Public Document Pack

Cabinet

Wednesday 17 October 2012 at 2.00 pm

To be held at the Town Hall, Pinstone Street, Sheffield, S1 2HH

The Press and Public are Welcome to Attend

Membership

Councillor Julie Dore	Chair/Leader of the Council
Councillor Isobel Bowler	Culture, Sport & Leisure
Councillor Leigh Bramall	Business, SKills & Development
Councillor Jackie Drayton	Children, Young People & Families
Councillor Harry Harpham	Deputy Leader/Homes & Neighbourhoods
Councillor Mazher Iqbal	Communities & Inclusion
Councillor Mary Lea	Health, Care & Independent Living
Councillor Bryan Lodge	Finance & Resources
Councillor Jack Scott	Environment, Waste & Streetscene

Sheffield City Council

PUBLIC ACCESS TO THE MEETING

The Cabinet discusses and takes decisions on the most significant issues facing the City Council. These include issues about the direction of the Council, its policies and strategies, as well as city-wide decisions and those which affect more than one Council service. Meetings are chaired by the Leader of the Council, Councillor Julie Dore.

A copy of the agenda and reports is available on the Council's website at www.sheffield.gov.uk. You can also see the reports to be discussed at the meeting if you call at the First Point Reception, Town Hall, Pinstone Street entrance. The Reception is open between 9.00 am and 5.00 pm, Monday to Thursday and between 9.00 am and 4.45 pm. on Friday, or you can ring on telephone no. 2734552. You may not be allowed to see some reports because they contain confidential information. These items are usually marked * on the agenda.

Members of the public have the right to ask questions or submit petitions to Cabinet meetings. Please see the website or contact Democratic Services for further information.

Cabinet meetings are normally open to the public but sometimes the Cabinet may have to discuss an item in private. If this happens, you will be asked to leave. Any private items are normally left until last. If you would like to attend the meeting please report to the First Point Reception desk where you will be directed to the meeting room.

Cabinet decisions are effective six working days after the meeting has taken place, unless called-in for scrutiny by the relevant Scrutiny Committee or referred to the City Council meeting, in which case the matter is normally resolved within the monthly cycle of meetings. Further information on this or any of the agenda items can be obtained by speaking to John Challenger on 0114 273 4014.

If you require any further information please contact committee@sheffield.gov.uk or call us on 0114 273 4014.

FACILITIES

There are public toilets available, with wheelchair access, on the ground floor of the Town Hall. Induction loop facilities are available in meeting rooms.

Access for people with mobility difficulties can be obtained through the ramp on the side to the main Town Hall entrance.

CABINET AGENDA
17 OCTOBER 2012

Order of Business

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1. **Welcome and Housekeeping Arrangements**

2. **Apologies for Absence**

3. **Exclusion of Public and Press**
   To identify items where resolutions may be moved to exclude the press and public.

4. **Declarations of Interest**
   Members to declare any interests they have in the business to be considered at the meeting.

5. **Minutes of Previous Meeting**
   To approve the minutes of the meeting of the Cabinet held on 26th September, 2012.

6. **Public Questions and Petitions**
   To receive any questions or petitions from members of the public.

7. **Items Called-In for Scrutiny**
   The Chief Executive will inform the Cabinet of any items called in for scrutiny since the last meeting of the Cabinet.

8. **Retirement of Staff**
   There are no retirements to report.

9. **A Local Scheme for Council Tax Support**
   Report of the Executive Director, Resources.

10. **Revenue Budget and Capital Programme Monitoring 2012- 13 (Month 4)**
    Report of the Executive Director, Resources.

11. **Medium Term Financial Strategy**
    Report of the Executive Director, Resources.

12. **The City Deal for Skills**
    Report of the Executive Director, Children, Young People and Families.

NOTE: The next meeting of Cabinet will be held on Wednesday 31 October 2012 at 2.00 pm

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

A new Standards regime was introduced on 1st July, 2012 by the Localism Act 2011. The new regime made changes to the way that your interests needed to be registered and declared. Prejudicial and personal interests no longer exist and they have been replaced by Disclosable Pecuniary Interests (DPIs).

The Act also required that provision is made for interests which are not Disclosable Pecuniary Interests and required the Council to introduce a new local Code of Conduct for Members. Provision has been made in the new Code for dealing with “personal” interests.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously, and has been published on the Council’s website as a downloadable document at -http://councillors.sheffield.gov.uk/councillors/register-of-councillors-interests

If at all possible, you should try to identify any potential interest you may have before the meeting so that you and the person you ask for advice can fully consider all the circumstances before reaching a conclusion on what action you should take.

Further advice can be obtained from Lynne Bird, Director of Legal Services on 0114 2734018 or email **lynne.bird@sheffield.gov.uk**

SHEFFIELD CITY COUNCIL

Cabinet

Meeting held 26 September 2012

PRESENT: Councillors Julie Dore (Chair), Harry Harpham (Deputy Chair), Mazher Iqbal, Mary Lea, Bryan Lodge and Jack Scott

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1. APOLOGIES FOR ABSENCE

1.1 Apologies for absence were received from Councillors Isobel Bowler, Leigh Bramall and Jackie Drayton.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where resolutions may be moved to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting held on 12th September, 2012 were approved as a correct record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 There were no public questions or petitions submitted to the meeting.

6. ITEMS CALLED-IN FOR SCRUTINY

6.1 The Chief Executive reported that (a) no items had been called in for scrutiny since the last meeting of Cabinet and (b) the Economic and Wellbeing Scrutiny and Policy Development Committee had, at its meeting on 17th September, 2012 scrutinised Cabinet's decision of 11th August, 2012 on the Sheffield Bus Agreement and had agreed that no action be taken in relation to the decision, but that the Agreement should be included in the Committee's Work Plan.

6.2 Cabinet noted the information reported.

7. RETIREMENT OF STAFF

7.1 The Deputy Chief Executive submitted a report on Council staff retirements.

7.2 **RESOLVED:** That this Cabinet :-

(a) places on record its appreciation of the valuable services rendered to the City Council by the following staff in the Children, Young People and Families Portfolio below:-

Name	Post	Years' Service
Margaret Gray	Senior Teaching Assistant Level 3, St Mary's Catholic Primary School	20
Joyce Spooner	Supervisory Assistant, Arbourthorne Community Primary School	23

(b) extend to them its best wishes for the future and a long and happy retirement; and

(c) direct that an appropriate extract of the resolution now made under the Common Seal of the Council be forwarded to them.

8. A CITY FOR ALL AGES - MAKING SHEFFIELD A GREAT PLACE TO GROW OLDER

8.1 The Cabinet received a joint report of the Chief Executive, the Executive Director, Communities, Executive Director, Place, Executive Director, Resources and Executive Director, Children, Young People and Families outlining the 'City for All Ages' framework in Appendix A to the joint report and which set out a vision for the future of the City where individuals, society and organisations respect and meet the needs of people throughout their lives.

8.2 **RESOLVED**: That Cabinet:-

(a) confirms its commitment to making Sheffield an age-friendly City and endorses the strategic approach set out in 'City for all Ages';

(b) authorises a three-month consultation exercise to gain public endorsement for the approach and to develop further with partners the key priorities for action;

(c) delegates responsibility for finalising the Sheffield's City for all Ages action plan to the Executive Director, Communities (in consultation with the Cabinet Member for Health, Care and Independent Living, Cabinet Member for Culture, Sport and Leisure and the Chair of the City for all Ages Board).

8.3 **Reasons for Decision**

8.3.1 To provide a framework that complements the Joint Health and Wellbeing

Strategy by looking at improving some of the more tangible issues which undermine our aspiration to be an age-friendly City.

8.4 **Alternatives Considered and Rejected**

8.4.1 No alternatives were put forward or considered to be appropriate in the circumstances.

8.5 **Any Interest Declared or Dispensation Granted**

8.5.1 None.

8.6 **Reason for Exemption if Public/Press Excluded During Consideration**

8.6.1 None.

8.7 **Respective Director Responsible for Implementation**

8.7.1 Richard Webb, Executive Director, Communities.

8.8 **Relevant Scrutiny and Policy Development Committee If Decision Called In**

8.8.1 Healthier Communities and Adult Social Care.

9. OLDER PEOPLE'S ACCOMMODATION - STOCKSBRIDGE

9.1 The Executive Director, Communities, submitted a report containing proposals for the future of Newton Grange residential care home and sheltered accommodation at Balfour House and Sweeney House. The report also referred to the development of approximately 50 units of new build development for older people.

9.2 **RESOLVED:** That Cabinet:

(a) agrees to decommission Newton Grange Care Home to facilitate the development of purpose built lifetime standard older people’s accommodation;

(b) acknowledges that the Council will secure appropriate alternative provision of long term care from the independent sector;

(c) agrees that approval granted on 28 February, 2007 to the proposals for the long term closure of 6 sheltered housing schemes be rescinded insofar as it relates to Balfour House;

(d) agrees that priority for re-housing be awarded to all residents at Sweeney House, in accordance with the Council’s Lettings Policy;

(e) agrees that discretionary home loss (under section 32 of the Land and

Compensation Act 1973) be paid to tenants of Sweeney House who have been in occupation for 12 months at the time of displacement, and discretionary payments be made to all tenants to cover any removal expenses (under Section 26 of the Housing Act 1985);

(f) agrees that the site shown edged in red at Appendix 7 be declared surplus to the Council's requirements and leased to the Sanctuary Housing Group for a period of 250 years at nil consideration for use as social housing;

(g) notes that the aforementioned site will be used for the development that has approved funding from the Homes and Communities Agency;

(h) authorises the Director of Property and Facilities Management (i), in consultation with the Director of Housing, Enterprise and Regeneration, to negotiate and agree terms for the disposal of the site for the purpose set out in the report and (ii) to instruct the Director of Legal Services to complete the necessary legal documentation;

(i) authorises the Director of Property and Facilities Management to vary the exact extent of the land disposed of to facilitate the development set out in the report; and

(j) agrees that consideration can be given to residual funding, as a result of the decommissioning of Newton Grange, for two care provider manager posts to focus on care home and domiciliary care provider leadership and quality (including, for example, direct support where there is market failure)

9.3 **Reasons for Recommendations**

9.3.1 The City Council no longer provides long term residential care and Newton Grange is the last remaining Council run home.
The City Council has given a commitment to secure alternative care services within improved facilities and services which will deliver better value for money and better outcomes for people.

9.3.2 Older people, their families and carers have told the City Council that they want to be supported in their own homes or as close to home as possible. Furthermore they have indicated that they want high quality care and support services that treat them with dignity and respect at all times.

9.3.3 The City Council has given a commitment to secure alternative care services within improved facilities and services which will deliver better value for money and better outcomes for people.

9.3.4 Balfour House has the potential to be brought up to the Sheffield Decent Homes Standard (Capital Programme funding has been identified from the Investment Plan and subject to approval of a Capital Approval Form (CAF). Work will commence to upgrade the scheme in 2013.

9.3.5 Sweeney House, due to the poor layout and nature of the structural problems affecting the building should be decommissioned as planned. (Capital Programme funding has been identified from the Investment Plan and is subject to approval of a Capital Approval Form (CAF).

9.3.6 Newton Grange is well-located in terms of accessibility to local facilities and the site is the best available to the Council in Stocksbridge for the provision of housing for older people.

9.4 **Alternatives Considered and Rejected**

9.4.1 Victoria Road site -

- Planning has advised… The site is part of Bracken Moor Playing Fields. It is designated Open Space and there is currently a shortage of open space in the area. If evidence can be provided that it is not contrary to open space policies after full consultation, then acceptability in principle is subject to certain policy requirements. In addition to this the site is not large enough for the 50 units required – the density for the site would be 29 units.

- The site is opposite residential owner occupied properties, some of which are bungalows. As the site is on an incline any development would rise above these properties.

9.4.2 Victoria Street -

- Planning has advised… The land is zoned as part of the District Shopping Centre and is currently used as two separate car parks. Development Services have previously suggested that the use of the site should be retained as such. Housing development may well be acceptable in principle but the loss of these important shoppers car parks, without replacement in the immediate vicinity or within the principle shopping area is contrary to policy. The loss of these two car parks to housing development will have a detrimental affect on the long term vitality of the primary shopping area in conflict with Core Strategy policy CS33 and is not recommended. In addition there is insufficient space for 50 units of accommodation – the maximum number would be 18.

9.4.3 Outokumpu sites at Stocksbridge -

There are two Outokumpu sites at Stocksbridge which lie adjacent to each other – the residential site and the mixed use site:

- Residential site (previously indicated as being within a flood plain) - A planning application has been lodged by the Stocksbridge Regeneration Company (SRC) which is pending a decision. (Ref: 11/00384/FUL)

- Mixed use site - The majority of this site is owned by SRC (the remaining land is owned between the Duke of Norfolk, Outokumpu and various other companies). SRC have planning approval to develop the site which is valid up to 22/07/12 – after this date they will have the opportunity renew the approval which it is believed they will do. (Ref: 08/02703/FUL).

9.5 **Any Interest Declared or Dispensation Granted**

9.5.1 None.

9.6 **Reason for Exemption if Public/Press Excluded During Consideration**

9.6.1 None.

9.7 **Respective Director Responsible for Implementation**

9.7.1 Richard Webb, Executive Director, Communities.

9.8 **Relevant Scrutiny and Policy Development Committee If Decision Called In**

9.8.1 Healthier Communities and Adult Social Care.

10. PROPOSED SHEFFIELD CITY COUNCIL (FORMER STEEL WORKS, STOCKSBRIDGE) COMPULSORY PURCHASE ORDER

10.1 The Executive Director, Place, submitted a report seeking authority to make a Compulsory Purchase Order (CPO) to acquire the interests and new rights in the former Steelworks land in Stocksbridge to enable the comprehensive regeneration of the site with a mixed use scheme for retail, office and leisure with associated infrastructure and car parking and land prepared for residential development (the Scheme).

10.2 **RESOLVED**: That, on the understanding that (a) the Tata Agreement referred to in paragraph 2.8 is signed before the next meeting of this Cabinet on 17th October 2012 and (b) there are no changes made to the Agreement that would materially affect the Statement of Reasons supporting the Compulsory Purchase Order and (c) if either of these conditions are not met, further consideration of the issues by this Cabinet is required, before a decision is made to compulsorily purchase the land now reported:-

(i) authority be given for the Council to make a Compulsory Purchase Order under the powers conferred by Section 226 (1) (a) of the Town and Country Planning Act 1990 Act, and section 13 of the Local Government (Miscellaneous Provisions) Act 1976 Act, to acquire the land and rights over the land shown on the Order Map displayed at the meeting of Cabinet on 26th September 2012 and marked Map referred to in the Sheffield City Council (Former Steelworks, Stocksbridge) Compulsory Purchase Order 2012;

(ii) the Director of Legal Services be authorised to (A) make the CPO, to take all necessary procedural steps prior to and after the making of the CPO, to enable the CPO to be submitted to the Secretary of State for confirmation including:-

(1) finalising the attached draft Statement of Reasons;

(2) finalising the Schedule of Interests;

(3) serving notices of the making of the CPO on all persons entitled to such notice and placing necessary press notices;

and (B) submit the CPO to the Secretary of State for confirmation.

(iii) the Director of Legal Services be authorised to sign and serve any notices or documents necessary to give effect to these recommendations and to take all other actions necessary to give effect to these recommendations;

(iv) as soon as the Order is confirmed by the Secretary of State to advertise the confirmation of the CPO and serve all necessary notices of confirmation and once the CPO becomes operative, the Director of Legal Services, in consultation with the Director of Finance be authorised to execute General Vesting Declarations under the Compulsory Purchase (Vesting Declarations) Act 1981;

(v) the Executive Director Place, in consultation with the Director of Legal Services, be authorised to manage the compulsory purchase process in accordance with the terms of the CPO Indemnity Agreement;

(vi) Cabinet confirms that such parts of the land at the former Steelworks Stocksbridge as are already owned by the Council, but not currently held for planning purposes, are appropriated for planning purposes and as from today's date are held for planning purposes;

(vii) if necessary, the Council will use its powers contained in section 237 of the Town and Country Planning Act 1990 in order to override any rights or covenants which would otherwise impede the delivery of the Scheme;

(viii) the Director of Legal Services, in consultation with the Executive Director Place, be authorised to ensure that all private rights enjoyed and required by Tata over the land included in the Order are not extinguished by either :-

(A) making a Direction under section 236 of the Town & Country Planning Act 1990, or

(B) entering into an Agreement with Tata.

(ix) the Executive Director Place, in consultation with the Director of Legal Services, be authorised to support the application for a Stopping Up Order for various highways and footpaths that are necessary to enable the Scheme to be carried out and the creation of new highway, footpaths and bridleways, and to provide support for these proposals at any public inquiry

10.3 **Reasons for Recommendations**

10.3.1 The use of a CPO to assemble the land required for the Scheme is possible under section 226 (1) (a) of the 1990 Town and Country Planning Act, and would be justified in light of the compelling case in the public interest for the implementation of the Scheme, as it will boost employment opportunities in the area, secures the improvement of, and future investment in, the Tata Stocksbridge Steelworks, and transforms the town's retail offer.

10.3.2 The proposed Stocksbridge Regeneration Company Scheme provides a real opportunity to secure the regeneration of a large area of underutilised land alongside a key district centre and it is considered that there is little prospect, if a CPO is not used, of securing this regeneration

10.3.3 Where the Council propose to make a CPO under these statutory provisions, the Council must also be satisfied that the development is likely to contribute to the achievement of one or more of the following objects, namely the promotion or improvement of the economic, social or environmental well-being of their area.

10.4 **Alternatives Considered and Rejected**

10.4.1 Following the report to Cabinet on the 29th February 2012 the Council has been in negotiation to acquire the land required to deliver the Scheme with the remaining known land owners. These owners do appear to be willing to sell in principle but unfortunately terms have not to date been agreed.

10.4.2 The funding package for the development of the Scheme by SRC is dependant upon both ERDF grant funding and the pre sale of the proposed superstore to Tesco

10.4.3 Both of these are time limited and if the Councils CPO powers are not used to enable the site to be assembled it is considered that there is little prospect of this regeneration project proceeding.

10.5 **Any Interest Declared or Dispensation Granted**

10.5.1 None.

10.6 **Reason for Exemption if Public/Press Excluded During Consideration**

10.6.1 None

10.7 **Respective Director Responsible for Implementation**

10.7.1 Simon Green, Executive Director, Place.

10.8 **Relevant Scrutiny and Policy Development Committee If Decision Called In**

10.8.1 Economic and Environmental Wellbeing.

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SHEFFIELD CITY COUNCIL

Cabinet Report

Report of:	Laraine Manley
Report to:	Cabinet
Date:	17th October 2012
Subject:	Implementing the Government's Council Tax Benefit Changes
Author of Report:	Jon West (37762)

Summary:

1.1 Sheffield City Council pays Council Tax Benefit (CTB) to over 60,000 households in the city.

1.2 From April 2013, as part of a wide ranging welfare reform programme the government will abolish CTB and the Council will be required to replace it with its own local scheme of Council Tax Support (CTS).

1.3 This is one of the key changes of at least 40 other changes to the welfare system that the government has introduced since January 2011 or will introduce by October 2013 including the abolition of Housing Benefit (HB), the introduction of Universal Credit, the 'Benefit Cap' on the overall level of combined benefits and credits a household can receive and the transfer of discretionary elements of the Social Fund to local authorities from April 2013.

1.4 The government is making a cut of about £500m to the annual CTB budget so for CTS, the government will provide councils with fixed grants to fund awards of CTS which will only be about 90% of what they currently receive for CTB. For Sheffield, based on current estimates, this means a cut in government funding of about £4.6m.

1.5 Also, this grant will need to last all year, and unlike CTB, we will not receive any more funding if demand for CTS increases, for example, if people lose their jobs or their income reduces. Because of this gap in funding, the Council will need to make some difficult decisions about the amount of CTS people will receive and take care to ensure that whatever scheme it decides on, it is able to meet the financial demands of that scheme throughout the year.

1.6 It is also clear that going forward, the 90% funding is not guaranteed with the government already indicating its intention for future funding of CTS to be provided through general government grant, which it is signalling will be subject to further cuts in future years. This means that, in effect, funding for CTS will be cut by more than 10% over the next few years.

1.7 In view of this, at the meeting of 4th July 2012, Sheffield City Council passed a resolution stating its opposition to the Government proposals on council tax support localisation, expressing concerns that the policy will impact greatest on councils in the most deprived areas of the country and will hit the most vulnerable in society the hardest.

1.8 Furthermore, the 2010 Spending Review, together with recent announcements on CTS funding and the rolling up of specific grants into general grant, indicate that reductions in grant of about £35m are likely in 2013/14 with further reductions in subsequent years.

1.9 These budget reductions will need to be achieved through a combination of reductions in spending on Council services and increased income from other sources such as fees and charges. Also, the Council's ability to raise Council Tax is constrained by the requirements of the Localism Act to conduct a local referendum if the Tax were to increase above a level prescribed by the Secretary of State.

1.10 The overall message from the assessment of the medium term position is that services are facing significant reductions in 2013/14 and beyond. If the reductions in funding for CTS are not achieved through the design of the scheme itself, then this will add to the forecast budget gap and will require even larger reductions in service provision and/or increases in other charges to customers.

1.11 Furthermore, the government requires that pensioners are "protected" so that they are no worse off than they would have been under CTB. Therefore, unless there are other ways to deal with the shortfall, for the Council to implement the 10% cut in grant, the shortfall would have to be shared among those taxpayers under pensionable age. In Sheffield, based on current projections, this equates to an average reduction of about 20% for each non pensioner who currently receives CTB. Based on current levels this means a family living in a Band A property will pay an additional £3.76 per week or someone getting single person discount, an extra £2.82.

1.12 It should also be noted that the government has not included any changes to the scheme of Single Person's Discount as part of this reform, which can reduce a person's Council tax charge by 25% if they live alone regardless of whether they are on a low income. Neither have they changed the rules for granting discounts or exemptions from Council Tax on those properties which are occupied by students.

1.13 Most councils have now gone public with their proposed schemes which, like Sheffield's draft scheme, overwhelmingly align closely to the existing CTB scheme.

1.14 If Sheffield's draft scheme is adopted, for working age claimants, the maximum amount of CTS would be limited to 80% of their council tax liability. This would:

i. Spread the burden of the cut equitably across all working age claimants and, by applying the means test already established by CTB and HB, ensure that those with greatest need continue to receive the greatest level of support.

ii. Take account of the fact that the majority of customers receiving CTS will also receive HB . By aligning the rules for CTS to the current rules for HB, awards will be based on rules with which customers are already familiar.

iii. Avoid the need for claimants to submit a 'new claim' for CTS in the run up to April 2013.

iv. Provide continuity for those already claiming CTB and ensure transition arrangements will be the least disruptive and least confusing for customers.

1.15 Inevitably some households will find a cut in support harder to manage than others. The Council is therefore considering ways that additional support may be provided to meet the needs of those particularly vulnerable households experiencing severe financial hardship.

1.16 In accordance with statutory requirements, the Council published its draft scheme and undertook a public consultation exercise between July and September. During this time, the Council sought views on its draft scheme and, reassuringly, the majority of respondents agreed with the Council's proposals. A summary of questions and responses is attached at Appendix 1.

1.17 The Council will continue to regularly review its scheme and consider feedback from its customers to:

i. understand how the introduction of Universal Credit impacts on our CTS claimants

ii. look more closely at other options and if necessary

iii. develop an alternative scheme which will suit the future needs of the Council and its taxpayers.

1.18 The Government have been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.

1.19 Although there is considerable uncertainty, which extends to the level of shortfall in government funding for the CTS scheme, the Council needs to prepare for CTS based on the most likely position.

