 for males, and £485.10 for females. For all males, median annual pay was £27,922 compared with £18,865 for all females, a pay gap of

£9,057.

- For all males, median annual pay was £27,922, compared with £18,865 for all females; a pay gap of £9,057.
- 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 disproportionally affected by disadvantage and inequality. For example, children are more likely to live in poverty if they are from a BAME background; 40.4% of Somali, 44.5% of Yemeni and 56.1% of Roma children in Sheffield are eligible for Free School Meals compared to 22.7% of all children in Sheffield. Children with SEN are also more likely to live in poverty; 38.4% of children with SEN Support, EHC Plan or Statement in Sheffield are eligible for Free School Meals compared with 19.7% of those without support (SCC, January School Census 2019)
- 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.
- Before Covid 19 although the city was becoming healthier for most people, health inequalities across the city remained, we know now that these have widened particularly for those living in areas of higher deprivation, disabled people including and those with learning disabilities and mental illness and some BAME communities.

COVID 19 and Health inequalities

32. Key findings from the PHE report "COVID-19: review of disparities in risks and outcomes", published 2nd June 2020 were:-

- The largest disparity found was by age. Among people already diagnosed with COVID-19: people who were 80 or older were seventy times more likely to die than those under 40
- Males were twice as likely as females to die
- Those living in the more deprived areas were twice as likely to die as those living in the least deprived areas; with the same risk amongst men

and women

- The risk of dying was higher in those in Black, Asian and Minority Ethnic (BAME) groups than in White ethnic groups
- Risk varies significantly by BAME population. People of Bangladeshi ethnicity had around twice the risk of death than people of White British ethnicity. People of Chinese, Indian, Pakistani, Other Asian, Caribbean and Other Black ethnicity had between 10% and 50% higher risk of death when compared to White British populations
- Among deaths with COVID-19 mentioned on the death certificate, a higher percentage mentioned diabetes, hypertensive diseases, chronic kidney disease, chronic obstructive pulmonary disease and dementia than all cause death certificates
- Diabetes was mentioned on 21% of death certificates where COVID-19 was also mentioned. This proportion was higher in all BAME groups when compared to White ethnic groups
- Local authorities with the highest diagnoses and death rates are mostly urban. This is likely explained by close proximity in which people live and work.

Managing impact – mitigation

33. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. We have also considered the Tackling Poverty Strategy and the 2019-23 Equality Objectives. These have influenced our priorities and decision making across the Council.

34. 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

35. As throughout austerity, our overall approach has been 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.

36. The year-on-year reductions over the last ten years have impacted on 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 carers, 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.

37. We are:

- Investing in social care, reflecting the scale of the challenge facing social care services and our commitment to protect the most vulnerable in Sheffield
- Continuing to invest in prevention, early intervention and delivering targeted support for those most vulnerable.
- Working to increase our income through fees and charges, debt collection, full cost recovery, and increased trading of our services.
- Assessing all proposals in line with the Fairness Framework and the city's Tackling Poverty Framework.
- Working with the private sector to encourage the support of activities/ events to promote Sheffield.
- 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 to deliver better health to strengthen our preventative and community based services to provide the best outcomes we can for the people of Sheffield
- 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.

- Supporting the Voluntary and Community Sector through Grant Aid, although at a reduced level, by recognising the value of frontline organisations that help tackle inequality.
- 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.

38. 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

39. 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.

40. 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.

41. To inform longer term thinking and Equality Impact Assessments our approach to listening to the views of citizens and partners focused on three main elements:
    - Portfolios talking with service users, customers and clients about any specific changes to services proposed in the budget to inform specific proposals and Equality Impact Assessments
    - A population survey for all citizens on the overall budget
    - Discussing the budget proposals with representatives from the city's voluntary, community and faith sector and with representatives of Sheffield businesses

42. The budget consultation ran from 22nd December 2020 to 19th January 2021. 724 responses were received from across Sheffield which was a notable increase in response compared to previous years. The online survey was supported by a social media campaign and was included SCC's e-newsletter alerts to citizens that are registered to receive them. The survey was hosted here:https://sheffield.citizenspace.com/performance-research/budget-consultation-2021-22/

43. As in previous years, the survey 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. The views of citizens have 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

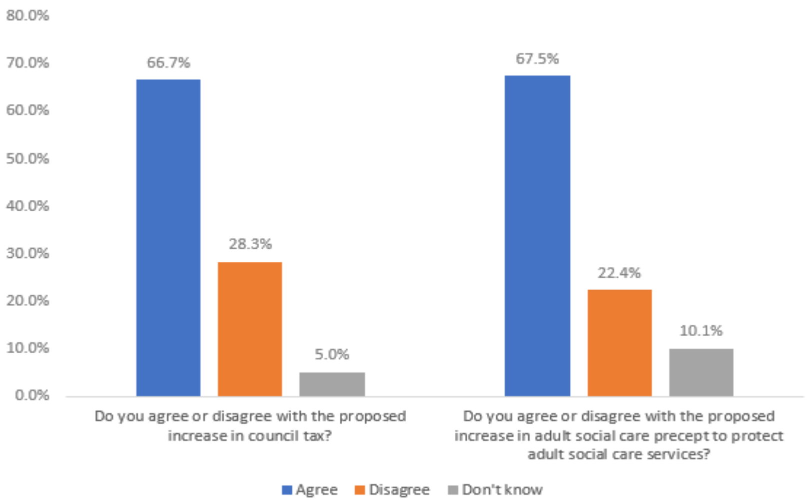
44. This has helped us to ensure that our budget proposals have been shaped by people who may be affected by decisions taken as part of the budget, and that they have had an opportunity to put forward ideas for consideration.

45. The findings from the budget consultation are set out in the Revenue Budget report key findings include:

46. In line with previous years, respondents said that their main priorities for more investment were some of our most critical and key services – particularly adult social care, children's social care and education. Public Health is also usually a key priority for citizens and with the impact of the Covid-19 pandemic, this has grown in importance. It is also worth noting

that respondents indicated that they were happy to see the level of investment remain the same in some core services, particularly waste disposal/recycling where there was a significant reduction in the proportion of people who want SCC to spend more on the service.

- Many respondents specifically referred to the impact of the Covid-19 pandemic on individuals and council services. There was recognition that the economic impact could require the council to do more to support businesses and the unemployed. Some respondents also suggested that there would be a greater need for mental health support due to the pandemic.
- A large number of comments suggested that the council could do more to manage costs and improve efficiencies, however others recognised that the funding available to the council has been reduced significantly over several years and the council is already doing all it can reasonably expected to do to maintain services. Suggestions for increasing the amount of money available to the council included taking advantage of low borrowing costs, and pressuring central government for increased financial support.
- In the 2021/22 budget consultation, we asked respondents about whether they agreed or disagreed with the proposed 1.99% increase in Council Tax for 2021/22. We stated that this increase would help protect key services and help the city's continued response to Covid-19.
- As the chart demonstrates, two-thirds of respondents said that they agreed with the proposed increase with around 28% saying that they disagreed. When prompted say why they gave this view, comments largely focused on two main themes: respondents recognising the challenges for local public finances following a decade of austerity and the role that increased Council Tax could play in supporting core services and the city's covid response; and concerns about the implications of higher local taxes for people on the lowest incomes and those who have seen their incomes reduce because of COVID-19.



- In line with previous years, the majority of respondents said that they are keen to see us hold fees and charges at the current level (57%) with 31% suggesting that they would be happy to see fees and charges increased.
- Of the people that provided additional comments to explain their views on fees and charges, a number suggested that their view was not uniform across all services and that we could consider increasing fees and charges for some services but should keep charges the same in others (bereavement services was a frequently mentioned example of where charges shouldn't be increased).
- We asked citizens how important they thought it was that we used our capital programme to invest in the city. People strongly supported investment in the city's economy, essential maintenance and green and open spaces. Transport and housing investment were also seen as of significant importance.
- Apart from 'housing investment, in comparison with the 2020/1 budget consultation, there were some decreases in the percentage of respondents stating it is 'important' or 'very important' for the council to invest in all areas. For example, fewer people said that 'transport' was very important/important but this may be due to the impact that the pandemic has had on lifestyles, with fewer people travelling during lockdowns.
- The additional comments received focused heavily on the impact of Covid-19 on Sheffield and thus implications for the city's future and for investment priorities to be considered within the new context. This clearly impacted respondents who stated that they had more focus on housing and parks and open spaces because of the impact of lockdowns over the last year.

