Cabinet

Wednesday 13 February 2019 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	(Leader of the Council)
Councillor Olivia Blake	(Cabinet Member for Finance and Deputy Leader)
Councillor Lewis Dagnall	(Cabinet Member for Environment and Streetscene)
Councillor Jackie Drayton	(Cabinet Member for Children & Families)
Councillor Jayne Dunn	(Cabinet Member for Education & Skills)
Councillor Mazher Iqbal	(Cabinet Member for Business and Investment)
Councillor Mary Lea	(Cabinet Member for Culture, Parks and Leisure)
Councillor Chris Peace	(Cabinet Member for Health and Social Care)
Councillor Jack Scott	(Cabinet Member for Transport and Development)
Councillor Jim Steinke	(Cabinet Member for Neighbourhoods and Community Safety)

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. 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 and recording is allowed under the direction of the Chair. Please see the website or contact Democratic Services for further information regarding public questions and petitions and details of the Council's protocol on audio/visual recording and photography at council meetings.

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.

If you require any further information please contact Simon Hughes on 0114 273 4014 or email simon.hughes@sheffield.gov.uk.

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
13 FEBRUARY 2019

Order of Business

Section 4.2 Financial and Commercial Implications has been amended regarding the bed costs for the CCG following updated financial modelling, with the average bed price of £621.16 reflecting the demand between general nursing 61% and EMI nursing 39%, with an enhanced rate paid for EMI nursing, compared to Sheffield City Council who adopt a standard rate to the bed price.

NOTE: The next meeting of Cabinet will be held on Wednesday 20 March 2019 at 2.00 pm

ADVICE TO MEMBERS ON DECLARING INTERESTS AT MEETINGS

If you are present at a meeting of the Council, of its executive or any committee of the executive, or of any committee, sub-committee, joint committee, or joint sub-committee of the authority, and you have a **Disclosable Pecuniary Interest** (DPI) relating to any business that will be considered at the meeting, you must not:

- participate in any discussion of the business at the meeting, or if you become aware of your Disclosable Pecuniary Interest during the meeting, participate further in any discussion of the business, or
- participate in any vote or further vote taken on the matter at the meeting.

These prohibitions apply to any form of participation, including speaking as a member of the public.

You **must**:

- leave the room (in accordance with the Members' Code of Conduct)
- make a verbal declaration of the existence and nature of any DPI at any meeting at which you are present at which an item of business which affects or relates to the subject matter of that interest is under consideration, at or before the consideration of the item of business or as soon as the interest becomes apparent.
- declare it to the meeting and notify the Council's Monitoring Officer within 28 days, if the DPI is not already registered.

If you have any of the following pecuniary interests, they are your **disclosable pecuniary interests** under the new national rules. You have a pecuniary interest if you, or your spouse or civil partner, have a pecuniary interest.

- Any employment, office, trade, profession or vocation carried on for profit or gain, which you, or your spouse or civil partner undertakes.

- Any payment or provision of any other financial benefit (other than from your council or authority) made or provided within the relevant period* in respect of any expenses incurred by you in carrying out duties as a member, or towards your election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.

  *The relevant period is the 12 months ending on the day when you tell the Monitoring Officer about your disclosable pecuniary interests.

- Any contract which is made between you, or your spouse or your civil partner (or a body in which you, or your spouse or your civil partner, has a beneficial interest) and your council or authority –

  - under which goods or services are to be provided or works are to be executed; and
  - which has not been fully discharged.

- Any beneficial interest in land which you, or your spouse or your civil partner, have and which is within the area of your council or authority.

- Any licence (alone or jointly with others) which you, or your spouse or your civil partner, holds to occupy land in the area of your council or authority for a month or longer.

- Any tenancy where (to your knowledge) –
  - the landlord is your council or authority; and
  - the tenant is a body in which you, or your spouse or your civil partner, has a beneficial interest.

- Any beneficial interest which you, or your spouse or your civil partner has in securities of a body where -

  (a) that body (to your knowledge) has a place of business or land in the area of your council or authority; and

  (b) either -
    - the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or
    - if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which you, or your spouse or your civil partner, has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

If you attend a meeting at which any item of business is to be considered and you are aware that you have a **personal interest** in the matter which does not amount to a DPI, you must make verbal declaration of the existence and nature of that interest at or before the consideration of the item of business or as soon as the interest becomes apparent. You should leave the room if your continued presence is incompatible with the 7 Principles of Public Life (selflessness; integrity; objectivity; accountability; openness; honesty; and leadership).

You have a personal interest where –

- a decision in relation to that business might reasonably be regarded as affecting the well-being or financial standing (including interests in land and easements over land) of you or a member of your family or a person or an organisation with whom you have a close association to a greater extent than it would affect the majority of the Council Tax payers, ratepayers or inhabitants of the ward or electoral area for which you have been elected or otherwise of the Authority's administrative area, or

- it relates to or is likely to affect any of the interests that are defined as DPIs but are in respect of a member of your family (other than a partner) or a person with whom you have a close association.

Guidance on declarations of interest, incorporating regulations published by the Government in relation to Disclosable Pecuniary Interests, has been circulated to you previously.

You should identify any potential interest you may have relating to business to be considered at the meeting. This will help you and anyone that you ask for advice to fully consider all the circumstances before deciding what action you should take.

In certain circumstances the Council may grant a **dispensation** to permit a Member to take part in the business of the Authority even if the member has a Disclosable Pecuniary Interest relating to that business.

To obtain a dispensation, you must write to the Monitoring Officer at least 48 hours before the meeting in question, explaining why a dispensation is sought and desirable, and specifying the period of time for which it is sought. The Monitoring Officer may consult with the Independent Person or the Council's Audit and Standards Committee in relation to a request for dispensation.

Further advice can be obtained from Gillian Duckworth, Director of Legal and Governance on 0114 2734018 or email gillian.duckworth@sheffield.gov.uk.

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SHEFFIELD CITY COUNCIL

Cabinet

Meeting held 9 January 2019

PRESENT: Councillors Julie Dore (Chair), Olivia Blake, Lewis Dagnall, Jackie Drayton, Jayne Dunn, Mary Lea, Chris Peace, Jack Scott and Jim Steinke

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1. APOLOGIES FOR ABSENCE

1.1 An apology for absence was received from Councillor Mazher Iqbal.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 No items were identified where it was proposed to exclude the public and press.

3. DECLARATIONS OF INTEREST

3.1 There were no declarations of interest.

4. PUBLIC QUESTIONS AND PETITIONS

4.1 Petition in respect of Traffic around the Train Station

4.1.1 Ibrar Hussain submitted a petition, containing 122 signatures, requesting that the Council act urgently to explore all options as traffic congestion was creating problems for all users and stakeholders, delays in leaving the station and getting into the station was bad from both directions and this was giving Sheffield a bad image.

4.1.2 As Mr Hussain was not in attendance at the meeting, Councillor Jack Scott, Cabinet Member for Transport and Development, stated that he would respond to Mr Hussain in writing.

4.2 Public Question in respect of Highway Matrix Signs

4.2.1 David Blythen commented that, although he was not a motorist, he was supportive of the correct use of bus lanes. In respect of matrix signs which were across the City and often displayed information for those travelling in the Cit, he was not sure who operated them. However, he believed they could be put to good use to remind people that bus lanes were still not to be used by vehicles on bank holidays as many motorists did not realise this. He had submitted a Freedom of Information request which showed that there was a 30% increase in fines for people using bus lanes on bank holidays. He suggested that the matrix signs could be used on bank holidays to advise motorists that bus lanes were still in operation.

4.2.2 The Leader of the Council, Councillor Julie Dore, commented that she always welcomed suggestions where people felt the Council could improve its services. She believed that the Council operated the matrix signs but these needed to abide by Department for Transport (DfT) regulations.

4.2.3 Councillor Jack Scott added that the signs were operated by Council staff in the Town Hall. The regulations stated that the signs could be used to inform of traffic management and parking issues. He would check with the DfT if they could be used for the purpose of informing people in respect of bus lane usage. There had been an issue on Moore Street where the Police had shut the road but people were not aware and all fines in respect of this had been cancelled. Councillor Scott commented that there was a need for proper operation of bus lanes on bank holidays but he would write to the DfT and provide Mr Blythen with a copy of the response.

4.3 Public Question in respect of Director of Public Health Report

4.3.1 Nigel Slack referred to the Director of Public Health Annual Report, on the agenda for this meeting, and commented that, in the last of his key messages on page 3 of the report, the Director referred to the anchor institutions around the City and importantly in our neighbourhoods, with the comment: ' There is an important 'people and communities' element to this; progress shouldn't only rely on technical solutions but should also be based on engagement to involve communities in solutions and build on the assets that already exist.' Will the Council therefore ensure that this approach is integrated not just into any future Neighbourhood Engagement Strategy as might be expected but also into all future consultation approaches, moving to an ask first and co-design strategy, as opposed to the 'masterplanning' that was the current norm with the public being asked to endorse decisions already made and invested in by officers and Cabinet Members?

4.3.2 Mr Slack further commented that the second key point for him was the first paragraph of the introduction on page 4 which stated: 'Work is a critical determinant of good health and wellbeing. This is not just about paid employment, but could also be described as any meaningful activity that provides us with a sense of purpose." Mr Slack stated that this was becoming an ever more crucial response to the future landscape of work with the increasing dependency on precarious employment, fake self-employment and the inevitability of automation. Mr Slack therefore asked will the Council endorse the Director of Public Health looking in detail at the impact of precarious employment practices on the economic and mental health of the City and begin to assess the potential ameliorating strategies for this, be that Universal Basic Income or other support structure that will deliver positive outcomes for those becoming ever more vulnerable in this hostile environment economy?

4.3.3 In response, Councillor Julie Dore commented that she did not accept that the only way the Council consulted was through masterplanning. There were many examples of consultation on individual policies/issues such as the budget. In relation to Mr Slack's specific request of the Director of Public Health, the report contained 3 recommendations where the City Council, Sheffield City Partnership and the City Region were aligning and the Director of Public Health would be engaging with wider bodies.

4.3.4 The City Council was constantly reviewing its employment practices although it needed to be taken into consideration that most people in the City were not employed by the City Council. The Sheffield City Partnership looked into employment practices in the private and voluntary sectors and they were keen to look at an inclusive economy for Sheffield.

4.3.5 Councillor Jackie Drayton, Cabinet Member for Children and Families, added that the Council developed policy by reflecting what was happening in the outside environment and what people were saying. Value of work was a key priority for the Council and the issue of austerity would be debated at the Full Council meeting to be held this afternoon. Women or men who were based at home through either caring for children or in a caring role were a key focus and it was clear that this could lead to an impact on their health.

4.3.6 For Councillor Drayton, the focus should not just be on paid employment and the value of volunteers' work should be recognised. This was currently a terrible time for the economy and this had led to people being exploited through work.

4.3.7 Councillor Jim Steinke, Cabinet Member for Neighbourhoods and Community Safety, commented that reference to the value of work should be referenced within the Neighbourhood Management Strategy. However, the Council would be engaging with people and looking at best practice.

4.3.8 Councillor Jayne Dunn, Cabinet Member for Education and Skills, added that adult education was an important focus within her portfolio. The Council was doing whatever it could, particularly in the communities hit hardest by the economic issues and it was working closely with other organisations as to the best way to support this.

4.3.9 Councillor Olivia Blake commented that it was important to recognise that the cost of childcare was excluding people who may want to work. However, this could only be changed with changes to national policy. More regulation was needed and the Council would support the Trade Unions in calls for more regulation.

4.3.10 Councillor Dore was certain that the debate this afternoon at Full Council on austerity would raise some important issues. Although austerity was supposed to have ended, the presentation to be made at Full Council would clearly show that it hadn't. By seeing the impact down to individual households this impact would be clearer. There were things that could be done locally but welfare was a national regulation. John McDonnell M.P., Shadow Chancellor of the Exchequer had said that a Labour Government would look into the notion of a universal basic income to enable people to live a decent and fulfilled life. She understood that it was likely that Full Council would commission a further report following the debate regarding austerity and the debate could therefore be continued.

5. HEALTH AND WEALTH: DIRECTOR OF PUBLIC HEALTH REPORT FOR SHEFFIELD 2018

5.1 The Director of Public Health submitted his annual Public Health report for 2018 entitled ‘Health and Wealth’.

5.2 **RESOLVED:** That Cabinet:-

(a) notes the contents of the report and the three recommendations it makes;

(b) notes that the report will be presented to Full Council on 9 January 2019; and

(c) agrees that the report will be published on the Council’s website after that date.

5.3 **Reasons for Decision**

5.3.1 It is good practice for Director of Public Health (DPH) reports to contain recommendations aimed at improving the health of the local population, addressed to a number of partners and stakeholders as required. This year’s report includes three such recommendations as outlined in section 1.3 of the report.

5.4 **Alternatives Considered and Rejected**

5.4.1 Analysis undertaken for the State of Sheffield report (2018) and intelligence derived from the Joint Strategic Needs Assessment (JSNA) was used to identify the focus and priorities for the report.

SHEFFIELD CITY COUNCIL

Cabinet

Meeting held 16 January 2019

PRESENT: Councillors Julie Dore (Chair), Olivia Blake, Lewis Dagnall, Jackie Drayton, Jayne Dunn, Mazher Iqbal, Mary Lea, Chris Peace, Jack Scott and Jim Steinke

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1. APOLOGIES FOR ABSENCE

1.1 There were no apologies for absence.

2. EXCLUSION OF PUBLIC AND PRESS

2.1 The Chair (Councillor Julie Dore) reported that Appendix 2 of the report at item 12 (Month 8 Capital Approvals) was not available to the public and press because it contained exempt information described in Paragraph 7 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended) relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime. Accordingly, if the content of the appendix was to be discussed, the public and press would be excluded from the meeting.

3. DECLARATIONS OF INTEREST

3.1 Councillor Olivia Blake declared a personal interest in agenda item 9 'The Enhanced Supported Living Framework' (see minute 8 below) as a Non-Executive Director of the Sheffield Health and Social Care Trust.

3.2 Councillor Lewis Dagnall declared a personal interest in agenda item 9 'The Enhanced Supported Living Framework' (see minute 8 below) as the partner of a Non-Executive Director of the Sheffield Health and Social Care Trust.

4. MINUTES OF PREVIOUS MEETING

4.1 The minutes of the meeting of Cabinet held on 12 December 2018 were approved as a correct record.

5. PUBLIC QUESTIONS AND PETITIONS

5.1 Petition in respect of Ward Pots

5.1.1 Andrew Woodhead presented a petition, containing 14 signatures, regarding the process for allocation of Ward Pots. As a representative of the Hanover Tenants Association the Group had applied for funding on 5 September. An acknowledgement email had been sent on 17 October confirming that the funding would be sent within 12 weeks. The email also stated that the funding needed to be spent by March 2019. Since then the Association had heard nothing. Mr Woodhead had also spoken to members of the Broomhill Tenants and Residents

Association who had applied for funding in August 2018 but had not received a response from the Authority.

5.1.2 In Mr Woodhead's opinion the process was not good enough as the Association needed to plan ahead and they couldn't do that without the guarantee of funding. He requested that the Cabinet look into how the Ward Pot was administered. The Association had received an email the day after Mr Woodhead had submitted the petition to the Authority, which stated that the funding would be granted. Mr Woodhead also had concerns about this email as it also mentioned another Group who had been allocated funding which he was not aware of and this may raise issues in respect of General Data Protection Regulation (GDPR).

5.1.3 The Leader of the Council, Councillor Julie Dore, commented that she was pleased to hear that the funding application had now been resolved but was concerned about the issues raised.

5.1.4 Councillor Jim Steinke, Cabinet Member for Neighbourhoods and Community Safety, thanked Mr Woodhead for the petition. He appreciated the patience of the Association but acknowledged that this situation was not good enough. He commented that there had been pressure on officers in the grants team due to sick leave but accepted that there needed to be a way of accommodating sick leave for officers which did not have an impact on grant applications.

5.1.5 A process needed to be established for funding in due course as the Community Infrastructure Levy (CIL) would allocate more funding to communities than Ward Pots had. Councillor Steinke acknowledged that the Ward Pot system had been an unsatisfactory system in the past and meetings had been arranged with Ward Councillors to try and resolve that.

5.1.6 Councillor Dore added that she was sure that Mr Woodhead would be consulted on any review of community group funding. However, it was important to bear in mind Government budget cuts, particularly as the former Secretary of State for Communities and Local Government, Eric Pickles M.P., often viewed staff in community services within Local Government as dispensable 'back office staff' but this impacted on the administration of community grants.

5.2 Public Question in respect of the Sheffield Retail Quarter

5.2.1 Nigel Slack commented that in the Capital Approvals report, on the agenda for this meeting, reference was made on page 117 of the summary Appendix 1 to slippage on the budget for the Sheffield Retail Quarter of £2m. Mr Slack could understand how the welcome change to Heart of the City 2 developments on a block by block basis might cause slippage on individual block budgets, but could the Council give more detail on the what and why there was slippage on the cost of office facilities?

5.2.2 Councillor Mazher Iqbal, Cabinet Member for Business and Investment, responded that the slippage Mr Slack referred to was needed as there was a need for a budget to appoint agents for the market and other essentials. The Council was still marketing the properties at the moment and the budget was a resource for tenants who took on any properties.

5.3 Public Question in respect of Community Organisations

5.3.1 Nigel Slack asked when was the last occasion that a proposal from a community organisation to acquire either ownership or use of a Council property was successful? How many such proposals have been successful since 2010? Have the Council perceived any pattern to those proposals that were unsuccessful and whether this would suggest a need to review the process?

5.3.2 Councillor Olivia Blake, Cabinet Member for Finance, stated that the Council worked in partnership with a number of community organisations. The Council took a flexible approach as no one model would work for all. The Council had a number of short and long term lease arrangements in respect of community buildings. The Council needed to be certain that it was not placing groups in positions where they were not able to continue in the long term if their business plan was not viable. This was an easy process for the Council to determine. The Council was supporting groups to ensure that their business plans were viable.

5.4 Public Question in respect of Community Groups

5.4.1 Nigel Slack asked was it normal practice for community organisations that received funding from the Council to be required or expected to provide advance copy of any publications they may produce?

5.4.2 Councillor Jim Steinke commented that he would provide a written answer to Mr Slack but it was not normal practice in the way Mr Slack had stated. If something sensitive was being produced it was common sense for the Council to ask to look at that. If there was a specific case that Mr Slack was aware of he should let Councillor Steinke know.

5.5 Public Question in respect of the Greenest City

5.5.1 David Dilner circulated a survey in respect of green space within cities which ranked Sheffield as sixth in respect of green space. He therefore asked if the Cabinet could agree that Sheffield was not the UK’s greenest city?

5.5.2 Councillor Mary Lea, Cabinet Member for Culture, Parks and Leisure, commented that a satellite image taken a few years ago had shown that Sheffield was the UK’s greenest city. There was a national park within the City and a number of other green features. Efforts had been made to reduce the carbon footprint in the City. High environmental standards were demanded from developers. There were high recycling rates in the City. However, the Council will never be complacent on this issue.

5.6 Public Question in respect of Legal Advice

5.6.1 David Dilner asked was the Council entirely satisfied with the advice of the Legal and Governance department to date in the matter of the ongoing S.T.A.G campaign?

5.6.2 Councillor Lewis Dagnall, Cabinet Member for Environment and Streetscene, commented that he was satisfied with the advice he had received from the Legal and Governance department. The Council had not taken advice against S.T.A.G as a corporate entity. S.T.A.G had distanced itself from the action that the Council had taken legal action on. The Council supported peaceful protest but lawful work must be allowed to take place.

5.7 Public Question in respect of Streets Ahead Core Investment Period

5.7.1 Justin Buxton referred to a response given by Councillor Lewis Dagnall at the Full Council meeting on 10 January in respect of the Streets Ahead Core Investment Period and asked for clarification on the circumstances and whether the Core Investment Period had been subject to any variation and therefore hadn't been completed on time?

5.7.2 Councillor Lewis Dagnall confirmed that the Core Investment Period had been completed on time and he would send a written response to Mr Buxton with more detail.

5.8 Public Question in respect of Tree Replacement

5.8.1 Justin Buxton referred to the tree that had been replaced at Chatsworth by the replacement of kerbs which had been previously marked for felling and therefore asked had the City Council been less than truthful in stating that the felling of trees was a last resort?

5.8.2 Councillor Dagnall commented that the City Council was always truthful and had consulted in respect of the retention of trees. He had asked for a halt on tree felling to try and agree a compromise on all sides. Amey had provided additional funding to try and prevent more trees from being felled.

5.9 Public Question in respect of Tree Felling

5.9.1 Justin Buxton commented that the Council often quoted the figure of 10,000 trees which needed to be replaced under the Streets Ahead contract. If the Tree Management Programme was not signed off by the Council would they be fining Amey as a result?

5.9.2 Councillor Dagnall responded that he would reply to the question in writing and the question had been answered in discussions with S.T.A.G representatives.

6. ITEMS CALLED-IN FOR SCRUTINY

6.1 There had been no items called-in for Scrutiny since the last meeting of the Cabinet.

7. RETIREMENT OF STAFF

7.1 The Executive Director, Resources 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 Portfolios below:-

Name	Post	Years' Service
People Services		
Timothy Marsden	Social Worker, Level 2	35
Lindsey Savage	Business Manager, Children and Famiiles	38
Resources		
Barbara Howson	Senior Customer Service Advisor	32

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

(c) directs that an appropriate extract of this resolution under the Common Seal of the Council be forwarded to them.

8. THE ENHANCED SUPPORTED LIVING FRAMEWORK

8.1 The Executive Director, People Services submitted a report proposing the provision of an Enhanced Supported Living Framework for people with a learning disability and/or autism who display behaviour that challenges.

8.2 It was reported that there was an error in the front sheet of the report and the relevant Cabinet Member was the Cabinet Member for Children and Families and not the Cabinet Member for Health and Social Care.

8.3 **RESOLVED:** That Cabinet:-

(a) approves the provision of supported living services for people with a learning disability and/or autism who display behaviour that challenges ("Enhanced Supported Living Services") in order to provide positive outcomes and sustainable quality at best value for the people of Sheffield;

(b) delegates authority to the Director of Adult Services, in consultation with the Director of Finance and Commercial Services and the Director of Legal and Governance:

(i) to decide the procurement strategy for Enhanced Supported Living Services;

(ii) to negotiate and agree the invitation to tender documentation including the terms of the framework contract and any call-off contracts in respect of the Enhanced Supported Living Services;

(iii) to award the framework contracts to the successful services providers chosen by the Council; and

(iv) to take all other necessary steps not covered by existing delegations to achieve the outcomes outlined in the report; and

(c) notes that the Council may call off services from the Enhanced Supported Living Services framework on behalf of Sheffield Clinical Commissioning Group (CCG) as described in paragraph 1.20 of the report; and delegates authority to the Director of Adult Services, in consultation with the Director of Finance and Commercial Services and the Director of Legal and Governance, to approve the terms of the arrangement with Sheffield CCG and also take all other necessary steps in order to minimise the Council's risks in such arrangement.

8.4 **Reasons for Decision**

8.4.1 There is a gap in the local market for community-based support for people with learning disabilities and/or autism who display behaviours that challenge. Without an Enhanced Supported Living Framework we would:-

• continue to rely on residential care options, including out of city services, which would limit individual choice and outcomes and can be more costly than Supported Living, and

• be limited to the regional enhanced community living framework for supported living options.

8.4.2 The proposed local Enhanced Supported Living Framework will also:-

• provide new options for children and young people who display behaviours that challenge to have local community-based support

• enable strong local partnership working with selected providers to continually develop and improve

• enable robust local monitoring of the quality of support for highly vulnerable individuals

• facilitate transition from Enhanced to standard Supported Living services

8.4.3 The proposed local Enhanced Supported Living Framework will allow Sheffield to secure good quality, resilient community-based support that guarantees best value for the city.

8.5 **Alternatives Considered and Rejected**

8.5.1 Option 1 – Regional Care Options

Without an Enhanced Supported Living Framework, we would:-
• continue to rely on residential care options, which would limit individual choice and outcomes and can be more costly than Supported Living

• be limited to the regional enhanced community living framework for supported living options

8.5.2 Option 2 – Regional framework

We have appraised the option of using only the regional enhanced community living framework and consider there are significant benefits in having our own local enhanced framework.

The Regional framework focuses exclusively on the Transforming Care cohort, whereas a local framework can be wider i.e. include prevention, return from out of city residential care, help with transition and other complex needs.

A local framework

• will facilitate smoother transition from an enhanced service to the standard framework where the same organisation provides both

• will allow small local organisations with local community-based networks who do not wish to bid to be on the wider regional framework to support people who display behaviours that challenge

• can be re-opened at our discretion, offering more local control over the market

• allow closer control over price

• builds on the local framework and relationships

• builds on success of local standard framework

9. FURNISHED ACCOMMODATION PROCUREMENT STRATEGY

9.1 The Executive Director, Place submitted a report seeking to obtain permission for Sheffield City Council to tender for, and award contracts for the provision of furnished accommodation goods under a fully Public Contracts Regulations 2015 and OJEU compliant Framework. The existing contract is due to end in January 2019 and it is intended that a waiver be sought to extend this contract for a period of 10 weeks so that a full procurement and contract award process can be completed, whilst maintaining the service provision and our contractual obligations.

9.2 **RESOLVED:** That Cabinet:-

(a) agrees that services be procured via a Framework Agreement for the supply of furnished goods as detailed and outlined within the report; and

(b) delegates authority to the Director of Finance and Commercial Services, in consultation with the Director of Housing and Neighbourhoods, to award such contract and take such other necessary steps not covered by existing delegations to achieve the outcomes outlined in the report.

9.3 **Reasons for Decision**

9.3.1 The reasons for recommending this business are highlighted in the summary of benefits at section 2 of the report.

9.3.2 The successful tender and contract awards will benefit vulnerable residents of the city and offer opportunities to develop the Furnished Accommodation Service with other Local Authorities and Registered Social Landlords

9.4 **Alternatives Considered and Rejected**

9.4.1 N/A

10. HOUSING REVENUE ACCOUNT (HRA) BUSINESS PLAN AND HRA BUDGET 2019/20

10.1 The Executive Director, Place submitted a report providing the 2019/20 update of the Housing Revenue Account (HRA) Business Plan. It includes proposals to:

- Take a proactive approach to managing our neighbourhoods and supporting our tenants
- Prioritise investment in fire safety measures
- Continue to deliver improvements to our tenants' homes to make sure they continue to be well maintained over the next 5 years
- Keep costs under control and explore HRA savings with the aim of getting better value for money on contracts and paying for the services we use
- Accelerate the council housing new build programme and maximise the use of HRA flexibilities to further increase the provision of new homes

10.2 **RESOLVED:** That Cabinet recommends to the meeting of the City Council on 6 February 2019 that:

(a) the HRA Business Plan report for 2019/20, as set out in the appendix to the report, is approved;

(b) the HRA Revenue Budget 2019/20, as set out in the appendix to the report, is approved;

(c) rents for Council dwellings, including temporary accommodation, are reduced by 1% from April 2019 in line with requirements in the Welfare Reform and Work Act 2016;

(d) garage rents for garage plots and garage sites will remain unchanged for 2019/20;

(e) the community heating standing charge will increase by 20p per week for 2019/20;

(f) the sheltered housing service charge will remain unchanged for 2019/20;

(g) burglar alarm charges will remain unchanged for 2019/20; and

(h) service charges for furnished accommodation will remain unchanged for 2019/20.

10.3 **Reasons for Decision**

10.3.1 To optimise the number of good quality affordable Council homes in the city.

10.3.2 To maximise the financial resources to deliver key outcomes for tenants and the city in the context of a self-financing funding regime.

10.3.3 To ensure that tenants' homes continue to be well maintained and to optimise investment in estates.

10.3.4 To assure the long term sustainability of Council housing in Sheffield.

10.4 **Alternatives Considered and Rejected**

10.4.1 Sheffield City Council has a statutory duty to produce an annual balanced HRA budget, which is evidenced by the Business Plan update, therefore no alternative option was considered to producing the report.

11. MONTH 8 CAPITAL APPROVALS

11.1 The Executive Director, Resources submitted a report providing details of proposed changes to the Capital Programme as brought forward in Month 08 2018/19.

11.2 Cabinet requested a full stop after the word masterplan on page 123 so that the sentence read 'This increase is to reflect emerging priorities for the early stages of the Gleadless Valley masterplan.'

11.3 **RESOLVED:** That Cabinet:-

(a) approves the proposed additions and variations to the Capital Programme listed in Appendix 1 and Appendix 2 including the procurement strategies and delegates authority to the Director of Finance and Commercial Services or nominated Officer, as appropriate, to award the necessary contracts; and

(b) approves the variations to the Housing Capital Programme as part of the annual programme refresh as detailed in Appendix 3 of the report.

11.4 **Reasons for Decision**

11.4.1 The proposed changes to the Capital Programme will improve the services to the people of Sheffield.

11.4.2 To formally record changes to 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.

11.4.3 Obtain the relevant delegations to allow projects to proceed.

11.5 **Alternatives Considered and Rejected**

11.5.1 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.

Author/Lead Officer of Report:
Simon Hughes/Principal Committee Secretary

Tel: 27 34014

Report of:	*Executive Director, Resources*
Report to:	*Cabinet*
Date of Decision:	*13th February 2019*
Subject:	*Staff Retirements*

Is this a Key Decision? If Yes, reason Key Decision:- Yes ☐ No ☒

- Expenditure and/or savings over £500,000 ☐
- Affects 2 or more Wards ☐

Which Cabinet Member Portfolio does this relate to? *N/A*

Which Scrutiny and Policy Development Committee does this relate to? *N/A*

Has an Equality Impact Assessment (EIA) been undertaken? Yes ☐ No ☒

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes ☐ No ☒

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

To report the retirement of the following staff from the Council's Service and to convey the Council's thanks for their work.

Recommendations:

To recommend that Cabinet:-

(a) place on record its appreciation of the valuable services rendered to the City Council by the above-mentioned members of staff in the Portfolios stated;

(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 those staff above with over 20 years' service.

Background Papers: None
(Insert details of any background papers used in the compilation of the report.)

1. PROPOSAL

1.1 To report the retirement of the following staff from the Council's Service and to convey the Council's thanks for their work:-

Portfolio		**Years' Service**
People		
Janice Coutts	Fostering Team Manager, Children and Families	37
Place		
David Hempshall	Head of Asset Management Transport and Facilities Management	33
David Singleton	Application and Systems Officer	37

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REPORT TO CABINET
5 February 2019

Overview and Scrutiny Management Committee

Revenue Budget and Capital Programme Approval 2019/20

Background

1. The Overview and Scrutiny Management Committee met on 5th February 2019 and considered two reports:

    - Report of the Executive Director, Resources, on the Capital Programme 2019/20
    - Report of the Executive Director, Resources, on the Budget Report for 2019/20

Outcome of Scrutiny

2. At its meeting, Committee Members heard from the Cabinet Member for Finance and Council Officers. After discussion, resolved that the Committee:-

    (a) notes the contents of the reports of the Executive Director, Resources, on the Capital Programme 2019/20 and the Budget Report 2019/20, together with the comments made and the responses provided to the questions raised;

    (b) recommends that the reports of the Executive Director, Resources on the Capital Programme 2019/20 and the Budget Report for 2019/20, be submitted to Cabinet without amendment;

    (c) notes with concern that due to continued cuts to local government budgets and rising demand for social care services, this year the budget can only be balanced by the planned use of reserves;

    (d) thanks all officers involved for all their hard work in preparing the budget amidst widespread uncertainty about the future of local government funding;

    (e) thanks officers and Cabinet Members for bringing the budget timetable forward to enable the Overview and Scrutiny Management Committee to consider the budget reports in advance of Cabinet;

    (f) thanks the Council's front line staff who continue to go above and beyond in delivering services to the people of Sheffield in difficult circumstances;

    (g) agrees to include regular monitoring reports on the implementation of the budget savings in its work programme for 2019/20.

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Sheffield City Council

Author/Lead Officer of Report: Dave Phillips, Head of Strategic Finance

Tel: 0114 273 5872

Report of:	*Eugene Walker*
Report to:	*Cabinet*
Date of Decision:	*13th February 2019*
Subject:	*Budget Report for 2019/20*

Is this a Key Decision? If Yes, reason Key Decision:- Yes ✓ No ☐

- Expenditure and/or savings over £500,000 ✓
- Affects 2 or more Wards ✓

Which Cabinet Member Portfolio does this relate to? *Finance and Resources*

Which Scrutiny and Policy Development Committee does this relate to?
Overview and Scrutiny Management Committee

Has an Equality Impact Assessment (EIA) been undertaken? Yes ✓ No ☐

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes ☐ No ✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

*"The (**report/appendix**) is not for publication because it contains exempt information under Paragraph (**insert relevant paragraph number**) of Schedule 12A of the Local Government Act 1972 (as amended)."*

Purpose of Report:

The purpose of this report is to:

- approve the City Council's revenue budget for 2019/20, including the position on reserves and balances;
- approve a 2019/20 Council Tax for the City Council; and
- note the levies and precepts made on the City Council by other authorities.

Recommendations:

1. Members are recommended:

a) To approve a net Revenue Budget for 2019/20 amounting to £403.291m;

b) To approve a Band D equivalent Council Tax of £1,559.18 for City Council services, i.e. an increase of 2.99%;

c) To approve the Council Tax charges in respect go Long Term Empty properties, as outlined above from paragraph 51, with effect from 1 April 2019;

d) To note that the section 151 officer has reviewed the robustness of the estimates and the adequacy of the proposed financial reserves, in accordance with Section 25 of the Local Government Act 2003. Further details can be found in **Appendix 4** and within the Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves from paragraph 6;

e) To approve the savings as set out in **Appendix 2**;

f) To approve the revenue budget allocations for each of the services, as set out in **Appendices 3a to 3d;**

g) To note that, based on the estimated expenditure level set out in **Appendix 3** to this report, the amounts shown in part B of **Appendix 6** would be calculated by the City Council for the year 2019/20, in accordance with sections 30 to 36 of the Local Government Finance Act 1992;

h) To note the information on the precepts issued by the South Yorkshire Police & Crime Commissioner and of South Yorkshire Fire & Rescue Authority, together with the impact of these on the overall amount of Council Tax to be charged in the City Council's area;

i) To approve the proposed amount of compensation to Parish Councils for the loss of Council Tax income in 2019/20 at the levels shown in the table below paragraph {tbc};

j) To note the latest 2018/19 budget monitoring position;

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

l) To approve the Minimum Revenue Provision (MRP) Policy set out in

Appendix 7; which takes into account the revisions proposed for 2018/19 onwards;

m) To agree that authority be delegated to the Executive Director of Resources to undertake Treasury Management activity, to create and amend appropriate Treasury Management Practice Statements and to report on the operation of Treasury Management activity on the terms set out in these documents;

n) To note the information provided on the medium term financial outlook contained within the Medium Term Financial Analysis, attached as **Appendix 10**;

o) To approve a Pay Policy for 2019/20 as set out in **Appendix 8**; and

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

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: *Dave Phillips* Legal: *David Hollis* Equalities: No
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	*Eugene Walker*
3	**Cabinet Member consulted:**	*Councillor Olivia Blake* *Cabinet member for Finance and Resources*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: *Dave Phillips*	**Job Title:** *Head of Strategic Finance*

Date: 5th February 2019

1. PROPOSAL

1.1 The City Council on 6 March 2019 meets to consider the Revenue Budget for 2019/20 and to determine the Council Tax for that year.

The report provides information to enable the Council to set a budget and determine the Council Tax.

The proposals set out in this report provide for a balanced budget to be recommended to Council.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The purpose of this report is to:

- approve the City Council's revenue budget for 2019/20, including the position on reserves and balances;
- approve a 2019/20 Council Tax for the City Council; and
- note the levies and precepts made on the City Council by other authorities.

Please refer to paragraph 243 of the main report for the recommendations.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 *Yes – see Paras 191-212 for further details.*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 <u>Equality of Opportunity Implications</u>

4.1.1 Paras 213-242 describe the Equality impact of the Budget Report in greater detail.

4.2 <u>Financial and Commercial Implications</u>

4.2.1 *Yes – cleared by Dave Phillips*

4.3 <u>Legal Implications</u>

4.3.1 *Yes – see Legal section of the report (Paras 160-170)*

4.4 <u>Other Implications</u>

4.4.1 *No*

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 *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.*

6. REASONS FOR RECOMMENDATIONS

6.1 *The City Council on 6 March 2019 meets to consider the Revenue Budget for 2019/20 and to determine the Council Tax for that year. The report provides information to enable the Council to set a budget and determine the Council Tax. The proposals set out in this report provide for a balanced budget to be recommended to Council*.

Sheffield City Council

Revenue Budget 2019/20

Sheffield City Council

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FOREWORD

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

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

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

We do have a plan to bring the budget back in to balance over 4 years. However, that will require a significant amount of effort both internally and also with our partners to deliver savings. Not just cuts, although there will have to be some: savings that focus on still improving outcomes. We fervently believe that these savings and improvements are possible, particularly with our partners in the NHS locally. Too many people in Sheffield spend too long in hospital. Better community-based services would be both cheaper and better for people. This budget is a call to our partners to work with us to achieve this change. It is our duty to deliver together for the people of Sheffield and, without it, the City Council will over the next few years start to cut preventative and social care services, further damaging outcomes for people and undermining NHS services too. The choice is clear, and a relentless focus on it is needed now and over the next four years. We are committed to this and we ask our partners to do the same.

Olivia Blake

Deputy Leader and Finance Cabinet Member

BUDGET REPORT 2019/20

Contents

List of Appendices

2019/20 REVENUE BUDGET
REPORT OF THE CHIEF EXECUTIVE AND THE EXECUTIVE DIRECTOR, RESOURCES

Purpose of the Report

1. The purpose of this report is to:

    - approve the City Council's revenue budget for 2019/20, including the position on reserves and balances;
    - approve a 2019/20 Council Tax for the City Council; and
    - note the levies and precepts made on the City Council by other authorities.

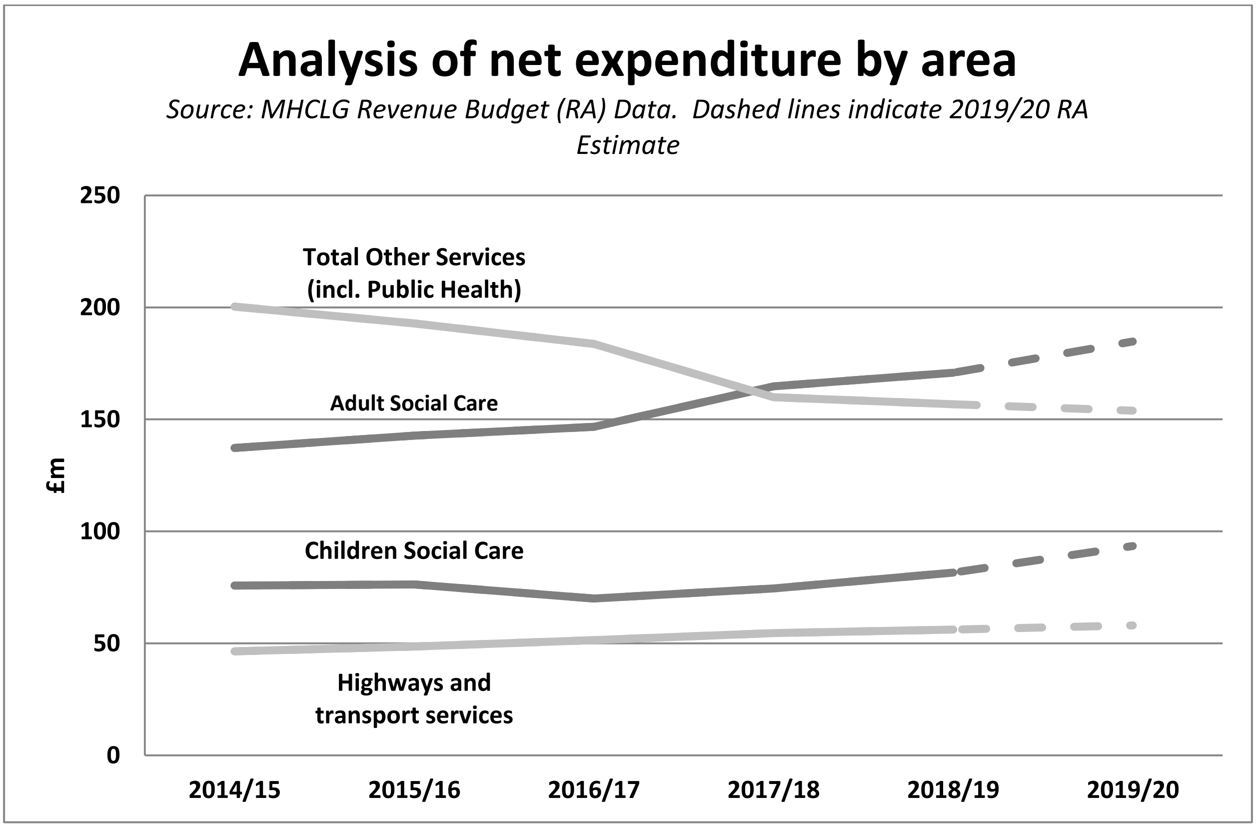
Medium Term Financial Analysis

2. Attached to this report as **Appendix 10** is an updated Medium Term Financial Analysis. The MTFS sets out the expected financial position over the next four years to 2022/23.

3. The key headlines are the overall anticipated gap between additional resources and planned savings versus cost pressures stands at approximately £31.1m to 2022/23. The figure for 2019/20 is £11.2m. This gap is a consequence of nine years of national austerity policies, which mean that our main source of Central Government funding, Revenue Support Grant, has fallen from £190m in 2013/14 to £37m in 2019/20. These falls in funding have come at a time when there have been unprecedented increases in demand for social care services, which are being experienced by councils nationally. Consequently, to set a balanced budget, for the first time we are planning to draw upon reserves in 2019/20.

4. This draw upon reserves allows us to increase the funding available to social care by approximately £20m in 2019/20, following an increase of £15m in 2018/19. These increases are intended to give us time to transform these services in conjunction with our partners, particularly within the National Health Service, enabling a fuller focus on prevention and a more seamless delivery of services. These changes should improve the services we offer whilst containing future cost increases. Providing we successfully deliver this strategy, we have sufficient reserves to cover the revenue gap in the interim periods.

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



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

6. As the attached **Appendix 4** explains, holding reserves is part of good financial management of any organisation. The Council holds reserves for a number of purposes, mostly as a provision against specific future liabilities. The amount of "free" reserves to cover unknown emergencies is relatively small at £12million and benchmarks as low compared to other organisations.

7. To date, we have coped with significant Government grant cuts and rising pressures, particularly in social care, without any significant call on reserves. This year marks an important turning point because, for the first time, the budget is being set with a significant call on reserves of £11 million. This statutory statement is therefore more important than previously and it is incumbent on the Executive Director as s151 officer to provide the Council with appropriate advice on the sustainability of this significant step.

8. This advice requires a significant judgement, balancing how far reserves can be used in the short term to support a longer term, four year plan to achieve sustainability. The only alternative to the use of reserves next year would be to make a significant cut to social care budgets. This would hit some of the most vulnerable children and adults in Sheffield hard and at a time when welfare cuts are also impacting on vulnerable households.

9. On the other hand, if the use of reserves in the years beyond 2019/20 is not reduced, reserves will quickly diminish to the point where the Council is not able to fund its longer term commitments. Much has been in the news about Northamptonshire and other Councils now in serious difficulty. Sheffield is not Northamptonshire and this statement is part of the way we are demonstrating that we are managing our budget on a longer term basis. However, it also provides a warning that dependent on three key factors, the use of reserves in future could become unsustainable.

10. The three key factors are;

    - the Council's own ability to continue to deliver savings and manage increased pressures. We have an excellent track record of this but nine years of reductions make it harder every year to achieve more; and
    - a more stable funding regime from Central Government that recognises the pressures in social care linked to the NHS Long Term plan; and
    - achieving more significant savings from working with our partners in the local NHS than we have so far been able to do, linked to improving outcomes for the people of Sheffield from better integrated services. Achieving improvements whilst making savings is possible.

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

12. During next financial year, we will be monitoring: the delivery of savings, the Government's long awaited funding reviews and work with Health on better joint commissioning of integrated health and social care services. This will feed in to a further statement next year. If sufficient progress is not made, cuts to social care are inevitable.

Local Government Finance Settlement

13. The Government announced details of the Provisional Local Government Finance Settlement for 2019/20 on 13th December 2018, with the Final Settlement to be approved in the House of Commons in late January 2019.

14. Below is a summary of the key points set out in the Provisional Settlement which focus on the impact for the Council:

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

15. The Finance Settlement includes the now customary “Settlement Funding Assessment” (SFA) which represents each local authority’s share of the overall local government spending control total, i.e. the total amount the Government plans to spend in respect of local government.

16. The SFA comprises the following elements:

    - The Business Rates Baseline funding: the Government’s estimate of each local authority’s share of business rate income, and;
    - Revenue Support Grant (RSG) which includes some of the funding allocations that have been specific grants in the past.

Settlement Funding Assessment for 2019/20

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

Table 1

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

Specific Grants

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

Table 2

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

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

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

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

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

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

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

Dedicated Schools Grant (DSG)

21. The provisional 2019/20 DSG settlement amounts to £431m for Sheffield, of which it is currently estimated that £332m will be earmarked for all mainstream schools. The remaining funding is used to provide early years activities (£34m), services for children and young people with special education needs and disabilities (£57m), and statutory educational services (£8m). The final settlement for DSG will be received in the spring.

22. The national Government over the last few years, has been implementing the National Funding Formula (NFF) with the aim of providing "fairer funding" for all schools. In July 2018, The Department for Education (DfE) announced details of school revenue funding and confirmed that local authorities will continue to determine local formulae in 2020/21 and any decisions beyond this will form part of the next national spending review. The implementation of National Funding formula will mean that, in 2019/20 ,Sheffield Schools will receive a DSG increase of an estimated £6m (Schools Block). All additional funds will be passported directly to schools.

23. The following three elements of the national formula change will continue to impact for Sheffield Primary schools:

- The sector ratio between primary and secondary schools will change i.e. funding moving from Primary to Secondary Schools:
- A reduced lump sum for all schools: and
- Reduced funding for prior attainment in comparison to our existing allocation.

24. Our concern continues to remain for primary and small schools and the impact the above changes will have on their long term financial sustainability. We have agreed with Sheffield Schools forum to implement a transitional model in 2019/20 towards the national fair funding by prioritising the use of new funding

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

Business Rates Income

25. In April 2013 the Government introduced the Business Rates Retention scheme. As a result the Council collects all of the business rates in its area, but it is only allowed to keep a share (49%). The remaining portion is paid over to Government (50%) and South Yorkshire Fire Authority (1%). The Government announced in December 2017 that the share of business rates to be retained locally will increase to 75% from 2020/21.

26. The amount of business rates an individual authority is capable of collecting differs significantly across the country depending on its location and certain characteristics. For example, relatively prosperous areas will expect to collect more business rates because their billing areas will include a large proportion of business premises with high rents and therefore high rateable values. In contrast to this, authorities in regions of relatively high deprivation will expect to collect less in business rates because their billing areas are likely to comprise a large proportion of small business premises with low rents and therefore low rateable values which are subject to small business rate relief.

27. In order to counteract this national imbalance, the Government implements a system of top-ups and tariffs to re-distribute business rates across the country. Authorities with a relatively high level of business rates pay a tariff into a national pot which is then used to pay top-ups to those authorities with relatively low levels of business rates. The Government has set the level of tariffs and top-ups for a period of at least seven years with effect from April 2013, although top-ups and tariffs will increase by inflation over that period.

28. The Council is required to provide an estimate of how much business rates income it will collect and therefore how much it will rely upon in setting the budget for 2019/20. The basis for doing so is set out on a statutory return called the NNDR1, which the Council is required to submit to Government by 31 January every year. This will involve the Council's own assumptions about growth (if any) in the amount to be collected, the losses on collection, the levels of refunds that may be given and the levels of outstanding appeals. All of these carry significant risk and will involve assumptions about performance in 2019/20 that will be based on experience of recent years and the use of the most up to date information available.

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

Sheffield Retail Quarter and Enterprise Zone

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

Table 3

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

31. The Sheffield Retail Quarter is expected to see substantial long-term growth in business rates, which will be re-invested to improve the infrastructure of the city centre. In 2019/20, there is a forecast surplus amount payable of £515k over and above the baseline.

32. The Enterprise Zone is located at the Advanced Manufacturing Park off the Parkway. Businesses which choose to re-locate to enterprise zones can receive several financial incentives. The Government also allows the Council to passport all business rates over and above the 2013/14 baseline to the Local Enterprise Partnership (or in Sheffield's case, the Sheffield City Region) which then decides how those receipts should be invested. In 2019/20, the amount payable to the Sheffield City Region over and above the baseline, and including the Government's Enterprise Zone qualifying relief, is estimated at £729k.

Calculating the Business Rates Estimate for 2019/20

33. Based on the 2019/20 rating multiplier (the "rate poundage", which is set by Government) this produces a gross business rate estimated income (the "Gross Rate Yield") of £262.7m (£255.7m in 2018/19). This is the most realistic estimate of the likely level of income before any further adjustments. However there are a number of deductions from this figure:

- Reliefs: there are a number of reliefs against business rates liability including small business rates relief, charitable relief, deductions for empty properties and partly occupied premises. It is estimated that the total value of these reliefs and deductions will amount to approximately £49.3m (£42.8m in 2018/19). There has been in an increase in reliefs relating to Small Business Rates Relief (£1.8m), Empty Property Relief (£1.1m), Charitable Relief (£1.0m) and Retail Relief (£3.0m), these amount to £6.9m in total. Items such as Retail Relief and Small Business Rates Relief have increased due to government policy however the increases in charitable relief and empty property relief are due to inflation and current market conditions.
- Losses and costs of collection: this includes an estimate of the bad and doubtful debts in 2019/2020, the potential legal and other recovery costs. Using the assumptions set out in Government guidance, the estimated figure is £4.3m (£3.8m in 2018/19).

34. A further deduction is required relating to refunds of business rates due to successful appeals. Business ratepayers can seek an alteration to the rateable value of a property by appealing to the Valuation Office Agency (VOA).

35. Appeals on Business Rates are an especially difficult area to forecast. The provision for losses due to appeals that was carried forward at 31st March 2018 amounted to £35.0m. This provision is a prudent assessment of the risk from all outstanding appeals.

36. As at 31st December 2018 more than 500 unique properties were under appeal (many of them with multiple appeals). These include appeals relating to significant national issues such as the ATM's case which following a legal appeal at the High Court has been settled in the ratepayers' favour. The VOA has petitioned the Supreme Court for the right to appeal and as such this case remains outstanding. We have taken appropriate measures to provide for the potential liability.

37. The 2017 Revaluation not only reviewed the valuations of every commercial property, it also allowed the introduction of a new appeals process called

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

Overall Business Rates Estimate for 2019/20

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

Table 4

Collection Fund - Business Rates Estimate for 2019/20

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

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

Table 5

Total Income from Business Rates – Sheffield Share

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

40. The net business rates income for 2019/20 has fallen by £682k from 2018/19 figures. This is primarily due to anticipated retail developments which will impact on the short term rateable values of properties. This reduction will be temporary, and income levels are expected to recover in future years.

41. The net business rates income is also impacted on by Government policy on rates relief. The increases in Small Business Rates Relief in 2017/18 and the introduction of the Retail Relief Scheme for 2019/20 have significantly reduced the level of Net Business Rates income. We do however receive government compensation through Section 31 grants.

42. The Government introduced the Localism Act in 2011 with the aim of devolving decision making powers from Central Government to Local Authorities. The increased use of the rate reliefs to administer Government Policy and alter hereditaments business rates bills does not see us disadvantaged financially, however, it does see us more reliant on grant income and is contrary to the Localism Act. The above section 31 grants are further discussed in the Specific Grant section of the report.

43. The £515k income from the designated areas is related to the Heart of the City 2 development. This is an area of the city in which we receive 100% of the business rates above a set baseline. The new HSBC building in this zone will see us retain additional business rates under this scheme for the first time.

Council Tax income

Council Tax base for 2019/20

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

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

45. The Council recognises that any increase in Council Tax can impact on vulnerable people and families. To mitigate the increase in Council Tax, we will increase the Council Tax Hardship Fund by £200k in 2019/20. The Hardship Fund will total £1.4m and is reviewed on an annual basis.

46. The phrase "Band D equivalent properties" is used throughout this report because Band D is used by the Government as the standard for comparing Council Tax levels, between and across local authorities. This measure is not affected by the varying distribution of properties in bands that can be found across authorities. A definition of Council Tax can be found in **Appendix 11**.

47. A summary of the Council Tax levels by band can be found in Table 11 in the 'Financing the 2019/20 Budget Requirement' section of this report. Further details can also be found in **Appendix 6.**

48. The calculation of the tax base for 2019/20 has involved an assessment of the following factors:

- There has been an increase in the number of domestic properties that are liable for Council Tax. An increase in house building has resulted in an additional 2,777 band D equivalent properties.
- There has been a decrease in the expected Council Tax Support Scheme (CTSS) caseloads. This reduction amounts to 1,219 fewer band D equivalent properties claiming Council Tax Support.
- There is an increase of 1,141 in the number of band D equivalent properties that are entitled to discounts and exemptions. This is mostly due to additional student properties which are exempt from Council Tax.

49. The estimated collection for 2019/20: the practice has been to set a prudent in year collection rate as part of the tax base calculations, although eventually the Council recovers up to 99% of Council Tax income. As anticipated, the introduction of CTSS and other welfare reforms such as the 'Spare Room Subsidy' (the 'Bedroom Tax') has increased the level of financial hardship for many taxpayers resulting in late payments and non-payment of Council Tax. Therefore for tax base setting purposes in 2019/20, a prudent in-year collection rate of 95.5% has been assumed (although we still intend to collect 99% over the long term), which is unchanged from 2018/19. The collection

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

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

Table 6

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

Long Term Empty (LTE) premium

51. Currently, properties liable for Council Tax and which have been empty for more than 2 years are charged an additional 50% Council Tax. This is known as the Long Term Empty (LTE) premium. The intention behind this additional charge is to encourage owners of empty properties to bring them into use, so as to improve the housing supply, locally and nationally.

52. The Government has recently enacted legislation which, over time, will allow Local Authorities to increase the Council Tax charged LTE properties as set out below:

- From April 2019, the Council can increase the LTE premium to 100% from 50% on all properties empty for over 2 years.
- From April 2020 the Council can increase the LTE premium to 200% from 100% on all properties empty for 5 years or more.

- From April 2021 the Council can increase the LTE premium to 300% from 200% on all properties empty for over 10 years.

53. It is the intention of the Council to apply this updated legislation.

54. Due to uncertainties on collection rates and the relatively small number of properties affected, no net increase in income has been assumed for the 2019/20 budget. This will be monitored during 2019/20 with any anticipated future income built into later year's budgets.

Council Tax referenda

55. The Localism Act 2011 introduced the requirement for a local authority to determine whether its Council Tax for a financial year is excessive. If the Council Tax were to be considered excessive, a referendum is required in respect of that amount.

56. The principles upon which a Council Tax is considered to be excessive are determined by the Secretary of State for Housing, Communities and Local Government. This replaces the capping powers that were previously available to the Secretary of State.

57. The 2019/20 Local Government Finance Settlement announced that an authority's relative basic amount of Council Tax for 2019-20 is excessive if the authority's relevant basic amount of Council Tax for 2019-20 is 3% more than its relevant basic amount of Council Tax for 2018/19.

Business Planning for 2019/20

58. The Council's approach to managing its financial position in the medium term is controlled through the Business Planning process. This requires Services and Portfolios to develop business plans, which show what activities will be provided in 2019/20 for a specified cash limited budget. The Business Planning process for 2019/20 began before the consideration of the MTFS report by Cabinet in July 2018.