1.20 Consequently, Members should be mindful that the 80% CTS eligibility limit for working age claimants described in this report is based on current projections of the estimated shortfall in funding for the scheme. In order to mitigate this shortfall, the scheme proposed in this report, limits the amount of CTS a working age taxpayer can receive to 80% of their liability for council tax. However, there are a number of factors and risks which may lead to an increase in the funding gap and result in a change to the 80% maximum level of support which is recommended to Members when the scheme is presented to Council for final approval and the Local Government Finance Settlement is known.

Reasons for Recommendations:

There are very significant legislative, IT, time and cost issues which mean that it will be in the best interests of the Council to establish a CTS scheme which, from 2013, aligns as closely as possible to the current CTB scheme.

This will:

i. Provide more confidence that we will be able to deliver the scheme within the government's timescales and within its funding provision.

ii. Spread the burden of the cut equitably across all working age claimants.

iii. Be relatively simple to administer.

iv. Minimise disruption to taxpayers.

Adopting the scheme as proposed in this report will ensure that the Council meets its statutory obligations to provide a local scheme of Council Tax Support.

Recommendations

That Cabinet note the proposed Council Tax support scheme detailed in this report and set out in Appendix 2 to this report.

That Cabinet recommend to Council that it approve the scheme, to come into force on 1 April 2013.

Background Papers: n/a

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES   Cleared by: Eugene Walker
Legal Implications
YES   Cleared by: Brendan Twomey
Equality of Opportunity Implications
YES   Cleared by: Adele Robinson / Michael Bowles
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
ALL
Relevant Cabinet Portfolio Leader
Cabinet Member for Finance
Relevant Scrutiny Committee if decision called in
Overview and Scrutiny Management Committee
Is the item a matter which is reserved for approval by the City Council?
YES
Press release
No

REPORT TO CABINET

IMPLEMENTING THE GOVERNMENT'S COUNCIL TAX BENEFIT CHANGES

1. Summary

1.1 Sheffield City Council pays Council Tax Benefit (CTB) to over 60,000 households in the city.

1.2 From April 2013, as part of a wide ranging welfare reform programme the government will abolish CTB and the Council will be required to replace it with its own local scheme of Council Tax Support (CTS).

1.3 This is one of the key changes of at least 40 other changes to the welfare system that the government has introduced since January 2011 or will introduce by October 2013 including the abolition of Housing Benefit (HB), the introduction of Universal Credit, the 'Benefit Cap' on the overall level of combined benefits and credits a household can receive and the transfer of discretionary elements of the Social Fund to local authorities from April 2013.

1.4 The government is making a cut of about £500m to the annual CTB budget so for CTS, the government will provide councils with fixed grants to fund awards of CTS which will only be about 90% of what they currently receive for CTB. For Sheffield, based on current estimates, this means a cut in government funding of about £4.6m.

1.5 Also, this grant will need to last all year, and unlike CTB, we will not receive any more funding if demand for CTS increases, for example, if people lose their jobs or their income reduces. Because of this gap in funding, the Council will need to make some difficult decisions about the amount of CTS people will receive and take care to ensure that whatever scheme it decides on, it is able to meet the financial demands of that scheme throughout the year.

1.6 It is also clear that going forward, the 90% funding is not guaranteed with the government already indicating its intention for future funding of CTS to be provided through general government grant, which it is signalling will be subject to further cuts in future years. This means that, in effect, funding for CTS will be cut by more than 10% over the next few years.

1.7 In view of this, at the meeting of 4th July 2012, Sheffield City Council passed a resolution stating its opposition to the Government proposals on council tax support localisation, expressing concerns that the policy will impact greatest on councils in the most deprived areas of the country and will hit the most vulnerable in society the hardest.

1.8 Furthermore, the 2010 Spending Review, together with recent announcements on CTS funding and the rolling up of specific grants into general grant, indicate that reductions in grant of about £35m are likely in 2013/14 with further reductions in subsequent years.

1.9 These budget reductions will need to be achieved through a combination of reductions in spending on Council services and increased income from other sources such as fees and charges. Also, the Council's ability to raise Council

Tax is constrained by the requirements of the Localism Act to conduct a local referendum if the Tax were to increase above a level prescribed by the Secretary of State.

1.10 The overall message from the assessment of the medium term position is that services are facing significant reductions in 2013/14 and beyond. If the reductions in funding for CTS are not achieved through the design of the scheme itself, then this will add to the forecast budget gap and will require even larger reductions in service provision and/or increases in other charges to customers.

1.11 Furthermore, the government requires that pensioners are "protected" so that they are no worse off than they would have been under CTB. Therefore, unless there are other ways to deal with the shortfall, for the Council to implement the 10% cut in grant, the shortfall would have to be shared among those taxpayers under pensionable age. In Sheffield, based on current projections, this equates to an average reduction of about 20% for each non pensioner who currently receives CTB. Based on current levels this means a family living in a Band A property will pay an additional £3.76 per week or someone getting single person discount, an extra £2.82.

1.12 It should also be noted that the government has not included any changes to the scheme of Single Person's Discount as part of this reform, which can reduce a person's Council tax charge by 25% if they live alone regardless of whether they are on a low income. Neither have they changed the rules for granting discounts or exemptions from Council Tax on those properties which are occupied by students.

1.13 Most councils have now gone public with their proposed schemes which, like Sheffield's draft scheme, overwhelmingly align closely to the existing CTB scheme.

1.14 If Sheffield's draft scheme is adopted, for working age claimants, the maximum amount of CTS would be limited to 80% of their council tax liability. This would:

i. Spread the burden of the cut equitably across all working age claimants and, by applying the means test already established by CTB and HB, ensure that those with greatest need continue to receive the greatest level of support.

ii. Take account of the fact that the majority of claimants receiving CTS will also receive HB . By aligning the rules for CTS to the current rules for HB, awards will be based on rules with which claimants are already familiar.

iii. Avoid the need for claimants to submit a 'new claim' for CTS in the run up to April 2013.

iv. Provide continuity for those already claiming CTB and ensure transition arrangements will be the least disruptive and least confusing for claimants.

1.15 Inevitably some households will find a cut in support harder to manage than others. The Council is therefore considering ways that additional support may be provided to meet the needs of those particularly vulnerable households experiencing severe financial hardship.

1.16 In accordance with statutory requirements, the Council published its draft scheme and undertook a public consultation exercise between July and September. During this time, the Council sought views on its draft scheme and, reassuringly, the majority of respondents agreed with the Council's proposals. A summary of questions and responses is attached at Appendix 1.

1.17 The Council will continue to regularly review its scheme and consider feedback from its customers to:

i. understand how the introduction of Universal Credit impacts on our CTS claimants

ii. look more closely at other options and if necessary

iii. develop an alternative scheme which will suit the future needs of the Council and its taxpayers.

1.18 The Government have been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.

1.19 Although there is considerable uncertainty, which extends to the level of shortfall in government funding for the CTS scheme, the Council needs to prepare for CTS based on the most likely position.

1.20 Consequently, Members should be mindful that the 80% CTS eligibility limit for working age claimants described in this report is based on current projections of the estimated shortfall in funding for the scheme. In order to mitigate this shortfall, the scheme proposed in this report, limits the amount of CTS a working age taxpayer can receive to 80% of their liability for council tax. However, there are a number of factors and risks which may lead to an increase in the funding gap and result in a change to the 80% maximum level of support which is recommended to Members when the scheme is presented to Council for final approval and the Local Government Finance Settlement is known.

2. Background

2.1 The Council pays CTB to over 60,000 households in the city.

2.2 The government's Welfare Reform Act 2012 revokes CTB from April 2013. From this date, CTB will be replaced by a local scheme of "Council Tax support" designed and implemented by Local Authorities within a national framework of specific requirements and broad principles.

2.3 The government will provide a fixed grant to fund awards of Council Tax support which will be roughly equivalent to 90% of our 2011-12 CTB expenditure. This is approximately £4.6m less than we currently receive for CTB. However, the grant will not be ringfenced.

2.4 Legislation will require that current and future low income pensioners are "protected" under a local scheme so that they are no worse off than they would have been under CTB. This means that the 10% shortfall in grant will have to be shared among those taxpayers under pensionable age. In Sheffield, this equates to an average reduction of about 20% for each non pensioner.

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

3.1 Given that the government will not be providing additional funding for protecting pensioners, the cut in support available to working age claimants will be around 20%.

3.2 The reduction in government grant means that we will have to collect at least an additional £4.6m each year in Council Tax. Depending on the design of our local scheme, it is likely that this will include collecting from customers who currently receive the maximum level of support and therefore pay no Council Tax.

3.3 Should the Council also decide to protect all those working age 'passported' claimants who are receiving full CTB, then the cut in support for those remaining claimants who currently receive CTB would be around 90%.

4. Sheffield's Local Scheme

4.1 Sheffield's proposed scheme is detailed at Appendix 2.

4.2 As required by the government, Sheffield's scheme will 'protect' pensioners by providing them with the same level of support which they would have received under the CTB scheme. For this purpose, the government has defined a pensioner as a person who, amongst other things, has reached the qualifying age for state pension credit and they or their partner are not in receipt of certain income related benefits. Therefore, a taxpayer who has reached state pension credit age but is in receipt of a relevant income related benefit will not be protected and will be treated in the same way as working age claimants when calculating their entitlement to CTS as described below.

4.3 In this report the term "working age claimant" shall apply to a person who is liable to pay Council Tax and who has not reached the qualifying age for state pension credit or if they have, they or their partner are in receipt of a relevant income related benefit.

4.4 It is proposed that Sheffield's Council Tax support scheme for working age taxpayers will generally follow the same rules as those for CTB except that, as a starting point for assessing entitlement, it will restrict the Council Tax liability covered by the scheme to 80%. This means that all working age claimants will be faced with paying at least 20% of their Council Tax charge (see Appendix 3 for examples).

4.5 Aligning CTS with the CTB scheme provides a number of advantages including:

i. It makes forecasting Council Tax support expenditure relatively straight forward.

ii. It provides more confidence that we will be able to deliver the savings required (subject to probable losses on collection).

iii. It spreads the burden of the cut equally across all working age claimants.

iv. It is relatively simple to administer.

v. It can be implemented quickly, allowing sufficient time to carry out appropriate testing.

vi. To date, IT providers have only focused on developing solutions that align with CTB. Therefore there will be little opportunity for IT providers to develop solutions that will be able to deliver radically different schemes.

vii. The majority of claimants receiving Council Tax support will also receive HB. By aligning the rules for Council Tax support to current rules for HB, awards will be based on rules with which claimants are already familiar.

viii. The current administrative efficiencies of processing ‘combined’ HB and CTB cases will be maintained (subject to government confirmation that data can be shared)

ix. Training and development requirements for Council Tax and Benefits staff will be minimised.

x. The scheme can be delivered on the existing IT processing system (which we will still be using for the delivery of HB and Council Tax support for Pension Age claimants).

xi. System changes are expected to be relatively straightforward to implement.

xii. Transition arrangements will be the least disruptive and least confusing for claimants.

xiii. It will avoid the need to undertake a massive data capture exercise or for claimants to submit a ‘new claim’ for Council Tax support in the run up to April 2013.

xiv. It will minimise the risk of failing to migrate from one scheme to another in the timescales permitted.

4.6 It is also proposed that under the scheme, in respect of working age taxpayers, the second adult rebate will not apply. Second adult rebate is a form of CTB that can be paid instead of, but not as well as, the main type of CTB. Regardless of their own income, someone can claim second adult rebate if they live with someone, other than their partner, who is on a low income. The Council will invite taxpayers in receipt of second adult rebate to claim CTS.

4.7 Furthermore, it is proposed that war widows pension, war widower's pension and war disablement pension are disregarded in full when assessing a taxpayer's income for CTS purposes. This mirrors the Council's treatment of these pensions under the HB scheme.

4.8 There are a number of changes we could make to current system parameters which would produce a CTS scheme" based on the existing CTB scheme. These include:

i. Amending capital limits and tariff income

ii. Amending earnings disregards

iii. Amending non-dependant charges

iv. No longer disregarding certain income (e.g. war pensions, child benefit)

v. Capping Council Tax support to a certain Council Tax band

vi. No longer paying second adult rebate

vii. Amending the taper (the rate at which support is reduced as income increases)[1]

4.9 However, an initial analysis of the first six of these options indicates that they would not deliver the £4.6m shortfall in funding. They would also increase the complexity of administration and add confusion to claimants. This would be exacerbated by the extremely challenging timescales in which we have to develop the scheme.

4.10 Amending the taper (option vii) effectively provides 'protection' to all those CTB claimants who are entitled to a 100% rebate.

4.11 However, although amending the taper may deliver the £4.6m savings, this will be at the cost of drastically reducing or removing the level of support of many of the remaining taxpayers currently receiving some CTB.

For example, a single customer aged 40 works 16 hours per week and earns £91.20 per week. Currently they receive £10.37 in CTB based on a weekly Council Tax liability of £14.11 per week.

Under the new scheme, if the taper was increased to 65% (equivalent to the HB taper), their support would go down to £1.96 per week. They would be left to pay Council Tax of £12.15 per week (£631.80 per year), which is 13.3% of their gross income.

[1] Currently Council Tax Benefit (CTB) entitlement is calculated by comparing household income with the amount the government says the household needs to live on. This figure is known as the "applicable amount". Generally, if a household's income is equal or less than the applicable amount full CTB is awarded equivalent to 100% of the Council Tax liability. However, if income is higher than the applicable amount, CTB is reduced by 20p for every £1 of additional income. This is the "taper" and is set at 20%.

4.12 Amending the taper also significantly increases the financial risk to the Council of any sudden increase in demand for Council Tax support at the non-tapered maximum rate, for example, where taxpayers qualified for Job Seekers Allowance.

4.13 Also, some of these options for example, no longer disregarding income such as child benefit or war widows pension, may not easily fit with wider Council principles such as fairness.

5. Other Considerations

Reviewing the Scheme

5.1 We are expected to develop a scheme that supports the aims of Universal Credit however, the government timetable means that our scheme must be up and running 6 months before Universal Credit is implemented. Furthermore there is a statutory requirement that authorities, each financial year, consider revising their scheme. Therefore we will keep the scheme under review as is statutorily required which will give us the opportunity to:

i. review the effectiveness of the proposed model and assess its impact as a result of equalities impact monitoring

ii. gain a greater understanding of how Universal Credit will interact with our scheme

iii. look more closely at alternative models and if necessary

iv. develop a scheme which will suit the future needs of the Council and its taxpayers.

Mitigating Hardship

5.2 Over 90% of our working age taxpayers currently receiving CTB live in Band A properties. Based on current Council Tax charges, this would mean under the proposed scheme that they would have to pay an extra £3.76 per week towards their Council Tax (or an extra £2.82 if they were entitled to a single person discount).

5.3 Inevitably some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support may be provided to these households.

6. Alternative Options Considered

6.1 There are a number of other options available to the Council including:

i. Doing nothing

ii. Introducing a discount support scheme linked to income bands

iii. Adopting a completely discretionary financial assistance scheme.

6.2 An analysis of each of these options is shown below:

Doing Nothing

6.3 Any authority which does not agree a local scheme by January 2013 will have to adopt a government imposed 'default' scheme based on the current CTB scheme. In effect, this means that Councils in default will be forced to meet the full cost of expenditure that such a scheme generates. It would also need to make provision for any future increase in demand.

6.4 This option is not being recommended because it comes with a high degree of financial risk, would be reputationally damaging and takes control of the scheme away from the Council.

Discount Scheme Linked to Income Bands

6.5 Under this type of scheme Council Tax support would be provided at a level equivalent to a household's full Council Tax liability if their income was below a certain amount, e.g. £100 per week, with stepped reductions in support as income rises. An illustrative example of how this could look is shown below:

Household income up to £100 = 100% council tax support
Household income up to £150 = 75% council tax support
Household income up to £200 = 50% council tax support
Household income up to £250 = 25% council tax support
Household income above £250 = no support.

6.6 The advantages of this approach include:

i. The scheme would be clear to claimants and easy to understand.

ii. There could be some people who would be better off than under the current scheme.

iii. Once established, it would be fairly simple to administer.

6.7 However, this option is not being recommended because:

i. It is a fairly 'blunt' tool, for example, the level of support takes no account of the number of people in a household, so for example, a single person with an income of £180 would get the same level of support as a family with 2 children in the same income band. This calls into question the fairness of this approach.

ii. The level of support is not very responsive to changes in income, for example, a household income of £200 could attract 50% support. If the next income band below £200 was £150, a reduction in weekly income of up to £50 would not result in an increase in Council Tax support.

iii. Some claimants would face very high reductions in support based on slight increases in income. For example, a household income of £99 may get 100% support whilst an income of £101 may only get 75% support.

iv. To overcome issues of ‘fairness’, there may be a temptation to introduce additional criteria (e.g. capital limits, income disregards, allowances for special needs). However, this added complexity would soon mean that the ‘advantages’ of a discount scheme would be lost.

v. At this stage it is highly unlikely the IT changes required to support this approach could be delivered within the required timescales.

vi. There is a risk that the migration of existing CTB claimants to this scheme would not be achieved in the required timescales.

A Completely Discretionary Financial Assistance Scheme

6.8 This approach would look to make awards of Council Tax support on an individual basis.

6.9 Under this type of scheme it would be possible to bring together several different income streams in order to provide a holistic approach. Council Tax support would form one element of such a scheme with other funding such as free school meals, Discretionary Housing Payments, Social Fund Loans, Community Care Grants, homeless prevention funding and even supporting people funding.

6.10 This approach would in effect bring together all of the Councils’ “unringfenced” discretionary payment schemes under one scheme. The advantages of such an approach include:

i. The ability to take an overall view of a household’s financial circumstances, using one assessment and one set of data , would increase efficiency, benefit customers who don’t need to access different services, and would fit in with the Council’s aim of a whole household service offer to different customer groups.

ii. The scheme could be extended to providing help advice and support to customers who need to access non Council services such as Department for Work and Pensions administered benefits and pensions.

6.11 However, this option is not being recommended because:

i. The scheme would require highly knowledgeable, skilled staff supported by sophisticated systems and processes. The degree of training and the time needed for this, the time and cost of developing the system needed to support the scheme and the challenge of integrating into one team staff from a number of services do not fit within the timescales the Council will have to work too.

ii. The need to individually reassess 60,000 plus claimants against a wide ranging financial assessment significantly increases the risk that the Council will not be able to migrate from one system to another on time.

iii. Not all recipients of Council Tax support will need or indeed be eligible for wider financial support. Including Council Tax support in a wider package of corporate financial support could add complexity, delay assessments and impact on Council Tax collection.

iv. Operating a discretionary based scheme with little or no reference to regulatory criteria would increase significantly the risk of legal challenge to the Council. Such legal challenge could require significant resources to deal with and could lead to cases progressing to Judicial Review, which would further increase any financial and reputational risk to the Council.

v. It would not comply with the minimum legislative requirements of a local scheme including that the scheme must specify the class of persons entitled to assistance and set out the reduction to which persons in each class will be entitled to.

vi. This approach would be highly resource intensive and every decision would need to be made individually with little or no "automatic processing" to support decision making. Failure to assess each case on an individual basis would see the Council fettering its discretion and leave it open to successful legal challenge on every decision.

7. Financial Implications

7.1 The Government has been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.

7.2 Although there is considerable uncertainty, which extends to the level of shortfall in government funding for the CTS scheme, the Council needs to prepare plans for the medium term based on the most likely position.

7.3 Consequently, Members should be mindful that the 80% CTS eligibility limit for working age claimants described in this report is based on current projections of the estimated shortfall in funding for the scheme. In order to mitigate this shortfall, the scheme proposed in this report, limits the amount of CTS a working age taxpayer can receive to 80% of their liability for council tax. However, there are a number of factors and risks which may lead to an increase in the funding gap and result in a change to the 80% maximum level of support which is recommended to Members when the scheme is presented to Council for final approval and the Local Government Finance Settlement is known.

7.4 These factors include:

i. The government has yet to confirm the actual amount of grant for funding Council Tax support payments. Therefore there may be an increase in the anticipated £4.6m.

ii. Changes to the local or national economy may increase demand. The grant allocation is not subject to demand fluctuations so there must be contingency built into any scheme to meet any unpredicted demand. If we fund this contingency from the government grant, it will effectively result in a further cut in the support we can offer.

iii. Increases in demand for CTS from 'protected pensioners'.

iv. The full set-up and implementation costs of introducing a new scheme are not yet known, although our IT supplier has assessed their initial costs for system development as £59k. Although more is expected, the government has so far only provided each authority with £84k towards implementation costs.

v. The government has not confirmed how much (or whether) it will contribute to councils' costs of administering their local schemes.

vi. The cost of administering Council Tax collection may increase as more taxpayers fail to keep up with their payments.

vii. The percentage of Council Tax collected is likely to decrease if we fail to collect from those least able to pay.

viii. The Council will need to consider increasing its Council Tax bad debt provision.

ix. Although the government has yet to provide confirmation, it is likely that the Council will not be compensated for the loss of other income it receives under the current CTB subsidy scheme, for example, about £250k for overpaid benefit each year.

x. The government assumes that any financial risk will be shared with major precepting authorities (in Sheffield this would be the Police and Fire Authorities).

7.5 Officers will provide a full assessment of these risks and impacts as and when the government provides more clarification about the scheme and build them into the Council's financial strategy.

7.6 In the summer, the Local Government Association published an analysis of the impact of CTS. In it they suggest that some councils may be able to protect their taxpayers by making up the 10% cut by raising income from ending discounts for second homes and empty properties. The government has recently changed the legislation to allow more flexibility in this area.

7.7 However, councils and residents in poorer and more deprived areas of the country, like Sheffield, where the numbers of second and holiday homes are usually low and the number of benefits claimants high, are unlikely to be able to provide protection in this way. Areas like Sheffield therefore have less ability to use this flexibility. An initial analysis shows that the £4.6m gap in CTS funding could not be plugged by use of these flexibilities.

7.8 Sheffield does recognize that this is an important potential source of income for the Council though, and one that could be used to mitigate cuts in any number of Council services. One option would be to mitigate the impact of benefits cuts, but the Council will also be faced with difficult choices about reductions in other services affecting vulnerable people such as the elderly or children in care. In addition, changing the discounts would mean increasing taxes for some residents and the measures could present the council with added problems associated with tax avoidance and non payment.

8. Legal Implications

8.1 The primary legislation in respect of Council Tax support is the Local Government Finance Bill (the Bill), which is expected to be enacted shortly. The Bill provides that local authorities must design and implement local Council Tax support schemes, to be approved by 31 January 2013 and to come into force on 1 April 2013. Where a local authority does not comply with this requirement, a statutory default scheme shall be imposed. The Bill, by amendments to the Local Government Finance Act 1992, provides that approval of a scheme is not an executive decision and must be decided by Council. In line with the report's recommendation, the intention is to refer the scheme proposals and the scheme set out in this report to Council for approval, once the Bill is enacted. When Council have approved the scheme, the above requirement will have been met.

8.2 The Bill required local authorities to publish their draft scheme and to consult on their scheme proposals. The Council has complied with these requirements.

8.3 The Bill and the Council Tax Reduction Schemes (Prescribed Requirements) Regulations (when in force) set out the required content of Council Tax support schemes. The proposed scheme based on the principles proposed in this report, and set out in Appendix 2 to this report, complies with this legislation.

9. Equality of Opportunity Implications

9.1 There is a commitment to fairness and social justice at the heart of the Council's values. We believe that everyone should get a fair and equal chance to succeed in Sheffield however we recognise that some people and communities need extra support and help to reach their full potential, particularly when they face multiple layers of disadvantage and discrimination. It is inevitable when funding levels are reduced that there will be an impact on the services we deliver, including some of the work we do with groups who share a protected equality characteristic. As far as practically possible within the confines of a reduced financial settlement, we have tried to minimise the impact on these groups.