- We also asked respondents to provide any additional comments they may have or suggestions about how Sheffield City Council could save money, increase income or make savings. Respondents provided a very wide range of views and comments but particularly focused in a number of areas:
- Ways of working – the impact of Covid and forced move to large-scale home working could provide an opportunity for rationalising of council office bases, so that more people could work from home for the long term, be based in local centres (eg. libraries) and there should be increased investment in IT and the digitisation of services.
- Being an efficient and effective council – a range of comments focused on the importance of Sheffield City Council being an efficient organisation with appropriate levels of officer pay, value for money contracts and effective at collecting Council Tax, levying appropriate fees and changes and using enforcement (eg. parking fines).
- Fair funding for councils – Government should be adequately and fairly funding local councils and Sheffield City Council should be lobbying for a fairer funding for the city.
- Stronger community focus – a range of ideas and proposals centred on empowering Sheffielders to have more control and influence over their local area (eg. funding for parks, libraries; taking responsibility for neighbourhood tidy-ups etc) or using innovative funding (crowd sourcing, Sheffield Investment Bonds) for citizens to contribute to new projects to improve the city.
- Joining up and improving local services – looking at opportunities to learn from councils elsewhere but also closer joint working with public and VCF sector partners in the city and beyond (eg. South Yorkshire) to improve quality and efficiency.
- Focus on climate change – investing in the future and in particular, tackling the climate emergency by investing to make Sheffield a more sustainable city (clean/active travel regularly cited).

47. On the 18th January 2021, we also held a conversation with representatives of Sheffield’s VCF sector about the City Council’s 2021/22 budget. The discussion then focused on the following:

- Adult social care – recognition of the existing scale of demand on services, employees and carers which has been exacerbated by Covid-19. Need for a more comprehensive longer-term solution to the funding of social care.

- Concern about the implications of Covid-19 on the city's economy and in particular, what this could mean for the wellbeing of communities, incomes and inequality.
- Communities at the heart of the city's recovery from Covid-19 – investing to create more resilient and empowered communities across the city and working to drive better public and VCF collaboration at neighbourhood level in Sheffield.

48. In the **People Services Portfolio**, proposals are based on a range of approaches, including: investments; risk and benefit sharing through integration with health partners; negotiation with fundholders and service-providers; individual support and casework; and general efficiencies. Some proposals have been informed by consultation feedback and others will require communication with individuals and forms of co-production to develop ideas further. Consultation has been, or will be, carried out where proposals affect employees.

Impact analysis overall

49. It is impossible to consider Equality Impact Assessments (EIAs) without also acknowledging the effects that Covid-19 has had, and will continue to have, on the people and organisations of Sheffield. Although the full impact of the Covid-19 pandemic is unknown, it is highlighted in the summary of **People Services** activity that follows and in EIAs themselves that have been carried out. These EIAs will be reviewed and updated throughout the year.

50. In **People Services** EIAs have been carried out in relation to the business planning savings proposals. 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.

51. The EIAs, and this budget narrative, reflect the fact that proposals for 2021-22 are in many cases a continuation of those not fully completed in 2020-21 as a result of the Covid-19 pandemic.

Supporting children, young people and families

52. In **People Services**, our refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential and describes our plans for continuing to develop high

quality maternity, prevention and early intervention services which meet a diverse range of needs.

53. Through our continuing Strengthening Families programme, we aim to reduce the number of children entering the care system and we will continue to help reunite families where it is safe to do so.

54. Our Fresh Start Project continues to work with those most at risk of having a child removed – including women with substance misuse issues and mental health problems, and teenage mothers. Our Parenting Project provides specific help to fathers and families in need of support. We will also continue to work with survivors and perpetrators of domestic and sexual abuse regardless of sex, with a focus on early intervention and prevention.

55. We are continuing with work to increase the numbers of local foster carers and use resources differently to enable more children to live locally.

56. We are investing in a five-year programme of targeted preventative work to reduce the education achievement gap, which has widened during the Covid-19 pandemic.

57. The Strengthening Families Programme also helps us to respond to the impacts of the Covid-19 pandemic on vulnerable children, young people and their families.

58. We are investing in a five-year programme of targeted preventative work to reduce the education achievement gap, which has widened during the Covid-19 pandemic.

59. We continue to support SAYiT which is the LGBT+ Youth service in Sheffield and is a key partner of the Council.

60. The current Mental Health Transformation Programme specifically considers young people and includes improving the transition pathways to Adults' Mental Health Services and to/from the Child and Adolescent Mental Health Service (CAMHS); a specific focus on Eating Disorder Services; and developing Mental Health Support Teams work in schools and colleges.

Inclusive education

61. We continue to increase the inclusion of children and young people with additional needs. The Strengthening Inclusion Programme is working to give Sheffield sufficient quality placements in mainstream settings that meet the needs of the majority of children and young people with special

educational needs and disabilities (SEND) aged 0-25.

62. For the most complex children, we are working to ensure there is the right amount of quality specialist provision as close to home as possible. As part of these investments, two new special schools are being built in Sheffield.

63. We are investing in a five year programme of targeted preventative work to reduce the education achievement gap, which has widened during the Covid-19 pandemic.

Making Conversations Count

64. Our social care teams will continue to use a conversations-based approach that focuses on the goals, strengths and needs of people rather than an assessment form or process. Increased isolation, effects on health and wellbeing, disrupted care and support and other impacts of Covid-19 serve to underline the importance of timely and meaningful conversations.

Supporting mental health and wellbeing

65. In 2021-22, this approach will be applied to improving outcomes and achieving greater independence for people with mental ill health. We will work jointly with health partners to update our Transformation Programme for 2021-2024 and introduce a Mental Health Strategy as we work towards an all age approach. We will continue to focus on recovery and prevention as well as independence.

66. Our Public Health commitments will continue to address root causes of ill health by supporting community groups that help improve people's health and wellbeing as well as respond to the impacts of Covid-19.

Helping people to live in their home and community

67. We will continue the aim to support more people in their own homes, through home care and other support. At the same time, we will work to ensure organisations are able to offer the right mix of domiciliary and residential-based support for those who need it. We have been working closely with organisations providing care and support as they face the effects of Covid-19. Work will continue to commission the right dementia-appropriate support and to help adults with enduring mental health needs to live more independently in the community.

68. We will help to ensure Direct Payments can help people exercise choice and control and have more of the funding available by reducing

administrative costs.

Improving and updating our funding and payment processes

69. In Adult Social Care, we will further develop joint ways of working with NHS Sheffield Clinical Commissioning Group and increase availability of Continuing Healthcare funding. We will continue to improve the information and advice available to people who need to pay for their care and support. We will consult with people about updating the maximum contribution payable towards the cost of care.

Supporting libraries to support communities

70. An operational review will consider ways to support the workforce structure in libraries, provide development opportunities and explore income generation options. Through a focus on digital inclusion, the review will also seek to address ways that libraries could help to tackle inequalities in educational outcomes for children and young people and employment skills.

Looking for value for money

71. We will continue to look for efficiencies in our procurement to help us maintain support for vulnerable people. Some People Services proposals would see changes to fees and charges as well as generating increased income. This will include increasing income from schools and local authority partners for data and information services. We are looking to increase income from the school catering contract to cover increased costs.

72. In 2021-22, we will not pursing our aim to negotiate fair cost of care with social care providers, recognising the significant challenges and uncertainty the Covid-19 pandemic is continuing to have on the sector.

Our workforce

73. We recognise the ongoing impact of Covid-19 on our workforce., this includes many staff in frontline roles, supporting people and families in most need of help. During the pandemic, many employees have wanted to move into roles where they could be of most help to communities. For others, the coronavirus has meant long hours and an impact on work and home life balance.

74. Our proposals include measures to support staffing levels and employee pay. Where Managed Employee Reductions are required or there is a

need to reduce premises costs, we will work to minimise the impact on direct service provision. Appropriate support and mitigations will be provided for all employees affected by any proposal involving staffing change. We will aim to ensure there is not have a disproportionate impact on any group already under-represented within the staffing profile.

Equalities impact

75. Across People Services, many of our proposals reflect the services we deliver and relate to working with vulnerable people, young people, women, people with disabilities, older people and people with other protected characteristics. These are covered in more detail in the sections below.