59. As reported in the MTFS, 2019/20 will be the ninth year of the Government's austerity programme, and we have had to plan for another cash reduction in our Revenue Support Grant, this year by £15.5m. Given the scale of the year-on-year reductions we have faced, it is becoming increasingly difficult to balance the budget whilst protecting our front-line services.

60. For 2019/20, we have continued the approach adopted in 2018/19 of concentrating on finding savings from a smaller number of discrete areas. This means continuing a four-year programme of transformative strategic changes in individual services, intended to release sufficient savings, to

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

Formulation of the Budget for 2019/20

61. In formulating the budget for 2019/20, there are a number of adjustments that will need to be made to reflect variations in costs and resources, some of which are outside of the control of the Council, whilst others reflect the continuation of current Council policy. The following section shows those items that have been included in the proposed budget, along with a summary table (Table 7) which demonstrates how the Council's revenue budget for 2019/20 has been balanced.

62. Aside from the adjustments already mentioned in the Business Rates, Council Tax and Local Government Settlement sections above, the most significant additions and reductions to the budget are as follows:

Additional Budget Provisions

63. There are a number of proposed additions to the budget for 2019/20, the most significant of which are as follows:

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

via rental and business rates income generated by the scheme. Further details of the Heart of the City Development can be found on the following link: http://democracy.sheffield.gov.uk/ieDecisionDetails.aspx?ID=2016

Budget Reductions

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

Contribution from Reserves in 2019/20

65. The £11.2m increase in use of reserves for 2019/20, as set out in Table 7 below, is required in order to deliver a balanced budget.

66. The budget proposals involves other uses of reserves to meet expenditure in 2019/20, and/or smooth costs in future years, for various purposes which are explained further in **Appendix 4**.

Table 7

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

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

Savings Proposals for 2019/20

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

Table 8

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

Development of Portfolio Budgets

68. The following table (Table 9) shows how the portfolio budgets are proposed to change from 2018/19 to 2019/20. The three main reasons for changes to portfolio budgets are:

- Pressures £50.7m – further details can be found in both **Appendix 1** as well as the budget implementation plans at the following link: https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html;
- Savings £29.7m – further details can be found in the Savings Summary in **Appendix 2** of this report and /or the budget implementation plans at the following link: https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html;

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

Table 9

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

69. The figures in Table 9 demonstrate that, subject to Full Council approval, the People Portfolios with its social care responsibilities will see significant investment, in order to enable future mitigation against the impact of central government funding reductions.

70. It is also worth noting that some specific budget transfers within the 'other movements' complicate the appearance of Portfolio 2018/19 budgets. For example the level budget reduction within Place is partly offset by the aforementioned Streets Ahead contract inflation for which the increased cost are fully offset by planned contribution from reserves.

71. Therefore, setting aside 'other movements', the net change in the four portfolios is as follows:

    - People – £17.0m increase (reduced from £24.3m by additional £7.3m ASC grant inc. in other movements).
    - Place – £2.7m reduction.
    - Resources (including PPC) – £0.5m reduction.

72. The net £17.0m increase in the People portfolio budget understates the scale of the challenge facing the Council's social care services and is also predicated upon the Portfolio's ability to deliver £19.5m worth of savings for 2019/20. Also, as aforementioned, the net savings of £17.0m have only been delivered as a result of additional £7.3m one-off ASC grant funding. There is a

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

73. This level of additional funding has only been possible via a combination of a net increase in Better Care Fund income of £5.4m, a significant investment of £8.4m from the Social Care reserve and the Council's difficult decision to increase council tax. The Council has had to balance the extra costs to Sheffield taxpayers from the increase, with the urgent need to protect its social care services to its most vulnerable residents.

74. It will be vital that this additional investment allows the People portfolio to continue its implementation of the approved recovery plans (details included in the Portfolio Spend Revenue Plans section below) to drive down costs and manage demand. These actions should deliver savings and help remove some of the reliance currently placed on one-off or temporary funding sources.

75. There is however a significant risk around the impact of any delays in or non-delivery of the aforementioned recovery plans and the significant savings proposed in this budget. The increasing demand pressures on social care, both adults and children's, and the funding crisis in social arising from the cumulative Government funding reductions to local government are now widely recognised, not just in Sheffield, but across the country. As well as lobbying for improved funding, SCC will need to remain resolute in delivering its strategic plans but also flexible in response to new or changing demands.

76. Whilst some increased funds have been provided by Government for Adult Social Care (through the Better Care Fund and ASC one offs), these additional funds have not compensated for the larger national funding cuts, and they also focus on NHS related services for older people and delayed discharges from hospital, whereas many of our pressures are in mental health and learning disability services. In addition the Government has not compensated us for the additional costs in our Children's social care services, which has resulted in the use of temporary funds and diversion of budget from other council services to ensure effective service delivery and transformation. This transfer of funds is highlighted by increases in funding to children's service such as:

- Placements budget requires additional funding of £3.2m for 2019/20 to support the increase in demand but also the current upward cost trend in the local placements market: and
- £2.2m is required in Fieldwork Services due to current social work caseloads, the increase in the complexity of needs and social worker

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

77. Should future demand for children’s services increase beyond anticipated levels and/or no new investment from Central Government be forthcoming, the Service will continue and even increase its reliance on temporary funding sources such as reserves. Consideration of this potential impact has been given by the S151 officer (Executive Director of Resources) when reviewing the adequacy of reserves as set out in the reserves strategy **Appendix 4**.

78. The Place Portfolio has pressures of £5.6m for 2019/20, which are mainly the result of contract inflation, loss of income in some areas, undelivered prior year savings and pay pressures. However, the Portfolio has been able to commit to additional savings of £8.3m, via a combination of reducing costs by doing things differently, utilising external funding, rather than the General Fund, to pay for some activities delivering growth, increasing fees and charges to reflect the actual cost of the service, and driving further savings from our significant contracts. This will facilitate a £2.7m contribution towards the Council’s funding shortfall.

79. Resources portfolio has also been able to more than mitigate its 2019/20 pressures to deliver a reduced budget, and therefore contribute towards offsetting the Council’s funding shortfall. The total level of contribution is £0.5m.

Revenue Budget Position for 2018/19

80. At its meeting in March 2018, the Council approved a Net Revenue Budget for 2018/19 of £401.857m. The Council increased Council Tax by 4.99% from the previous year, raising the rate for a Band D equivalent property to £1,513.92.

81. The level of spending against budget is subject to a rigorous monitoring and review process each month and results in a comprehensive budget monitoring report being submitted to Cabinet each quarter, which shows the forecast outturn position.

82. The budget monitoring position at month 9, covering the period April to December 2018, shows a forecast overspend of £10.9m. Further details can be found in the table below.

83. The cumulative effect of funding cuts due to the national austerity programme, combined with escalating social care pressures are making the Council’s current financial predicament extremely difficult. Based on the current forecast overspend, and in spite of a stop on all non-essential spend and a major review of corporate budgets, it would appear that the Council will inevitably

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

Table 10

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

Balances and Reserves

84. The Council budget has been prepared against a backdrop of uncertainty and potential risk as set out in earlier section of this report. There is nothing new in this and, whilst some of these are risks which the authority has managed for many years, these risk and impacts are becoming more difficult to control or mitigate, placing greater reliance on reserves for delivering a balanced budget but also offsetting any failures to deliver a balance outturn at year end. This was highlighted in 2017/18, where £2.3m of reserves were required to offset the in year overspend. This is also likely to be the case for 2018/19, given the current forecast overspend highlighted above.

85. It is also important that the Council has adequate financial reserves to meet any unforeseen expenditure. For an organisation of the size of Sheffield City Council relatively small movements in cost drivers can add significantly to overall expenditure.

86. The Executive Director of Resources has reviewed the position relating to Reserves and has produced a Reserves Strategy which is attached at **Appendix 4**. This sets out the estimated requirement for Reserves and explains the purpose of each earmarked reserve. This report also includes the statutory statement (section above) from the Executive Director on the sustainability of reserves and the budget.

Risk Management

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

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

Levies

88. The Council currently has approximately £22.9m in its revenue budget for levies. This includes the following :

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

Portfolio Revenue Spending Plans for 2019/20

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

90. Set out below is a high level summary of the Portfolio savings proposals. This section reflects the content of the Council website relating to budget proposals.

Our Priorities

91. Our budget for 2019/20 is driven by the five key priorities:

- An in-touch organisation: This means listening; being connected and being responsive to a range of people and organisations; ideas and developments. This includes local people; communities and Government, as well as keeping pace with technology. This means understanding the increasingly diverse needs of individuals in Sheffield, so the services we and our partners provide are designed to meet these needs. It also means understanding how to respond. This priority is also about empowering individuals to help themselves and providing opportunities to do this, so they and their communities are increasingly independent and resilient.

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

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

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

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

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

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

People Portfolio

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

- Early intervention and **prevention**, enabling the people who use our services live successfully and safely. Our strategy has been and continues to be delivery of the right level of support by the right services.
- **High-quality**, diverse and robust care and support for our customers, providing good value for money for the Council.
- Developing our **workforce**, making sure we have the right-sized staff groups, enabled by effective systems and support to develop their skills**.**

96. Our ambition is for an ‘All Age’ approach to disability related services across the portfolio which supports individuals from childhood through to old age in a consistent and seamless way, and without barriers or difficult transition points. We are ambitious for all children, young people and adults with disabilities. All Age services for children and young people, adults of working age and older adults with disabilities will work with people and their families and carers to achieve their full potential.

97. In 2019/20, we are budgeting to spend in the region of £233m cash and £14m of Public Health grant on delivering services for People. A further £432m of funding was allocated separately by Government for schools and early year providers. The majority of our funding is spent on social care: £117m for Adults Care and Support and £73m for Children, Young People and Families which includes spending for Children, Young People and Adults with disabilities.

98. The following summary highlights our ambition and approach for our Services.

<u>Children, Young People and Families</u>

99. Our ambition is that all children, young people and families in Sheffield achieve their full potential in all aspects of their lives, that they have a great start in life, go to great schools, are safe, healthy, active, informed and engaged in society.

100. We will continue to work together with all of our partners and communities to ensure we raise expectations and attainment and enable our children, young people and adults to gain first class qualifications and skills, have enriching experiences and make a positive contribution to their local community and our City and to support them through their journey to independence.

101. We will continue to respond to increases in demand for services, the range of our statutory duties and expectations of Ofsted inspections despite the cuts to our budgets. We will be creative, innovative and transformational in the way we work and deliver services to ensure that outcomes for children, young people and families continue to improve.

102. We will continue to improve our IT systems to enable better quality of information, improve automation and integration with other systems that will enable our staff to spend more time working with families. Furthermore, we are committed to the training and development of our staff so they are equipped to face the challenges ahead and are rolling out signs of safety, a strength based safety organised approach to child protection casework.

103. We are being creative about how we commission, deliver and pay for services, increasingly working with our internal services and all our partner organisations, including health, schools and the community sector, and seeking alternative funding streams. We are committed to protecting, as far as we can, services to children, young people and families; this will always be a priority for us and is where we spend the majority of our revenue budget.

104. The strategies that underpin our ambition for successful children, young people and families are shaped in three main areas:

- **Keeping children, young people and families healthy, safe and strong and giving every child a great start in life**. Our services have developed a preventative approach and continue to focus on safeguarding, learning difficulties/disabilities, early help and intervention and the city's health strategy for children and young people. We provide multi-agency support services for children with additional needs and social care services for Children in Need (CIN), including those at risk of harm, in need of accommodation and those in care. Our services promote the early identification of children in need and deliver high quality preventative and supportive services, enabling children to achieve their potential, through good quality assessments that inform effective plans to address children's needs, including the need to be safeguarded, and improve their outcomes. We will ensure that services are put in place to support children and young people living within their families, wherever possible. Where they cannot remain in their families, we will make timely decisions to ensure that they are secured in an appropriate setting as soon as possible. We will deliver, monitor and provide the highest quality care and placements for our children in care, and care leavers.

- **Developing skills for life and work and encouraging active, informed and engaged young people and adults into further education, employment, training and their journey to independence**. We target our resources in supporting those teenagers and adults who are most at risk of not being in education, employment or training. We work to create the technical pathways that better connect education and employers and we are working with Government to redesign the skills and employment systems so that they better meet the needs of the local economy. This includes creating a multi-agency and localised employment service for those facing the greatest barriers to work, that integrates support from the Council, Health and Jobcentre Plus, a jobs and skills brokerage service that makes best use of the apprenticeship levy and the generation of job opportunities for the most vulnerable and activity in support of the Combined Authority to redesign a devolved skills system that is better able to meet the training priorities of our residents and our businesses**.**

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

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

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

106. Our biggest challenge has been around an increase in demand for children services. The current position in Sheffield reflects a national positon. Analysis by the Local Government Association (LGA) found that 133 out of 152 councils (88%) responsible for children's services overspent in 2017-18 including Sheffield. Nationally local authorities went over budget on children's social care by an estimated £807m, by far the highest area of overspending in council budgets.We will address this challenge through early identification of children with additional needs, and deliver high quality preventative and supportive services to enable children to continue living successfully and safely with their families and communities, bringing them into care and providing the right placement if needed. Our strategy has been and continues to be to deliver right level of support by the right service at the right time.

107. The scale of financial challenge facing children social care is significant and cannot be resolved in the short term. An improvement and recovery plan has been produced which focuses on delivery of new initiatives to support families and to improve the practice. Our improvement and recovery plan is structured under three themes.

- **Demand Management**: We are working to reduce referrals to social care and the number of children entering looked after system by delivering earlier support and the development of several evidence based programs. This will include working with expectant parents who have already had children removed to prevent repeat removals. We will also deliver targeted parenting programmes to increase resilience and help reduce family breakdown. We will engage with families and the wider community by delivering restorative practice techniques (Family Group Conferences, Multi Systemic Therapy) for young people to stay with their families wherever possible instead of entering into care system.
- **Supply Management**: We are redesigning and investing in the availability of resources within Sheffield to ensure the right resources are available for maintaining Sheffield Children in Sheffield. We are working to ensure appropriate sufficiency of placements to meet changing needs. Our focus will be to increase the number of local authority foster carers through development of a comprehensive package of support which will include wraparound support of foster carers and ongoing training packages.

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

Adult Services

108. Our vision for Adult Social Care is based on three different kinds of need, each requiring a slightly different "conversation" to ensure the right support from the right person at the right time:

- People who may need a little support to stay resilient and strong. They will maintain their level of independence if they are connected to the resources and support available within their neighbourhoods and networks.
- People who have experienced some difficulty, perhaps following a period of poor health. They will regain their previous level of independence if they get focused help.
- People for whom regaining their previous level of independence may not be possible. They will still live a good life if they receive targeted and co-ordinated support that is geared to priorities important to them.

109. The financial pressures facing adult social care are well publicised. Nationally, the LGA has estimated that there will be a national social care funding shortfall of £3.5bn by 2025 just to maintain existing standards of care, while latest figures show that councils in England receive 1.8 million new requests for adult social care a year – the equivalent of nearly 5,000 a day. In Sheffield, the Council's financial pressures can broadly be defined in two categories: rising provider costs (predominantly the costs associated with the crucial investment in staff wages to meet the National Minimum Wage) and an increasing demand for care and support services (resulting from increasing numbers of people requiring higher levels of support in the community for longer). A significant element of these demand pressures is associated with progress in supporting increasing numbers of people out of hospital, and other restrictive health related settings, into care in or nearer the home.

110. In partial recognition of these pressures, the Council received some additional one off Government funding through the 'Improved Better Care Fund' (iBCF) for the three years (2017/18-2019/20) and through the emergency winter planning fund. This has improved the Council's medium term financial position but the funding is not sufficient to meet the social care pressures described

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

111. The scale of the financial challenge facing adult social care is significant and will not be resolved in the short term. An Adult Social Care Improvement Plan was developed during 2017/18 which has been updated for 2019/20 and which sets out how the Council will seek to meet the financial challenges ahead whilst ensuring that Sheffield people can stay healthy, stay out of hospital and live independently at home for as long as possible. The budget proposals for 2019/20 form a part of this plan.

112. The Adults Improvement Plan is structured under five themes:

- **Increasing the shift to prevention**. The strategic intention of Adult Social Care in Sheffield is to support a shift into prevention and well-being. This means that we are increasingly moving our focus to early help and preventative support. This approach is improving outcomes for local people and promotes better usage of adult social care resources.

- **Increasing independence and inclusion**. There are significant opportunities to improve the support provided to existing people who receive adult social care services. The starting point is to value people for the strengths and motivations they bring, rather than seeing them as passive recipients of support. For example, a range of opportunities exist to help people with disabilities into employment. Working or making a contribution to Sheffield life in other ways builds a sense of belonging and also of independence. We are continuing work with disabled children and young people to ensure there are opportunities for them to attain their ambitions as they reach adulthood. In addition, we are working with people of all ages to ensure our approach is to help them get the best possible life, not just the best possible service.

- **Developing a sustainable provider market**. Sheffield City Council has overseen significant provider fee rate uplifts in recent years in recognition that the cost of providing quality care through a properly remunerated and resilient workforce has also been rising. 2019/20 will see a renewed focus on the Council’s relationship with care and support providers to ensure consistent prevention, quality and value for money and consistency. This will be achieved through procurement, contract management, review and negotiation, efficient use of provision, through making better use of the Council’s directly provided services, through the development and introduction of new framework rates which will ensure greater consistency and fairness in the cost of care, and through greater emphasis on new approaches such as Shared Lives and short breaks.

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

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

114. The Sheffield Mental Health Transformation Programme is a collaborative programme of work that has been jointly developed and is being jointly delivered by the Council, NHS Sheffield CCG (SCCG) and Sheffield Health and Social Care NHS Foundation Trust (SHSC). The projects which make up the programme have a focus on reablement and progression, reduced use of restrictive settings, developing alternative models of provision, seeking best value, more efficient ways of delivering services and better ways of working and will deliver better value for money across the partnership.

115. We continue to work closely with our partners in the NHS to maintain a single budget for health and social care under the Better Care Fund but we recognise that in order to achieve significant further improvements to the quality of experience of people accessing Health and Social Care services and to deliver a financially sustainable model for the future, greater progress is needed to more fully integrate the system. 2019/20 will see Local Authority and Health partners take significant steps to bring together budgets and decision making in order that the system is better able to support people to stay in their own home or community for longer, avoid unnecessary hospital visits and return home as soon as they are able.

Services in Sheffield's communities

116. Our aim is for thriving communities in Sheffield in which people stay healthy and well, and live the lives they want to live. Our services support communities to become resilient and successful. We want people to feel they are listened to and enable them to access support and gain benefit from community infrastructure, assets and actions.

117. Funding for the core service of Council run hub libraries, the home library service and Central Library and funding is protected at current levels in 2019/20. In addition the Council will also continue to support the co-delivered and associate libraries, which are run by volunteers, in line with the Cabinet decision of November 2016. The Council will make a small saving due to the end of a lease for its devices for borrowing and returning books.

118. 2019/20 will see the implementation of year three of the Council's three year grant funding strategy for Sheffield's voluntary, community and faith (VCF) sector. Reductions to grant aid will be undertaken in line with this strategy and following dialogue with providers in order to protect services to the most vulnerable.

Learning and Skills

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

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

120. In pursuit of our skills goals this work includes the delivery of a localised employment service for those facing the greatest barriers to work, jobs and skills brokerage, making best use of the apprenticeship levy, the generation of job opportunities for the most vulnerable and the redesign of a devolved skills system.

121. In pursuit of our Lifelong Learning goals this work includes the delivery of a wide range of learning programmes including Family, Adult and Community learning to improve the life chances and opportunities of adults and their families, and provision for young people including those with Special Education Needs and Disabilities via our specialist training centres. The service also leads on brokerage of education provision, support and progression planning within the 14-25 education arena.

122. A restructure of the Lifelong Learning and Skills service, approved by Council as part of the last year's budget setting process, will refocus capacity to meet demand and to re-set the structure of the service so that it better reflects changing priorities within the14-19 education landscape.

123. 2019/20 will also see the long anticipated ending of some Employment and Skills grant funding streams (City Deal and Ambition SCR) and the commencement of some new ones (ESF Pathways to Progression and ESF Pathways to Success). These changes to the way some Learning and Skills programmes will be funded from 2019/20 require technical changes to the Council's accounts but have no impact on planned delivery, staffing or services.

Cross-portfolio

124. We have a number of administrative, financial, planning and research teams which provide crucial support for our front-line services. Over 19/20 we will continue to find ways to deliver this support efficiently and effectively in as streamlined a way as possible.

125. In 2019/20 we will renew our focus on the support we provide to our workforce in order to increase the number of people who are active and healthy at work and reduce our reliance on agency staff.

Public Health

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

Place

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

128. The Place portfolio has six main priorities:

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

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

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

130. In the city centre, significant investment is being made to improve public spaces and buildings in areas like The Moor, University of Sheffield Campus, and as part of Heart of the City 2. This is making it safer and easier for pedestrians and cyclists to move around, and is more welcoming for businesses like HSBC which is relocating its Sheffield office to the new Grosvenor House building. The regeneration of Castlegate sets out to make the area a distinctive new hub for technology and creative start-up businesses as well as an addition to the city's visitor attractions. Outside the city centre, the Council has played a major part in the development of the Olympic Legacy Park creating a setting for both public and private investment, in education and medical related industries.

131. The city's major cultural and sporting assets, including Sheffield Theatres, Sheffield Museums, City Hall, the FlyDSA Arena and Ponds Forge, and its reputation as The Outdoor City attract visitors and investors to the city. This is enhanced by a major events programme that brings national and international visitors into the city.

132. In order to support inclusive economic growth, Sheffield needs a housing market that offers choice, affordability and good quality homes for everyone. Place is working to increase the range of housing to ensure a more balanced offer across the city, as well as tackling poor and inappropriate housing in some areas. The Council acts as landlord for around 39,000 homes and so has a responsibility to improve quality and safety, as well as ensuring people's homes are warm and more energy efficient to help reduce fuel poverty. Place takes a citywide approach to helping younger, older and vulnerable people to live independently through supporting people to live in their Council or private rented home, home adaptations, and helping people to find accommodation if they have nowhere to live.

133. We want people in Sheffield to have a good quality of life that supports their health and wellbeing, feel proud of where they live and have access to local amenities as well as good housing. This is about neighbourhoods that are safe and clean with well-maintained green and open spaces, and where people have access to quality sports, leisure and play facilities. We continue to work with our main partners including Amey to deliver the Streets Ahead Programme to improve our roads and pavements and Veolia to provide waste and recycling services.

134. Working with residents and neighbourhood groups, we want to build communities that are tolerant and cohesive with people having a say over what happens in their local area, as well as protecting them from rogue traders and environmental hazards.

135. A significant proportion of the Council's revenue spending is on maintaining quality of life in the city's neighbourhoods on a day-to-day basis including a number of services that we are required to provide by law. These include planning, pest control, trading standards, health protection services, bereavement services and the coroner and medico-legal centre.

136. The Council is committed to helping Sheffield to be a city that is more resilient to climate change, takes action to reduce its impact on the climate and promotes clean and green growth. This includes reducing the carbon footprint of our own buildings and vehicles; encouraging Sheffield's businesses to reduce their carbon emissions; and working with our partners to invest in sustainable and affordable energy, such as in our district heating network; and the development of a clean air zone in the city.

137. Our approach to the development of transport infrastructure also has a part to play in the sustainability of the city by minimising the negative impacts of transport on air quality, noise and carbon emissions. Working with transport partners, we are investing in an efficient transport system to support the city's growth, and to ensure that people have a choice in how they travel around the city including walking, cycling and using public transport.

138. In Place, we are taking a new approach to ensuring the sustainability of our resources so that we can continue to focus on delivering our priorities for the city. This means doing the same with less resource by making efficiency improvements, generating net additional income where we can and working with partners to find ways of managing our costs better.

139. The Place portfolio spends around £510m per year providing our services. This is funded in a range of ways including through the Housing Revenue Account, external income and recharging other services for professional support, e.g. capital project management. Place also receives around £148m from the Council's General Fund, £120m of which is spent on the Streets Ahead and waste management contracts, and the South Yorkshire Passenger Transport Executive (SYPTE) payments towards the provision of transport interchanges, concessionary fare schemes and tendered bus services. The remaining £28m contributes to the £200m cost of providing the significant, various and wide-ranging services provided by the portfolio on a day-to-day basis. The balance of this is made up through customer charges.

140. In 2019/20, we need to reduce our portfolio budget by a further £8.3 million to meet the reduced central government funding, inflation and demand pressures, and to be able to make a £2.7m contribution to the pressures in social care. These changes need to be made at pace and while keeping track of the impact on different groups of people and communities in the city. Our approach to a sustainable financial future that preserves our public facing services involves improving our use of resources by developing new business models, streamlining processes and increasing our productivity, either through using less resource or releasing resources by earning additional income through the services we provide.

141. As part of an agreed plan being led by the SYPTE, we aim to reduce our spending across this area by around £0.6m in 19/20 as a result of previous decisions to restructure the financing of the authority's debt and reduce operating costs. We will be seeking to drive additional value from the waste and Streets Ahead contracts, and our external partners who operate as trusts delivering services in the city.

142. Given the importance of income from service users, we are proposing a review of charges for services to ensure we recover the full cost of provision and reflect inflationary pressures. Those charges that do increase will be benchmarked against market rates. Where charges are made to the public or other Council departments, these services will be set targets to make a small return and achieve approximately 12% of the savings needed.

143. Place is developing a new funding model to align services to the nature of their activities. Operational services will be funded through fees and charges although statutory responsibilities will be covered by the General Fund. Growth and investment activities will be funded by external development grants or the financial return from growth such as New Homes Bonus or capital receipts from the sale of Council-owned land.

144. We plan to transfer approximately £3.1m of growth related activities from the General Fund to the Growth Investment Fund (GIF). These activities will be subject to review to ensure they meet the GIF criteria before funding is allocated.

<u>Resources</u>

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

146. The Council is, a large and complex organisation, where we rely on effective professional support to run our business and the services we provide to Sheffield people. This indirect support from the Resources portfolio includes:

- helping our teams to manage their budgets and staff;
- providing and maintaining the information technology systems which are essential to delivering Council savings in an efficient and cost effective way;
- helping our teams with legal advice ensuring our activities are lawful and transactions are effected;
- making sure we get the best value for money when we buy goods and services; and
- helping us as a whole Council to manage our performance, financial and human resources, contracts and our plans for the future.

147. The Resources and PPC portfolios can help deliver savings across the Council by changing the way the Council works. In 2019/20 directors from these portfolios will lead five initiatives aimed at delivering better value for money user satisfaction. This is part of the Council's SCC 2020 programme to transform and deliver better and more sustainable council services for the future. These initiatives are:

- ensuring we deliver value for money services to Sheffield;
- preparing the Council for future technology changes and ensuring there are business planning procedures which deliver member priorities;
- develop talent and skills within the workforce to ensure high quality performance in everything the Council does;
- redesign, reform and improve our public services through citizen involvement, customer insight and business intelligence; and
- review of the Council's governance and assurance framework to ensure open and transparent decision making is enabled.

148. Resources portfolio is also leading the re-commissioning of ICT services and, in 2019, some insourcing of local staff employed by the current contractor in order to ensure we have a service that can deliver change. The portfolio is also planning for the insource of Revenues and Benefits Service in 2020.

149. We have already made substantial savings for example we have reduced the number of offices we occupy: consolidating 27 locations into three city centre sites, thereby avoiding expenditure of £34 million over 10 years.

150. For 2019/20, further reviews to streamline process and concentrate on the priority tasks will allow us to meet the predominantly salary based inflationary pressures of £0.7m faced by the Portfolio without drawing on additional support from the General Fund budget.

151. Continuous improvement in risk management, addressing the causes, and reducing the frequency, of claims and losses, has improved the Council's risk profile to the insurance market. This has allowed us to reduce the provisions we hold for potential insurance losses and make a contribution of £0.61m towards improving the Council's financial position in 2019/20.

152. Many corporate services have small core budgets and are increasingly reliant on trading income (some are fully traded, so receive no budget allocation) – this trading income is effectively subsidising the strategic functions that would need to exist irrespective of general services to Council departments, such as Legal Services. It would, therefore, be high risk to reduce such service budgets much further.

Policy, Performance and Communications

153. Policy, Performance and Communications provides a number of strategic support services for the Council, including policy advice, performance management, partnership development, research and analysis, equalities and consultation advice, communications support, and web and intranet services. It is also responsible for supporting the Council's statutory Scrutiny function and running electoral services.

154. Sheffield City Council is a democratically elected organisation. This means we have specific additional responsibilities associated with running elections, ensuring that the public can engage with the Council and have their say on important decisions, and supporting Councillors who make these decisions on behalf of the people of Sheffield. We are also responsible for ensuring people are registered to vote, and for running parliamentary and regional elections.

155. The majority of the service's Revenue Budget funded expenditure is incurred on core democratic services (elections, electoral registration, and Scrutiny), and the provision of policy, equalities, and analytical advice and support to the organisation. The Communications service generates a net surplus to the Council, through a range of income sources, including through external trading and the management of the Council's external advertising.

Financing the 2019/20 Budget Requirement

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

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

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

Council Tax

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

Collection Fund

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

Council Tax Base

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

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

Budget Requirement for 2019/20

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

Table 11

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

Council Tax Levels

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

Table 12

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

Precepts

163. {Work in progress}

Legal Advice

Responsibility of the Chief Financial Officer

164. Under s25 of the Local Government Act 2003, the Chief Finance Officer of an authority is required to report on the following matters:

- the robustness of the estimates made for the purposes of determining its budget requirement for the forthcoming year; and
- the adequacy of the proposed financial reserves.

165. There is a requirement for the authority to have regard to the report of the Chief Finance Officer when making decisions on its budget requirement and level of financial reserves. Details of Reserves are set out in **Appendix 4**. The view of the Executive Director of Resources is that Reserves are low (compared to benchmarks) but are not inadequate.

166. In addition, under the Prudential Code framework the Chief Finance Officer of an authority is required to prepare and report upon a series of Prudential and Affordability indicators. These are set out in **Appendix 7**.

167. The Local Government Finance Acts of 1988 and 1992 specify that the City Council determines its Revenue Budget before 11 March each year. The City Council is also required by Section 30 of the Local Government Finance Act 1992 to set its Council Tax after having determined its Revenue Budget

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

168. By law the Council must set a balanced budget, which is a financial plan based on sound assumptions which shows how income will equal spend over the short- and medium-term. This can take into account deliverable cost savings and/or local income growth strategies as well as useable reserves. However a budget will not be balanced where it reduces reserves to unacceptably low levels and regard must be had to any report of the Chief Finance Officer on the required level of reserves and s25 Local Government Act 2003 which sets obligations of adequacy on controlled reserves.

169. In the Provisional Local Government Finance Settlement 2019/20 on 13 December 2018, the Secretary of State for Housing, Communities and Local Government announced that authorities would be able to raise Council Tax by 2.99%. This is a repeat of the increase to the 2018/19 limit. During February 2019 the House of Commons is expected to approved the Referendums Relating to Council Tax Increases (Principles) (England) Report 2019/20. This means that the basic amount of Council Tax increase will only be deemed to be excessive (thus triggering the requirement for a local referendum on such an increase) if it exceeds 2.99% for other expenditure or more than its relevant basic amount of Council Tax for 2018/19. As this report proposes an increase of 2.99% for the ‘core’ element, this is deemed not to be an excessive increase and a referendum is therefore not required before the Council approves the increase.

170. In determining its budget as in all other matters, an authority should have due regard towards the interest of Council Tax payers and Members must, in arriving at a balanced decision based on the evidence, take into account all relevant information placed before them and ignore irrelevant matters.

171. The proposed budget has been prepared in the context of the requirement for the Council to make significant savings in its overall expenditure. The implementation of some of the proposals in the budget will require Executive decisions. These will be made in accordance with the Leader’s Scheme of Executive Delegations, and any further delegations (e.g. from Cabinet) made in accordance with the Leader’s Scheme. It is important to note that in making these decisions, there will have to be full consideration of all the relevant issues such as the Council’s legal duties and contractual obligations).

172. In setting the budget the Council has a duty to have regard to the need to eliminate discrimination and advance equality of opportunity between all, irrespective of whether they fall into a protected category such as race, gender, religion etc. Further detail on this is in the Equalities Impact section and the Equality Impact Assets in **Appendix 9**.

173. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable. In some cases further consultation may be required.

174. If the outcome of such further considerations were to present difficulties in adhering to the agreed Council budget, officers would bring further proposals to members as appropriate.

Housing Revenue Account (HRA) Budget

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

Treasury Management Strategy

176. As part of its budget decision, the Council is required to approve a Treasury Management Strategy for 2019/20. Treasury Management relates to the management of the Council's investments, borrowings and banking operations.

177. The Council's Treasury Management activities must comply with the CIPFA Code of Practice on Treasury Management which sets out the controls over the risks associated with those activities and looks to achieve optimum performance consistent with those risks.

178. A separate CIPFA code, the Prudential Code for Capital Finance, requires the Council to set a range of Prudential Indicators as part of the budget process to ensure that capital spending plans are affordable, prudent and sustainable. The Local Government Act 2003 requires the Council to have regard to the Prudential Code and to set Prudential Indicators for the next three financial years.

179. The Sheffield City Council Treasury Management Strategy for 2019/20, including the proposed Annual Investment Strategy, Prudential Indicators and the Minimum Revenue Provision Policy, is set out in **Appendix 7**. The

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

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

Financial Implications

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

Workforce Impact

182. There are a number of potential workforce impacts, as a result of the recommended actions in the report.

183. The potential workforce impact arising from the recommended savings proposals to set the 2019/20 budget, equates to a reduction of approximately 135.5 full time equivalent (FTE) posts. The Budget Implementation Plans (BIPs) found at the following link https://www.sheffield.gov.uk/home/your-city-council/budget-spending.html; contain details of these reductions. This will be managed, in the first instance, through deleting vacant posts, voluntary early retirement (VER) and voluntary severance (VS) schemes, where appropriate, and then through the Council's Managing Employee Reductions (MER) procedure to achieve the balance of reductions and re-design services.

184. VER/VS activity and the outcomes of MER processes have been the subject of Equality Impact Assessments (EIAs), as described in the Equality Impact section of this report, and they will continue to be monitored on an ongoing basis to ensure there is no disproportionate impact on any group within the workforce.

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

186. The Council is required to submit an HR1 form each year to inform the Government of any potential Council redundancies. This form includes an estimate of how many potential redundancies we think we may have to make in the year ahead. As aforementioned in this report, an estimate of up to 135.5 redundancies has been made for the purposes of the 2019/20 form.

Pay Policy

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

Members' Allowances

188. Prior to 1 April each year, the Council has to agree a Members' Allowances Scheme for the forthcoming financial year. At least every four years, or whenever the Council wishes to amend its Scheme, its Independent Remuneration Panel has to consider the Scheme (and any changes being proposed by the Council) and make recommendations to the Council.

189. The Council's Independent Remuneration Panel conducted a review of the Council's Members' Allowances Scheme in January 2017. The report of the Panel was considered by the Council at its budget meeting held on 3 March 2017, and the Council approved a Scheme for 2017/18 and onwards. The 2017/18 Scheme was also implemented for 2018/19.

190. The Scheme that was approved for 2017/18 was unchanged from the previous Scheme. The structure of the previous Scheme had first been implemented in 2013/14 and had subsequently only been subject to minor alterations, as noted in previous years' budget reports, for example, as a result of regulatory changes introduced in 2014/15 to remove, on a phased basis, Members' entitlement to participation in the Local Government Pension Scheme (LGPS).

191. Savings well in excess of £200k have been achieved on the budget for Members' Allowances since 2013/14 as a result of the changes that the 2013/14 Scheme made to the responsibilities/duties in respect of which Special Responsibility Allowances were to be paid, and to the amounts of the Special Responsibility Allowances, together with the savings on superannuation contributions following the removal of Members' entitlement to participation in the LGPS.

192. As regards the Scheme for 2019/20, officers have not identified any forthcoming changes in the structure or operation of the Council's decision-making arrangements which would require consideration by the Independent Remuneration Panel due to their impact on the structure of the Scheme, and, accordingly, it is recommended that the current Scheme be rolled forward unchanged for 2019/20. The Council will be required to reconvene the Independent Remuneration Panel in late 2020/early 2021 to undertake a review of the Scheme to ensure the requirement for the Scheme to be reviewed at least every four years is met.

193. The Scheme contains provision for the allowances to be adjusted on an annual basis in line with an agreed index. The index that has been used for many years for applying to the allowances (and continues to be the index within the current Scheme) is the average percentage officer pay award in Sheffield. The Council agreed to implement the annual increase in 2017/18, and again in 2018/19, having agreed not to apply the annual increase each year from 2010/11, including in four years when Council employees received a pay rise.

194. Implementation of the annual increase on allowances in 2019/20 would give rise to a budgetary pressure. Savings will be found from elsewhere within the Council's overall financial position.

Budget Consultation

195. As part of the development and testing of options for the 2019/20 budget, the Council ran a budget survey between December 2018 and January 2019, in addition to engaging with partner organisations over the last year. This has helped us to ensure that the proposals we are putting forward have been shaped by people who may be affected by decisions taken as part of the budget, and that they have had an opportunity to put forward ideas for consideration.

196. To inform longer term thinking and Equality Impact Assessments our budget consultation activity consisted of two main strands:

- An online survey supported by social media promotion activity that looked at the financial challenge and the Council-wide approach. This provided opportunities for residents to have their say on priorities, investment in services and capital projects, our proposals for Council Tax, and provide suggestions on areas for further savings or generating income.
- On-going conversations on particular topics and specific proposals, including meetings with the VCF and Businesses and key partner agencies.

197. Our consultation activity continued to confirm public support for prioritising services for the most vulnerable.

198. Over a 6 week period during December and January we ran an online survey that received 381 responses.

199. In relation to a question about the Council's priorities there were 361 responses with the majority of comments indicating that money should be

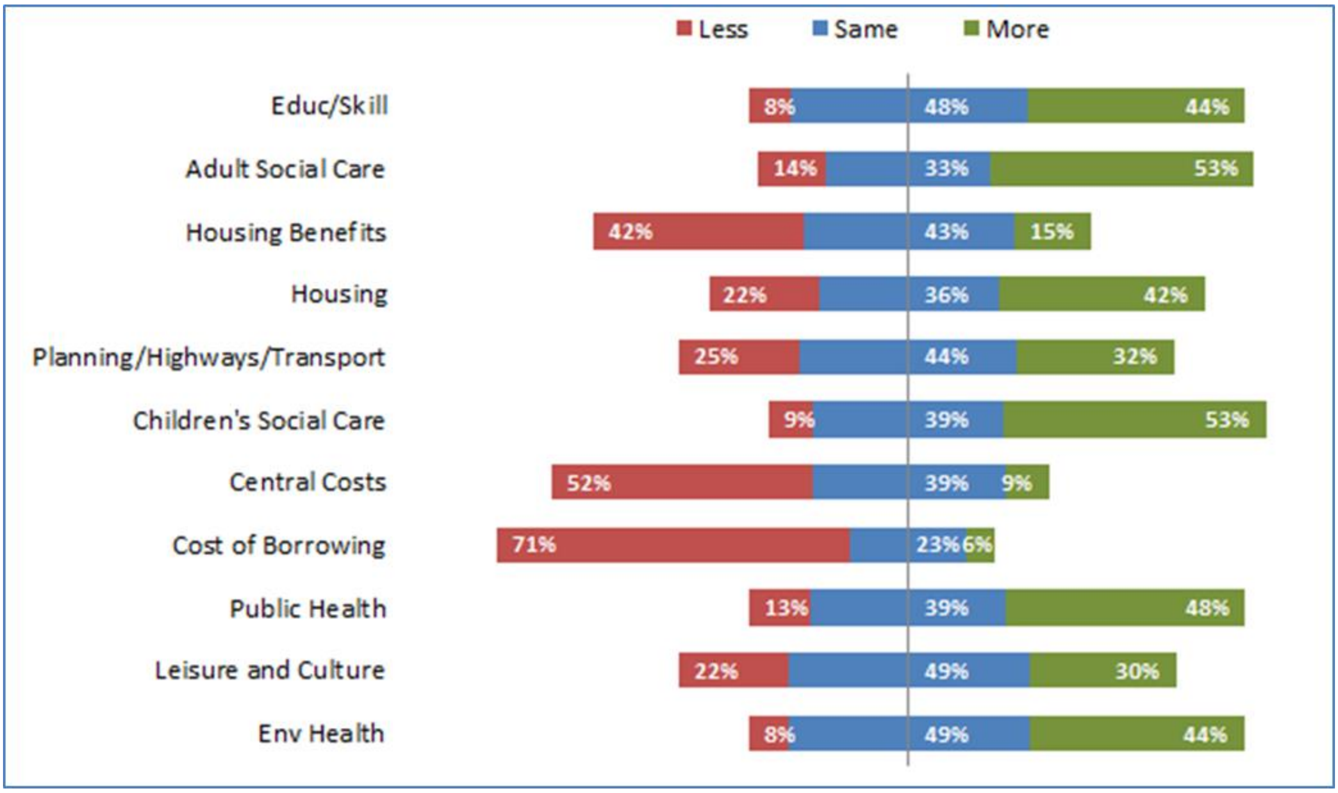
spent on Children and Adult Social Care with references to support services, education, and protecting the most vulnerable. Health and well-being also had a significant number, in particular ‘helping people to stay healthy’, and also supporting people with mental health issues.

200. Adult Social Care, Children’s Social Care and Public Health were highlighted as the top three priorities that the Council should fund more. Over 350 comments were received on these areas with 182 comments relating to why people suggest increasing spend. Responses included wanting to see support for people that cannot help themselves; increasing spending especially around Mental Health and drug support services; more support for children with mental health issues; and that children with special needs needed particular attention. A number of respondents who indicated that more should be spent on Public Health felt that cuts in people’s health and well-being has had a huge impact on the people of Sheffield. Some indicated that more promotions to get children, adults and the elderly exercising and moving more would have a positive impact on people’s health and lessen the impact on later care.

201. Leisure and Culture, Environmental Health, and Education and Skills Highways and Transport were the areas where the largest proportion of respondents would prefer spending to stay the same.

202. Spending on the costs of borrowing, central costs and housing benefits were the highest scoring areas where people felt the council should spend less. We received 360 comments relating to these three areas with 75 comments about why they suggested a decrease. Reasons given included the cost of borrowing being unproductive; reducing spend on things that don’t work in the city or the Sheffield area; the ability to engineer Central Services without an impact on direct services; and that people should be encouraged into work to help reduce the amount of housing benefits paid.

Summary of spending priorities

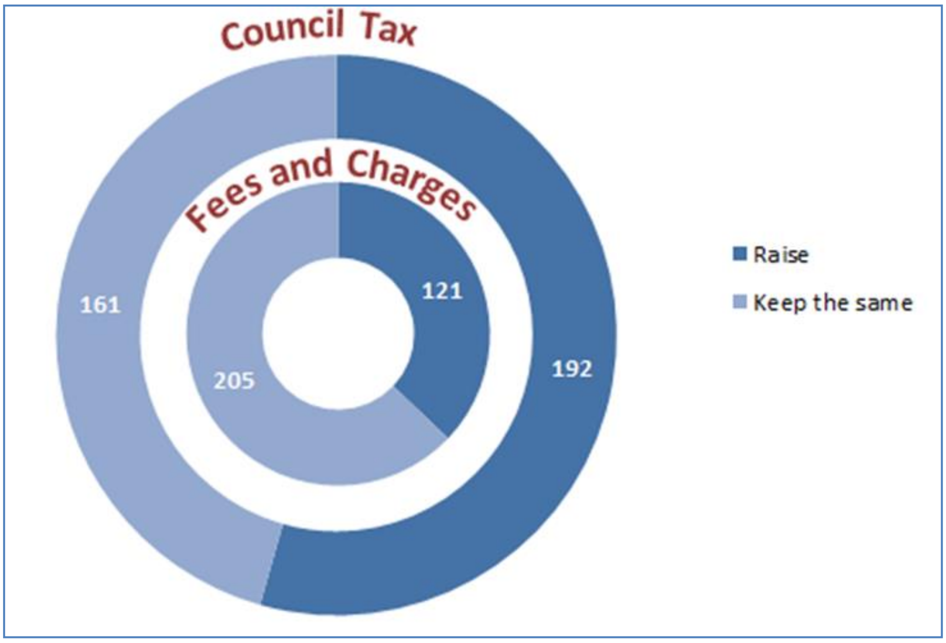


203. The majority of people responding (192) supported raising Council Tax with 161 indicated council tax should stay the same. Many people who gave reasons indicating why a rise in council tax would be their preferred option suggested that any rise should be focussed most on those that can afford it.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

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

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

Council Tax and fees and charges



205. Areas where people felt it was very important for the Council to invest were economic growth and regeneration, Council housing investment and social care, building and facilitating new houses and Transport. Of the comments received, the thread throughout is that people agree that investment is important to promote regeneration. More building of new housing and transport network is seen as encouraging investment.

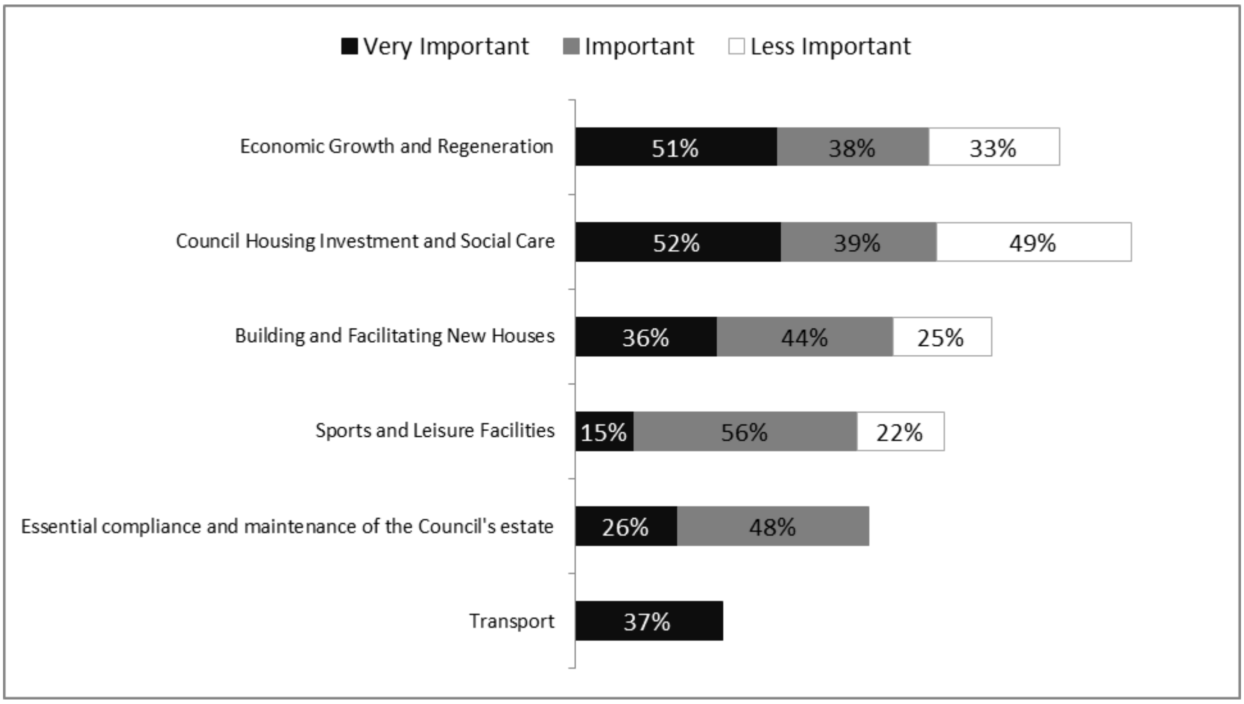
206. Many people stated that more new Council housing that was of good quality and affordable was very important. Social housing is seen as a priority, but there should be more mixed (social and private) housing developments. A number or responses noted that that they thought there should be more private investment in building and facilitating new housing. Many stated that current housing stock needs major investment as much of it is in disrepair or run down. A number of people indicated that investment in sports and leisure facilities would be a very positive move to enhance physical and mental wellbeing.

207. In relation to essential compliance and maintenance of the Council's estate, many agreed that there needs to be investment in where we all live, and gave positive feedback regarding changes to the Moor and some parks. Some people felt that there are areas in the community which are very neglected and only help to encourage graffiti and detritus.

208. Some of those who felt that Transport was a very important area for investment noted that we need an accessible service which can run on an upgraded infrastructure. Comments also noted that currently people who do not live in the city centre find it very difficult to travel across the city and many felt the much more investment was needed for bikes and pedestrians. A good transport network was commented on as essential for the city's regeneration along with regular and clean public transport.

209. The following chart indicates the proportion of comments that fell into each of the three categories. It should be noted that some respondents made several comments/suggestions that fitted into two or all three categories.

Council investment



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

211. Alongside our corporate budget consultation, we consulted people about proposals in particular areas. This consultation has taken different forms,

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

212. In the **People Portfolio (Children's and Young Peoples' and Families)** consultation has taken place on changes to Public Health. In Public Health, as part of the Sexual Health Redesign, service specifications have been developed in response to the updated Sexual Health Needs Assessment and service user consultation. Also the small reduction in Public Health spending with the Voluntary, Community and Faith sector has been negotiated through engagement with VCF providers.

213. In **People Services (Adults)**, many of the proposals will require communication with individuals and forms of co-production to develop ideas further. For example, testing out thinking on developments in Adult Social Care with the Customer Service Improvement Forums will continue.

214. We have consulted closely with Voluntary, Community and Faith organisations providing Community Services to adults to inform the detail of our proposals to taper the level of Grant Aid in 2019/20, as outlined in our grant agreements. Following an on-going engagement exercise, grant agreements with Associate Libraries will similarly be tapered in 2019/20. We will consult on different options for the day to day service currently offered for adults with learning difficulties at Love Street – the redevelopment of the West Bar area will see the site close. Further consultation may be required as we develop other in-house services.

215. Within **Place Portfolio**, the 2019/20 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners, changes to charges/fees and changes to service standards. A range of data has been used to help inform if there are any potential differential equality impacts and these will be considered as part of the decision making process for these proposals. Consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council's governance process. Where appropriate, equality impact assessments on specific budget proposals include details about our approach to consulting people and further work that may be required. Reports on the consultation activity will be made available on the Council's consultation hub and the Council's budget webpages.

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

Equality Impact

217. Under the Equality Act 2010, as a Council we have a statutory Public Sector Equality Duty to pay due regard to:

- Eliminating discrimination, harassment and victimisation.
- Advancing equality of opportunity.
- Fostering good relations.

218. This is with regard to people who share Protected Characteristics under the Act and those who don't. Each individual has some of the protected characteristics e.g. sex or age, so the Act protects everyone. The Duty means we need to understand the effect our policies and practices have on inequality. To do this we examine available evidence and work with staff and those who use services to consider the impacts on people who share protected characteristics. This includes conducting Equality Impact Assessments (EIAs) on our proposals.

219. We have undertaken a Council-wide EIA on the budget as a whole, and individual EIAs on the proposals that are being recommended. This can be found attached in **Appendix 9** and can be requested individually or as a group.

220. Both the Council-wide EIA and the service EIAs focus on the impact on the protected characteristics in the Equality Act. These are age, disability, race, marriage and civil partnership, sex, sexual orientation, religion/belief, gender reassignment, pregnancy and maternity.

221. In Sheffield, we have taken a decision to go beyond our statutory duty and we also assess the impact on the voluntary and community and faith sector (VCFS), health and wellbeing, poverty, carers, armed forces and cohesion. As we believe this approach gives us a wider understanding.

222. It is possible that some decisions will have a disproportionate impact on some groups in comparison to others e.g. on certain geographic locations or groups, for example disabled people. Our assessments help us to identify, avoid or mitigate these impacts.

223. It’s also important that we consider the cumulative effect of any decisions made. This could be cumulative year on year or different proposals impacting on the same group. EIAs also help us identify and make positive changes where possible.

224. Inevitably, when funding is reducing year on year at the scale that we are experiencing there will be an impact on front-line services and on people and groups with protected equality characteristics. We have tried to minimise the impact on the most vulnerable and those at risk, however we have to make some tough choices.

225. Tackling inequality is fundamental to the values of the Council and is considered throughout our proposals. The substantial savings required mean we must prioritise supporting those at risk or in need, and focus on ensuring we do not slide backwards or lose ground in tackling areas of persistent inequality. However, it is inevitable when funding levels are cut year on year that there will be an impact on the services we deliver, including some of our work with those who are most vulnerable.

226. Impact analysis is started early in the process of considering service changes, to ensure we involve relevant individuals and groups, including those who use services. This also gives us time to understand and consider evidence we have about the potential impact of any proposal. The action plans for individual EIAs are designed to ensure that the services concerned implement changes with as little negative impact as possible. There is also careful management control of each proposal. The impact analysis process helps to shape both proposals which were not accepted and not included in the budget and those that are.

227. Through our ‘live’ EIA process we closely monitor any adverse equality impacts, as reductions and changes in provision occur during the year. As a consequence, not all EIAs are currently complete and so this assessment should be seen as a reflection of our current understanding of the impact but not necessarily of how the impact may look in three or nine months’ time. Therefore we will ensure that all equality impacts are fully considered when services report on the specific implementation plans for their saving proposals.

228. We have tried as far as possible to achieve savings through changes to the way we work, by redesigning and restructuring our services and support teams and by restructuring our contracts. However, the size and pace of the financial challenge means that we have to continue to reduce our investment in services next year and in future years.

229. Elected Members have ensured that they are familiar with the equality implications of the proposals and consider the aggregated impact on different communities. Impact assessments are made available to all Council Members in advance of any decision being taken. Cabinet Members have been briefed and are aware of the impact assessments related to proposals in their area of responsibility.

230. We are confident that our budget proposals mean that services for those that most need our help and support will be prioritised. However, this does mean significantly reduced universal provision. This may have a particular impact, on those households who, although not in the greatest need are still struggling financially and may not be able to pay for alternative provision.

Evidence used to inform impact assessments – Welfare Reform and poverty

231. Although not within the scope of our budget proposals, the impacts of welfare reform are affecting financial inclusion in the city, including the roll-out of Universal Credit.

232. Sheffield's Child Poverty report in 2017 shows the proportion of children living in poverty has increased. In line with other Core City and national trends, the data in Sheffield shows 31% or 35,820 children, after housing costs (AHC) are recorded as living in poverty. However, the figures mask the wide and well-documented variation between different parts of Sheffield. In Ecclesall ward, 7.8% of children were living in poverty, whilst in Burngreave the figure was at 51.19% and Central and Firth Park at 49% of children in poverty. In 2017, 17 of Sheffield's 28 wards had more than 20% of children living in relative poverty (AHC). There are clearly multiple causes of child poverty; however, it is likely that national welfare reforms are a significant driver of the changes seen.

Demographic evidence

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

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

Evidence – Consultation

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

Managing Impact: Mitigation

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

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

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

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

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

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

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

Cumulative impact

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

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

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

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

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

Headline summary of the Impact Assessment

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

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

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

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

- We are continuing to get value for money from our contracts. This is with our major strategic providers but also across Portfolios such as with our, housing commissioning, learning disability services, youth services etc.
- We are continuing to work regionally where appropriate to save costs but also to enable better joined up services.

245. As already stated, through our 'live' EIA process we will closely monitor any adverse equality impacts over the coming year and EIA's will be updated accordingly. As a result, this assessment should be seen as a reflection of our current understanding of impact.

246. A list of the available EIA's is attached in **Appendix 9** and can be accessed online via 'Our Equality Duty. EIA's can be requested individually or collectively and at the time of your request you will receive the most up to date version.