9.2 The Council, in the implementation of the scheme, will need to be mindful of its legal duties toward certain groups and give careful consideration to the assessment of equalities implications including its duties under the Equality Act 2010.

9.3 An Equalities Impact Assessment (EIA) has been undertaken to support the development and implementation of our local scheme and takes into account feedback from the formal consultation process. The EIA is at Appendix 4.

9.4 The consultation exercise closed on 17th September. Responses show that there is majority support for the Council's proposed scheme with over 80% of those who expressed a preference, agreeing that the scheme should mirror CTB and over 60% agreeing with limiting the discount for working age claimants to 80%. The greatest level of agreement is shown for the proposal to provide extra support for people in severe hardship with almost 90% of respondents in agreement. However, a minority of respondents do not agree with the Council's proposals with many of them expressing concerns about the impact on financially vulnerable taxpayers. Officers will review the issues raised in the consultation exercise and take them into account when developing the plan to implement the scheme and the communication strategy which will accompany it. A summary of responses to the consultation are shown at Appendix 1.

9.5 The implementation of the scheme will be underpinned by a strong communications strategy which, as a minimum, will ensure all affected customers are individually contacted to explain how the changes affect them.

10. Human Resources Implications

10.1 It is not anticipated that there will be major staffing implications for Council staff as a result of this change although this has yet to be fully assessed. However, there may be implications for Capita staff who currently administer the CTB scheme and the Council Tax service.

11. Environmental Implications

11.1 It is not anticipated that there will be environmental implications from the introduction of Council Tax support. On-line, self service options will be promoted reducing the need for paper forms and the need for claimants to travel to appointments.

12. Contractual Implications

12.1 Discussions are underway with our Council Tax service provider, Capita, in order to prepare for the implementation of the new scheme and to ensure that any contractual variations are agreed. A programme team has been established and officers are in discussion in order to finalise implementation plans.

13. Reasons for Recommendation

13.1 There are very significant legislative, IT, time and cost issues which mean that it will be in the best interests of the Council to establish a CTS scheme which, from 2013, aligns as closely as possible to the current CTB scheme.

13.2 This will:

i. Provide more confidence that we will be able to deliver the scheme within the government's timescales and within its funding provision.

ii. Spread the burden of the cut equitably across all working age claimants.

iii. Be relatively simple to administer.

iv. Minimise disruption to taxpayers.

13.3 Adopting the scheme as proposed in this report will ensure that the Council meets its statutory obligations to provide a local scheme of Council Tax Support.

14. Recommendations

That Cabinet note the proposed Council Tax support scheme detailed in this report and set out in Appendix 2 to this report.

That Cabinet recommend to Council that it approve the scheme, to come into force on 1 April 2013.

Appendix 1a

Consultation questions and background information

Council Tax Benefit is changing

From April 2013, the Government has announced that it will end Council Tax Benefit. Instead, councils will need to replace it with their own local Council Tax Support schemes. Like Council Tax Benefit, Council Tax Support will reduce the amount of council tax people need to pay. Therefore we are consulting with you on our draft scheme for Council Tax Support.

No changes have been made to existing discounts such as the 25% Single Persons Discount and student exemptions. However there will be some changes and some of these have been set by the Government:

- A 10% reduction in funding for Council Tax Support. This equates to a reduction of about £4.6 million in the first year in Sheffield.
- Only working age residents will be affected because the Government has told councils that pensioners who receive Council Tax Benefit will be protected from the changes.
- Pensioners will continue to receive the same level of Council Tax Support as they currently receive through Council Tax Benefit.
- An average cut in support of 20% for working age customers.
- If demand for Council Tax Support increases, for example, if people lose their jobs or their income reduces, the Government will not give us any more money for our scheme.

We have some difficult choices to make and we need your views.

Our draft scheme:

- Matches as closely as possible to the Council Tax Benefit scheme so:
    - residents will not have to make a new claim for Council Tax Support before April 2012.
    - those already claiming Council Tax Benefit will not have to make a new claim.
    - there will be less disruption and confusion for customers.
    - we can use our existing IT system and claims will be processed quicker than if we needed to introduce a new system.
    - people who move off benefits into work are supported.
- Does not replace the “Second Adult Rebate” part of Council Tax Benefit.
- Gives all working age residents who qualify for Council Tax support a discount of up to 80% off their Council Tax bill.
- Provides extra help to our most vulnerable citizens.
- Will be reviewed each year to make sure that it is working well.

Question 1

- **Do you agree that our scheme should match as far as possible the Council Tax Benefit scheme?**

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

Level of support

We are facing a huge gap in funding across all of our services. This means that we have to make some very difficult decisions about how that funding should be spent.

If we are to avoid funding the £4.6m cut in Council Tax Support from money that could be spent on other services, we will need to limit the amount of Council Tax Support we pay out.

One way of doing this is to give all working age residents who qualify for Council Tax Support a discount of up to 80% off their Council Tax bill. This means that all working age customers who qualify for Council Tax Support will have to pay at least 20% of their council tax. Based on current levels this means a family living in a Band A property will pay an additional £3.76 of Council Tax per week and residents in a Band A property getting single person discount will pay an extra £2.82 per week.

For example, a resident who has a weekly council tax liability of £18.81, and currently receives Council Tax Benefit of £18.81 each week, has 100% of their liability covered by Council Tax Benefit. Under Council Tax Support, they will only receive support based on 80% of their liability, this amounts to £15.05. They will therefore have to make payments of £3.76 per week towards their council tax (£18.81- £15.05 = £3.76).

This spreads the burden of the cut equally across all working age customers. Importantly, it also ensures that the most vulnerable and those in greatest need, for example those with children or with disabilities, will still get a greater share of the support that is available.

Question 2

Given the reduction in funding available for Council Tax Support, do you agree that we should give all working age residents who qualify for Council Tax support a maximum discount of 80% off their Council Tax bill?

Strongly Agree ; Agree ; Neither Agree/Disagree ; Disagree ; Strongly Disagree

Hardship

We recognise that this change may be more difficult for some residents to manage than others and that a cut in support may place some residents in severe hardship. Therefore we are proposing extra support to meet the needs of those vulnerable residents.

Question 3

Do you agree that we should provide extra support for people in severe financial hardship?

Strongly Agree □; Agree □; Neither Agree/Disagree □; Disagree □; Strongly Disagree □

Moving into work

We want Council Tax Support to help people move into work. Therefore, like Council Tax Benefit, our scheme will continue to support residents moving into work by continuing to pay them the same amount of support they receive for the first 4 weeks of employment.

Question 4
Do you agree that when someone moves into work we should pay the same level of

support for the first 4 weeks of employment?

Strongly Agree □; Agree □; Neither Agree/Disagree □; Disagree □; Strongly Disagree □

Second Adult Rebate

Second adult rebate is a form of Council Tax Benefit that can be paid instead of, but not as well as, the main type of Council Tax benefit. Regardless of their own income, someone can claim second adult rebate if they live with someone, other than their partner, who is on a low income. The Government will abolish second adult rebate from April 2013. We will invite people who are getting second adult rebate to claim Council Tax Support from April 2013 but we do not intend to operate a scheme which mirrors second adult rebate.

Question 5
Do you agree that that we should not operate a separate scheme that mirrors

second adult rebate?

Strongly Agree □; Agree □; Neither Agree/Disagree □; Disagree □; Strongly Disagree □

Further information

The Government requires us to publish and consult on a draft local scheme of Council Tax Support. Our draft scheme is available at www.sheffield.gov.uk/lcts.

For more information about council tax click on council tax or visit www.sheffield.gov.uk/counciltax

The government's statement of intent for localising support for council tax can be found at:
http://www.communities.gov.uk/publications/localgovernment/localisingsupportcouncitax

Appendix 1b

Council Tax Support – Summary of survey responses excluding those who neither agreed or disagreed

	Strongly agree	Agree	Total who are in agreement	Disagree	Strongly disagree	Total who disagree
Do you agree that our scheme should match as far as possible the CTB scheme?	45%	37%	**82%**	10%	8%	**18%**
Do you agree that we should give all working age residents who qualify a maximum discount of 80%?	35%	27%	**62%**	18%	20%	**38%**
Do you agree that we should provide extra support for people in severe financial hardship?	60%	28%	**88%**	6%	6%	**12%**
Do you agree that when someone moves into work we should pay the same level of support for the first 4 weeks?	43%	34%	**77%**	16%	7%	**23%**
Do you agree that we should not operate a separate scheme that mirrors second adult rebate?	37%	40%	**77%**	10%	13%	**23%**

Council Tax Support – Summary of survey responses including those who neither agreed nor disagreed

	Strongly agree	Agree	Total who are in agreement	Neither agree nor disagree	Disagree	Strongly disagree	Total who disagree
Do you agree that our scheme should match as far as possible the CTB scheme?	39%	36%	**75%**	**12%**	8%	5%	**13%**
Do you agree that we should give all working age residents who qualify a maximum discount of 80%?	34%	25%	**60%**	**6%**	16%	18%	**34%**
Do you agree that we should provide extra support for people in severe financial hardship?	26%	25%	**81%**	**7%**	7%	5%	**12%**
Do you agree that when someone moves into work we should pay the same level of support for the first 4 weeks?	39%	31%	**70%**	**11%**	13%	5%	**19%**
Do you agree that we should not operate a separate scheme that mirrors second adult rebate?	25%	30%	**54%**	**30%**	7%	8%	**15%**

Appendix 2

SHEFFIELD CITY COUNCIL'S COUNCIL TAX SUPPORT SCHEME

Sheffield City Council (the Council), in accordance with S13 A (1) (a) of the Local Government Finance Act 1992 is required to provide a Council Tax Reduction Scheme, that complies with the Council Tax Reduction Schemes (Prescribed Requirements) Regulations 2012 (the CTS Regulations). This scheme, entitled Sheffield City Council's Council Tax Support Scheme (the Scheme) complies with that requirement. Assistance under the Scheme shall be referred to as Council Tax Support (CTS). In the event of any conflict between the provisions in the CTS Regulations and the Scheme, including any other legislation referred to in the Scheme, the provisions in the CTS Regulations shall apply.

Administration of the Scheme

The administration of the Scheme including,

- how a claim is to be made,
- who can make a claim,
- decision making,
- notification of changes in circumstances,
- notification of decisions,

shall in respect of a claimant that is a pensioner, as defined by regulation 3 CTS Regulations (Pensioner claimants) be in accordance with the CTS Regulations, and in respect of a claimant who is not a pensioner, within the meaning of regulation 3 CTS Regulations (Working Age claimants) in accordance with the CTS Regulations and Council Tax Benefit Regulations 2006 and related legislation as were in force on 31 March 2013, (the CTB Regulations). For the purpose of the administration of the scheme, referred to above, the CTB regulations except where this document indicates otherwise are incorporated into this Scheme. The CTB Regulations, therefore, when considered in relation to the Scheme, should be read and interpreted as if they apply to the Scheme; for example the word "Benefit" should be read as "CTS" and "relevant authority" should be read as the "Council".

Calculation of entitlement to CTS

Where a claimant is entitled to CTS, the amount of the entitlement shall be assessed in accordance with the Schedule to the Scheme.

Section 13A (1)(c) of the Local Government Finance Act 1992 provides the Council with the discretion to reduce Council Tax liability, in addition to any reductions awarded under the Scheme, to such extent as it thinks fit. A person may apply for a reduction under this power and any such application shall be made to the Council in writing (including by electronic means) at its designated office. The application should provide such details as are reasonable and necessary to enable the Council to properly consider the application. This should include, but is not limited to:

- the reason for the application,
- the period for which the application is made and;
- the context and circumstances in which the application is made.

Review and Appeals of decisions made

A person who is aggrieved by any decision of the Council under the Scheme relating to his entitlement to CTS or the amount of his CTS entitlement may request a review of the decision by serving a written notice, detailing the grievance, on the Council at its designated office within one calendar month of the decision,.

The Council will carry out a review the decision and notify the aggrieved person of the outcome of the review in writing.

The Council may consider written notices received outside the one calendar month time limit where it is satisfied that there were special circumstances that made it impractical for the person to appeal within the time limit.

Where upon receipt of the Council's notification of the outcome of the review, the person remains aggrieved, or if the Council fails to notify the aggrieved person of the outcome of its review within 2 months of the service of their notice, he may appeal to the valuation tribunal.

SCHEDULE TO THE SCHEME

CALCULATION OF ENTITLEMENT TO COUNCIL TAX SUPPORT

Under the Scheme, a Pensioner Claimant's entitlement to CTS shall be determined, except where this document indicates otherwise, in accordance with the CTS regulations and that claimant's Council Tax liability will be reduced by the CTS amount. In respect of Schedule 5 (1) (a) and (b) of the CTS Regulations, the amount to be disregarded in respect of war widow's pension, war widower's pension or war disablement pension shall be the full pension.

The rest of this section deals with the assessment of CTS entitlement in respect of Working Age Claimants. CTS shall be available in respect of a claimant's Eligible Council Tax. Eligible Council Tax is 80% of the claimant's net Council Tax liability (i.e. net of any other discounts and relevant deductions).

A claimant's entitlement to CTS and the amount of their CTS entitlement shall be determined in accordance with the following process and the relevant provisions under the CTS Regulations.

The Council will assess whether a claimant would have been entitled to Council Tax Benefit (CTB) and the amount of that entitlement, in accordance with s131

Social Security Contributions and Benefits Act 1992, the CTB Regulations and related legislation as was in force on 31 3 13 (the CTB Legislation). However in that assessment of entitlement, for a claimant's Council Tax liability, substitute their Eligible Council Tax. The assessment will be referred to in the Scheme as the "CTS Assessment". For the purposes of the CTS Assessment Regulation 62 (alternative maximum council tax benefit), Regulation 60 C Extended Payments - Movers and Regulation 61 C Extended Payments (qualifying contributory benefits) – movers, of the CTB Regulations, shall not apply. Also in respect of Schedule 4 (16) (a) and (b) of the CTB Regulations, the amount to be disregarded in respect of war widow's pension, war widower's pension or war disablement pension shall be the full pension.

Where a claimant would not have been entitled to CTB under the CTS Assessment, then that claimant does not have an entitlement to CTS under the Scheme. Where the claimant would have had an entitlement to CTB under the CTS Assessment, then the claimant shall be entitled the CTS. The amount of the claimant's CTS entitlement shall be the amount of entitlement assessed under the CTS assessment. The claimant's Council Tax liability shall be reduced by the CTS amount.

Appendix 3

Examples

Impact of Proposed Option (basing Council Tax support on 80% liability).

1 A single customer aged 24 receiving Job Seekers Allowance (JSA) of £53.45 per week and a 25% Council Tax Single Person Discount (SPD). Currently they receive £14.11 per week in Council Tax Benefit, as entitlement to JSA means that the customer is entitled to benefit that covers 100% of their Council Tax Liability

Under the proposed scheme, if support for Council Tax is limited to 80% of the customer's liability, the support would be £11.29 per week. The new shortfall would be £2.82 per week (£146.64 per year), which is 5.3% of the customer's gross income. Previously this customer had not had to make any payments towards their Council Tax account.

2 A single customer aged 35 who is receiving JSA of £67.50 per week and SPD. Currently they receive £14.11 per week in Council Tax Benefit, as entitlement to JSA means that the customer is entitled to benefit that covers 100% of their Council Tax Liability.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £11.29 per week. The new shortfall would be £2.82 per week (£146.64 per year), which is 4.2% of the customer's gross income. Previously this customer had not had to make any payments towards their Council Tax account.

3 A single customer aged 35 who is receiving Incapacity Benefit of £99.85 per week and SPD. Currently they receive £13.41 in Council Tax Benefit based on a weekly Council Tax liability of £14.11.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £10.59 per week. The existing shortfall increases to £3.52 per week (£183.04 per year), which is 3.5% of the customer's gross income.

4 A single customer aged 35 who receives Incapacity Benefit of £108.05 per week, an occupational pension of £48.39 per week, and Disability Living Allowance of £93.15 per week (this is disregarded for Council Tax Benefit purposes) and a SPD. This gives the customer a total weekly income of £249.59 per week. Because of the premiums the customer is entitled to due to their disability, the award of Council Tax Benefit meets their weekly liability in full and they receive Council Tax Benefit of £14.11.

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £11.29 per week. The shortfall would £2.82 per week (£146.64 per year), which is 1.1% of the customer's gross income.

5 A single customer aged 40 works 16 hours per week and earns £91.20 per week. Currently they receive £10.37 in Council Tax Benefit based on a weekly Council Tax liability of £14.11 per week (SPD has been awarded)

Under the new scheme, if support for Council Tax was limited to 80% of the customer's liability, the support would be £7.55 per week. The existing shortfall increases to £6.56 per week (£341.12 per year), which is 7.2% of the customer's gross income.

6 A single parent with 2 children works part time and earns £114.45 per week, they also receive Tax Credits of £171.47 per week, and £33.70 Child Benefit (which is disregarded for Council Tax Benefit purposes), which gives the customer a total weekly income of £319.62. SPD has been awarded. Currently they receive £7.26 per week in Council Tax Benefit based on a weekly liability of £14.11.

Under the new scheme if support for Council Tax was limited to 80% of the customer’s liability, the support would be £4.44 per week. The existing shortfall increases to £9.67 per week (£502.84 per year), which is 3% of the customer's gross income.

7 A couple with no children and the husband works part time, and earning £120.29 per week. Currently they receive £15.88 per week in Council Tax Benefit based on a weekly liability of £18.81.

Under the new scheme, if support for Council Tax was limited to 80% of the customer’s liability, the support would be £13.06 per week. The existing shortfall increases to £5.75 per week (£299.00 per year), which is 4.9% of the customer's gross income.

8 A couple with one child, and the husband is self employed and earns £95.96, they also receive Tax Credits of £142.76 per week, and £20.30 Child Benefit (which is disregarded for Council Tax Benefit purposes), which gives the customer a total weekly income of £259.02. Currently they receive £13.62 per week in Council Tax Benefit based on a weekly liability of £18.81.

Under the new scheme if support for Council Tax was limited to 80% of the customer’s liability, the support would be £10.80 per week. The existing shortfall increases to £8.01 per week (£416.52 per year), which is 3.1% of the customer's gross income.

9 The following table shows how much extra a taxpayer claiming support in each Council Tax Band would have to pay compared with current levels of Council Tax Benefit:

Council Tax Band	**Annual Liability**	**Weekly Liability (no Single Person Discount)**	**20% extra to pay (no Single Person Discount)**	**Weekly Liability (with Single Person Discount)**	**20% extra to pay (with Single Person Discount)**
A	£983.49	£18.81	**£3.76**	£14.11	**£2.82**
B	£1,147.41	£21.95	**£4.39**	£16.46	**£3.29**
C	£1,311.33	£25.08	**£5.02**	£18.81	**£3.76**
D	£1,475.25	£28.22	**£5.64**	£21.16	**£4.23**
E	£1,803.08	£34.49	**£6.90**	£25.86	**£5.17**
F	£2,130.90	£40.75	**£8.15**	£30.57	**£6.11**
G	£2,458.74	£47.03	**£9.41**	£35.27	**£7.05**
H	£2,950.49	£56.43	**£11.29**	£42.32	**£8.46**

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Sheffield City Council
Equality Impact Assessment

Guidance for completing this form is available on the intranet
Help is also available by selecting the grey area and pressing the F1 key

Name of policy/project/decision: Local Council Tax Support Scheme

Status of policy/project/decision: New

Name of person(s) writing EIA: John Squire

Date: 18/09/12 **Service:** Finance

Portfolio: Resources

What are the brief aims of the policy/project/decision? Under the Welfare Reform Act 2012, Council Tax Benefit will be abolished. From April 2013, all local authorities will have to introduce a Local Scheme for Council Tax Support (CTS) to replace Council Tax Benefit (CTB). The scheme will be designed and implemented within a national framework of specific requirements and broad principles. The scheme in Sheffield will be aligned as closely as possible to the current CTB scheme. There are several reasons for this, with the main one being that this will ensure that the most vulnerable customers will continue to receive the highest level of support, as the current scheme is structured to achieve this aim.

The grant for CTS will be paid up front to the Council as a fixed grant that, unlike CTB, is unresponsive to demand.The Government will cut the funding it gives the Council for CTS . This cut will be at least 10% (£4.6m) lower than funding for CTB and this gap will need to be addressed. The Council will have to meet both this shortfall and any additional increases in the level of CTS payments above the level of the grant received. The Council can meet this shortfall in a number of ways. It can choose to cut funding to other services, increase Council Tax or reduce the amount it currently pays out in CTB. The Council has considered these options and has decided that cutting funding to other services is not an option it can take due to the potential detrimental impact on frontline services. Equally,increasing Council Tax purely to fund the gap in benefit is not an option the Council can implement as wider budget pressures mean that any Council Tax increase will need to be used to meet these cost pressures and therefore continue the funding of existing services. The Council therefore intends to fund this change by reducing the amount of financial help provided to customers who will be eligible for CTS.

The Council was required to consult on its draft scheme for CTS. Responses to the consultation strongly supported the Council's intention to align the scheme as closely as possible to the current CTB scheme. An overall analysis of the responses to the consultation exercise has not highlighted any specific significant concerns regarding the impact of this change on those groups that are included within the scope of this EIA, although the Council does recognise that some respondents have expressed concerns regarding the impact that this change may have on poverty levels within the City, particularly amongst the most vulnerable.