76. Through the proposals, we aim, where possible, to create changes that enhance people's wellbeing, support and experience. However, with any planned savings, there is a risk of a potential impact. The full effect of Covid-19 is as yet not fully known but undoubtedly risks impacting on people. The plans we are seeking to take forward will take account of this. Full EIAs have been carried out and will continue to be developed and monitored throughout the year ahead.

77. 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.

Health

78. Our Public Health commitments will continue to address root causes of ill health by supporting community groups that help improve people's health and wellbeing as well as respond to the impacts of Covid-19.

79. Covid-19 has had, and will continue to have, a profound impact on health and wellbeing. It is the dominant factor, alongside the financial context, in which business planning proposals are formulated for 2021-22. All People Services stakeholder groups are significantly affected by the pandemic – the people we support, the people who work for us and the organisations we work with and their own staff and volunteers. Factors caused by the pandemic such as ill health, caring responsibilities, bereavement, work or financial insecurity have a major impact on physical and mental health. Our business planning proposals, and the EIAs that inform them, will recognise and adapt to this new reality.

Age – older people

80. Many older people have been affected by Covid-19, facing health concerns and isolation during periods of lockdown. Care home residents have faced heightened risks. We need to ensure our plans help to address the very challenging situation. When older people need care and support, we will aim to make sure it is right for them and promotes wellbeing and independence. We will continue to look for ways to enhance the benefits of home care and aim to ensure there is the right support and mix of home care alongside residential care. We will continue to encourage use of assistive technology in the home.

81. Through improved information, support and staffing, we will do more to make sure paying personal contributions to the cost of care is easier and clearer. An update to the maximum contribution for people living at home would – subject to consultation – reflect the growth in care costs and increase equity in payments for social care.

82. Our conversations-based approach will continue to focus on people's personal goals and strengths rather than rigidly following an assessment process.

83. Our All Age Disability project will aim to improve support for people at key transition points in their lives, including in preparation for adulthood.

84. We will continue to work to the Sheffield Dementia Strategy and commission dementia-appropriate types of support. Through ongoing development of our staffing structure, we aim for our Deputyship and Appointeeship services to be better able to respond to demand.

85. Age is also considered across the current Mental Health Transformation Programme. It aims to commission all age mental health services that focus on emotional wellbeing throughout people's lives.

Young people

86. Our refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential.

87. We are working through Strengthening Families Change programme projects to reduce the number of children entering the care system and to facilitate the reunification of families where it is safe to do so.

88. We are working to increase the number and range of suitable places available within the city. This will help lead to vulnerable young people having a better chance of placement suitability and stability, leading to

better outcomes for the young people and an enhanced sense of belonging and engagement with society.

89. Through the Strengthening Inclusion Programme we are working to ensure that 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. As part of these investments, two new special schools are being built in Sheffield.

90. The Strengthening Families Programme also helps us to respond to the impacts of the Covid-19 pandemic on vulnerable children, young people and their families.

91. We are investing in a five-year programme of targeted preventative work to reduce the education achievement gap, which has widened during the Covid-19 pandemic.

92. We continue to support SAYiT which is the LGBT+ Youth service in Sheffield and is a key partner of the Council.

93. The current Mental Health Transformation Programme specifically considers young people and includes improving the transition pathways to Adults' Mental Health Services and to/from the Child and Adolescent Mental Health Service (CAMHS); a specific focus on Eating Disorder Services; and developing Mental Health Support Teams work in schools and colleges.

Disability

94. Covid-19 has had significant effects on many people with physical or learning disabilities, who may be facing health risks and concerns and feel the impact of needing to shield. Our work in relation to disabled people will be taken forward within some major programmes of work. In 2021-22, we will continue to commission dementia-appropriate support and services, following the development of the city Dementia Strategy. We will work jointly to update the Mental Health Transformation Programme (MHTP) for 2021-24 and introduce a Mental Health Strategy. Our All Age Disability project will continue to focus on transition points at different stages in people's lives and the need for integrated services.

95. We will continue to focus on people's strengths and aspirations and maintain a conversations-based approach in Adult Social Care. When people need to pay contributions to their care, they will be offered

improved information and support to help make payments and manage their finances. We will continue to take account of the actual inflationary cost of people's disability related expenditure. A proposed updated maximum contribution for non-residential care and support (subject to consultation) would reflect the growth in care costs and would not affect the large majority of people paying contributions.

96. Through the Strengthening Inclusion Programme we are working to ensure that 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. As part of these investments, two new special schools are being built in Sheffield.

Race

97. The Council has recently launched a Race Equality Commission, this is a citywide Commission and is working across six themes. Five of the themes of the Commission's work: Education, Health, Crime and Justice, Civic and Community and Employment are integral to the work of People Services.

98. There is strong evidence of a disproportionate impact of Covid-19 on BAME communities for various and complex reasons. This may manifest itself in different ways across the People Services portfolio – for example, exacerbating existing inequalities in educational outcomes, employment and skills as a higher proportion of BAME workers are in frontline roles or are self employed, income disparities and health. BAME communities access the voluntary sector services supported by the portfolio in higher proportions – these services are facing increased demand. The portfolio also has the highest proportion of BAME employees across the council.

99. Work on the Strengthening Families projects engages 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 communities, where a gradual increase in all children in care has been noted, (although there has been an increase in BAME children in the general population as well).

100. Our refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential and positively impacts on BAME communities which have a higher proportion of children aged 0 to 5.

101. The Strengthening Inclusion Programme will mean that children, young people and families from BAME groups will be able to access a range of local and flexible support to meet their needs. Separately, there is ongoing progress to recruit more diverse foster carers.

102. The launch of the library service operational review and the continuation of work to support choice and control through use of Direct Payments are further proposals that are likely to have particular positive impacts for people from BAME communities.

103. The Sexual Health contract in Public Health continues to provide 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.

Religion/Belief

104. There are no identified disproportionate impacts in People Services associated with business planning proposals. However, we recognize the impact that Covid-19 has had on exercising religious beliefs for some people and will aim to ensure our support helps to address this.

Sex – including men, women, pregnancy and maternity

105. Covid-19 has affected everyone. In some cases, men may face extra risk factors associated with pre-existing conditions or other factors. Women may also face different and additional impacts – for example, tending to have more direct caring and childcare responsibilities, low paid and working in frontline roles, including social care, children's services, libraries and community services and the voluntary sector.

106. Our refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential. It describes our plans for continuing to develop high quality maternity, prevention and early intervention services which meet a diverse range of needs.

107. The Strengthening Families projects continue to work with survivors and perpetrators of abuse regardless of sex, 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 continues to work with those most at risk of having a child removed. This will include women with substance misuse issues and mental health problems, and teenage mothers. The project primarily works 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.

108. The Parenting Project highlights increasing areas of support specific to fathers and works with those families in need of support.

109. The Strengthening Inclusion Programme is supporting more boys and girls. Boys are more disproportionately represented in SEND and Education, Health and Care Plans (EHCPs).

110. The Sexual Health contract in Public Health continues to provide improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs.

Sexual orientation

111. The Strengthening Families projects on domestic abuse have a positive impact on people who may be in a same sex relationship and need support.

112. The Sexual Health contract in Public Health continues to provide improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs, for example men who have sex with men.

113. We continue to support SAYiT which is the LGB&T+ Youth service in Sheffield and is a key partner of the Council.

Trans

114. The Strengthening Families projects on domestic abuse has a positive impact and recognises that trans people also face domestic abuse within a relationship.

115. The Sexual Health contract in Public Health continues to provide 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.

Financial exclusion and poverty

116. We recognise the potential impact of Covid-19 on financial wellbeing particularly on women who tend to have more direct caring and childcare responsibilities and working in frontline or part time roles. There are also financial wellbeing impacts on BAME communities who tend to be more in front line roles or are in low paid work or in self employment. We are aiming to ensure proposals for 2021-22 have positive neutral impacts

wherever possible, and that we monitor the effects closely.

117. Various proposals in People Services are based on the principle of promoting greater independence – for example, through support to live at home, access community-based services or to utilise Direct Payments – and the potential for higher disposable income.

118. Our Income and Payments Programme aims to improve the information, financial advice and support available to people making contributions to the cost of their Adult Social Care. The goal is to help people to maximise their income, minimise and manage debts and find it easier to keep on top of their contributions. A proposed updated maximum contribution cap would have no impact for the large majority of people using care and support services but will affect a small minority.

119. We are improving rates of pay to foster carers which will over time, 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. We are also equalizing payments between foster carers and kinship carers.