Recommendations

247. Cabinet is recommended:

a) To approve a net Revenue Budget for 2019/20 amounting to £403.291m;

b) To approve a Band D equivalent Council Tax of £1,559.18 for City Council services, i.e. an increase of 2.99%;

c) To approve the Council Tax charges in respect of Long Term Empty properties, as outlined above from paragraph 51, with effect from 1 April 2019;

d) To note that the section 151 officer has reviewed the robustness of the estimates and the adequacy of the proposed financial reserves, in accordance with Section 25 of the Local Government Act 2003. Further details can be found in **Appendix 4** and within the Section 25 Statutory Statement on Sustainability of Budget and Level of Reserves from paragraph 6;

e) To approve the savings as set out in **Appendix 2**;

f) To approve the revenue budget allocations for each of the services, as set out in **Appendices 3a to 3d;**

g) To note that, based on the estimated expenditure level set out in **Appendix 3** to this report, the amounts shown in part B of **Appendix 6** would be calculated by the City Council for the year 2019/20, in accordance with sections 30 to 36 of the Local Government Finance Act 1992;

h) To note the information on the precepts issued by the South Yorkshire Police & Crime Commissioner and of South Yorkshire Fire & Rescue Authority, together with the impact of these on the overall amount of Council Tax to be charged in the City Council's area;

i) To approve the proposed amount of compensation to Parish Councils for the loss of Council Tax income in 2019/20 at the levels shown in the table below paragraph {tbc};

j) To note the latest 2018/19 budget monitoring position;

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

l) To approve the Minimum Revenue Provision (MRP) Policy set out in **Appendix 7**; which takes into account the revisions proposed for 2018/19 onwards;

m) To agree that authority be delegated to the Executive Director of Resources to undertake Treasury Management activity, to create and amend appropriate Treasury Management Practice Statements and to report on the operation of Treasury Management activity on the terms set out in these documents;

n) To note the information provided on the medium term financial outlook contained within the Medium Term Financial Analysis, attached as **Appendix 10**;

o) To approve a Pay Policy for 2019/20 as set out in **Appendix 8**; and

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

John Mothersole	Eugene Walker
Chief Executive	**Executive Director, Resources**

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Appendix 1

Portfolio Pressures

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

* - The full Business Implementation Plans (BIPS) are published online here - http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html

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Portfolio Savings

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

* - The full Business Implementation Plans (BIPS) are published online here - http://www.sheffield.gov.uk/content/sheffield/home/your-city-council/budget-spending.html

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Appendix 3

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

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People

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

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Place

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

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Resources

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

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Policy, Performance & Communications

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

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Reserves Strategy

Introduction

1. This appendix reports on the latest position in relation to the level of the Council's reserves. Section 25 of the Local Government Act 2003 requires the statutory Chief Finance (section 151) Officer (the Executive Director of Resources) to present to the authority, in determining council tax levels, a report assessing the adequacy of unallocated reserves in the context of corporate and financial risks facing the Authority. The Authority needs to balance the necessity for reserves against the immediate impact on council taxpayers and arrive at a level it considers adequate and prudent, but not excessive. This Appendix, together with the Statutory Statement by Section 151 Officer on Sustainability of Budget and Level of Reserves section in the main report, constitutes the formal report of the CFO (s151).

2. This Reserves Strategy therefore needs to be considered and agreed by the Authority in setting its 2019/20 budget, capital programme and council tax. The Strategy explores the purpose of the general and earmarked reserves held by the Authority and sets out a recommended approach to optimise their use over the 2019-23 Medium Term Financial Strategy period.

3. This assessment of reserves is even more important in the context of the significant and continuing cuts in central government funding. In addition, there is pressure on the capital programme and ultimately any deficit on the programme would have to be charged to revenue reserves. Reserves can be used temporarily to fund services and this is reviewed as part of the budget strategy. However:

   - reserves are "one off" funds and using them in the budget will only delay the need to make savings. Once used, they are clearly not available to support future years.
   - they are therefore most suited to covering "one off", unexpected costs such as emergencies (e.g. the Sheffield flood in 2007) or costs that are likely to be incurred in the future but the timing is uncertain (e.g. legal or other claims against the council).

Total Reserves

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

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

- delegated school budgets, held in trust and only usable for schools spending;
- Housing Revenue Account (HRA), i.e. spend on council housing, funded by rents;
- capital spending, i.e. investment in long term assets such as roads and buildings;
- "General Fund" spend, which is spend on all other services not in the above three categories and is funded from government grants, local share of business rates and council tax. It is only this category with which this reserves strategy and budget report to Cabinet and Full Council is concerned.

5. None of the resources for schools, HRA or capital can be used for the Council's General Fund spending, so for the purposes of setting the budget, £190m of the "usable reserves" are irrelevant, namely:
    - Schools reserves of £17.5m;
    - Housing revenue account reserves of £13.4m, and;
    - Capital reserves of £159.1m, which are committed to funding schemes planned over a number of years, e.g. school rebuilding, highways, council housing major repairs or rebuilding.
6. This leaves around £173.2m of General Fund reserves. However, as part of the assessment of the adequacy of reserves referred to above, a number of reserves are "earmarked" ie committed to cover liabilities for expenditure which is already committed but not yet paid for, as explained below.
7. The table below shows that next year (2019/20), earmarked/committed reserves levels are planned to increase by £8.6m. This is primarily a cash flow movement as a result of repayments to reserves following the temporary use to fund an early pension deficit payment made during 2016/17 to deliver savings for 2017/18 to 2019/20. This is a repetition of the process followed in 2014/15, and 2015/16. A key issue for the s151 Officer to advise on is the long term sustainable position on reserves, so this advice focuses on the medium term plan horizon and beyond.

8. Given that in 2019-20, the budget is not balanced and is being set with the use of £11million of reserves, the danger is that this use of reserves continues over the medium term, or worsens, and puts the Council in an unsustainable position.

9. The table also highlights the split of earmarked/committed and non-earmarked reserves. Of the £191.3m as at 31 March 2019, all but £12.8m is set aside as earmarked reserves for future liabilities.

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

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

General (non-earmarked) revenue reserves

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

11. Non-earmarked General Fund Reserves (the "working balance") are estimated to be £12.8m at 31 March 2019, representing only 3.2% of the 2019/20 budget (at the maximum net budget requirement of £403.3m).

12. The £12.8m figure for General Fund Reserves as at 31 March 2019 is assessed to be the minimum requirement. There is no overall formula that can calculate what the level of reserves should be; it is a matter of judgement based on the known risks, budgetary pressures and local factors. The 2012 Audit Commission report 'Striking a Balance' indicated that:

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

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

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

* Based on 2017-18 Statement of Accounts

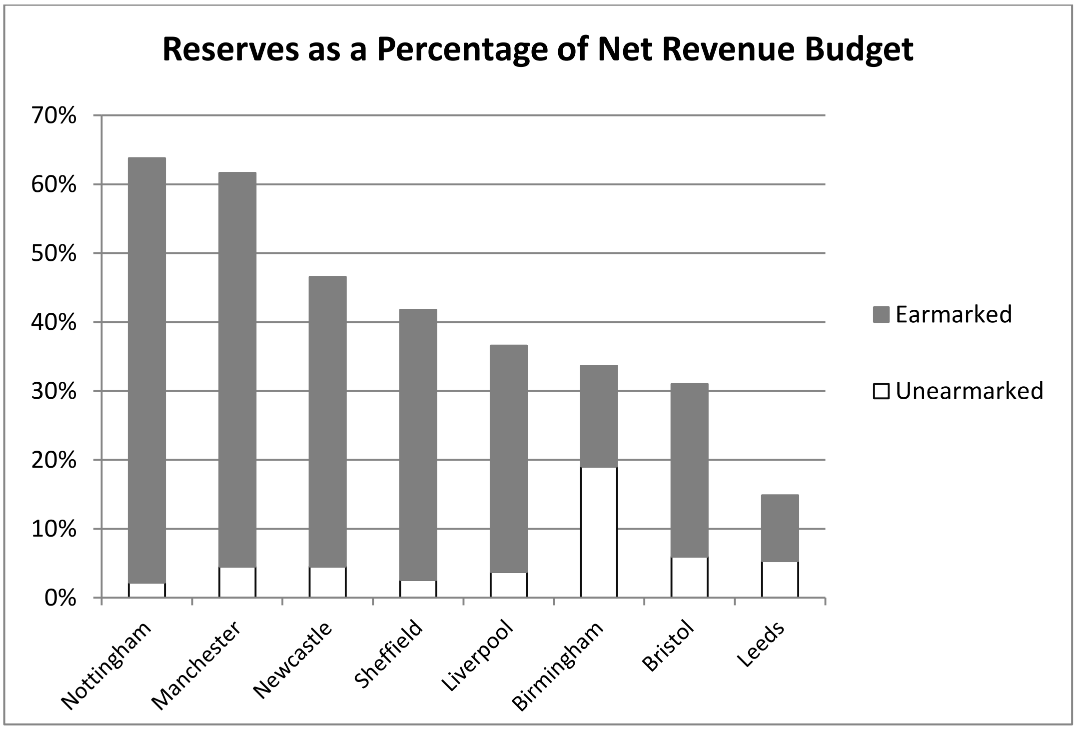
** Based on 2017/18 RO data

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

Earmarked Reserves

15. Earmarked reserves are set aside to meet known or predicted liabilities, but ones that are not certain enough to create an exact provision in the accounts. The liabilities are, however, likely enough to say that the earmarked reserves are not normally available to fund the budget or other measures.

16. Using the same data as in section 12 the graph below shows a comparison of both earmarked and un-earmarked reserves in relation to other major cities;



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

Invest to Save Projects (£5.3m)

18. The Council has delivered a number of core infrastructure and business transformation projects that are essential to the future success of the Council's business operations.

    a. In 2017/18, the Council invested £3.3m into the Place Portfolio to fund the Place Transformation Programme. This investment has subsequently been repaid, and delivered the benefits of a more financially sustainable organisation that ensures value for money, and improved customer and partner relationships.

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

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

19. This PFI grant is a good example of why we have earmarked reserves – Government pays us money in advance to pay future years' liabilities, so we set it aside in a reserve until it is needed. If we did not do so, there would be insufficient funds to cover the cost of contracts in future years. These reserves are therefore firmly committed in the medium to long term.

20. The reserve is reporting a balance of £22.7m as at 31st March 2019 and is forecast to reduce by £5.4m over the course of 2019/20 in line with the established PFI spend profile.

Major Sporting Facilities (MSF) (£24.2m)

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

New Homes Bonus (£11.0m)

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

Insurance Fund (£9.2m)

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

Public Health (£1.3m)

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

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

Service Area Reserves (£11.1m)

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

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

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

Business Rates Appeals (£20.1m)

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

Other Earmarked Reserves (£59.6m)

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

Assessment of levels of reserves

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

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

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

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CORPORATE RISK REGISTER

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

Corporate Risks

2019/20 Budget Savings & Emerging Pressures

2. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2019/20 are achieved, especially given the cumulative impact of savings over the term 2011-19.

3. In the business planning round for the year 2019/20, officers have identified numerous pressures which, if left unchecked, could lead to significant overspends in 2019/20 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

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

Business Rates

5. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth.

6. There has been a concerted effort by the Valuation Office Agency to clear outstanding appeals prior to and following the launch of the 2017 Revaluation. As at 31st December 2018, there were still over 500 properties relating to the 2010 valuation list with a rateable value of approximately £75m under appeal in Sheffield.

7. Not all of the £75m rateable value noted above is at risk and not all the appeals will be successful. However due to uncertainty around these factors prudent provisions are

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

8. Of the 500 properties outstanding, approximately 40% are ATM's. There is a longstanding legal case concerning the right to charge Business Rates on ATM's. The case has currently been decided in favour of the the supermarkets bringing the case however the VOA has appealed the right to petition the Supreme Court against this ruling. Sheffield City Council has fully provided for the risk of losing this appeal.

9. As part of the Business Rates Retention Scheme, there is a built-in revaluation process every five years to ensure the rateable values of the properties remain accurate. This process was delayed for 2 years but eventually came into effect from 1 April 2017. This has seen all hereditaments in Sheffield revalued and assigned a revised rateable value. There is the potential that there will be a large number of appeals due to this revaluation which has been taken into account when compiling the 2019/20 budget.

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

11. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG in November 2019 show a national reduction in Check, Challenges and Appeals however we have very little cumulative data at a local level. There were only 470 outstanding challenges for South Yorkshire as at 30th September 2018 of which approximately half will relate to Sheffield.

12. Up to the point at which the General Election was called for June 2017, the local government sector was working on the assumption that 2019/20 would see the implementation of 100% business rates retention, the implications of which were covered in significant detail in last year's MTFS.

13. However, the Provisional Local Government Finance Settlement (Dec 17) announced that only 75% of business rates would be retained by Local Authorities. The new level of retention is set to be implemented in 2020/21. The Council still expects this increase to replace existing grants such as RSG and the Public Health grant, and as such we expect this to have no overall impact on the Council's net financing position.

14. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility, especially give the legislative changes above, and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

Medium Term Financial Analysis

15. On 18th July 2018, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFA) 2018/19 to 2022/23. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2018/19 and the potential impact on the next 5 years of the Government's plans for deficit reduction. This report established the planning scenarios for the medium term.

16. The report on the MTFA indicated that there would be ongoing reductions in Revenue Support Grant (RSG) as outlined in the December 2015 Autumn Statement, which covers the period to 2020/21. These reductions in RSG will exceed £84m including 2019/20.

Implementation of savings proposals

17. The MTFA attached in Appendix 10 describes a net revenue funding gap of £31.1m by 2022/23. This position assumes the delivery of £68.7m of savings in that term. The risks of delivery of savings in all years specific areas such as adults' and children's social care is considerable, given the increasing demand pressures and the levels of savings that have been achieved in previous years. These risks are underscored by the need for the Council to identify and deliver additional savings to be able to address the £31.5m gap. The risk is that non-delivery of budgeted savings will create a threat to the medium term financial sustainability of the Council.

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

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

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

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

Pension Fund

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

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

21. These risks are continually reviewed to ensure that any impacts of potential crystallisations are minimised.

Economic Climate

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

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

External Funding

24. The Council utilises many different grant regimes, for example central government, Sheffield City Region and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. In order to minimise risk strong project management skills and sound financial controls are required by Project Managers along with adherence to the Leader’s Scheme of Delegation to approve external funding bids.

25. As SCC funding reduces, portfolios are increasingly seeking out new sources of external funding, both capital and revenue. EU funding contracts have more complex conditions, require greater evidence to substantiate expenditure claims and are less flexible on timescales and output delivery targets. This increases the inherent risk in projects which are EU funded. Furthermore as the Council reduces its staff resources a combination of fewer staff and less experienced staff increases the risk of non-compliance with the funding contract conditions and exposes the authority to potential financial claw back.

26. Moreover, the pressure on the General Fund means that Service Managers are forced to seek more external funding such that the general level of risk associated with grants is increasing because of the additional workload this creates amongst reduced and potentially inexperienced staff.

27. The result of the referendum on EU membership does not in the short term change the risk profile of EU grants.

Taxation

28. As a general rule, the Authority is able to recover the majority of the value added tax (VAT) incurred on its payments to suppliers, i.e. its input tax. There are, however, special rules surrounding the recovery of input tax relating to supplies that are deemed 'exempt' from VAT, e.g. selling, leasing and letting of commercial land and buildings, education and insurance services. The VAT Act 1994 allows local authorities to recover input tax incurred in providing VAT-exempt supplies, so long as the tax attributable to exempt activities is less than 5% of the VAT incurred on all goods and services purchased.

29. The Council took advantage of its partial exemption position when making an exempt lease to a strategic partner as part of the Heart of the City development, delivering substantial savings. The Council has agreed a 7-year average partial exemption calculation with HMRC due to the spikes in construction costs which result in a breach in a couple of individual years. Any breach of the agreed threshold over the term would lead to substantial VAT recovery by HMRC.

30. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just below 4% in terms of the 5% limit, i.e. headroom of just over 1%. As a result, continual monitoring of our partial exemption position is vital in ensuring that we do not breach and also to inform decision-making on future projects being undertaken by the Authority.

31. Land and property transactions potentially pose one of the greatest risks of partial exemption breach. The Tax Team currently engages with colleagues in the Property Services team on at least a monthly basis to establish whether planned land and property transactions are likely to cause any partial exemption issues. In addition to this, communications are due to be issued in the next month to Heads of Service in portfolios making exempt supplies, which will further raise awareness of the partial exemption issues currently being faced by the Authority. Furthermore, systems have been developed internally to enable effective monitoring.

Treasury Management

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

33. As part of the 2019/20 budget process, we developed Treasury Management and Investment Strategies, both of which were based on discussions with members and senior officers about our risk appetite. This included a review of our counter-party risk to ensure it is reflective of the relative risks present in the economy. A cautious approach was adopted whilst the uncertainties created by the exit from the EU are resolved and the level of market volatility returns to normal levels. Given the profound nature of the exit from the EU, we will continue to review our Treasury Management and Annual Investment Strategies during 2019/20 to ensure we have the ability to respond appropriately to market volatility.

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

35. The Council is continuing its efforts to ensure full compliance with the increasingly stringent requirements of Payment Card Industry Data Security Standard (PCI DSS). PCI DSS is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa, MasterCard and American Express. Work continues to improve systems and control measures; following the major system upgrade and the introduction of secure manual telephone system during 2017/18 which brought significant improvements to the handling of card data and to reflect the changing nature of the Council's card data environment.

36. A key supplier of card payment services [Santander] have indicated that they will withdraw from the market with effect from 31st May 2019 and we therefore have to move card payment traffic to another provider at relatively short notice. Contract negotiations with the Council's main payment services provider are being brought to a conclusion and we would anticipate undertaking work to implement the transfer to happen early in the new calendar year. Given the importance of the payment channel we have also established back up plans to mitigate some of the effects of this service being terminated. This situation may be further exacerbated by further contractual changes as a result of the Tech2020 programme.

37. IFRS 9 introduces a new expected credit loss model which broadens the information that the Council is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments. Given the Council has a number of loans that have been award on a 'non-commercial' basis,

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

Welfare Reforms including Universal Credit

38. A programme of welfare reforms, introduced in 2013, led to cuts in a range of benefits including Housing Benefit (HB) and Council Tax Support posing a risk to residents' ability to pay their rent and council tax and therefore increases in arrears.

39. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, is being rolled out in Sheffield with full take up expected in 2023 or later.

40. UC poses a significant financial risk to the Council as support towards housing costs, which is currently paid through HB direct to the Housing Revenue Account will in most cases, under UC, be paid directly to individuals. It is estimated that this could double or even treble the cost of collection and increase rent arrears to £15m by the end of 2020/21. However, impacts are uncertain at present as there is limited data available therefore estimates will be reviewed as we learn from the roll out.

41. The Council administers a locally funded hardship scheme to provide extra support to residents who cannot pay their council tax and a government funded scheme which supports those who cannot afford to pay their rent (a review of these, and other , discretionary schemes is currently underway which aims to consolidate these different support schemes). The Council will also continue to take robust action to recover arrears from those who simply will not pay. It is however committed to not evicting a tenant as a result of arrears due to delays in universal credit payments.

42. There is also a UC Project Working Group which is supporting the roll-out of UC and taking steps to ensure the Council is prepared for full take up.

People Risks – Children Young People and Families

Education Funding

43. Schools are entitled to receive a proportion of the Council's Dedicated Schools Grant (DSG) which Schools Forum have decided can be de-delegated back to CYPF to fund central services. Academies can on conversion choose whether to buy into those services thus creating a potential funding gap. Up to £500k could be at risk to centrally funded services should Academies choose not to buy back those services funded from de-delegated DSG from the local authority.

44. If an academy is a sponsored conversion then the Council will have to bear the cost of any closing deficit balance that remains in the Council's accounts. In 2018/19 this cost to the Council is estimated at around £500k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

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

Children's Social Care

46. There has been an increase in demand and costs for services for children social care both in terms of placement costs, fieldwork costs and support costs.

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

People Risks – Adult Social Care

48. In 2019/20 we have a significant partnership arrangement with the CCG which includes various funding streams for core services in Adult Social Care. There is a risk that these funding streams are not sustainable long term and there would be a risk to the Council delivering core services should this funding cease.

49. The new year will see a continuation of the pooled budget arrangement with the Clinical Commissioning Group and the Sheffield Health and Social Care Foundation Trust to manage Mental Health services jointly within the Better Care Fund and identify savings through a new joined up approach to delivering services. Work needs to strengthen within the arrangement to ensure that all partner organisations benefit from the joint working and that the clients receive the right level of support irrespective of where the funding of the service happens.

50. For 2019/20 we have put in measures to address the budget gap on all Adult Social Care Purchasing both Older People and Learning Disabilities however the risk remains that continued demand pressures increasingly affect our position to balance. Demand management plans within service should address some of the continued pull on resources and potentially redress some of the continued increases seen over the last two years.

51. There is a risk around legislation changes imposed by central government on future funding of social care and the potential impact on client contributions to their care.

52. For 2019/20 there is a risk that providers will seek to increase their fees, given the current level of over spend on the ASC budgets this will cause increased pressure.

Place Risks

2018/19 Revenue Budget savings

53. The Place budget comprises three significant contracts - Streets Ahead programme, Waste Management and the South Yorkshire Passenger Transport Levy – which together absorb the major part of the portfolios General Fund support. The Portfolio cannot meet projected reductions in local authority funding by only reducing costs in the services that share remaining part of the General Fund budget without a significant reduction to those services. Thus in the 2015-16 Business planning round, the Portfolio's strategy was based on reducing the cost of these contracts to preserve the other services.

54. The South Yorkshire Transport Levy has been successfully reduced and savings have now been agreed and are in delivery. Savings from within the Streets Ahead commenced in 17/18. Following a renegotiation of the Waste Management contract in first part of 2018, substantial savings were achieved.

55. This has supported the Place budget but made further savings a challenge without new ideas and partner cooperation.

56. The Portfolio has also developed further strategic interventions including reducing the level of support to Sports Trusts, and is embarking on a Place Change Programme to review all the other services seeking a business-like approach to service delivery. Realising the efficiencies and opportunities within these reviews are crucial to the Portfolio delivering a sustainable balanced position going forward. Delivery of the Sports Trusts savings will be dependant on the performance of the Council's partners and the general leisure market conditions. This is being carefully monitored.

57. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Experience in 2018/19 has shown that this discipline is not present in all projects and has exposed the portfolio on occasions to find funding from the Revenue Budget to fund overspends.

58. The Council has committed to a number of positive capital investments in the city, in particular taking forward the Heart of the City II project, involving substantial spending over the next 7 years, financed by an assumed significant growth in business rates and long term borrowing. This carries significant levels of risk in relation to cost increases and letting demand which if these were to crystallise would result in additional pressure on Capital and Revenue budgets.

Housing Revenue Account Risks

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

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

Capital Programme Risks

Project Cost Control

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

Housing Growth

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

Olympic Legacy Park

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

Heart Of the City 2 (formerly Sheffield Retail Quarter)

63. The Council committed to incur around £62m to acquire land and carry out initial feasibility work to develop a plan for the retail quarter in the city centre. A further budget of £27m was approved for the appointed development manager to take forward the pre-construction phases of the scheme.

64. The Council has also approved a further £89m for the construction of the first building and associated public realm. The office accommodation of the building has been pre-let to HSBC on a 25 year lease, with options to exit at years 10 and 15. This means the Council carries the longer term vacant property risk on the office and also on a more periodic basis for retail and food and beverage units created as shorter leases expire.

65. The route for delivery of the remainder of the Heart of the City II has changed since originally approved. The Council will no longer be looking to deliver the scheme as one “big bang” corporate development and then be reliant on a single developer. It is envisaged that delivery will now be done via an incremental measured block by block approach, working within the approved masterplan, which can be delivered comprehensively over time but not necessarily by a single developer and/or the Council. This approach mitigates the Council’s risk and financial exposure and delivers momentum.

66. This phased approach to delivery also allows for future changes in the scheme to reflect changes in shopping habits/behaviours and the expectations of shoppers and users of the city centre. As a result of this approach a further £35m has also now been approved for the development of blocks B & C of the scheme.

67. The remainder of the £27m budget is now allocated across the development blocks to complete its own pre-construction phase. On completion of that phase further funding will be sought through the capital approval process to develop the properties.

68. The scheme is being funded through prudential borrowing which will be repaid primarily from the rental value created from the various types of property and from the increased Business Rates that the completed scheme will produce (known as Tax Incremental financing (TIF)). The financing costs are being capitalised while the scheme is in development. There is a risk that if the scheme ceases to be active that the financing costs of circa £4m pa will have to be provided for from existing budgets. The long term impact of the phased delivery has been built in to the Medium Term Financial Strategy.

69. A programme of development of this size, carries with it, significant levels of risk across a number of areas. These risks are amplified because of the length of the development programme and because of the uncertainties caused by the rapidly changing retail landscape and the unknown effect of Brexit.

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

<u>Schools' Expansion programme</u>

71. In February 2016 the Cabinet approved a report setting out the need to provide additional places in primary, secondary and Sixth Form establishments. The immediate demand for places in the next three years will require the Council to commit funds ahead of receipt from central government. The latest estimate of the gap is a maximum of £21m in 2018/19 after mitigating action. Initial forecasts indicated sufficient funding to repay the cash flow would be received from Government by 2021/22. However, the recent announcement of a lower than expected settlement for 2020/21 (£6.4m compared to £10m expected), and further emerging pressures in the programme will require this assumption to be revisited.

72. In the event of a change of government policy which further reduced the financial support available to local authorities' capital programmes, the Council would very probably be faced with a greater affordability gap in the schools' capital programme than has already been identified above, requiring it to contribute its own capital resources.

73. The Council already faces pressure to maintain the condition of the school building estate so there is a limited opportunity to divert funds earmarked for maintenance to support the school place expansion programme. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against Education Funding Agency standards, and, matching the provision of some 16–18 year places to demand.

74. Basic Need funding allocations for the purpose of school expansion are now confirmed up to 2020/21. The modelling of the Schools Capital Programme has been revised in light of the recent funding announcement reducing the forecast allocation to £6.5m p.a. from £10m for 21/22 and 22/23. Any further reduction in these estimated amounts will delay the timescale for the repayment of the cash flow and also any future investment.

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

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

1. Introduction

1.1 Background

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

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

CIPFA defines treasury management as:

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

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

<u>Borrowing:</u>

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

<u>Investments:</u>

- Security: Public funds are not lost.

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

Effective Balance Sheet Management:

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

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

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

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

1.2 Reporting Requirements

1.2.1 Capital Strategy

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

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

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

1.2.2 Treasury Management Reporting

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

These reports include:

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

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

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

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

1.3 Treasury Management Strategy for 2019/20

The strategy covers two main areas:

Capital issues:

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

Treasury management issues:

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

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

1.4 Training

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

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

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

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

1.5 Treasury Management Consultants

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

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

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

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

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

2.1 Capital Expenditure

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

Members are asked to approve the capital expenditure forecasts:

The following table shows capital expenditure forecasts:

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

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

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

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

The Council focuses on the following key priority areas:

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

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

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

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

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

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

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

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

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

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

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

As in previous years, judicious use of borrowing to support that investment remains a prudent financing option whilst borrowing costs remain low, and those costs can be supported by the increased income generation we expect to flow from our investments by way of increases in rates or from efficiencies generated in the way we conduct our business.

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

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

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

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

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

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

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

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

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

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

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

3. Minimum Revenue Provision (MRP) Policy Statement

3.1 MRP Introduction

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

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

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

3.2 MRP Policy Statement

The Council is recommended to approve the following MRP statement:

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

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

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

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

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

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

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

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

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

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

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

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

3.3 MRP Overpayments

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

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

4. Core Funds and Expected Investment Balances

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

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

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

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

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

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

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

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

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

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

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

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

Accordingly, it is important that we manage this risk, and retain exposure at a level we think is appropriate. To mitigate this risk, and to further reduce the under-borrowed position, the Council intends to take additional loans over the forecast period based on current expectations that rates remain relatively low in historical terms. These loans will bring cash into the Council to offset the outflows principally associated with our programme of capital investments including, in particular, the HotC II scheme.

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

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

5. Affordability Prudential Indicators

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

The Council is asked to approve the following indicators:

5.1 Ratio of Financing Costs to Net Revenue Stream

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

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

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

This reflects three prominent issues:

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

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

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

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

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

6. Borrowing

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

6.1 Current Portfolio Position

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

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

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

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

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

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

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

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

These actions are a deliberate move to mitigate the Council's exposure to interest rate risk. Whilst using our surplus cash in the short term is beneficial, in the longer term we are likely to have to replenish that cash with loans in order for it to be spent as originally planned for. Interest rate risk is the risk that when we come to raise those loans the cost of servicing them is prohibitively high. This is an issue the Council is monitoring closely, as interest rates are likely to rise in the coming years.

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

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

6.2 Treasury Indicators: Limits to Borrowing Activity

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

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

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

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

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

The Council is asked to approve the following limits:

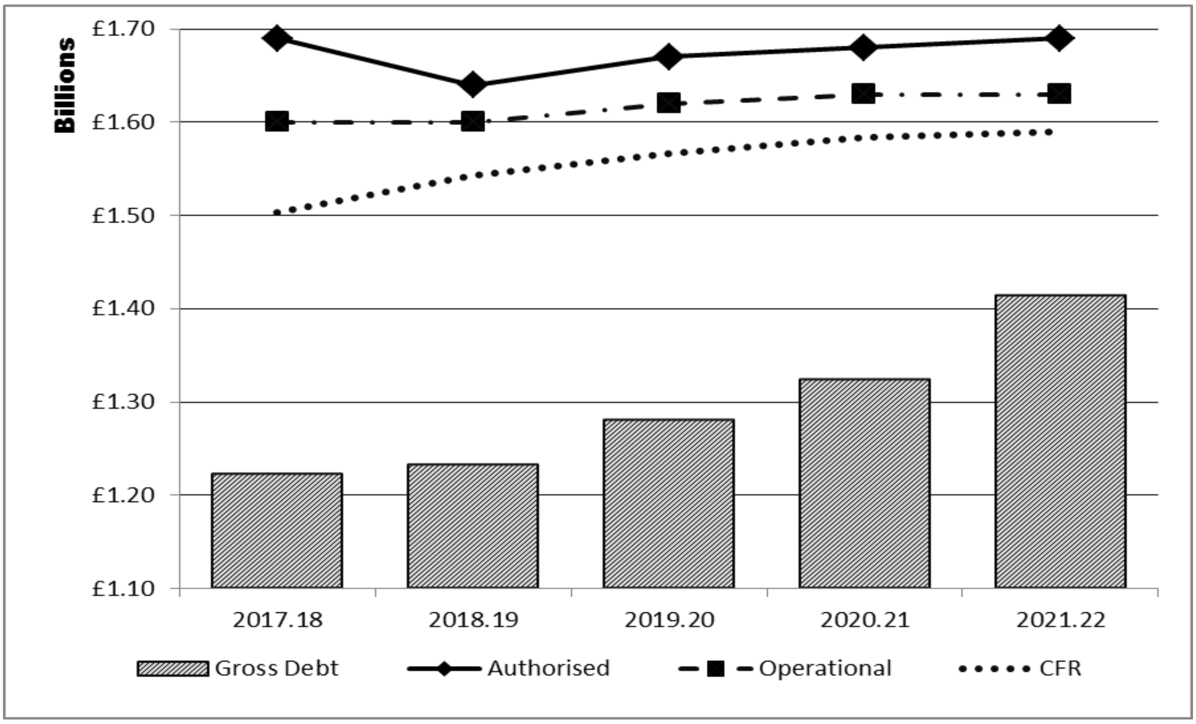
Authorised Limit	**2017.18 Actual £'m**	**2018.19 Actual £'m**	**2019.20 Proposed £'m**	**2020.21 Proposed £'m**	**2021.22 Proposed £'m**
Loans	£1,250	£1,200	£1,270	£1,300	£1,330
Other Long Term Liabilities	£440	£440	£400	£380	£360
Total	**£1,690**	**£1,640**	**£1,670**	**£1,680**	**£1,690**

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

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

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

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



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

7. Economic Backdrop

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

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

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

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

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

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

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

7.1 Prospects for Interest Rates

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

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

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

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

- In the event of no agreement but orderly exit, it is likely that the Bank of England would take action to cut Bank Rate from 0.75% in order to help economic growth deal with the adverse effects of this situation. This is also likely to cause short to medium term gilt yields to fall.

- If there was a disorderly Brexit, then any cut in Bank Rate would be likely to last for a longer period and also depress short and medium gilt yields correspondingly. It is also possible that the government could act to protect economic growth by implementing fiscal stimulus.

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

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

7.2 Investment and borrowing rates

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

8. Borrowing strategy

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

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

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

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

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

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

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

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

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

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

8.1 Treasury management limits on activity

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

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

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

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

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

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

The above table shows the Council's desire to avoid having too many loans maturing in any one period; but retain flexibility over the term of any new borrowing to take advantage of the yield curve. The Council currently expects the majority of its loans to mature in the medium term, supporting the HRA business plan and aligning maturities to our CFR profiles to avoid over-borrowing situations.

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

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

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

8.2 Policy on Borrowing in Advance of Need

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

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

8.3 Debt Rescheduling

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

The reasons for any rescheduling to take place will include:

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

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

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

8.4 Municipal Bond Agency

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

9. Annual Ethical Investment Strategy

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

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

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

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

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

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

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

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

9.1 Creditworthiness Approach

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

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

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

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

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

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

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

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

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

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

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

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

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

**** *CNAV refers to Constant Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a constant Net Asset Value(£1 in / £1 out)*
***** *LVNAV refers to Low Volatility Net Asset Value Money Market Funds when investors will be able to purchase and redeem at a stableNet Asset Value to two decimal places, provided the fund is managed to certain restrictions*

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

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

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

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

9.2 Country limits

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

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

9.3 Investment strategy

When considering its investments the Council will consider:

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

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

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

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

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

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

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

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

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

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

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

9.4 Investment benchmark

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

9.5 End of year investment report

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

Appendix 1 – Economic Backdrop

GLOBAL OUTLOOK

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

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

KEY RISKS - central bank monetary policy measures

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

The key issue now is that period of stimulating economic recovery and warding off the threat of deflation, is coming towards its close. A new period is well advanced in the US, and started more recently in the UK, of reversing those measures i.e. by raising central rates and, (for the US), reducing central banks' holdings of government and other debt. These measures are now required in order to stop the trend of a reduction in spare capacity in the economy and of unemployment falling to such low levels, that the re-emergence of inflation is viewed as a major risk. It is, therefore, crucial that central banks get their timing right and do not cause shocks to market expectations that could destabilise financial markets. In particular, a key risk is that because QE-driven purchases of bonds drove up the price of government debt, and therefore caused a sharp drop in income yields, this also encouraged investors into a search for yield and into investing in riskier assets such as equities. Consequently, prices in both bond and equity markets rose to historically high valuation levels simultaneously. This meant that both asset categories were exposed to the risk of a sharp downward correction and we have, indeed, seen a sharp fall in equity values in the last quarter of 2018. It is important, therefore, that central banks only gradually unwind their holdings of bonds in order to prevent destabilising the financial markets. It is also likely that the timeframe for central banks unwinding their holdings of QE debt purchases will be over several years. They need to balance their timing to neither squash economic recovery, by taking too rapid and too strong action, or, conversely, let inflation run away by taking action that was too slow and/or too weak. The potential for central banks to get this timing and strength of action wrong are now key risks. At the time of writing, (early January 2019), financial markets are very concerned that the Fed is being too aggressive with its policy for raising interest rates and is likely to cause a recession in the US economy.

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix 2 - Downside and Upside risks

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

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

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

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

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

<u>Appendix 3 - </u>Treasury Management Practice (TMP1) – Credit and Counterparty Risk Management

SPECIFIED INVESTMENTS:

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

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

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

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

NON-SPECIFIED INVESTMENTS:

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

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

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

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

Accounting Treatment of Investments

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

Appendix 4 - Approved countries for investments:

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

AAA

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

AA+

- Finland
- Hong Kong
- Austria

AA

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

AA-

- Belgium
- Qatar

Pay Policy Statement

Background

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

Definition of Officers Covered by this Policy Statement

5. This policy statement covers the following posts, and full details of these posts are attached at **Annex 1**.

   a) **Head of the Paid Service**, required by Local Government & Housing Act 1989, in Sheffield City Council is the post of the Chief Executive

   b) **Statutory Chief Officers**, which in Sheffield City Council are the posts of:

      i) Director of Adult Services (under Local Authority Social Services Act 1970)

      ii) Executive Director of People (Director of Children's Services under Children's Act 2004)

      iii) Director of Legal and Governance (Monitoring Officer, also required by the Local Government & Housing Act 1989)

      iv) Executive Director of Resources (Chief Finance Officer under Sec 151 of Local Government Act 1972)

      v) Director of Public Health (required under National Health Service Act 2006).

   c) **Non-statutory Chief Officers** (those who report to the Head of Paid Service or Statutory Officer)

   d) **Chief Officers** (those who report to Non Statutory Chief Officers)

Pay Policy Statement

6. Sheffield City Council's aim on matters of remuneration is to have in place an approach that enables the authority to:

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

Policy on Remunerating Chief Officers

7. Sheffield City Council's policy is to pay Chief Officers' basic annual salary; Chief Officers' salaries do not attract enhancements or bonus of any kind. There are no additional enhancements to redundancy payments, pension contributions or pension payments outside of the Council's normal arrangements for all Sheffield City Council employees. Travel and other expenses are paid through the normal authority procedures.

8. It is the policy of this authority to establish a remuneration package for each Chief Officer post that is sufficient to attract and retain staff of the appropriate skills, knowledge, experience, abilities and qualities that is consistent with the authority's requirements of the post in question at the relevant time. Grading decisions are determined through a process of Job Evaluation which assesses the key factors of each role. The Chief Officer Grading Structure is attached as **Annex 2**.

9. Recruitment to a Chief Officer post is undertaken by the Senior Officers Employment Committee which is a sub committee of the Council; membership is agreed by Council on an annual basis. All recommendations for appointment at this level are ratified by Cabinet.

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

Policy on Remunerating the Lowest Paid in the Workforce

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

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

18. A decision was taken at Cabinet on 16 January 2013 to uplift the pay of employees earning less than the nationally recognised Living Wage.

19. From April 2019 this will increase to £9.00 per hour. The payment will be made as a supplement which will be reviewed on an annual basis.

20. Pay rates are increased in accordance with any pay settlements which are reached through the National Joint Council for Local Government Services.

Remuneration ratios

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

Approval of Salary Packages in Excess of £100k

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

Flexibility to Address Recruitment Issues for Vacant Posts

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

Amendments to the Policy

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

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

Policy for Future Years

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

Mark Bennett
Director of Human Resources
January 2019

Annex 1 – Chief Officer Posts

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

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

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

Annex 2 - Chief Officer Grading Structure

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

Chief Executive		195,905

Budget 2019-20 Equality Impact Assessment

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Purpose

1. The purpose of the Revenue Budget report is to:

   - Approve the City Council's revenue budget for 2019/20, including the position on reserves and balances;
   - Approve a 2019/20 Council Tax for the City Council, and;
   - Note the levies and precepts made on the City Council by other authorities.

Background

2. Section 149 of the Equality Act 2010, the Public Sector Equality Duty states that a Public Authority must, in the exercise of its functions, have due regard to:

   - Eliminating discrimination, harassment, and victimisation.
   - Advancing equality of opportunity.
   - Fostering good relations.

3. Having due regard to these involves:

   - Removing or minimising disadvantage suffered by persons.
   - Taking steps to meet the needs of persons with different characteristics.
   - Encouraging people to participate in public life.
   - Tackling prejudice and promote understanding.
   - Taking steps to take account of a person's disabilities.

4. This is with regard both to people who share Protected Characteristics under the Act and those who don't. The Duty means we need to understand the effect of our policies and practices have on inequality. To do this we will examine the available evidence and work with staff and service users to consider the impact of Council activity and actions on the people who share protected characteristics. One of the ways we do this is through conducting Equality Impact Assessments (EIAs).

5. The Council-wide EIA and the individual service EIAs on budget proposals that underpin it are focused on the impact on the protected characteristics in the Equality Act 2010. These are age, disability, race, marriage and civil partnership, sex, sexual orientation, religion/belief, gender reassignment, pregnancy & maternity.

6. In Sheffield, we have decided to go beyond our statutory duty under the Equality Act 2010. We also assess the impact on health and wellbeing, the Voluntary and Community Sector (VCS), poverty and financial exclusion, carers, armed forces and cohesion. We believe that this gives us a wider understanding than the statutory framework would without these additions. This Equality Impact Assessment is based upon the EIAs completed by services for each budget saving proposal. The individual EIA is not however a one-off task; instead it is an ongoing process that develops as the budget saving proposal develops and evolves over time. So, for example, an EIA may identify the need to consult with a particular section of the community and the outcome of this may mean the EIA needs to be updated and change the way the proposal is to be implemented. The EIA should be a record of the process not just the ultimate outcome. Through our 'live' EIA process we will be monitoring closely any adverse equality impacts as reductions and changes in provision occur during the next year.

7. As a consequence not all EIAs are currently complete and therefore this assessment should be seen as a reflection of our current understanding of the impact but not necessarily how the impact may look in three or nine months' time. Therefore, it's important to ensure that all equality impacts are fully considered when services report on the specific implementation plans for their Budget Saving Proposals.

8. All reports outlining a budget reduction proposal include an outline of the key findings of the EIA undertaken for that Budget Saving Proposal. This should describe:

   - The main impacts anticipated if any;
   - How this has been assessed and the evidence used;
   - How the views of those impacted have been sought;
   - What options for mitigation should be considered as part of the proposal, and;
   - How the actual impact will be reviewed after implementation.

9. A list of EIAs available is attached and can be requested individually or as a group.

10. It is possible that some decisions will have a disproportionate impact on some groups in comparison to others. The impact assessments help us identify, and avoid or mitigate, these impacts. There could, for example, be disproportionate impacts on certain geographic locations or different parts of the population, such as younger or older people, women or men, disabled

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

11. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. We have a Corporate Plan for 2015-18 which includes tackling inequalities as one of the Council's five key priorities. We have also supported the Fairness and Tackling Poverty and Social Exclusion Partnership and the Making Sheffield Fairer Campaign. The Fairness and Tackling Poverty Partnership, of which the Council is a part of, has produced a Sheffield wide Tackling Poverty Strategy. The Fairness Framework and campaign, as well as our Corporate Plan and Tackling Poverty Strategy, have influenced our priorities and decision making across the Council.

12. The total amount of Portfolio savings we are required to make this year amount to £29.7million. This saving reduction is a result of grant reduction, including our main source of Central Government funding, Revenue Support Grant, having fallen from £190m in 2013/14 to £37m in 2019/20. This has come at a time when there have been unprecedented increased in demand and cost pressures, particularly in relation to social care services.

13. All of the Council's services are affected in some way by demand, pay or price inflation, as well as by legislative changes. One of our biggest cost pressures arises from the need to continue to provide key services for the growing and ageing population of Sheffield, particularly in social care and children's social care. We are also facing increased demand and complexity of support needs, increase in national pay awards for staff and increasing prices e.g. energy.

14. It is not possible to balance the budget by making percentage cuts across the Council, whilst still protecting our front-line services. So we have continued to concentrate on finding savings from a smaller number of areas through larger, multi-year changes. Our approach to meeting the challenge is based on prioritising:

- Prevention and early intervention: An approach across the Council to drive a focus on prevention in all areas. We know that working with people to help them avoid a crisis in their life, such as going into hospital, or intervening early when we identify an issue, is better for the individual and costs us less. To do this means redesigning public services to work in a more integrated and preventative way.

- Targeted solutions: For the most vulnerable including offering the right support and advice when people need it.
- Inclusive Economy: Inclusive growth means economic growth that distributes the social and economic benefits of greater prosperity across society.
- At the same time Government is further reducing the main Revenue Support Grant and allocating new responsibilities to Councils. This means we need to encourage business and housing growth in the city in order to meet changing population needs and aspirations and to increase our tax base so that we can continue to provide the services that people rely on.

15. We know inequality is widening, and growing numbers of people are experiencing financial insecurity. We are also aware of our need to meet the needs of an increasingly diverse population, in a context of public services austerity and a continuing to attract and retain diversity. Our approach aims to ensure that different groups of people get services that are appropriate and meet their needs, such as older people accessing timely care and support. Also that groups, including disabled people, people from BAME backgrounds, young people and women are more able to access better quality employment. The State of Sheffield report notes that Sheffield has faced particular challenges around inclusion and equality and that "Austerity has put some of Sheffield's vital public services under significant strain. Sheffield's most important services are experiencing some of their toughest difficulties ever with more and more people needing increasing complex support"

16. The issue of inequality is fundamental to the Council and is considered throughout our proposals. One of the strongest mitigations is that we continue to prioritise those in greatest and complex need, targeted solutions, prevention and an inclusive economy.

17. The substantial reductions in funding mean our work to tackle inequality will prioritise supporting those at risk or in need, and will focus on ensuring we do not slide backwards or lose ground in tackling existing persistent areas of inequality. However, it is inevitable when funding levels are cut year on year that there is an impact on the services we deliver, including some of the work we do with people who are most vulnerable. As far as practically possible within the confines of a cumulatively reduced financial settlement, we have tried to minimise the impact on those in greatest need and most at risk. However, these are extremely challenging choices and difficult decisions have to be made.

18. Impact analysis is started early in the process of considering service changes, to ensure we involve all relevant individuals and groups, such as those who use the services. This also gives us time to understand and consider any evidence we have about the potential impact of any proposal. The action plans for individual EIAs are designed to ensure that the services concerned implement changes with as little negative impact as possible. There will be careful management control of each proposal. The impact analysis process helps to shape both proposals which are not included in the budget and those that are.

19. We have tried as far as possible to achieve savings through changes to the way we work, including with other partners, by redesigning and restructuring our services and support teams, and by restructuring our contracts, but it is inevitable that there will be some negative impact on service delivery for those in greatest need and on those who share protected characteristics under the Equality Act.

20. The size and pace of the financial challenge means that a number of the reductions or changes in service provision began in previous years will continue. Therefore the impacts on individuals and groups will be monitored to ensure that any potential negative impact is reduced as far as possible. EIAs are ‘live’ documents and will be subject to change, as proposals or evidence of impact changes.

21. Elected Members have ensured that they are familiar with the equality implications of proposals and consider the aggregated impact on different communities. Impact assessments are made available to all Council Members in advance of any decision being taken at Cabinet or Full Council. Cabinet Members have been briefed on impact assessments related to proposals in their area of responsibility.

22. We are confident that our budget proposals mean that services for those that most need our help and support will be prioritised. However this does mean reductions and changes in universal provision that may impact on those households who, although not in the greatest need, are still struggling financially and may not be able to pay for alternative provision.

Evidence: what we already know – Sheffield demographics

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

2011 Census, Sheffield Facts and Figures, State of Sheffield, and Community Knowledge Profiles show:

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

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

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

Evidence: what we already know – Welfare Reform and poverty

24. Although not within the scope of our budget proposals, the impacts of welfare reform are affecting financial inclusion in the city, including the roll-out of Universal Credit. In 2014 Sheffield City Council commissioned some research from Sheffield Hallam University.

25. It considered all the planned welfare reforms and whilst some changes have been made since it was carried out, the findings remain very relevant, with many of the reforms already implemented.

26. The report shows that in Sheffield overall, it is estimated that the city will lose nearly £170m a year in benefits and tax credits. This is equivalent to £460 a year for every adult of working age in the city. Also that:
    - Some communities will see five times the level of reductions from welfare reform than others.
    - Just under half of the loss from welfare reform, £75m a year falls on working households.
    - Couples with children will lose an average of nearly £1,700 a year and lone parents will lose an average of over £2,000 a year.
    - Disabled people and those with health problems or disabilities will be significantly affected.

27. Also although our understanding of the impacts of the introduction of Personal Independence Payment in Sheffield so far is anecdotal. Sheffield Citizens Advice published a report in 2017 which found:
    - There are winners who receive more and those whose benefit is reduced, often substantially.
    - More restrictive Personal Independence Payment (PIP) criteria have adversely affected many disabled people with severe walking problems, with older people more likely to be adversely affected.
    - A growing cohort of older people has no opportunity for a review of their benefit if their condition worsens.

- The assessment process presents specific access problems for deaf clients and places particular strain on people with mental health issues.
- There is a question over the quality of decision making and the PIP process is far from easy to understand.

28. Sheffield's Child Poverty report in 2017 shows the proportion of children living in families in receipt of out of work benefits, or in receipt of tax credits where their reported income is less than 60% of UK median, has increased. In line with other Core City and national trends, the most up-to-date data shows 31.31% or 35,820 children, after housing costs (AHC) of children in Sheffield are living in poverty in Sheffield. However, the figure masks the wide and well-documented variation between different parts of Sheffield. In Ecclesall Ward, 7.8% (AHC) of children were living in poverty, whilst in Burngreave the figure was much higher at 51.19% and Central and Firth Park at 49% in poverty.

29. In 2017, 17 of the Sheffield's 28 wards had more than 20% of children living in relative poverty (AHC). There are clearly multiple causes of child poverty; however, it is likely that national welfare reforms are a significant driver of changes seen.

Managing impact – mitigation

30. A commitment to tackling inequality, ensuring fairness and increasing social justice is at the heart of the Council's values. We have considered the Fairness Commission and the resultant Fair City Campaign. We have also considered the Tackling Poverty Strategy, Equality Objectives, and our Corporate Plan. These have influenced our priorities and decision making across the Council. The five priorities of our corporate plan are:

    - **An in-touch organisation**: This means listening; being connected and being responsive to a range of people. Better understanding the increasingly diverse needs of individuals in Sheffield, so the services we and our partners provide are designed to meet these needs. Also to empower individuals to help themselves, so they and their communities are increasingly independent and resilient.
    - **Strong economy**: This means creating the conditions for local businesses to grow. We want local people to have the skills they need to get jobs and benefit from inclusive economic growth.
    - **Thriving neighbourhoods and communities**: This means neighbourhoods where people are proud to live, with communities that support each other and get on well together. It means places with access

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

- **Better health and wellbeing**: This means helping people to be healthy and well, by promoting and enabling good health whilst preventing and tackling ill-health because health and wellbeing matters to everyone. We will provide early help and look to do this earlier in life, to give every child the opportunity to have a great start in life.
- **Tackling inequalities**: This means making it easier for individuals to overcome obstacles and achieve their potential. We will invest in the most deprived communities; supporting individuals and communities to help themselves and each other, so the changes they make are long-lasting. We will work, with our partners, to enable fair treatment for individuals and groups, taking account of disadvantages and obstacles that people face

31. Our overall approach as noted above is to protect services for those in greatest need, develop preventive solutions for the longer term, and to make savings by changing how we manage and deliver services. This will have an impact on what the Council can continue to deliver, and especially on the Council’s universal offer.

32. This year represents a real financial challenge again. We have achieved large cost savings, but 2019/20 will be the ninth year of the Government’s austerity agenda, and so ways of reducing budgets across the board are harder to find whilst protecting our frontline services. We have continued the approach of concentrating on finding savings from a smaller number of discrete areas. This means continuing delivery of a four-year programme of transformative strategic changes, intended to release sufficient savings, to enable our budget to be balanced in the immediate and medium term. This programme is supplemented by a Council-wide and continuing search for lower level specific reductions in expenditure, where we identify that there is scope for further efficiencies in individual services.

33. The year on year reductions and the scale of the savings required mean there will be impacts which affect the people of Sheffield, including those in greatest need and groups that share equality characteristics. Most impacts relate to age, both younger and older people, disabled people and their carer’s, women and households on lower incomes. In all of these areas mitigating actions have been identified and will be implemented as part of EIA action plans. We are:

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

- Continuing to support those at risk of financial hardship through a Council Tax Support Scheme and Hardship Fund, Local Assistance Scheme and Local Independence Grants.
- We also administer the Discretionary Housing Payment (DHP) scheme, funded by the Department for Work and Pensions (DWP), to provide assistance to households who are receiving Housing Benefit and are experiencing financial hardship as a result of a result of welfare changes such as the benefit cap and bedroom tax. In Sheffield, we have always spent the full amount allocated by DWP £1,351,260 in 2018/19.

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

Consultation and evidence to support EIAs

35. Notwithstanding our legal responsibilities under the Equality Act, we believe that it is critically important that we understand how the difficult decisions taken by the Council impact on different groups and communities within the city, and that we take action to mitigate any negative impacts that might be highlighted.

36. Tackling inequality is crucial to increasing fairness and social cohesion, reducing health problems, improving wellbeing and helping people to have independence and control over their lives. It underpins all that we do. The Fairness Framework has guided the approach we have taken in developing these proposals such as:

    - Those in greatest need should take priority.
    - Those with the most resources should make the biggest contributions.
    - The commitment to fairness must be a long-term one.
    - The commitment to fairness must be city-wide.
    - Prevention is better than cure.
    - Be seen to act in a fair way as well as acting fairly.
    - Civic responsibilities among residents contribute to the maximum of their abilities and ensuring all citizens have a voice.
    - Open a continuous campaign for fairness in the city.

- Fairness must be a matter of balance between different groups, communities and generations.
- The city's commitment to fairness must be both demonstrated and monitored.

37. As part of the development and testing of options for the 2019/20 budget, the Council ran a budget survey between December 2018 and January 2019, in addition to engaging with partner organisations over the last year. This has helped us to ensure that the proposals we are putting forward, have been shaped by people who may be affected by decisions taken as part of the budget, and that they have had an opportunity to put forward ideas for consideration.

38. To inform longer term thinking and Equality Impact Assessments our budget consultation activity consisted of two main strands:

    - An online survey supported by social media promotion activity that looked at the financial challenge and the council-wide approach. This provided opportunities for residents to have their say on priorities, investment in services and capital projects, our proposals for Council Tax, and provide suggestions on areas for further savings or generating income.
    - On-going conversations on particular topics and specific proposals, including meetings with the VCF and Businesses and key partner agencies.

39. Our consultation activity continued to confirm public support for prioritising services for the most vulnerable.

40. Over a 6 week period during December and January we ran an online survey that received 381 responses. Key findings include:

    - Adult Social Care and Children's Social Care and Public Health were highlighted as the top three priorities that the Council should fund more, Leisure and Culture, Environmental Health, Education and Skills, and Planning, Highways and Transport were the areas where the most number responses would prefer spending to stay the same.
    - Spending on the costs of borrowing, central costs and housing benefits were the highest scoring areas where people felt the council should spend less.
    - The majority of people responding supported raising Council Tax and the majority of respondents felt fees and charges should be kept the same.

- Areas where people felt it was very important for the Council to invest were economic growth and regeneration, Council housing investment and social care, and building and facilitating new houses.

41. We received an extensive range of comments and suggestions on how the Council could increase income, reduce costs or make savings to support the budget ranging from collecting owed Council Tax and Rents; creating either a Sheffield Lottery or Bond; raising Council Tax or encouraging a voluntary increase; increasing car parking charges and business rates; to lobbying central Government for more money. Examples of comments about reducing costs included reducing pay, pooling local authority resources, and working more closely with the NHS and Universities. Comments on savings included ending contracts and investing in IT.

42. Alongside our corporate budget consultation, we consulted people about proposals in particular areas. This consultation has taken different forms, depending on both the nature of the proposals and which providers, service users and communities are likely to be affected. This has included consultation with employees where we are proposing staffing reductions.

43. In the **People Services (Children's and Young Peoples' and Families)** a small reduction on Public Health funding has been negotiated with VCF providers and is being mitigated.

44. In **People Services (Adults)**, many of the proposals will require communication with individuals and forms of co-production to develop ideas further. For example, testing out thinking on developments in Adult Social Care with the Customer Service Improvement Forums will continue.

45. We have consulted closely with Voluntary, Community and Faith organisations providing Community Services to adults to inform the detail of our proposals to taper the level of Grant Aid in 2019/20, as outlined in our grant agreements. Following an on-going engagement exercise, grant agreements with Associate Libraries will similarly be tapered in 2019/20. We will consult on different options for the day to day service currently offered for adults with learning difficulties at Love Street – the redevelopment of the West Bar area will see the site close. Further consultation may be required as we develop other in-house services.