Are there any potential Council staffing implications, include workforce diversity? No

Under the Public Sector Equality Duty, we have to pay due regard to: "Eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations." More information is available on the council website

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
Age	Neutral	High	Regulations will prescribe that current, and the vast majority, of future customers of a pensionable age are protected so that they are no worse off than they would have been should they have continued to receive CTB. For the avoidance of doubt, the government has defined a pensioner as a person who, amongst other things, has reached the qualifying age for state pension credit and they or their partner are not in receipt of certain income related benefits. Therefore, a taxpayer who has reached state pension credit age but is in receipt of a relevant income related benefit will not be protected and will be treated in the same way as working age claimants when calculating their entitlement to CTS. This is a positive impact for those customers defined as pensioners who currently represent around 46% of our CTB caseload.This is high impact because the funding we will receive for CTS will be reduced by at least 10% based on our CTB expenditure for 11/12. Pensioners being protected means that this cut will fall on working age customers and at present the cut to working age customers is expected to be around 20%. Should our pensioner caseload increase then either the cut in support to working age customers would increase, or the Council would need to meet the additional costs. The local scheme sets out that the cut in CTS grant will be met by increasing the amount of council tax to be paid by existing working age customers who are now in receipt of CTB. This would be achieved by using 80% of a customer's net Council Tax liability to assess entitlement to CTS. This would mean that all working age customers would be expected to pay at least 20% of their Council Tax liability. Over 90% of working age customers live in Band A properties. Based on current Council Tax charges this would mean they would have to pay an additional £3.76 pw (or £2.82 if they receive Single Person Discount). Of our working age caseload, around 24,000 customers will have to pay some amount of Council Tax when previously this would have all been paid by CTB. By aligning our local scheme as closely as possible to the current CTB scheme the most vulnerable customers will continue to receive the highest available level of CTS. In addition, the Council intends to continue to disregard as income war widow and widower's pension (reagrdless of the age of the pension recipient) when assessing entitlement to CTS. It is acknowledged that some households will find a

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
			cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.
Disability	Negative	Medium	Pension age customers with a disability will not be adversely impacted by this change. Working age customers with a disability will be affected as they will have their CTS award based on 80%, rather than 100%, of their Council Tax Liability. The Council recognises that this may cause hardship for customers in this group. However by aligning the scheme with the current CTB scheme, customers in receipt of disability benefits will continue to receive the highest possible level of CTS. It is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households. Equally, some disabled customers or households may have a higher net income than other groups and although the Council recognises that this income is intended to meet their wider needs, they may still be in a better position to meet their Council Tax Liability than customers on non disablity welfare benefits. In addition the Council intends to continue to disregard as income Attendance Allowance, Disability Living Allowance and War Disablement Pension when assessing a customer's eligibility to CTS.
Pregnancy/maternity	Negative	Low	Pregnant customers claiming CTS will have their award based on 80% rather than 100% of their Council Tax Liability. They therefore may have to pay some Council Tax for the first time or pay more than they are currently paying. By aligning the Local Scheme to current CTB, once these customers give birth their change in circumstances will be positively reflected in the level of CTS that they will receive. The Council also intends to continue to disregard as income child benefit when assessing a customer's eligibility to CTS. It is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
Race	Neutral	Low	There is no evidence to suggest that assessing CTS based on 80% of Council Tax liability as opposed to 100% of Council Tax liability will have a greater or lesser impact on customers purely as a result of their racial origin. The current CTB scheme meets all current equality legislation. By basing the scheme on the current CTB scheme we will ensure that the CTS scheme continues to meet these equality objectives. It is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.
Religion/belief	Neutral	Low	There is no evidence to suggest that assessing CTS based on 80% of Council Tax liability as opposed to 100% of Council Tax liability will have a greater or lesser impact on customers purely as a result of their religion or beliefs. The current CTB scheme meets all current equality legislation. By basing the scheme on the current CTB scheme we will ensure that the CTS scheme continues to meet equality legislation. It is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.
Sex	Neutral	Low	There is no evidence to suggest that assessing CTS based on 80% of Council Tax liability as opposed to 100% of Council Tax liability will have a greater or lesser impact on customers purely as a result of their sex. By basing the scheme on the current CTB scheme we will ensure that the CTS scheme continues to meet equality legislation. However, it is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.
Sexual orientation	Neutral	Low	There is no evidence to suggest that assessing CTS based on 80% of Council Tax liability as opposed to 100% of Council Tax liability will have a greater or

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
			lesser impact on customers purely as a result of their sexual orientation. By basing the scheme on the current CTB scheme we will ensure that the CTS scheme continues to meet equality legislation. However, it is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.
Transgender	Neutral	Low	There is no evidence to suggest that assessing CTS based on 80% of Council Tax liability as opposed to 100% of Council Tax liability will have a greater or lesser impact on Transgender customers purely as a result of their gender. By basing the scheme on the current CTB scheme we will ensure that the CTS scheme continues to meet equality legislation. However, it is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households.
Financial inclusion, poverty, social justice, cohesion or carers	Negative	High	It is intended that the CTS scheme is based on the current 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. The Council recognises however that requiring all working age customers to pay a minimum of 20% of their Council Tax may cause financial hardship amongst some households. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households. The Council also recognises that it will need to review the way in which Council Tax is recovered from those most impacted by this change in order to wherever possible minimise the level of indebtedness that this change may bring about.
Voluntary, community & faith sector	Neutral	Low	The Revenues and Benefits service has close links with this sector, particularly with advice agencies and supported housing providers. The service has engaged with many organisations within this sector

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
			when consulting on the draft scheme and will continue to engage with them in order to review and refine the scheme in order to ensure that it continues to be fit for purpose.
Other/additional: Landlords	Negative	Medium	Landlords may be impacted by this change as tenants who have to pay some council tax for the first time, or pay more council tax, may struggle to meet their rent liabilities.
Other/additional: Internal stakeholders (such as Housing Solutions, Housing Independence Service, Adult Social Care etc)	Neutral	Low	CTS will have no direct impact on internal stakeholders. However if there is a significant amount of non payment this could impact the future funding of services.

Overall summary of possible impact (to be used on EMT, cabinet reports etc): The introduction of Council Tax Support has meant that the Council has had to make some difficult financial decisions. The Council believes that its Local Council Tax Support scheme spreads the burden of this change fairly across working age customers. The Council has consulted on its proposed scheme and will continue to evaluate the scheme and consult on significant changes to the design of the scheme once it has been implemented in April 2013. The Council considers that the scheme it intends to introduce will be relatively simple to administer and that the transistion to CTS from CTB will be accomplished with minimum disruption and inconvenience to customers whilst confusion amongst customers regarding the change will be minimised as a result of aligning the scheme to the current CTB scheme.

If you have identified significant change, med or high negative outcomes or for example the impact is on specialist provision relating to the groups above, or there is cumulative impact you **must** complete the action plan.

Review date: **Q Tier Ref** tbc **Reference number:** tbc

Entered on Qtier: -Select- **Action plan needed**: Yes

Approved (Lead Manager): Jon West **Date:** 05/10/12

Approved (EIA Lead person for Portfolio): Michael Bowles **Date:** 05/10/12

Does the proposal/ decision impact on or relate to specialist provision: no

Risk rating: Medium

Action plan

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed
All groups	The Council will develop and implement a Communications Strategy which will ensure that all those affected by this change are made aware of the impact on them. We will also provide advice on how and where customers can pay their Council Tax and we will work with advice and support agencies to ensure customers have access to money advice services. In order to promote financial inclusion and reduce poverty we will work with the Credit Union to promote the take up of low cost saving and borrowing. However, it is acknowledged that some households will find a cut in support harder to manage than others. Therefore in the run up to the implementation of the scheme the Council will consider ways that additional support, for example through the development of an additional hardship scheme, may be provided to these households. We will review the Council Tax Recovery policy and procedures to try where possible to minimise any increase in indebtedness.	Development and Implementation of a Communications Strategy John Squire 2012 - April 2013 Development of an additional hardship scheme - John Squire November 2012 - April 2013. Review of the Council Tax Recovery policy John Squire November 2012- April 2013
Disability	We will work to establish a baseline which shows the proportion of Disabled customers in receipt of CTB in order to support the work we will undertake to monitor the impact of this change on disabled customers. We will develop a system to monitor the impact of this change on disabled customers	John Squire October 2012 - April 2013 John Squire April 2013- March 2014
Race	We will work to establish a baseline which shows the proportion of BME customers in receipt of CTB in order to support the work we will undertake to monitor the impact of this change on BME customers. We will develop a system to monitor the impact of this change on BME customers	John Squire October 2012 - April 2013 John Squire April 2013- March 2014
Sex	We will work to establish a baseline which shows the proportion of female customers in receipt of CTB in order to support the work we will undertake to monitor the impact of this change on female customers We will develop a system to monitor the impact of this change on female customers.	John Squire October 2012 - April 2013 John Squire April 2013- March 2014

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		

Approved (Lead Manager): Jon West Date: 05/10/12

Approved (EIA Lead Officer for Portfolio): Michael Bowles **Date:** 05/10/12

SHEFFIELD CITY COUNCIL
Cabinet Report

Report of:	Eugene Walker
Date:	17 October 2012
Subject:	Revenue Budget & Capital Programme Monitoring 2012/13 – As at 30 June 2012
Author of Report:	Allan Rainford; 35108

Summary: This report provides the month 4 monitoring statement on the City Council's Revenue and Capital Budget for 2012/13.

Reasons for Recommendations To formally record changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.

Recommendations:

Please refer to paragraph 100 of the main report for the recommendations.

Category of Report: OPEN/~~CLOSED~~

Statutory and Council Policy Checklist

Financial implications
YES/~~NO~~ Cleared by: Eugene Walker
Legal implications
~~YES~~/NO Cleared by:
Equality of Opportunity implications
~~YES~~/NO Cleared by:
Tackling Health Inequalities implications
~~YES~~/NO
Human rights implications
~~YES~~/NO :
Environmental and Sustainability implications
~~YES~~/NO
Economic impact
~~YES~~/NO
Community safety implications
~~YES~~/NO
Human resources implications
~~YES~~/NO
Property implications
~~YES~~/NO
Area(s) affected
Relevant Scrutiny Board if decision called in
Strategic Resources and Performance
Is the item a matter which is reserved for approval by the City Council? YES/NO
Press release
~~YES~~/NO

REVENUE BUDGET & CAPITAL PROGRAMME MONITORING 2012/13 – AS AT 31st JULY 2012

PURPOSE OF THE REPORT

1. This report provides the Month 4 monitoring statement on the City Council's Revenue Budget and Capital Programme for 2012/13.

SUMMARY

2. The budget monitoring position at month 3 indicated a forecast overspend of £3.5m, based on expenditure incurred to date and forecasted trends to the year end. However, this position included resources that related to 2013/14: at the last Cabinet meeting resources totalling £1m were approved for carry forward.

3. The latest monitoring position at month 4 shows a forecast overspend of £4.9m to the year end: i.e. a forecast adverse movement of £1.4m since last month. This movement is mainly due to the removal of resources of £1m which are to be carried forward to next year. The position is summarised in the table below:

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
CYPF	71,651	71,603	48	⇧
PLACE	158,658	157,769	889	⇩
COMMUNITIES	162,609	159,632	2,977	⇧
DEPUTY CHIEF EXECUTIVE	10,144	10,017	127	⇧
RESOURCES	87,586	87,348	238	⇩
CORPORATE	(485,773)	(486,369)	596	⇧
GRAND TOTAL	**4,876**	**0**	**4,876**	⇧

4. In terms of the month 4 overall forecast position of £4.9m overspend, the key reasons are:

- Place are showing a forecast overspend of £889k, due to £507k on Culture & Environment mainly due to Museums Sheffield and £370k on the Waste Contract.
- Communities are showing a forecast overspend of £3.0m, due to a £4.7m overspend on Care and Support mainly due to additional costs in learning disabilities, which is offset by reductions in spending on Business Strategy £1.1m and Commissioning £600k.
- Deputy Chief Executive's are showing a forecast overspend of £127k, due to £259k on elections, which is offset by reductions in spending of £102k on Business Development.

- Resources are showing a forecast overspend of £255k, due to £515k on Legal Services, £267k on Business Information Solutions and £124k on Property & Facilities Management, offset by reductions in spending of £391k on Central Costs.
- Corporate budgets are showing a forecast overspend of £596k, due to reassessment of the sundry debt collection rates and subsequent revision, based upon quarter one actuals, thus demonstrating the success of the initiative to put greater focus on this issue. The target for 2013/14 will be revised as a result of the latest monitoring position.

5. The key reasons for the movement from month 3 are:
    - Children Young People and Families are forecasting an adverse movement of £1.0m, due to the approval to carry forward funding for Apprenticeships and the City Skills Fund, which was agreed as part of the month 3 budget monitoring report.
    - Communities are forecasting an adverse movement of £710k, due to an increase in spending on learning disabilities.
    - Deputy Chief Executive's are forecasting an adverse movement of £276k, due to the inclusion of higher than previously expected costs of the Police Commissioner election later this year and more up to date information about local election costs.

Capital Programme

6. The Capital Programme monitoring is reported in paragraph 78.

INDIVIDUAL PORTFOLIO POSITIONS

CHILDREN YOUNG PEOPLE AND FAMILIES (CYPF)

Summary

7. As at Month 4, the Portfolio is forecasting a full year outturn of an over spend of £48k, an adverse movement £1.1m from the month 3 position. The majority of this variation is in Lifelong Learning, Skills & Communities where the funding for future year activities for Apprenticeships (phase 1 £200k, phase 2 £350k) and the City Skills Fund (£350k) has been carried forward to 2013/14.

Financials (Non – DSG activity)

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS STRATEGY	1,912	1,910	2	⇔
CHILDREN & FAMILIES	54,406	54,421	(15)	⇔
INCLUSION & LEARNING SERVICES	5,725	5,732	(7)	⇔
LIFELONG LEARN, SKILL & COMMUN	9,608	9,541	68	⇧
GRAND TOTAL	**71,651**	**71,603**	**48**	⇧

Commentary

DSG and Non DSG Budgets

8. The following commentary concentrates on the changes from the previous month.

Lifelong Learning and Skills

9. The reason for the £1.1m adverse movement this month is due to the agreement to carry forward funding for Apprenticeships and the City Skills Fund, which was agreed as part of the month 3 budget monitoring report.

PLACE

Summary

10. As at Month 4, the Portfolio is forecasting a full year outturn of an £889k overspend (prior to a request to carry forward a £77k underspend), an improvement of £81k from the month 3 position. The key reasons for the forecast outturn position are:

    - **Business Strategy and Regulation:** a forecast £370k overspend, due to delays in agreement with the Contractor on planned waste management savings (£1.2m), largely offset by one-off savings from the resolution of other contractual negotiating (£374k) as well as some additional income in to the service, which mitigates this delay.
    - **Culture and Environment**: a forecast £507k overspend largely arising from additional grant payments being made as part of a wider stabilisation programme for Museums Sheffield.

11. The key reason for the £81k improvement this period is in respect of Flood defence grant in Development Services. The grant is to fund the work required of Sheffield to meet the additional statutory duties placed on it by the Flood and Water Management Act 2010. Central government announced in July that clarification of key aspects of the Act have been

postponed until 2013/14. Consequently the forecast has been reduced by £77k this year and this is subject to a request to carry-forward the budget to undertake the work later.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS STRATEGY & REGULATION	30,550	30,180	370	⇧
CREATIVE SHEFFIELD	3,877	3,878	(1)	⇩
CULTURE & ENVIRONMENT	40,528	40,021	507	⇧
DEVELOPMENT SERVICES	82,547	82,661	-114	⇩
HERS	745	730	15	⇔
MARKETING SHEFFIELD	1,109	1,017	92	⇔
STREET FORCE	(1,045)	(1,055)	10	⇔
SUSTAINABLE DEVELOPMENT	347	337	10	⇔
GRAND TOTAL	**158,658**	**157,769**	**889**	⇔

Commentary

12. The following commentary concentrates on the changes from the previous month.

Business Strategy and Regulation

13. The current forecast for this activity is £370k over budget, an adverse movement of £103k this period.

14. The key issue lies with waste management and is associated with the delivery of planned budget savings. Delays in agreement with the Waste Contractor have impacted on the full delivery of savings this year for fortnightly collections and changes in waste collection hours, now estimated at £1.2m.

15. However these pressures are being largely offset by one-off savings as described in the Place summary section above.

Culture and Environment

16. The current forecast for this activity is £507k over budget, an improvement of £54k this period.

17. The key issue relates to additional grant payments made to Museums Sheffield as part of a wider stabilisation programme.

18. Other key variances include additional Bereavement Services income (£81k), offset to some extent by additional costs/loss of income within Events including the impact of the cancellation of 'Cliffhanger' due to heavy rain.

Development Services

19. The current forecast for this activity is £114k under budget, an improvement of £169k this period.

20. The improvement is largely attributable to £77k of grant received by Sheffield (as lead local flood authority), in order to undertake specific additional statutory duties. Members are requested to approve this carry-forward request of £77k, as described in paragraph 11.

21. The key risk remains securing the £10m planned external fee income from planning, building regulation and car parking activities. At this stage service manager forecasts show a £231k (2%) shortfall, with Car Parking accounting for the majority of this (£150k). The shortfall is due to delays in the implementation of approved budget savings on CCTV enforcement, which are now due to commence in September. The shortfall is however being offset by staff savings across the whole service area.

HERS

22. The current forecast remains broadly in line with budget. The key risk is around delivering the £4m capital delivery services income target. At this stage income is forecast at £158k (4%) below target, but this is being offset by staff savings arising from implementing the recent restructure earlier than had been anticipated.

Marketing Sheffield

23. The current forecast for this activity is £92k over budget, an adverse movement this period of £76k.

24. The variance is largely attributable to a reduction in forecast grant income (£50k) relating to the risk that grant contributions fall below those contained within the original funding agreement. The Director is actively pursuing this issue, but should that prove unsuccessful will need to deliver spend efficiencies.

Streetforce

25. Street Force is broadly on track to deliver its trading account surplus for the part-year leading up to the commencement of the PFI contract.

26. Work continues however to pursue a £360k debt from developers, relating to work undertaken on a section 278 agreement (alterations to the highway).

COMMUNITIES

Summary

27. As at Month 4, the Portfolio is forecasting a full year outturn of an overspend of £3m, an adverse movement of £700k from the month 3 position. The forecast outturn position reflects :

- Business Strategy: a forecast of £1.1m reduction in spend, due to contingencies held in Portfolio-wide Services to offset overspends on care purchasing budgets (especially in Learning Disabilities services).
- Care and Support: a forecast overspend of £4.7m due predominantly to Learning Disabilities purchasing (£2.6m), Provider Services (£1.1m), Older Peoples purchasing (£0.8m) and some slippage on budget savings (previously reported). Care & Support outturn position has an adverse movement of £700k.
- Commissioning: a forecast £600k reduction in spend compared to budget, due to movement of £1.0m of Learning Disabilities Ex-Pool Reserves from the Balance Sheet into revenue. This position is consistent with last month.
- Community Services are forecasting no variance from budget. This has not changed materially from last month.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS STRATEGY	3,198	4,325	(1,127)	⇔
CARE AND SUPPORT				
ASSESSMENT & CARE MANAGEMENT	73,259	72,607	653	⇔
HOUSING RELATED SERVICES	3,254	3,419	(165)	⇔
JOINT LEARNING DISABILITY SERV	38,500	35,473	3,027	⇧
PROVIDER SERVICES	(5,467)	(6,609)	1,142	⇧
COMMISSIONING	38,671	39,253	(582)	⇔
COMMUNITY SERVICES				
COMMUNITY SAFETY	1,798	1,787	12	⇔
LIBRARIES	6,446	6,306	140	⇔
LOCALITY MANAGEMENT	2,949	3,071	(123)	⇩
GRAND TOTAL	**162,609**	**159,632**	**2,977**	⇧

Commentary

28. The following commentary concentrates on the changes from the previous month.

Business Strategy

29. Forecasts of £1.1m reduction in spend. There was no material change from last month.

Care and Support

30. Overall this area is forecasting an overspend of £4.7m. This is an adverse movement of £700k from the previous month, due to:
    - Further £100k overspend on Learning Disabilities care purchasing;
    - £300k overspend in Learning Disabilities day care and accommodation services due to high level of front line sickness and maternity leave requiring cover;
    - An overspend in older people care purchasing of around £100k, and;
    - Adverse movement of £200k in Provider Services due to slippage in savings around the reprovision of night care visiting, following trade union negotiations.

Community Services

31. Overall this area is forecasting no variance to budget. There was no material change from last month.

Commissioning

32. This area includes the mental health, adult social care and housing commissioning functions of the portfolio and is forecasting £600k reduction in spend. This is consistent with last month.

Public Health

33. 2012/13 is the shadow running year for the public health services transferring from the PCT to SCC responsibility and is included in this report for information only.
34. In overall terms the PCT is currently forecasting a year-end reduction in spending of £77k on a £28.1m budget, which is consistent with last month.

RESOURCES

Summary

35. At Month 4, Resources Portfolio is forecasting a full year outturn of an over spend of £238k.

36. This is an improvement of £490k from the month 3 position. The key reasons for the forecast outturn position are:

- £267k overspend in Business Information Solutions (BIS) due to anticipated delay in the process required to make staff savings;
- £515k overspend in Legal Services due to reduction in non-core income;
- £124k overspend in Property & Facilities Management (P & FM) mainly due to no result from the negotiation of a reduction in the Kier fee relating to Corporate Mail.
- £635k reduction in spend in central costs.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
BUSINESS INFORMATION SOLUTIONS	976	709	267	⇩
COMMERCIAL SERVICES	1,389	1,415	(26)	⇧
COMMERCIAL SERVICES (SAVINGS)	(805)	(820)	15	⇩
CUSTOMER FIRST	5,853	5,853	-	⇔
CUSTOMER SERVICES	2,236	2,228	8	⇔
FINANCE	6,621	6,627	(6)	⇧
HUMAN RESOURCES	2,611	2,556	55	⇩
LEGAL SERVICES	1,561	1,046	515	⇧
PROPERTY AND FACILITIES MGT	39,880	39,756	124	⇩
TRANSPORT	26	106	(80)	⇩
TOTAL	60,349	59,476	873	⇩
CENTRAL COSTS	25,818	26,453	(635)	⇩
PROGRAMMES AND PROJECTS	1,419	1,419	(0)	⇩
GRAND TOTAL	87,586	87,348	238	⇩

Commentary

37. The following commentary concentrates on the changes from the previous month.

Commercial Services (Invest to Save – Savings)

38. The forecast for this service is a break-even position, an improvement of £100k from the month 3 position.

39. The change in forecast is due to increased forecast rebate income from a number of contracts based on actual performance to date.

Customer First

40. This budget and forecast includes the cost of implementing the Customer First programme (CFP) in 2012/13 and involves a budgeted contribution from reserves of £1.6m to support the operational impacts of CFP, primarily the ongoing ICT costs.

41. Any variation in spending will involve an adjustment to the budgeted contribution from reserves rather than impact on the overall revenue account position for Resources. Any such variations will be reported to and dealt with the Modern Efficient Council programme board.

Programme and Projects

42. The service is forecasting a break-even position for the full year, £100k an adverse movement from the position at month 3.

43. The adverse movement is in the Business Support Service due to an increase in supplies and services costs. This is following a review of the costs likely to be incurred by this new service. Overall the Business Support service is forecasting a £79k underspend.

Property and Facilities Management

44. The P&FM service is forecasting a £100k overspend which is an improvement of £200k from the month 3 position. The key reasons for this improvement are:

- All transitional costs have now been moved to the new structure;
- The issues on PFI (£700k) and KAPS (£300k) reported last month have now been resolved

Central Costs

45. Central costs are forecasting a £635k reduction in spend, an improvement of £140k on the Month 3 position of £492k reduction in spend.

Central Costs	**Forecast Variance** Month 4 £ 000	**Forecast Variance** Month 3 £ 000
Capita – Control Account	352	451
Capita – ICT BIS	92	76
Capita - Finance	294	282
Capita - HR	468	469
Benefits subsidy	(1,427)	(1,297)
Sub total Capita	**(222)**	**(19)**
Other Costs	(413)	(473)
Total	**(635)**	**(492)**

46. A £130k Improvement on Benefits Subsidy is due to an increase in subsidy generated against payments on Council Tax (£76k) & Rent Rebates benefits (£58K).

DEPUTY CHIEF EXECUTIVE'S

Summary

47. As at Month 4, the Portfolio is forecasting a full year outturn of an overspend of £127k, an adverse movement of £276k from the month 3 position. The key reasons for the forecast outturn position are:

- Modern Governance: a forecast £259k overspend, due to higher forecast election costs. This forecast is an adverse movement of £177k from the previous month.
- Business Development: a forecast £102k reduction in spend due to salary sacrifice and vacant posts. This is consistent with the month 3 position.

Financials

Service	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 3
ACCOUNTABLE BODY ORGANISATIONS	0	0	0	⇔
BUSINESS DEVELOPMENT	1,463	1,565	(102)	⇔
HEALTH IMPROVEMENT	162	162	0	⇔
MODERN GOVERNANCE	3,989	3,730	259	⇧
PERFORMANCE AND CORP PLANNING	981	1,013	(32)	⇔
POLICY,PARTNERSHIP,AND RESEARC	3,549	3,547	2	⇧
GRAND TOTAL	**10,144**	**10,017**	**127**	⇧

Commentary

48. The following commentary concentrates on the changes from the previous month.

Modern Governance

49. A forecast £259k overspend in electoral registration and local elections in order to meet required standards and to meet rising postage costs. This is an adverse movement of £177k from the previous month.
50. The adverse movement this month is based on more up to date information and the inclusion of higher than previously expected costs of the Police Commissioner election (£100k), later this year.

CORPORATE ITEMS

Summary

51. The month 4 forecast position for Corporate budgets is a £596k overspend, which represents no significant movement from last month.