120. Our Strengthening Families Programme continues to work with children, young people and families to prevent the flow of children and young people into care through a range of funded initiatives, such as Edge of Care Adolescents, Growing Futures, Parental Development, Integrated Front Door, Fresh Start and Fostering. Going into care impacts on outcomes for children and young people, including increased risk of poverty and financial exclusion.

121. The Strengthening Families Programme also helps us to respond to the impacts of the Covid-19 pandemic on vulnerable children, young people and their families. These impacts are not yet fully known but include increased child poverty and pressures on families.

122. The projects also work with those most at risk of having a child removed, this includes teenage mothers. In addition, projects work with care leavers and young parents who are amongst those most vulnerable to poverty.

123. By having the right support at the right time and in the right place for children and young people, we are preparing the young person for transition into independence and employment; in so doing, we are mitigating against one of the key determinants of financial exclusion and poverty.

Carers

124. As a result of Covid-19, many people are facing new or additional caring responsibilities. Providing care to vulnerable or shielding relatives in these circumstances is very challenging. Acting as carer for someone with dementia or learning disabilities, or being unable to have contact with a relative, is extremely difficult. We recognize and value the role unpaid carers play, now more than ever.

125. In the sections on older people and disability, some proposals put forward by People Services may have an indirect impact on carers due to multiple disadvantages this group faces. For example, support through home care or other means designed for more older people or disabled people to live at home; and work to provide the right support and mix of home care and residential care.

126. We are also working to increase availability of our deputyship and appointeeship services and to improve Adult Social Care payment processes. Improvements to specific programmes of work will also impact on carers – preparation for adulthood (All Age Disability); commissioning of dementia-friendly support; and work with health partners throughout the Mental Health Transformation Programme and Mental Health Strategy.

127. 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.

128. The Strengthening Inclusion programme positively affects 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: support that meets their needs and enables them to prepare for transition to independence, employment, to access the community and manage their health needs.

Voluntary and Community and Faith Sector

129. We recognize the vital role played by organisations in the voluntary, community and faith sector, and the volunteers and staff who work for them. This has been demonstrated by the way the sector has supported people across the city during the coronavirus pandemic. People with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services. The decision was taken to maintain the level of voluntary sector grant funding for 2021-22.

Place Portfolio

130. In **Place Portfolio**, the 2021/22 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners and inflationary increase in charges/fees. A range of data has been used to help inform if there are any potential differential equality impacts and these have been/will be considered as part of the decision making process for the proposals.

131. **Place** Portfolio has completed 11 Budget EIAs. 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: 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. Streets Ahead.
- Inflationary increase on fees and charges.

132. The Place portfolio has four main priorities to deliver:

- Decent Homes for Everyone
- Jobs & Prosperity
- Health & Welfare / Wellbeing
- Environment

133. The portfolio works to further develop and strengthen Sheffield's economy by helping existing and new businesses to grow, and provide more, and better, jobs. We also recognise the need to develop small businesses (which of course have the potential to grow into larger employers) through initiatives like our Launchpad programme which provides practical technical advice and support.

134. Alongside this, Place will proactively lead the initiatives required to meet the city's housing needs across all sectors and areas. Both of these two priority objectives can only be delivered if the city has an efficient transport infrastructure which supports journeys for work and leisure.

135. The Council's commitment to environmental responsibility is demonstrated by our Green agenda. 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. Transport and Sustainability priorities will be further aligned through plans to improve air quality. Our Parks and Countryside service works to preserve and develop Sheffield's woodlands which hold approximately 2.1 million trees and the recently developed

Tree Strategy that has been co-produced with partners reaffirms our commitment to protect trees in the city for future generations.

136. We also want to continue to offer a vibrant mix of cultural, leisure and sporting facilities and events. This includes putting on events in the city centre, supporting cultural venues such as the Sheffield Theatres – the Crucible, Studio and the Lyceum; Sheffield Museums – Millennium Gallery, Weston Park Museum, and Graves Gallery; as well as major sporting and cultural facilities, such as the Arena, Ponds Forge and the City Hall. The city is one of the greenest in the country with extensive local parks and the Better Parks strategy will strengthen this in the future.

137. We also want Sheffield to be a city that has successful places and sustainable communities, with access to high quality housing, local services, shops, and jobs, as well as having excellent parks, streets and other physical infrastructure. Our ambition is that everyone in Sheffield should have a high quality of life, and that people feel proud of where they live.

138. It means making sure our neighbourhoods are safe and easy to move around, through delivering our Streets Ahead scheme to improve our roads and pavement and keep them in good condition. We also want people to be able to choose how they travel about the city, whether by bus, tram, cycling or walking.

139. We need to maintain our parks, sports and leisure facilities to encourage people to use and enjoy them, and keep the streets clean by collecting and processing the city's waste and recycling, whilst continuing to review the affordability and costs of all of our strategic contracts. As well as making Sheffield a better place to live in, all of these help to promote the health of the people of Sheffield as part of our responsibilities for Public Health. We have dedicated teams running weight management, smoking cessation and campaigns against illicit alcohol and tobacco supplies. We also want communities to be better able to help themselves and for people to have a say over what happens in their local area.

140. As a local authority, we also provide a number of other public protection services that are required by law. These include planning, pest control, trading standards and health protection services, as well as the coronial and bereavement services for the city

141. One of the proposals may result in a reduction in posts in the Portfolio and the usual Council employee consultation framework will apply. Support and guidance through the process will be in accordance with agreed SCC policies and procedures.

142. Inflationary increase across a range of services Low level impact on poverty and financial inclusion through year-on-year inflationary increase.

143. The Council incurs cost inflation like any other organisation. By keeping overheads as low as possible and providing services more efficiently, the Council strives to mitigate inflation but where legislation and market

conditions allow, the Council will recover cost increases through adjusting prices. These changes mean that we can continue to provide these services to the people of Sheffield without calling on the General Fund and reducing the scale of provision of other services.

144. Housing Repairs – There may be limited Impact on Age, Disability, Race, Sex and Poverty & Financial Inclusion.

145. The overall impact of the proposal is expected to have a positive impact on all tenants and leaseholders through improving how the service is delivered. The proposal may affect staffing levels and lead to review of some roles/terms and conditions. It is not anticipated that there will be any negative equality impacts from this. Any changes provide a potential opportunity to address an existing inequality within the service relating to workforce profile. Therefore, within the Human Resources R framework that the Council operates to, and also within the Equality Act 2010, the service aspires to improve its workforce profile if possible. The process will be in accordance with agreed Council policies. We will provide as much information and support as possible to employees experiencing any change, including use of the Employee Assistance Programme. Any agreed reasonable adjustments for members of the team will continue. The proposal may affect staffing levels and lead to review of some roles/terms and conditions.

146. Exit wholesale market at end of lease - Consultation with the leaseholders regarding the changes. Consultation with the Landlord to ensure that there are similar terms and conditions. The Landlord has been in individual discussions with the leasee's to ensure a smooth transfer

147. Review of corporate mail service -The review will look to exploit technology, re-design services, improve service offer and make cost savings by reducing the postage fee and handling costs of incoming and outgoing mail. The Team will work with Learning & Development and the Communications Service to ensure that any training will be delivered in a way that meets the needs of all relevant staff and that communications are clear and easy to understand.

148. 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.

149. 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.

Resources and PPC Portfolio

150. 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.

151. The Council is a large and complex organisation; we rely on effective professional support to run our business and the services we provide to Sheffield people. This indirect support from the Resources and PPC Portfolio includes:

- Supporting teams to manage their budgets and staff via HR and finance
- Providing and maintaining the information technology systems
- Helping our teams with legal advice ensuring our activities are lawful
- Supporting the Council to manage our performance, policy, communications, finance, human resources, ICT and contracting.

152. The Resources and PPC Portfolio will help deliver savings across the Council by changing the way the Council works. Directors from this portfolio will continue to lead five broadly themed initiatives aimed at delivering better value for money user satisfaction. This is part of the Council's ongoing 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
- Developing 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

- Review of the Council's governance and assurance framework to ensure open and transparent decision making is enabled.

153. Resources portfolio has just completed a major change project insourcing 250 locally based staff employed by the previous contractor to deliver ICT and Revenues and Benefits services. The focus for 2021/22 will be ensuring these services have an efficient and effective operating model, that meets the needs of the Council.

154. For 2021/22, additional ICT pressures have been identified largely because of the Covid-19 pandemic. The rapid roll-out of new ICT solutions to enable staff to work from home where possible has put pressure on the Resources and PPC Portfolio budget which will require additional support to be drawn from the General Fund budget.