46. In **Place Portfolio**, the 2019/20 proposals are a mix of internal change and efficiencies, renegotiation of contract arrangements with partners, changes to charges/fees and changes to service standards. A range of data has been used to help inform if there are any potential differential equality impacts and

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

47. Across the Council, consultation on proposals will not stop once the budget has been agreed with Members. Further consultation with those affected individuals, groups, organisations and staff will take place throughout the forthcoming year as decisions are taken through the Council’s governance process. Where appropriate, equality impact assessments on specific budget proposals include details about our approach to consulting people and further work that may be required.

48. This information has been considered by officers and members in developing and refining the budget proposals, and in looking forward to how future engagement around the budget will take place. Reports on the consultation activity will be made available on the Council’s consultation hub and the Council’s budget webpages.

Impact analysis overall

49. Inevitably when funding is reducing year on year at the scale and pace that we are experiencing, there will be an impact on the front-line services we deliver, on those in greatest need and on some of the work we do with groups who share equality characteristics under the Equality Act 2010. We have tried to minimise the impact on the most vulnerable and those in greatest financial hardship as far as possible, however we have to make some really difficult choices. This year the savings and demand pressures that are required mean that we are less able to protect frontline services than before.

50. These substantial reductions in funding mean that progress on work to tackle inequality is much more focused on ensuring fairness and that we do not slide backwards and lose ground in tackling persistent areas of inequality.

51. We have tried to minimise the impact on front line services to customers as far as possible by finding more efficient ways to deliver services, including by reducing costs of:

- Management, offices and corporate services such as legal services.
- Renegotiating contracts, and increased partnership working.
- Focusing on prevention and early intervention.
- Transformational projects/creative and innovative change.
- We know that working with people to help them avoid a crisis in their life (such as going into hospital), or intervening early when we spot an issue is better for the individual and costs us less.

52. To do this means redesigning public services to work in a more integrated and preventative way. However this takes time and we have had to make some really difficult choices. We are being guided in these choices by our values, commitment to fairness, and by our priorities as outlined in the Corporate Plan such as tackling inequality.

53. Our approach to the budget is in Portfolio Areas which correspond to the way Council is structured:

    - People
    - Place
    - Resources and
    - Chief Executive's (Policy, Performance and Communications, or PPC).

54. **People Services** is the largest portfolio and has had a £17.0m increase in budget and it covers Children, Young People and families; social care, youth scheme, Education Lifelong and Community Learning Skills and employment; care and support for Adults; Housing & Neighbourhood services and Libraries & Community Services. The majority of funding is spent on social care.

55. **Place** has had a £8.3m budget reduction and work to address this affects the following services: waste management; environmental regulation; sports & culture, parking; bereavement service, highways maintenance; growth & investment; repairs and maintenance service for council housing; and transport & facilities management.

56. **Resources** is the second smallest Portfolio and together with **PPC**, has seen a £0.5 million budget reduction. **Resources** covers: information technology; finance and commercial services; customer services; human resources and legal & governance.

57. **Policy, Performance and Communications** (Inc **Public Health**, hereinafter **PPC**) is very small, it has less than 100 staff and covers the corporate services of Policy; Research; Communications; Public Health Intelligence; Elections, Equalities and Involvement and Scrutiny. Public Health is distributed across the Council with the addition of a Director and small central team in PPC.

58. In line with their longer term plans Portfolios have undertaken an initial impact analysis on all budget proposals. Where the risk of disproportionate impact has been identified an in-depth impact assessment has been undertaken and mitigations sought. The impact analysis shapes proposals which do not make it forward into the budget proposals as well as those that do. See the website for more detail on the Council budget and how we spend it.

Place Portfolio

59. The **Place** Portfolio has completed 31 Budget EIAs on savings totalling £8.3m for 2019/20. Overall, the proposals are a mix of:

- Savings achieved through internal reorganisation of some services and by ensuring they operate within the principles of the Place Change Programme: better, quicker, easier and more affordable.
- Working with our delivery partners to ensure we achieve maximum value for money through renegotiating our contractual agreements e.g. Veolia and Streets Ahead.
- Reviewing existing charges and introducing new ways of generating income.
- Changes to service standards.

60. A range of data and consultation through pilot schemes where appropriate, will be used to identify if there are any differential impacts of the proposals.

61. Some of the proposals will result in a reduction in posts across the Portfolio and the usual Council employee consultation framework will apply. The largest reduction is in the Repairs & Maintenance Service and due to the workforce profile the main impact is on white British older men. For the rest of the portfolio, until further detail is known, there is no identified disproportionate impact on a specific group.

Equalities impacts

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

People Services

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

People Services (Adults)

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

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

Supporting people's independence

65. In **People Services**, we will continue to support people's independence and inclusion, living at home and within their communities. We will refresh our employment and skills services, allowing us to focus on key priorities (like learning difficulties/disabilities, people with low level skills and children at risk of exclusion) and to carry out a review of some provision. This has included consolidating and updating our staffing arrangements to reflect changes in education priorities and funding within the 14-25 education system.

66. To support our wider work, we are pleased to receive European Social Fund income for two projects to support young people and adults with complex barriers to work, education, training and skills development; and other people and communities at risk of being marginalised.

67. Two further projects will gather momentum in 2019-20: the first aims to equip young people with disabilities and long-term conditions to develop the skills and confidence to aspire to more independent adult lives; the second supports adults of working age who are able to progress from lower levels of social care support towards work, community involvement and other inclusive goals.

68. We want to do more to develop day activity opportunities for people with learning disabilities. In 2019-20, we will work with VCF partners, and explore the potential for new funding arrangements, to encourage creative ways to promote people's community participation and independence. We will look at the different types of day activities that people access and consider ways to achieve a fair cost of care and balance of activity. We will test out the demand for day services alongside other options.

Making Conversations Count

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

70. The locality teams are benefiting from being based in the communities they serve, helping people to connect to the opportunities around them. 2019-20 will see full year benefits of our new Whole Family Case Management IT system. All of this will help us to keep people independent, safe and well; and address the financial pressure on Adult Social Care.

71. The major focus for our Home First team will be to provide prompt support for people who are on the referral route to or from hospital: those at risk of being admitted unnecessarily; patients who need things sorting at home before they can leave hospital; and people who have already been discharged and need some short-term help to avoid longer-term care.

Helping people to live at home

72. We are working with NHS Sheffield Clinical Commissioning Group (CCG) to commission homecare at night jointly, which will improve consistency and quality for people who need this support and also create efficiencies.

73. Increasing opportunities for people with learning disabilities to have supported living remains a priority. We will continue to focus on making improvements that people can see – more effective night time support and reviews of shared accommodation; and on achieving administrative efficiencies that will not directly affect them – managing vacancies and costs. We will also create opportunities for people to live in new, purpose-built supported living schemes, which are more progressive options than restrictive care and/or out-of-city residential placements. Extra Care provides flexible accommodation for older people in Sheffield – our plans for 2019-20 include reviewing and making this resource sustainable for the future.

74. We will continue to support people who care for others at home to have the support they need, including breaks from their caring role. We want to make sure our own short breaks services are better able to respond to people's needs – for example, when there is a crisis or urgent need for support. At the same time, we will encourage more people to sign-up to Shared Lives as hosts/carers and as people who could benefit from this positive option for family-based support.

Focusing on Mental Health

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

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

Supporting the voluntary, community and faith sectors and libraries

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

77. Similarly, by talking to Associate libraries, we will ensure the tapering grant agreements in place can support their sustainability. Both grant-aided organisations and libraries provide services to diverse populations, including black, Asian and minority ethnic people.

Looking for value for money

78. Like the Council as a whole and other organisations, **People Services** is focused on achieving even better value for money in 2019-20. We will talk to people who provide care, and those who receive it, to make sure the support that is in place is proportionate to need and consistent. This will include a focus on care homes and day activities. We will do more to ensure people are able to pay contributions to the cost of their care – taking into account essential personal expenses; making the process of paying easier and clearer; and doing more to recover any money that is owed. We plan to expand the role of our Executive Services Team to create a deputyship service. This will support the quality assurance of best interest decision-making for people who lack capacity in Sheffield; and do so at lower costs (both to individuals and to the Council) than independent companies are likely to charge.

79. The portfolio will benefit financially from the Council's plans to look at the efficiency of its procurement (how it agrees and acquires goods, services or works from others) and contract management. While, in the Council and in **People Services**, we rely upon the huge contributions of our workers, many of whom work in challenging areas. In 2019-20, we will do more to support our

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

Equalities impact

80. In **People Services**, many of proposals relate to vulnerable, disabled or older people, and other protected characteristics. With any planned savings, there is a risk of a potentially impact. Full EIAs have been carried out and will continue to developed and monitored throughout the year ahead. Where possible, mitigations have been put in place to minimise the impact.

81. We are also aware of the cumulative impact of changes in services and broader public policy. We will continue to work across the Council and with our partners to develop a shared understanding of the impact of these changes on groups with protected characteristics.

Workforce

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

People (Children Young People and Families)

83. Within **People Services (Children, Young People, and Families)** a total of 18 Equality Impact Assessments (EIA) have been produced across the Portfolio. We have had to manage both the pressure of budget cuts due to reductions in grant funding, along with a significant and growing level of demand in need. Levels of need have increased in areas such as special educational needs and emotional health and wellbeing. Poverty also has an impact, particularly on our greatest challenges, which is an overall increase in demand for children's services. We will address this challenge through early identification of children with additional needs, and by delivering high quality preventative and supportive services to enable children to continue living successfully and safely with their families and communities.

84. In addition, changes in legislation and policy will impact on the way in which we operate, and on the expectations children, young people and families have of us. Our ambition is that all children, young people and families in Sheffield achieve their full potential in all aspects of their lives, that they have a great start in life, go to great schools, and are safe, strong and healthy, active, informed and engaged in society.

85. The strategies that underpin our ambition for successful children, young people and families are shaped in three main areas:

- Keeping children, young people and families safe, healthy and strong and giving every child a great start in life.
- Developing skills for life and work and encouraging active, informed and engaged young people into further education, employment, training and their journey to independence.
- Supporting schools, children and young people's education, lifelong and community learning and being the champion and advocate for children, young people and their families, improving the quality of learning outcomes, raising attainment and enabling enriching experiences.

86. The scale of financial challenge facing children's social care is significant and cannot be resolved in the short term. An improvement and recovery plan has been produced which focuses on delivery of new initiatives to support families and to improve the practice. Our improvement and recovery plan is structured under three themes.

- Demand Management: We are working to reduce referrals to social care and the number of children entering the care system by delivering early help and intervention and the development of several evidence based programs.
- Supply Management: We are redesigning and investing in the availability of resources within Sheffield to ensure the right resources are available for maintaining Children's Services.
- Performance management: Having the right number and appropriately-trained workforce is critical in improving the quality of service delivery.

87. The strategy to manage the potential impact of our budget proposals helps us with Prevention, early help and intervention; Partnership working; Transformational projects/creative and innovative change, and continuing to reduce costs where we can.

88. This enables us to:

- Re-design Public Health services
- Review youth services
- Establish the skills hub
- Invest in change and have a continued focus on prevention and whole life planning and progression into independence
- Plan for young people's progression into adulthood
- Ensure that the needs of vulnerable pupils are met

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

Workforce

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

Equalities impacts

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

Public Health

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

92. The proposals which involve more cost effective delivery, the retendering of contracts, earlier intervention leading to prevention, internal restructuring, and staff reductions will have fewer equality impacts. We will continue to support

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

93. The outcomes expected of the Public Health Grant will continue to be assessed under the Public Health Outcomes Framework (PHOF), and broadly fall into the following categories:

- Health and wellbeing is built into all that we do.
- To protect people from preventable infections and environmental hazards to health.
- To reduce health inequalities.
- To support people to live healthier lives.

94. As we target the households in most need there will be an inevitable impact on those who are still struggling financially but are not on the lowest incomes and who will be not eligible for targeted programmes. The biggest impact is likely to be on families with dependent children.

Resources

95. In the **Resources Portfolio** there are 10 EIAs which cover all budget proposals for 2019/20. These proposals are predominantly around staff savings through vacancy management or further realization of savings through existing Managing Employee Reduction (MER) processes. Every service is meeting all or part of its savings target through a staff saving and this covers Business Change and Information Solutions (BCIS), Finance and Commercial Service (FCS), Legal and Governance, Customer Service and Human Resources.

96. Alongside the staff savings there a few additional savings being offered:

- Increasing external income in Legal Services and Learning and Development.
- Efficiencies within services that will allow for vacant posts to be deleted.
- To keep the same Council Tax Support (CTS) system this year.
- To continue to offer to the Council Tax Hardship Scheme, and to increase spending by £200k.
- An increase in Council Tax of 2.99%. There is no increase attributable to the social care precept for 2019/20.

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

Workforce

98. Some of the proposals will result in a reduction in posts across the Portfolio. However, there is no identified disproportionate impact on a specific group.

99. A number of Voluntary Severance/Voluntary Early Retirement schemes across **Resources** will result in voluntary staff reductions and changes. There are also some ongoing Managing Employee Reduction processes to achieve non-voluntary staff reductions. In both instances, there is a possibility of wider workforce impact through increased workload and the impact on health and wellbeing of staff.

Equalities impact

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

Policy, Performance and Communications

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

Key Themes

102. In summary there are a number of key themes that run through the proposals:

- The restructuring and integrating of services and teams to increase efficiency and effectiveness.
- Developing solutions for the longer term.
- Taking preventative action and intervening earlier.
- Stopping some functions or activities and working with partners so they can be delivered by others where possible.

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

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

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

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

105. Many of the people affected by under-occupancy rules are supported by Discretionary Housing Payments (DHP), funded by a grant we receive from the Department of Work and Pensions (DWP). However, the introduction of the revised benefit cap has placed additional demands on the DHP budget.

106. In Sheffield, 415 households are having their Housing Benefit reduced as a result of the benefit cap. The split by tenure is: Council tenants 39%; Housing Association 24%; and Private-rented tenants 37%. In total, those households who are affected by the reduced benefit cap contain 1,579 children. The total annual reduction in Housing Benefit for those households is around £1m (£19,525 per week). This amounts to an average weekly reduction of £47.05 per household.

107. Sheffield City Council also provides grant funding to several organisations which support the financial resilience of people in the city, including Sheffield Citizens Advice. Much of the work of the Council also impacts on financial inclusion, including that of social work, Housing+ (support for Council Housing tenants), the People Keeping Well Programme and Trading Standards work with the regional Illegal Money Lending Team.

108. Overall, this year the proposals do have the potential to impact negatively in some areas and service EIAs have sought to mitigate this, however there are also positive impacts which have been identified. Further details of the impacts are contained in individual service EIAs.

109. Our impact assessments identify and provide mitigations for any potential impacts in services for younger people, older people, disabled people, BAME, women and men, religion and belief, sexual orientation, voluntary community and faith sector, cohesion and financial inclusion/ poverty. There is over representation within this last group of people financially excluded or in poverty of disabled people, carers, young people, some women and some BAME communities. Further details of the impacts are contained in individual service EIAs which are listed at the end.

Age – older people

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

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

111. Across all Portfolios impacts on age have been identified; however for older people the impacts are largely in **People Services**.

112. In **People Services**, in 2019-20 we will go further to help older people receive the care, support and health services they need closer to home. The Home First programme will provide timely interventions and support as an alternative to lengthy and avoidable hospital stays. Often older people face the disruption and upset of being admitted to hospital because agencies feel it is the safest option, even if there is not a clinical need. Our Home First team will get involved to offer practical and preventative support to help people sustain their independence. The focus will be on making the home environment supportive and developing older people’s community access, relationships, activities and wellbeing. Home First will also help out where hospital patients who are ready to go home but are not able to be discharged until practical arrangements are in place. And once back at home, the aim is to sort some short-term support to help people recover and re-discover their independence.

113. Having access to services and support in the community is vital for older people. Through our grant funding, we will play our part in helping voluntary sector organisations and Associate libraries to deliver key local services across Sheffield.

114. When older people need care and support, we will aim to make sure it is right for them and promotes their wellbeing and independence. We are working with NHS Sheffield Clinical Commissioning Group (CCG) to commission home support at night – creating a more effective and consistent service while helping with costs. We will do more to make sure paying personal contributions to the cost of care is easier and clearer. As every year, we will raise contributions to reflect increases in national pension and benefit rates. As we are forced to focus even more closely on value for money, we will look to achieve fair cost of care for people who live in care homes.

115. When people get in touch for support, our First Contact team will give the time needed to explore the help they need. The service will continue to find people information and better connections to the community where they live.

116. In 2019-20, we aim to develop a deputyship service to support those who lack mental capacity to manage their own finances. This will support vulnerable people and offers a quality and cost-effective alternative to deputyships charged for by independent suppliers.

117. **People Services** funds Extra Care housing schemes for older people in Sheffield, offering personal care and a range of other assistance. In 2019-20, these contracts will be renewed, and this is an opportunity to make sure we pay for the right types of support.

118. Each of the above proposals aims to create changes that enhance people's wellbeing, support and experience. However, there will be an inevitable impact from such changes and, where possible, we will mitigate any negative consequences of these proposals. The EIA process provides critical information to enable us to target our approach carefully.

119. We are faced with having to reduce the overall budget for Grant Aid to the local voluntary sector, and this means that services for specific age groups will be affected. However, we are ensuring that our investment is directed at those organisations that provide frontline services, including for those at risk of financial exclusion. And we are continuing to support lunch clubs to help reduce isolation in older people.

120. In the present financial environment, and in order to protect services to vulnerable people, the Council has to explore all options to optimise income, which includes service-users' contributions for the care they receive. As in each year, we will raise contributions to reflect increases in Government benefits; because of the 'triple- lock' guarantee, state pensions (and therefore older people's contributions) will rise proportionately higher than benefits and contributions for working-age service-users. We will also do more to make sure we receive contributions from people in care homes when they become liable (e.g. after a property they own becomes empty). Financial pressures mean we are not able to commit additional public health investment into dementia support. But we will work with our partners to review the Dementia Strategy in Sheffield and seek to create a single support pathway. We are also expanding our in- house appointeeship service to increase the availability and affordability of this essential service for older people and other vulnerable groups.

121. In **Place** the potential negative impact on older people of removing subsidised bulky waste collection is mitigated through the continued provision of the service at full cost as well as free disposal at Household Waste Recycling Centres. There is also a potential negative impact on older people due to the increase in bereavement services fees as well as the cessation of free and subsidised provision of pest control services, which may impact on those on low income in receipt of state pension and/or benefits.

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

Age – young people

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

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

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

- Proposals plan to increase the number and range of suitable places available within the city. Leading to vulnerable young people having a better chance of placement suitability and stability which would lead to better outcomes for the young persons which are more likely to enhance a sense of belonging and engagement with society.
- Through the Strengthening Inclusion Programme there will be sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with SEND. For the most complex children we will have a range of sufficient, quality specialist provision as close to home as possible.

125. As part of the Sexual Health Redesign, service specifications have been developed in response to the updated Sexual Health Needs Assessment and service user consultation and as such are based on specific and identified needs that include the needs of younger people as Sheffield has a sizable student population.

126. We also continue to commission a service to provide support to Children and Young People who are vulnerable to the impact of substance misuse on their neurological development, physical and mental health.

127. Adult services-led schemes in **People Services** will also contribute to supporting young people to achieve their potential in 2019/20. European Social Fund income will fund projects to support 15-18 year olds who are Not in Education, Employment or Training (NEET) and those aged over 18 facing complex or long-term barriers.

128. In **Resources** and **PPC**, there are mainly none to low impacts, as most of the EIAs relate to internal restructuring. The main areas of customer impact are Council Tax. In relation to Council Tax, it is clear from the collection rates that under the CTS scheme some working age households have found (and will continue to find) it harder to meet their Council Tax liability than others, though the overall collection rate amongst Council Tax Support recipients has increased.

129. We are proposing this year to continue to keep the same Council Tax Support (CTS) scheme. The CTS scheme continues to be based on the principles of the old Council Tax Benefit (CTB) regulations and provides for the maximum financial support being made available to those with the greatest financial need. They protect some of the income of the disabled and of families whilst providing assistance to those people who move off benefits into paid employment. The Council recognises, however, that requiring all working age customers to pay a minimum of 23% of their Council Tax has caused financial

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

130. As a result, we have a Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. Analysis of the awards made under the CTHS scheme show that over 90% of awards have been made to working age taxpayers, the group most adversely affected by the introduction of CTS. We increased the hardship scheme significantly in 2013/14, and the Council made awards totaling £410,000. The hardship fund has increased steadily each year and was £1.2m in 2018/19. Due to the increase in 2019/20 of Council Tax (2.99%), the budget for the Council Tax Hardship Scheme has increased to £1.4m.

131. In **Place**, we have worked closely with Sheffield City Trust to identify a level of grant reduction that is manageable and has minimal impact on visitors. This includes continuing with a pricing policy that encourages participation from the widest possible range of audiences e.g. work with schools across the city & the Peoples Theatre and free entry for students of Drama.

Disability

132. There are over 110,000 adults with a long term limiting illness in Sheffield, equivalent to around 20% of the population, with 9% saying this limits their activity a lot. Service EIAs have identified a potential risk of negative impact on disabled people, both directly and indirectly, through impacts on people on a low income and noted mitigations to be put in place. Over a third of disabled people in Sheffield live in areas which are in the 10% of the most deprived areas in the country, which is 10% higher compared to 23% which is the overall average in Sheffield. For further information, please see Community Knowledge Profiles.

133. When the extra costs of disability are partially accounted for, half of all people in poverty are either disabled, or in a household with a disabled person.

134. A key focus of the 2019-20 proposals is for people with disabilities who have contact with the **People Services** portfolio. Adult Social Care's plans to achieve more consistency and proportionality of support, and to identify more independent and preventative options, will have inevitably have an impact. Our social work teams and other staff will continue to prioritise a more personalised conversation-based approach with people. The actual inflationary cost of Disability Related Expenditure will continue to be disregarded when we calculate people's contribution to the costs of their care.

135. We are working with NHS Sheffield strategic organisations to deliver the Mental Health Transformation Programme – all partners involved share in its development, costs and rewards. The Council's particular focus going into 2019-20 will be to help promote people's independence by overseeing the Section 117 Aftercare that is in place for people following hospital discharge and by finding opportunities for people to move from residential care into supported living. We will also look at ways in which VCF sector funding could shift the focus towards more preventative support; and make sure there is financial integrity in fees for Section 12 Mental Health Act assessments.

136. For people with learning disabilities, we will look to further improvements in the quality of supported living through carrying out reviews, focusing on night time support and managing costs and vacancies. Purpose-built supported living accommodation will become available to support people with complex needs to move into from more restrictive care settings. The new schemes will provide self-contained homes with opportunities for peer support and shared staff support.

137. We will review the quality and opportunities that people with learning disabilities have from day activities to ensure fair cost of care; and explore funding options for our partners in the VCF sector could encourage innovative approaches. In preparation for the West Bar redevelopment in the city, we will continue to plan for the closure of our Love Street base and develop new options and opportunities for those who use or work at the site.

138. In **People's Services (Children, Young People and Families)** the employment projects will have a positive impact through making significant inroads into long-term unemployment, particularly for disabled jobseekers and those with health conditions. Employment programmes, which are targeted, will positively impact on disabled people's opportunities to continue accessing opportunities.

139. The Strengthening Inclusion Programme aims to increase inclusion of children's and young people with additional needs. There will be sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with SEND. For the most complex children there will be a range of sufficient quality specialist provision as close to home as possible and effective transition from mainstream primary to mainstream secondary.

140. In **Public Health**, the Sexual Health Resdesign will promote improved access to sexual health services for disabled people.

141. In **Place** the potential negative impact on some disabled people due to the removal of the subsidy for bulky waste collection is mitigated through the continued provision of the service at full cost and free disposal at Household Waste Recycling Centres. There is also a potential negative impact on disabled people due to the increase in bereavement services fees. These proposals may have more impact on this group as they are more likely to be on reduced income and in receipt of state benefit. The proposal to cease the free and subsidised service for pest control may also have a negative impact on this group. However for those in private rented accommodation, the responsibility for pest control rests with the landlord and for those in council-owned property, costs may be met by Sheffield Homes.

142. There are low impacts on disabled people in **Resources**. Most changes are internal restructures or relate to contracts, which will not impact directly on customers except for Council Tax. The Council recognises that changes to Council Tax may cause hardship for some customers in this group as there are there are in excess of 12,000 taxpayers with a disability who are in receipt of CTS. However, by continuing to closely align our CTS scheme with the principles of the old National Government CTB scheme customers in receipt of disability benefits will continue to receive the highest possible level of CTS.

143. To continue to offer the highest possible support to all disabled customers, the Council intends to continue to disregard as income for calculating eligibility for CTS, Attendance Allowance (AA), Personal Independence payment (PIP) & Disability Living Allowance (DLA), and War Disablement Pensions/Armed Forces Compensation Scheme.

144. In recognition of the impact that the change to CTS has on disabled taxpayers the Council introduced, and in 2019/20 proposes to maintain with increased funding, a Council Tax Hardship Scheme (CTHS) to offer additional support to those in severe financial need. This will increase £200k, this year.

145. Analysis of the CTHS shows that approximately 55% of all awards are made to customers in receipt of Employment and Support Allowance.

146. This underlines a key aim of the CTHS, which is to prioritise support to those in financial need who are least able to change their circumstances. It also supports the council's original understanding, when setting up the CTHS scheme, that hardship is not linear within customers with a shared protected characteristic, nor is it uniform across different customer groups and that targeted assistance, as opposed to blanket exemption, is an effective way of providing assistance to those taxpayers in most financial need. Under our CTHS, we do not take account of DLA (care or mobility components) or PIP

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

Race

147. Sheffield is a diverse city and the ethnic profile continues to change, with the proportion of residents of working age classifying themselves as BAME (Black, Asian and Minority Ethnic which includes everyone except for those who classify themselves as White British) growing from 11% in 2001 to 19.2 % in 2011. BAME adults make up 16% of the population and BAME children make up 29% of the BAME population as a whole. The largest group is the Pakistani community and the biggest proportional increases are occurring in the Arabic, East European, Indian and Chinese communities. Sheffield's BAME population is increasingly dispersed across the city, although there remain geographical areas of the city with high proportions of BAME people, these tend to correlate with areas of higher deprivation. For further details, we refer to the Community Knowledge Profiles.

148. There were very few impact assessments which highlighted a direct medium/high impact on race. There are more indirect impacts identified; this is mainly in the areas of impacts on young people and people on low incomes. Mitigation strategies have been identified and put in place in individual service EIAs.

149. In **People's Services (Children, Young People and Families)** proposals will positively impact on BAME (Black and Asian Minority Ethnic) groups. Employment projects, for example protecting apprenticeships and employment programmes, will positively impact on BAME groups as well as others.

- The demand management projects will engage with wider families and the community by delivering restorative practice techniques (Family Group Conferences, Multi Systemic Therapy) for young people to stay with their families wherever possible instead of entering into the care system. This will positively impact on BAME backgrounds where a gradual increase in all children in care has been noted, though there has been an increase in BAME children in the general population as well.
- The Strengthening Inclusion Programme will mean that children, young people and families from BAME groups will be able to access a range of local, flexible support.
- There is an ongoing progress to recruit more diverse foster carers.

150. In **Public Health**, the Young People Substance Misuse Service specification ensures that interventions are targeted to reach those most at risk and in need and recognises that BAME groups are over represented.

151. The Sexual Health Redesign will promote improved access to sexual health services for BAME groups some of whom can be hard to engage with sexual health services including some overseas students.

152. The European Social Fund will enable **People Services** to run a 'Pathways to Success' project to support people and communities of BAME heritage who are at risk of marginalisation break down barriers to work, education, training and the development of new skills. We recognise the important role that voluntary groups and libraries play for many people from BAME communities. Following consultation with VCF organisations and Associate libraries, we will taper grant agreements in 2019-20 as planned; but continue to work closely together to monitor the impact. Other proposals that affect adults using services in the portfolio may have indirect impacts on people from BAME communities.

153. In **Place**, the increase in parking permit charges across the city has potential to have a disproportionate impact on the BAME population. This is because the largest proportion of permits issued, are for the city centre and peripheral parking zones, which have a significant BAME population profile. The change to the Pest Control policy shows that 43% of pest control jobs were carried out in areas with high BAME population numbers. These areas also have a higher proportion of social housing and private rented properties. However, this change will transfer responsibility for treatment and resolution to the landlord, not the tenant, who may be currently receiving the subsidy. For those in private rented accommodation, the responsibility for pest control will rest with the landlord and for those in council-owned property, costs may be met by the Housing Revenue Account.

154. In **Resources**, the proposal to increase Council Tax will affect all working age taxpayers. It is clear from analysing overall collection rates that some households from across the City have found it more difficult to meet their Council Tax liability. As the CTS caseload is representative of the City's differing ethnic make- up, it is reasonable to assume households from different ethnic backgrounds will form part of the overall group of CTS taxpayers who are struggling financially. Also BAME communities are more likely to be working age taxpayers rather than of pension age. However, there is no evidence available which would suggest that taxpayers from differing ethnic backgrounds will be disproportionately affected by an increase.

155. In recognition of the potential impact that the change to CTS will have on taxpayers we propose to maintain, with increased funding a Council Tax Hardship Scheme (CTHS) to offer additional support to those taxpayers from differing ethnic backgrounds who are in severe financial need.

156. Access to the scheme is open to all taxpayers in receipt of CTS. Analysis of our CTS caseload shows that 25% of all applicants are from a BAME background whilst 26% of all awards made under the CTHS are made to BAME households.

Religion/Belief

157. According to the 2011 Census the largest religion/belief held in the city is Christian (52.5%), followed by no religion (31%), Muslim (7.7%) and no religion stated (6.8%). Few service impact assessments have detailed any disproportionate impacts in this area.

158. In **Place**, people of all faiths and beliefs (including non-belief) will be impacted by increased fees for bereavement services. The increase for exclusive rights and burial has the potential to have a more significant impact on people of the Muslim and Jewish faiths due to their religious preference for burial.

159. There are no identified disproportionate impacts in **People Services (Children, Young People and Families** or **Adults**), **Resources**, or **PPC**.

Sex – including men, women, pregnancy and maternity

160. Sheffield has a population overall which is approximately 51% female and 49% male with some variations at different ages. 58% of carers are women and 89% of lone parents. While the pay gap between men and women has been reducing, there is still evidence that, in general, men are paid more than women; the gender pay gap in Sheffield is 17.5%. 55% of women are economically active compared to 65% of men. See Community Knowledge Profile for more information on this.

161. Few impact assessments have noted clear direct disproportionate impacts on gender. However, as women have lower incomes overall, are a larger proportion of adult social care service users, carers and lone parents, there will therefore be an indirect impact from multiple proposals such as increasing in charging, changes in Adult Social Care, and Council Tax. See the sections on older people, disability and carers for the potential of indirect impact due to multiple disadvantages in the **People** Portfolio.

- In **People Portfolio (Children, Young People and Families)** the Strengthening Families demand management work will continue to work with survivors and perpetrators of abuse regardless of gender, with a focus on early intervention and prevention. However as most victims of domestic and sexual abuse are female this will have a disproportionate impact.

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

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

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

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

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

entitlement to support, the family premium for working age customers, which the Government removed from Housing Benefit entitlement decisions in 2016.

166. Further, the Government proposed to reduce Housing Benefit entitlement for families or single parents who have a third child after April 2017. We could also have incorporated this change into our CTS scheme and reduce support for working age customers , but by choosing not to do so we will continue to be able to offer the maximum possible support to families with more than 2 children. This is particularly relevant given that the second phase of the Government's "Benefit Cap" was introduced in 2017. Unlike the first phase, which predominantly affected families with 4+ children, the reduced benefit income allowed under this phase of the cap will affect households with 3 children and some with 2 children.

167. In Sheffield, there are currently just over 400 households who are affected by the benefit cap. The benefit cap, until a household moves on to Universal Credit, reduces the weekly Housing Benefit received, thus increasing the amount of rent these households have to pay. The average Housing Benefit reduction in Sheffield is £47.05 per week. By increasing the funding available for the CTHS we will increase our ability to offer, where appropriate, priority financial assistance to these families, as demand for assistance from this group of customers increases.

168. It is recognised that lone parents in receipt of CTS, the majority of whom tend to be female, are likely to be affected not just by the advent of CTS but by other welfare reforms, such as the removal of the family premium in Housing Benefit calculations, which we are proposing not to replicate for working age CTS customers, and the benefit cap. As such, by maintaining the CTS scheme in its present format and proposing to maintain and increase the funding for the CTHS, the Council will continue to offer financial assistance to single parents.

Sexual orientation

169. The Community Knowledge Profiles note that approximately 5 to 7% of people identify nationally as LGB (lesbian, gay or bi-sexual), although we do not have more local information. We estimate though that Sheffield is likely to have a similar proportion of people who identify as LGB+ as the national average, so approximately 28,000 to 38,000 people. The proportion of younger people Identifying as LGB+ is usually higher than the national average.

170. In **People Portfolio (Children, Young People, and Families)** the domestic abuse project on prevention and early intervention has a positive impact and recognises support includes people who may be attracted to or are in a same

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

171. Overall, across the Council, in **Place**, **Resources** or **PPC** we do not think there will be a negative disproportionate impact for LGB+ people, but information on our service users in this area is limited. In the past year we have integrated appropriate monitoring into key areas like social care. Further monitoring will be undertaken as part of individual EIAs to assess this as appropriate.

172. In **Resources** there is no evidence to suggest that assessing CTS based on 77% of Council Tax liability has had a greater or lesser impact on customers purely as a result of their sexual orientation. It is clear from analysing overall collection rates that some households from across the City have found (and will continue to find) it more difficult to meet their Council Tax liability. As the CTS caseload is representative of the City's differing make up, it is reasonable to assume taxpayers of different sexual orientation will form part of the overall group of CTS taxpayers who are struggling financially. Therefore the CTHS will help to mitigate the impact of CTS amongst the most financially vulnerable regardless of sexual orientation.

Trans

173. There are nationally approximately 0.6% of the population that are trans, and so we would expect there to similar numbers in Sheffield, which equates to 3,300 people.

174. Service impact assessments have detailed any disproportionate impacts in this area except in the **People Services (Children, Young People and Families)** which notes that the Domestic Abuse Project will have a positive impact as it recognises that trans people also face domestic abuse within a relationship. The Sexual Health Redesign will promote improved access to sexual health services and highlights those individuals who are difficult to reach or have particular needs, for example, transgender people or those identifying as non-binary.

175. Overall, across the Council in **Place**, **Resources** or **PPC** we do not think there will be negative disproportionate impact on trans people. However we do not have a sufficient amount of monitoring information about our service users in a lot of services, so further monitoring will be undertaken as part of individual EIAs to assess impact as relevant and appropriate.

Financial exclusion and poverty

176. Sheffield's Child Poverty report in 2017 shows the proportion of children living in families in receipt of out of work benefits, or in receipt of tax credits where their reported income is less than 60% of UK median, has increased. In line with other Core Cities and national trends, the most up-to-date data shows 31.3% (35,820) children are living in poverty in Sheffield after housing costs (AHC). However, the figure masks the wide and well-documented variation between different parts of Sheffield. In Ecclesall ward, 7.8% (AHC) of children were living in poverty, whilst in Burngreave the figure was much higher at 51.19% and Central and Firth Park at 49% in poverty.

177. In 2017, 17 of the Sheffield's 28 wards had more than 20% of children living in relative poverty (AHC). There are clearly multiple causes of child poverty; however, it is likely that national welfare reforms are a significant driver of changes seen.

178. Joseph Roundtree Foundation (JRF) research (Monitoring poverty and social exclusion 2016 report) notes 'While overall levels of poverty have remained fairly static over the last 25 years, risks for particular groups have changed. Income poverty among pensioners fell from 40% to 13%, while child poverty rates remain high at 29%, and poverty among working-age adults without dependent children has risen from 14% to around 20%. The number of people in poverty in a working family is 55%. Four-fifths of the adults in these families are themselves working, some 3.8 million workers. Those adults that are not working are predominantly looking after children.

179. Between 2008 and 2014 the cost of essentials went up three times faster than average earnings and the cost of essentials went up twice as fast as general inflation. At the same time, average earnings were stagnant and benefits that low-income households rely on (both in and out of work) were cut in real terms. The face of poverty has also changed in other ways:

    - Pensioners are now less likely to be in poverty than previously, but other groups are more likely to be in poverty. Poverty amongst pensioners is directly linked to their experience in earlier life.
    - Nationally, poverty rates for disabled people have reversed, with poverty increasing.
    - When the extra costs of disability are partially accounted for, half of all people in poverty are either disabled, or in a household with a disabled person.
    - People from minority ethnic backgrounds are more likely to be in poverty.

- People in poverty face reduced and falling financial resilience. For example, 69% of the poorest fifth have no savings whatsoever, an increase from 58% in 2005/06.
- Care leavers, and carers (both young carers and adult carers) are at increased risk of poverty.
- Children in large or single parent families are at greater risk of poverty. Almost two thirds of children living in single parent families live in poverty; they are also one of the groups hardest hit by the new benefit changes.

180. The Government's commitment to make a further £12bn reduction in welfare spending will be achieved in part through increased employment and wages, in part through reducing and limiting specific welfare benefits, and in part through a dramatic reduction in the resources available to offer employment support that will accompany the termination of the Work Programme in 2017. A detailed analysis of the impact of the planned reductions in welfare spending is being carried out by Sheffield Hallam University and can be found at http://www.shu.ac.uk/research/cresr/sites/shu.ac.uk/files/welfare-reform-2016.pdf.
181. Sheffield City Council's budget reductions, coupled with issues above like welfare reform, mean that preventing inequality from worsening or not widening is one of the main aims of the assessments.
182. Across all Portfolios we have tried to minimise the impact as far as possible, especially on those that are in greatest need or at risk, such as those that face financial exclusion and poverty. We have also aimed to ensure the budget proposals are in line with the Fairness Commission Principles and our priorities outlined in our Corporate Plan such as tackling inequality.
183. We have considered the key drivers of poverty and its effects (short, medium, and long term). Our proposals therefore reflect the Council's intention to tackle poverty and reduce inequality, as outlined in the Tackling Poverty Strategy 2015. The strategy notes three ways we will make an impact:
    - Changing the way we do things so that tackling poverty is always a priority.
    - Taking action to make things better for children and adults who are struggling and in poverty now (including providing advice, reducing the cost of essentials and reducing crime).
    - Tackling some of the root causes of poverty and giving our children the best chance of a poverty-free future (including improving skills and

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

184. In **People Services**, our Grant Aid funding arrangements for 2019-20 prioritise support that helps to alleviate poverty, manage debt and maximise income. In particular, our funding proposals respond to ongoing concerns about the impact on people in Sheffield of the introduction of Universal Credit and wider welfare reform.

185. We see positive opportunities in bringing forward proposals that help to reduce pressure on services by enhancing people's skills and independence. In 2019-20, using occupational therapy and other support, we aim to deliver a project that helps working age adults move from lower levels of care and support towards greater social inclusion, employment prospects and financial benefits.

186. For disabled people who need care and support, we will continue to recognise their real cost of living expenses when we calculate financial contributions to care. And we will carefully consider individual circumstances and take a sensitive approach to recovering any overdue contributions. In **Public Health**, the reduction in funding of People Keeping Well (PKW) will have minimal impact as the small reduction is being spread over 14 projects across Sheffield. Therefore the reduction to each PKW programme will be small and will mainly impact on supplies and services budgets rather than front line delivery.

187. Sexual Health inequalities are the starkest for people who are financially excluded and the Sexual Health Redesign aims to be inclusive in meeting the needs of this vulnerable group.

188. In **Place** there are a number of proposals with an impact on financial inclusion and poverty:

- There is an increase in the charge for replacement green and general waste bins. Replacement or new recycling containers will be free of charge and no charge will be made if the bin is damaged during the collection activity.
- Increase in the charge for larger or additional bins.
- Removal of the subsidy for bulky waste collection. The service will still be available at full cost and there is free disposal at Household Waste Recycling Centres across the city.

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

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

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

- Demand management work on the Fresh Start Project will work with those most at risk of having a child removed, and this will include teenage mothers. Care leavers and young parents are amongst those most vulnerable to poverty.
- By having the right support at the right time and in the right place so children and young people, we are preparing the young person for transition into independence and employment. By preparing the young person for independence and employment, we are mitigating against one of the key determinants of financial exclusion and poverty.

190. The Council administers the following schemes which have an impact on financial inclusion, including:

- Local Assistance Scheme (LAS) provides grants for those in greatest need as a result of an emergency or crisis, or in order to establish themselves in the community (after, for example, a lengthy hospital stay).
- Council Tax Support Scheme (CTS) – this was established in April 2013, when the Government abolished Council Tax Benefit. It provides some support for people to pay their Council Tax who are eligible due to low income or being in receipt of particular benefits.
- Council Tax Hardship Scheme (CTHS) – this scheme helps people who receive Council Tax Support and who are in severe hardship.
- Discretionary Housing Payments – funded by the DWP these payments provide assistance to households who are receiving Housing Benefit and who are experiencing financial hardship as a result of a shortfall between their Housing Benefit and Rent.

191. In **Resources** it is intended that the CTS scheme continues to be closely aligned with the principles of the revoked CTB regulations. These regulations provide for the maximum financial support being made available to those with the greatest financial need. They protect some of the income of the disabled and of families whilst providing assistance to those people who move off benefits into paid employment. However, the Government in pursuing its Welfare Reform agenda has made changes to the Housing Benefit scheme which reduces support to certain working age customer groups. If we replicate those changes in our CTS scheme we will also reduce support under our scheme to those customers. It is proposed not to incorporate those changes into our CTS scheme. By taking this decision we will continue to provide the maximum available support under our scheme.

192. The Council recognises however that requiring all working age customers to pay a minimum of 23% of their Council Tax may cause financial hardship amongst these households. Therefore the Council is proposing to continue to operate the Council Tax Hardship Scheme (CTHS) in 2019/20 and to increase the assistance available under the scheme by £200k, in order to continue to offer assistance to the most financially vulnerable households. By doing so we will be able to target assistance to those customers in the greatest financial need. Further the Council also maintains a Local Assistance Scheme which can provide additional financial support to certain CTS taxpayers in financial difficulties.

193. However we will increase Council Tax by 2.99% (approx. 58p per week for most households) to enable us to continue to protect services to those who are in greatest need and at risk.

194. The Local Assistance Scheme (LAS) is run by the Council and replaces the Crisis Loans and Community Care Grants that were previously available from the DWP. The LAS provides grants to help people as a result of an emergency or crisis, or to help them establish themselves in the community or to ease exceptional pressure, and can be awarded for household furniture and other essentials.

195. The LAS was reviewed in 2017 and the following changes have been made to the scheme:

- Instead of providing crisis loans via Sheffield Credit Union, LAS now provides Sheffield Crisis Grants, which follow the same criteria as the Local Assistance Loans except that they do not have to be repaid.
- Local Assistance Grants have been renamed Sheffield Independence Grants. Individuals under exceptional pressure are now considered in addition to families for these grants. Applications from customers who are assessed to have insufficient income, including those not in receipt of a qualifying benefit, are now considered (previously customers had to be receiving certain benefits to qualify).

196. The Council provides funding to Sheffield Citizens Advice as well as providing other organisations with grants to support people who are living in poverty or who are at the risk of poverty. The Revenues and Benefits service also has close links with this sector, particularly with advice agencies and supported housing providers. The service will continue to engage with them where appropriate to review and refine the scheme in order to ensure that it continues to be fit for purpose. By proposing to maintain the scheme in its current format and therefore not making it less generous, the Council is

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

Carers

197. According to the Carers Community Profile (see Community Knowledge Profiles) and 2011 Census there are 57,373 residents who provide unpaid care, including 4,559 young people under age 25. 58% of carers are women. Few impact assessments have noted clear direct negative impacts on carers. However, as carers overall have lower incomes and, by definition, care for a large proportion of adult social care service users, there will be an indirect impact from multiple proposals.

198. In the sections on older people and disability, some proposals put forward by **People Services** could have an indirect impact on carers due to multiple disadvantages this group faces. The portfolio is taking forward plans to review the best use of its in-house short break facilities – potentially, to help more when there is an emergency or carers face a crisis. A minority of carers may be negatively impacted as we look for more consistency in the take-up of short break services; but there will be wider benefits for the majority of carers. We will also continue to develop both short-term and long-term use of our Shared Lives service, enabling people to live ordinary lives in the community, with benefits for them and their host.

199. The Better Care Fund partnership with the NHS CCG will continue, with the aim to deliver better joint commissioning, to ensure people get the right care when and where they need it. This should also lead to more effective and efficient services which will lead to positive impacts for disabled people and their carers. However the Better Care Fund is not enough to support both adult social care and the NHS to work differently. There is still a need to deliver significant change in how services are planned, commissioned and delivered in Sheffield.

200. There are some proposals which were implemented following last year's budget, where the reductions did not fully take effect until this year. We have reviewed and updated EIAs from last year to make sure that we have implemented EIA action plans and identified next steps.

201. In **People Services (Children, Young People and Families)**, recruitment of Foster Carers by Sheffield City Council may impact on other organisations ability to recruit as potential carers will come from the same or similar cohort. The Strengthening Inclusion programme will positively impact on carers as children, young people and families will be able to access a range of local, flexible support at the right time and in the right place, that meets their needs

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

202. In **Place** there is a positive impact for residential carers due to the removal of the charge for residential carers parking permit, which was previously £10.00.

203. In **PPC** there are few impacts on carers highlighted.

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

Voluntary and Community and Faith Sector

205. When considering the impact on the VCFS, the importance of ‘social value’ is recognised by the ‘Best Value’ guidance, which was published by the previous Government in September 2011. This states that authorities have a duty to consider the impact of budget reductions on VCF or other organisations that have a ‘social value’. The Public Services (Social Value) Act requires us to take social value into consideration when we commission services. In order to do this effectively we will continue to monitor the impact of changes over the next year on service changes as well as the knock on effects of reductions on other providers, and continue detailed consultation with customers and other stakeholders as specific activities are implemented.

206. In 2019-20, **People Services** will enter year three of the current agreements to pay Grant Aid and play our part in supporting voluntary sector partners. The agreements are based on a tapering model of funding, which allows a gradual reduction in Council financial support while organisations look to develop their income streams and sustainability. We recognise the important role the organisations have, and the potential impact of any funding reduction. After consulting with each, our proposals reflect the priority being given to supporting services that work directly with vulnerable people, or that help to tackle injustice and poverty. **People** with protected characteristics – including disability (and mental illness), race, age and sex – are heavily represented amongst people who use these services. The impact of Universal Credit and

welfare reform was an important factor. Our proposals also consider alternative sources of funding that organisations have in place.

207. **People Services** will look for new ways to involve the VCF sector, recognising its potential to find innovative and preventative ways of supporting people. Priorities for 2019-20 will be to explore new funding opportunities for organisations to support people with mental ill health and people who currently use learning day facilities.

208. In **People Services (Children, Young People and Families)**, recruitment of Foster Carers by Sheffield City Council may impact on other organisations' ability to recruit as potential carers will come from the same or similar cohort and there are a limited number of individuals interested in becoming Foster Carers.

209. In **Public Health**, Central Government reductions have meant a cut to our budget of 2.6% or £864k. However we are continuing to address the root causes of ill health by supporting community groups that help people improve individuals their health and wellbeing. These contracts are being reviewed to ensure value for money and this may result in reduced contract values for some organisations.

210. It is possible that the combination of cumulative budget reductions over the last few years may have the unintended effect of destabilising some organisations that the Council and communities value. We are however working to mitigate this, including by ensuring no reduction to Grant Aid this year. Therefore this impact in this area will be low this year and not disproportionate.

211. There are no identified disproportionate impacts in **Place** or **PPC**.

212. The Council provides funding to Sheffield Citizens Advice as well as providers to support people who are living in poverty or who are at risk of poverty. The Revenues and Benefits service in **Resources** has close links with this sector, particularly with advice agencies and housing providers. The service will continue to engage with them where appropriate to review and refine the Council Tax and Hardship Schemes in order to ensure that it continues to be fit for purpose. By proposing to maintain the scheme in its current format and therefore not making it less generous, the Council is ensuring that during a challenging period of change for many low income households, it will provide continuity for those already claiming CTS and ensure that no additional confusion or disruption is brought about which otherwise may result in significant additional pressures being put on the Voluntary, Community and

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

213. Spending in **Public Health** is integrated throughout the Portfolios, so more detail on the use of our **Public Health** grant is given in the specific EIAs. Overall there may be a negative impact which reflects National Government cuts of 2.6% (£864k) in this grant. We are reviewing how and where the funding is spent to ensure that it is targeted to tackle the root causes of ill health and to have the maximum impact on reducing inequalities. This may mean that we will save on some activities in order to reinvest in other areas which have been prioritised.

214. The outcomes expected of the Public Health Grant will continue to be assessed under the Public Health Outcomes Framework (PHOF), and broadly fall into the following categories:

- Health and wellbeing is built into all that we do
- To protect people from preventable infections and environmental hazards to health
- To reduce health inequalities
- To support people to live healthier lives

215. Overall however as we target the households in most need there will be an inevitable impact on those who are still struggling financially but are not on the lowest incomes and who will be not eligible for targeted programmes. The biggest impact is likely to be on families with dependent children.

Council staffing implications, including workforce diversity

216. In all Portfolios the budget proposals include reduction on staffing budgets. The reductions arise from proposals to manage or deliver services in a different way. In all cases we will seek to manage employee reductions through voluntary early retirement, voluntary severance and by actively supporting staff that are vulnerable to redundancy to find alternative employment. The Council has also taken measures to minimise the impact on frontline staff where possible and appropriate.

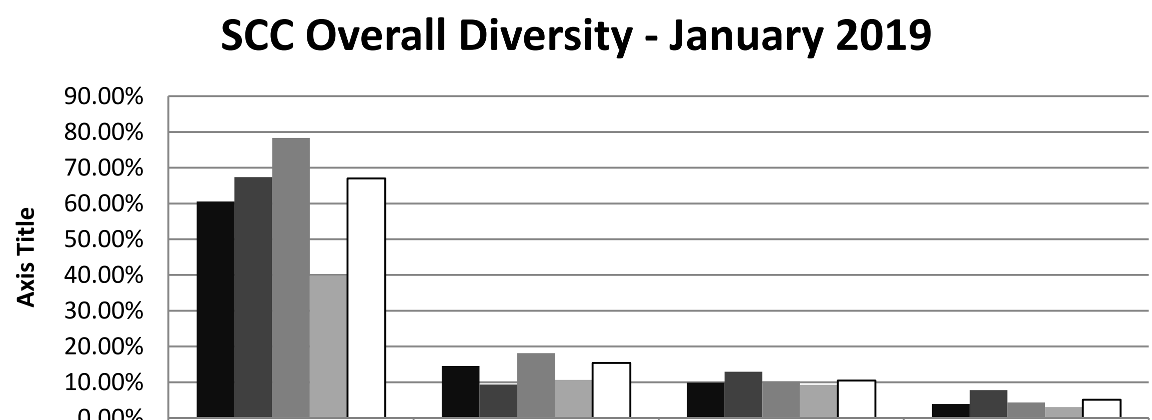
217. Additionally we have introduced a stronger emphasis on workforce planning to ensure that our resourcing models and choices, including agency arrangements, are well planned and cost effective. Unfortunately, despite all our efforts and mitigations, there may be the need for compulsory redundancies, although this has been limited to four in the last 12 months.

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

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

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

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



	Proportion of Women staff	Proportion of BME staff	Proportion of Disabled staff	Proportion of LGB Staff
SCC	60.55%	14.55%	9.88%	3.91%
Chief Exec	67.35%	9.38%	12.94%	7.78%
People	78.33%	18.15%	10.24%	4.34%
Place	39.83%	10.64%	9.26%	3.06%
Resources	67.00%	15.41%	10.47%	5.10%

220. Given the amount of internal restructuring as a result of the budget proposals and other significant drivers, for example the change programmes linked to SCC2020, and possible staff reductions of up to a further 135.5 FTE positions 2019/20, a significant number of workforce EIAs within Portfolios have been completed.

221. The monitoring of the MER and VER/VS schemes in 20116/17 period shows a downward trend on our Disabled workforce profile. We have measured this again in 2017/18 along with other protected Characteristics, and we can report there is no negative disproportionate impact on people who are Disabled, BAME or LGB+ in the latest reporting period. When measuring this, an important factor to consider is out workforce diversity at different age ranges.

222. As in the previous year, monitoring shows some disproportion of females leaving the organization through MERs. The majority being people who volunteered to leave on enhanced schemes. We will continue to measure this. Workforce diversity has decreased this year in all areas but some more than others. However overall trend over 5 years is still positive.

223. We will continue to work within our Recruitment and Selection policy and associated procedures to promote workforce diversity to reflect the demographics of the city. We currently hold Disability Confident at Level 2 with a view to apply and be successful for Level 3 Disability Confident this year. We are a Stonewall Diversity Champion.

224. We are also working with managers, staff and trade unions to ensure the workforce is viable and appropriate to the council's future operating and service needs, with a balance of skills and experience. This has included the implementation of the Organisational Workforce and OD Strategy that acts as one of the enablers to ensure the programme delivery for SCC2020.

Cumulative impact

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

226. The groups which are impacted across EIAs and portfolios are disabled people, older and young people, women, carers and people on low incomes. Disabled people, some women such as lone parents and female pensioners, carers, young people tend to have lower incomes and some BAME groups

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

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

228. We are continuing to work with partners to be more efficient and joined up. For example, we are working with the CCG to develop a single pooled budget for Health and Social Care. We are also continuing to work across the region where appropriate to help save costs and to enable better joined up services.

229. A further impact across a range of proposals will be the transition from one provider to another, which may include moving from one location to another. These changes have the potential for significant impact on those individuals affected by the change. We will take this into account in any changes, undertake risk assessments where necessary and provide support for users and carers.

230. There will be an impact on the workforce across all areas given the amount of internal restructuring as a result of the budget proposals, and there are possible staff reductions of up to a further 172 posts in 2018/19. A significant number of workforce EIAs are ongoing and a Council wide MER EIA has been completed. Over the last few years changes to staffing have resulted in a positive impact on workforce diversity.

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

Summary

232. There are over 100 EIAs on proposals and the groups most likely to be impacted negatively by individual proposals and cumulatively are disabled people, young and older people, women and individuals and families on a low income.

- Many services are continuing to comprehensively restructure services and teams and as a result we have saved money on offices and technology. Staffing levels across the Council have also reduced. Last year the majority of changes were managed through voluntary severance schemes. In 2019/20 we will be reducing the workforce by approximately 135.5 further posts.

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

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

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

- We are continuing to work regionally where appropriate to save costs but also to enable better joined up services.

233. The Impact Assessment also highlights some positive implications of budget proposals. Examples include improving the process of assessment and supporting planning for existing and future social care customers whilst ensuring choice and control over support to meet their eligible needs, and reshaping transport to provide services which promote independence. We will have better targeted and joined up pathways and services. Also, as we restructure services there should be clearer and more efficient ways to contact services.

234. Although we are confident that our budget proposals will mean services for those that most need our help and support will be prioritised, it will mean cumulatively significantly reduced universal provision that may impact especially on those households not in the greatest need, but who are still struggling financially and not able to pay for alternatives. Growing inequality is likely to therefore impact on stability and cohesion, and this will need further monitoring.

235. A list of EIAs available is attached and can be made available on request.

EIA Action Plan

Area of impact	Action and mitigation	Lead, timescale and how it will be monitored/reviewed
Overall and for specific issues relating to communities sharing characteristics under the Equality Act 2010	Individual proposals have had detailed EIAs and specific mitigation has been devised wherever possible. These will contain the detail of the actions required be monitored as appropriate. In some cases as proposals are developed further and implemented alongside consultation, some impact assessments will be revisited or updated. Continued focus on applying corporate priorities, the Fairness Framework Randomly sample 10% of EIAs in the year across portfolios to assess progress and effectiveness.	Service Managers within Portfolios as noted in EIAs. Performance monitoring within Portfolios - Directors of Business Strategy. Strategic Equality and Inclusion Board to examine in more detail the cumulative impact of the budget cuts made on Sheffield over the last 9 years.
Poverty and financial exclusion	Analyse, assess and monitor: • The impact and effectiveness of the Fairness Principles and poverty proofing as part of the EIA budget process. • The impact of the reduction in universal provision especially in culture, leisure, sport and young people. • The use and impact of the Council Tax Hardship Scheme.	The Tackling Poverty Group to develop further monitoring and analysis arrangements within the year which seek to assess the issues highlighted.
Workforce	The corporate workforce EIAs will be monitored annually.	Director of HR, annually at the Strategic Equality and Inclusion Board.