The table below shows the items which are classified as Corporate and which include:

- Corporate Budget Items: corporate wide budgets that are not allocated to individual Services/portfolios, including capital financing costs and the provision for redundancy/severance costs.
- Corporate Savings: the budgeted saving on review of management costs and budgeted saving from improved sundry debt collection.
- Corporate income such as Formula Grant and Council tax income, some specific grant income and contributions from reserves.

Financials

	FY Outturn £'000	FY Budget £'000	FY Variance £'000
Corporate Budget Items	48,518	48,517	1
Savings Proposals	-1,198	-1,794	596
Income from Council Tax, RSG, NNDR, other grants and reserves	-533,094	-533,093	-1
Total Corporate Budgets	**-485,774**	**-486,370**	**596**

52. The forecast overspend of £596k is due to reassessment of the sundry debt collection rates and subsequent revision, based upon quarter one actuals, thus demonstrating the success of the initiative to put greater focus on this issue. The target for 2013/14 will be revised as a result of the latest monitoring position, which is consistent with the position reported at month 3.

HOUSING REVENUE ACCOUNT

53. The revised budgeted position for the **HRA** is a draw down from reserves of £1.3m (excluding Community Heating). As at month 4 the forecast position is a contribution of £3.9m into reserves, a reduction in spending of £5.2m on the budgeted position.

54. As previously reported, the main reasons for the variation in the overall budget position relate to an anticipated reduction in capital financing cost of £4.1m, primarily as a result of the access to more attractive interest rates.

55. Although some of this saving on interest rates is sustainable, some is a one-off. Now that that HRA is self-financing, the Council will have to consider the longer term risks on interest rates and ensure that its 30 year business plan includes a sustainable level of debt, factoring in the

cost of the additional capital investment required to fund the backlog maintenance. This will be considered as part of the refresh of the HRA business plan later this year.

56. **Community Heating –** the budgeted position for Community Heating is a draw down from Community Heating reserves of £1m. As at month 4 the forecast position is a draw down of £866k from reserves, a reduction in spending of £134k. This is primarily due to an estimated reduction in the level of gas and electricity consumed due to the milder weather. This is a slight improvement on month 3.

CORPORATE FINANCIAL RISK REGISTER

57. The Council maintains a Corporate Financial Risk Register which details the key financial risks facing the Council at a given point in time. The most significant risks are summarised in this report for information together with a summary of the actions being undertaken to manage each of the risks.

Digital Region

58. The Council is providing £4m in loans to the Company and as a shareholder carries further rights and responsibilities. The Company's sales are proving slow to take off, leading to changes in the Business Plan and the procurement of a new private sector partner. The Council faces risks on its direct investment, as well as on guarantee clauses to key contractors. Provision has been made in the 2011/12 accounts for the potential capitalised costs of the losses on current operations and the procurement.

Capital Receipts & Capital Programme

59. Failure to meet significant year on year capital receipts targets due to depressed market and reduced Right-to-Buys, resulting in potential over-programming / delay / cancellation of capital schemes.

60. Building Schools for the Future Programme Affordability – The £18m affordability gap in the capital programme for the secondary schools estate which must be underwritten by the Council. This requirement has been identified in the Council's Capital Programme.

Pension Fund

61. Bodies whose Pension liability is backed by the Council are likely to find the cost of the scheme a significant burden in the current economic

context. If they become insolvent the resulting liability may involve significant cost to the Council.

Electric Works

62. The running costs of the business centre are not covered by rental and other income streams. The approved business plan set-aside contingency monies to cover potential deficits in its early years of operation. However, there remains a risk that the occupancy of units within Electric Works might be slower (lower) than that assumed within the business case, such that the call on the contingency is greater (earlier) than planned. A refresh of the financial model was undertaken for 2011/12 budgeting purposes and again for 2012/13. The assumed level of occupancy for 2011/12 was 68% and the actual achieved was 64%. Most of the income shortfall was made up from conference lettings and virtual services. A target of 78% has been set for 2012/13.

Contract Spend

63. The high and increasing proportion of Council budgets that are committed to major contracts impairs the Council's flexibility to reduce costs or reshape services. This is exacerbated by the fact that in general these contracts carry year-on-year inflation clauses based on RPIx which quite probably will not be available to the Council's funding streams e.g. Council Tax and RSG.

Economic Climate

64. There is potential for current adverse economic conditions to result in increased costs (e.g. increased homelessness cases) or reduced revenues.

65. The Council seeks to maintain adequate financial reserves to mitigate the impact of unforeseen circumstances.

NHS Funding Issues

66. There are significant interfaces between NHS and Council services in both adults' and children's social care. The Council has prioritised these services in the budget process, but savings have nevertheless had to be found. Working in partnership with colleagues in the Health Service efforts have been made to mitigate the impact of these savings on both sides. However, ongoing work is required now to deliver these savings in a way that both minimises impacts on patients and customers and minimises financial risks to the NHS and the Council.

Housing Regeneration

67. There is a risk to delivering the full scope of major schemes such as **Parkhill** and **SWaN** because of the severe downturn in the housing market. This could result in schemes 'stalling', leading to increased costs of holding the sites involved, and in the case of SWaN, potential exposure to termination payments. In addition, the ending of the Housing Market Renewal programme is causing funding pressure e.g. on site clearance work and in enabling further phases of commenced demolition schemes, such as Arbourthorne.

Trading Standards

68. There is a low risk that it is not possible to recover outstanding contributions from the other South Yorkshire Authorities.

External Funding

69. The Council makes use of a number of grant regimes, central government and European. Delivering the projects that these grants fund involves an element of risk of grant claw back where agreed outputs are not delivered. Strong project management and financial controls are required.

Academies & Independent Schools

70. Local Authority community schools that choose to become independent academies are entitled, under current DfE finance regulations, to receive a proportion of the local authority's school related central spending budgets. If all of Sheffield's Secondary Schools were to become academies it is estimated that around £2.7 million would be deducted from the authority's central spending budgets and given to the Academies. The risk is that this would leave an inadequate level of funding to maintain the centrally retained school services that support local authority community schools and thus cuts would have to be made to balance the budget.

71. There are also further potential risks if a school becoming an academy is a PFI school, it is unclear how the assets and liabilities will be transferred to the new academies and whether the authority could be left with residual PFI liabilities.

72. Where new independent schools (free schools) or Academies are set up and attract pupils from current PFI schools, the funding base available to pay for a fixed long term PFI contract would reduce, leaving SCC with a bigger affordability gap to fund.

73. It is not yet known which schools will become academies this year. Current indications suggest that all the secondary schools will transfer with potentially some of the larger primary schools.

Agreed Budget Savings for 2012/13

74. Following a period in which a risk assessment was carried out of the implementation of budget savings and resulted in the preparation of RAG reports, the position from now on will be assessed as part of the budget monitoring process.

Treasury Management

75. The ongoing sovereign-debt crisis is subjecting the Council to significant counterparty and interest-rate risk. Counterparty risk arises where we have cash exposure to banks and financial institutions who may default on their obligations to repay to us sums invested. There is also a real risk that the Eurozone crisis could impact upon the UK's recovery, which in turn could lead to higher borrowing costs for the nation.

76. The Council is mitigating counterparty risk through a prudent investment strategy, placing the majority of surplus cash in AAA highly liquid and diversified funds. Ongoing monitoring of borrowing rates and forecasts will be used to manage our interest-rate exposure.

Welfare Reforms

77. The government is proposing changes to the Welfare system, phased in over the next few years. The full detail and impact of the changes are not known at this stage. Changes proposed include:

    - Housing Benefit changes – there are a number of proposals where the anticipated impacts are that a number of claimants will receive fewer benefits than they do now, thereby impacting on their ability to pay rent.
    - Abolition of council tax benefit – due from April 2013 to be replaced by a local scheme. It will be cash limited and subject to a 10% reduction from current levels.
    - Introduction of universal credit – from October 2013 administered by DWP. Along with the impact of reducing amounts to individuals and the financial issues that might cause, the biggest potential impact of this change is the impact on the HRA and the collection of rent. This benefit is currently paid direct to the HRA; in future this will be paid direct to individuals. This will potentially increase the cost of

collection and rent arrears. There will also be an impact on the current contract with Capita and internal client teams.

THE CAPITAL PROGRAMME FOR 2012/13

Summary

78. At the end of July 2012, capital expenditure so far to date is £16.2m (32%) below budget. The outturn forecast is £25m (12%) below the Approved Capital Programme.

79. The variation in the year to date position arises from slippage in all portfolios against the profiled budget. During the month of July, the actual expenditure to date fell a further £9.4m behind the programme profile.

80. The forecast for the year shows all portfolios underspending against the approved programme. The forecast at month 3 was £27.3m below budget and is now £25m which is £2.3m lower than the Month 3 position.

Financials 2012/13

Portfolio	Spend to date £000	Budget to Date £000	Variance £000	Full Year forecast £000	Full Year Budget £000	Full Year Variance £000
CYPF	14,746	19,600	(4,854)	75,020	77,310	(2,290)
Place	6,660	8,751	(2,091)	23,339	32,598	(9,260)
Housing	10,911	17,287	(6,375)	63,375	71,894	(8,520)
Communities	314	1,269	(955)	2,519	3,110	(591)
Resources	1,646	3,529	(1,883)	21,536	25,863	(4,326)
Grand Total	**34,277**	**50,436**	**(16,159)**	**185,789**	**210,775**	**(24,986)**

Commentary

81. The major forecast reduction in the programme is in Place and the reasons are explained below. CYPF forecast shows a relatively small (3%) projected reduction in spend against the approved programme of £2.3m across many schemes, mainly at Primary schools.

Children, Young People and Families Programme

82. CYPF capital expenditure is £4.9m (25%) below the profiled budget for the year to date and forecast to be £2.3m (3%) below the programme by the year end for the reasons set out in the table below.

Cause of change on Budget	Year to date £000	Full Year forecast £000
Slippage on Devolved Budgets	-134	0
Operational delays in projects due to planning, design or changes in specification	-2,328	0
Revised profile for Building Schools for the Future programme	-446	0
Incorrect budget profiles	-522	0
Delayed forecasts	0	-664
Projects submitted for Approval	0	508
Underspending on project estimates	2	-1,194
Other variances	-1,426	-940
	-4,854	**-2,290**

83. £1.8m of the variation in the year to date position (£4.9m) arises from operational delays on the Primary Maintenance (£1.1m) and Primary Prioritisation (£0.7m) programmes.

84. The increase in the forecast value of the programme (up to £75.0m from £73.2m) reflects £0.5m of schemes submitted for approval plus increased participation in the latest round of forecasting.

Place Programme

85. The Place portfolio programme (excluding Housing) is £2.1m (24%) below the profiled budget for the year to date and forecast to be £9.3m (28%) below the programme by the year end for the reasons set out in the table below. The majority of the underspend to date (£1.0m) is on Highways scheme where the Local Transport Programme and other Highways schemes have been submitted late for approval. Other significant programme shortfalls are on City Centre area improvement projects such as the Moor, Edward and Arundel Street offset by New Retail Quarter Compulsory Purchase Orders ahead of profile (£600k) and Parks schemes (£250k).

86. The forecast is for substantial further slippage during 2012/13 against the approved programme compared to that reported last month.

Cause of change on Budget	Year to date £000	Full Year forecast £000
Operational delays in projects due to planning, design or changes in specification	-290	0
Incorrect budget profiles	-1,572	0
Delayed forecasts	0	-7,925
Overspending on project estimates	296	296
Other variances	-525	-1,631
	-2,091	**-9,260**

87. The main areas in the forecast where schemes are shown to be below the approved programme are:

- Highways £6.8m;
- City centre regeneration projects £1.1m;
- Alison Crescent workshops (£0.7m) and
- Parks £0.3m.

Housing Programme (Place Portfolio)

88. The Housing capital programme is £6.4m (37%) below the profiled budget for the year to date and forecast to be £8.5m (12%) below the programme by the year end for the reasons set out in the table below:

Cause of change on Budget	Year to date £000	Full Year forecast £000
Slippage to be carried forward	-2,694	-3,707
Operational delays in projects due to planning, design or changes in specification	-1,830	0
Delayed forecasts	0	-2,705
Projects submitted for Approval	0	-100
Home Improvement grants held on behalf of other local authorities	-185	0
Underspending on project estimates	-101	-1,253
Other variances	-1,565	-754
	-6,375	**-8,520**

89. The forecast shows a further £3.9m reduction against the approved programme compared to last month. £2.9m of this relates to potential slippage on the Decent Homes programme managed by Sheffield Homes. Schemes forecast to underspend in the year and slip into 2013/14 include:

- District Heat Metering (£1.7m) which is the subject of an investment submission to be brought for approval in the September report but will not incur significant spend until 2013/14;
- Fire Safety (£1.3m);
- Roofing Programme (£400k); and
- Insulation scheme (£250k).

Communities

90. The year to date spend on the Communities portfolio capital programme is £1.0m (75%) below the profiled budget on three key projects:

- £865k on the implementation of the ICT infrastructure project;
- £96k on Library schemes;
- £59k on the Climate Change Impact fund which is dependent on proposals from Community Assemblies.

91. The position is forecast to recover to be only £591k below budget by the end of the year.

Resources

92. The year to date spend is £1.9m (53%) below the programme due to:

- slippage on the new Moor Market (£962k) following late agreement of the details of the contract, and this is expected to continue to the end of the year;
- slippage on the Accommodation strategy projects (£566k);
- £500k behind profile on the Asset Realisation project;
- £406k behind on small schemes across the Council's estate;
- £350k behind profile on Civic Building refurbishment schemes;
- £93k behind on the Vehicle Replacement programme; offset by

- £1.0m earlier than anticipated purchase of the University Technology College site.

Cause of change on Budget	**Year to date £000**	**Full Year forecast £000**
Slippage to be carried forward	-566	-199
Operational delays in projects due to planning, design or changes in specification	-732	0
Incorrect budget profiles	-93	0
Delayed forecasts	0	-3,643
Overspending on project estimates	-20	0
Other variances	-472	-484
	-1,883	**-4,326**

93. The year end forecast has been reduced by a further £0.9m from last month and is now expected to be £4.3m (17%) below the approved programme comprising:

- £1.4m Accommodation strategy;
- £1.0m slippage on the Moor Indoor market;
- £500k slippage on the Asset Realisation project which is designed to make vacant sites more attractive to potential developers raising cash for the Council much faster;
- £475k on roof and lift replacement at the Town Hall; and
- £244k slippage on the Road Transport fleet replacement programme.

Approvals

94. A number of schemes have been submitted for approval in line with the Council's agreed capital approval process.

95. Below is a summary of the number and total value of schemes in each approval category:

- 7 additions to the capital programme with a total value of £13.3m;
- 2 deletions from the capital programme with a value of £514k;
- 4 variations to the capital programme with a net reduction of £4m;
- £8.7m of slippage on 5 schemes;

- 6 procurement strategies with a value of £6.4m;
- There have been no instances where Executive Directors and Cabinet Members have exercised their delegated powers to make emergency approvals
- There have been no instances where directors have exercised their delegated powers to vary approved expenditure levels.

96. Further details of the schemes listed above can be found in Appendix 1.

FINANCIAL IMPLICATIONS

97. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2012/13 and, as such it does not make any recommendations which have additional financial implications for the City Council.

EQUAL OPPORTUNITIES IMPLICATIONS

98. There are no specific equal opportunity implications arising from the recommendations in this report.

PROPERTY IMPLICATIONS

99. Although this report deals, in part, with the Capital Programme, it does not, in itself, contain any property implications, nor are there any arising from the recommendations in this report.

RECOMMENDATIONS

100. Members are asked to:

(a) Note the updated information and management actions provided by this report on the 2012/13 budget position.

(b) Approve the carry-forward request as detailed in paragraph 20 within the Place section.

(c) In relation to the Capital Programme:

(i) approve the proposed additions to the capital programme listed in Appendix 1, including the procurement strategies and delegations of authority to the Director of Commercial Services or Delegated Officer, as appropriate, to award the necessary contracts following stage approval by Capital Programme Group;

(ii) approve the proposed variations in Appendix 1; and note

(iii) that there were neither emergency approvals nor variations approved by Directors under their delegated authority;

(iv) the latest position on the Capital Programme including the current level of forecasting performance, and;

(v) the two variations approved by EMT.

REASONS FOR RECOMMENDATIONS

101. To formally record changes to the Revenue Budget and the Capital Programme and gain Member approval for changes in line with Financial Regulations and to reset the capital programme in line with latest information.

ALTERNATIVE OPTIONS CONSIDERED

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

Eugene Walker
Director of Finance

Scheme Description	Approval Type	Value £000	Procurement Route
ADDITIONS:-			
Castle Market Decommissioning Cabinet approved an £18.3m scheme in March 2011 to replace the City's life expired indoor market facility (built circa1960) with a new building on the Moor. This project deals with the decommissioning of the resulting surplus land and buildings which form the Castle Market on the Castlegate site. Demolition of the buildings will enable the Council to avoid security, maintenance and rates costs. The project will deliver the evacuation, management whilst vacant, and demolition of the market hall, offices, shops and other associated land and buildings which form the current site. Demolition and associated costs are estimated at £3.56m, with the remainder to be spent on fees (project management, surveys, legal etc). Some preliminary engineering assessment work will commence in 2012/13 but the main works cannot start before the new indoor market is open which is currently planned for November 2013. Site clearance, planning permission and other procedural work mean that the physical demolition is unlikely to begin before 2014-15. It is proposed that the project will be fully funded by Capital Receipts.	Addition	4,402	No procurement route outlined at this stage
Property & Facilities Management Service (P&FM) Health and Safety Works The P&FM service have undertaken an extensive survey of the Council's property portfolio and have devised a strategy to ensure that the Council can discharge its responsibility under current Health and Safety legislation.	Addition	4,400	To be determined when discrete projects are presented to CPG for approval

The estimated cost of bringing the current property portfolio up to an acceptable standard is £4.4m and the capital works are identified as non-recurring. Funding for the project has been identified from the Corporate Resource Pool in the 2012/13 Budget. A list of proposed works has been produced and classified under a number of themes : asbestos management, legionella prevention, fire risk assessment, DDA public access works, radon gas monitoring and mitigation, lifts, lighting protection and items currently on the property risk register. Further approval for specific schemes will be sought from Cabinet as projects are developed.			
Heat Metering Roll Out This project seeks to improve the city's District Heating system (which heats some of the Council's housing stock) by installing energy metering and controls. It follows earlier investment in boiler plant and internal controls and will allow householders to control their use of heating and their energy bills by paying for the actual heat used rather than through a flat rate charge based on property size. The proposal is also aligned to a wider approach to support a 'Decentralised Energy Strategy' for the city, that was endorsed by Cabinet in March 2011, and builds on earlier measures such as with the use of biomass plants and ground source heat pumps to reduce the City's impact on the environment. The project will install equipment to meter and control heat use from the District Heating system. The total project budget for this work is £5.8m for a total of 5,856 properties. These are estimates (based on the original costings for the pilot) as the precise operational and delivery details have yet to be established.	Inclusion Slippage Existing	4,000 1,696 65 5,761	OJEU tender process

Asset Enhancement – Formerly King Ecgbert School The primary objective of the project is to secure outline planning permission for residential development at the site of the former school in order to: • enhance the capital value of the site; enable the capital value to be realised within as short a timescale as possible; and • to improve the ability of potential developers to access funding. The capital costs (£423k) include carrying out consultation, planning processes and site investigations, all necessary to acquire outline planning permission at the site of the former King Ecgbert school. £23k is to be spent on on-site works (site investigations, surveys etc), with the remainder for professional and project management fees and planning application tasks. The project is part of the wider Asset Rationalisation Programme which will reduce the number of buildings used by the Council, sell the surplus assets and provide future funding for the Council's capital investment programme. The timing of any future receipt is uncertain and therefore the short term proposal is to use Prudential Borrowing to fund this scheme. The interest payable is broadly estimated at £19k, assuming an early sale in 2013-14. The assumption is that this will be the only impact on revenue budgets, as the principal repayment will be covered by the capital receipt generated.	Addition	423	Existing contract with KAPs
Capital Maintenance – Radon Extraction Radon is a naturally occurring but radioactive gas formed by the natural decay of soil and rock. It is the largest component of natural background radiation in the country and occurs across the country with wide regional variations. In 2011, Sheffield was advised that certain areas within its boundary were now included in	Addition	50	Competitive tender via the Quotation Process

the Health Protection Agency (HPA) risk area map. In line with current standards, the Council must now implement mitigation measures as other Local Authorities in higher risk areas have done. Consequently, monitoring of Radon levels has identified five schools where levels are confirmed by HPA and HSE to be above the recommended limits. The Council will install ventilation fans and/or extraction pumps to mitigate the risk. It is important to understand that Radon gas has likely been ever present in these locations and is extremely unlikely to have caused harm. This scheme will cover the costs of technical surveys to design, purchase and install appropriate mitigation techniques. The costs of this have been estimated at £50k for the 5 sites involved. This cost will be met from the currently uncommitted element of the annual CYP Capital Maintenance allocation from the DfE (£6.956m in 2012/13).			
Ecclesfield Park Playground This project is to provide play equipment which is suitable for toddlers within the boundaries of the existing Ecclesfield Park Playground, and to remove two redundant pieces of play equipment. The project is funded by Section 106 monies and in addition, there is £3.4k available to maintain the site for the next 5 years.	Addition	25	In House Provider
DELETIONS:-			
Photo Voltaic Cells This scheme is no longer viable following energy feed in tariff changes. Planned income and expenditure to be returned to the Decent Homes Block Programme Allocation Q00069. Authority is sought to cancel the scheme.	Deletion	(500)	Not applicable