155. 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 as they provide necessary services to Council departments, such as Legal Services. The Resources and PPC Portfolio Leadership Team has concluded that it would be high risk to reduce the net budgets of those services much further by assuming additional speculative income.

156. There are only a small number of potential equalities impacts in these areas except in the area of Council Tax and Hardship funds. As noted earlier there was broad support for increasing Council Tax in the consultation, which may impact on financial inclusion. However as requested in the consultation we have increased money going into hardship schemes to mitigate any negative impact on the lowest paid.

Overall impact analysis

157. Inevitably, funding reductions at the scale and pace that we have experienced over the last ten years does have implications for 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 especially after the impact of COVD 19.

158. 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. The substantial reductions in funding over the last ten years 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.

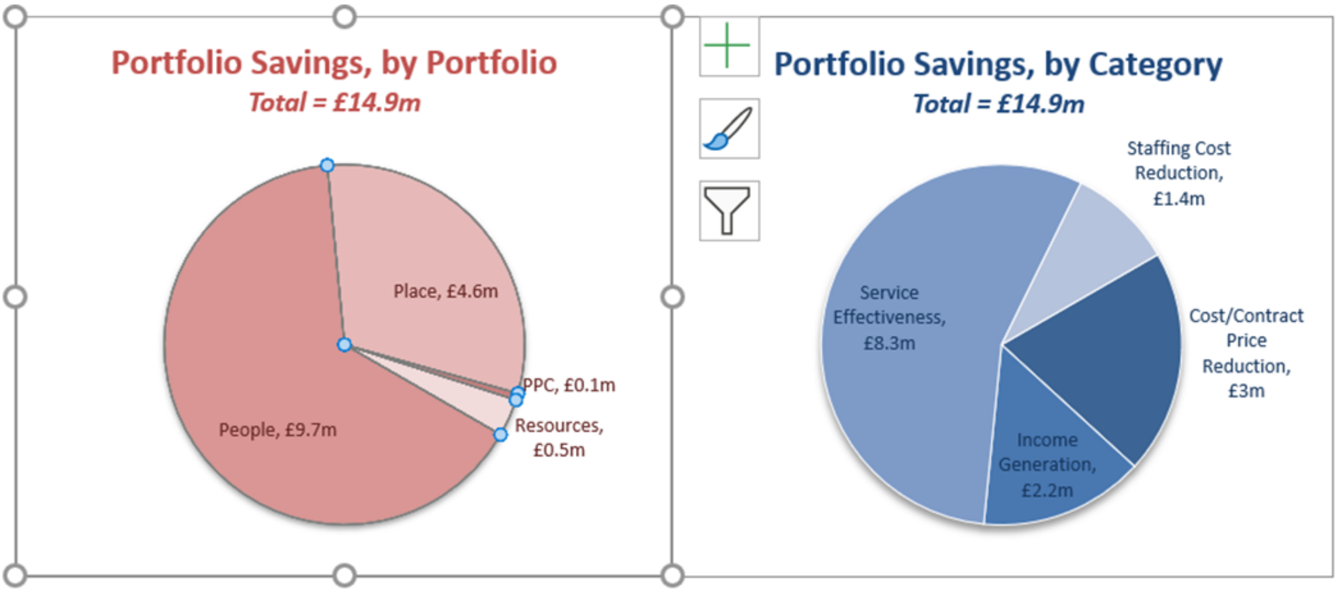
159. We have tried to minimise the impact on front line services to customers as far as possible by finding more efficient ways to deliver services, including by reducing costs of:

- Improved management of demand for services by shifting from crisis response to a greater focus on early intervention and prevention, ensuring we listen to the people who use our services and work with our partners to do the right thing at the right time.
- Ensuring that there is 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 supported to develop their skills.
- Underpinning this is an ‘all age’ approach to mental health and disability-related services across the portfolio which supports individuals from childhood through to old age in a consistent and seamless way, without barriers or difficult transition points.
- Improving our use of resources, by seeking new business models, streamlining processes and raising productivity, either through using less, or releasing resource, to earn additional income through the services we provide to business and residents. Through this transformation programme we will be able to preserve the public facing services, without reducing service standards or ceasing services.
- We will be seeking to drive additional value from our key contracts and our external partners who operate as trusts providing services once delivered by the Council.
- Given the importance of income from external users of our services, we are proposing therefore that we review charges for services to ensure we recover the full cost of providing these services reflecting the inflationary pressures the Council faces. Those charges that do increase will be benchmarked against market rates.
- Finally, we have developed a new funding model to align Council services to the nature of their activities. So, where allowed by statute, those activities providing services to the public or business will be funded from fees and charges.
- To do this means continuing to shape and redesign public services to work in a more integrated and preventative way. We are at all times guided in these choices by our values, commitment to fairness and tackling persistent inequality.

160. 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).

161. The total level of savings proposed by the Portfolios for 2021/22 is £14.9m and covers categories such as services effectiveness, cost reduction and staff savings



162. **People Services** In 2021/22, we are budgeting to spend in the region of £233 cash and £28m of Public Health grant on delivering services for People. A further £504m of funding was allocated separately by Government for schools and early year providers. The majority of our funding will be spent on social care: £114m for Adults Care and Support and £85m for Children, Young People and Families

163. **Place** In 2021/22, we have found mitigations of £4.9 million to meet the reduced central government funding, inflationary and demand pressures. However as a result of COVID, we will continue to plan for the impact that COVID has had, and will continue to have, on our budget as we could see a further drop in external income and an increase in costs that are associated with keeping the city safe and protecting the citizens of Sheffield from the impacts of the pandemic. One of the significant impacts of the pandemic has been on the leisure sector and as a consequence, the Council is working with its' leisure partners to ensure that the services they provide can be sustainably delivered not only during the pandemic but in the longer term future. The cost pressure of this in 21/22 is £12 million.

164. **Resources** is the second smallest Portfolio it covers: information technology; finance and commercial services; customer services; human resources and legal & governance.

165. **Policy, Performance and Communications** (inc **Public Health**, hereinafter **PPC**) has less than 100 staff and covers the corporate services of Policy; Research; Communications; Public Health Intelligence; Elections, Equalities and Engagement and Scrutiny. Public Health is distributed across the Council with the addition of a Director and small central team in PPC.

166. 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.

Our workforce

167. The potential workforce impact arising from the recommended savings proposals to set the 2021/22 budget, equates to a reduction of approximately 247 full time equivalent (FTE) posts.

168. As detailed in the Corporate Savings section of the main report, the Council plans to implement corporate programme aimed at facilitating the departure of around 300 staff (240 FTE) who wish to leave the Council's employment. Around 100 of the posts deleted will be replaced by new apprentice posts. The aim is to support services to develop and implement workforce plans that mitigate the risk of a large number of retirements over a short time period in a few years' time. At the same time, the proposal will provide a significant number of additional job opportunities for younger people.

169. These 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 of services.

170. VER/VS activity and the outcomes of MER processes have been the subject of Equality Impact Assessments (EIAs, and they will continue to be monitored on an ongoing basis to ensure there is no disproportionate impact on any group within the workforce.

171. Consultation is taking place with the trade unions at a corporate and

Portfolio level to identify opportunities to mitigate compulsory redundancies and ensure support is provided to any employee who is affected by potential redundancy

Public Health

172. **Public Health** spending, which is approximately £36 million and is integrated throughout the Portfolios. More detail on the use of our Public Health grant is given in the portfolio sections. However as evidenced in the consultation as a result of the Covid 19, we will continue to resource this vital work. We continue to carefully monitor the national allocation of the Public Health grant and the impact that this has. We are robust in our planning 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 some activities in order to reinvest in other areas which have been prioritised as a result of the pandemic.

Key Themes

173. 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 and 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.
- Focusing 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.

174. There are currently approximately 46,800 households who receive Council Tax Support, and of these approximately 29000 are of working age.

175. In 2013/14, the Council made awards from the Council Tax Hardship Scheme totalling £410,000. The hardship fund has increased steadily each year and was £1.4m in 2019/20. Due to the increase in 2021/22 of Council Tax (1.99%) and Adult Social Care (3%), it is proposed that the budget for the Council Tax Hardship Scheme is increased to £1.8m.

176. 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.

177. 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.

178. 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.

179. 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

180. 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.

181. Across all Portfolios impacts on age have been identified; however for older people the impacts are largely in People Services.