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

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

Equality Impact Assessment List 2019/20

www.sheffield.gov.uk/equality

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

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

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

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

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Medium Term Financial Analysis (MTFA)

Purpose of the Report

1. The purpose of the Report is to:

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

Executive Summary

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

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

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

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

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

4. After significant proposed portfolio savings and mitigating actions totalling £68.7m the net gap still to find stands at £31.1m over the MTFA period. The gap reduces and is balanced by year four (2022/23), but this position is subject to considerable uncertainty, particularly in relation to the low level of pressures in years three and four and the uncertainty over Government grants for social care.

5. The MTFA is recommending a continuation of approach to business planning which will focus on savings which support the Council's strategic priorities of economic growth, prevention and making the most effective use of our resources.

Recommendations

6. It is recommended that Members:

   - note the forecast position for the next 4 years; and
   - agree the approach to budgeting and business planning.

MTFA Contextual Information

Background

7. Every year the Council is required by law to set a balanced budget. The approval of the Council's budget in March is the culmination of the annual business planning process. This report seeks Cabinet endorsement of the proposed approach to this year's business planning process. For further details please see Section 4, Balancing the Budget.

8. The first step in the business planning process for 2019/20 was to estimate the gap between the Council's resources and expenditure.

9. In addition to cuts to Revenue Support Grant of around £140m over the last 5 years (from £192.5m in 2013/14 to £52.3m in 2018/19), the cut to RSG in 2019/20 will be £15.5m. However, due to additional Better Care Funding and forecast rises in other income such as business rates and council tax, the cut in RSG in 2019/20 will be completely offset, leaving a broadly cash standstill position. This standstill position still leaves us needing to meet very significant demand and cost pressures without any increase in resources.

10. Our estimates also reflect expenditure variations such as:

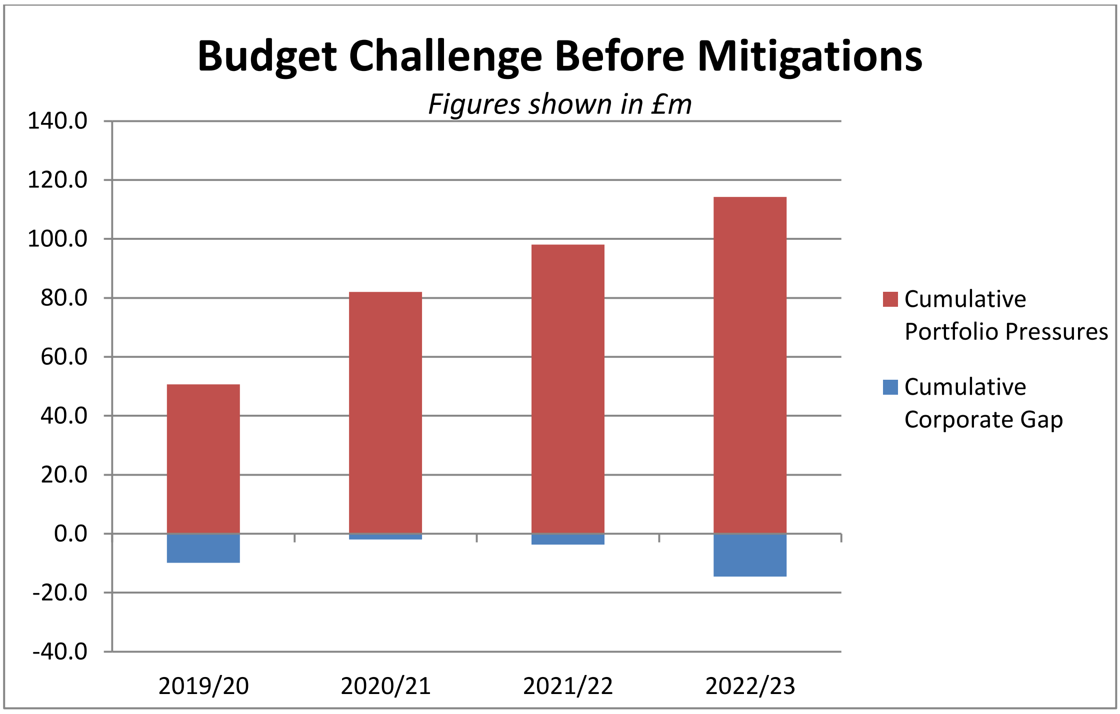
- Capital financing requirements for economic development project in the city, including Heart of the City;
- the estimated cost of implementing a new pay & reward strategy; and
- contractual inflation on the Streets Ahead contract.

11. The budget challenge before mitigations also takes into account pressures on services arising from inflation, demand or legislative changes such as the increase to the minimum wage. These pressures are becoming harder to deal with as budgets reduce and are currently forecast at £50.8m for 2019/20.

12. Further details on the overall budget challenge before mitigations of £99.8m for 2019/20 to 2022/23 are detailed in **Annex 1** and **2**.

13. The chart below (figure 2) shows how the forecast gap increases over the next 4 years from 2019/20 to 2022/23.

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

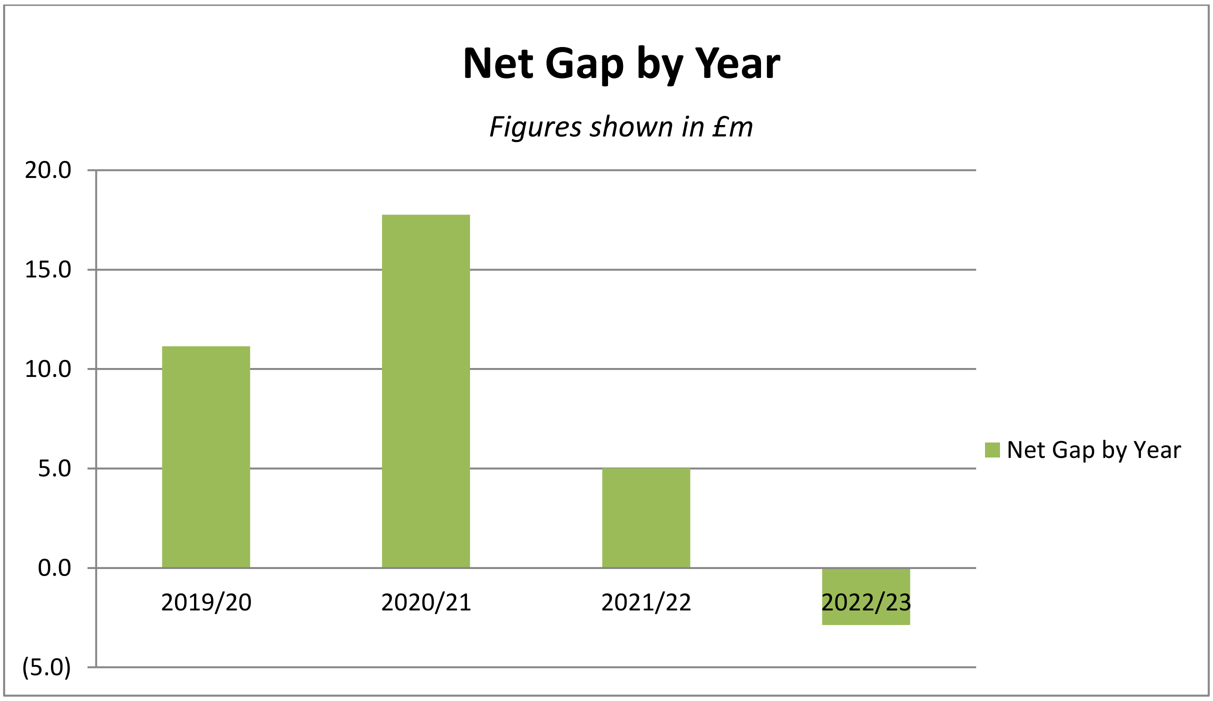


14. The net gap (the budget gap after planned mitigations) still to find for 2018/19 to 2022/23 now stands at £31.1m (see figures 1 & 3). The 2019/20 net gap is £11.2m and is detailed in the main body of this report. It is to be funded by reserves to ensure the Council meets its legal obligation to set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

15. Over 4 years, a net gap of the £31.1m is significant but is felt to be manageable over the medium term. Solutions will have to involve the identification of additional savings, demand management controls and the effective and prudent utilisation of the Council's reserves.

16. It has to be acknowledged that the net gap assumes the successful delivery of the £68.7m of planned mitigations over this MTFS period. This is a substantial ask given the amount of savings already delivered by the Council over the last 9 years of austerity. However, the successful delivery of this medium term financial strategy and implementation of the management solutions highlighted above will deliver a sustainable ongoing position for the Council. However failure to deliver these mitigations will leave the Council in a very vulnerable position.

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



Reform to Local Government

17. The Local Government Finance Settlement for 2018/19 announced the Government's intention to increase the retention of business rates by Local Authorities from 50% to 75%. Whilst increased retention has been a proposal for some time, the objective had, prior to this announcement, been for 100% retention.

18. The Council has always assumed that any growth in retained rates would be matched by reductions in Government grants – in effect; the net increase in finances would be nil. This has been echoed by public commentators such as

the 'Public Finance' publication, and by Government comments that the change will be "fiscally neutral".

19. For the reasons set out above, and given the uncertainty of any future deals around business rates retention, we continue to assume 75% retention will be fiscally neutral. This assumption is a key uncertainty and risk for the Council going forward.

20. In addition, the Ministry for Housing, Communities & Local Government (MHCLG) is currently in the process of reviewing the formula that determines baseline funding levels for all local authorities, the Fair Funding Review.

21. As of February 2019, the result of this Review is uncertain for the Council. There are potential downsides if the parts of the formula that benefit the Council (e.g. the funding for population density) are, in the round, decreased, in favour of less-advantageous measures to Sheffield. There are also potential upsides, in so far as re-baselining has the chance to recognise better our funding needs (i.e. our social care pressures and level of deprivation).

22. There is also the question of the amount, rather than split, of funding – the formula may change in a way that advantages the Council relative to other authorities, but if the overall pot of funding from Central Government decreases, the effect of this will be minimal. The new baseline of funding currently under review is scheduled to begin for the year 2020/21. Officers are continuing to represent the Council during the phases of consultation and support Members to lobby Ministers and prominent Government influencers.

23. Due to the uncertainty surrounding the outcome of this review, the MTFA assumes no impact on its overall resources. In the event that this position becomes clarified and the Council is materially impacted, either positively or negatively, by its outcome, then we will revise our forecasts to highlight the changes, and the approaches will will then need to take to deal with the outcome.

24. The extract below, taken from a public account committee report (Financial Sustainability of Local Authorities, July 18), reiterates the points above and sets out the consequences of these significant levels of uncertainty.

25. **The lack of a long-term funding plan for local authorities is a risk to value for taxpayers' money.** A series of significant changes to the funding of local government and the scale of funding will come into force in 2021. These are the 2019 Spending Review, the Fair Funding Review and the introduction of 75% local retention of business rates (up from 50% retention). The Spending Review will set the total amount of government funding available for local authorities, the Fair Funding Review will set the framework for distributing funding between authorities, and increased business rates

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

Assessing the Budget Gap

Budget Gap

26. As shown in Figure 1, the scale of the budget gap is affected by changes in the Council's resources (Revenue Support Grant - RSG, Business Rates, Council Tax and other specific grants) and expenditure, as well as one-off and exceptional items. **Annex 1** provides a more detailed breakdown of these changes.

27. **Annex 2** details all the assumptions applied in reaching the numbers in figure 1 in detail but the key assumptions in summary are:-

- **Revenue Support Grant (RSG)** - Grant reduced by £15.5m in 19/20 as per the 2017/18 Local Government Finance Settlement, but no further reductions are assumed in the MTFA in future years. This is because we anticipate any further reductions being rolled in to a wider change in settlement linked to the proposed move to 75% Business Rates Retention resulting in a broadly cash neutral effect at point of transfer in 20/21.

- **Business Rates** - A business rates growth model to analyse potential growth has been developed by a multi-disciplinary team of Council officers. This model pulls information from a variety of sources in order to quantify growth in our business rates base. We have assumed relatively prudent growth in the model. Possible major retail redevelopments are forecast to result in a decline in NNDR income during construction (as they will disrupt businesses and hence reduce rateable values). This impact is prudently forecast to be £6.0m over the three years 2019/20 to 2021/22, with an additional £5.0m rates forecast per year thereafter (as rateable values will increase once the redevelopments have finished). However only one year of this increase is in the scope of this MTFA, resulting in a net £1.0m loss in this period.

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

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

28. The budget gap has been assessed on a relatively neutral basis. Our 'base case' has some upsides (e.g. we hope our pensions deficit payments will fall from 20/21 when the actuary completes our next tri-ennial valuation), but also some financial risks that, should they materialise, would have a significant impact on the Council's ability to achieve a balanced budget position. See **Annex 3** for the details of the main financial risks. Some examples include:

- **Change in Forecast Pressures** - Figure 1 highlights a significant reduction in the level of pressures in 2021/22 and 2022/23 when compared to 2019/20 and 2020/21. Given the size of the current forecast Budget Gap and against a net revenue budget of around £400m, any ability to deal with any adverse change in forecast pressures, when resources are severely constrained, will be a key challenge. Non-delivery of savings. The base case assumes all the savings we have declared will be achieved, or alternative sources of savings will be found.
- **Local Government Reform** - As mentioned in the previous sections, the impact of 75% local retention of Business Rates and the Fair Funding Review have not yet been reflected in the table due to uncertainty around any transfer mechanisms and financial impacts on the Council.

Capital Programme

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

30. The largest forecast area of capital expenditure is the Heart of the City Two (HotC2) project, which aims to revitalise the City Centre with additional high

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

Housing Revenue Account

31. The Housing Revenue Account (HRA) is the statutory financial account of the Local Authority as landlord. The Council owns approximately 39,700 homes that are home to around 45,400 tenants, together with their families or other occupiers. In addition, 4,500 leaseholders also receive housing services from the Council. It is the Council's current and future tenants and leaseholders who are impacted by the decisions made in the HRA Business Plan.

32. For budgetary purposes, the HRA is kept separate to the General Fund revenue budget, hence any proposed changes to the HRA business plan are not expected to have any impact on the MTFA. The next update to the HRA Business Plan will be presented alongside the HRA revenue budget for 2019/20 to Cabinet in February 2019.

Approach to Balancing the Budget

33. 2019/20 is the ninth year of the Government's austerity programme, and we have had to plan for another cash reduction in our Revenue Support Grant, this year by £15.5m. Given the scale of the year-on-year reductions we have faced, it is becoming increasingly difficult to balance our budget whilst protecting our front-line services, particularly by trying to make a series of across-the-Council percentage cuts to each service.

34. Consequently for 2019/20 we have used a blended approach, of largely expecting services to manage their own pressures, whilst asking Place and Resources Portfolios to contribute some additional savings to help alleviate some of the Social Care pressures faced by People Portfolio. This approach means we are refreshing a four-year programme of transformative strategic changes in individual services intended to release sufficient savings to enable our budget to be balanced. As part of this process, we are seeking to focus activities on the Council's key priorities of economic growth, prevention and making effective use of our resources. This programme is supported by a Council-wide continuing search for lower level "tactical" reductions in

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

Reserves

35. The Medium Term Financial Analysis is prepared against a backdrop of uncertainty and potential risk. There is nothing new in this, and whilst some of the risks have been managed by the Council for many years, it is important that the Council has adequate financial reserves to meet any unforeseen expenditure. For an organisation of the size of Sheffield City Council, relatively small movements in cost drivers can add significantly to overall expenditure.

36. The Executive Director of Resources has reviewed the position relating to Reserves and has produced a Reserves Strategy as part of the 2019/20 revenue budget which is attached at **Appendix 4** of the main budget report. This sets out the estimated requirement for Reserves and explains the purpose of earmarked reserves

Implications and Alternative Options

Implications

37. Financial & Commercial Implications

    - This is a revenue & capital financial report, as such all financial and commercial implications are detailed in the main body of the report.

38. Legal Implications

    - There are no specific legal implications arising from the recommendations in this report.

39. Equal Opportunities Implications

    - There are no specific equal opportunities implications arising from the recommendations in this report.

Alternative Options

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

Annex 1- Forecast Revenue Position 2019 - 2023

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

Annex 2 – Key Assumptions

Assumption / Scenario	**Base Case**
Income Variations	
RSG	Indicative reductions as per 2017/18 Local Government Finance Settlement, i.e.: • £15.5m (2019/20)
Business rates	• A business rates growth model has been developed by a multi-disciplinary team of Council officers to analyse potential growth. This model pulls information from a variety of sources in order to quantify growth in the business rates base. Any forecasts of potential growth need to be treated with caution as there may be reductions in business rate income elsewhere as businesses relocate or have their rate liability re-assessed by the Valuation Office Agency (VOA). • Possible major retail redevelopments are forecast to result in a decline in NNDR income during construction. This impact is prudently forecast to be £6.0m over the three years 2019/20 to 2021/22, with an additional £5.0m rates forecast per year thereafter (as rateable values will increase once the redevelopments have finished). However only one year of this increase is in the scope of this MTFA, resulting in a net £1.0m loss in this period. • Business ratepayers can seek an alteration to the rateable value of a property by appealing to the VOA. However, because of the large volume of appeals, decisions by the VOA can take several years. A prudent provision has been taken for the appeals and as such this should not impact on the MTFA. It is difficult to arrive at a reliable estimate of the potential refunds due on outstanding appeals in addition to any new ones that may be lodged. Based on the most recent data provided by the VOA, it is assumed that the cost of refunds due to appeals will remain at 2018/19 levels. • There are a number of reliefs against business rates liability, including small business rates relief, charitable relief, and deductions for empty properties and partly occupied premises. It is estimated that the total value of these reliefs and deductions will be approximately £46.7m. • Inflation on business rates multiplier is based on the forecasts made by the Office for Budget Responsibility in March 2018 CPI (e.g. 2.4% for 2019/20) minus 0.5% to account for market volatility. From 2019/20 the inflation figure has changed to CPI in line with the policy announced by the former Chancellor in the 2015 Autumn Statement. • Top-up Grant is forecast to rise in line with Government announcements. • Business Rates growth – We have assumed relatively prudent growth in line with the Business Rates Growth Model.
Council tax	• To recognise increase in properties, the tax base has been re-baselined for 2019/20 following substantial development within the city. In addition to this, we are forecasting 1,000 new Band D equivalent properties for each of the next 4 years. • The tax base for 2019/20 assumes that 38,731 properties would be eligible for discounts and exemptions. At the present time, it is assumed that the number of properties claiming discounts/reliefs in future years will remain the same. However, this figure is subject to fluctuations throughout the year, particularly as a result of student homes exemptions. • Local Council Tax Support Scheme stays the same. The current CTSS in Sheffield which was introduced in 2013 requires council tax payers of working age to pay a minimum of 23% of their

	council tax bills. For financial planning purposes, it has been assumed that the scheme will not be altered in the medium term. However this will be an issue for Members to consider alongside the savings proposals for 2019/20. • The Government has announced a 3% referendum trigger for Council Tax. The current MTFS assumes a 2.99% rise. • There is no forecast Adult Social Care precept for 2019/20 and beyond. Sheffield City Council has used the flexibility available to it under the current scheme. • In-year collection rate remains at 95.5%: for budgeting purposes, the practice has been to set a prudent in-year collection rate as part of the tax base calculations, although eventually the Council recovers up to 99% of council tax. The introduction of CTSS has also had an impact on the collection rate. The forecast level of council tax income for 2019/20 assumes an in-year collection rate of 95.5% (unchanged from 2018/19). • No change to reliefs & discounts
Collection Fund surplus/ deficit	• £8.2m of collections fund surplus is played into the 2019/20 budget but creates a pressure in 2020/21 due to its one-off nature. Not futures years surpluses are anticipated within the MTFA.
Specific grants	• Improved BCF grant as per 2017/18 Local Government Finance Settlement allocations i.e. additional £9.3m for 2019/20. These increases have been factored into the calculation of the forecast corporate budget gap, as illustrated in Annex1. • We assume this revenue stream continues in some form (i.e. as a specific grant, or rolled into general funding) from 2020/21
Other Income	• Rental income from the Heart of the City Development of approximately £3.0m per year for 2019/20 to 2021/22. This reduces during 2022/23 after the anticipated sale of part of the development. This income along with the anticipated additional business rates mentioned above offsets the majority of capital financing costs relating to the development highlighted in the expenditure variation section below.
Public Health	• Based upon the latest available information, we are of the view that the Public Health grant will be reduced by 2.5% to 2.6% per year up to 2019/20, after which point it is likely to form part of the exchange of grant for an increased share of business rates. Any reduction in grants is expected to be offset by reduced expenditure by portfolios.
Dedicated Schools Grant (DSG)	• Within DSG there are three blocks of funding: the Schools Block, the High Needs Block and the Early Years Block. • For the Schools Block, Central Government is progressing implementation of fair funding for all schools in the country. The timeline for full implementation is yet to be confirmed, as it requires parliament's approval, but it could be in 2020/21 or beyond. The proposed changes will mean an increase in Sheffield income when the proposed changes are fully implemented as we have received historically low funding settlement from the Government. We have assumed that Sheffield's income will increase by 2% for 2019/20 and a further 1.7% for the year when full implementation may take place. These assumptions are subject to changes on policy in relation to growth and mobility and schools revenue funding guidance issued by ESFA (Education and Skills Funding Agency. • Funding allocations and policy decisions for 2020/21 and beyond are part of the next national government spending review and these allocations are less certain. • Within the Schools Block, there is a sub-block 'Central Schools Block'. This contains funding for central schools' services and historic local authority spending commitments. It is anticipated that the Central

	Schools Block will be subject to reductions in funding over the coming years and there are specific limitations on the historic commitments. This reduction in funding will inevitably create budget pressures for a number of council departments. We are awaiting guidance from ESFA if limitation on central school block will start to be applied in 2019/20. • For the High Needs Block, income is anticipated to increase by £1.5m for 2019/20 and then by a further £1.3m from 2020/21 onwards, as part of the implementation of the national fair funding formula. • For the Early Years Block, we are not anticipating any significant changes.
Expenditure Variations	
Pay inflation	2% per annum from 2019/20, to be absorbed by portfolios
Pay strategy	The estimate of £11.9m of pay and reward costs over the period of this MTFA reflects the overall funding envelope which the Council believes is affordable given its current financial pressures. This funding will be required to cover the cost of assimilation to the new nationally agreed NJC pay spine and in line with Living Wage Foundation. This is above the 2% that portfolios have added to their pressures. It also allows for the cost of spinal increments to be taken corporately rather than by portfolios. This was never specifically funded but forms part of the overall corporate gap.
Employers' national insurance	No further changes to NI anticipated.
Streets Ahead Contract Inflation	The Council investment in the Streets Ahead contract will result in the required amount increasing by approximately £1.8m per annum from April 2017, as planned, taking the total cost in 2018-19 to £85m. It does not include any additional costs arising from possible delays to the programme arising from street trees. The costs rise as the contractor invests in bringing the highways infrastructure up to the agreed standard. This includes the full debt charges associated with borrowing £135m to finance the acquisition of assets (a saving on the previous borrowing via PFI).
MSF	Corporate support for Sheffield City Trust (SCT) debt charges: The additional costs shown against the 'MSF ongoing increase' line in Annex 1
Capital financing costs	We anticipate that the capital financing budget can be reduced by £1.0m in 2020/21. This is for two main reasons. Firstly, future borrowing is likely to be taken at lower rates of interest than we have achieved historically. Secondly, some of the capital programme could be temporarily funded from borrowing from internal resources, lowering the overall level of interest incurred.
Schools PFI	Additional Funding of £1.0m is needed in 2020/21 and a further £1.0m in 2021/22 to cover the shortfall between the PFI income and unitary charge cost for the schools' PFI projects.
Howden House PFI	Additional costs associated with the annual inflation uplift in the unitary charge. Based on current inflation forecasts, the additional annual cost is expected to be approximately £100k per annum from 2020/21 and 2022/23.
Council Tax Hardship Fund	Hardship Fund increases by £0.2m per annum.
Heart of the City Capital Financing Costs	The MRP and Interest on borrowing for the city centre development will be approximately £4.6m for 2019/20, increasing to £7.4m by 2021/22, before reducing by £3.0m in 2022/23 following the sale of some of the development. As mentioned above, this additional capital financing requirement is significantly offset by the additional rental and business rates income the scheme is anticipated to generate.

Annex 3 – Key Financial Risks

RSG reductions	Our current assumption is based on the 2017/18 Local Government Finance Settlement announced in February 2017. Although RSG is part of the multi-year settlement offer made by the Government, there is a risk that the offer could be affected by external factors such as global recession, Brexit, further austerity and/or any further localisation of business rates retention.
Business rates	Key sensitivities relate to: • Meadowhall Redevelopment could realise a greater drop in income than already forecast • 2020 reset – no indications presently available, but could have a significant impact on the Council's top-up grant • Appeals – highly volatile; the Council seeks to mitigate fluctuations in appeals by regular monitoring and communications with VOA.
Council tax	• The increasing level of Council Tax may mean that collection rates fall amongst more disadvantaged and vulnerable residents. • The Government has announced a 3% referendum trigger for Council Tax. The current MTFS assumes a 2.99% rise. Failure to act on this increase would have a material impact on our delivery of services. It will be for Council to decide the policy regarding future Council Tax increases.
HoC2	This scheme will require cash-flowing by the Council however, with the revenue consequences forecast to reach £1.8m by 2022/23. We have allowed for this sum in this MTFA. If the forecasts of asset sales fail to reach expectations, then additional revenue impacts will occur, and consequent reductions in services will have to be made to compensate. This remains a key area of financial risk for the Council.
Better Care Fund	The Council currently receives £5m from the CCG towards the funding shortfall on the Better Care Fund. Pressures elsewhere in the health sector might create budget issues for the CCG and therefore impact upon their ability to provide this funding.
Fair Funding	The MTFA assumes the impact of the Fair Funding review will be net nil on the Council. However, there are potential downfalls if the parts of the formula that benefit the Council (e.g. the funding for population density) are, in the round, decreased, in favour of less-advantageous measures to Sheffield. There is also the question of the amount, rather than split, of funding. If the government attempts to reduce the amount of funding available to Local Government as part of the review government spending, this could impact on Sheffield.
Spending Review	National policy announcements affecting the future of local government funding, in particular the Chancellor's Budget due in late November each year, could have a profound effect on all sources of Central Government funding, including RSG and specific grants such as Public Health.
2018/19 budget savings	Any risk of further non-achievement of agreed savings in the 2018/19 budget will be reported in monthly budget monitoring reports and could increase the 2019/20 pressures.

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Glossary

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

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

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

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

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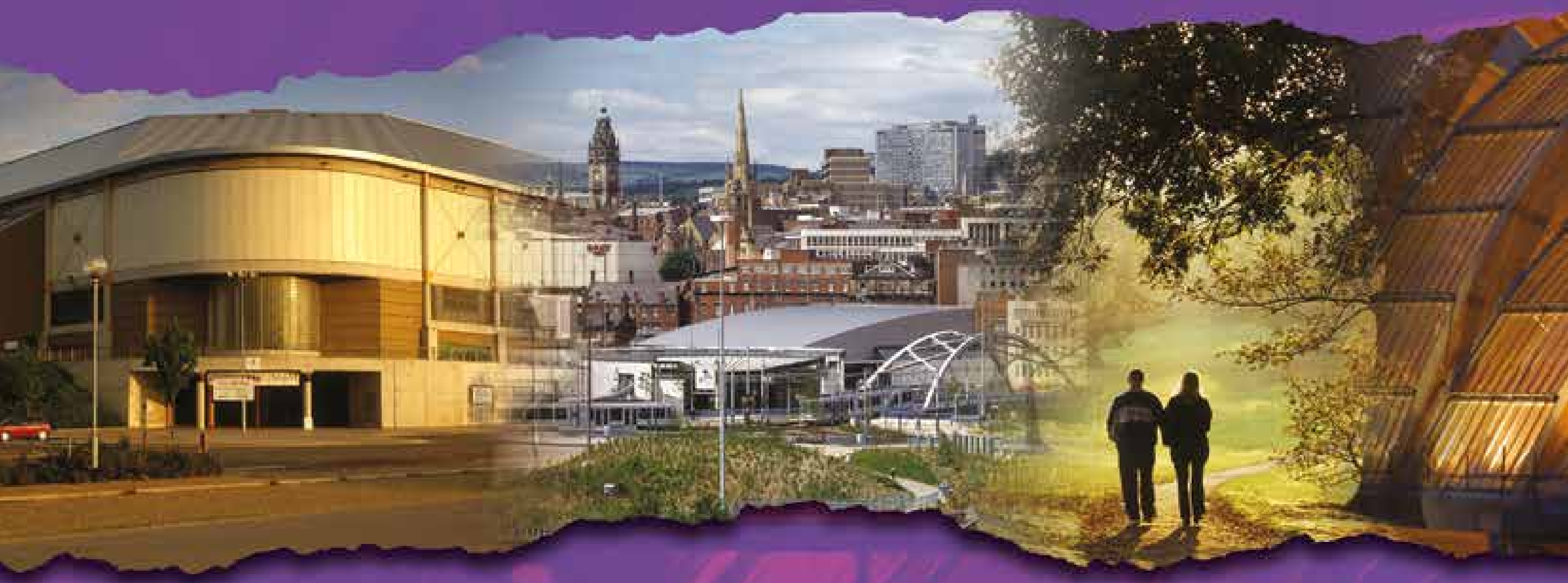

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CAPITAL STRATEGY

and

BUDGET BOOK

2019/20 - 2023/24

Sheffield City Council

CONTENTS

1 EXECUTIVE SUMMARY AND RECOMMENDATIONS

A succinct summary of priority areas and recommendations for approval

1.1 Headline summary of priorities

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. We strive to use our capital monies to make the biggest possible positive impacts upon Sheffield people as we can. This Capital Strategy provides a high-level, longer term view of the Council's ambitions for capital investment.

Capital Programme strategic priorities: 2019/20

The size of the proposed capital programme in 2019/20 is £136.2m:

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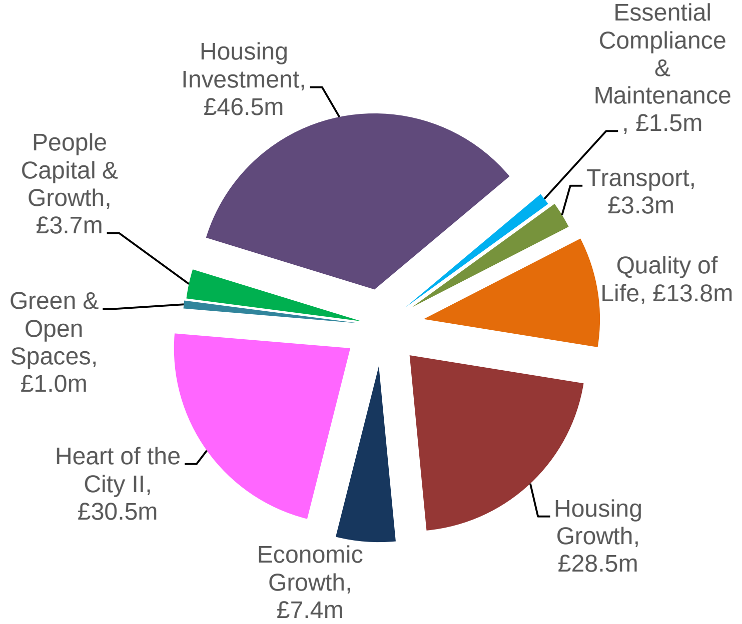
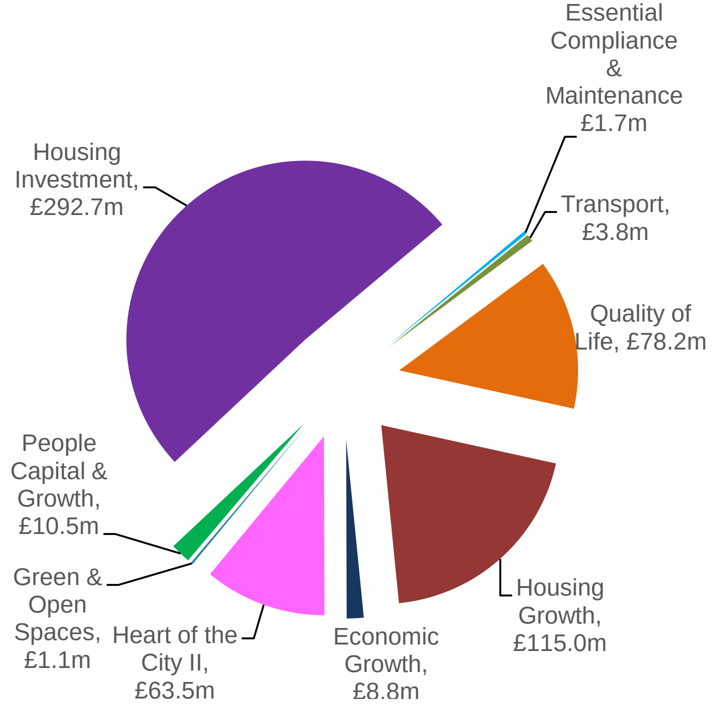
Economic growth	**£7.4m**
Transport	**£3.3m**
Housing growth	**£28.5m**
Housing investment	**£46.5m**
Quality of life	**£13.8m**
Green and open spaces	**£1m**
People: capital and growth	**£3.7m**
Heart of the city II	**£30.5m**
Essential compliance and maintenance	**£1.5m**



Capital Programme strategic priorities: 2019/24

Economic growth	**£8.8m**
Transport	**£3.8m**
Housing growth	**£115m**
Housing investment	**£292.7m**
Quality of life	**£78.2m**
Green and open spaces	**£1.1m**
People: capital and growth	**£10.5m**
Heart of the city II	**£63.5m**
Essential compliance and maintenance	**£1.7m**



The size of the proposed 5-year capital programme for 2019/20 to 2023/24 is £575.3m. These amounts represent headline figures for existing commitments within the Capital Programme. They do not, however, include allocations for potential pipeline projects which have not yet received approval.

1.2 How this document is structured

This document is split into twelve sections:

Section 2:	sets out the background to the Capital Programme, including its size, shape and how it is funded.
Sections 3 – 11:	set out the key investment priority principles for each of the priority areas, together with the highest value existing projects and potential pipeline projects – some of which may be brought forward for approval following feasibility and consultation. These sections also set out the key challenges faced by each priority area, together with how we are proposing to tackle these challenges.
Appendix 1:	provides background information relating to Growth and Investment Fund, together with our investment proposals.
Appendix 2:	sets out a full list of approved projects in the Capital Programme

1.3 The priority areas in more detail

This section takes each of the priority areas (contained at sections 3-11) in turn, for the period 2019-2024:

1.3.1 Economic growth: £8.8m

This priority is about getting more people into good jobs, helping them to earn more and live healthy lives, using and building their skills and knowledge. We want to see more businesses setting up, growing, innovating and creating good jobs; a connected city with the transport and digital infrastructure to support the city's growth and help everyone to connect to economic opportunities.

1.3.2 Transport: £3.8m

Our Transport priority aims to deliver safe, well maintained streets which enable the city's ongoing development and helps every resident access things like jobs and local services. We want to see an attractive public transport offer and infrastructure which encourages other means of transport than the car. We also want to improve the City's air quality to improve the quality of life for our residents. To this end, we are delivering projects which support Sheffield's existing Transport Policy.

1.3.3 Housing growth: £115m

Sheffield needs a housing market that delivers choice, quality and affordability in every part of the city. The Council has set out its commitment to build between 2,000 and 2,300 new homes each year by 2022. 725 of these must be affordable. We must work in partnership across the city to deliver this objective, using a wide mix of measures to increase development.

The Council will also increase its own social housing stock, both through the delivery of new Council homes, acquiring existing homes to bring into the Council's rental portfolio and bringing empty properties back into use.

We also want to increase the amount of quality housing provision for older people and people with learning difficulties and have progressed projects to facilitate this. These projects should also release other housing stock throughout the city, thus relieving some pressures on other residents who are seeking accommodation.

1.3.4 Housing investment: £292.7m

Our tenants should live in warm, dry, safe and secure properties which are as efficient to run as possible. To deliver this, the Council will continue to renovate and refurbish the Council's housing stock.

1.3.5 Quality of life: £78.2m

The quality of life priority is about creating places and spaces where people enjoy being, contributing to the quality of life for our citizens. It's about ensuring access to high quality facilities – whether libraries or sport and leisure facilities – which underpin our communities and support their mental and physical wellbeing. It's also about providing well maintained green and open spaces, creating environments which people are proud of and help them to thrive.

1.3.6 Green and Open spaces: £1.1m

This priority focuses on a dedicated strand of works from the 'Quality of Life' priority. Funded primarily from either s.106 contributions from developers which are required to be spent on playgrounds - or from Public Health monies – this priority aims to restore and enhance civic pride in our parks, playgrounds and green spaces. Far from being left to slide into decline, we are ambitious for these precious assets and are investing as much as we can to ensure they remain relevant and well-used.

1.3.7 People – capital and growth: £10.5m

Ensuring there are sufficient school places for the children of Sheffield is a key priority. Work has completed on the Ecclesall Primary, Mercia Secondary and Totley Primary Schools and work at Astrea all-through is progressing well. A temporary expansion of 30 places has been completed and feasibility work is currently underway for a new Special Educational Needs (SEN) School for Sheffield, which aims to open in 2020.

It is equally a priority to ensure that the Council-owned educational estate is fit for purpose. A key task is to ensure that the capital grant allocated to the authority (for managing building condition in Local Authority schools and other education settings) is prioritised and invested accordingly. This includes the ability to combine programmes at schools where it produces better value for money. This grant declines year-on-year as the government's academisation programme progresses. We therefore consider it prudent to budget for a 20% reduction in this allocation each year. There is a further £1.3m Devolved Formula Capital Grant (DFC) passported directly to schools, averaging around £6k per school for small building condition related projects.

We also wish to maintain investment in early years and specialist provision, aiming to bring projects forward in the coming financial year to support these priorities. Investment in our ICT infrastructure is also a key priority to enable us to better support the residents we serve.

The Council will also help Younger, Older, Disabled and Vulnerable people live independently through the provision of grants to help adapt private sector houses to their needs, as well as adapting its own stock.

1.3.8 Heart of the City II: £63.5m

Heart of the City II is one of Sheffield's key economic projects. Backed by Sheffield City Council alongside its strategic delivery partner Queensbury, the scheme will provide contribute positively in social and economic terms making the city centre a more dynamic place to live and work.

The scheme will bring together the old and the new, maintaining the existing street patterns and balancing heritage with striking new architecture and unique outdoor squares and spaces. Rooted in the city's unique character, it will help knit together The Moor, the Devonshire Quarter and Fargate, providing a new home for Sheffield's cultural, commercial and creative trailblazers.

1.3.9 Essential compliance and maintenance: £1.7m

The size and age of the Council's estate produces a significant demand on the Council's funds. In particular, the Council is the owner and custodian of a number of key civic city centre buildings, and has costs to fund for essential compliance and maintenance works across its estate and public facilities (such as Central Library).

This work is essential to keep council buildings and facilities running and to keep both staff and the public safe.

1.4 Key Notes

The purpose of this report is to:

- Set out the Council's key priority areas for capital investment;
- Provide an overview of specific projects included in the years 2019 to 2024;
- Set out the overall shape of the current Capital Programme for the 5 years to 2024 (at Appendix 2). Block allocations are included within the programme for noting at this stage and detailed proposals will be brought back for separate approval as part of the monthly approval cycle;
- Set out our principles for how we invest in non-cash assets; and
- Provide background to our proposed Growth and Investment Fund Policy at Appendix 1.

Councillor Olivia Blake
Deputy Leader / Cabinet Member for Finance
February 2019

2 BACKGROUND & KEY FACTS

The policy environment, how the programme is funded and how it is governed

2.1 The policy environment: external

The Chartered Institute of Public Finance and Accountancy (CIPFA) Prudential Code governs how the Council manages its finances. Recent guidance requires that Councils produce a Capital Strategy which should:

- set out a high level view of how capital investment, capital financing and treasury management activities contribute to the provision of services; and
- provide an overview of how the associated risks are managed.

Sheffield City Council has published a Capital Strategy for a number of years, in the form of the annual Budget Book. This has historically considered a five year window for investment.

This year, we are producing a dedicated Capital Strategy which meets the new requirements of the CIPFA Code, together with supplementary guidance from the Ministry of Housing, Communities and Local Government (MCHLG). Whilst the focus of this Strategy remains at five years, work is ongoing to increase this to a fifteen year window, enabling us to take a more strategic approach to investment. Indeed, we are beginning now to take a sixty-year horizon for some of our capital investment requirements, although this must be balanced against the increasingly speculative assumptions associated with longer-term financial forecasts.

Our Capital Strategy is shaped by a number of central government policies:

2.1.1 Devolving of capital spending allocations

Over recent years, many capital spending decisions have been devolved to City Region authorities and Local Enterprise Partnerships (LEP). The Council anticipates that the trend to devolve capital allocations to regional and sub-regional bodies will be maintained.

2.1.2 Creation of revolving investment funds

The Council has seen a shift towards capital funding to economic regeneration projects which generate a financial return to repay the initial investment and create a revolving investment fund. For example, the Council has intervened to ensure regeneration schemes like ‘New Era’ (the £66m development at St Mary’s Gate due to completed in 2019) take place successfully, where the benefits of increased business rates and Council tax repay the cost of that intervention many times over.

2.1.3 Rewarding economic development

As revenue support grant from Government continues to be reduced, places are increasingly reliant on their local tax base alone. This means we in Sheffield need a growing, resilient local economy that provides the income streams that can be re-invested – in things that promote new growth and in wider social and environmental goals. New funding streams that reward economic development - such as Community Infrastructure Levy and New Homes Bonus – have been created. Furthermore, we expect to see the creation of UK funds which focus upon investment, job creation and economic growth (including improving transport links), at the expense of the 'place-making' and regeneration focus of recent years. We anticipate that Sheffield City Region will remain the principal body to seek and allocate this funding across the South Yorkshire authorities. We await further developments arising from the 'Northern Powerhouse' initiative.

2.1.4 Austerity and the wider economy

The ongoing austerity programme has reduced resources by over 50% since 2010. The impact of the Government's austerity programme on the rest of the non-housing programme has not only led to less capital funding, but is also reducing Revenue Budget funding. This has limited the scope for additional contributions to the Capital Budget and to fund the revenue implications of capital decisions (such as Minimum Revenue Provision and Interest costs). Uncertainty surrounding the wider economy – including the potential impacts of rising inflation and interest rates – mean we must plan to continue to deliver more, to more people, with ever-decreasing resources.

2.1.5 Self-financing Housing Revenue Account (HRA)

The self-financing regime for the Housing Revenue Account (HRA) has provided for a relatively well-funded programme of investment in existing and new Council housing stock. However, the recently announced reductions in the permitted level of annual increases will put pressure on this source of funding. The HRA 'debt cap' has been removed, which allows more freedom. However, we must still apply the principles of prudence, affordability and sustainability from the Prudential Code – see overleaf for further details.

2.1.6 The push to build new homes

Central Government has announced new powers for Councils to borrow money to build a new generation of Council houses. Sheffield is already building new Council properties and a Housing Growth Strategy is now in place. The Council will be considering how best to use these new powers to increase the supply of housing in the City.

2.1.7 The drive towards academies

Education policy now mandates that all new schools should be academies. This transfers maintenance responsibilities away from the Council's Local Education Authority (LEA) role. It will also subsequently reduce central grant funding (which is formula-driven based on pupil numbers).

2.1.8 Streets Ahead

The Streets Ahead programme is providing massive investment in the City's roads and street lighting, funded via a Private Finance Initiative (PFI) and Council investment. The majority of this expenditure sits outside the capital programme with the exception of a capital contribution to the initial core investment period. The final payment of this initial core investment (£39.8m) was made in 2017/18.

2.2 The policy environment: internal

A number of locally developed policies will impact upon our Capital Strategy over the coming years. At the time of writing, these include the Council's Corporate Plan, Local Plan, Treasury Management Strategy, Corporate Asset Management Strategy, Tech2020 Strategy and Medium Term Financial Strategy. At the time of writing, these are currently under development.

This Capital Strategy will be regularly reviewed to ensure it supports the aims and objectives set out in those documents.

Further details on specific capital financing policies are provided at section 2.7 below.

2.3 Working in partnership

We will work proactively and in partnership with other public, third sector and private organisations - both locally and nationally - to deliver the best possible outcomes for the citizens of Sheffield, whilst ensuring that we remain accountable and responsible for the activities we deliver. The Council must build effective partnerships in order to deliver its ambitions for the City, including:

- **Sheffield City Region –** we work closely with the Combined Authority to push for greater control over the things that matter to Sheffield and the wider City Region, with a particular focus on skills, transport and jobs. We also lobby hard to get the best possible deals for Sheffield from the funding allocations.
- **Core cities throughout the North** – we are working with other northern cities with the hope of unlocking additional funding to drive economic growth. We are focussing particularly on opportunities for investment in transport to make Sheffield a more attractive place to live, work and invest.
- **Health and social care** - we are working closely with our partners in this area to take advantage of joint investment opportunities, co-location and more efficient working.
- **Other public sector partners** – we participate in a Strategic Estates Group which brings together the Clinical Commissioning Group (CCG), NHS Property Services and both Universities to consider the establishment of integrated public sector hubs, mapping existing estates and developing proposals to improve utilisation to deliver ever-increasing value to the public purse.
- **Other private sector partners –** to be ambitious for Sheffield, we must all work together to drive our City forward. An example of this is our work to improve the City's sustainability through our Green City Strategy, which requires both public and private sectors to work together to create an environment where sustainable development can thrive.

2.4 Our key capital planning and investment principles

2.4.1 Capital planning principles

Our capital spending will be used support the delivery of the Council's aims and objectives. We must also ensure we comply with all the rules and regulations which govern how local authorities can spend public money. To this end, we will always ensure that:

- Capital planning is **integrated into the Council's overall strategic planning**, ensuring capital activities are considered in relation to the Council's overall corporate plans, its budget, its financial strategies and the Priorities set out in this Capital Strategy;
- We **maximise the external funding** of capital investments wherever possible to maximise the availability of the Council's scarce funds to support agreed activity, using our funds as 'match' funding to lever in external investment as much as we can;
- Our capital investments are **affordable, sustainable and prudent** (thus ensuring compliance with the CIPFA Prudential Code);
- Our capital projects **deliver value for money**, by ensuring that our governance processes for the appraisal and approval of capital projects are robust and challenging; and
- We ensure **effective risk management** through our governance, in accordance with best professional practice set out in the Treasury Management Code of Practice.

2.4.2 Investment principles for Non-Cash investments (including Land and Property, Loans to third parties and Equity Investments)

Land and property

The Chartered Institute of Public Finance and Accountancy (CIPFA) defines investment property as property held solely to earn rentals or for capital appreciation or both. Returns from property ownership can be both income driven (through the receipt of rent) and by way of appreciation of the underlying asset value (capital growth). The combination of these is a consideration in assessing the attractiveness of a property for acquisition.

Some local authorities are speculatively investing monies in land and property outside of their local areas to purely generate income. Sheffield City Council has made no such investments to date and currently has no intention to do so in the future.

Loans to third parties and equity investments

The council has discretion to make loans and equity investments for a number of reasons, primarily for economic development or regeneration. However, such investments are limited and only granted in exceptional circumstances.

In making loans the council is exposing itself to the risk that the borrower defaults on repayments. The council, in making these loans, must therefore ensure they are prudent and has fully considered the risk implications, with regard to both the individual loan and that the cumulative exposure of the council is proportionate and prudent.

The council will ensure that a full due diligence exercise is undertaken and adequate security is in place. The business case will balance the benefits and risks.

Risk appetite

The council's risk appetite to any such investments is very low. Risk taken to date and going forward on such investments has been at the amount of risk that the council is prepared to accept, tolerate, or be exposed to at any point in time. It is important to note that risk will always exist in some measure and cannot be removed in its entirety.

A risk review is embedded within the investment strategy principles and will be considered in line with the risk management strategies we have in place and commensurate with the council's low risk appetite.

Investment strategy principles

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

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

More work will be undertaken on these principles and their implementation to specific schemes over the coming year. A joint report from the Executive Director of Resources and Executive Director of Place will be brought over the coming months to further clarify their application.

2.5 Size and shape of the capital programme

The capital programme over the 5 years (2019-24) shows a broadly balanced position, with proposed expenditure totalling £575.3m as set out at Appendix 2.

Wherever possible, attempts are made to match the timing of the receipt of resources and the incurrence of expenditure to protect the Council's cash flow position. Where the levels of expenditure are significant, then individual management arrangements are put in place to mitigate the impact as far as possible. These are overseen by the Director of Finance and Commercial Services, in conjunction with the respective Head of Service.

The funding of the programme comes from a diverse range of resources, such as government grants, other grants and contributions from other public bodies or third parties, capital receipts, prudential borrowing and revenue contributions to capital – please see section 2.6 below for further detail. The majority falls within either prudential borrowing or contributions from the revenue account to the capital programme, which together represents £504.2m (87.6 %) of the overall programme value.

The 2018-19 programme was set on 07 March 2018, and at the time totalled £210.3m. This has been revised in-year. The effect of outturn slippage from 2017/18, in-year additions, variations slippage and re-profiles result in a current approved programme for 2018/19 of £240m (as at 31 December 2018).

The Council's current anticipated capital investment profile is set out below:

	Priority	2019/20 (£m)	2020/21 (£m)	2021/22 (£m)	2022/24 (£m)	TOTAL (£m)
1	Economic growth	7.4	1.3	0	0	8.8
2	Transport	3.3	0.5	0	0	3.8
3	Housing growth	28.5	30.4	26.2	30.0	115.0
4	Housing investment	46.5	64.3	59.4	122.5	292.7
5	Quality of life	13.8	14.6	15.6	34.2	78.2
6	Green and open spaces	1.0	0.2	0	0	1.1
7	People: capital and growth	3.7	2.2	2.5	2.1	10.5
8	Heart of the City II	30.5	30.1	2.9	0	63.5
9	Essential compliance and maintenance	1.5	0.2	0	0	1.7
	TOTAL	**136.2**	**143.8**	**106.5**	**188.9**	**575.3**

2.6 How the capital programme is funded

The funding of the programme comes from a diverse range of resources. The table overleaf gives a breakdown of how the overall Capital Programme is currently funded:

	Source of funding	2019/20		2020/21		2021/22		2022/24		Total	
		£m	%	£m	%	£m	%	£m	%	£m	%
1	HRA contribution to capital	-56.2	41.3	-79.2	55.1	-65.4	61.4	-126.8	67.1	-327.6	56.9
2	Prudential Borrowing	-44.3	32.5	-39.0	31.1	-33.5	31.4	-54.2	28.7	-176.6	30.7
3	Government Grants	-18.2	13.4	-13.5	9.4	-4.1	3.8	-4.1	2.2	-39.8	6.9
4	Capital receipts	-9.6	7.0	-3.0	2.1	-2.3	2.2	-2.0	1.1	-16.9	2.9
5	Other grants & contributions	-8.0	5.9	-3.3	2.3	-1.3	1.2	-1.7	0.9	-14.3	2.5
6	C.I.L.	0.0	0.0	0	0	0	0	0	0	0	0
7	Overall total	-136.2	100.0	-143.8	100.0	-106.5	100.0	-188.9	100.0	-575.3	100.0

A further breakdown of each of these funding sources is set out below:

2.6.1 Revenue budget contributions to Capital

The Council can use revenue resources to fund capital projects on a direct basis. However, ever-increasing pressures on the Council's revenue budget have reduced the scope of this. Revenue contributions to capital now largely reflect the contribution to the Housing Capital Programme of 327.6m. In addition, £1.6m has been allocated from revenue budgets to support non-housing projects relating mostly to the implementation of Parking Pay and Display Schemes (£1m) and Open Space Provision.

2.6.2 Prudential borrowing

Prudential borrowing is used where no external funding is available to fund schemes which will generate a Revenue Budget saving. This saving then repays the principal and interest. The Council can often borrow funds cheaper than its commercial sector partners because of its perceived higher credit rating. It therefore makes sense to inject such capital where there is a potential economic benefit.

Under the rules of the Prudential Code 2004 (revised in 2017), the Council has the power to finance capital schemes using prudential borrowing (borrowing that does not attract financial support from the Government, which is also known as 'unsupported borrowing'). The principles for entering into such borrowing were approved by Cabinet on 22 September 2004, and generally relate to 'invest to save' schemes (including land assembly and funding for major capital projects). These principles remain in accordance with the Prudential Code for Capital Expenditure for Local Authorities, namely that they adhere to the principles of affordability, sustainability and prudence.

It remains the Council's current view that it's best overall financial interest is generally served by substituting prudential borrowing for leasing. It is considered that borrowing in lieu of leasing can be undertaken as an element of 'invest to save' (where it is considered to be more cost effective over the whole life of the asset when compared to leasing), and can be contained within an overall annual limit established for such borrowing. However, this type of borrowing does have revenue implications for the Council in the form of financing costs, which include interest payable and an allocation for repayment of debt (Minimum Revenue Provision) as a result of the borrowing.

Included within the 2019/20 Capital Programme are the following amounts of prudential borrowing for projects funded in whole or part from prudential borrowing (last year's figures shown in *(bracketed italics)*):

Project	**Total Project Value £m**	**Project**	**Total Project Value £m**
Heart of the City II	£33.767 *(£64.626)*	Major sporting facilities financing	£13.767 *(£12.945)*
TOTAL	**£47.535 *(£77,572)***		
The Heart of the City II figure has reduced due to re-profiling of expenditure to reflect the revised delivery model. Incremental delivery will reduce risk and exposure to the Council and gives the opportunity for private sector investment to come forward as years progress. The increase in major sporting facilities reflects the changing profile of the relevant bond payments.			

Any amendments to these limits will be approved by Full Council and undertaken in line with the Prudential Code. There are other commitments outside of the capital programme and these are described in the Revenue Budget report.

Tax Increment Financing (TIF) was announced in September 2010. The principle is to allow the authority to borrow funds to undertake capital improvements in a geographic area. The money would be repaid from increased tax revenues (i.e. business rates) in the area as land values rise as a result of 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.

A scheme to develop infrastructure required for Heart of the City II is partially complete and further enabling works are underway. Some of the borrowing will be repaid out of the anticipated additional rates revenue generated by the redevelopment of the city centre.

Prudential borrowing does not receive any government support and therefore if the Council enters into any prudential borrowing then it will incur additional capital financing costs. Prudential borrowing will only be entered into where it can be demonstrated that funding is available within the overall Council budget to meet the ongoing borrowing costs.

2.6.3 Government Grants

The largest proportion of external grant funding comes as grant allocations from Government departments. Although many of these grants are to support specific areas of investment, the Government removed capital ring-fencing in 2010. This enabled local authorities to prioritise grants to support local needs, pressures and statutory responsibilities.

Capital Grant funding falls into two main categories: recurring annual allocations and project specific grants:

- The **major recurring allocations** relate to funding for schools places and maintenance, Disabled Facilities Grants and Local Transport. Programmes of work are developed to obtain maximum impact from the funding received.

  The New Homes Bonus grant has also been created out of two government incentive payments for building new homes and reducing the number of long term empty properties. Council policy is to make this available for projects which improve the local housing or neighbourhood environment or assist in regeneration. This grant is now included within the Growth and Investment Fund (see Appendix 1). It 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 through removing opportunities for anti-social behaviour as well meeting the Council's priority of providing new homes.