Bluebell Medical Centre. The Council received £25k from the PCT in 2009/10 to provide public art at the new Bluebell Medical Centre at Wincobank and surrounding Flower estate. Some external art projects were installed - £7.5k and £3.5k was spent in 2009/10 and 2010/11 respectively. The medical centre is being delivered by the PCT but is behind schedule. The PCT have asked for a change in scope of the planned Art project to which all parties have agreed, and the contract has been terminated. As a result the £14k funding not yet spent is to be returned to the PCT and will be used later in the year when the Medical Centre is completed.	Deletion	(14)	Not Applicable
VARIATIONS:-			
City Road Crematorium Access The original CAF was for £38k in 2010/11 to provide a new ramped access to the Crematorium, which is a listed building. Following a lengthy feasibility and briefing exercise, particularly with the Conservation Officer, an agreed design and specification has been priced by Kier through the Jobs Compact. The increased cost (£48k) is primarily as a result of the stringent specification of materials for the listed building. The variation will be met from the 2012/13 DDA capital allocation of £270k.	**EMT Approved Variation**	10	Not Applicable
Woodhouse Sports Facility. This project was for Easement work which has been completed and the legal fees have been paid, the remaining £7k is not required. The funding is Capital Receipts from the sale of Woodhouse, Brunswick Garden's retirement site. £450k remains for the updating of sports facilities around this area and is currently awaiting an investment proposal.	**EMT Approved Variation**	(7)	Not Applicable
Primary Maintenance Heating - Lydgate Junior School The original investment proposal was based on installing a traditional "wet" heating system. However once detailed consultation and design work had been undertaken it became	Variation	505	Kier Negotiated tender price

apparent that only an air cooled system would deliver the required performance. This increased the cost of the replacement system by £350k to an agreed £910k. An additional £155k is required to put in place on site mobile classroom accommodation to decant pupils into whilst works are carried on in existing classrooms. This mobile will be available for relocation, following completion of the works at Lydgate, within the mobile programme. Although works on this project are above the cost originally envisaged, this is within the overall envelope committed by CYPF for all school Mechanical and Heating schemes approved for 2012/13 and so the variation will be met by savings accrued across the other schemes in this year's programme.			
Housing Programme Block Allocation Cancellation of Photo Voltaic scheme (see above) Allocation to Heat Metering Roll Out (see above)		 (500) (4,000)	Not Applicable
SLIPPAGE / ACCELERATED SPEND:-			
Wider Accommodation Strategy Three Property and Facilities Management projects have been submitted for slippage approval. • Moorfoot • 1-3 Peak Mount Crystal Peaks • Howden House Accommodation Strategy In August 2011, Cabinet considered the Sheffield's City Council's Office Accommodation Strategy and approved the 'retain Moorfoot over a minimum 10 year period option'. A year on from the Cabinet Report, the Business Case has been refreshed in order to reflect the current status of the project and changes in the financial profiling. The project plan has	Slippage	 2,765 460 1,048	Not Applicable

slipped since Cabinet approval in August 2011. However, mitigation measures have been taken and elements accelerated to ensure the overall completion date remains unchanged. The figures outlined in this report represent slippage from 2012/13 to 2013/14. Further profile amendments have also been made to individual schemes beyond 2013/14.			
Housing Programme Block Allocation The Capital Programme contained provision for 4 projects that were originally planned to begin in 2012/13 and have now been requested to slip into 2013/14 these are: • Facelift • Additional Elements • Refuse Chutes • Estates Scoping The Q number has also been reduced by £4m to feed into the heat metering Roll out and Park Hill £243k. The Photo Voltaic project is no longer viable following changes to the feed in tariff, returning £500k to the Q number.	Slippage	2,735	Not Applicable
Heat Metering Pilot See the reference to this project in the Additions section above.	Slippage	1,696	OJEU tender process
Fire Safety Originally all the budget was allocated to 2012/13. Following the development of a project plan, it is clear that the work needs to be reprofiled. Procurement is now underway and due to the legal timescales for leaseholder consultation, construction work cannot start till 2013/14. This new profile now reflects more accurately the timescale of the project. The overall budget has not changed.	Slippage	1,386	Competitive tender
Park Hill This is a slippage request to move £291k from 2012/13 into 2013/14 as a result of more	Slippage	292	Not Applicable

accurate information on the spend for phase 5 of this project. The overall project value remains the same.			
STAGE APPROVALS: Procurement Strategy – **Beighton Landfill Emergency Mitigation Works** Beighton Landfill Site Upgrade Works comprises both replacement and upgrades to the well heads in the inner, and potentially, outer gas fields to control the gas level emission from the site and reduce the risk of gas migration. In addition to this, a permanent water supply will need to be introduced to the site for animal welfare purposes. This procurement forms part of the project to manage the site's current Health and Safety Risks. The site is in the process of being fenced off as a matter of urgency and all other works will commence following completion of the fencing works. **Financial Position: -** The project budget is £120k and is funded by revenue contributions and the corporate resource pool. **Procurement Route:-** The proposed procurement route is a full competitive tender process (SCMS / Constructionline) as the current frameworks do not have access to the specialist contractors required for this work.	Stage Approval	£120k	Competitive tender using Constructionline
EMERGENCY APPROVALS:-			
None			

DIRECTOR VARIATIONS:-			
None			

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SHEFFIELD CITY COUNCIL

Cabinet Report

Report of:	**Eugene Walker, Director of Finance**
Date:	**17th October 2012**
Subject:	**Medium Term Financial Strategy 2013/14 to 2017/18**
Author of Report:	**Allan Rainford, 52596**

Summary:

This report sets out the updated Medium Term Financial Strategy (MTFS) for the period 2013/14 to 2017/18. The Council's financial position continues to be significantly affected by the Government's plans for deficit reduction. The 2010 Spending Review (SR10) included a reduction in local government funding of 28% over the 4 years to 2014/15. The 2011 Autumn Statement extended the period of austerity by a further two years.

Although the Council will not have certainty about the level of funding until the local government finance settlement in December 2012, the latest indications are that the 2013/14 financial year will be as difficult as that experienced in the first year of the SR10 period, with potential funding reductions of up to 13%.

The introduction of the business rates retention scheme from April 2013 is also adding considerable complexity and uncertainty. The updated assumptions underpinning the MTFS reflect the potential impact of funding settlements and the necessary budget provisions for unavoidable costs. On this basis the forecast financial position of the Council is for a potential revenue shortfall of approximately £50m in 2013/14 rising to a cumulative resource shortfall of approximately £116m by 2017/18. These figures do not include Portfolio cost/demand pressures that could potentially add £20m per annum.

The report proposes an approach to financial and business planning that involves:

- For planning purposes, the development of forecast budget totals that fit within the level of the available resources over the next 5 years
- The allocation of resources to Services/Portfolios and also to strategic outcome areas in a way that reflects priorities

- Executive Directors taking the lead in the development of realistic, affordable 2 year delivery plans within a 5 year context for each outcome area and which will fit within the available level of resources

- Delivery plans that consider all income and spending, cost and demand pressures, as well as setting out clearly any major changes required in service delivery

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Reasons for Recommendations:

To provide a strategic framework for the development of budget proposals and the business planning process for 2013/14 and beyond.

Recommendations:

That Members:

- note the medium term financial forecast

- approve the approach to balancing the budget and to business planning in 2013/14 and beyond as set out in this report

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Background Papers:

Category of Report: OPEN

If Closed add – 'Not for publication because it contains exempt information under Paragraph… of Schedule 12A of the Local Government Act 1972 (as amended).'

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* Delete as appropriate

Statutory and Council Policy Checklist

1 FINANCIAL IMPLICATIONS
No. There are no direct financial implications as a result of this report.
2 LEGAL IMPLICATIONS
NO
Equality of Opportunity Implications
NO
Tackling Health Inequalities Implications
NO
Human rights Implications
NO:
Environmental and Sustainability implications
NO
Economic impact
NO
Community safety implications
NO
Human resources implications
NO
Property implications
NO
Area(s) affected
Relevant Cabinet Portfolio Leader
Cllr Lodge
Relevant Scrutiny Committee if decision called in
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

MEDIUM TERM FINANCIAL STRATEGY – 2013/14 TO 2017/18

Purpose of the Report

1. The purpose of the Report is to:

- provide Members with details of the forecast financial position of the Council for the next 5 years; and

- to recommend the approach to budgeting and business planning that will be necessary to achieve a balanced budget position in the medium term.

Background

2. The 2010 Spending Review (SR10) set out the coalition Government's plans for deficit reduction with an emphasis on reducing public expenditure as a percentage of Gross Domestic Product (GDP). SR10 covered 4 years from 2011/12 to 2014/15 and set out plans to reduce local government funding by 28% over this period. The November 2011 Autumn Statement extended the period of austerity for two further years: 2015/16 and 2016/17. The key message for local government was that spending reductions would continue at the same rate as SR10.

3. Since then, economic growth has been lower than anticipated. The 2011 Autumn Statement referred to the forecast of the Office of Budget Responsibility that economic growth would be revised down to 0.9% for 2011 and 0.7% in 2012 with a slower recover thereafter. The actual position for 2011 is that GDP decreased by 0.5% and has fallen by 0.4% between the first and second quarter of 2012. In view of this decline in economic growth there exists the potential for even larger reductions in public expenditure in years 2015/16 and 2016/17.

4. The first two years of the SR10 period introduced many changes including the abolition of Area Based Grant and the reduction in the number of specific grants with many being "rolled up" into Revenue Support Grant (RSG). This resulted in the loss of a significant amount of core funding in 2011/12. Planning for 2012/13 was relatively stable as the Government announced a 2 year Local Government Finance Settlement in December 2011 covering the 2011/12 and 2012/13 financial years.

5. The Government have been reviewing the way in which resources are allocated to Councils as part of the Local Government Resource Review. Proposals relating to the retention of business rates and the localisation of Council Tax support are two of the main elements of the Local Government Finance Bill. These will represent the most significant changes in local government finance for decades. The complexity and lack of clarity relating to these arrangements, aspects of which are still open to consultation, has introduced a high level of uncertainty that will not be resolved until early December 2012 when the Local Government Finance Settlement will be announced.

6. Although there is considerable uncertainty, the Council needs to prepare plans for the medium term based on the most likely position. This report contains

forecasts of the potential position facing the Council and sets out the issues that are likely to impact on the revenue resources and revenue expenditure position of the Council over the five years to March 2018.

Local Government Finance Bill

Retention of Business Rates

7. Since 1990 business rates have been collected by local authorities and paid over to Government. Local authorities would then receive a share of the re-distributed business rates through a needs driven formula grant mechanism to provide revenue support. The Local Government Finance Bill proposes to abolish the current system and instead allow councils to retain an agreed percentage of locally collected business rates. The new local retention of business rates model assesses the difference between each council's individual business rate baseline and their calculated baseline funding level and either a top up or a tariff will be paid.

8. The Governments key principles in formulating the system are:

   - to build into the local government finance system an incentive for local authorities to provide economic growth over the long term

   - to reduce local authorities dependency on central government and to create a high degree of self sufficiency

   - to achieve a degree of redistribution of resources to ensure that authorities with high need and low taxbases are still able to meet the needs of their areas, and

   - protection for businesses and no increases in locally imposed taxation without the agreement of local businesses

9. The principles on which the scheme will operate will mean that Sheffield City Council will receive a funding top up as the business rate baseline will be less than its calculated baseline funding level. A safety net will be established to protect councils where there are substantial downward movements in the business rate base due to changes in the local economy, funded by levies imposed on councils that are assessed to have "disproportionate" gains. These changes will potentially introduce a range of volatility in funding that has not been experienced previously.

10. The Government issued proposals for business rates retention in a number of consultation documents in August 2011 and published the Governments response to the consultation in December 2011. The proposals included the retention of 100% of business rates by local authorities which created the prospects of a high degree of autonomy from Government and the potential for local authorities to retain the benefits arising from economic growth.

11. However a further announcement by Government in May 2012 included a revised proposal that local authorities would retain only 50% of business rates with the other 50% being returned to Government in order to fund RSG allocations. This provides the Government with the ability to make the SR10 reductions in the amount of funding for local government. This represented a watering down of proposals that had promised to provide a strong incentive for local authorities to grow the local economy and reduced the benefit from increased autonomy from Government decisions about funding

12. One of the proposals in the May 2012 announcement is that funding presently provided through a number of specific grants will be rolled up into RSG from April 2013. The specific grants to be included in RSG include Learning Disability Grant, Homelessness Prevention Grant, Council Tax Freeze Grant and the majority of Early Intervention Grant which in total currently amount to approximately £39m to the City Council. This suggests that the SR10 reduction will be applied to a level of RSG that has swelled by the rolling up of specific grants and therefore that the actual monetary value of the reduction will be much larger.

13. The Government issued a detailed Technical Consultation paper on Business Rates retention in July 2012. This focused on how the Government proposes to calculate local authority baseline funding levels including the locally retained level of business rates and the amount received through the RSG process. One aspect of these arrangements is that in order to keep within the overall control total for local government spending, the Government intends to make reductions to provide sufficient funding for the following:

- New Development Deals: the Government have announced that Sheffield, Newcastle and Nottingham are to be awarded funding for projects in which business rates uplift will be exempt from the levy and which will finance additional infrastructure that will unlock business rates growth to repay the initial borrowing. £120m over 6 years will come from the local government control total to finance these projects.

- New Homes Bonus: in order to ensure that there is sufficient funding for the New Homes Bonus the Government will remove £2 billion from the local government control total for each of the next 7 years.

- Capitalisation: the Government on an exceptional basis allows local authorities to treat revenue expenditure as capital. The cost of such "directions" count as revenue expenditure in the national accounts and therefore the total amount of capitalisation in 2013/14 and 2014/15 will be funded from the local government finance settlement. The Government intends to hold back £100m for this purpose.

- Safety Net: the business rates retention scheme will include a safety net to protect local authorities from adverse movements in business rate income. The arrangements for providing this will be met from levies on the disproportionate benefits that are likely to be generated by some local authorities. However given the uncertainties in the first few years of the

14. The purpose of the July 2012 consultation document is to provide details of the issues that impact on funding for the start up of the business rates retention scheme. A further issue relates to the proposal to transfer funding from RSG to schools that have converted to academy status. Local authorities deliver a range of central education support services on behalf of schools which, when schools become academies, they have to secure for themselves. Currently academies receive money for these responsibilities through the Local Authority Central Spend Equivalent Grant (LACSEG). From April 2013 LACSEG will be replaced with a new grant which is distributed by the Department for Education as a separate un-ringfenced specific grant to local authorities and to academies proportionate to the number of pupils for which they are responsible.

15. The message from these documents is that once the various top slicing adjustments have been made, the overall level of local government funding will reduce by up to 13% in 2013/14 and up to 9% in 2014/15. There are no details of spending control totals for 2015/16 and subsequent years as these will be considered as part of the next Spending Review. Some further analysis of the position for each local authority has been provided by the Department for Communities and Local Government (DCLG) which provides confirmation that grant funding to individual local authorities will be reduced by up to 14% for 2013/14.

16. The operation of the revised financing system will be particularly complex as the Government is also reviewing the factors that make up the calculation of the Formula Grant. For planning purposes, the task involves producing projections relating to business rate collection and factoring in forecasts of RSG reductions. In reality at individual local authority level the RSG calculations will vary as the Government changes the factors feeding into the calculation and applies them retrospectively to produce a notional revised calculation for 2012/13.

Localisation of Council Tax Support

17. The current Council Tax Benefit system is to be abolished and replaced with a Council Tax Discount Scheme from April 2013. Under this scheme each council will receive a grant paid into the General Fund to compensate for the reduction in council tax income resulting from the application of the new discount. However, the major change for councils is that the grant will cover only 90% of the current level of benefits awarded. Councils are expected to introduce revised local benefit schemes that, in total, reduce benefits by 10% overall (total approximately £4.6m for the City Council) or make up the shortfall from their own resources. The City Council is required to have an agreed Council Tax Discounts Scheme by 31 January 2013.

18. Consultation papers issued by the Government in May 2012 set out the proposed arrangements for distributing funding to support local schemes and give an indication of the level of funding for the new scheme. The introduction of the new discounts will have an impact on the Council Tax base and therefore on

the Band D equivalent Council Tax. In order to offset the potential rise in Council Tax, the funding for the Council Tax Support scheme will be allocated to all authorities that set a Council Tax: i.e. billing authorities and precepting authorities. On the basis of the levels of Council Tax set for 2012/13, this results in a potential allocation of circa £35m for the City Council and circa £90k for the Police and Fire authorities.

19. The funding for the localisation of Council Tax support will be incorporated within the RSG allocation. This means the risks associated with the new scheme will fall on the City Council and there will not be a variation in funding, for example for changes in caseload, as existed previously. The potential risks and associated greater costs with this include:

- Increases in the number of claimants, for example should a major employer cease trading in the area

- Changes in claimant behaviour, for example as individuals decide to change use of a property in order to qualify for a different discount

- Losses on collection are likely to increase as individuals who previously qualified for benefit are now required to make contributions towards the Council Tax bill.

20. These potential risks will need to be quantified and factored into the estimate of the losses on collection and the level of the Council Tax base. The latter will need to be adjusted downwards to reflect that proportion of the taxbase who will be in receipt of Council Tax support. There is the potential to increase the amounts generated from empty properties and second homes. However the overall challenge will be to ensure that the overall additional costs/income and adjustments to the tax base are equalised by the amount of Council Tax support funding so as to not have an impact on the overall level of Council Tax and not require reductions in funding for core Council services.

Other developments impacting on funding

School Funding Reform.

21. In April 2011 the Government embarked upon a consultation process on the reform of school funding. The aim is to simplify the process, make it more transparent and improve consistency of funding for schools (including academies) in different local authority areas. Whilst there are no firm proposals as yet, major changes to school funding are anticipated A major concern with any future national funding formula is that it will be based on a simple “per pupil” amount with uplifts for deprivation factors based upon a simplistic measure such as the number of pupils qualifying for free school meals. There is therefore some uncertainty as to the level of grant support the City Council will receive in future years to support both school expenditure.

Forecast Revenue Resources

22. In previous years the net level of Council expenditure has been funded from the total of Formula Grant and Council Tax income. From April 2013 the position

relating to business rate income will become a feature of the Council's financial position, with a reduced proportion of business rate income being channelled through the Formula Grant process.

Formula Grant

23. The actual level of Government grant will not be known until the Local Government Finance Settlement in early December. The level of Formula Grant for 2012/13 amounted to £265.7m and represented an 8% reduction compared to the previous year. It is particularly difficult to accurately forecast the level of formula grant for 2013/14 due to the range of uncertainties and the potential impact of:

- The changes in the grant distribution formula for 2013/14
- The business rates retention scheme including the establishment of the baseline level for 2013/14, the application of the safety net/levy arrangements and the uncertainty surrounding the level of top for 2013/14.
- The inclusion of significant amounts of specific grant into RSG for 2013/14 and the application of SR10 reductions to this figure.

24. Population is one of the most significant elements of the RSG complex formula. The 2011 census revealed that by comparison with the population data in the 2011/12 formula Sheffield's population has reduced by about 2%. This would be expected – all other things being equal – to lead to a reduction in Sheffield's Formula Grant for 2013/14. However the position relative to that of other local authorities, some of whom may have experienced a much larger reduction in population, would need to be known to accurately determine the impact.

25. The Department for Communities and Local Government (DCLG) have recently issued illustrative figures to aid local authorities in understanding the funding position for 2013/14. This provides confirmation that the funding reduction will be in the region of 13% for 2013/14. Applying the 2013/14 methodology and control totals, provides a formula allocation for 2013/14 of £224m: a reduction of £41m compared to the Formula Grant for 2012/13. The most significant aspect of the reduction relates to the funding for education support services to schools and academies: this has resulted in a reduction of nearly £12m to provide the funding for the Department for Education to provide support to schools and academies on a pupil number basis. It is estimated that the new specific grant for education support services will be approximately £8m.

	2012/13 £000	2013/14 £000	Difference £000
Formula Distribution methodology			
Grants rolled in	27,594	27,536	
Relative Needs Amount	186,295	164,055	
Relative Resource Amount	-17,080	-19,836	
Central Allocation	69,214	73,920	
Floor Damping	-5,210	-9,066	
Council Tax Freeze Grant	4,919		
Education support within LACSEG		-11,854	
Formula Funding allocation	265,732	224,755	40,977

26. The illustrative figures also provide an indication of the impact of the "rolling up" of specific grants into RSG. The level of Early Intervention Grant is expected to fall by approximately £7m (or 27%). However a proportion of this is to be channelled through the Dedicated Schools Grant (DSG) route and ring fenced for use in supporting services for 2 year olds. The amount to be distributed through DSG is estimated at £3.8m in 2013/14 rising to £8.8m in 2014/15. Whilst the overall total level of funding may not change as a result of the redirection via DSG, it may have implications for the amount the Councils spends on services for 2 year olds. For the purposes of this forecast it has been assumed that this issue will have a neutral effect.

27. Bringing together the position on formula funding and specific grant allocations results in an overall level of grant funding that is £40m (or 13%) below the level for 2012/13, in terms of the reduction facing general fund services. This reduction does not include the expected level of funding for the Council Tax support scheme – of circa £35m – which although included in the formula allocation will be managed through changes in the council tax support scheme rather than reductions in spending on council services.

	2012/13	2013/14	Impact on General Fund
	£000	£000	£000
Formula Funding	265,732	224,755	40,977
Council Tax Freeze Grant 2011/12	0	4,919	-4,919
EIG	25,191	18,403	6,788
Homelessness	680	517	163
Lead Authority Flood	221	135	86
LD & Public Health	14,126	14,515	-389
Formula Grant funding before CT support	305,950	263,244	42,706
Council Tax Support Funding		35,459	
Formula Grant funding including CT support	305,950	298,703	
Movements on Specific Grant			
Council Tax Freeze Grant 2012/13	4,931	0	4,931
Grant for Education support services	0	7,500	-7,500
Specific Grant variations	4,931	7,500	-2,569
TOTAL GRANT FUNDING	310,881	306,203	40,137

28. The funding figures shown above provide an indication of the start up funding allocation for the business rates retention scheme from April 2013. When details of the settlement are announced, the total funding figure will be a combination of

- The governments estimate of the 50% local share of business rates; plus
- Revenue Support Grant (from the centrally retained 50% share); plus
- A top up grant to ensure the overall baseline position matches the allocations shown above.

29. The DCLG have not provided any illustrative figures for 2014/15. For the purposes of the forecast it is assumed that the level of funding for 2014/15 will fall by a further 9%, as set out in DCLG consultation documents. On this basis the Council faces a further reduction in grant of up to £24m in 2014/15.

Council Tax Freeze Grant

30. The Council qualified for Freeze Grant in 2011/12 and 2012/13 as a result of maintaining the Council Tax at the level for 2010/11. This provided the Council with a level of income that was equivalent to a Council Tax increase of 2.5% and amounted to £4.9m each year. However the 2012/13 allocation was announced as a one off allocation whereas the grant for 2011/12 will fall out in 2015/16.

The Council will therefore need to provide for the loss of the £4.9m in 2013/14 and this is included in the forecast reductions in funding shown above. It has been assumed that there will not be another Council Tax Freeze Grant in future years.

Business Rate Income

31. The process of determining allocations of business rates to local authorities for 2013/14 and beyond is complex. Whilst the general principles relating to the operation of the scheme have been set out in consultation documents there is a lack of clarity as to how that will be translated into individual authority allocations. The process has several stages outlined below:

- DCLG will first calculate the total business rates that will be collected by English billing authorities in 2013-14 (estimated business rates aggregate). This will be based on rateable values from the VOA with 50% being retained as the central share.

- A proportionate share for each authority will be calculated based on a 5 year average (2007/08 to 2011/12) of business rates collected locally. This will form the business rates baseline of each authority.

- The business rates baseline will then be split between billing and major precepting authorities.

- The baseline funding level for each authority will be calculated by applying the 2012/13 formula grant process to the 50% local share of the national aggregate.

- If an authority's baseline funding level is assessed as higher than their business rates baseline, they will receive a top up grant. If the converse is true, then a tariff will be charged by government. Sheffield will receive a top up grant.

32. The City Council currently pays approximately £190m in business rates to the national pool. There has been an increase in the overall amount paid across in 2011/12 compared to 2010/11 of £12m. Further analysis needs to be made of the specific reason for this increase. The 2012/13 budget includes NNDR pool income from formula grant of £261m.

33. At the present time, for planning purposes it has been assumed that there will not be any additional income generated by business rate growth. With 50% of business rate income being returned to Government a 1% increase in the remaining "local share" would amount to approximately £1m. As the City Council has been awarded a New Development Deal, it is not known to what extent the business rate base outside of the parameters of this scheme will grow in future years.

Council Tax

34. The Council Tax for 2011/12 set by the Council in March 2011 was £1,282.75 for a Band D equivalent property. This has been unchanged for the last 2 years and has involved the acceptance of the Council Tax Freeze Grant over this period.

35. The analysis of SR10 suggested that the Government expected Council Tax increases to make up some of the shortfall in local government funding and implied that annual increases of up to 4% were assumed. However the Localism Act has introduced the requirement for local authorities to conduct a local referendum if the increase in Council Tax exceeds a level set by the Secretary of State. Last year the Secretary of State would regard an increase as excessive if it were more than 3.5% for local authorities and more than 4% for Police and Fire Authorities. The levels to be prescribed by the Secretary of State for 2013/14 will not be known until the announcement of the Local Government Finance Settlement in December

36. The actual Council Tax increase for Sheffield is a matter for the City Council to decide. Each 1% increase in Council Tax generates approximately £1.6m in Council Tax income: this is less than had been the case in previous years due to the reduced tax base following the introduction of the localised support scheme in April 2013. For the purposes of the forecast it is assumed that the increase in Council Tax will be 1.5% per annum, with the Council Tax base increasing each year and generating an additional 1% income: i.e. a total increase in overall Council Tax income of 2.5% per annum.