182. When older people need care and support, we will aim to make sure it is right for them and promotes their wellbeing and independence. Through improved information and support, 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 for older age people which, over recent years, have risen at a higher rate than benefits for working age adults.

183. 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. This is in line with our Conversations Count approach in Adult Social Care, which is focusing on people's personal goals and strengths rather than rigidly following an assessment process.

184. We will aim to work with providers to achieve fair cost of care for people who live in care homes.

185. We have worked with our partners to develop the Dementia Strategy for Sheffield;, we will continue to take this forward by procuring dementia-appropriate types of support. Our new All Age Disability project will aim to improve support for people at key transition points in their lives, including in preparation for adulthood.

186. Age is considered across the Mental Health Transformation Programme. It aims to commission 'all age' (lifespan) mental health services that focus on emotional wellbeing throughout people's lives. For young people, this includes improving the transition pathways to Adults' Mental Health Services and to/from CAMHS; a specific focus on Eating Disorder Services; and developing Mental Health Support Teams work in schools and colleges.

187. Many 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.

188. 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- dependent deductions), and this will still be the case if Council Tax increases.

Age – young people

189. 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.

190. In **People Services,** the proposals that identify impacts are summarised below:

191. Our refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential.

192. We are working through Strengthening Families Change programme projects to reduce the number of children entering the care system and to facilitate the reunification of families where it is safe to do so.

193. We are working to increase the number and range of suitable places available within the city. This will help lead to vulnerable young people having a better chance of placement suitability and stability, leading to better outcomes for the young people and an enhanced sense of belonging and engagement with society.

194. Through the Strengthening Inclusion Programme we are working to ensure that 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. As part of these investments, two new special schools are being built in Sheffield.

195. The Strengthening Families Programme also helps us to respond to the

impacts of the Covid-19 pandemic on vulnerable children, young people and their families.

196. We are investing in a five-year programme of targeted preventative work to reduce the education achievement gap, which has widened during the Covid-19 pandemic.

197. We continue to support SAYiT which is the LGBT+ Youth service in Sheffield and is a key partner of the Council.

198. The current Mental Health Transformation Programme specifically considers young people and includes improving the transition pathways to Adults' Mental Health Services and to/from the Child and Adolescent Mental Health Service (CAMHS); a specific focus on Eating Disorder Services; and developing Mental Health Support Teams work in schools and colleges.

199. 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.

200. 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 46,600 households who receive Council Tax Support, and of these approximately 27,900 are of working age.

201. 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 introduced the hardship scheme in 2013/14, and the Council made awards totalling £410,000. The hardship fund has increased steadily each year and was £1.4m in 2019/20. Due to the increase in 2021/22 of Council Tax (1.99%), and Adult Social Care precept

3% it is proposed that the budget for the Council Tax Hardship Scheme is increased to £1.8m.

Disability

202. There are over 110,000 adults with a long term limiting illness or disability in Sheffield, equivalent to around 20% of the population, with 9% saying this limits their activity a great deal. 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.

203. 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.

204. In **People Services**, our work in relation to people with disabilities will be taken forward within some major programmes of work.

205. Covid-19 has had significant effects on many people with physical or learning disabilities, who may be facing health risks and concerns and feel the impact of needing to shield. Our work in relation to disabled people will be taken forward within some major programmes of work. In 2021-22, we will continue to commission dementia-appropriate support and services, following the development of the city Dementia Strategy. We will work jointly to update the Mental Health Transformation Programme (MHTP) for 2021-24 and introduce a Mental Health Strategy. Our All Age Disability project will continue to focus on transition points at different stages in people's lives and the need for integrated services.

206. We will continue to focus on people's strengths and aspirations and maintain a conversations-based approach in Adult Social Care. When people need to pay contributions to their care, they will be offered improved information and support to help make payments and manage their finances. We will continue to take account of the actual inflationary cost of people's disability related expenditure. A proposed updated maximum contribution for non-residential care and support (subject to consultation) would reflect the growth in care costs and would not affect the large majority of people paying contributions.

207. Through the Strengthening Inclusion Programme we are working to ensure

that 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. As part of these investments, two new special schools are being built in Sheffield.

208. We recognize the vital role played by organisations in the voluntary, community and faith sector, and the volunteers and staff who work for them. This has been demonstrated by the way the sector has supported people across the city during the coronavirus pandemic. People with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services. The decision was taken to maintain the level of voluntary sector grant funding for 2021-22.

209. 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 10,000 taxpayers, (working age and pensioners), 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 working age in receipt of disability benefits will continue to receive the highest possible level of CTS. Pensioners with a disability will continue to be protected under the CTS scheme.

210. 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.

211. In recognition of the impact that the change to CTS has on disabled taxpayers the Council introduced, and in 2021/22 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 by £200k this year to 1.8m.

212. Analysis of the CTHS shows that approximately 55% of all awards are made to customers in receipt of Employment and Support Allowance. 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

213. 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.

214. 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.

215. In **People Services**, almost half of Grant Aid beneficiaries describe themselves as Black, Asian and Minority Ethnic (BAME). After consulting with organisations receiving Grant Aid we propose to extend contracts by a further year with a small equitable reduction to enable a wider review to be carried out. We will monitor the position closely throughout the year ahead.

216. There is strong evidence of a disproportionate impact of Covid-19 on BAME communities for various and complex reasons. This may manifest itself in different ways across the **People Services** portfolio – for example, exacerbating existing inequalities in educational outcomes, employment and skills as a higher proportion of BAME workers are in frontline roles or are self employed, income disparities and health. BAME communities access the voluntary sector services supported by the portfolio in higher proportions – these services are facing increased demand. The portfolio also has the

highest proportion of BAME employees across the council.

217. Work on the Strengthening Families projects engages 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 communities, where a gradual increase in all children in care has been noted, (although there has been an increase in BAME children in the general population as well).

218. Our refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential and positively impacts on BAME communities which have a higher proportion of children aged 0 to 5.

219. The Strengthening Inclusion Programme will mean that children, young people and families from BAME groups will be able to access a range of local and flexible support to meet their needs. Separately, there is ongoing progress to recruit more diverse foster carers.

220. The launch of the library service operational review and the continuation of work to support choice and control through use of Direct Payments are further proposals that are likely to have particular positive impacts for people from BAME communities.

221. The Sexual Health contract continues to provide 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..

222. 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. .

223. 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.

224. 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

225. 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.

226. There are no identified disproportionate impacts in **People Services (Children, Young People and Families** or **Adults**), **Place Services**, **Resources**, or **PPC**.

Sex – including men, women, pregnancy and maternity

227. Sheffield has a population overall which is approximately 51% female and 49% male with some variations at different ages. Women account for 58% of carers 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.

228. 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.

229. In **People Services**, Covid-19 has affected everyone. In some cases, men may face extra risk factors associated with pre-existing conditions or other factors. Women may also face different and additional impacts – for example, tending to have more direct caring and childcare responsibilities; working in frontline roles, including social care, children's services, libraries

and community services and the voluntary sector.

230. The refreshed early years' strategy, 'A Great Start in Life' sets out our ambitions for enabling all children aged 0 to 5 years to fulfil their potential and describes our plans for continuing to develop high quality maternity, prevention and early intervention services which meet a diverse range of needs.

231. The Strengthening Families projects continue to work with survivors and perpetrators of abuse regardless of sex, 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 continues to work with those most at risk of having a child removed. This will include women with substance misuse issues and mental health problems, and teenage mothers. The project primarily works 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.

232. The Parenting Project highlights increasing areas of support specific to fathers and works with those families in need of support.

233. The Strengthening Inclusion Programme is supporting more boys and girls. Boys are more disproportionately represented in SEND and Education, Health and Care Plans (EHCPs).

234. The Sexual Health contract continues to provide improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs.

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

236. 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.

237. 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.

238. 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. 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.

239. 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

240. 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.

241. In **People Services**, the Strengthening Families projects on domestic abuse have a positive impact on people who may be attracted to or are in a same sex relationship and who need support.

242. The Sexual Health contract **lth** continues to provide improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs, for example MSM.

243. We continue to support SAYiT which is the LGBT+ Youth service in Sheffield and is a key partner of the Council.

244. 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.

245. 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

246. There are nationally approximately 0.6% of the population that are trans, and so we would expect there to similar numbers in Sheffield, which equates to 3,300 people.

247. In People Services, the Strengthening Families projects on domestic abuse has a positive impact and recognises that trans people also face domestic abuse within a relationship.