- In relation to **project specific grants**, officers usually bid against advertised funding streams following consideration of the terms by the Council's External Funding Team and its legal advisers. Requests to enter into funding agreements are considered by Cabinet prior to acceptance of the grant.

Sources of grant funding continue to evolve, with increased roles for:

- **Local Enterprise Partnerships** – working as part of Sheffield City Region, these are local, business-led partnerships between local authorities and businesses which play a role in determining local economic priorities and undertaking activities to drive economic growth and the creation of local jobs;
- **Education and Skills Funding Agency** – this body provides direct support and grants to specific free school and academy build projects, as well funding education and skills projects for children, young people and adults.

2.6.4 Capital receipts

Capital receipts also fall into two broad categories:

1) Those generated from the sale of land and buildings falling within the Housing Revenue Account (HRA) and Council Houses under Right to Buy schemes. There are legislative provisions in place governing the use of these receipts restricting it to investment in housing.

2) Those generated from the sale of general (non-HRA) Council assets. These funds are those over which the Council has full discretion over how to utilise and are incorporated into the Growth and Investment Fund.

These capital receipts can be reinvested in the Capital Programme or be used to reduce the Council's borrowing liability. Any projects in the Capital Programme funded by capital receipts can only be undertaken if the receipts are realised.

The receipts from the sale of surplus assets are used to fund the Growth and Investment Fund (GIF) – see Appendix 1. This allows Members at their discretion to undertake projects for which there is no external funding. It is also used by the authority as a strategic reserve to cover to emergencies such as the total loss of a key piece of infrastructure e.g. as occurred in the 2007 Floods.

As external funding sources are reduced because of austerity cut backs, the GIF assumes an even greater significance in funding the Capital Programme.

Proposals are currently being developed to ensure the GIF is deployed to deliver maximum advantage to the Council. This requires a balance of allowances for both risks and opportunities. The Council must maintain a prudent level of reserves to mitigate infrastructure failures, grant claw back or project overspends. That said, there is the potential opportunity to invest in growth (in accordance with our Capital Planning and Investment Principles set out at 2.4 above), which could potentially create new revenue streams for the Council. We will therefore take a balanced approach, being ambitious for growth whilst ensuring adequate investment and reserves levels to mitigate risk and ensure our infrastructure remains fit for purpose. In addition, an assessment of the Council's dependence on profit generating investments (and the borrowing capacity allocated to funding these activities) to achieve a balanced revenue budget will be disclosed over the life-cycle of the Medium Term Financial Plan.

2.6.5 Community Infrastructure Levy (CIL) / Section 106 (s.106) contributions

Elements of the Capital Programme are funded by contributions from private sector developments and partners. CIL supplements the current s.106 (Town & Country Planning Act 1990) arrangements which fund many of the local neighbourhood facility improvements – particularly in the Parks and Countryside and the City Development Division.

CIL allows local authorities in England and Wales to raise funds from developers undertaking new building projects in their area. The money can be used to fund a wide range of infrastructure that is needed as a result of development. This includes new or safer road schemes, flood defences, schools, hospitals and other health and social care facilities, park improvements, green spaces and leisure centres.

The Council intends to use CIL to develop strategic infrastructure projects such as roads and schools (such as the development of the Bus Rapid Transit North link and the Lower Don Valley Flood Defence Scheme). Further commitments will be considered and included in the Local Plan. The 'section 123 list' is currently being refreshed. Historically, we have used this fund creatively to cash flow new schools' funding prior to these monies being repaid. We will always seek to use our funds most effectively to drive best value and reduce costs to taxpayers.

The Council has developed its rating tariff and introduced the scheme from July 2015. Current estimates predict annual revenues of over £5m in 2018/19 with expectations of an upward trend as Housing Growth continues.

CIL and s.106 contributions are held in the Growth and Investment Fund (see Appendix 1).

2.6.6 Private Finance Initiative (PFI) / Public Private Partnership (PPP) funding

Like many other Councils, Sheffield has historically made use of government funding through the above schemes when this was often the only source of funding available. This includes some schools, waste management facilities, office buildings and, most recently, the Streets Ahead programme.

Both main national political parties have signalled that new PFI / PPP initiatives are to end, and no further new funding will be allocated through this route.

Sheffield currently does not fund any PFI payments out of capital.

2.7 Capital financing strategies and associated policies

A number of strategies and policies relate directly to capital financing:

2.7.1 Treasury Management Strategy

Treasury management is defined by CIPFA as: "The management of the organisations' borrowing, investments and cash flow; its banking, money market and capital transactions; the effective control of the risk associated with those activities; and the pursuit of optimum performance consistent with those risks."

The nature and scale of the Council's capital programme means that it is a key factor in the Council's Treasury Management Strategy. This includes the need to borrow to fund capital works.

The Council has operated within the CIPFA Prudential and Treasury Management Codes since their inception. The Codes contain a requirement for the Council to agree an annual Treasury Management Strategy, which is approved by the Executive and Council as part of the budget process. This defines the types of investments the Council will make during the year, together with the framework for decision-making around new debt. Treasury management decision making and monitoring is devolved to various bodies and officers, with responsibility for the delivery of the treasury management function delegated to the Director of Finance and Commercial Services.

We also have regard to the Ministry of Housing, Communities and Local Government (MCHLG) Investment Guidance and are aware of the importance of security, liquidity and yield in treasury management investment decisions.

Interim and outturn monitoring reports are provided to the Cabinet Member for Finance and Resources throughout the year.

2.7.2 Asset sales and capital receipts

All land and buildings which are surplus to existing use will be reviewed by the Head of Property before any Executive decision is made. This will be in accordance with the forthcoming Asset Management and Disposals Strategy. Any reuse or disposal must provide best value in supporting the Council's objectives. Any exceptions to this must be agreed by Cabinet.

As a general principle, land no longer required for its existing use should be declared surplus so that options for its future use or sale can be considered by the Head of Property and relevant Members prior to proceeding for formal decision. Ongoing surveys of our corporate estate (which cover a number of different facets) have been commissioned to support and evidence this process. In the context of ever-increasing budget pressures, difficult decisions may need to be made which balance the budget challenges and the needs of local communities.

The Council also encourages community involvement in the delivery of local public services using the Council's assets. The Council may therefore be prepared to sell or lease Council assets at less than best value to third sector organisations which have the capabilities to use the assets to provide agreed services in accordance with the arrangements set out for Community Asset Transfers of property. This will however reduce the capital receipts available to fund other Council needs and priorities, and therefore robust governance is in place to identify proposals which have a strong strategic alignment to the Council's priorities and a good chance of success.

Capital receipts will be used to finance capital expenditure, including capitalised revenue costs under the Government's capital receipts initiative. They are also used for debt redemption in accordance with the Council's Minimum Revenue Provision Policy. They form part of the Growth and Investment Fund and are therefore subject to the governance for that Fund (see Appendix 1).

2.7.3 Prudential borrowing and debt; revenue budget implications

Local authorities may borrow to finance capital expenditure. The affordability of debt is the key constraint. The Council has used its prudential borrowing freedoms actively and successfully to deliver key outcomes (such as regeneration – for example, by its construction of offices for the new HSBC Headquarters). It continues to be an important way of funding our priorities where external funding cannot be obtained. The cost of borrowing is usually recharged to the borrowing service, thus recognising that borrowing is not a key asset, but has a revenue cost.

In approving the inclusion of schemes and projects within the capital programme, the council ensures all of the capital and investment plans are affordable, prudent and sustainable. In doing so the council will take into account the arrangements for the repayment of debt, through a prudent MRP policy in line with MRP guidance produced by the Ministry of Housing, Communities and Local Government.

The Council sets and monitors prudential indicators to manage its debt exposures. Borrowing costs (including interest and repayment charges) in 2017/18 represented 16.7% of the net revenue budget and are expected to stay at this level in 2018/19. This reflects both some growth in the Council's borrowing in recent years, together with the reduction in its income. Borrowing costs as a proportion of the net revenue budget are expected to rise in the coming years as a result of continued investment in the City and further reductions in funding..

The Treasury Management Strategy (TMS) sets out how the Council's borrowing will meet the prudential code and good practice to ensure borrowing does not exceed permitted limits. However, an overarching consideration of affordability of these costs must be addressed (given the Council's immediate and medium term budget constraints). This assessment of affordability in relation to the total cost of borrowing for capital projects forms part of the Section 151 Officer's review of the sustainability of budgets and level of reserves. Details of both the TMS and the Section 25 review of the sustainability of budgets and level of reserves can be found in the 2019/20 Revenue Budget report.

The Council will ensure the most cost-effective financing arrangements for the capital programme as a whole. Where possible, the Council aims to maximise the use of balance sheet assets so we can utilise cash balances derived from working capital and reserves, rather than borrow externally.

We will also calculate the financing costs and interest payable for every individual scheme which is funded this way before any borrowing is sanctioned. This forms an integral part of the business case for each project.

The capital financing charges and any additional running costs arising from capital investment decisions are incorporated within the annual budget and medium term financial plans. This enables Members to consider the consequences of capital investment alongside other competing priorities for revenue funding. As part of the appraisal process, the financing costs of prudential borrowing may be charged to portfolio budgets.

Different arrangements apply to Housing Revenue Account (HRA) borrowing. We have a self-financing HRA over a 30-year investment period. The HRA plans new prudential borrowing of £15m in the next 3 years (19/20 to 21/22) in accordance with our approved HRA Business Plan. HRA resources can only be applied for HRA purposes, and HRA receipts may only be applied to affordable housing, regeneration or housing-related debt redemption. This is not the same as external borrowing as they are under-borrowed and will need to externalise some of this debt over the next few years.

We assume the Public Works Loan Board will be our primary source of borrowed funds, although we will maintain a watching brief over other sources of funding to ensure we deliver best value for money for local people.

2.7.4 Debt repayment

The Prudential Code requires the Council to make an annual Minimum Revenue Provision (MRP) for the repayment of debt. This revenue provision spreads the cost of repaying the debt for an asset over the useful economic life of the asset (in accordance with MHCLG guidance). This is done in accordance with the annual MRP Policy Statement which is approved by Council each year as part of the budget process.

MRP replaces other capital charges (such as depreciation) in the statement of accounts. It has an impact on the Council's revenue outturn. It will increase and decrease throughout the capital programme and is sensitive to both expenditure and funding changes. Careful consideration is therefore given to this when considering prudential borrowing as a funding source – it bears a real cost.

2.8 Programme governance

We maintain assurance of our capital investment priorities and projects through effective governance which runs throughout the organisation:

2.8.1 Ensuring Members' leadership and engagement

Elected Members are responsible for setting the strategic direction for the Council. Therefore, in addition to setting the Council's approach through key strategies and policies, they are also responsible for signing off capital projects at key checkpoints:

- Individual consultation with the relevant Members at 'project mandate' stage;
- Individual consultation and endorsement of relevant Executive Member at 'outline business case' stage;
- Formal approval at Cabinet

The ability for Members to inform – and be kept informed – of the capital programme is vitally important. They need to 'own' the capital programme, understanding the risks and opportunities facing the City and setting the priorities so money is invested in the right areas.

2.8.2 Delivering real value

Value for money (VFM) is a key component of all capital projects. All projects must evidence a level of economy, efficiency and effectiveness in order to be approved. Projects must therefore demonstrate that there is a valid need to be addressed, that all potential options to address the need have been considered and that the option selected is the most efficient and effective way of achieving the Council's aims.

We have therefore built this into our core operating model and ensure VFM in four key ways:

2.8.2.1 The Capital Approval Process

During 2015-16 the Council introduced a number of "checkpoints" at which the validity of the project is tested by the Programme Groups and then the Capital Programme Group. These include:

- Approval of a **mandate** to ensure that all projects are linked to the Council's priorities so scarce resource is not wasted on irrelevant projects;
- Approval of an **initial business case** to set potential parameters to the project and to test assumptions;
- Approval of an **outline business case** which will set out the benefits of the project against our strategic objectives. It also sets out the delivery and procurement options for the project. The Programme Groups will test if the proposal is value for money; and
- Approval of a **final business case** once the preferred option has been selected and procurement completed, showing all the anticipated project costs, benefits and savings.

The Council's Capital Delivery Service (CDS) and Finance and Commercial Services (F&CS) functions advise on the financial, procurement and operational deliverability of the proposed project plan and procurement route at every stage. They participate in each Programme Group to provide effective challenge throughout the process.

Embedding a capital governance process ensures that we use our scarce resources in the most effective way – on the projects that make the most difference, are funded and procured cost-effectively and deliver the greatest benefits for Sheffield people.

2.8.2.2 Effective financing

Funding options are constantly reviewed to ensure the most effective use of the Council's resources.

2.8.2.3 Effective procurement

Robust options appraisals are carried out at outline business case stage to determine the most efficient and effective procurement route. We prioritise local contractors whenever we can (within the constraints set down within procurement legislation), and use local frameworks to keep the Sheffield pound within Sheffield – or, at least, the Yorkshire region – whenever we can. As well as procurement routes, we also work with colleagues in the Capital Delivery Service and Legal Service to ensure the most appropriate contracts are used which will deliver the best VFM for local people, protect the Council's interests and enable the market to respond with cost-effective tender submissions.

2.8.2.4 Effective project management

The Programme Management Office within the Capital Delivery Service provides information and guidance to continually strengthen project management skills within the Council. They ensure that lessons learned are fed back across the wider Council so we can continually improve our performance.

2.8.3 Leadership and Strategy Group

Leadership and Strategy Group (LSG) is a new group attended by Cabinet Members and Executive Directors. It is chaired by the Leader of the Council. Its remit is wider than capital, but one of its functions is likely to include overseeing the relative shape of the capital programme, developing policy and endorsing overarching priorities for officers to deliver within. All formal capital funding decisions are taken by Cabinet in public in the usual way. At the time of writing, governance for managing the Growth and Investment Fund (GIF) is under review – see Appendix 1.

2.8.4 Cabinet

Each and every capital project will be brought to Cabinet (or delegated processes) for consideration and approval. Officers will consult with Cabinet Members (and Ward Councillors where appropriate) to ensure that projects have broad support, prior to investing time in developing them further.

2.9 Slippage

Historically, there has always been an underspend against the approved capital programme. The risk of slippage is present in all capital programmes, bearing in mind the size and complexity of the schemes. Subject to Cabinet approval, funds are rolled forward into the next year in order to complete projects. Slippage reflects re-profiling of funding or delays in physical progress of a project. In most cases the work is delivered in the next financial year.

However, our current reporting system has provided greater transparency and identified instances where money appears to be repeatedly carried forward from earlier years. This allows Members to test if the funding is really needed and could be reallocated to other priorities. It also shows the delivery performance on the capital programme.

Considerable work was undertaken in 2014-15 to identify the cause of slippage and improve capital delivery. This work compared Sheffield's approach to that of other organisations with significant capital programmes and concluded that project management needed to be strengthened and that delivery plans need independent scrutiny. This resulted in the introduction of the Gateway Process (outlined at 2.8.2.1 above).

As at 31 December 2018, the value of net slippage approved to date is £0. There is a net acceleration of £0.6m against schemes in delivery. However, £26.3m of allocations have been re-profiled - i.e. moved from current year into future years for schemes not yet in the delivery phase. This is largely relating to the Heart of The City II project and reflective of the policy decision to pursue a phased rather than "Big Bang" approach to this development.

In order to deliver further improvements to our slippage performance over the next year, we will:

a) Develop and implement a training programme for project managers to improve business case development, budget setting and forecasting skills in order to improve the quality of base budgets. This will hopefully minimise future requirements for slippage.

b) Recognise that slippage of budgets across financial years does not necessarily mean the delivery of a project has fallen behind schedule. The profile of payments may only have moved by a month or two e.g. from February to April - and if this happens to cross financial years it is flagged as part of annual slippage even if delivery of the project remains on track. A clear distinction will be drawn between slippage which occurs purely as a result of financial profiling, and that which relates to genuine project delays impacting on outputs and outcomes. This information should provide greater clarity on the reasons for slippage and progress on delivery.

2.10 Effective risk management

Major capital projects require careful management to mitigate the potential risks which can arise. The effective monitoring, management and mitigation of these risks is a key part of managing the Capital Strategy.

2.10.1 General Risks – Identification and Mitigation

General risks are those which are faced as a consequence of the nature of the major projects being undertaken. Most of these risks are outside of the Council's control but mitigations have been developed as part of the business planning and governance process. These risks are set out below along with key mitigations:

Interest Rate Risk – the Council is planning to externally borrow £316m as set out in this Capital Strategy over the next three years. This will cover new capital investment and bring down internal borrowing to a sustainable level. Whilst the Council tends to borrow at fixed rates, interest rates in themselves are variable and a rate rise could mean that there would be an increase on the cost of servicing future debt to a level which is not affordable. To mitigate this, the Council has used interest rate forecasts which include a prudent provision against interest rate rises. However in the event that interest rates rose beyond this forecast the revenue cost to the Council would increase. A rise of an extra 1% in the interest rate would cost an extra £3.16m by the end of the 3 year period.

Inflation Risk – construction inflation over and above that budgeted by the Council's professionals and advisors and built into project budgets could impact on the affordability of the capital programme. A 1% rise in the cost of the programme would increase the cost of the programme. This is mitigated through the provision of contingencies, updating estimates regularly as they change and monitoring the impact through governance processes. This is also mitigated post the signature of contracts with construction companies and developers through fixed price contracts.

Change in Law Risk – Capital schemes need to comply with the latest law and regulations which can change leading to an impact on construction costs. This is mitigated by awareness of pipeline legislative changes and through contingencies.

Market Health / Commercial Values – the Council's capital programme relies on commercial activity as a key supporting strategy. This involves generation of income from property letting, generation of capital receipts from property sales in some cases post development, attracting developers to projects based on a potential share of profits and other revenue/capital financial flows.

In some cases it is likely that the Council will commit to large projects, property acquisitions or other forms of expenditure on the basis of further business case assumptions about the market value of future asset or economic values. Should market movements mean that these assumptions are inaccurate, then the Council may suffer financially. This risk can be mitigated through carefully testing assumptions and allowing for contingencies in projects where necessary.

2.10.2 Management of Project Risks

Project risks are those which relate to the delivery of capital projects which in many cases can be controlled, influenced or directly mitigated in ways other than making contingencies available. These risks would mostly be related to unforeseen project delays and cost increases which could arise from a range of circumstances. The effective management of these risks is mostly linked to the following strategies:

Supplier Financial Stability – construction companies and developers contracting with the Council would, if they experience financial instability, pose a significant risk. They may not be able to raise finance to cash flow operations, any potential insolvency process could lead to a costly process of changing suppliers without any guarantee of remaining within overall budget, the Council could suffer direct financial loss and any defects or other issues may not be resolvable as anticipated. To mitigate this, the Council carefully considers the financial robustness of any contractor and requests appropriate financial standing assurance and support wherever possible.

Effective Business Case Development – as set out at section 2.8.2.1 above.

Risk Management - Projects are required to maintain a risk register. Risk registers are aligned with general guidance on risk review. We have now introduced costed risk registers on projects managed by the Capital Delivery Service. This enables us to maintain appropriate levels of contingency.

Highlight reporting – monthly highlight reports are created for all projects to flag progress and risks of projects to Programme Groups and Project Sponsors.

Appointment of professional team - to ensure timely delivery of projects and robust planning and review, the Capital Delivery Service has a team of professionally-trained project managers. Qualified roles are in place for key surveying and financial planning roles to give assurance on quality of work and assumptions.

2.11 Skills and knowledge

Those involved in decision making must have the appropriate skills and knowledge to take those decisions. The Council has many years' experience of delivering capital programmes and uses this experience to evaluate new proposals, monitor on-going capital investment and manage any risks that may arise.

Capital investments are reviewed under a robust approval process that receives input from appropriately qualified and skilled finance professionals and receives scrutiny from Elected Members. Information, advice and guidance on these processes are made available for Officers and Elected Members.

If additional skills and knowledge requirements are identified, the Council will source appropriate specialist skills and knowledge to supplement and, where possible, upskill Members and in-house staff.

3 ECONOMIC GROWTH

An inclusive economy that creates more good jobs for Sheffield people, attracts investors and visitors to the city, and improves people's lives so that they can live well and contribute to the life of the city

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1 Background and context

We want Sheffield to be known as an inclusive, inventive, vibrant city. A city where young people have the best training and job opportunities, businesses are thriving and we have more skilled workers in quality jobs, earning more. A city whose economy nurtures start-ups and supports businesses and sectors. A city that is developing, building new spaces and places for a growing community of businesses and entrepreneurs.

We have identified four pillars that will form our city's approach to economic development: the economy, transport, housing and sustainability. A strategic plan for each of these pillars will guide priority investments in this area. Projects from each of the areas will form part of the capital programme to make appropriate investments that:

- Connect people to jobs and training, particularly young people and disadvantaged groups
- Support business growth and investment to create more good jobs for Sheffield people
- Champion the city's key sectors, including advanced manufacturing, creative and digital industries, and energy and the environment
- Prioritise the development of skills at all levels, to not only enable people to access and progress in work, but also to drive productivity benefits for Sheffield businesses
- Develop the city's business districts and economic hubs, strategic neighbourhoods and sites, and cultural assets
- Provides transport infrastructure that enables and sustains growth in jobs and visitors.

Our decisions about where to invest locally need to align with national priorities for economic growth. This will improve our chances of securing external funding to match our own financial contribution to capital projects.

2 Projects completed in 2018/19

	Project and value	Impact
1	Lower Don Valley Flood Protection	Reduction in the extent of the flood plain in Sheffield's Lower Don Valley Reduction in the percentage of businesses in Sheffield/Yorkshire & Humber that are at risk of flooding

		Reduction in the percentage of Sheffield/Yorkshire & Humber's total GVA that could be lost as a result of flood damage Maintain the confidence of existing local businesses in the security of their location and opportunities for further growth/investment Increase the confidence of new investors to relocate to Sheffield by developing previously vacant sites in high flood risk locations Reduction in businesses' insurance premiums related to premises, plant, stock and business continuity Well-maintained river course through a long-term management & maintenance system

3 Current projects already in delivery

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Culvert Renewal Programme	3,067,500	18/19-20/21	No	Department of Environment, Food & Rural Affairs (DEFRA) Regional Flood Levy Potential Council contribution	Strengthening & renewal of 9 culverted watercourses	Homes, businesses, development sites, educational facilities, medical, emergency & rescue facilities & utility sub-stations protected from flooding Major roads resilient to flooding Prevention of future serious injury/fatality Prevention of third party damages
2	Digital Incubator	3,450,000	Sep 16-Mar 24	No	Department for Digital, Culture, Media & Sport	High quality workspaces for digital SMEs	More good jobs Development of digital skills at all levels
3	Grey to Green Phase 2	5,083,454	17/18 – 19/20	No	Growth & Investment Fund (GIF) S106 Sheffield City Region Investment Fund (SCRIF) European Regional Development Fund (ERDF) - TBC Clean Air Fund Third party	New highway, cycleway, footpath and sustainable urban drainage New urban meadow planning, trees Three public art commissions Reduced carbon & harmful pollutant emissions	Improved air quality Safer and more sustainable transport through segregated cycleways and footpaths

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
					contributions		
4	Knowledge Gateway	5,596,999	14/15-19/20	No	Growth & Investment Fund (GIF) Sheffield City Region Development Fund (SCRIF) Third party contributions	High quality gateway with SHU/CIQ linking railway station to Porterbrook development site/UTC via SHU campus	Improvements to public realm Increase investment into area More good jobs Increase GVA Increase floorspace occupation Increase residential accommodation
5	LDV Sanderson's Weir Fish Pass	450,000	18/19-19/20	No	European Maritime Fisheries Fund (EMFF) Environment Agency	Construction of a fish pass on Sanderson's Weir, River Don	Ecological recovery of the River Don Return of natural fish populations in River Don
6	Tinsley Art Project (M1 Gateway) - Feasibility	565,000	No 13-Mar 19	No	S106 Third party contribution (E.ON)	Design & construction of major public art work	Increase recreation value of waterways & Blackburn reserve Increase cycling & walking Increase access to & use of canal Improve health & wellbeing of local communities

4 Potential priority areas / projects under consideration

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward.

	Project	Value	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Parkwood Springs – Sheffield Ski Village Site (Feasibility)	c£4.8m	18/19-19/20	TBC	New & upgraded highway Remediation of brownfield land	Increase in visitors to the city Increase in housing growth adjacent to site Supply chain opportunities for local businesses associated with the development and its ongoing operations

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Lack of revenue funding for early development and feasibility works for capital projects	Review of governance of Growth & Investment Fund to ensure investment in development of projects that are best aligned to strategic objectives for the city
2	Availability of match funding for capital investments	As above + continue to explore and identify options for external funding
3	Uncertainty about future availability of European funding	Work with European funding partners to maximise current opportunities for funding, minimising risk of clawback and keep implications of Brexit under scrutiny

4 TRANSPORT

Safe, well maintained streets which do not restrict the city's ongoing development. An attractive public transport offer and infrastructure which encourages other means of transport than the car. Promoting improvements in air quality to improve the quality of life for our citizens.

1 Background and context

The key principles which underpin our investment strategies are set out in Sheffield's Transport Strategy:

A city that's easier to get around

- Faster, better integrated and simpler bus services
- Securing the future of Supertram and supporting its expansion
- New mass transit routes and services creating more public transport capacity for a growing city
- An inner ring road that has more capacity and is easier to cross into the city centre

A better connected Sheffield

- Faster, longer and more frequent train services to other cities and to the rest of the city region
- A transformed Sheffield Station bringing High Speed rail services into the heart of city
- Improved major road network, keeping Sheffield connected to motorways, airports, and other cities

A safer and more sustainable Sheffield

- Sustainable safety, safe walking and cycling as standard
- Improved air quality and working to manage congestion
- Improving poor health and poor access to jobs and services

All of our projects are focused upon delivering these priorities for the city.

2 Projects completed in 2018/19

	Project and total value	Impact
1	Lower Don Valley cycle route £300,000	Upgrade of signalised crossing to provide controlled crossing point which will be safer for pedestrians and cyclists
2	Little Don Valley Link £1.4m	1 km off-road tarmacked cycle route connecting into existing network in and around Deepcar and Wharncliffe Woods. Route includes a new river crossing. Provides quiet safer link through Deepcar for cyclists and pedestrians
3	Chesterfield Road key bus route £5,137,365	New bus lane provided to improve bus speeds and journey time reliability, with wider environmental improvements
4	Taxi facilities £182,905	New and amended taxi ranks providing people with more choice and convenience when using taxi (hackney) carriages
5	Street Ahead waiting restrictions £660,512	Completion of the programme to provide enforceable School Keep Clear Markings outside all Schools; provide yellow line restrictions at priority locations
6	City Centre 20 mph zone £243,260	20mph speed limit to reduce traffic speeds within the city centre to improve road safety and the environment for walking and cycling
7	Air Quality – Schools Anti Idling £52,000	Anti-engine idling outside schools across Sheffield to highlight the dangers of exposure to poor air quality and influence driver behaviour

3 Current projects already in delivery

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Broadfield Road junction	£3,356,000	2018/19	No	NPIF	Remodelled junction to improve traffic flow	Journey time improvements; bus journey time reliability
2	Bramall Lane / Cherry Street road safety scheme	£155,000	2018/19	No	LTP	Changes to the road junction to simply traffic movements and	Improvements to road safety

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
						reduce conflict	
3	Oughtibridge road safety scheme	£82,000	2018/19	No	LTP	Remodelled road system to reduce collisions	Improvements to road safety
4	Blackburn Valley cycle route	£1,377,708	2018/19	No	LTP	New cycle link to complete route from Chapeltown to City Centre	Enhanced segregated cycle route to encourage more people to choose cycling for a range of trips.

4 Potential priority areas / projects under consideration

	Priority	Impacts
1	Managing the existing highway network	Improve journey time reliability and improving access from growing neighbourhoods to jobs, education and training as well as improving conditions for business through effective network management
2	Reducing the number of accidents	Improved road safety through a range of interventions city-wide
3	Increasing active travel (cycling and walking)	To be inclusive and open up the city's opportunities to all and improve health outcomes
4	Improving the public transport offer	Helping to underpin sustainable growth and promote a city that is open for business
5	Infrastructure investment	Ensuring the benefits of investment in transport infrastructure continue year after year; including supporting the introduction of alternative fuel technologies where appropriate
6	Improving Air Quality	To reduce levels of air pollution across Sheffield to improve the health of people in Sheffield through a range of interventions

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Lack of appropriate funding to develop 'pipeline' schemes identified in the Sheffield Transport Strategy	Around £160k included in the 2019/20Local Transport Plan to fund the development of larger schemes: the lack of revenue funding for this activity has been escalated within SCC and is being considered for funding from the Growth and Investment Fund. In particular, this has the potential impact on SCC's ability to develop significant

		infrastructure projects that are required to support the City's Housing and Economic ambitions.
2	Ongoing maintenance of the highway infrastructure (commuted sums)	Agreement on way forward required to provide confidence in our ability to address infrastructure required to support economic growth. Highlight constraints and the current agreements in relation to which SCR funds can support some of the potential commuted sums, and a strategic review of implications on future programmes.
3	Constrained timescales to meet the Government direction for Air Quality and associated Clean Air Zone (CAZ) development and delivery	Funding from Government is available to resource the associated Clean Air Zone Feasibility Study, business case development and (subject to approval) implementation, but the scale and required speed of delivery is a significant challenge. Resources from across the City Council are being brought into a virtual team and this will be reviewed during 2019/20.

5 HOUSING GROWTH

Increasing the city's stock of new housing – for both sale and rent - through delivery by the Council, Registered Providers or private developers

1 Background and context

Cabinet has set out a commitment to build between 2,000 and 2,300 new homes each year by 2022. 725 of these must be affordable. This commitment is set out in our Growth Plan 2017-22, as amended by the Housing Strategy Statement for 2018. The Council will work in partnership across the city to deliver this objective, using a wide mix of measures to increase development.

The Council will also increase its own social housing stock, aiming to add 1,600 new properties up to 2023. 1000 of these are already approved, and we will be seeking Cabinet approval for a further 500 from our Housing Revenue Account. We will deliver this through building new Council homes, acquiring existing homes to bring into the Council's rental portfolio and bringing empty properties back into use.

2 Key potential priorities and their desired impacts

	Priority	Impacts
1	Deliver at least 725 affordable homes each year	Affordable housing - to rent and for home ownership to address the citywide shortfall - delivered through a mix of initiatives, including SCC Direct New Build, SCC acquisition of new build, SCC acquisition of long term empty properties and the Council marketing land for mixed tenure schemes.
2	Deliver 20,000 additional homes over the next ten years at a rate of 2,185 per annum by 2022	Ensuring sufficient new housing is built in order to meet the demands of a growing city. This will be achieved through a mix of predominantly private sector and Council-led development.
3	Enable individuals to deliver their own homes	Encourage smaller scale initiatives such as the Custom Build initiative to allow individuals to build their own homes, supporting these through the release of small sized (<10 units) plots of Council-owned land. Maximise developments to provide affordable housing for owner occupiers.
4	Ensure provision of suitable accommodation for Older People, people with Learning Disabilities and care leavers.	Ensuring that there is sufficient, good quality accommodation for these people which enable care to be provided (where required) as efficiently and effectively as possible, whilst also releasing housing stock for the wider market to access.

3 Top current projects by remaining value

These are existing projects which have already received Council approval. Their delivery spans a number of years.

	Project	Budget (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Council existing housing acquisitions programme	£32.9m	2014-21	N	Housing Revenue Account	373 in programme	Increased council housing stock to address waiting list
2	Council New Build acquisition programme	£15.6m	2015/21	N	Housing Revenue Account	156 in programme	Increased council housing stock to address waiting list
3	Older Persons' Independent Living Phase 4a (Adlington)	£14m	2017-20	Y	Housing Revenue Account	132 units of OPIL accommodation delivered	Increase quality OPIL stock, reduce care costs and release stock to wider market
4	New Council Housing Phase 2 (Weakland)	£6.5m	2015-20	N	Housing Revenue Account	36 units of accommodation delivered	Increased council housing stock to address waiting list
5	Learning Disabilities Accommodation Phase 4b (Adlington)	£1.2m	2017-20	Y	Capital receipts and Housing Revenue Account	8 units of learning/disabilities accommodation delivered	Increase quality LD stock, reduce care costs and release stock to wider market
6	OPIL and LD Accommodation Phase 3 (Wordsworth)	£1.2m	2017-20	Y	Capital receipts and Housing Revenue Account	8 units of learning/disabilities accommodation delivered	Increase quality LD and OPIL stock, reduce care costs and release stock to wider market

4 Top priority areas for consideration

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward.

	Project	Value	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Land acquisition to increase pipeline of affordable housing	£7.0m	2018-2023	Growth & Investment Fund	Ha of brownfield land acquired to increase pipeline	Increased council housing stock to address waiting list

2	Strategic Site Assembly in Priority investment areas	£10.0m	2018-2023	Growth & Investment Fund	Ha of brownfield land acquired to increase pipeline	Increase number of housing of all tenures to meet identified needs
3	Asset Enhancement fund to de-risk SCC owned land	£5.0m	2018-2023	Growth & Investment Fund	Ha of brownfield land acquired to increase pipeline	Increase number of housing of all tenures to meet identified needs
4	SCC shared ownership model to retain SCC equity in land and to provide affordable housing for home ownership	TBC	2019-	Growth & Investment Fund	Model formulated for an off plan shared ownership model that is self-financing or can access external grants such as HRA.	Increase number of family dwellings
5	Newstead (Phase 5)	£25.0m	2021-23	Housing Revenue Account	207 unit scheme of OPIL, general needs accommodation	Increase quality LD and OPIL stock, reduce care costs and release stock to wider market
6	Temporary Accommodation	£7.2m	2021-23	Housing Revenue Account	60 units to provide temporary accommodation for families and single people	Accommodation provided funded by SCC to support vulnerable people.

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Reductions in nationally-funded programmes and capital receipts (caused by economic climate and changes to Right to Buy legislation) have limited our ability to invest	Our introduction of the self-funded business model has created greater freedom for the Council to invest in its housing stock through contributions from the Housing Revenue account.
2	Identifying and releasing sites for private sector development in a timely manner, balancing delivery against commercial risks of flooding the market	Identification of priority sites pipeline and introduction of Key Account Holder Role.
3	Potential declining land values / capital receipts (linked to 2 above) limit our ability to invest	New project to support investment in sites to de-risk them.
4	Private sector development does not provide the required breadth of housing needed for Sheffield people	SCC to support private sector to develop housing to meet identified needs in Housing Market Areas.
5	Welfare budget reforms – impact on SCC rent	Work underway within the housing service to support tenants to ensure they can continue to pay rent, without evicting any tenants due purely to delays in receipt of Universal Credit

6 HOUSING INVESTMENT

Quality Council-owned housing stock for our tenants on well-managed estates

1 Background and context

This priority covers investment and asset management priorities for our Council-owned properties within the context of the wider business plan. The Council wants to deliver well-maintained homes, investing in priorities which improve tenants' quality of life and minimise the volume of (comparatively expensive) responsive repairs.

Council tenants should live in warm, dry, safe and secure properties which are as efficient to run as possible. These overarching principles inform our investment priorities. We will also continue to invest in keeping our residents safe, putting in place a number of fire prevention and fire safety measures for high rise blocks and sheltered schemes (which could include the installation of sprinkler systems).

Proposals for significant investment in the housing stock and the environment in Gleadless Valley will also be developed. This may result in the need to bring forward capital investment from later years to begin delivering priority housing improvements in this area.

2 Projects completed in 2018/19

	Project and value (all years)	Impact
1	Pitched Roofing and Roofline Programme £71.8m	Reroofing works to 13,786 properties across the city completed.
2	Communal areas – Low rise flats £18.2m	The improvement of floor coverings, lighting, security and decoration of communal areas to 1,928 low rise flats.
3	Kitchens , bathrooms planned replacements £27.6m	Providing modern facilities to 3440 council housing properties and making properties warm and secure, including 364 vacant properties up to the decent homes standard.
4	Windows and Doors Replacement £6.5m	Renewal of windows and doors to 1886 properties across the city completed to enhance warmth and security.

3 Current projects already in delivery (over £1.000m)

	Project	Budget (all years) (£m)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Electrical Strategy	£22.0	18-21	Yes	HRA	22,500 properties included for electrical rewiring	Safe homes which are compliant with electrical safety regulations and meet modern day standards
2	Adaptations	£12.1	18-24	Yes	HRA	2,400 properties anticipated to receive adaptation works	Accessible and fit for purpose homes
3	Obsolete Heating	£7.5	19-24	Yes	HRA	4,128 replacement boilers and / or heating systems installed	Warm and energy efficient homes
4	Heating Breakdowns	£3.7	18-24	Yes	HRA	3,924	Warm and energy efficient homes
5	Hanover Tower Block Cladding	£3.5	18-20	Yes	HRA	125 flats	Safe, warm and energy efficient homes
6	External Wall Insulation Package 1	£3.2	18-21	Yes	HRA	174	Warm, safe and energy efficient homes
7	Garage Improvements	£2.9	18-20	Yes	HRA	3260 garages	Sustainable garage stock which is appropriately maintained
8	Lift Maintenance	£2.2	18-24	Yes	HRA	25 new lifts fitted	Reliable and safe access to properties

4 Potential priority areas / projects under consideration (over £1m)

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward.

	Project	Value £m	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Roofing and Roofline	£44.1	19-24	HRA	New roofs, pointing, render and rain water goods.	Water tight, warm homes
2	Communal Areas	£21.2	19-24	HRA	Improved communal areas to maisonette blocks	Attractive and safe environment to live
3	Walls, Pointing, Render	£18	19-24	HRA	Render, improved cladding and rain water goods.	Water tight, warm homes
4	Health & Safety Environmental Works	£17	19-24	HRA	Improved communal spaces, walls / steps path ways	Contribute to a safe environment, improved access.
5	Electrical Strategy (Future Phases)	£16.1	21-24	HRA	Electrical rewiring	Safe homes which are compliant with electrical safety regulations and meet modern day standards
6	Kitchens & Bathrooms	£15.5	19-24	HRA	Replacement of Kitchens and bathrooms	Modern Homes
7	Sprinklers	£15	19-24	HRA	New sprinkler and fire suppression systems	Safe homes which are compliant with fire safety assessments
8	External Wall Insulation Packages 2-4	£12.6	19-23	HRA	Council Dwellings	Warm and energy efficient homes
9	Gleadless Valley Regeneration	£12.3	19-24	HRA	Regenerated homes and attractive neighbourhood	Attractive environment and sustainable homes.
10	Boundary Walls, Fencing	£8.6	21-24	HRA	Property boundary treatments.	Attractive and safe environment to live.

11	Community (District) Heating	£6.3	19-24	HRA	Council Dwellings	Warm and energy efficient homes
12	Plastering	£6.3	18-24	HRA	Re-plastering works	Modern homes
13	Windows & Doors (inc. Deer Park)	£3.8	19-24	HRA	Council Dwellings	Warm and energy efficient homes
14	Waste Management	£2.5	19-22	HRA	Communal Spaces	Contribute to the city's environmental strategy and improved environment for residents
15	Non Traditional Structural	£2.4	20-21	HRA	Council dwellings	Structural repairs combined with external wall insulation

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Inflation and increase in interest rates	Modelling inflation / interest rates through the Housing Revenue Account (HRA) Business Plan and the effect of changes on the programme
2	The implementation of Welfare Reform and Universal Credit in late 2018	Work underway within the housing service to support tenants to ensure they can continue to pay rent, without evicting any tenants due purely to delays in receipt of Universal Credit
3	Any future impact of changes to national policies	Horizon scanning, modelling with business planning
4	Increase in the number of 'right to buys' which reduces the levels of Council-owned stock	Modelling within business planning to mitigate funding pressures; build new Council houses (see 'Housing Growth' section)

7 QUALITY OF LIFE

Creating spaces and places that support and sustain the health and wellbeing of people in Sheffield

1 Background and context

We want people in Sheffield to have a good quality of life, feel proud of where they live and have access to local amenities. This is about neighbourhoods that are safe and clean with well-maintained green and open spaces, and where people have access to high-quality, sports, leisure and play facilities. Working with residents and local groups, we want to build communities that are fair, tolerant and cohesive, and where people are protected from rogue traders and environmental hazards.

A significant proportion of the Council's revenue spending is invested in maintaining quality of life in the city's neighbourhoods on a day-to-day basis including waste management, licensing, parking services, pest control, trading standards, health and environmental protection, parks and green estates, public health, neighbourhood housing management, tenant support and housing repairs and maintenance.

Our decisions about where to invest capital funding in this area need to support priorities that supplement the significant investment we already make as an authority in sustaining the health and wellbeing of people in Sheffield. To this end, we focus on projects which:

- Improve public health by ensuring that people live in neighbourhoods that are safe, clean and sustainable;
- Deliver green and open spaces which are well-managed and maintained;
- Enable people to have access quality sports, leisure and play facilities;
- Enable people to influence and shape where they live; and
- Enable people to live in neighbourhoods that are inclusive, tolerant and cohesive.

2 Projects completed in 2018/19

	Project and value	Impact
1	Beighton Leachate Abstraction & Disposal £365,170	Improved gas monitoring Reduced risks to environment & local population Improved land management & enhancement of local, recreational space
2	Graves Park Improvements £126,525	Improved facilities & accessibility to the park Encouragement of new park users & improved play value of the park

3	Parkwood Springs Resolution Site £254,299	Installation of gas management system & implementation of remediation programme Reduced risks to environment & local population Improved land management & enhancement of local, recreational space

3 Current projects already in delivery

All projects have been completed for this year; new projects are being brought forward from 2019/20 in accordance with our realigned priorities.

4 Potential priority areas / projects under consideration

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward. The current 5-year allocation covers the capitalisation of bond payments regarding our major sporting facilities.

	Project	Value	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Leisure centre review	TBC	TBC	TBC	A review of assets to ascertain investment need and funding strategies.	A fit-for-purpose, well maintained leisure centre estate.

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Lack of revenue funding for early development and feasibility works for capital projects	Review of governance of Growth & Investment Fund to ensure investment in development of projects that are best aligned to strategic objectives for the city
2	Availability of match funding for capital investments	As above + continue to explore and identify options for external funding

3	Reduced revenue budget and availability of external funding to deliver priorities and maintain high standard	Review delivery of services to make them better, easier, quicker and more affordable Continue to explore and identify options for external funding

8 GREEN AND OPEN SPACES

Parks, playgrounds and green spaces which are well-used and our residents are proud of.

1 Background and context

This priority focuses on a dedicated strand of works from the 'Quality of Life' priority. Funded primarily from either s.106 contributions from developers which are required to be spent on playgrounds - or from Public Health monies - this priority aims to restore and enhance civic pride in our parks, playgrounds and green spaces. Far from being left to slide into decline, we are ambitious for these precious assets and are investing as much as we can to ensure they remain relevant and well-used. Local authorities have a statutory duty to improve the health of the people who live in their areas under the 2012 Health and Social Care Act. This priority contributes to delivering on that duty.

The Council undertakes a wide range of improvements, including replacing worn and dated playground equipment, restoring green spaces, enhancing biodiversity and promoting accessibility for all our citizens – by repairing footpaths, replacing stiles, aiding interpretation and reducing vandalism and fear of crime.

Whilst some of these projects may be of a lower value than others within this Capital Strategy, this does not reflect the importance of them. Sheffield has a proud tradition of well-maintained parks and green spaces, and this priority demonstrates our commitment to ensuring this is maintained – even in challenging financial circumstances. Indeed, this priority is taking on greater importance with the emerging 'wellness' agenda; GPs are increasingly prescribing outdoor activities in nature to promote physical and mental health and wellbeing.

2 Projects completed in 2018/19

	Project and value	Impact
1	Norfolk Park play and access improvements £294k	Renewal of play equipment and improvements to site access. Further path improvements, CCTV installation and access control gates currently underway.
2	Colley Park improvements £64k	Removal of redundant and damaged facilities, boundary repairs and improvements, opening up sight lines, installation of CCTV. Renewal of play equipment to follow shortly.
3	Ball court improvements £153,200	Improvements to ball courts across the city, including renewal of surfacing, goal ends, fencing and sight lines. Completed courts include Frecheville Pond, Hollow Lane Open Space, Duchess Road and Richmond Park.
4	Public Health play renewal	Renewal of play equipment and installation of safer surfacing at a number of sites across the city, including

	£103,000	Middlewood Park, Brightside Rec, Cardwell Drive and Springwell Park.
5	Play improvement projects (phases 1 and 2) £187,500	Play improvements and installation of new equipment (including gym equipment) at a range of sites across the city, including Archer Gate, Brightside Rec, Gregory Road, Handsworth Rec, Loxley Park, Middlewood Park, Charlton Brook, Herdings Park, Herdings Park, High Hazels Park and Richmond Park. These improvements have been funded primarily from S106; however there was a Public Health funding contribution at both High Hazels Park and Richmond Park.
6	Philadelphia Gardens – Ball Court Renewal £77,000	Renewal of the Multi-use Games area of Philadelphia Gardens.

3 Current projects already in delivery

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Play improvement projects (phases 3 and 4)	£180k	2019 & 2020		S106 & Public Health Funding	Improved play & recreational opportunities Green Space Quality Play Value	Works to Broadfield Road Open Space, Batemoor Road Open Space, Darnall Community and Phillimore Parks, Mortomley Park, Upper Hanover Playground, Ruskin Park, Lydgate Lane Improved Health and Wellbeing for children and families Increase in community pride and value
2	Environmental Improvements Project	£42k	2019		S106	Access improvements Habitat improvements Sheffield Standard site quality uplift	Works to Grange Road, Birley Spa, Silkstone Ravine and Bowman Drive Improved Health & Wellbeing for children and families Increase in community pride and value Improved biodiversity
3	Colley Park	£200k	2019 & 2020		S106	Landscape improvements - Improved sight-lines Play provision	Improved Health and Wellbeing for children and families Increase in community pride and value Reduction in anti-social behaviour
4	Blackbank Open Space environmental	£38k	2019/20		S106	Access Improvements Habitat improvements	Improved Health and Wellbeing for children and families

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	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
	improvements					Informal recreation improvements	Increase in community pride and value Improved biodiversity
5	Parson Cross Park – access improvements.	£55k	2019/20		S106	New Path creation	Improved Health and Wellbeing for local communities
6	Shirebrook Valley Visitor Centre – renewal	£120k	2019/20		Public Health Funding	Re-configuration and modernisation of internal space of the visitor centre – to make fit for purpose.	Educational opportunities Community cohesion
7	Burngreave Green Space improvements (Wensley St, Nottingham Cliff and Denholme Close)	£91k	2019/20		Public Health Funding	Play improvements Access improvements Sight-line improvements	Reduced ASB Improved Health and Wellbeing for children and families Increase in community pride and value Improved biodiversity
8	Southey Ward Green Space improvements (Cookson Park, Foxhill Rec and Wolf Road Park)	£61k	2019/20		S106 and Public Health	Play improvements Access improvements Sight-line improvements Informal Recreation improvements	Reduced ASB Improved Health & Wellbeing for children and families Increase in community pride and value Improved biodiversity
9	Pipworth Rec and Woodthorpe Ravine Landscape Improvements – led by SHC (includes Sustainable Urban Drainage schemes)	£545k	2018/20		Growth and Investment Fund, to be refunded from developer contributions	Sheffield Standard quality improvements Play provision creation Access controls and improvements	Reduced ASB Improved Health and Wellbeing for children and families Increase in community pride and value Improved biodiversity
10	Ecclesall Woods – access and habitat improvements	£16.2k	2019/20		S106	Access improvements Habitat improvements and associated access controls	Improved biodiversity Improved Health and Wellbeing Improved woodland accessibility
11	Weston Park – band	£9.3k	2019/20		S106	Meet Green Flag	Green Flag and Heritage Lottery Fund

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
	stand refurbishment					requirements Improved heritage facility – refurbished bandstand	requirements met Income sustained through improved venue used for weddings Improved key visitor destination site

4 Potential priority areas / projects under consideration

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward.

	Project	Value	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Masterplan implementation projects	£1m +	2019/20	s.106, external funding including HLF .	A 'whole site' approach taken to a number of sites, including Ponderosa Park, Bannerdale Green Spaces, Mather Road Recreation Ground, Ecclesfield Park, Parkwood Springs and Hillsborough Park, Parson Cross Park	Sites which, following consultation with local people, are well used by all sections of the local community.
2	Access and environmental improvements	c. £150k	2019/20	s.106	Delivering safe, clean, welcoming and accessible sites at Sky Edge, Arbourthorne Playing Fields, Corker Bottom / Manor Playing Fields, plus small-scale environmental improvements	Sites which, following consultation with local people, are well used by all sections of the local community.
3	General Cemetery HLF	£3m +		HLF – Parks for People funding	Recreational area	Destination site established – key city heritage

	Parks for People			Round 2 – capital delivery.	improvements Heritage restoration and conservation Setting for investment Green Flag site	venue Community Health and Wellbeing

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Section 106 monies will become depleted and are likely to be exhausted by 2020.	Proactively seek alternative funding sources to replace section 106; ensure we can evidence benefits to maximise our chances of success. Progress the 'Building Better Parks' initiative to selectively seek out and secure appropriate increases in income (such as more and better catering opportunities, increased social value initiatives and new franchises and activities/events) on appropriate sites. We must however ensure we maintain the balance between peace and tranquillity and income generating activity.
2	Quantifying the outcomes for our communities.	This is required in order to evidence benefit to current (e.g. Public Health) and future funders. A project has begun to scope measurable metrics, such as activity levels and usage.
3	Prolonging asset life in challenging financial circumstances.	Engagement of and consultation with local communities at planning stage pays dividends in reducing vandalism when the works are complete. We also often undertake improvements to sight-lines and boundaries as part of our works, minimising vandalism and ensuring people feel safer using the facilities. We allocate funds for maintenance (currently five years) as part of our project approvals. And we are currently developing an asset management strategy for our play equipment to strike the right balance between efficient and effective asset management whilst ensuring that the equipment choices of funders (such as local 'Friends Of' groups) can be accommodated as much as possible.

8 PEOPLE – CAPITAL AND GROWTH

Improving and maintaining the quality of provision and services for all our citizens, ensuring we are meeting the needs of our diverse communities; improving the quality of life for our citizens for the whole of their life.

1 Background and context

The Council must ensure that there are sufficient school places to meet demand. It endeavours to provide high quality schools in each of the neighbourhoods it serves, helping to build strong and stable communities and also minimising travel across the city – whether by car or public transport. Examples of this are the new Astrea and Mercia schools and expansions to Totley and Ecclesall schools which have opened this year.

We are reviewing existing strategies and policies to maximise the impact of investment from capital grants (such as Disabled Facilities Grants) to ensure we improve the quality of life for residents of all ages.

The Council has a responsibility to ensure the People estate is fit for purpose and supports effective service delivery. There is a significant backlog of outstanding maintenance investment, which it is making headway in tackling against an extremely challenging financial context.

2 Projects completed in 2018/19

	Project and value	Impact
1	Aldine House Undercroft / 2 Bed Extension £1,493k	Extending the secure provision at Aldine House Secure Unit
2	Dobcroft Junior Temporary 1FE Expansion £278k	Providing accommodation to ensure sufficient school places
3	Woodseats – pupil access and welfare adjustments £203k	Accessibility improvements to Woodseats Primary School for pupils with a range of impairments
4	Mercia Academy £26,139k	A new 8 form-entry secondary school on the former Bannerdale site; external play currently being completed
5	Ecclesall Primary expansion	A new, consolidated primary school in Ecclesall to deliver an increased number of school places

	£5,908k	
6	Totley Primary Expansion £3,183k	An extended school to deliver an increased number of school places

3 Current projects already in delivery

	Project	Budget (£) (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Disabled Grants	£11,300k	2018-24	No	Department of Health	Adapted properties	Suitably adapted properties which meet people's needs
2	Minor Works Grants	£750k	2018-24	No	Department of Health	Improvements to private homes	Improved homes for local people
3	Don Valley School – sports hall	£1,500k	2018/20	No	Growth and Investment Fund / Capital Grant – Education & Skills Funding Agency (ESFA)	A new sports hall for Don Valley School	A facility for use by the schools and the wider community
4	Mechanical Replacement	£1,633k	2018-20	No	Capital Grant – Education & Skills Funding Agency (ESFA)	Improved heating and electrical systems across the school estate	Schools with expected standard of heating and infrastructure
5	Whole Family Case Management	£2,900k	2017/20	No	Social Care Capital Reserves	Replacement care management IT system	Increased efficiency of payments
6	Schools' Fire Risk Assessments Works	£1,421k	2018-20	No	Capital Grant – Education & Skills Funding Agency (ESFA)	Improved fire safety measures across the school estate	Schools with high standard of fire safety
7	Astrea Academy	£28,660k	2017-20	No	Capital Grant – Education & Skills Funding Agency (ESFA)	Completion of final outstanding external school elements	A new school for pupils and the local community

8	Woodseats Primary structural works	£300k	2019-20	No	Capital Grant – Education & Skills Funding Agency (ESFA)	Structural remedial works	Improved school structure

4 Potential priority areas / projects under consideration

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward.

	Project	Value	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Specialist provision	£1.8m	2019-21	Capital Grant – Education & Skills Funding Agency (ESFA)	TBC	Supporting the increasing needs of children and young people with special educational needs and disabilities (SEND).
2	Early years' provision	TBC	2019-20	Capital Grants – allocated to individual providers – Education & Skills Funding Agency (ESFA)	TBC	Ensuring Sheffield's children have the best possible start in life through supporting schools to deliver quality provision.
3	Children's Social Care Capital Investment	c.£3.5m	2019 onwards	Strengthening Families – Invest to Save	Appropriate Residential Care for young adults and children on the edge of care.	Improved ability to accommodate young adults and children on the edge of care within the city.
4	Building condition	TBC	2019 onwards	Capital Grant – Education & Skills Funding Agency	Programme of repairs and upgrades to a range of schools	Well-maintained schools buildings which ensure our children are educated in for for purpose learning environments.
5	People's estate and infrastructure	TBC	2019 onwards	TBC	TBC	Fit for purpose property and infrastructure which supports an integrated services delivery model.

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Risk that advance investment in new or expanded schools (£11m) is not repaid from future government	No commissioning of new school places that requires significant capital investment from Basic Need. New

	funding allocations	school places/capital opportunities from other Department for Education programmes to be maximised.
2	Annual reduction to the Building Condition Grant allocated to Local Authorities as more schools transfer to Academy Status.	Demands on the capital budget will also decrease proportionately. However, significant challenges relating to the condition of the primary estate remain. The reduction in Building Condition funding leaves a disproportionate number of schools in a worse condition within the council's control.
3	Backlog maintenance estimated at £95m and certain elements require urgent renewal.	Prioritise repairs on a 'worst first' basis, whilst aggregating requirements wherever possible to maximise efficiency of delivery. Make funding requests to the Growth and Investment Fund to tackle this backlog, prioritising schools which will remain in the City's control.
4	Keeping people out of hospital and accessing the right care	Work closely with colleagues in Health and Social Care and Housing to enable people to remain in their homes as long as possible and avoid unnecessary hospital admissions.

10 HEART OF THE CITY II

A vibrant and attractive 'destination' City Centre which creates more good jobs for Sheffield people, attracting new investors, visitors and residents to the city centre.

1 Background and context

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Heart of the City II is one of Sheffield's key economic projects. Backed by Sheffield City Council alongside its strategic delivery partner Queensbury, the scheme will provide contribute positively in social and economic terms making the city centre a more dynamic place to live and work.

In addition to encouraging new retailers to the city centre, the scheme will provide Grade A office space, two 4 or 5 star hotels, residential developments, restaurants and cafes, leisure destinations, parking and stunning public realm – all creating the type of high quality central quarter that helps attract jobs and investment.

The scheme will bring together the old and the new, maintaining the existing street patterns and balancing heritage with striking new architecture and unique outdoor squares and spaces. Rooted in the city's unique character, it will help knit together The Moor, the Devonshire Quarter and Fargate, providing a new home for Sheffield's cultural, commercial and creative trailblazers.