Forecast Revenue Expenditure

37. The Council set a net revenue budget for 2012/13 of £463.5m. This represented a net reduction of £16.76m compared to the previous year when the net budget stood at £480.28m. Included within the budget were resources to meet the cost of corporate items and initiatives. A key issue for the Medium Term Forecast is the impact of additional expenditure during a period in which resources are constrained. There will be a number of corporate issues that will impact on the financial position of the Council that Members will want to ensure are properly included in future revenue budgets. Some of the corporate issues impacting on the corporate budget include:

    - **Pension deficit** – Sheffield City Council's pension scheme is carrying a deficit. To repay this deficit, annual contributions of £17.6 million are made to the scheme, additional to the current service contributions. This amount was made up in 2011/12 by adding a charge to the employer's contribution of 6.4%. With a reducing workforce, this percentage will no longer be sufficient to cover the £17.6 million payment. We have increased this to 6.9% in 2012/13 but further increases may be necessary in future. A triennial review of the pension scheme is due in 2013/14 and is likely to increase the £17.6 million payment. However national changes to the pension scheme may compensate to some extent, as yet unknown. This will come into affect in April 2014. This payment was frozen for three years at the last review and could be inflated by the equivalent of 3 years CPI (or around 10%).

- **ITA Levy** – The Integrated Transport Authority (ITA) Levy currently amounts to approximately £37m for Sheffield. The ITA medium term financial plan provided for a reduction of 10% in 2012/13 and 2% in 2013/14. This reduction has been built into the forecast but is subject to change through a revised ITA forecast. Discussions are taking place on possible efficiencies in the ITA but also on possible levy increases to fund a strategic transport investment fund to contribute to economic development across the City Region. The final ITA levy is also dependent on Sheffield's share of the South Yorkshire population which may change as a result of the 2011 census. The levy for 2013/14 and beyond is therefore uncertain.

- **Capital financing costs** – Future years revenue budgets will need to include sufficient provisions to meet the debt charges on borrowing to finance capital expenditure. The revenue budget will also need to include the full year costs of borrowing undertaken in the current financial year. An initial assessment suggests that an additional £2m in 2012/13 rising to £7.3m in 2017/18 will be required due to the need to externalise funding currently covered by internal balances as our reserves reduce.

- **Funding for redundancy/severance costs –** the budget for 2012/13 included a total of £13m for funding redundancy/severance costs of which £8m was financed from reserves. It is likely that the Council will have an ongoing requirement for a redundancy/severance costs budget given that the period of austerity will continue for the foreseeable future. It is proposed that the Council set aside at least a further £4m in 2013/14 with additions also in subsequent years to replace the current one off funding from reserves.

- **Salary increments** – the current contractual arrangements regarding the freeze on salary increments are due to expire in April 2013. Reinstating increments is likely to add £5m per annum to Council expenditure. The Council is currently consulting with trade unions on a proposal to extend the increment freeze to April 2014.

- **Debt Collection benefits** – the budget for 2011/12 included a saving of £1m from improved debt collection procedures and the associated impact on cash flow. This has involved a procedure whereby payments to the Council that are received more than 60 days of being due are used to benefit the corporate financial position. This has successfully increased debt collection within 60 days and the practice of taking such income to a corporate budget is less sustainable: the benefits are back in service budgets. The £1m saving built into the 2011/12 budget is planned to be phased out over the medium term.

- **Invest to Save Investment fund** – the Council has in previous years used funding from reserves to support investment in infrastructure and efficiency programmes. This amount of funding however does not exist indefinitely and it is proposed that a reserve be established to support new transformation initiatives by making a contribution of £1.5m per annum.

- **Digital Region costs** – The current year budget includes £3.8m in respect of the potential write off of the loan to the company, pending the outcome of a request for approval to capitalise this expenditure. The approval by

- **PFI costs** – the revenue budget in future year's will need to include the full year costs relating to current PFI schemes. It is estimated that the costs of Highways PFI and Howden House PFI will add £1.9m in 2013/14 rising to £10m in 2017/18.

38. If the above items were to be included in future years budgets they would add a total of £10m in 2013/14 rising to £36m by 2017/18.

Service Cost and Demand Pressures

39. By the nature of the austerity budget financial settlements for local government, there will be insufficient resources to meet inflationary pressures and to offset the rising cost of increased demand. In previous years whilst additional resources have been built into the budget, it has required Services/Portfolios to identify offsetting compensating savings of equal value.

40. It is proposed that for the medium term, an approach is adopted which encourages Services/Portfolios to adopt the reality of the current position and to minimise the scale of cost/demand pressures. Services will be required to manage pressures from within existing resources. The impact of these pressures will be recognised and identified through the business planning process. At this time therefore no specific forecast of cost/demand pressures has been included.

41. It is likely that the Services that have experienced increased levels of demand, such as adult social care, will again face additional pressures. Services have been provided with broad guidelines as to the current level of price inflation and can use these to evaluate their relevance or impact for individual services. There is the possibility of a pay award in 2013/14 and beyond, following the announcement by the Chancellor of a two year public sector pay freeze in the June 2010 budget. This was in respect of employees earning over £21,000 per annum and will apply to 2011/12 and 2012/13. The Chancellor's Autumn Statement included an instruction that pay awards in the public sector would be limited to 1% for a further two years. Services have been advised of the potential impact of such pay awards.

42. The level of Portfolio cost/demand pressures over the medium term is unknown. The budget for 2012/13 includes a total of £29m for pressures, of which, reductions in funding accounted to £11m. There is the potential for pressures to amount to circa £20m per annum.

Other Issues

43. There are a number of other national and local issues that could impact on the budget some of which are uncertain at the present time. They include the items set out below.

Public Health

44. The Health and Social Care Bill changes the way the NHS and Public Health Services are organised in England. From April 2013 the leadership and the bulk of the public health responsibilities will transfer from Primary Care Trusts (PCT) to Local Authorities. Specialist elements of Public Health such as children services 0-5, cancer screening will transfer to the NHS commissioning board - Clinical Commissioning Group (CCG).

45. The indicative allocation of funding transferring to Sheffield City Council (SCC) from the PCT is approximately £26m, this is subject to review and will be finalised in the Autumn. The funding will be ringfenced to Public Health services initially and will cover the costs of the contracts transferring to SCC and the associated staff.

Sheffield Homes

46. Following the tenant ballot with regard to the future of the Councils Arms Length Management Organisation (ALMO), Sheffield Homes, the decision was taken to bring the management of the council's housing stock back into SCC with effect from 1st April 2013. It anticipated that by bringing the management back in-house it will deliver savings for the Housing Revenue Account (HRA) and facilitate better co-ordination with general fund services and the strategic outcomes.

Pensions auto-enrolment

47. The Government has introduced pensions reform which will require employers to automatically enrol employees into a workplace pension scheme, including those employees who had previously decided to “opt out”. There are eligibility criteria relating to the auto-enrolment and employers may use existing pension schemes or set up a new one. Employees who have been automatically enrolled will have the option to subsequently opt out, although this will involve individuals obtaining the relevant documentation and may involve the employer processing refunds of deductions. Each employer will be allocated a date from which the duties will first apply to them, known as their “staging date”, which for Sheffield City Council is March 2013.

48. The implementation costs will include collecting data relating to employees who are currently not in pension scheme membership, preparation of communications, creating the appropriate processes, adjusting systems and potential amendments to payroll arrangements. However the most significant cost may be in respect of employer’s pension contributions for employees not currently in the local government pension scheme. The details need to be worked through thoroughly before a precise figure can be put on the potential costs but the overall cost could be significant for the Council. However, proposals are being formulated that will help to defer the majority of costs to a later financial year.

Overall Financial Projections

49. Bringing the forecast level of resources and expenditure together suggests that the Council continues to face a challenging medium term financial scenario. The Local Government Finance Settlements are likely to be increasingly complex given the number of intended changes and that the actual levels of grant funding are expected to be significantly reduced.

50. It is forecast that the potential revenue gap for 2013/14 will be in the region of £50m and the cumulative gap by 2017/18 will be about £116m. It assumes that the funding settlements for local government will be stable by 2017/18 but much depends on the economic situation. The figures do not include cost/demand pressures which Services/Portfolios are expected to manage from within existing resources and which will require sufficient offsetting savings: this could potentially add a figure of £20m to the annual gap. The following table summarises the forecast budget gap for the next 5 years:

	2013/14 £m	**2014/15 £m**	**2015/16 £m**	**2016/17 £m**	**2017/18 £m**
Annual reduction in resources	40	20	15	9	-4
Annual increase in Expenditure	10	15	5	3	3
Annual Gap	50	35	20	12	-1
Cumulative Gap		85	105	117	116

Approach to balancing the budget

51. The Council requires sufficient savings proposals to meet a potential forecast shortfall of £50m in 2013/14 plus sufficient savings to meet the value of Portfolio cost/demand pressures. The Council needs to adopt a long term approach to the identification of proposals as it is unlikely that short term solutions will be sufficient and the decisions required are likely to involve fundamental issues about the long term future and delivery of some Council services.

52. In terms of planning spending reductions, there are some elements of the Council budget where it is particularly difficult to make reductions and where the expenditure is largely fixed in nature. These will include:

- Benefit payments
- Integrated Transport Authority Levy
- Pension costs of former employees
- Howden House PFI costs
- Capital financing costs
- Housing legacy payments

53. If the required savings were to be achieved by making reductions across all Services it would require a reduction in all services of up to 15% in 2013/14, after adjusting for expenditure on major contracts and the fixed costs referred to above. There will however be number of priority services that the Council would want to offer a degree of relative protection to. Depending on the number of "protected" services and the value of their budgets, it is likely to result in much larger reductions in remaining services. For example, initial protections suggest that, based on a set of assumptions about the protected services, other services would be required to make savings of up to 25% per annum. Eventually this would result in the complete removal of some services.

54. The approach to balancing the budget over the medium term and the application of a more strategic approach to the identification of savings proposals has involved adoption of the following principles:

- For planning purposes, the development of forecast budget totals that fit within the level of the available resources over the next 5 years

- Resources have been allocated to Services/Portfolios and also to strategic outcome areas in way that reflects priorities

- Executive Directors have been given responsibility for developing realistic, affordable 2 year delivery plans within a 5 year context for each outcome area and which will fit within the available level of resources

- The plans are to consider all income and spending, cost and demand pressures, as well as setting out clearly any major changes required in service delivery

55. To assist in the development of these outcome driven plans, the current year Service/Portfolio budgets have been aligned to strategic outcomes. In order to provide broad budget limits for planning purposes, services have been given a ranking according to order to priority: this reflects the realistic position that there are some services that the Council will want to give a relative degree of protection to and would not expect to find savings on the level of some other services. It is likely that services such as Children's and Adult Social Care would fall into the category of relative protection. It is important to note, however that the purpose of this approach has been to assist in the formation of broad planning totals rather than making decisions now about the precise allocation of budgets for future years.

Housing Revenue Account

56. Cabinet on 25th January 2012, considered the Housing Revenue Account (HRA) 30 year business plan and approved the recommendations. 2012/13 was the first year of self-financing and was based on the Government paying off £515 million of Sheffield City Council's housing debt in exchange for the City Council having the freedom to manage and fund council housing locally from rents and other charges.

57. From April 2012 the City Council had £349 million housing debt and a borrowing limit set by Government of £391 million. Self-financing means more money for council housing over the long term although the cost of tackling Sheffield's maintenance backlog (£257 million) was not addressed by the Government's self-financing determination and this creates a significant funding pressure which is most acute in the early years.

58. The move to self-financing involves a significant transfer of risk from the Government to the local authority, which will require the Council to consider how governance arrangements (involving tenants, elected members and officers) could be strengthened. The two key risks to the business plan in the coming years will be the Government's welfare reform proposals and the financial risks associated with carrying forward a maintenance backlog.

59. The objectives of the business plan is to create balanced budgets for the next five years and to prioritise investment that will reduce costs over the long term and allow funding of activities that are currently unaffordable.

60. The main areas of investment in the early years, aimed at reducing costs overall will be:

- Activity to mitigate the impact of welfare reform
- Making the best use of the homes we have by improving the re-housing process and supporting tenants to sustain their tenancy
- Invest to save projects on estate services
- Reducing the maintenance backlog early with top priorities being completion of the Decent Homes forward programme and investment in heating systems to tackle fuel poverty.

61. Under self-financing the main source of funding for the business plan will be from tenant rents which will continue to be set in line with the Government's national social rent policy, with convergence of rents for the majority of homes to be in 2015/16.

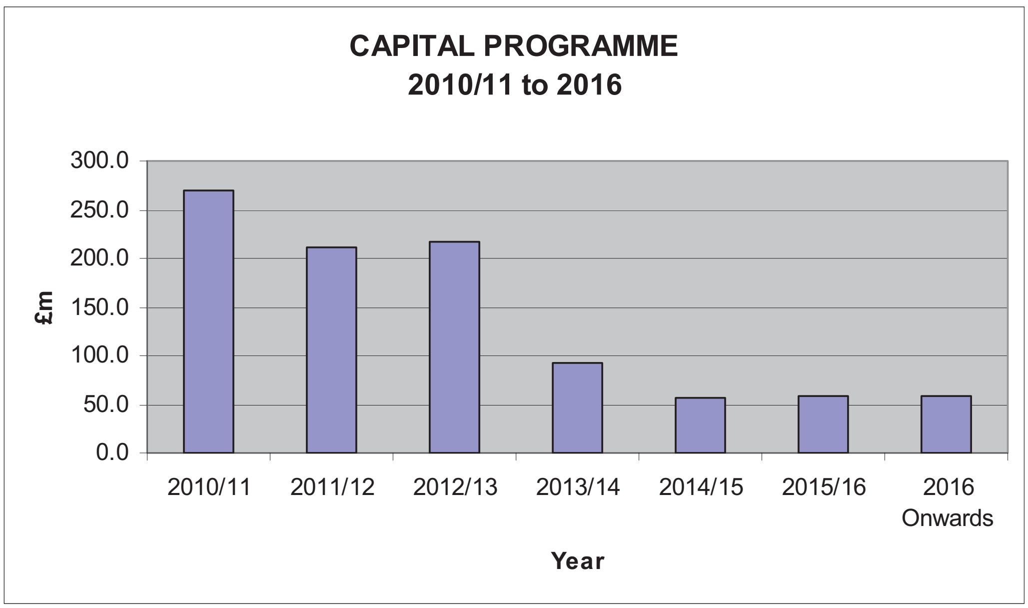
62. Another remaining challenge for the business plan in the coming years will be the repayment of debt. In choosing to prioritise the funding of the maintenance backlog, the business plan cannot afford to pay off the debt in full over 30 years. This results in continuing interest payments and less resource to fund other activities. At present there are a number of activities (e.g. refurbishment of communal areas) which are still unaffordable to the business plan. Further efficiencies will be required in the coming years in order that these could be funded in future.

63. The HRA reserves strategy will be reviewed during 2013 it proposed that reserves are maintained at the appropriate level to fund potential future financial pressures from risks such as welfare benefit reform, interest rate increases and backlog maintenance. The forecast position for reserves at the 31st Match 2013 is £15m.

2013/14 CAPITAL PROGRAMME

64. Capital spending pays for buildings, roads and council housing and for major repairs to them. It does not pay for the day-to-day running costs of council services. 2011/12 saw great changes in the funding of the Capital Programme. The national spending reductions forced the Council to utilise more of its internally generated resources from asset sales or revenue budget savings as funding from central government reduced. This trend has continued throughout 2012/13.

65. The impact of the changes coincided with the Building Schools for the Future and the Decent Homes programmes approaching physical completion. Typically these accounted for 90% of the programme. The graph below illustrates the change in activity from 2010/11 to 2016.



66. This will have a major impact on the next five year capital programme period. However many new schemes are still to be prepared and input to the programme leading to a much steeper fall from 2013/14 onwards.

Capital Investment Plans

67. So, looking forward, the current Approved Capital Programme is projected at £481.7m. 2012/13 will see the introduction of a Highways Private Finance Initiative (PFI). The PFI will result in less spend in the capital programme as the authority will lose the LTP Maintenance Grant of approximately £6m per year, but the PFI funding of £1.2bn should deliver substantial improvements to the Highways network over a 30 year period.

68. The HRA Self Financing project delivers to local authorities greater autonomy in the management of their housing stock and writes off substantial amounts of accumulated debt. This will allow the authority to plan contributions to the capital programme from the Housing Revenue Account with greater certainty over a

longer term period, and the Authority has developed a 30 year business plan which will inject on average £40m per year to the Housing Programme.

69. School building works will be financed mainly by Department for Education, formula calculated central grants supplemented by occasional specific grants to deal with building condition or population growth.

70. The graph above does not include a number of major projects worth £80m which are currently the subject of funding bids or approvals as detailed below.

City Centre development (£40m): funded by a TIF scheme (Tax Incremental Financing), this project is intended to address infrastructure works [specify] to prime the private sector led development of the city centre.

Bus Rapid Transit Scheme North (£32m+): funded by a combination of Department for Transport and European Regional Development Fund (ERDF) this scheme will build a priority traffic scheme for buses between Sheffield and Rotherham which will increase job opportunities for people in the Don Valley and support the regeneration of the Lower Don Valley in Sheffield

Asset Rationalisation project; a detailed strategic and operational review of Council buildings which will reduce duplication, co-locate services to benefit users and generate capital receipts from the release of surplus buildings. The business case may require some investment, funded from prudential Borrowing, to reconfigure properties to their new role or make more attractive for sale.

Asset Enhancement Project: a project to enhance the attractiveness or existing surplus land for development by undertaking site surveys, obtaining planning permissions. Cash flowed by Prudential Borrowing but ultimately repaid by the capital receipts from sales.

Don Valley Flood Defence Scheme (£7m): the objective is to provide enhanced flood defences between the city centre and Meadowhall which would protect homes and businesses against a 100 year flood event. To be financed by a combination of Environment Agency and ERDF grants.

Pressures on the Capital Programme

71. This summary details the pressures on the Capital Programme and the consequences for its funding.

Building Schools for the Future Affordability Gap

72. There is an affordability gap of around £9.6m over the life of the Building Schools for the Future programme (BSF). The gap has decreased by £8.8m from £18.4m reported last year following the realisation of some of the planned costs reductions identified as part of the strategy to close the gap.

73. The remaining shortfall will be funded through the use of Prudential Borrowing and prioritisation of capital receipts. The crystallisation of the shortfall is not expected until September 2015.

Homes

74. The Housing Programme has suffered twin pressures caused by reductions in nationally funded programmes and reducing capital receipts. There are however pre-existing commitments to complete the Decent Homes programme which include the redevelopment of some estates. The Scowerdon, Weaklands and Newstead (SWAN) project is one such example. Failure to complete these projects could trigger clauses which would expose the Council to payments which would create a revenue budget risk.

Roads

75. The forecast position on the Inner Relief Road scheme has deteriorated by £0.2m due to the crystallisation of risks associated with the finalisation of the outstanding land settlements. There is currently a £0.6m difference between funding and costs for completed works but almost £2m cash flow support to the scheme has been provided.

Maintaining the Existing Fabric of the Property Estate

76. The Council has traditionally allocated several million pounds each year to fund building renovations and machinery replacement. The Council has provided for a £4.4m programme which is currently the subject of a capital investment submission to Cabinet.

77. In order to mitigate this pressure, the Property and Facilities Management (P&FM) service is currently reviewing the estate to identify under utilised or high cost buildings where the facility can be provided from existing or new premises. This project, the Asset Rationalisation Project, will run in conjunction with the Wider Accommodation Strategy which will reduce the Council's office space needs.

78. The Asset Rationalisation and Asset Enhancement projects business case is being developed but the preliminary indications are that this will require funding in the early years to assess, develop and market sites before the enhanced value in the sites can be realised. This process could take up to three or four years.

79. There is also a substantial programme of remedial works in schools. A small proportion of this can be met by specific grants from the Department for Education but the majority of works will require alternative financing.

Developing the Local Economy and Infrastructure

80. Despite the downturn in the property market, the Council will be presented with opportunities to acquire strategic land sites which will help the city recover once the economic upturn gathers pace or provide sites for housing development. Investing in the city's people is also a key priority and the Council has done so by acquiring land to build a University Technology College.

81. The Capital programme funding strategy needs to be flexible enough to respond to such opportunities.

Funding the Capital Programme

82. The impact of the national expenditure reductions, the uncertainties of the weakened property market and the need to manage the risks and contain the pressures within the programme combine such that the authority becomes increasingly reliant on capital receipts. Looking beyond this source, there are opportunities within the capital programme and new funding streams which have been combined to create funding pools such as the Local Growth Fund. Other initiatives such as the Tax Increment Financing Scheme (TIF) are now in operation and the Community Infrastructure Levy (CIL) should come into force in 2014.

The Capital Resource Pool (CRP)

83. Historically the Capital Resource Pool (CRP) has been used to improve the authority's building estate and deal with backlog maintenance demands and deal with unplanned failures of structures or other property losses caused by natural disasters such as the floods in 2007. The authority needs to retain a prudent level of reserve to cover such risks.

84. CRP is also a key resource for funding those projects which are not supported by specific central government grants for homes, schools or roads. It can also be used to demolish empty properties to redevelop land for sale. This can bring benefits to the revenue budget as well as replenishing the CRP.

85. The success of the Asset Enhancement programme is key to replenishing this reservoir of funding.

Slippage within the Capital programme

86. For the last five years there has been always been an underspend against the approved capital programme. Subject to Cabinet approval, funds are rolled forward into the next year in order to complete projects. Slippage reflects delays in physical progress of a project and in most cases the work is delivered in the next financial year. However, the new reporting system has provided greater transparency and identified instances where money appears to be repeatedly carried forward from earlier years. This allows members to question if the funding is really needed and could be reallocated to other priorities.

Local Growth Fund

87. This fund which has been created out of two government incentive payments for building new homes and reducing the number of long term empty properties. It is available for projects which improve the local housing or neighbourhood environment. Approval of such projects is given by local elected members following recommendations from Council officers.

88. The value of the fund to the Council is estimated at £30m over five years. To date £10m has been committed. The fund is being used to provide infrastructure or clear derelict buildings to kick start developments at sites which have been unattractive to developers. Often this improves the neighbourhood as well providing new homes.

Tax Increment Financing (TIF)

89. This initiative was announced in September 2010. The principle is to allow the authority to borrow funds to undertake capital improvements in an area. The money would be repaid from increased tax revenues (i.e. business rates) in the area as land values rise as a consequence from the capital investment. This scheme has been used successfully in the United States over the last fifty years, often for major transport, infrastructure or regeneration projects.

90. The Council has applied for a £40m of funding to develop infrastructure required for the New Retail Quarter development.

Community Infrastructure Levy

91. This will replace the current Section106 (Town & Country Planning Act 1990) arrangements which fund many of the local neighbourhood facility improvements especially in Parks & Countryside as well as City Development Division.

Equality Impact Assessments

92. The report indicates that reductions in Council spending will be required in the medium term. When details of the proposed reductions are available the Council will need to carry out an equalities impact assessment to ensure that Members are fully aware of the specific impact of any decisions on certain groups in the City.

Recommendations

93. It is recommended that Members:

- note the medium term financial forecast
- approve the approach to balancing the budget and business planning in 2013/14 and beyond as set out in this report

SHEFFIELD CITY COUNCIL
Cabinet Report

Report of:	Executive Director, Children, Young People and Families
Date:	September 2012
Subject:	The City Deal for Skills
Author of Report:	Eve Waite, Head of Employment & Skills

Summary:
This report informs Members of a successful City Deal submission and seeks approval to develop, on behalf of the Sheffield City Region, a £27.8m skills programme. The programme has been developed jointly by Sheffield City Council, the Local Enterprise Partnership and those other local authorities within the city-region boundaries. Commencing in January 2013 the programme will deliver, in the next three years, 4,000 additional apprenticeships, and 2,000 new opportunities to improve the skills levels of the existing workforce in small and medium sized enterprises across the Sheffield City Region.