248. The Sexual Health contract continues to provide 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.

249. Overall, across the Council in **Place**, **Resources** or **PPC** we do not think there will be 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

250. The Indices of Deprivation, a relative measure of deprivation in small areas of England (known as Lower Super Output Areas or LSOAs) ranks nearly a quarter of Sheffield's LSOAs as within the most deprived 10% nationally. Five LSOAs in Sheffield are within the 1% most deprived in England, an increase from three in 2015.

251. 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.

252. 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.

253. 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.

- 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:

- 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 Black Asian and minority ethnic backgrounds are more likely to be in poverty.
- 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 benefit changes.
- Universal Credit (UC) is having significant implications for communities in Sheffield, particularly people with more complex lives or who have vulnerabilities that make managing the system harder. This is more likely to include people from BAMER communities, care leavers, people experiencing domestic abuse, tenants in private-rented accommodation, people with disabilities or health conditions, and carers.

254. 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.

255. 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.

256. 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.

257. In People Services, our Grant Aid funding arrangements for 2021-22 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 Universal Credit and wider

welfare reform.

258. We recognise the potential impact of Covid-19 on financial wellbeing particularly on women who tend to have more direct caring and childcare responsibilities and working in frontline or part time roles. There are also financial wellbeing impacts on BAME communities who tend to be more in front line roles or are in low paid work or in self employment. We are aiming to ensure proposals for 2021-22 have positive neutral impacts wherever possible, and that we monitor the effects closely.

259. Various proposals in People Services are based on the principle of promoting greater independence – for example, through support to live at home, access community-based services or to utilise Direct Payments – and the potential for higher disposable income.

260. Our Income and Payments Programme aims to improve the information, financial advice and support available to people making contributions to the cost of their Adult Social Care. The goal is to help people to maximise their income, minimise and manage debts and find it easier to keep on top of their contributions. A proposed updated maximum contribution cap would have no impact for the large majority of people using care and support services but will affect a small minority.

261. We are improving rates of pay to foster carers which will over time, 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. We are also equalizing payments between foster carers and kinship carers.

262. Our Strengthening Families Programme continues to work with children, young people and families to prevent the flow of children and young people into care through a range of funded initiatives, such as Edge of Care Adolescents, Growing Futures, Parental Development, Integrated Front Door, Fresh Start and Fostering. Going into care impacts on outcomes for children and young people, including increased risk of poverty and financial exclusion.

263. The Strengthening Families Programme also helps us to respond to the impacts of the Covid-19 pandemic on vulnerable children, young people and their families. These impacts are not yet fully known but include increased child poverty and pressures on families.

264. The projects also work with those most at risk of having a child removed, this includes teenage mothers. In addition, projects work with care leavers and young parents who are amongst those most vulnerable to poverty.

265. By having the right support at the right time and in the right place for children and young people, we are preparing the young person for transition into independence and employment; in so doing, we are mitigating against one of the key determinants of financial exclusion and poverty.

266. In **Place** there are a couple of proposals with a potential impact on financial inclusion and poverty:

267. The inflationary increase in fees and charges for services provided by the Place portfolio. These services are wide-ranging with a daily and citywide impact on the lives of most people and businesses in Sheffield. This includes a number of statutory obligations for managing and maintaining the development, safety, and cleanliness of the city, as well as some discretionary activities that we choose to provide because of the benefits for the city. By keeping overheads as low as possible and providing services more efficiently, Place strives to mitigate inflation.

268. 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.

269. 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.

270. 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 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.

271. However we will increase Council Tax by 4.99% to enable us to continue to protect services to those who are in greatest need and at risk.

272. The Local Assistance Scheme (LAS) is run by the Council. 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.

273. The LAS was reviewed in 2017 and the following changes have been made to the scheme:

- 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).

274. 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. 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

275. 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.

276. 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.

277. As a result of Covid-19, many people are facing new or additional caring responsibilities. Providing care to vulnerable or shielding relatives in these circumstances is very challenging. Acting as carer for someone with dementia or learning disabilities, or being unable to have contact with a relative, is extremely difficult. We recognize and value the role unpaid carers play, now more than ever.

278. In the sections on older people and disability, some proposals put forward by People Services may have an indirect impact on carers due to multiple disadvantages this group faces. For example, support through home care or other means designed for more older people or disabled people to live at home; and work to provide the right support and mix of home care and residential care.

279. We are also working to increase availability of our deputyship and appointeeship services and to improve Adult Social Care payment processes. Improvements to specific programmes of work will also impact on carers – preparation for adulthood (All Age Disability); commissioning of dementia-friendly support; and work with health partners throughout the Mental Health Transformation Programme and Mental Health Strategy.

280. 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.

281. The Strengthening Inclusion programme positively affects 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: support that meets their needs and enables them to prepare for transition to independence,

employment, to access the community and manage their health needs.

282. In **Place and PPC** there are no impacts identified.

283. 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

284. 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.

285. In **People** Services, we recognize the vital role played by organisations in the voluntary, community and faith sector, and the volunteers and staff who work for them. This has been demonstrated by the way the sector has supported people across the city during the coronavirus pandemic. People with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services. The decision was taken to maintain the level of voluntary sector grant funding for 2021-22.

286. There are no identified disproportionate impacts in **Place** or **PPC**. 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.

287. 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. We are continuing to look at 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 especially given the widening inequalities as a result of Covid 19. This may mean that we will save on some activities in order to reinvest in other areas.

288. 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

Council staffing implications, including workforce diversity

289. In all Portfolios the budget proposals include some reduction on staffing budgets. The reductions arise from proposals to manage or deliver services in a different way.

290. As aforementioned, the Council plans to implement a corporate programme aimed at facilitating the departure of around 300 staff (240 FTE) who wish to leave the Council's employment. Around 100 of the posts deleted will be replaced by new apprentice posts. The aim is to support services to develop and implement workforce plans that mitigate

the risk of a large number of retirements over a short time period in a few years' time. At the same time, the proposal will provide a significant number of additional job opportunities for younger people.

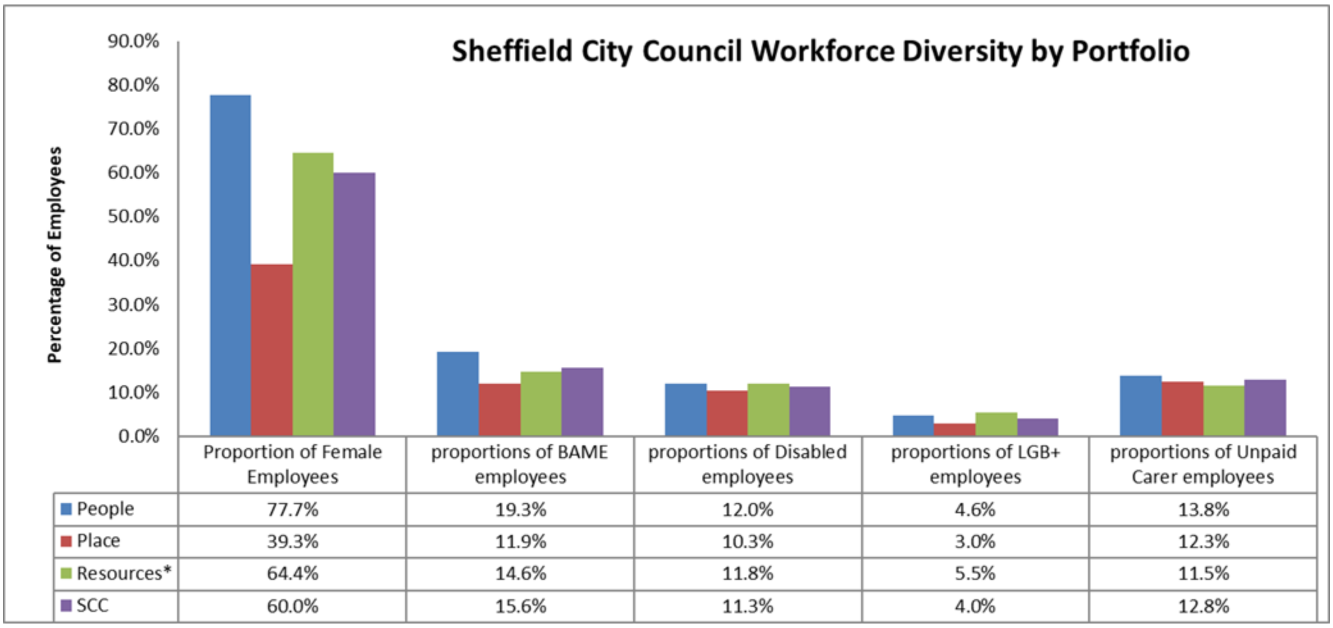
291. These will be managed, in the first instance, through deleting vacant posts, voluntary early retirement (VER) and voluntary severance (VS) schemes, where appropriate, and then through the Council's Managing Employee Reductions (MER) procedure to achieve the balance of reductions and re-design of services.