2 Projects completed in 2018/19

	Project and value	Impact
1	SRQ Demolitions £1.9m	A complex remediation and demolition of the previous buildings which enabled the successful delivery of the construction of the new Offices detailed in section 3 below.
2	Charter Square Enabling Works £8.8m	Restructuring and renewal of the highways and public realm in Charter Square and Charter Row to provide high class public spaces that will enhance the environment for the offices and retail units created as part of Project Cavendish and the wider Heart of the City II.
3	HoC II Phase 1 Offices £80.7m	Delivery of new offices for HSBC and 25,000 sq.ft. of new office space available to the market. Delivery of 55,000 sq.ft of new retail and restaurant space.

3 Current projects already in delivery

	Project	Budget (£)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	HOC2 Land Acquisitions and Feasibility work	£3.7m remaining expenditure	Oct 13 - Mar 20	No	Prudential Borrowing	All land interests secured and final payments settled.	The HoC2 projects are collectively providing a high class mixed use development in the heart of Sheffield City Centre, enabling Sheffield to have an improved retail and leisure offer and increased vibrancy through the creation of Office and Residential accommodation. This very first stage of the project was to bring the land ownership into the Council's hands so that it can control the quality and pace of development and to carry out initial feasibility work to develop a viable delivery masterplan. The £3.7m is the remaining forecast expenditure of a £66.4m total budget.
2	HoC2 Block A Palatine	£4.1m Remaining expenditure of a £4.3m budget	Sep 18 - May 20	No	Prudential Borrowing	Pre- construction phase of development of mix of Hotel, Office, Residential and retail units with pre-conditions satisfied to move the project into the construction phase with necessary budget approval	Bringing increased vibrancy to the buildings in key corridor in the city centre attracting visitors, jobs and residents.
3	HoC2 Block B Laycock	£15.8m Remaining expenditure of a £17m budget	Sep 18 – Mar 22	No	Prudential Borrowing	Circa 60 residential units, small office and ground floor retail	Increased residential offer in the city centre helping to make the city centre a 24 hour economy.
4	HoC2 Block C Pepperpot	£17m Remaining expenditure of a £18.1m budget	Apr 18 – Sep 21	No	Prudential Borrowing	Office accommodation and ground floor retail	Increased office capacity in the city centre attracting inward investment.

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	Project	Budget (£)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
5	HoC2 Block E Telephone House Retail	£0.3m Remaining expenditure of a £0.5m budget	Dec 18 – Jun 19	No	Prudential Borrowing	Pre- construction phase of development of retail units and car park refurbishment with pre-conditions satisfied to move the project into the construction phase with necessary budget approval	Bringing back into life a number of previously vacant properties and improved exterior of the multi-story car park.
6	HoC2 Block G Wellington Street	£5.1m Remaining expenditure of a £5.2m budget	Dec 18 – Dec 21	No	Prudential Borrowing	Pre- construction phase of development of mix of Hotel, Office, Car parking and retail with pre-conditions satisfied to move the project into the construction phase with necessary budget approval	Increased high quality office capacity in the city centre attracting inward investment, increased car parking capacity serving the city centre offer.
7	HoC2 Block G1 38 Carver Street	£0.2m Remaining expenditure of a £0.3m budget	Dec 18 – Mar 19	No	Prudential Borrowing	Pre- construction phase of existing office refurbishment with pre-conditions satisfied to move the project into the construction phase with necessary budget approval	Bringing back into life a key office building currently vacant and vandalised.
8	HoC2 Block H Henrys	£3.3m Remaining expenditure of a £3.5m budget	Dec 18 – Mar 20	No	Prudential Borrowing	Pre- construction phase of development of mix Leisure, Food, Office and retail with pre-conditions satisfied to move the project into the construction phase with necessary budget approval	Increased leisure offer in the city in a cutting edge food hall concept combined with further grade A office space
9	HoC2 Block H1 Leah's	£4.1m	Dec 18 –	No	Prudential Borrowing	Pre- construction and	Bringing back into life iconic heritage building.

	Project	Budget (£)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
	Yard	Remaining expenditure of a £4.5m budget	Jun 20			stabilisation phase of development of Listed building with pre-conditions satisfied to move the project into the construction phase with necessary budget approval	
10	HoC2 Infrastructure & Public Realm	£6.8m Remaining expenditure of a £7.5m budget	Dec 18 – Apr 22	No	Prudential Borrowing	Development wide planning and delivery programme for the infrastructure and public realm	Improved street grid and high quality public spaces.

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4 Future phases

These specific projects form an integral part of future phases of the Heart of the City II project. Further work will be required to develop these individual business cases in order to finalise the design and ascertain the cost of these elements. Once that work is complete they will be the subject of separate Cabinet reports to formally add them to the Capital Programme in the years indicated in the table below.

	Project	Value*	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	HoC2 Block A Palatine	£54m	May 20-Aug 22	Prudential Borrowing	Construction phase of development of mix of Hotel, Office, Residential and retail units subject to meeting pre-conditions and necessary budget approval	Bringing increased vibrancy to the buildings in key corridor in the city centre attracting visitors, jobs and residents.
2	HoC2 Block E Telephone House Retail	£7m	Apr 19-Dec 19	Prudential Borrowing	Construction phase of development of retail units and car park refurbishment subject to meeting pre-conditions and obtaining necessary budget approval	Bringing back into life a number of previously vacant properties and improved exterior of the multi-story car park.

3	HoC2 Block G Wellington Street	£90m	Dec 21- May 23	Prudential Borrowing	Construction phase of development of mix of Hotel, Office, Car parking and retail subject to meeting pre-conditions and obtaining necessary budget approval	Increased high quality office capacity in the city centre attracting inward investment, increased car parking capacity serving the city centre offer.
4	HoC2 Block G1 38 Carver Street	£4m	Mar 19- Oct 19	Prudential Borrowing	Construction phase of existing office refurbishment subject to meeting pre-conditions and obtaining necessary budget approval	Bringing back into life a key office building currently vacant and vandalised.
5	HoC2 Block H Henrys	£57m	Mar 20- Jun 22	Prudential Borrowing	Construction phase of development of mix Leisure, Food, Office and retail subject to meeting pre-conditions and obtaining necessary budget approval	Increased leisure offer in the city in a cutting edge food hall concept combined with further grade A office space
6	HoC2 Block H1 Leahs Yard	£2m	Aug 19 – Sep 20	Prudential Borrowing	Construction phase of development of Listed building subject to meeting pre-conditions and obtaining necessary budget approval	Bringing back into life iconic heritage building.
7	HoC2 Infrastructure & Public Realm	£16m	Mar 19 – May 23	Prudential Borrowing	Development wide delivery programme for the infrastructure and public realm across the site subject to obtaining necessary further budget approval as each block moves into construction phase	Improved street grid and high quality public spaces.
8	Infrastructure improvements to Fargate and Division Street	TBA	TBA	TBA	Improved public realm and infrastructure	Part of an overall package of improvements to the retail, leisure and cultural offer of the City Centre

* N.B. all values in this column show the remaining expenditure for infrastructure relating to the construction phase of each block in addition to pre-construction budget above

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Managing costs within budget and keeping to programme in an increasingly challenged construction sector with inflationary pressures	Review and manage procurement routes to secure most competitive appointments. Pass risk on the contractors when/where appropriate. Strong project management.
2	Changing UK retail market leading to lack of demand for retail and/or more aggressive commercial terms being demanded.	Ongoing review and consideration for finalised design of each of blocks to maximise market appeal. Proposed pre-letting hurdles before moving to construction phase.
3	Lack of demand for increased office space leading to empty properties or displacement elsewhere in the city.	Analysis and review of office market demand. Consideration for finalised design of each of blocks to maximise market appeal. Consider pace of development to ensure there isn't oversupply.
4	Changing investment yields caused by increased uncertainty over Brexit leading to lower than expected exit values.	Ongoing review of exit strategies. Consider holding properties for a period until properties are successfully trading and yields increase.

11 ESSENTIAL COMPLIANCE AND MAINTENANCE

Ensuring legal and regulatory compliance for our corporate accommodation estate, improving its fitness for purpose for the customers we serve and our workforce when budgets allow. Spending on essential maintenance works to avoid further deterioration in the building fabric which will then cost more to repair. Improving the energy efficiency of our estate to reduce our carbon footprint and save money on energy bills

1 Background and context

Sheffield City Council has a portfolio of over 900 operational buildings from which it delivers services to the community. These buildings are physical assets which need to be properly maintained to ensure that they continue to function as efficiently and effectively as possible – and comply with our statutory obligations - to support our delivery of a wide range of services.

The deterioration of buildings due to the lack of maintenance can lead to future financial burdens, pose health and safety risks, create legal liabilities and a range of other issues that affect the delivery of services. The maintenance of buildings is critical to the proper management of physical assets, ensuring we provide an appropriate environment for customers, staff and other users of our buildings.

A programme for the management of maintenance is required to provide a consistent approach to the planning, management and reporting of building maintenance within the current challenging financial environment.

Linking into the "Sheffield Land and Property Plan", the aim of the Essential Compliance and Maintenance Programme is to set out what short, medium and long term investments are needed to co-align with the outcomes signposted in that Plan. We must ensure we prioritise our spend effectively and have already rationalised our corporate estate. Further work is ongoing in this regard to ensure we target our spend most effectively. Rather than trying to spread money across the entire corporate estate – which would leave no money for other priorities – we must ensure we invest according to our new mantra: "Right asset, right place, right time, right decision". An Asset Management Strategy has been developed and a rolling programme of condition surveys is underway to support this activity.

The Council's Strategic Objectives are all supported by services that deliver them - working from the council's Operational Estate. If parts of that estate are no longer able to remain open due to failures in the fabric or infrastructure of a building, it will impact directly on the ability of those services to deliver these objectives.

2 Projects completed in 2018/19

	Project	Value	Impact
1	Fire Risk Assessment Mitigation	£929,630	Delivery of suitable fire precautions to meet statutory compliance across the estate
2	Electrical Works	£100,000	Re-wiring/replacement of distribution boards to maintain electrical installation in safe condition
3	Roofing	£257,670	Replacement of failed flat roofing
4	Windows and Doors	£77,989	Replacement of fenestration in danger of failure
5	Structural Repairs	£148,256	Repair of major structural elements to prevent deterioration of building fabric
6	Lift Refurbishment	£179,622	Refurbishment of lifts in civic buildings
7	Paths and Surfacing	£207,911	Maintenance of paths and hard surfacing in Parks and Cemeteries, mitigating potential injuries and claims from slips, trips and falls
8	Dams and Water Courses	£139,991	Maintenance of dams and watercourses to prevent potential breaches and subsequent flood risk
9.	Mechanical Works	£701,141	Planned replacement of failing mechanical installations

3 Current projects already in delivery

	Project	Budget (all years)	Year(s)	Invest to save?	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Fire Risk Assessment Mitigation	£3,371,699		No	Growth and Investment Fund	Delivery of suitable fire precautions to meet statutory compliance	Safe premises for our customers and staff.
2	Electrical Works	£195,908		No	Growth and Investment Fund	Re-wiring/replacement of distribution boards to maintain electrical installation in safe condition	Safe premises for our customers and staff.
3	Roofing	£655,001		No	Growth and Investment	Replacement of failed	Weathertight premises for our customers and staff, safeguarding the fabric of the building;

					Fund	flat roofing	improved energy efficiency.
4	Windows and Doors	£675,000		No	Growth and Investment Fund	Replacement of fenestration in danger of failure	Weathertight premises for our customers and staff, safeguarding the fabric of the building; improved energy efficiency.
5	Structural Repairs	£536,671		No	Growth and Investment Fund	Repair of major structural elements to prevent deterioration of building fabric	Safe premises for our customers and staff; avoiding deterioration to the building fabric to mitigate against further expensive repairs.
6	Lift Refurbishment	£221,206		No	Growth and Investment Fund	Refurbishment of lifts in civic buildings	Reliable, accessible lifts for our customers and staff.
7	Paths/Surfacing	£778,661		No	Growth and Investment Fund	Maintenance of paths and hard surfacing in Parks and Cemeteries, mitigating potential claims from slips, trips and falls	Safer paths to minimise injuries to our customers and staff.
8	Dams & Water Courses	£650,000		No	Growth and Investment Fund	Maintenance of dams and watercourses to prevent potential breaches and subsequent flood risk	Protecting property and livelihoods from flood risk.
9	Mechanical Works	£997,762		No	Growth and Investment Fund	Planned replacement of failing mechanical installations	Reliable and more efficient heating for our customers and staff.
10	Moorfoot Lift Refurbishment	£1,946,424		No	Growth and Investment Fund	Continued occupancy of Moorfoot Building	Fit for purpose lifts for our key office premises.

4 Potential priority areas / projects under consideration

These are initiatives which we are currently considering before we develop business cases and bring them forward for consideration for approval. They will be subject of separate Cabinet reports if, as and when they are brought forward.

	Project	Value	Year(s)	Funding source(s)	Outputs	Outcomes for Sheffield people
1	Fire Risk Assessment Mitigation	£2.7m		Growth Investment Fund	Delivery of suitable fire precautions to meet statutory compliance	Safe premises for our customers and staff.

2	Electrical Works	£0.4m		Growth Investment Fund	Re-wiring/replacement of distribution boards to maintain electrical installation in safe condition	Safe premises for our customers and staff.
3	Roofing	£1.2m		Growth Investment Fund	Replacement of failed flat roofing	Weathertight premises for our customers and staff, safeguarding the fabric of the building; improved energy efficiency.
4	Windows and Doors	£1m		Growth Investment Fund	Replacement of fenestration in danger of failure	Weathertight premises for our customers and staff, safeguarding the fabric of the building; improved energy efficiency.
5	Structural Repairs	£1.4m		Growth Investment Fund	Repair of major structural elements to prevent deterioration of building fabric	Safe premises for our customers and staff; avoiding deterioration to the building fabric to mitigate against further expensive repairs.
6	Lift Refurbishment	£0.3m		Growth Investment Fund	Refurbishment of lifts in civic buildings	Reliable, accessible lifts for our customers and staff.
7	Paths/Surfacing	£1m		Growth Investment Fund	Maintenance of paths and hard surfacing in Parks and Cemeteries, mitigating potential claims from slips, trips and falls	Safer paths to minimise injuries to our customers and staff.
8	Dams & Water Courses	£1m		Growth Investment Fund	Maintenance of dams and watercourses to prevent potential breaches and subsequent flood risk	Protecting property and livelihoods from flood risk.
9	Mechanical Works	£2.5m		Growth Investment Fund	Planned replacement of failing mechanical installations	Reliable and more efficient heating for our customers and staff.
10	Town Hall	£5.9m		Growth Investment Fund	Fire precautions, electrical installation, mechanical installation	Safe premises for our customers and staff.
11	Central Library	£9m		Growth Investment Fund	Structural Repairs, fire precautions, mechanical installation	Safe premises for our customers and staff.

12	Moorfoot	£5.6m		Growth Investment Fund	Mechanical installation, thermal performance	More efficient premises to minimise our environmental impacts.
13	Howden House	£0.8m		Growth Investment Fund	Fitness for purpose	Safe and efficient premises for our customers and staff.
14	Millennium Gallery	£1.1m		Growth Investment Fund	Lifecycle maintenance	Proper lifecycle maintenance for a city centre asset.

5 Key challenges and how we are addressing them

	Challenge	Actions to address
1	Obtaining granular data on the Condition, Utilisation, Suitability and Quality of buildings that make up the council's estate	We have established a rolling programme of Condition Surveys and are currently undertaking Condition Surveys to gather this data. This will however take some time to cover all properties.
2	Strategic review of the core council estate, to concentrate maintenance investment in viable buildings and divest those buildings that are surplus to core delivery	Working with Members and officers in Property and the wider Council to understand and implement the Corporate Asset Management Strategy.
3	Insufficient funding to adequately maintain the existing corporate estate in a satisfactory condition	Identify available funding and judiciously invest it to maintain the core estate in a satisfactory condition. Accept that lack of funding will lead to the closure of non-core property due to lack of maintenance investment.

A1 GROWTH AND INVESTMENT FUND (GIF) POLICY

This appendix 1 sets out our proposed policy for the Growth and Investment Fund (GIF).

1 Background

The Growth and Investment Fund (GIF) was created in 2017/18 in order to provide a single coordinated fund to prime economic and housing growth activity in the city. It is a successor to a range of individual funds – New Homes Bonus, Community Infrastructure Levy (CIL), section 106 and elements of the Corporate Resource Pool (CRP). It is the Council's structure for managing discretionary capital funding.

Historically, the CRP had been made up largely of capital receipts from the sale of surplus council land and assets. It was used to fund investment needs not met by Government funding, such as backlog maintenance demands / core repairs and unplanned failures of large critical assets or other property losses caused by natural disasters (such as the floods in 2007).

CRP was also used to demolish empty properties to redevelop land for sale. This brought benefits to the Revenue Budget by reducing the costs of safeguarding vacant properties, as well as replenishing the CRP.

With the advent of the New Homes Bonus and Community Infrastructure Levy as further "unrestricted" funds available for investment at the discretion of the authority, it was decided to combine the income from these new funding streams with those previously included in the CRP (i.e. Capital Receipts). Together, these create the Growth and Investment Fund (GIF). It is therefore a blend of restricted and unrestricted funds.

The national programme of expenditure reductions has increased the importance of this facility as central government support has decreased. We may be required to use our own resources to fund essential infrastructure. And we also need to maintain sufficient funds to match - often at short notice - those available from external funders like the European Union, Heritage Lottery Fund, Sport England etc. in order to lever in funding to replace that lost from Central Government.

2 Purpose of the Growth and Investment Fund (GIF)

The GIF is intended to fund two types of projects:

a) Growth Projects

The primary purpose of the GIF is to provide long term funding – either directly or indirectly - for economic growth and housing growth projects which will stimulate or safeguard growth to provide high quality jobs and homes that people can afford. The money may be used to support land assembly and remediation. It may match inward and external investment for projects which have no other income stream. The fund is also intended to support infrastructure projects such as transport links, which will enable growth projects to progress by removing network capacity constraints that may otherwise prevent the grant of planning permission. The potential benefit of the combined Growth and Investment Fund is gained from amalgamating multiple income streams to generate further growth to provide the critical mass to support major projects which will transform the city.

b) Internal Investment Projects

The GIF may also be used to support other internal investment projects not directly linked to growth – see ‘GIF Allocation Policy’ below. This includes maintenance of the Council’s corporate estate.

3 Risks and demands on the GIF

Key risk factors on the ability to allocate the GIF relate to the uncertainty surrounding the income flows from the key components of capital receipts, New Homes Bonus and Community Infrastructure Levy.

Payment of Capital Receipts will continue to be subject to the inherent risk in all property and land transactions, such as local / national economic factors and the housing market. Furthermore, the application of the Affordable Housing Policy, to address the citywide affordable housing shortfall, will affect the level of capital receipts generated, although potential reductions may be partially offset by future Council Tax and New Homes Bonus. The Council will also receive s106 commuted sum (on and off site) contributions for the provision of new affordable housing and this income will be used to increase the number of affordable homes in the Affordable Housing Programme.

Community Infrastructure Levy income will be dependent on the level of development taking place in the city which is subject to the levy. While estimations can be made of potential receipts, again, wider economic factors can quickly impact on the level of development in the city.

New Homes Bonus income is dependent not only on the number of new homes delivered in the city but also, on an ongoing basis, a continued commitment from central government to maintain the scheme at its current levels.

4 GIF Allocation Policy

Our previous policy was that Members approved capital expenditure commitments no more than one year in advance. Lower levels of capital receipts put considerable constraints on the GIF. However, in the current difficult financial circumstances, the Council must be ambitious and bolder in its vision to progress the city’s development. We will therefore agree allocations up to a ten-year lifespan. Anything beyond this would be on an exceptional basis.

Consideration of the granting of GIF funds will only be given to projects which meet the following criteria:

A Funding

Projects requesting GIF funding will:

- Have no other available funding sources from central government, internal investment funds (e.g. Housing Revenue Account) or other grant funding bodies; or
- Already be in receipt of external funding and require an element of match funding to proceed; or
- Are strategic projects which require cash flow support until a funding package can be arranged.

B Suitability

Projects requesting GIF funding will:

- Be in line with corporate priorities; and
- Have a robust business case which stimulate strong projected economic or housing growth (growth projects) or financial savings or significant improvements in performance (internal investment projects only); or
- Be necessary to make an asset compliant with legislation (internal investment projects only); or
- Be an emergency requirement not capable of prior notification and a failure to undertake the project as an emergency will result in a threat to life and limb (internal investment projects only).

Non-cash investments (such as in land or property) will comply with the Investment Strategy Principles set out at section 2.4.2 of this Capital Strategy.

Outcomes and benefits will, as ever, be robustly assessed. Priority will be given to projects which will repay or increase the GIF within a reasonable period of time e.g. by generating asset sales. And if any project does not proceed, abortive project costs will have to be financed from the sponsoring portfolio's Revenue Budget.

Alongside the funding of key development and investment priorities, a suitable reserve level will be maintained within the GIF to allow swift response to emergency situations such as the floods of 2007 and also to provide match funding at short notice to lever in additional grant funding from central government and others.

5 Future developments – s.106 and CIL

We are anticipating that central Government will issue revised Regulations in relation to s.106 and CIL monies later in 2019 (subject to Parliamentary approval).

In relation to CIL, our existing 'Regulation 123' list (which sets out a flexible list of potential investment priorities for CIL monies) is being revisited to ensure it remains relevant. It is likely to be replaced later in 2019 by a new Infrastructure Funding Statement (IFS), which should be updated annually. Key priorities are likely to centre on Transport, Health, Parks and Open Space Infrastructure, Education and Flooding.

We are scoping the potential to bring forward the IFS at the same time as the capital Strategy and Budget Book so we have a single, joined-up approach to our investment priorities and how they are funded in the most effective way.

In relation to s.106, we will be able to seek more s.106 agreements in future. Far from being replaced by CIL, we anticipate these will be making a comeback in 2019. We are likely to be able to request s.106 funds from developers in addition to CIL. Furthermore, the 'pooling' restriction is likely to be removed. This will enable monies to be aggregated to provide greater funding to specific projects.

Again, we will ensure that these priorities and projects are fully aligned with this Capital Strategy and Budget Book so that the Council takes a holistic approach to formulating and funding its investment priorities.

A2 PROJECT LIST SPLIT BY PRIORITY

This appendix 2 sets out the full list of projects, which have either been approved or approval has been requested, split by priority area.

ECONOMIC GROWTH

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	2020-2021	2021-2022	2022-2025	Expenditure Total
WOODHOUSE HUB (NAQNO)	APR 2016	MAR 2019	Approval Requested	497				497
DIGITAL INCUBATOR (NAQNO)	SEP 2016	MAR 2024	Approval Requested	323	58	10	32	424
GREY TO GREEN (NAQNO)	SEP 2014	APR 2019	Approved - Active	9				9
KNOWLEDGE GATEWAY (NAQNO)	MAY 2016	JUN 2019	Approved - Active	355				355
GREY 2 GREEN PH2 (NAQNO)	APR 2017	MAR 2020	Approved - Active	4,010				4,010
CULVERT RENEWAL PROGRAMME (NAQNO)	OCT 2018	MAR 2021	Approval Requested	1,763	1,251			3,014
LDV SANDERSONS FISH PASS (NAQNO)	OCT 2018	MAR 2020	Approved - Active	280				280
M1 GATEWAY PUBLIC ART PROJECT (NAQNO)	MAR 2014	MAR 2020	Approved - Active	204				204
Total				7,440	1,310	10	32	8,792

TRANSPORT

Values in £'000s	Project Start	Project End	Approval Status	Expenditure				Expenditure
				2019-2020	2020-2021	2021-2022	2022-2025	Total
BLACKBURN VALLEY CYCLE ROUTE (NAQNO)	JAN 2009	OCT 2019	Approval Requested	248				248
HGV WEIGHT RESTRICTIONS (NAQNO)	APR 2018	MAR 2020	Approval Requested	46				46
BRAMALL LN CHERRY STREET RS (NAQNO)	MAR 2018	MAR 2020	Approved - Active	104				104
OUGHTIBRIDGE RS SCHEME (NAQNO)	APR 2018	MAR 2020	Approval Requested	60				60
PETRE STREET CROSSING (NAQNO)	NOV 2018	OCT 2019	Approved - Active	75				75
PEDESTRIAN ENHANCEMENTS 18-20 (NAQNO)	APR 2018	MAR 2020	Approval Requested	48				48
ITS NETWORK MANAGEMENT (NAQNO)	SEP 2016	MAR 2020	Approval Requested	108				108
BROADFIELD ROAD JUNCTION (NAQNO)	JAN 2018	AUG 2021	Approval Requested	2,623	468			3,091
Total				**3,312**	**468**	**-**	**-**	**3,780**

HOUSING GROWTH

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	2020-2021	2021-2022	2022-2025	Expenditure Total
ASSET ENHANCEMENT GB SITES (NAQNO)	JAN 2016	MAR 2020	Approved - Active	50				50
DEVONSHIRE QUARTER (NAQNO)	APR 2018	MAR 2022	Approved - Active	637				637
BROWNFIELD SITE (NAQNO)	APR 2018	MAR 2021	Approved - Active	1,606	991			2,597
COUNCIL HSG ACQUISITIONS PROG (Q0067)	APR 2014	MAR 2024	Approval Requested	8,231	8,396	8,564	17,645	42,835
NEW BUILD COUNCIL HSG PHASE 2 (Q0067)	APR 2015	MAR 2021	Approval Requested	5,328	12			5,340
NEW BUILD COUN HSG PH 3 (NAQNO)	APR 2016	DEC 2020	Approval Requested	996				996
NEW BUILD COUN HSG PH 4A (NAQNO)	MAR 2017	OCT 2021	Approval Requested	8,289	5,131	1,359		14,780
NEW BUILD COUN HSG PH 4B (NAQNO)	APR 2016	DEC 2021	Approval Requested	664	153	144		961
ON SITE ACQUISITIONS (NAQNO)	APR 2018	MAR 2021	Approval Requested	926	462			1,388
STOCK INCREASE (CHS)	APR 2014	MAR 2023	Approval Requested	768	14,216	15,089	10,355	40,427
GENERAL/RTB ACQUISITIONS CHS (Q0069)	APR 2015	MAR 2024	Approval Requested	1,000	1,000	1,000	2,000	5,000
Total				**28,497**	**30,361**	**26,156**	**30,000**	**115,013**

HOUSING INVESTMENT

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	Expenditure 2020-2021	Expenditure 2021-2022	Expenditure 2022-2025	Expenditure Total
Regeneration HRA	APR 2019	MAR 2024	Approval Requested	300	3,000	3,000	6,000	12,300
IT UPGRADE (HSG)	APR 2019	MAR 2022	Approval Requested	250	1,250	1,500		3,000
CHAUCER SQUARE MAINTENANCE (NAQNO)	JAN 2009	DEC 2030	Approval Requested	18	18	18	36	90
PSH EMPTY PROPERTIES (NAQNO)	JAN 2008	MAR 2024	Approval Requested	120	120	120	240	600
PHS ACTIVITY (NAQNO)	APR 2010	MAR 2024	Approval Requested	130	130	130	260	650
RHB LOANS HAL (NAQNO)	JAN 2008	MAR 2021	Approved - Active	200	200			400
YORK - NY SUB REGION HAL (NAQNO)	APR 2010	MAR 2020	Approval Requested	40				40
HULL - HUMBER SUB REGION HAL (NAQNO)	JAN 2008	MAR 2020	Approval Requested	397				397
REGIONAL ERL (NAQNO)	APR 2016	MAR 2021	Approval Requested	150	280			430
CALDERDALE REPAYMENT LOANS (NAQNO)	APR 2018	MAR 2021	Approval Requested	100	100			200
SHEFFIELD REPAYMENT LOANS (NAQNO)	APR 2018	MAR 2020	Approval Requested	50				50
WYCA REPAYMENT LOANS (NAQNO)	JAN 2018	MAR 2021	Approval Requested	378	250			628
KIRKLEES RF FUNDS HAL(2) (NAQNO)	APR 2014	MAR 2021	Approval Requested	135	50			185
EMPTY PROPERTY LOANS (NAQNO)	APR 2019	MAR 2021	Approval Requested	112	112			224
PROGRAMME MANAGEMENT COSTS GF (NAQNO)	JAN 2008	MAR 2021	Approval Requested	5,420	2,710			8,130
PROGRAMME MANAGEMENT COSTS RTB (NAQNO)	JAN 2008	MAR 2023	Approval Requested	416	338	286	429	1,469
HRA PROGRAMME MANAGEMENT (NAQNO)	JAN 2008	MAR 2024	Approval Requested	250	250	250	500	1,250
OBSOLETE HEATING (NAQNO)	APR 2010	MAR 2024	Approval Requested	2,500	2,000	1,500	3,000	9,000
ALMO ASBESTOS SURVEYS (NAQNO)	APR 2010	MAR 2024	Approval Requested	200	150	150	300	801
LANSDOWNE AND HANOVER CLADDING (NAQNO)	JAN 2008	MAR 2020	Approval Requested	78				78
ADAPTATIONS (NAQNO)	APR 2010	MAR 2024	Approval Requested	2,400	2,500	2,500	5,000	12,400
S H MGMT FEES COMMISSIONED (NAQNO)	APR 2011	MAR 2024	Approval Requested	2,505	2,505	2,530	5,136	12,676
HEALTH & SAFETY ENHANCE PROG (NAQNO)	APR 2010	MAR 2024	Approval Requested	140	140	140	280	700
EMERGENCY DEMOLITIONS (NAQNO)	JAN 2008	MAR 2024	Approval Requested	120	40	40	80	280
HEATING BREAKDOWNS (Q0069)	APR 2012	MAR 2024	Approval Requested	725	750	750	1,500	3,725
COMM HTG - PLANT ROOMS (Q0069)	MAY 2013	MAR 2020	Approval Requested	25				25
PITCHED ROOFING & ROOFLINE (Q0069)	JUL 2013	MAR 2024	Approval Requested	4,000	6,500	8,000	14,000	32,500
FLAT ROOFING (Q0069)	APR 2013	MAR 2023	Approved - Active		350	600	600	1,550

NON HIGHWAYS RESPONSIVE WORKS (Q0089)	JUN 2015	MAR 2020	Approval Requested	40				40
COMMUNAL AREAS-LOW RISE FLATS (NAQNO)	NOV 2014	MAR 2024	Approval Requested	1,200	5,000	5,000	10,000	21,200
KITCHEN/BATHRM PLANNED REPLMT (NAQNO)	APR 2014	MAR 2024	Approval Requested	158	300	5,000	10,000	15,458
WINDOWS& DOORS PLACEMENT(CHS) (NAQNO)	APR 2014	MAR 2024	Approval Requested	250	250	250	500	1,250
GARAGES STRATEGY DEMOLITION (NAQNO)	AUG 2016	MAR 2020	Approval Requested	75				75
GARAGE STRATEGY-IMPROVEMENT (NAQNO)	APR 2017	MAR 2020	Approved - Active	1,103				1,103
ASBESTOS REMOVAL (NAQNO)	JUL 2017	MAR 2020	Approved - Active	346				346
EWI NON-TRADITIONAL1 (NAQNO)	JAN 2018	MAR 2021	Approval Requested	2,527	159			2,687
EWI NON-TRADITIONAL 2 (NAQNO)	JAN 2018	MAR 2021	Approval Requested	500	3,800	1,540		5,840
EWI NON-TRADITIONAL 3 (NAQNO)	JAN 2018	MAR 2022	Approval Requested	100	3,800	168		4,068
HANOVER TOWER BLOCK CLADDING (NAQNO)	JUL 2018	MAR 2020	Approval Requested	2,585				2,585
LIFT MAINTENANCE & REPAIR (NAQNO)	APR 2011	MAR 2024	Approval Requested	450	450	450	900	2,250
SHELTERED FIRE ALARM LINKING (NAQNO)	JAN 2016	MAR 2020	Approval Requested	23				23
ELECTRICAL STRATEGY (NAQNO)	AUG 2016	MAR 2024	Approval Requested	8,500	6,000	3,500	12,116	30,116
COMMUNITY HEATING (CHS)	APR 2014	MAR 2024	Approval Requested	202	1,155	3,262	1,820	6,440
ROOFS & EXTERNALS (CHS)	APR 2014	MAR 2024	Approval Requested	1,550	8,012	11,180	38,079	58,821
WASTE MANAGEMENT (CHS)	APR 2014	MAR 2022	Approval Requested	800	1,515	200		2,515
ESSENTIAL INVESTMENTS (CHS)	APR 2015	MAR 2024	Approval Requested	2,178	6,850	5,050	8,305	22,382
KITCHENS, BATHRMS,WINDOWS & DOORS	APR 2014	MAR 2020	Approval Requested	1,000	1,500			2,500
OTHER PLANNED ELEMENTS (CHS)	APR 2014	MAR 2024	Approval Requested	1,750	1,750	2,050	3,200	8,750
GARAGES (CHS)	JAN 2008	MAR 2023	Approval Requested			230	229	459
Total				**46,497**	**64,285**	**59,395**	**122,510**	**292,687**

QUALITY OF LIFE

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	2020-2021	2021-2022	2022-2025	Expenditure Total
MSF FINANCE (NAQNO)	FEB 2017	MAR 2023	Approved - Active	13,767	14,641	15,570	34,167	78,145
PIPWORTH REC SUDS (NAQNO)	SEP 2015	MAR 2020	Approved - Active	5				5
Total				13,772	14,641	15,570	34,167	78,150

GREEN & OPEN SPACES

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	2020-2021	2021-2022	2022-2025	Expenditure Total
NORFOLK HP PLAYGROUND PROJECT (NAQNO)	APR 2017	MAR 2020	Approved - Active	7				7
COLLEY PARK IMPROVEMENTS (NAQNO)	APR 2017	MAR 2020	Approved - Active	188				188
ECCLESALL WOOD ACCESS (NAQNO)	APR 2017	MAR 2020	Approved - Active	4				4
PLAY IMPROVEMENT PROJECT (NAQNO)	AUG 2017	MAR 2020	Approved - Active	91				91
WESTON PARK BANDSTAND (NAQNO)	OCT 2018	MAR 2020	Approved - Active	9				9
GREEN AND OPEN SPACES S106 STRATEGY	APR 2016	MAR 2021	Approved - Active	686	152			838
Total				986	152	-	-	1,138

PEOPLE CAPITAL & GROWTH

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	2020-2021	2021-2022	2022-2025	Expenditure Total
DON VALLEY SCHOOL (Q0061)	JAN 2014	MAR 2022	Approved - Active	54	54	309		417
MERCIA SCHOOL (Q0061)	AUG 2015	APR 2020	Approved - Active	13				13
SILVERDALE 2FE EXPANSION T/P (Q0061)	SEP 2015	MAR 2022	Approved - Active	30	20			50
FRA 16-17 LYDGATE JUNIOR (NAQNO)	APR 2017	MAR 2020	Approved - Active	100				100
FRA 16-17 ECCLESALL JUNIOR (NAQNO)	APR 2017	MAR 2020	Approved - Active	11				11
FRA 16-17 HUNTERS BAR INFANTS (NAQNO)	AUG 2017	MAR 2020	Approved - Active	25				25
FRA 16-17 BANKWOOD (NAQNO)	APR 2017	MAR 2020	Approved - Active	58				58
FRA 16-17 BEIGTON NURSERY INF (NAQNO)	APR 2017	MAR 2020	Approved - Active	23				23
FRA 16-17 GREENHILL PRIMARY (NAQNO)	APR 2017	MAR 2020	Approved - Active	30				30
FRA 16-17 LYDGATE INFANT (NAQNO)	JAN 2008	MAR 2021	Approval Requested	62				62
FRA 16-17 PIPWORTH COMM PMY (NAQNO)	APR 2017	MAR 2020	Approved - Active	3				3
FRA 16-17 HUNTERS BAR JUNIOR (NAQNO)	SEP 2017	MAR 2020	Approved - Active	24				24
FRA 16-17 MARCLIFFE PRIMARY (NAQNO)	APR 2017	MAR 2021	Approval Requested	63				63
MECHANICAL REPLACE MTC CYP (NAQNO)	FEB 2016	MAR 2020	Approval Requested	406				406
PEOPLE -BEIGHTON STRUCT WORKS (NAQNO)	MAR 2018	MAR 2020	Approved - Active	39				39
PEOPLE-WOODSEATS STRUCT WORKS (NAQNO)	MAY 2018	MAR 2020	Approved - Active	249				249
WFCM (NAQNO)	APR 2017	MAR 2020	Approved - Active	347				347
MINOR WORK GRANTS (NAQNO)	JAN 2008	MAR 2023	Approved - Active	150	150	150	150	600
DISABLED GRANTS (NAQNO)	JAN 2008	MAR 2023	Approved - Active	2,000	2,000	2,000	2,000	8,000
Total				**3,686**	**2,224**	**2,459**	**2,150**	**10,519**

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HEART OF THE CITY II

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	2020-2021	2021-2022	2022-2025	Expenditure Total
SHEFFIELD RETAIL QUARTER 2 (NAQNO)	OCT 2013	MAR 2020	Approved - Active	3,661				3,661
SRQ OFFICES (NAQNO)	JAN 2017	MAR 2020	Approval Requested	2,000				2,000
SRQ - STRATEGIC DEV PARTNER (Q0078)	JAN 2008	MAR 2022	Approved - Active	308	266	41		615
A PALATINE CHAMBERS BLOCK (NAQNO)	APR 2018	MAR 2022	Approved - Active	4,031	45			4,076
B LAYCOCK HOUSE NEW BUILD (NAQNO)	APR 2018	DEC 2021	Approval Requested	5,786	9,939	412		16,136
C PEPPER POT BUILDING (NAQNO)	APR 2018	DEC 2021	Approval Requested	5,894	11,058	245		17,197
E TELE.HSE RETAIL & CAR PARK (NAQNO)	APR 2018	MAR 2021	Approved - Active	322	5			327
G WELLINGTON ST CAR PARK (NAQNO)	SEP 2018	DEC 2024	Approved - Active	1,196	2,252	1,662		5,111
G1 38 CARVER STREET (NAQNO)	APR 2018	DEC 2021	Approved - Active	163				163
H HENRYS BLOCK (NAQNO)	APR 2018	MAR 2024	Approved - Active	3,263				3,263
H1 LEAHS YARD (NAQNO)	APR 2018	MAR 2021	Approved - Active	246	3,896			4,142
HOC II INFRASTRUCTURE & PR (NAQNO)	APR 2018	MAR 2022	Approved - Active	3,656	2,617	540		6,813
Total				30,525	30,078	2,900	-	63,503

ESSENTIAL COMPLIANCE & MAINT

Values in £'000s	Project Start	Project End	Approval Status	Expenditure 2019-2020	Expenditure 2020-2021	Expenditure 2021-2022	Expenditure 2022-2025	Expenditure Total
MOORFOOT LIFTS (NAQNO)	FEB 2017	MAR 2020	Approved - Active	563				563
HEALTH & SAFETY COMPLIANCE	DEC 2012	MAR 2020	Approval Requested	706				706
CBER-CONDITION SURVEYS 17-19 (NAQNO)	JUL 2017	MAR 2021	Approved - Active	220	220			440
ASBESTOS TERM CONTRACT 18-20 (NAQNO)	JUL 2018	MAR 2020	Approved - Active	36				36
Total				**1,525**	**220**	**-**	**-**	**1,745**

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Author/Lead Officer of Report: Dave Phillips, Head of Strategic Finance

Tel: 0114 273 5872

Report of:	*Eugene Walker*
Report to:	*Cabinet*
Date of Decision:	*19th February 2019*
Subject:	*Revenue and Capital Budget Monitoring 2018/19 – As At 31st December 2018*

Is this a Key Decision? If Yes, reason Key Decision:- Yes ✓ No ☐

- Expenditure and/or savings over £500,000 ✓
- Affects 2 or more Wards ✓

Which Cabinet Member Portfolio does this relate to? *Finance and Resources*

Which Scrutiny and Policy Development Committee does this relate to?
Overview and Scrutiny Management Committee

Has an Equality Impact Assessment (EIA) been undertaken? Yes ☐ No ✓

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes ☐ No ✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

This report provides the Q3 monitoring statement on the City Council's Revenue and Capital Budget for 2018/19.

Recommendations

1. Cabinet are asked to:

   (a) Note the updated information and management actions provided by this report and attached appendices on the 2018/19 Revenue Budget Outturn.

(b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 6** and the impact of recent announcement regarding School Expansion Funding at Paragraphs 14-15.

(c) Note the Mid-Year Treasury review in **Appendix 7**.

Background Papers:

<table>
<tr><td colspan="3">Lead Officer to complete:-</td></tr>
<tr><td rowspan="4">1</td><td rowspan="3">I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.</td><td>Finance: Dave Phillips</td></tr>
<tr><td>Legal: Sarah Bennett</td></tr>
<tr><td>Equalities: No</td></tr>
<tr><td colspan="2">Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</td></tr>
<tr><td>2</td><td>EMT member who approved submission:</td><td>Eugene Walker</td></tr>
<tr><td>3</td><td>Cabinet Member consulted:</td><td>Councillor Olivia Blake
Cabinet member for Finance and Resources</td></tr>
<tr><td rowspan="3">4</td><td colspan="2">I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.</td></tr>
<tr><td>Lead Officer Name:
Dave Phillips
</td><td>Job Title:
Head of Strategic Finance</td></tr>
<tr><td colspan="2">Date: 12th November 2018</td></tr>
</table>

1. PROPOSAL

1.1 This report provides the Q3 monitoring statement on the City Council's Revenue and Capital Budget for 2018/19.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 To formally record changes to the Revenue Budget and gain Member approval for changes in line with Financial Regulations.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 *No*

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

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

4.2 Financial and Commercial Implications

4.2.1 The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2018/19, and as such it does not make any recommendations which have additional financial implications for the City Council.

4.3 Legal Implications

4.3.1 There are no specific legal implications arising from the recommendations in this report.

4.4 Other Implications

4.4.1 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.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 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.

6. REASONS FOR RECOMMENDATIONS

6.1 To record formally changes to the Revenue Budget and the Capital Programme.

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REVENUE BUDGET & CAPITAL PROGRAMME MONITORING AS AT 31st DECEMBER 2018

Purpose of the Report

1. This report describes the budget monitoring position on the City Council's Revenue Budget and Capital Programme as at Month 9.

REVENUE BUDGET MONITORING

Summary

2. The Council's revenue budget is displaying a forecast overspend of £10.9m.
3. The Month 6 Report described a £14.2m position, so this represents a £3.3m improvement and as such is to be welcomed. It should be noted that the bulk of the improvement, as described below, is due to one-off improvements in Corporate budgets. Cost pressures within social care services continue to drive budget overspends, reflecting the nationwide issues within that particular sector.
4. The Council will build upon efforts to mitigate this forecast overspend, including further reviews of Corporate expenditure, accelerating some savings plans where possible and continuing to review non-essential spend. It is unlikely that this overspend will be addressed fully before year end, making an overspend position at year end the likely outcome.
5. The position split by Portfolio is summarised in the table below.

Portfolio	FY Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
PEOPLE	231,620	215,622	15,998	⇧
PLACE	189,553	190,612	(1,059)	⇩
PPC	2,460	2,131	329	⇔
RESOURCES	43,803	44,010	(208)	⇩
CORPORATE	(456,574)	(452,376)	(4,199)	⇩
GRAND TOTAL	**10,861**	**-**	**10,861**	⇩

6. In terms of the forecast outturn position of £10.9m overspend, the key reasons are:

- **People** are forecasting a £16.0m overspend. The key reasons for this position are:
    - An overspend of £9.4m within Care & Support. The key reasons for this are the effects of increased volume and cost of activity within home care provision of £5.1m, supported living cost increases of £2.6m, the impact of

unachievable savings of £2.6m, with some smaller movements both positive and adverse within the service.

- An overspend within Community Services of £82k due to the impact of a delayed MER scheme of £458k, partially offset by a vacancy saving for Community Support workers of £112k, reductions in spend in the 100 Apprenticeship Scheme of £111k and project slippage of £120k.
- An overspend of £6.6m against Children & Families budgets. This is mainly due to the impact of delayed savings totalling £4.1m, increased staffing and non-staffing costs within Fieldwork services of £1.5m and £600k respectively, and the full year impact of the 2017/18 overspend of £460k.
- An overspend with Commissioning, Inclusion and Learning Services of £307k. This is due to £531k unachieved savings within the tri-partite risk share agreement between the Council, CCG and Care Trust and a £125k underspend within Carer's Breaks due to contract variation.
- A reduction in spend of £324k within Business Strategy, mainly due to a forecast reduction in staffing costs and over-recovery of income within the service.
- There are a number of smaller movements within this position. **Appendix 1** provides a fuller picture on a service-by-service basis, including commentary as to the movement since Month 6.

- The **Place** Portfolio is forecasting a £1.1m underspend. The key variances include slippage in the delivery of planned budget savings on 'Place Change Programmes' and Housing General Fund (£3.5m), offset by both sustainable and one-off reductions in expenditure budgets which will not affect service delivery and staff savings from a voluntary early severance/retirement scheme (£4.5m), resulting in a net £1.0m forecast underspend
- The **Resources** Portfolio is forecasting an underspend of £208k. The key reasons for this are underspends of £400k relating to reduced former employee pension costs, £200k due to staffing vacancy and redeployment, avoiding external contractors and £100k additional external income within Legal Services. This is offset by £500k lower collection of rebates where the reduced cost of negotiated contracts has been passed to the spending department rather than retained centrally.

- **Policy, Performance & Communication** is forecasting an overspend of £329k mainly due to an overspend on the advertising contract of £457k following slippage in rolling out new sites. This is partly offset by savings identified with the Policy and Improvement team and the Elections Service.
- **Corporate** are reporting an underspend of £4.2m. This is due to income received as a result of investing cash balances that are earmarked for use later in the year to finance the capital programme and debt costs avoided by the delay of scheduled borrowing of a combined £3.2m, and £1.0m released from the corporate redundancy provision.

7. The overall position has improved by £3.3m since the Month 6 Report. The key reasons for this movement, by portfolio, are:

- **People Portfolio** is forecasting a £528k worsened position since Month 6. The key reasons for this, at service level, are:
  - An increase in overspend within Care & Support of £1.0m.This is due to £1.6m savings declared unachievable, growth in client numbers and increased volume and cost of activity of £525k, an increase in bad debt provision of £220k, and costs associated with the 5Q initiative and Short Term Care of a combined £255k. This is offset by £1.4m grant and service user income above budget, and the capitalisation of £215k of equipment purchases previously funded through revenue.
  - An improved forecast within Community Services of £230k, mainly due reduction in spend against Apprenticeships and Disadvantaged Area Funding of £231k.
  - A slight deterioration within Children & Families of £2k.
  - An improvement of the forecast within Commission, Inclusion & Learning Services of £349k, mainly due to £154k of improvement of the Council’s position within the Risk Share Agreement with partners in the Health sector and a contract variation relating to Carer’s Breaks resulting in a saving of £125k. It should be noted that these improvements within the Risk Share Agreement reduce an eventual overspend, when read alongside the description within Paragraph 6 above.
  - A small deterioration within Business Strategy of £81k.
- **Place Portfolio** has improved by £449k since Month 6. This is largely due to additional planning fees received within City Growth, reflecting changing trends. This may change further, if key developments do not progress within anticipated timescales.

- **Resources Portfolio** has improved by £331k since Month 6. This is mainly due to a contract cost reduction of £163k relating to printer costs, £56k of internal income through providing internal consultancy services and other smaller movements within the Portfolio.
- **Policy, Performance and Communications Portfolio** has improved by £88k following savings identified within the Policy and Improvement team and a £66k reduction in costs within the Elections Service.
- **Corporate Portfolio** has improved by £3.0m since Month 6, reflecting the delay in external borrowing of £2.0m and the release of corporate redundancy provision of £1.0m, referred to above.

8. Fuller details of all reductions in spend, overspends, and descriptions of the movement since Month 6, within can be found in **Appendix 1**.

Public Health

9. Services funded by Public Health grant are showing a £338k reduction in expenditure against the original approved budget. Further details of the outturn position on Public Health are reported in **Appendix 2**.

Housing Revenue Account

10. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme of £5.3m. As at Month 9 the account is forecasting a £181k improvement from this budgeted position. Further details of the Housing Revenue Account can be found in **Appendix 3**.

Collection Fund

11. As at Month 9, the local share of the Collection Fund income stream is forecasting an overall in-year surplus of £4.9m, made up of a £2.0m surplus on Council Tax and a £2.9m surplus on Business Rates. This position is discussed in more detail within **Appendix 4.**

Corporate Risk Register

12. 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 **Appendix 5** along with any actions being undertaken to manage each of the risks.

Capital Summary

13. The approved capital programme budget for 2018/19 at 31 December 2018 was £240.0m. The overall outturn of expenditure against this approved budget is forecast to be £205.3m, representing a variance of £34.6m. Further monitoring of the Capital Programme is reported in **Appendix 6**.
14. We have now received confirmation of the capital funding for schools' building for 2020/21. This funding is £3.6m lower than we anticipated, at £6.4m pa instead of £10.0m. Our schools' expansion programme is currently fully committed, as we received insufficient allocations during the build phases of the two new Academies we have constructed in the north-east and south-west of the City (Astrea and Mercia), to cover fully their construction costs. We were intending to cover this cash flow deficit from the schools' capital allocation for the next three years with full repayment occurring by 2021/22.
15. The lower than anticipated allocation for 2020/21 means that in order to be able to make full repayment by 2021/22 the minimum allocation required for that year will be £8.9m. Any allocation below this amount will push the cash-flow repayment back further to 2022/23. Consequently this means that the schools' capital expansion programme is fully committed for 2018/29 to 2021/22, and there is no scope to fund any further school expansions (unless we receive further cash flow approvals) until the 2021/22 allocation is confirmed. However we anticipate that the recent expansion in school capacity will mean we have sufficient school spaces over this period. Officers will report back in more detail in later monitoring reports.

Treasury Mid-Year Review

16. In order to update Members on the delivery of the 2018/19 Treasury Management Strategy Statement, the Treasury Management Mid-Year Report is attached at **Appendix 7**.

Implications of this Report

Financial implications

17. The primary purpose of this report is to provide Members with information on the City Council's Budget Monitoring position for 2018/19, and it does not make any further recommendations that have additional financial implications for the City Council.

Equal opportunities implications

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

Legal implications

19. There are no specific legal implications arising from the recommendations in this report.

Property implications

20. There are no other property implications arising from the recommendations in this report.

Recommendations

21. Cabinet are asked to:
    (a) Note the updated information and management actions provided by this report and attached appendices on the 2018/19 Revenue Budget Outturn.
    (b) In relation to the Capital Programme, note the forecast Outturn position described in **Appendix 6** and the impact of recent announcement regarding School Expansion Funding described above at Paragraphs 14-15.
    (c) Note the Mid-Year Treasury review in **Appendix 7**.

Reasons for Recommendations

22. To record formally changes to the Revenue Budget and the Capital Programme.

Alternative options considered

23. 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.

Dave Phillips
Head of Strategic Finance

PORTFOLIO REVENUE BUDGET MONITORING AS AT 31ST DECEMBER 2018

People Portfolio

Summary

1. As at Month 9, the People Portfolio has a full year forecast outturn of an over spend of £16.0m on Cash Limit budgets and an over spend of £2.0m on DSG budgets. This is an increase of £528k on cash limit budgets and of £246k on DSG budgets since the Month 6 Report. The key reasons for the outturn position on the cash limit are:

Care & Support (overspend of £9.4m)

- Purchasing Learning Disabilities is forecasting an overspend of £4.3m. This is made up of £2.6m delays in anticipated savings partly mitigated by £750k anticipated new income, together with £2.5m of increased supported living costs due to market rates, pressures and tupe costs and further in year growth in direct payments and day care.
- Non-purchasing Learning Disabilities is forecasting an over spend of £224k. This is made up of an overall over spend across LD In-house Provider Services, mainly short breaks and supported living, and a delay in anticipated saving of £103k mitigated by an under spend in Adult Placement Shared Lives.
- Long Term Care (LTC) Purchasing are forecasting an overspend of £5.1m. This is mainly due to increased activity in home care provision owing in part to improved pathway flows including reduced Delayed Transfers of Care and reduced length of stay in STIT, and also providers delivering close to commissioned hours. This causes an increase in costs where more staff and resources are needed to fulfil more overall contact time.
    - It is worth noting that client income has increased significantly however this is in direct correlation to the increase in provision. Should the numbers stabilise and start to fall so will the income received. There has also been a rise in Bad Debt Provision which needs to be pursued through active debt chasing.
    - There is also a £321k pressure for the mandatory leave which is currently being offset by vacancies within the whole service area.
- Commissioning are forecasting an overspend of £336k. This is mainly due to the British Red Cross Equipment risk share agreement with the CCG. There is to be additional investment in specialist staff to triage equipment allocation with the intention of ensuring the right equipment is issued to support the individual's

needs. It is expected that this approach will address some of the overspend issues.

- Access and Prevention are forecasting an underspend of £629k. This is mainly due to vacancies across the service of £311k, £174k additional income in First Contact Prevention from the Travel Grant and also the revision of the Housing Assistance Policy which has enabled the Council to capitalise some equipment for adaptations previously purchased through revenue funding of £215k.
- Safeguarding and Practice Development are forecasting an underspend of £41k. This is due to legal charges being lower than budget on Safeguarding and the secondment to a project of the team leader on Practice Development with backfill arrangements being at a lower grade.
- A Cabinet paper in Spring 2017 approved the use of some of the Improved Better Care Fund Year 2 funding allocated by Government to address some of the social care pressures. This paper described using the funding to cover some of the pressures within Home Care and to date £5.5m has been allocated to Care & Support activity, and this funding is included in the above descriptions. Without this funding, the overspend would therefore be greater. This includes £2.5m alongside £1.6m of Winter Pressures funding to offset the pressure from Home Care rising costs.

Community Services (overspend £82k)

- The key reasons for this overspend are a delayed MER within Family & Community Learning causing a cost of £458k partially offset by a reduction in spend within Community Support Workers of £112k due to vacancies and an underspends within Employment and Skills due to project slippage of £120k and £111k reduced spend on the 100 Apprenticeship Scheme.

Children & Families (overspend of £6.6m)

- Placement budgets are forecast to overspend by £3.3m mainly due to delays in anticipated savings of £3.1m and £460k full year impact of the 2017/18 overspend.
- Fieldwork Services are forecasting a £2.1m overspend. This is mainly due to £1.5m increased staffing to deal with increased caseloads and £600k in non-staffing budgets due to increased transport costs and contact time for children in care.
- Health Strategy is forecasting a £1.0m overspend on Short Breaks and Direct Payments due to delay in anticipated savings.

Commissioning Inclusion and Learning Service: (overspend of £307k)

- Commissioned Mental Health Services is forecasting a £531k overspend. This is due to unachieved savings across all three organisations which form part of the risk share (the Council, the CCG and the Care Trust). It is anticipated that this position will improve as the tripartite agreement matures. Early Support and Prevention is forecasting an underspend of £125k due to a contract variation in Carers Breaks.

Business Strategy (underspend of £324k)

- The main reasons for the business strategy forecast under spend, is due to a combination of a forecast reduction in staffing costs and overachievement of income targets across the service. These have been partially offset by the £100k mandatory leave pressure for the service.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS STRATEGY - PEOPLE	11,217	11,541	(324)	⇔
CARE & SUPPORT	114,220	104,852	9,368	⇧
CHILDREN & FAMILIES	72,076	65,511	6,565	⇔
COMMUNITY SERVICES	8,638	8,556	82	⇩
COMM'G INCLUSION&LEARNING SERV	25,469	25,162	307	⇩
GRAND TOTAL	**231,620**	**215,622**	**15,998**	⇧

DSG

2. The following is a summary of the position on DSG budgets at Month 9:

Portfolio	FY Variance Month 9 £000s	FY Variance Month 6 £000s	Movement £000s
BUSINESS STRATEGY - PEOPLE	382	309	73
CHILDREN AND FAMILIES	280	281	(1)
COMM'G INCLUSION&LEARNING SERV	1,331	1,156	175
COMMUNITY SERVICES	-	-	-
Grand Total	**1,993**	**1,746**	**247**

3. The key reasons for the forecast outturn position on the DSG position are:

Business Strategy (overspend of £382k)

- This is mainly due to an overspend of £500k in the transport budgets as a result of continued increase in demand and costs.