Reasons for Recommendations:
The following recommendations will allow the city to secure £27.8m on behalf of the Sheffield City Region, improve the skills levels of young people and adults and increase their chances of sustainable employment.

Recommendations:
That Cabinet:

- approves the City Deal for Skills programme developed in line with its corporate plan objectives
- agrees that Sheffield City Council will act as the lead body for the skills programme on behalf of the Local Enterprise Partnership and the other local authorities within city-region boundaries
- recognises and approves that any income received in advance, due to the time lag between receipt of the funding and the spending on the programme, as explained in the body of this report, will be required to be 'carried forward' to future years and should not be considered to be an under spend in-year. This amount will be highlighted in the monthly budget monitoring reports for approval.
- grant delegated authority to the Executive Director, Children, Young People and Families, in consultation with the Cabinet Member with responsibility for Business Skills and Development and Director of Legal Services, to accept and administer the City Deal fund, procure the services required to deliver its related outcomes and agree the terms and award the associated contracts.

Background Papers: N/A

Category of Report: OPEN

Statutory and Council Policy Checklist

Financial Implications
YES Cleared by: Tricia Phillipson
Legal Implications
YES Cleared by: Nadine Wynter
Equality of Opportunity Implications
YES Cleared by: Bashir Khan
Tackling Health Inequalities Implications
Yes
Human rights Implications
NO
Environmental and Sustainability implications
Yes
Economic impact
Yes
Community safety implications
Yes
Human resources implications
NO
Property implications
NO
Area(s) affected
Sheffield City Region
Relevant Cabinet Portfolio Leader
Cabinet Member for Business, Skills and Development: Cllr Leigh Bramall
Relevant Scrutiny Committee if decision called in
Economic and Environmental Wellbeing
Is the item a matter which is reserved for approval by the City Council?
NO
Press release
NO

UNLOCKING GROWTH IN CITIES - SHEFFIELD CITY REGION APPRENTICESHIP AND SKILLS HUB

1.0 SUMMARY

1.1 This report informs Members of a successful City Deal submission and seeks approval to develop, on behalf of the Sheffield City Region (SCR), a £27.8m skills programme. The programme has been developed jointly by Sheffield City Council, the Local Enterprise Partnership and those other local authorities within the city-region boundaries. Commencing in January 2013 the programme will deliver, in the next three years, 4,000 additional apprenticeships, and 2,000 new opportunities to improve the skills levels of the existing workforce in small and medium sized enterprises across the Sheffield City Region.

2.0 WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

2.1 The skills programme forms only part of a City Deal that is shaped by the city-region's economic priorities and designed to deliver jobs and growth in a 'bigger, better faster' way.

In the three-year period, 2013 to 2016 inclusive, SCR seeks through an Apprenticeship and Skills Hub to address the skills gaps and shortages identified by local employers and to deliver 4,000 additional apprenticeships and 2,000 opportunities to improve the skills of existing employees.

2.3 This will mean that, in Sheffield, at least an additional 1,596 young people will move into sustainable employment with training through an apprenticeship, 750 adult employees will improve their work-related skills levels up to level 3 (equivalent to two of more A levels) and new employment opportunities will be sourced for the unemployed.

3.0 OUTCOME AND SUSTAINABILITY

3.1 The City Council's Corporate Plan *Standing up for Sheffield* sets out the ambition to lead Sheffield's transformation by:

- Creating a setting for investment
- Improving skills
- Delivering for business

3.2 This programme is designed to contribute to the achievement of these priorities by:

- reducing the number of young people and adults out of work – because high levels of worklessness inhibit the city's economic transformation and results in wasted human potential
- increasing the number of people in work qualified to level 2 and level 3 – because the demands of a global economy require Sheffield to improve the skills of its workforce if its businesses are to remain competitive
- providing practical support to employers seeking to improve the skills

of their workforce.

3.3 In spite of the recession, the City Council remains committed to reducing youth unemployment and supporting businesses to compete with other cities in the UK, Europe and the rest of the world.

3.4 The partnership submitted a bid to secure £27.8 million to this effect. The City Deal for skills will, over a three year period, address the emerging skills gaps and shortages that SCR employers have identified as a result of an ageing workforce, skills deficits in new recruits and the demands for better skilled employees associated with new techniques and technologies. The City Deal for Skills will do this by:

- delivering 4,000 (1,596 in Sheffield) additional apprenticeships
- upskilling 2,000 (750 in Sheffield) existing employees to level 3
- incentivising training providers to ensure that, in key sectors, providers are encouraged to reshape their provision and deliver more quickly and more effectively to meet employer need.

3.5 The City Council will use the City Deal to:

- support Sheffield's young people to secure sustainable employment with training,
- address the skills gaps employers have identified
- create pathways for those without work to secure sustainable employment.

4.0 BACKGROUND

4.1 On 8 December 2011, the government announced the City Deal initiative inviting the core cites, their Local Enterprise Partnerships (LEPs) and other local authorities in their associated city-regions to submit proposals seeking 'licensed exceptions' to existing national regulations and funding regimes in response to local issues, such as skills gaps and shortages, that can be better addressed through arrangements devised at the local level. The SCR City Deal for Skills is a successful local response of this type.

4.2 Whilst the City Deal offers freedoms and flexibilities at the local level, the deal is a two-way transaction with cities required '*to do things in return and take proportionate risks'.* This means that local authorities are expected, over the lifetime of the project, to invest some of their own funding in the City Deal as a match contribution to the much larger proportions of funding supplied by employers and the Skills Funding Agency.

5.0 SCR City Deal for Skills – the offer

5.1 The *Unlocking Growth in Cities* paper invited new and bold proposals from the core cities and provided an illustrative menu which included growing apprenticeship numbers by establishing City Apprenticeship Hubs.

5.2 With rising youth unemployment compounded by the number of 16-18 year olds not in education employment or training (NEET); and over half of employers (51%), according to the latest UKCES Employer Skills Survey, expressing concern that they will not have the workforce equipped with the skills they need for growth, SCR's response was to propose that employers should be given the purchasing power to secure the skills that the local economy needs and to provide a local Apprenticeship and Skills Hub to facilitate this.

5.3 The SCR Apprenticeship and Skills Hub will be based, broadly, on the successful Opportunity Sheffield model that delivered over a 1,000 Future Jobs Fund employment opportunities in less than 18 months and, to date, more than 150 apprenticeships through the SCC Apprenticeship Programme. The hub will build on this tried and tested model by providing even more apprenticeship opportunities for both 16-18 year olds and young adults, by improving the skills of individuals currently in work and by securing employment opportunities for unemployed adults. The hub will operate across SCR and will work in support of employers and training providers to:

- create a simplified, demand-led offer that gives SMEs in particular the confidence to take apprentices or to upskill their existing workforce a
- offer employers in key sectors intensive support to enable them to drive the skills system
- complement the activities already undertaken by the National Apprenticeship Service and to support its objectives
- use local authority planning and procurement processes, where possible, to secure additional apprenticeships and other training and employment opportunities through the contracts that SCR councils award
- incentivise colleges and other training providers, through a premium payment for apprentices that successfully secure employment in key sectors, so that they are encouraged to invest in the staffing, infrastructure and new qualifications needed to provide more of the flexible, high quality, responsive training that employers in key sectors say they want
- develop clear, sector specific career pathways where apprenticeships are a valued option for young people, parents, carers and employers
- use Apprenticeship Training Agencies (where a provider employs and trains apprentices on behalf of a group of companies) or Group Training Associations (where employers come together to do the same collectively) where SMEs in a sector are individually unable to meet the full cost or provide the breadth of experience needed for an apprenticeship framework.

5.4 The hub will be made up of a small but expert management function that will organise a range of brokers, operating across the city-region, that have been selected by SCR employers under the auspices of the LEP. It is intended that representative LEP employers will select these brokers because they are respected by businesses in the sectors in which they will operate, because they have good networks and linkages to SMEs in these sectors and because they have some understanding of the training and qualification system and can therefore reduce the bureaucratic burden of organising training as well as ensuring that employers are connected to the training provider and provision that best meets their needs.

6.0 THE AGREEMENT

6.1 The SCR City Deal for Skills offer is based on a tripartite agreement whereby in return for an investment of £12m in total over three years, the SCR local authorities are able to lever £64.8m investment in training by SCR employers and the Skills Funding Agency. The tri-partite agreement consists of a financial investment from each partner. in the period 2013-2016 inclusive. as follows:

6.2
- Employers £37.4 million
- Skills Funding Agency £27.8m
- SCR local authorities £12m

6.3 Sheffield City Council's financial contribution to this agreement equates to £1.3m per annum, for the life of the programme (3.9m) from the city's employment programme, with an additional £3m contributed by the existing staffing and activity costs of the city's, skills and business support programmes. Employers will contribute the cost of employing apprentices and by meeting the training costs of those in their workforce that are trained to level 3. The Skills Funding Agency will provide £27.8m, in addition to its existing contracts with colleges and training providers in SCR, to allow for this significant expansion of training and to meet the costs of the hub.

6.4 The SCR City Deal is designed to demonstrate that by devolving central government skills funding and decision making to employers at the local level it is possible to:

- increase apprenticeship take up significantly by tapping the latent demand for new recruits and training that is known to exist in the SME community
- stimulate employers, particularly SMEs, to invest in the upskiling of their existing workforce
- create a more responsive and flexible training system in which more employers are persuaded that training providers and qualifications can properly meet their needs and are therefore worthy of more of their investment
- tackle youth unemployment by opening up more and better opportunities for good quality work with training
- use the substantial purchasing power of local authorities and the contracts that they issue to secure more apprenticeships and new job opportunities
- better address emerging skills gaps and shortages that are the consequence of an ageing workforce in some sectors and the pressures associated with an upturn in some parts of the economy
- improve the connectivity and job creation opportunities at the local level between economic development on the one hand and the organisation of the skills system on the other.

7.0 FINANCIAL IMPLICATIONS

7.1 The City Council have been successful in securing on behalf of the LEP, the SCR City Deal Skills grant income amounting to £27.8m. This will be used to meet the running cost for the programme from January 2013 to July 2016. The overall costs of the programme will include £798,711.00 employee costs.

7.2 The financial implications and direct costs described in Para 6.3 amount to £3.9m over the life of the programme,

7.3 The table below provides a break down of revenue implications. There will be no other direct costs to the City Council than those described in paragraph 6.3.

		2013/16 £'000
Additional Revenue Expenditure		
Supporting Businesses	Apprenticeship Frameworks	23.8m
	Up-skilling in the workplace	
Delivery of the HUB	Intermediaries	4.0m
	Training provider incentives	
	Lead agent (SCC): marketing, management, staffing and overheads Partners: each local authority (7 LAs) will get a contribution towards staffing costs	
Less Income (City Deal grant)		(27.8m)
Supporting People	Employability Programmes	3.9m
Less existing budget provision **(currently within CYP budget)**		(3.9m)
Net Cost		**0**

8.0 MANAGING RISK AND GOVERNANCE

8.1 The Lifelong Learning Skills and Communities (LLSC) service has extensive experience of managing very large government contracts successfully, for instance the £17m Future Jobs Fund contract. The Service maintains a strong working relationship with Finance, ensuring risk and monitoring mechanisms are appropriate and robust.

8.2 The programme will be monitored by the Skills for Growth and Employment Partnership (SGEP) which will act as the steering group for the SCR City Deal for Skills programme. The SGEP membership includes business leaders, skills providers and local authorities. The SGEP will provide periodic reports to the SCR Local Enterprise Partnership.

8.3 The SCR Officer Group incorporates officers from the eight local authorities that make up the SCR. This will act as the operational group. The operational group will provide regular reports on the progress of the programme to LLSC, which in addition to LLSC' contract compliance monitoring, will be incorporated into the reports for the SGEP and the LEP Board.

8.4 Sheffield City Council will act as the lead agent for partners across the SCR. It will do so as a logical extension to the sub-regional work that it has historically undertaken as accountable body for the City Strategy Pathfinder the Future Jobs Fund and, most recently, the SCR City Skills Fund.

8.5 As the lead agent, Sheffield City Council will enter into contractual arrangements with a range of training providers and intermediaries that will deliver the support to business, skills training, jobs brokerage and coordination of activities across SCR in order to meet the programmes outcomes.

8.6 Sheffield City Council will monitor the contracts issued on behalf of the SCR. The onus will be on the contractors to provide the evidence to support the outcomes, quality, monitoring and review standards set out in their contracts.

8.7 The SCR City Deal for Skills programme is for a fixed term period with agreed volumes and outcomes. The Sheffield City Council project management framework will be applied to ensure performance and financial profiles are met, that financial closure procedures are adhered to and that there is an appropriate exit strategy.

8.8 In consultation with Legal Services, all contracts issued will incorporate Sheffield City Council and the Department of Business, Innovation and Skills (the funder) financial monitoring requirements.

9.0 **LEGAL IMPLICATIONS**

9.1 The Council has a statutory duty to support young people to participate in this programme and will have a key role in helping to deliver this programme, working with providers to target those young people who most need support and ensure that this provision fits closely with the wider local offer.

10.0 EQUALITY AND IMPACT ASSESSMENT

10.1 An assessment has been completed and is attached. Equalities issues were addressed in the initial bid to the Department for Business Innovation and Skills (BIS) and incorporated into the design of the programme.

11.0 ALTERNATIVE OPTIONS CONSIDERED

11.1 A range of options have been considered but due to the very low level of funding they would attract they could not deliver the impact required to address the level of youth unemployment and skill shortages currently being experienced in the SCR economy.

12.0 REASONS FOR RECOMMENDATIONS

12.1 The f The following recommendations will allow the city to secure £27.8m from the Skills Funding Agency on behalf of the Sheffield City Region and provide young people and adults across Sheffield and the city-region with sustainable employment opportunities as well as improving their skills up to level 3.

13.0 RECOMMENDATIONS

13.1 That Cabinet:

- approves the City Deal for Skills programme developed in line with its corporate plan objectives.
- agrees that Sheffield City Council will offer to act as the accountable body for the skills programme on behalf of the Local Enterprise Partnership and the other local authorities within city-region boundaries.
- recognises and approves that any income received in advance, due to the time lag between receipt of the funding and the spending on the programme, as explained in the body of this report, will be required to be 'carried forward' to future years and should not be considered to be an under spend in-year. This amount will be highlighted in the monthly budget monitoring reports for approval.
- grant delegated authority to the Executive Director, Children, Young People and Families, in consultation with the Cabinet Member with responsibility for Business Skills and Development and Director of Legal Services, to accept and administer the City Deal fund, procure the services required to deliver its related outcomes and agree the terms and award the associated contracts.

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Sheffield City Council
Equality Impact Assessment

Guidance for completing this form is available on the intranet
Help is also available by selecting the grey area and pressing the F1 key

Name of policy/project/decision: Sheffield City Region - City Deal

Status of policy/project/decision: New

Name of person(s) writing EIA: Eve Waite

Date: 11-10-12 **Service:** Lifelong Learning Skills and Communities

Portfolio: Children, Young People and Families

What are the brief aims of the policy/project/decision?
Sheffield City Region (SCR) is offering to deliver additional 4,253 apprentices and secure employers' financial investment in upskilling 2,000 employees by 2015-16 to meet the challenges set out in Unlocking Growth in Cities. Sheffield City Council has committed £6.4 million, to address a range of supply side challenges associated with youth unemployment and the engagement of SMEs and adult learners.

This investment seeks to fill gaps in mainstream provision and provide:

- Pre Apprenticeship Programme – preparation for the world of work for young people furthest from the labour market providing employability skills, work experience and preparation for apprenticeships in advance of the employer's selection process.
- Employability Programme – A skills pathway for adult, NEETS and the most vulnerable that prepares them to access, mainly, entry level jobs but not, in the first instance, apprenticeships.
- Wage Incentives for apprentices and graduates.

Sheffield 100 Apprenticeship Programme –meeting half of the salary costs (to the value of £52.00 per week) where employers need additional incentives to employ individuals facing particular barriers to work e.g. ex-offenders, those who have previously had chaotic lifestyles.
Graduate Incentive payments – 12-16 weeks salary costs (national minimum wage) paid to business recruiting a graduate registered as unemployed for up to 9 months.

- Public Sector Planning and Procurement Leverage- Dedicated resource to negotiate apprenticeships, work experience, and up skilling of existing workforce through planning and procurement activities – 750 apprenticeships guaranteed to date through City Council contractors and their supply chains.

Additional investment from the other seven Local Authorities that make up SCR will support the range of activities described above where appropriate for their locality. The SCR LEP will have an important role because of its size, its position to drive economic regeneration, and as a consequence combat disadvantage and reduce inequality through providing the apprenticeship opportunities. The SCR LEP has the responsibility to ensure that the wider community are aware of these opportunities and that they are accessible to all people from the protected characteristic groups.

Are there any potential Council staffing implications, include workforce diversity?
None perceived

Under the Public Sector Equality Duty, we have to pay due regard to: "Eliminate discrimination, harassment and victimisation, advance equality of opportunity and foster good relations." More information is available on the council website

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
Age	Positive	Medium	The emerging skills gap at technician level is accentuated by the demographic pressure of replacement demand that will place a premium on the recruitment or training of skilled workers at Level 3 and above as an ageing workforce retires. This will affect most sectors but manufacturing in particular: Yorkshire Forward identified manufacturing as that sector in the SCR with the highest proportion of its workforce (one third) over the age of 55 but with the lowest number of recruits (9%) under the age of 25. Without a significant acceleration in the upskilling of the SCR workforce and the development of pathways to apprenticeships it is hard to see how the city-region can meet the surge in the employer demand for Level 3. Percentage share of apprenticeships across SCR is: Age Band 2007/08 2008/9 2009/10 2010/11 16-18 50.7% 47.2% 47.5% 29.8% 19+ 49.3% 52.9% 52.7% 70.3% The City Deal will work to redress the balance between the age band proportions by 2016. This will be achieved by applying a 6.5% uplift year on year within the 16-18 age band as follows: Age Band 2013/14 2014/15 2015/16 16-18 36.3% 42.8% 49.3% 19+ 63.7% 57.2% 50.7% As part of the Youth Contract, subsidies for small businesses taking an apprentice aged 16-24 have been made available. The Apprenticeship and Skills Hub will place 4,253 NEETs in sustainable employment by March 2016.
Disability	Positive	Medium	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a 'whole person' approach to the needs of the individual and the employer, we know that individuals have: • low levels of confidence and self-esteem

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
			• physical and mental health problems • a lack of work history • fear of a reduction in income following the move from benefits and a loss of existing benefit status if employment isn't sustained • caring responsibilities • inflexible working patterns and HR practises adopted by employers Promoting equality and diversity in our own SCR LEP workforce and encouraging our partners and suppliers to do the same, helps to ensure that both the public and private sector benefit from a diversity of skills and talents and improved employment rates among currently under-represented groups.
Pregnancy/maternity	Neutral	Low	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a 'whole person' approach to the needs of the individual and the employer
Race	Positive	Medium	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a 'whole person' approach to the needs of the individual and the employer, we know that individuals have: • low levels of confidence and self-esteem • the low skills base among the target groups • a poor fit between existing skills and those required by the emerging labour market • a fear of re-engagement with the labour market or failure to see existing employment and skills programmes as relevant or effective. Promoting equality and diversity in our own SCR LEP workforce and encouraging our partners and suppliers to do the same, helps to ensure that both the public and private sector benefit from a diversity of skills and

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
			talents and improved employment rates among currently under-represented groups.
Religion/belief	Neutral	Low	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a ‘whole person’ approach to the needs of the individual and the employer
Sex	Neutral	Low	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a ‘whole person’ approach to the needs of the individual and the employer
Sexual orientation	Neutral	Low	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a ‘whole person’ approach to the needs of the individual and the employer
Transgender	Neutral	Low	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a ‘whole person’ approach to the needs of the individual and the employer
Carers	Neutral	Low	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a ‘whole person’ approach to the needs of the individual and the employer, we know that individuals have: • low levels of confidence and self-esteem • physical and mental health problems • a lack of work history • fear of a reduction in income following the move from benefits and a loss of existing benefit status if employment isn’t sustained • caring responsibilities • inflexible working patterns and HR practises adopted

Areas of possible impact	Impact	Impact level	Explanation and evidence (Details of data, reports, feedback or consultations. This should be proportionate to the impact.)
			by employers Promoting equality and diversity in our own SCR LEP workforce and encouraging our partners and suppliers to do the same, helps to ensure that both the public and private sector benefit from a diversity of skills and talents and improved employment rates among currently under-represented groups.
Voluntary, community & faith sector	Positive	Medium	Promoting equality and diversity in our own SCR LEP workforce and encouraging our partners and suppliers to do the same, helps to ensure that both the public and private sector benefit from a diversity of skills and talents and improved employment rates among currently under-represented groups.
Financial inclusion, poverty, social justice:	Positive	Medium	None of the protected characteristic target groups are homogenous and therefore interventions will be based upon in-depth, initial diagnostic assessment that allows for a ‘whole person’ approach to the needs of the individual and the employer, we know that individuals have: • low levels of confidence and self-esteem • a lack of work history • the stigma of a criminal record • fear of a reduction in income following the move from benefits and a loss of existing benefit status if employment isn’t sustained • a history of substance misuse • a legacy of debt • the low skills base among the target groups • a poor fit between existing skills and those required by the emerging labour market • inflexible working patterns and HR practises adopted by employers • a fear of re-engagement with the labour market or failure to see existing employment and skills programmes as relevant or effective. Promoting equality and diversity in our own SCR LEP

Areas of possible impact	Impact	Impact level	Explanation and evidence **(Details of data, reports, feedback or consultations. This should be proportionate to the impact.)**
			workforce and encouraging our partners and suppliers to do the same, helps to ensure that both the public and private sector benefit from a diversity of skills and talents and improved employment rates among currently under-represented groups.
Cohesion:	Positive	Medium	Promoting equality and diversity in our own SCR LEP workforce and encouraging our partners and suppliers to do the same, helps to ensure that both the public and private sector benefit from a diversity of skills and talents and improved employment rates among currently under-represented groups.
Other/additional:	-Select-	-Select-	

Overall summary of possible impact (to be used on EMT, cabinet reports etc): The success of the recent Sheffield 100 Apprenticeship programme represented the SCC's contribution to the overall goal of increasing the numbers of apprentices across Sheffield, and identifying additional apprenticeship places. Through the programme, uptake for the protected characteristics of BME, disability and learning difficulty, was seen to match and also exceed the percentage for the total number of applicants.
The SCR Apprenticeship model brokerage process will replicate this successful activity across the city region and ensure that each individual undertakes a Matrix accredited Information, Advice and Guidance (IAG) session. This will determine their suitability for the position and follows best practice to ensure that each person possess the qualities and ability to fulfil the position requirements regardless of their needs or background and are not 'set up to fail'.The Apprenticeship and Skills Hub will up skill 2,000 employees by March 2016

If you have identified significant change, med or high negative outcomes or for example the impact is on specialist provision relating to the groups above, or there is cumulative impact you **must** complete the action plan.

Review date: 11-10-12 **Q Tier Ref** **Reference number:**

Entered on Qtier: -Select- **Action plan needed**: No

Approved (Lead Manager): **Date:**

Approved (EIA Lead person for Portfolio): **Date:**

Does the proposal/ decision impact on or relate to specialist provision: no

Risk rating: Low

Action plan

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		
-Select-		

Approved (Lead Manager): **Date:**

Approved (EIA Lead Officer for Portfolio): **Date:**

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