292. VER/VS activity and the outcomes of MER processes have been the subject of Equality Impact Assessments (EIAsand they will continue to be monitored on an ongoing basis to ensure there is no disproportionate impact on any group within the workforce.

293. We are committed to continue to pay a 'Living Wage' to Council employees and to extend this to our contracted providers. We are also now a member of the Living Wage Foundation.

294. 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.
- That there is still an 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



	Proportion of Female Employees	proportions of BAME employees	proportions of Disabled employees	proportions of LGB+ employees	proportions of Unpaid Carer employees
People	77.7%	19.3%	12.0%	4.6%	13.8%
Place	39.3%	11.9%	10.3%	3.0%	12.3%
Resources*	64.4%	14.6%	11.8%	5.5%	11.5%
SCC	60.0%	15.6%	11.3%	4.0%	12.8%

295. The main differences in each Portfolio are:

- **People** forms 44.5% (3495 employees) of our workforce. This Portfolio has the highest proportion of female employees, disabled employees, employees who are carer's and employees who are BAME. This is most reflective of the City's BAME profile. Employees who are LGB+ are also higher than the SCC overall profile.

- **Place** forms 40.9% (3,209 employees) of the workforce. This Portfolio has the highest proportion of male employees and the lowest proportions of female employees. There are low proportions of employees who are LGB+, disabled, and BAME.

- **Resources / Policy Performance & Communications** forms 14.6% (1,150 employees) of our workforce and has slightly higher proportions of employees who are disabled, LGB+, women and therefore low proportions of employees who are male and carers.

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.

Cumulative impact

296. As in previous years, we have regard to the cumulative impact of changes over recent years to inform our decision making this year. Whilst there are fewer implications this year and important investments in key services like social care, we should recognise the impact that almost a decade of

austerity has had on communities and public services. We have 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.

297. 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 and some BAME communities tend to have lower incomes and are more likely to be cumulatively impacted. See Community Knowledge Profiles for details.

298. 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.

299. We are continuing to work with partners, such as the NHS, to deliver better, joined up services for people in Sheffield. We are also continuing to work across the region where appropriate to help save costs and to enable better joined up services.

300. There has been a significant impact on the Council's workforce over the last decade due to restructuring and reductions. A Corporate programme, aimed at facilitating the departure of around 300 staff (240FTE) who wish to leave the Council's employment. The aim of the scheme is to deliver savings but also facilitate the Council's wider workforce plan. We also aim to take on a significant number of apprentices as well.

301. 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.

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	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. In some cases as proposals are developed further and implemented alongside consultation, some impact assessments will be revisited or updated. Continued focus on applying corporate priorities, the Fairness Framework Randomly sample 10% of EIAs in the year across portfolios to assess progress and effectiveness.	Service Managers within Portfolios as noted in EIAs. Performance monitoring within Portfolios - Directors of Business Strategy. Strategic Equality and Inclusion Board to examine in more detail the cumulative impact of the budget cuts made on Sheffield over the last 10 years.
Poverty and financial exclusion	Analyse, assess and monitor: • 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 Sheffield Equality Partnership 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, Director of Policy, Performance and Communications
3rd February 2021

Approved (EIA Lead Officer):
Adele Robinson, Equalities and Engagement Manager
3rd[h] February 2021

EIA budgets 2021/22

EIA reference	QTier Ref	Title	Description
437 (continuous from 19/20)	001PLA013B2-1	Streets Ahead	Contract saving - Customer Experience performance requirements
439 (continuous from 19/20)	001PLA013B2-1	Streets Ahead	Contract saving - Urgent Defects and Category 1 Defects
443 (continuous from 19/20)	001PLA013B2-1	Streets Ahead	Contract saving - Review Management Information System (MIS) requirements
725 (continuous f	001PLA013B2-1	Streets Ahead	Contract saving - Street lighting – Distribution Network Operator
523 (continuous from 19/20)	001PLA013B1-1	Fees & Charges Review	Inflationary increase across a range of services
464 (continuous from 19/20)	001RES113B1-1	Improved Operational Efficiency	Housing Repairs Team
867	001PLA013B5-1	Parkway Market	Exit wholesale market at end of lease
868	001RES113B3-	Corporate Mail	Review of corporate mail service
871	001PLA013B4-	Streets Ahead	Refinancing the Streets Ahead
872	001PLA013B3-	Sustainable	Cease match funding for
873	001RES113B4-1	Vacant posts	Deletion of vacant posts - no longer required
119	001CYP02054 B1-1	Placement Mix	Improve placement mix
150	001CYP01014 B1-1	Pension payments	Reduction to budget to reflect reduction in demand
194	001CYP02054 B2-1	Demand Management	Flatten growth trajectory in the care population.
475	001COM02034 B1-1	In-house Deputyship Service	Deputyship income and Appointeeship efficiencies
617	001COM02044 B1-1	Procurement of support for people with dementia	Supporting more people with dementia to remain independent
643	001COM02044 B5-1	Income and Payments Change Programme	Continued improvement of income and payment services

665	001COM04014 B2-1	Libraries, Archives and Information Service: operations review and income	Review of library archive and information resources
665	001COM04014 B1-1	Libraries, Archives and Information Service: operations review and income	Develop libraries offer and income opportunities
668	001COM02034 B2-1	Adult Social Care Direct Payments support service	Direct Payment Support
835	001CYP03094 B1-1	Mental health reviews and promoting independence	Improving outcomes for people with mental ill health including greater independence
859	001CYP02084 B1-1	Additional Income Residential Home	Expand Secure unit places to 12.
863	001CYP02024 B1-1	Integrated Workforce	Conversion of agency workers to permanent staff
864	001CYP02054 B3-1	Careleavers and Semi-Independent Living	Transition of young people out of social care post Covid-19.
876	001CYP04044 B1-1	Review of Staffing	A review of staffing relating to TARAS.
879	001CYP01014 B2-1	Operational efficiencies	Reduction to temporary recruitment budget
879	001CYP01014 B4-1	Other savings	Reduction to budgets including postage and insurance to reflect changes in demand
880	001CYP03094 B2-1	Youth pay award	Whole service review
885	001COM02044 B3-1	Adult Social Care maximum contribution	Uplift to the contribution cap in line with increase to residential care home standard rate
891	001COM02044 B4-1	Care home market reshaping	Adjustment to reflect changes in homecare and care home demand
893	001CYP01024 B1-1	Planning Strategy and Improvement	Reduction to capacity of team because of a transfer of responsibility
901	001COM02044 B2-1	Homecare Account Management	Improved debt collection rate
690	TBC	Register Office charges	Increase income in the Registry Office

838	TBC	Workstyle Changes (Covid 19)	Move to single shift working for First Point
837	TBC	Disestablishment of Planning and Performance Team	Introduction of Storm Telephony and real time monitoring of contact centre performance
537	TBC	New HR and Payroll System	Reduction of usage of key HR contracts
836	TBC	Members' Allowances	Reduction in allowances for Members appointed to SY Pensions Authority
626	TBC	Staffing Review	Full year effect of previous Finance and Commercial Services restructure

Glossary of Terms

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.
Business Implementation Plans (BIPs)	These show what activities will be provided in 2021/22 for a specified cash limit budget. They also include details of the service pressures and savings to be delivered. Services and Portfolios are required to develop these as part of the Council’s Business Planning process.
Business Rates	These can also be referred to as National Non-Domestic Rates (NNDR), 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.
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 MHCLG) 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 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.
Debt (Bad/Doubtful)	A Bad Debt is a debt that the Council has written off and has deemed uncollectable. A Doubtful Debt is a debt the Council expects to become a bad debt.
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.
FTE	Full Time Equivalent (FTE) refers to a unit that measures the workload of an employee. 1.0 FTE is equivalent to a full-time employee.

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.
LAC	Looked After Children
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 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.
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, 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	MHCLG 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. 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: "*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).”
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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