Children and Families (overspend of £280k)

- This is mainly because of Children with Disabilities Placements forecasting an overspend of £322k, due to increase in demand and costs for these places.

Commissioning, Inclusion and Learning Services (overspend of £1.3m)

- This is mainly due to £850k forecast overspend on the SEND Growth Fund due to an increase in demand for special school places, £143k forecast overspend on Out of City SEN due to increased places and legal costs and £204k overspend on Independent Specialist Placements (ISP) due to an increase in demand and costs for these placements.
- There is also forecast staffing overspend of £120k in the SEN Early Years team.

Commentary

4. The following commentary comments on the main variances at service level from the last reported position at Month 6.

Care and Support

- The £9.4m overspend shown in the table above relates wholly to cash limit. This is an increase of £1.0m over the reported position at Month 6.
- The main reason for the movement in the cash limit forecast are:-
  - Access, Prevention and Reablement - £312k improvement mainly due to the capitalisation of equipment due to the change in the Housing Assistance Policy £215k, new forecast income travel grant £43k and the remainder is reduced staffing costs.
  - Learning Disabilities – £1.0m worsened position mainly due to £1.4m further unachievable savings, and £325k growth above that already assumed. This is mitigated by new income of £850k
  - Long Term Support is forecasting an overall worse position of £361k mainly due to increased costs on Home Care £200k which is due to higher numbers of clients, higher level of packages, a quicker route of triage to private provision and clients staying with us for longer. There is also increased cost of providing 20 beds through the 5Q initiative of £160k, an increase in other Short Term Care £95k, an increased bad debt provision of £220k and declared unachievable savings £160k. All this is partially offset by reductions in Nursing Care/Residential Care admissions resulting in improvement of £600k.

Community Services

- The service is forecasting a £82k overspend relating to cash limit with no movement on the DSG position. This is an improvement of £229k since the Month 6 Report.

- The main reason for the movement is reduced spend in Employment & Skills against Apprenticeships and Disadvantaged Area Funding of £231k.

Children and Families

- The service is forecasting a £6.6m overspend relating to cash limit and a £280k overspend on DSG. This is a reduction in the overspend of £2k from Month 6 on the cash limit and a reduction of £1k on the DSG overspend from Month 6.

Commissioning, Inclusion and Learning Service

- The service is forecasting a £307k overspend relating to cash limit and a £1.3m overspend on DSG. This is a reduction in the overspend of £349k from Month 6 on the cash limit and an increase of £175k on the DSG overspend from Month 6.
- The main reason for the improvement in the cash limit position is within Mental Health and is the inclusion of the Care Trust budgets and achieved savings into the Risk Share agreement in. Month 6 saw the first outturn which included information from all three organisations on Mental Health savings and further improvements since then have resulted in a £154k improvement in the Council's position. There has also been a contract variation in Early Support and Prevention of £125k specifically related to the Carers contract.
- The main reason for the movement in the DSG position is due to an increase in SEN forecast costs. Specifically an increase in the forecast of £89k for SEN growth, an increase in Out of City SEN placements costs of £52k and £30k additional costs on Independent Placements.

Business Strategy

- The service is forecasting a £324k underspend relating to cash limit and a £382k overspend on DSG. This is a reduction to the underspend of £81k from Month 6 on the cash limit and a £73k increase to the DSG overspend from Month 6.

Place Portfolio

Summary

5. The Place Portfolio is forecasting to be £1,059k under budget at Month 9, a favourable movement of £449k since Month 6.

6. The key variances include slippage in the delivery of planned budget savings on 'Place Change Programmes' and Housing General Fund of £3.5m, offset by both sustainable and one-off reductions in expenditure budgets which will not affect service delivery and staff savings from a voluntary early severance/retirement scheme of £4.5m, resulting in a net £1.0m forecast underspend.

7. The key reason for the favourable movement in net position since Month 6 is within City Growth. This is largely attributable to additional actual/forecast planning fees of

£0.4m reflecting current trends, all be with some risk should key developments not progress within anticipated timescales.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS STRATEGY & REGULATION	26,050	25,959	91	⇧
MAJOR PROJECTS	45	89	(44)	⇔
CULTURE & ENVIRONMENT	90,664	92,149	(1,485)	⇔
HOUSING GENERAL FUND	3,026	2,504	522	⇔
CITY GROWTH	27,969	27,810	160	⇩
TRANSPORT AND FACILITIES MGT	41,798	42,101	(303)	⇩
GRAND TOTAL	**189,553**	**190,612**	**(1,059)**	⇩

Resources Portfolio

Summary

8. As at Month 9 the Resources Portfolio is forecasting a full year outturn of an underspend of £208k. The key reasons for the forecast outturn position are:

- An underspend of £400k due to reduced costs of pensions for former employees; £200 of other savings through good management of resources including holding vacancies or deploying staff to deliver services in- house rather than engaging external contractors e.g. training and development courses; £100k additional external income earned in Legal services, offset by £500k lower collection of rebates where the reduced cost of some negotiated contracts has been passed direct to spending department rather than being received centrally.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
BUSINESS CHANGE & INFORMATION SOLUTIONS	5,422	5,680	(258)	⇩
CORPORATE REBATES & DISCOUNTS	(1,174)	(1,798)	624	⇔
CUSTOMER SERVICES	5,985	5,937	47	⇔
FINANCE & COMMERCIAL SERVICES	6,206	6,449	(243)	⇔
HUMAN RESOURCES	5,142	4,964	178	⇔
LEGAL & GOVERNANCE	3,696	3,766	(70)	⇔
RESOURCES MANAGEMENT & PLANNING	185	197	(12)	⇔
TOTAL	25,462	25,195	267	⇩
CENTRAL COSTS	18,185	18,659	(474)	⇧
HOUSING BENEFIT	156	156	0	⇔
GRAND TOTAL	**43,803**	**44,010**	**(208)**	⇩

Commentary

9. The forecast outturn position for the Resources Portfolio has improved by £331k since Month 6. The principal reasons for this improvement are:

- A reduction of £163k in printer cost due to new contract being negotiated.
- An increase of £56k in the income from providing internal consultancy services to other parts of the Council.
- And numerous small improvements in Human Resources £80k, Finance and Commercial Services £51k and slightly higher than previously forecast procurement contract rebates £37k.

Policy, Performance and Communications Portfolio

Summary

10. At Month 9 the Portfolio is forecasting an overspend of £329k this is an improvement of £88k from the reported position at Month 6. This is predominantly due to reduced income of £458k on the Advertising contract following slippage in rolling out the new sites. This is partially offset by the savings mentioned below.

11. The improvement comes from an increase in the savings identified on Policy and Improvement team to mitigate the shortfall of income on the Advertising contract and a £66k reduction in cost for the Elections. Service.

Financial Results

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
POLICY, PERFORMANCE & COMMUNICATION	2,505	2,176	329	⇔
PUBLIC HEALTH	(45)	(45)	(0)	⇔
GRAND TOTAL	**2,460**	**2,131**	**329**	⇔

Corporate Transactions

Summary

12. As at Month 9, the Corporate portfolio is showing a £4.2m underspend. The Corporate budget is made up of the following.

- Corporate expenditure: Council wide budgets that are not allocated to individual services, including capital financing costs and the provision for redundancy and severance costs.
- Corporate income: Revenue Support Grant, locally retained business rates and Council Tax income, some specific grant income and contributions to/from reserves.

13. The key reasons for the forecast outturn position of £4.2m is £3.2m of interest costs avoided by applying cash balances to capital programmes instead of undertaking external borrowing and the £1.0m release from the redundancy provision following review of service usage of redundancy to date.

14. This position has improved by £3.0m the principal reasons for the improvement £2.0m within capital financing reflecting the above trend and the declaration of the £1.0m release from the redundancy provision.

Financial Results

15. The table below shows the items which are classified as Corporate.

Service	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
CAPITAL FINANCING	25,265	28,465	(3,200)	⇩
CORPORATE ITEMS	(481,839)	(480,841)	(998)	⇩
GRAND TOTAL	(456,574)	(452,376)	(4,199)	⇩

PUBLIC HEALTH BUDGET MONITORING AS AT 31st DECEMBER 2018

Purpose of the Report

1. To report on the 2018/19 Public Health grant spend across the Council for the month ending 31st Decemberr 2018.
2. The report provides details of the full year spend of Public Health grant compared to budget.
3. The net reported position for each portfolio/service area would normally be zero as public health spend is matched by a draw down of public health grant. For the purposes of this report, and in order to identify where corrective action may be necessary, we have shown actual expenditure compared to budget where there is an underspend position.

Summary

4. At Month 9 the overall position was an underspend of £338k which is summarised in the table below.

Portfolio	Forecast Outturn £000s	FY Budget £000s	FY Variance £000s	Movement from Month 6
PEOPLE	27,692	27,818	(126)	⇔
PLACE	2,867	2,942	(75)	⇔
DIRECTOR OF PH	1,833	1,970	(137)	⇔
GRAND TOTAL	32,392	32,730	(338)	⇔

5. The key reasons for the forecast positions spend are:

- A £126k underspend in People as a result of underspending in Mental Health Commissioning Partnerships and Grants of £69k relating to underspends on contract costs, Locality Management of £14k relating to PH Community Project sickness saving, Multi-Agency Support Team savings of £14k due to vacancies and vacancy savings within the Drug and Alcohol Action and Coordination Team (DACT) of £53k. DACT supervised consumption, medication and needle exchanges show significant demand-led pressure overspends, partly offset by Residential Rehab underspends of £27k.
- A £75k underspend in Place due employee savings on PH Infrastructure of £96k, partially offset by an overspend on the Adult Weight Management contract.

- A £137k underspend in Director of Public Health mainly as a result of non-staffing savings, less a staffing overspend on Public Health DPH, plus an over-recovery of income on PH Intelligence.

6. There are only minimal movements since the position reported at Month 6. The most significant of these are:

   - The movement in People is mainly as a result of an increased overspend in Enhanced (contraceptive) demand led services and less Genetics contract slippage.
   - The movement in Place is largely as a result reduced underspends on salaries on PH Infrastructure.
   - The movement in Director of Public Health is as a result of revised non pay costs.

HOUSING REVENUE ACCOUNT BUDGET MONITORING AS AT 31ST DECEMBER 2018

Purpose of this Report

1. To provide a summary report on the HRA 2018/19 revenue budget for the month ending 31st December 2018, and agree any actions necessary.

Summary

2. The HRA Business Plan is based on the principle of ensuring that investment and services required for council housing is met by income raised in the HRA.

3. The HRA income and expenditure account provides a budgeted contribution towards funding the HRA capital investment programme. As at month 9 the account is forecasting a £181k positive variance from this budget position.

4. Projections influencing the outturn position include higher than budgeted rental income, savings on staffing and running costs and an expected reduction in borrowing costs. This has been offset by increased repairs and running costs. The position on the account will be monitored throughout the year.

Financial Results

Housing Revenue Account (excluding Community Heating)	**FY Outturn Month 9 £000s**	**FY Budget Month 9 £000s**	**FY Variance Month 9 £000s**
1.NET INCOME DWELLINGS	(141,767)	(141,707)	(60)
2.OTHER INCOME	(6,207)	(6,295)	88
3.REPAIRS AND MAINTENANCE	34,411	32,894	1,517
4.DEPRECIATION-CAP FUND PROG	41,593	41,593	0
5.TENANT SERVICES	52,177	53,072	(895)
5.INTEREST ON BORROWING	14,330	15,161	(831)
6.CONTRIBUTION TO CAP PROG	5,463	5,282	181
Total	**-**	**-**	**-**

Community Heating

5. The budgeted position for Community Heating is a draw down from Community Heating reserves of £419k. As at month 9 the position is a draw down from reserves of 410k, a forecast improvement of £9k. This is mainly due to lower than expected usage due to the milder weather.

Community Heating	**FY Outturn Month 9 £000s**	**FY Budget Month 9 £000s**	**FY Variance Month 9 £000s**
Income	(2,273)	(2,471)	198
Expenditure	2,683	2,890	(207)
Total	**410**	**419**	**(9)**

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COLLECTION FUND MONITORING
AS AT 31st DECEMBER 2018

Summary

1. In 2018/19 approximately £305.2m of SCC expenditure is forecast to be financed directly through locally collected taxation. This taxation is initially collected by the Council and credited to the Collection Fund.

2. The Government receives 50% of the Business Rates collected (the Central Share) and uses this to finance grant allocations to local authorities. The Fire Authority receives 1% and the Council retain the remaining 49% as below.

3. Council Tax is distributed approximately 86% to SCC, 10% to the Police and Crime Commissioners Office and 4% to the Fire Authority. The SCC share is detailed below.

Income Stream	Budget 2018/19 £m	Billed to Date £m	Forecast Year End Position £m	Variance £m
Council Tax	-205.7	-169.4	-207.7	-2.0
Business Rates Locally Retained	-99.5	-95.6	-102.4	-2.9
TOTAL	**-305.2**	**-265.1**	**-310.1**	**-4.9**

4. As at the end of December, the local share of the Collection Fund Income Stream is forecasting an overall in-year surplus of £4.9m made up of a £2.0m surplus on Council Tax and a £2.9m surplus on Business Rates. This may seem a sizeable surplus however it represents only 1.6% of the budgeted income. The actual surplus for 2018/19 will be higher due to prior year Collection Fund surpluses feeding into this.

5. Due to Collection Fund accounting regulations, this surplus is not available for in-year use and will be fed into the budget process for 2019/20.

Council Tax

6. The forecast year end position for Council Tax is a surplus of £2.0m. This is primarily because of an additional £3.2m of Council Tax income offset by a £0.4m increase in exemptions and a £0.8m increase in discounts.

7. During the 2018/19, we have continued to see growth in the number of properties built in Sheffield, We budgeted for an increase in properties of 2290 from the baseline set in 2017/18. To date we have seen an increase of 2613 above that level, this has generated significant extra revenue.

Business Rates

8. The forecast year end position for Business Rates is a £6.0m surplus of which Sheffield's share is £2.9m. The £6.0m surplus is primarily made up of an increase on the Gross Rates Income Yield of £6.4m, a reduction in transitional protection payments of £3.4m, a reduction in the required appeals provision of £2.2m offset by an increase of £5.7m on reliefs. Further analysis of the business rates position can be found on the following pages.

Collection Fund - Business Rates		Budget 2018/19 £m	Billed to Date £m	Forecast Year End Position £m	Variance £m
Gross Business Rates income yield		-255.7	-263.3	-262.1	-6.4
LESS	Estimated Reliefs	34.0	38.0	39.7	5.7
	Losses on Collection	3.0	2.5	3.7	0.7
	Losses on Appeals re Current Year Bills	6.7	0.3	6.3	-0.4
Increase (Decrease) due to appeals / bad debt provisions		0.0	-2.2	-2.2	-2.2
Net Collectable Business rates		**-212.0**	**-224.7**	**-214.6**	**-2.6**
	Transitional Protection Payments due from Authority	8.8	5.4	5.4	-3.4
	Cost of Collection allowance	0.8	0.8	0.8	0.0
Non Domestic Rating Income		**-202.4**	**-218.4**	**-208.4**	**-6.0**
Appropriation of net business rates:					
49.2%	Sheffield City Council	-99.5	-107.4	-102.4	-2.9
1.0%	SY Fire Authority	-2.0	-2.2	-2.1	-0.1
49.6%	Government	-100.4	-108.5	-103.4	-3.0
0.2%	Designated Areas	-0.5	-0.5	-0.5	0.0
Total Appropriations		**-202.4**	**-218.4**	**-208.4**	**-6.0**

Gross Rates Income Yield

9. The Gross Business Rates Income Yield has, to date, increased by £6.8m compared to total budget. This primarily down to two large hereditaments being added to the list post budget setting amongst a number of other smaller increases. The Gross Business Rates income yield used in the budget was based on a total rateable value for the city of £535m. This rateable value had risen to £542m by March 2018.

10. As part of the 2018/19 budget setting process, we built in expected decline in gross business rates due to large scale retail redevelopments. For the period of

the redevelopment, it is expected that business rates income will drop due to affected hereditaments appealing their rateable value. The development was expected to commence in the 3rd quarter of 2018/19 however this is now not expected to start until February 2019 at the earliest. Should this delay in the development continue, then the surplus for 2018/19 will increase.

Reliefs and Discounts

Reliefs	Budget 2018/19 £m	Billed to Date £m	Forecast Year-End Outturn £m	Variance £m
Small Business Rates Relief	11.5	12.6	13.1	1.6
Transitional Relief	-8.8	-5.4	-5.4	3.4
Mandatory Charity Relief	22.7	23.1	23.4	0.7
Discretionary Relief	1.2	0.4	0.5	-0.7
Empty Property / Statutory Exemption	6.4	7.0	7.2	0.8
Partly Occupied Premises Relief	0.3	0.1	0.2	-0.1
New discretionary reliefs	0.7	0.2	0.7	0.0
	34.0	**38.0**	**39.7**	**5.7**

11. Most reliefs and discounts are generally awarded in full at the point of billing at the start of the year. The total level of reliefs awarded to the end of December amounts to £38.0m which is £4.0m above the £34.0m in the budget. These are expected to rise to £39.7m by year end. The increase in reliefs is primarily due to transitional relief payments not being as significant as expected.

12. The most significant variations are in relation to small business rates relief and transitional relief. The mandatory small business rates relief is currently £1.1m over budget, however this is expected to increase to a £1.6m overspend. Transitional relief is based on the change in Gross rates payable charges between 2017/18 to 2018/19 and is subject to fluctuation dependant on appeals being granted in either year.

Appeals

13. Appeals are notoriously difficult to forecast due to the volatility of the process. The 2018/19 Council budget anticipated £6.6m of in year refunds resulting from appeals. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG in November 2019 show a national reduction in Check, Challenges and Appeals however we have very little cumulative data at a local level. There were only 470 outstanding challenges for South Yorkshire as at 30th September 2018 of which approximately half will relate to Sheffield.

14. Losses on Appeals/Increase in Appeals Provision are currently forecast to be £2.2m under budget (see paragraph 17) however this position is very fluid and will require careful monitoring in the coming months.

15. The two major outstanding issues relating to appeals concerned ATM's and Virgin Media. The case concerning ATM's was recently upheld at the Court of Appeal however the VOA has petitioned the Supreme Court to be allowed to appeal this decision. The case is currently decided in favour of the parties bringing this suit and we have a prudent provision to meet all obligations should this be the eventual outcome.

16. Virgin Media had a number of very specific appeals which could have potentially seen it all but removed from the Sheffield Valuation list. The VOA has notified us that all appeals have now been withdrawn which has seen £2.2m released from the provision and increased the collection fund surplus this year.

Conclusion

17. The forecast in year position of a £4.9m surplus on the Collection Fund is healthy and with three months of the year to go, this is not expected to substantially alter. There will be monthly monitoring to ensure we remain careful monitoring will be required to ensure that this position remains at this level.

18. The delay in the major retail development has had a positive impact on the current in-year surplus, should this be delayed further, the in-year surplus will increase further.

19. Sheffield City Council currently retains 50% of all business rates however it will retain 75% from 2020/21. The development is expected to take several years to complete and so any delay now will result in a business rates income being lower for longer under the 75% regime. This will have an adverse impact on future budgets.

CORPORATE RISK REGISTER

1. This Appendix provides a brief overview of the main financial risks facing the Council in 2018/19 and beyond. A more detailed schedule of these risks will be monitored by the Executive Management Team to ensure that the risks are mitigated.

Corporate Risks

2019/20 Budget Savings & Emerging Pressures

2. There will need to be robust monitoring in order to ensure that the level of savings required for a balanced budget in 2018/19 are achieved, especially given the cumulative impact of savings over the term 2011-18.

3. In the business planning round for the year 2018/19, officers have identified numerous pressures which, if left unchecked, could lead to significant overspends in 2018/19 and beyond. The following pressures have been highlighted because they present the highest degree of uncertainty.

Capital financing costs

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

Business Rates

5. Following the advent of the Government's Business Rates Retention Scheme in April 2013, a substantial proportion of risk has been transferred to local government, particularly in relation to appeals, charitable relief, tax avoidance, hardship relief and negative growth.

6. There has been a concerted effort by the Valuation Office Agency to clear outstanding appeals prior to and following the launch of the 2017 Revaluation. As at 31st December 2018, there were still over 500 properties relating to the 2010 valuation list with a rateable value of approximately £75m under appeal in Sheffield.

7. Not all of the £75m rateable value noted above is at risk and not all the appeals will be successful. However due to uncertainty around these factors prudent provisions are taken whenever apropriate to mitigate the loss of income as a result of successful appeals.

8. Of the 500 properties outstanding, approximately 40% are ATM's. There is a longstanding legal case concerning the right to charge Business Rates on ATM's. The case has currently been decided in favour of the the supermarkets bringing the case however the VOA has appealed the right to petition the Supreme Court against this ruling. Sheffield City Council has fully provided for the risk of losing this appeal.

9. As part of the Business Rates Retention Scheme, there is a built-in revaluation process every five years to ensure the rateable values of the properties remain accurate. This process was delayed for 2 years but eventually came into effect from 1 April 2017. This has seen all hereditaments in Sheffield revalued and assigned a revised rateable value. There is the potential that there will be a large number of appeals due to this revaluation which has been taken into account when compiling the 2019/20 budget.

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

11. To date, the number of Check, Challenges and Appeals processed appears to have reduced on previous years. Data released by MHCLG in November 2019 show a national reduction in Check, Challenges and Appeals however we have very little cumulative data at a local level. There were only 470 outstanding challenges for South Yorkshire as at 30th September 2018 of which approximately half will relate to Sheffield.

12. Up to the point at which the General Election was called for June 2017, the local government sector was working on the assumption that 2019/20 would see the implementation of 100% business rates retention, the implications of which were covered in significant detail in last year's MTFS.

13. However, the Provisional Local Government Finance Settlement (Dec 17) announced that only 75% of business rates would be retained by Local Authorities. The new level of retention is set to be implemented in 2020/21. The Council still expects this increase to replace existing grants such as RSG and the Public Health grant, and as such we expect this to have no overall impact on the Council's net financing position.

14. The Council's financial position is significantly determined by the level of Business Rates and Council Tax income. Each of these may be subject to considerable volatility, especially give the legislative changes above, and will require close monitoring and a focus on delivering economic growth to increase our income and on delivering outcomes jointly with other public sector bodies and partners.

Medium Term Financial Analysis

15. On 18th July 2018, Cabinet considered a report of the Executive Director of Resources entitled Medium Term Financial Strategy (MTFA) 2018/19 to 2022/23. This report provided an update of the Council's MTFS to reflect the budget decision of the Council for 2018/19 and the potential impact on the next 5 years of the Government's plans for deficit reduction. This report established the planning scenarios for the medium term.

16. The report on the MTFA indicated that there would be ongoing reductions in Revenue Support Grant (RSG) as outlined in the December 2015 Autumn Statement, which covers the period to 2020/21. These reductions in RSG will exceed £69m including 2018/19.

Implementation of savings proposals

17. The MTFA attached in Appendix 10 describes a net revenue funding gap of £31.1m by 2022/23. This position assumes the delivery of £68.7m of savings in that term. The risks of delivery of savings in all years specific areas such as adults' and children's social care is considerable, given the increasing demand pressures and the levels of savings that have been achieved in previous years. These risks are underscored by the need for the Council to identify and deliver additional savings to be able to address the £31.5m gap. The risk is that non-delivery of budgeted savings will create a threat to the medium term financial sustainability of the Council.

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

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

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

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

Pension Fund

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

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

21. These risks are continually reviewed to ensure that any impacts of potential crystallisations are minimised.

Economic Climate

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

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

External Funding

24. The Council utilises many different grant regimes, for example central government, Sheffield City Region and EU. Delivering projects that are grant funded involves an element of risk of grant claw back where agreed terms and conditions are not stringently adhered to and evidenced by portfolios. In order to minimise risk strong project management skills and sound financial controls are required by Project Managers along with adherence to the Leader’s Scheme of Delegation to approve external funding bids.

25. As SCC funding reduces, portfolios are increasingly seeking out new sources of external funding, both capital and revenue. EU funding contracts have more complex conditions, require greater evidence to substantiate expenditure claims and are less flexible on timescales and output delivery targets. This increases the inherent risk in projects which are EU funded. Furthermore as the Council reduces its staff resources a combination of fewer staff and less experienced staff increases the risk of non-compliance with the funding contract conditions and exposes the authority to potential financial claw back.

26. Moreover, the pressure on the General Fund means that Service Managers are forced to seek more external funding such that the general level of risk associated with grants is increasing because of the additional workload this creates amongst reduced and potentially inexperienced staff.

27. The result of the referendum on EU membership does not in the short term change the risk profile of EU grants.

Taxation

28. As a general rule, the Authority is able to recover the majority of the value added tax (VAT) incurred on its payments to suppliers, i.e. its input tax. There are, however, special rules surrounding the recovery of input tax relating to supplies that are deemed 'exempt' from VAT, e.g. selling, leasing and letting of commercial land and buildings, education and insurance services. The VAT Act 1994 allows local authorities to recover input tax incurred in providing VAT-exempt supplies, so long as the tax attributable to exempt activities is less than 5% of the VAT incurred on all goods and services purchased.

29. The Council took advantage of its partial exemption position when making an exempt lease to a strategic partner as part of the Heart of the City development, delivering substantial savings. The Council has agreed a 7-year average partial exemption calculation with HMRC due to the spikes in construction costs which result in a breach in a couple of individual years. Any breach of the agreed threshold over the term would lead to substantial VAT recovery by HMRC.

30. Building the lease into the Authority's 7-year average partial exemption calculation leaves us at just below 4% in terms of the 5% limit, i.e. headroom of just over 1%. As a result, continual monitoring of our partial exemption position is vital in ensuring that we do not breach and also to inform decision-making on future projects being undertaken by the Authority.

31. Land and property transactions potentially pose one of the greatest risks of partial exemption breach. The Tax Team currently engages with colleagues in the Property Services team on at least a monthly basis to establish whether planned land and property transactions are likely to cause any partial exemption issues. In addition to this, communications are due to be issued in the next month to Heads of Service in portfolios making exempt supplies, which will further raise awareness of the partial exemption issues currently being faced by the Authority. Furthermore, systems have been developed internally to enable effective monitoring.

Treasury Management

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

33. As part of the 2018/19 budget process, we developed Treasury Management and Investment Strategies, both of which were based on discussions with members and senior officers about our risk appetite. This included a review of our counter-party risk to ensure it is reflective of the relative risks present in the economy. A cautious approach was adopted whilst the uncertainties created by the exit from the EU are resolved and the level of market volatility returns to normal levels. Given the profound nature of the exit from the EU, we will continue to review our Treasury Management and Annual Investment Strategies during 2018/19 to ensure we have the ability to respond appropriately to market volatility.

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

35. The Council is continuing its efforts to ensure full compliance with the increasingly stringent requirements of Payment Card Industry Data Security Standard (PCI DSS). PCI DSS is a proprietary information security standard for organizations that handle branded credit cards from the major card schemes including Visa, MasterCard and American Express. Work continues to improve systems and control measures; following the major system upgrade and the introduction of secure manual telephone system during 2017/18 which brought significant improvements to the handling of card data and to reflect the changing nature of the Council's card data environment.

36. A key supplier of card payment services have indicated that they will withdraw from the market with effect from 31st May 2019 and we therefore have to move card payment traffic to another provider at relatively short notice. Contract negotiations with the Council's main payment services provider are being brought to a conclusion and we would anticipate undertaking work to implement the transfer to happen early in the new calendar year. Given the importance of the payment channel we have also established back up plans to mitigate some of the effects of this service being terminated. This situation may be further exacerbated by further contractual changes as a result of the Tech2020 programme.

37. The Council currently had one advance payment outstanding with a major supplier in return for a saving on the contract cost.. Following changes to service provision, the arrangement ceased in December 2018 bring any exposure for the monies advanced to an end.

38. IFRS 9 introduces a new expected credit loss model which broadens the information that the Council is required to consider when determining its expectations of impairment. Under this new model, expectations of future events must be taken into account and this will result in the earlier recognition of larger impairments. Given the Council has a number of loans that have been award on a ‘non-commercial’ basis, there is the potential that impairment provisions on these loans will increase and impact on revenue budgets.

Welfare Reforms including Universal Credit

39. A programme of welfare reforms, introduced in 2013, led to cuts in a range of benefits including Housing Benefit (HB) and Council Tax Support posing a risk to residents’ ability to pay their rent and council tax and therefore increases in arrears.

40. The most significant reform, the introduction of Universal Credit (UC) which replaces HB for those of working age, is being rolled out in Sheffield with full take up expected in 2023 or later.

41. UC poses a significant financial risk to the Council as support towards housing costs, which is currently paid through HB direct to the Housing Revenue Account will in most cases, under UC, be paid directly to individuals. It is estimated that this could double or even treble the cost of collection and increase rent arrears to £15m by the end of 2020/21. However, impacts are uncertain at present as there is limited data available therefore estimates will be reviewed as we learn from the roll out.

42. The Council administers a locally funded hardship scheme to provide extra support to residents who cannot pay their council tax and a government funded scheme which supports those who cannot afford to pay their rent (a review of these, and other , discretionary schemes is currently underway which aims to consolidate these different support schemes). The Council will also continue to take robust action to recover arrears from those who simply will not pay. It is however committed to not evicting a tenant as a result of arrears due to delays in universal credit payments.

43. There is also a UC Project Working Group which is supporting the roll-out of UC and taking steps to ensure the Council is prepared for full take up.

People Risks – Children Young People and Families

Education Funding

44. Schools are entitled to receive a proportion of the Council’s Dedicated Schools Grant (DSG) which Schools Forum have decided can be de-delegated back to CYPF to fund central services. Academies can on conversion choose whether to buy into those services thus creating a potential funding gap. Up to £500k could be at risk to centrally funded services should Academies choose not to buy back those services funded from de-delegated DSG from the local authority.

45. If an academy is a sponsored conversion then the Council will have to bear the cost of any closing deficit balance that remains in the Council's accounts. In 2018/19 this cost to the Council is estimated at around £500k and remains a risk for any future conversions, especially with the expansion of the academy conversion programme.

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

Children's Social Care

47. There has been an increase in demand and costs for services for children social care both in terms of placement costs, fieldwork costs and support costs.

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

People Risks – Adult Social Care

49. In 2018/19 we have a significant partnership arrangement with the CCG which includes various funding streams for core services in Adult Social Care. There is a risk that these funding streams are not sustainable long term and there would be a risk to the Council delivering core services should this funding cease.

50. The new year will see a continuation of the pooled budget arrangement with the Clinical Commissioning Group and the Sheffield Health and Social Care Foundation Trust to manage Mental Health services jointly within the Better Care Fund and identify savings through a new joined up approach to delivering services. Work needs to strengthen within the arrangement to ensure that all partner organisations benefit from the joint working and that the clients receive the right level of support irrespective of where the funding of the service happens.

51. For 2018/19 we have put in measures to address the budget gap on all Adult Social Care Purchasing both Older People and Learning Disabilities however the risk remains that continued demand pressures increasingly affect our position to balance. Demand management plans within service should address some of the continued pull on resources and potentially redress some of the continued increases seen over the last two years.

52. There is a risk around legislation changes imposed by central government on future funding of social care and the potential impact on client contributions to their care. Place Risks

2018/19 Revenue Budget savings

53. The Place budget comprises three significant contracts - Streets Ahead programme, Waste Management and the South Yorkshire Passenger Transport Levy – which together absorb the major part of the portfolios General Fund support. The Portfolio cannot meet projected reductions in local authority funding by only reducing costs in the services that share remaining part of the General Fund budget without a significant reduction to those services. Thus in the 2015-16 Business planning round, the Portfolio's strategy was based on reducing the cost of these contracts to preserve the other services.

54. The South Yorkshire Transport Levy has been successfully reduced and savings have now been agreed and are in delivery. Savings from within the Streets Ahead commenced in 2017/18. Following a renegotiation of the Waste Management contract in first part of 2018, substantial savings were achieved.

55. This has supported the Place budget but made further savings a challenge without new ideas and partner cooperation.

56. The Portfolio has also developed further strategic interventions including reducing the level of support to Sports Trusts, and is embarking on a Place Change Programme to review all the other services seeking a business-like approach to service delivery. Realising the efficiencies and opportunities within these reviews are crucial to the Portfolio delivering a sustainable balanced position going forward. Delivery of the Sports Trusts savings will be dependant on the performance of the Council's partners and the general leisure market conditions. This is being carefully monitored.

57. The Portfolio undertakes a number of complex, high profile capital projects which require strong cost control from the sponsor and project manager. Recent experience has shown that this discipline is not present in all projects and has exposed the portfolio on occasions to find funding from the Revenue Budget to fund overspends.

58. The Council has committed to a number of positive capital investments in the city, in particular taking forward the Heart of the City II project, involving substantial spending over the next 7 years, financed by an assumed significant growth in business rates and long term borrowing. This carries significant levels of risk in relation to cost increases and letting demand which if these were to crystallise would result in additional pressure on Capital and Revenue budgets.

Housing Revenue Account Risks

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

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

Capital Programme Risks

Project Cost Control

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

Housing Growth

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

Olympic Legacy Park

62. The Council supports the on-going development of the Olympic Legacy Park to regenerate the Lower Don Valley. Some parts of the infrastructure need private party or external funding to realise the vision. The Council has an obligation to provide a number of facilities to the educational establishment facilities on site against a very

tight timescale. If the other site developments do not proceed in time, the Council may have to step in with funding which will place additional strain on the funding of the capital programme.

Heart Of the City 2 (formerly Sheffield Retail Quarter)

63. The Council committed to incur around £62m to acquire land and carry out initial feasibility work to develop a plan for the retail quarter in the city centre. A further budget of £27m was approved for the appointed development manager to take forward the pre-construction phases of the scheme.

64. The Council has also approved a further £89m for the construction of the first building and associated public realm. The office accommodation of the building has been pre-let to HSBC on a 25 year lease, with options to exit at years 10 and 15. This means the Council carries the longer term vacant property risk on the office and also on a more periodic basis for retail and food and beverage units created as shorter leases expire.

65. The route for delivery of the remainder of the Heart of the City II has changed since originally approved. The Council will no longer be looking to deliver the scheme as one “big bang” corporate development and then be reliant on a single developer. It is envisaged that delivery will now be done via an incremental measured block by block approach, working within the approved masterplan, which can be delivered comprehensively over time but not necessarily by a single developer and/or the Council. This approach mitigates the Council’s risk and financial exposure and delivers momentum.

66. This phased approach to delivery also allows for future changes in the scheme to reflect changes in shopping habits/behaviours and the expectations of shoppers and users of the city centre. As a result of this approach a further £35m has also now been approved for the development of blocks B & C of the scheme.

67. The remainder of the £27m budget is now allocated across the development blocks to complete its own pre-construction phase. On completion of that phase further funding will be sought through the capital approval process to develop the properties.

68. The scheme is being funded through prudential borrowing which will be repaid primarily from the rental value created from the various types of property and from the increased Business Rates that the completed scheme will produce (known as Tax Incremental financing (TIF)). The financing costs are being capitalised while the scheme is in development. There is a risk that if the scheme ceases to be active that the financing costs of circa £4m pa will have to be provided for from existing budgets. The long term impact of the phased delivery has been built in to the Medium Term Financial Strategy.

69. A programme of development of this size carries with it significant levels of risk across a number of areas. These risks are amplified because of the length of the development programme and because of the uncertainties caused by the rapidly changing retail landscape and the unknown effect of Brexit.

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

Schools' Expansion programme

71. In February 2016 the Cabinet approved a report setting out the need to provide additional places in primary, secondary and Sixth Form establishments. The immediate demand for places in the next three years will require the Council to commit funds ahead of receipt from central government. The latest estimate of the gap is a maximum of £21m in 2018/19 after mitigating action. Initial forecasts indicated sufficient funding to repay the cash flow would be received from Government by 2021/22. However, the recent announcement of a lower than expected settlement for 2020/21 (£6.4m compared to £10m expected), and further emerging pressures in the programme will require this assumption to be revisited.

72. In the event of a change of government policy which further reduced the financial support available to local authorities' capital programmes, the Council would very probably be faced with a greater affordability gap in the schools' capital programme than has already been identified above, requiring it to contribute its own capital resources.

73. The Council already faces pressure to maintain the condition of the school building estate so there is a limited opportunity to divert funds earmarked for maintenance to support the school place expansion programme. The Council has taken steps to minimise this exposure by challenging the construction industry to build to a specific cost target against Education Funding Agency standards, and, matching the provision of some 16–18 year places to demand.

74. Basic Need funding allocations for the purpose of school expansion are now confirmed up to 2020/21. The modelling of the Schools Capital Programme has been revised in light of the recent funding announcement reducing the forecast allocation to £6.5m p.a. from £10m for 21/22 and 22/23. Any further reduction in these estimated amounts will delay the timescale for the repayment of the cash flow and also any future investment.

CAPITAL PROGRAMME MONITORING AS AT DECEMBER 2018

1 - Statement of Budget Movement

The table below summarises the movement in budget from month 6 to month 9, and provides the Capital programme budget position as at December 2018.

	2018/19	2019/20	Future	Total
Month 6 Approved Budget	246.8	124.7	335.3	706.8
Additions	0.5	2.4	1.0	3.9
Variations	1.6	6.0	0.8	8.4
Reprofile	-8.2	10.2	-2.0	0.0
Slippage and Acceleration	-0.7	0.5	0.2	0.0
Month 9 Approved Budget	240.0	143.8	335.3	719.1

Comments (on key changes since Month 6)

ADDITIONS
+ £0.1m in relation to the Sheffield Lakeland Partnership, £3m in relation to the Culvert Renewal Programme, £0.5m in relation to Sanderson's Weir Fish Pass Installation and £0.2m for various feasibility work approvals.

VARIATIONS
+ £3.9m relates to the inclusion of the full budget for the IRR junctions scheme following completion of feasibility and £4.3m inclusion of Grey to Green Delivery Phase 2.
£0.9m represents increases in the Schools Maintenance Programme. relating to structural and fire risk assessment works.
- £0.7m reduction in budget for Brunswick Primary School heating replacement.

REPROFILE
- This is largely accounted for by reprofiling the Heart of the City II programme.

2 - Top 20 Projects by value as at December 2018

The table below summarises the Top 20 projects in the Capital Programme by budget value in 2018/19. This group accounts for 72% of the 2018/19 capital programme. The major in-year and all-year variations are explained below and in sections 4 and 5.

PROJECT	Current Year								Remaining Life of Project					Comments
Values in £000	YTD Actual	YTD Budget	YTD Variance	FY Outturn	FY Budget	FY Variance	Variance %	Delivery Forecast RAG	All Years Outturn	All Years Budget	All Years Variance	Variance %	Delivery RAG	
Srq Offices	31,014	31,573	(559)	33,431	35,431	(2,000)	-5.6%	G	35,424	35,431	(7)	0.0%	G	See Item 4.3
Pitched Roofing & Roofline	8,778	15,423	(6,646)	11,811	24,074	(12,264)	-50.9%	G	44,500	44,574	(74)	-0.2%	G	See Item 4.1
Astrea Academy	14,066	17,224	(3,158)	21,919	20,959	960	4.6%	A	21,919	20,959	960	4.6%	A	See item 5.3
Msf Finance	6,373	6,373	0	12,945	12,945	0	0.0%	NR	91,091	91,091	0	0.0%	NR	
Mercia School	9,057	10,226	(1,169)	9,598	10,871	(1,273)	-11.7%	G	10,419	10,884	(465)	-4.3%	G	See Item 4.8
Kitchen/bathrm Planned Replmt	5,665	6,688	(1,022)	8,130	8,043	87	1.1%	G	23,589	18,202	5,387	29.6%	G	All years overspend relates to additional year budget awaiting approval as part of Housing Programme review
Electrical Strategy	5,666	5,282	384	7,820	7,314	506	6.9%	G	37,430	30,430	7,000	23.0%	G	See item 5.4 re in year o/spend. All years overspend relates to additional year budget awaiting approval as part of Housing Programme review
Brownfield Site	2,733	2,852	(120)	6,220	6,220	0	0.0%	NR	8,817	8,817	0	0.0%	NR	
Programme Management Costs Gf	2,710	2,710	(0)	5,469	5,420	49	0.9%	G	13,599	13,550	49	0.4%	G	Overspend due to purchase of freehold at Blackstock Road
New Build Coun Hsg Ph 4a	185	2,472	(2,288)	242	4,691	(4,449)	-94.8%	A	19,814	15,046	4,768	31.7%	A	See item 4.2 re: in year slippage. All year overspend relates to latest estimate of costs following receipts of stage 1 design. Further approvals to be brought forward.
Knowledge Gateway	2,930	3,225	(295)	3,838	4,661	(824)	-17.7%	A	5,180	5,017	163	3.3%	A	Issues have been encountered in the programme due to other stats work in the area and delay to demolition element. Cost overrun now forecast.
Brown Bin Implementation	2,562	4,141	(1,579)	4,488	4,488	0	0.0%	NR	4,488	4,488	0	0.0%	NR	
Devonshire Quarter	-	-	-	4,463	4,463	-	0.0%	NR	5,100	5,100	-	0.0%	NR	
Council Hsg Acquisitions Prog	3,044	2,952	92	5,044	4,049	995	24.6%	G	47,755	12,625	35,130	278.3%	G	See item 5.2 re: in year overspend. All years overspend relates to additional year budget awaiting approval as part of Housing Programme review
Communal Areas-low Rise Flats	4,386	2,666	1,720	5,695	3,770	1,926	51.1%	G	26,895	19,970	6,926	34.7%	G	See item 5.1 re in year acceleration. All years overspend relates to additional year budget awaiting approval as part of Housing Programme review
Disabled Grants	1,663	2,358	(694)	2,565	3,361	(796)	-23.7%	G	11,346	11,361	(16)	-0.1%	G	More flexible use of grant due to be approved which will increase spend.
Digital Incubator	1,815	2,205	(389)	2,979	3,314	(334)	-10.1%	NR	3,424	3,424	(0)	0.0%	NR	Delays in the project have been experienced due to the need to carry out additional asbestos removal and ducting.
Ecclesall Permanent Extension	3,378	3,201	177	3,509	3,201	308	9.6%	G	3,509	3,201	308	9.6%	G	An increase in costs due to unforeseen works: additional work required as part of planning approval, extensive asbestos removal and a delay to works on site.
Sheffield Retail Quarter 2	1,603	1,729	(126)	2,958	3,009	(51)	-1.7%	G	6,671	6,671	0	0.0%	G	
S H Mgmt Fees Commissioned	1,879	1,879	-	2,505	2,505	-	0.0%	NR	15,181	12,600	2,581	20.5%	NR	All years overspend relates to additional year budget awaiting approval as part of Housing Programme review
Top 20 Value	109,506	125,179	(15,672)	155,631	172,791	(17,161)	-9.9%		436,152	373,442	62,710			
Rest of Programme	30,332	40,873	(10,541)	49,768	67,190	(17,422)	-25.9%		359,368	345,617	13,751			
Total Capital Programme Value	139,839	166,052	(26,213)	205,399	239,981	(34,582)	-14.4%		795,520	719,059	76,461			
% of Programme within the Top 20	78%	75%	60%	76%	72%	50%			55%	52%	82%			

3 - Current Year to date and Forecast Outturn Position

The forecast outturn position is £34.2m below budget. This represents an reduction of £7.6m from the £26.6m below budget reported at Mth 6. The key variances by board are explained below. The main reasons for this overall movement towards budget are an increased forecast of in year expenditure on the Astrea Academy project of £2m (although no further increase in overall costs) offset by a reduction of £550k in in year spend on Knowledge Gateway.

BOARD	YEAR TO DATE			FULL YEAR			Comments
Values in £000	Actual	Budget	Variance	Forecast	Budget	Variance	
HEART OF THE CITY II	37,490	37,976	(486)	42,911	46,248	(3,337)	See item 4.3. in addition further reprofiling of wider scheme due to block by block approach
HOUSING INVESTMENT	34,012	45,651	(11,639)	50,950	72,687	(21,737)	See items 4.1, 4.4, 4.5, 4.6,4.7, 4.9,4.10
PEOPLE CAPITAL & GROWTH	35,278	40,119	(4,841)	46,809	47,319	(510)	See items 4.8, 5.3,5.7,5.9 in addition current £759k projected underspend on Disabled Facilities Grant
QUALITY OF LIFE	11,889	13,814	(1,925)	20,776	20,763	12	
HOUSING GROWTH	7,265	10,239	(2,974)	18,802	22,834	(4,032)	See item 4.2
ECONOMIC GROWTH	7,245	8,276	(1,031)	11,241	12,394	(1,153)	Key variations on Knowledge Gateway and Digital Incubator explained in Section 2
TRANSPORT	2,933	5,001	(2,068)	7,294	8,933	(1,639)	Key slippage on: Broadfield Road Junction Scheme - £540k Blackburn Valley Cycle route - £250k Network management - £110k Saving on: Bus Hotspots - £160k Chesterfield Rd Key Bus Route - £240k
ESSENTIAL COMPLIANCE & MAINT	2,700	3,834	(1,134)	5,339	7,364	(2,025)	Key slippage on: Health & Safety Block Allocation £700k Moorfoot Lifts - £380k Corporate Building Programme Elements - £900k
GREEN & OPEN SPACES	1,027	1,142	(114)	1,277	1,438	(161)	Key Slippage Play Improvement Project - £90k Green Spaces Allocation £70k
Grand Total	139,839	166,052	(26,213)	205,399	239,981	(34,582)	

4 - Top 10 Forecast Slippage against Full Year Budget

The table below illustrates that of the £28.5m main forecast underspends against budget, £11.2m relates to delays in schemes in delivery or where contract has been awarded. while the remainder relates to expected savings/re-profiling of allocations not yet committed.

	Business Unit	Board	FY Budget	FY variance on budget	Explanation
4.1	Pitched Roofing & Roofline	HOUSING INVESTMENT	24,074	(12,264)	**REPROFILE** - Currently forecasting approx. £11,300,000 to complete the current contracts. Additional Responsive Repair costs have been added to the project, totalling approximately £280,000.00. **Re-Profile now awaiting approval**
4.2	New Build Coun Hsg Ph 4a	HOUSING GROWTH	4,691	(4,449)	**SLIPPAGE** - Full Year and year to date budget/actual: original fee forecast and anticipated start on site not achieved. NOTE that overall anticipated project costs are now increased from £15.1m to £19.9m. **SLIPPAGE NOW AWAITING APPROVAL**
4.3	Srq Offices	HEART OF THE CITY II	35,431	(2,000)	**SLIPPAGE** - Slippage relates to later completion and letting of retail units. **SLIPPAGE NOW AWAITING APPROVAL**
4.4	Ewi Non-traditional 2	HOUSING INVESTMENT	1,976	(1,926)	**REPROFILE** - No outputs or spend currently expected during this financial year - A high level project review took place on 20th August for EWI phases 2 and 3. It was agreed that the project business case, project delivery timescales, output specifications and CDS's commission would be reviewed. CAF has been processed to reduce budget for 18-19 & slip remainder into 19-20 as any likely costs this financial year will be CDS fees only. **REPROFILE NOW AWAITING APPROVAL**
4.5	Garage Strategy-improvement	HOUSING INVESTMENT	1,836	(1,630)	**SLIPPAGE** - Spend to date is only for surveying costs. Start on site had been planned for July, which did not go ahead. Budget reprofiled to take this into account showing underspend. Start on site currently planned for January 2019. Forecast spend to year end based on assumption of £1200 average per garage.
4.6	Ewi Non-traditional1	HOUSING INVESTMENT	2,187	(1,572)	**SLIPPAGE** - Contractor has submitted costs for the removal of the current cladding (R&D Survey) to 7 properties. We await costs for the remaining properties. If prices are acceptable for the improvement of the outbuilding works these will impact on the overall spend as yet we don't have the estimates. **SLIPPAGE NOW AWAITING APPROVAL**
4.7	Hanover Tower Block Cladding	HOUSING INVESTMENT	2,425	(1,552)	**SLIPPAGE - Negotiations with contractor now complete. SLIPPAGE AWAITING APPROVAL**
4.8	Mercia School	PEOPLE CAPITAL & GROWTH	10,871	(1,273)	**SAVING / REPROFILE** - Outturn forecast for all years accurate based on final account estimate and review of external consultant fees. CAF reduction to be processed December cycle. Meeting to present details are required monitoring within 90797 and ongoing liability for traffic assessment. **REPROFILE/BUDGET REDUCTION AWAITING APPROVAL**
4.9	Roofs & Externals (chs)	HOUSING INVESTMENT	1,000	(1,000)	**REPROFILE -** General allocation only - reprofiled as part of Housing Annual review
4.10	Ewi Non-traditional 3	HOUSING INVESTMENT	867	(857)	**REPROFILE** - No outputs or spend currently expected during this financial year - A high level project review took place on 20th August for EWI phases 2 and 3. It was agreed that the project business case, project delivery timescales, output specifications and CDS's commission would be reviewed. CAF has been processed to reduce budget for 18-19 & slip remainder into 19-20 as any likely costs this financial year will be CDS fees only. **REPROFILE NOW AWAITING APPROVAL**
	Total		85,358	(28,522)	

5 - Top 10 Forecast Overspends over Full Year Budget

The table below indicates that approx. £1.8m of the main current in year forecast overspends could result in additional calls on council capital funds. These relate to: the Schools Growth Expansion Programme which is already overcommitted (£1.4m) and will impact on timescale of repayment of GIF; increased call on HRA Major Repairs Reserve re: Windows and Doors Replacement ; potential increase to Prudential Borrowing re: Charter Square Enabling Works as part of Heart of The City development.

	Business Unit	Board	FY Budget	FY variance on budget	Explanation
5.1	Communal Areas-low Rise Flats	HOUSING INVESTMENT	3,770	1,926	**ACCELERATION** - Kier contract planned to end March 2019. Fortem contract planned to end December 2018. A CAF has been processed to increase the budget by bringing funds forward from subsequent years. This information is pending the latest cost reports being received from CDS and the Going Local review. Any remaining spend allocated to Going Local projects is to be agreed following completion of review by Head of Service. **ACCELERATION NOW AWAITING APPROVAL**
5.2	Council Hsg Acquisitions Prog	HOUSING GROWTH	4,049	995	**ACCELERATION** - A budget acceleration to allow for the additional number of properties previously forecast to be purchased this year is awaiting approval. However, forecast outputs have increased over the past month. The average cost of purchasing properties is currently less than the original forecast, so even though the forecast outputs now stand at 74, the adjusted budget should almost cover the cost of these additional properties. If the current trend continues, there may be further acceleration of £200-300k.
5.3	Astrea Academy	PEOPLE CAPITAL & GROWTH	20,959	960	**OVERSPEND** - Due to 6 month delays caused by statutory utility providers, and large amounts of unexpected rock excavation on the new build site CDS are currently forecasting a £960,000 overspend on the project. This includes no allowance for refurbishment of the former caretaker's house. **BUDGET INCREASE AWAITING APPROVAL**
5.4	Electrical Strategy	HOUSING INVESTMENT	7,314	506	**ACCELERATION**- Electrical Work carried out by Keepmoat as part of the elementals contract has now been charged to this BU and is shown separately on the PPR and equates to 104 out puts to date with potential for 200+ out puts at year end, if the progress on site continues at the same pace the estimated year end charge is as per the above statement. Wates are still achieving higher than expected outputs which is currently adding to the higher than expected year end spend shown on the BU PPR....although this is being slightly off set by the lower out puts being achieved by KIER. The expenditure at year end has the potential to be £506k over the available budget, this is due to the progress being achieved by Wates and the recharging of work from the elemental contract.
5.5	On Site Acquisitions	HOUSING GROWTH	483	463	**ACCELERATION** - Acceleration of payment as build out progressing quicker than expected.
5.6	Olp Fa Pitch	ECONOMIC GROWTH	-	388	**REPAYMENT** - Charge relates only to repayment of contribution overclaimed
5.7	Ecclesall Permanent Extension	PEOPLE CAPITAL & GROWTH	3,201	308	**OVERSPEND**- All years forecast variance is an estimate based on assessments by CDS cost manager. Negotiations with contractor to agree final account position. Update to be provided on progress and outcome in next monthly report. **BUDGET INCREASE AWAITING APPROVAL**
5.8	Windows& Doors Placement(chs)	HOUSING INVESTMENT	1,484	222	**OVERSPEND** - Wates have submitted a revised forecast final account of £5.83m. This total includes a potential claim of £280K. QS's continue to validate predicted final account and currently predict a final account of £5.66m. SCC predict a contract prelim sum of around £260K within the £5.66m outturn. An overspend is showing for the following reasons: 1. Additional works over and above designs. 2. Telecommunication and electrical works 3. Hardwood cills 4. Partition wall removals. All of these were unforeseen works when setting the budget. £204,000 of overspend is due to roofing works completed via R&M and agreed to be charged to this budget by Head of Service.
5.9	Totley Primary Perm Extn	PEOPLE CAPITAL & GROWTH	1,807	183	**OVERSPEND** - Overspend due to additional costs attached to Pedestrian Crossing and associated Red Zone. £161k overspend estimated at this stage following receipt of Amey estimated design and installation costs. Meetings with CYP client held to explain reasons and extent of overspend.
5.10	Charter Square Enabling Works	HEART OF THE CITY II	1,938	145	**OVERSPEND** - Yorkshire Water anticipated costs have been received but with no back up, This is now factored into forecasts.
	Total		45,005	6,095	

6 - Key Issues and Risks

Key Issues

- Forecast overspends at Astrea Academy, Ecclesall Infants and Totley Primary placing additional pressure on Schools Expansion Programme
- Proposed cost of funding expansion of EIS sporting facility to accommodate Don Valley Oasis Academy indoor sports facilities at a cost of £1.5m to Schools capital programme

Key Risks

- Emerging - Inner Relief Road Junction Scheme - Funding Agreement - pressure to meet SCRIF spend deadlines - increased costs due to stats works.
- Emerging - Knowledge Gateway Scheme - Delays and potential increased cost forecast.

Treasury Management Strategy Statement and Annual Investment Strategy: Mid-year Review 2018/19

1 Executive Summary

1.1 Purpose

The purpose of this report is to update Members on the delivery of the 2018/19 Treasury Management Strategy Statement (TMSS) approved by Council on 7 March 2018 in relation to:-

- The economic outlook facing the Council
- The actual and proposed treasury management activities in terms of both borrowing and investments
- The key changes to the Council's capital investment activity as demonstrated in the Council's Prudential Indicators
- Compliance with the TMSS and the Annual Investment Strategy (AIS)

1.2. Treasury management

Treasury management activities comprise of:

- Managing the City Council's borrowing to ensure funding of the Council's future capital programme is at optimal cost;
- Investing surplus cash balances arising from the day to day operations of the Council to obtain an optimal return whilst prioritising security and liquidity.
- Effective control of the risks associated with the above activities

1.3 Key Changes to the Treasury and Capital Strategies

- There are no policy changes to the TMSS or AIS. However, attention is drawn to the new requirement to produce a Capital Strategy by 2019/20.
- The 2018/19 Treasury Strategy (approved 7th March 2018) identified a net borrowing requirement of £167m to support the Capital Programme and to maintain the Council's under borrowing at sustainable levels.
- However, the Council has taken no borrowing during the first six months of the year as it has sufficient cash balances (£77.9m at September 2018).
- The authority is planning to borrow between £40m - £60m in the second half of the financial year based on current forecasts with the net financing costs contained within the existing capital financing budget.
- No further borrowing is anticipated in the current financial year, unless:

- ✓ short term investments fall at a higher pace than expected increasing the liquidity risk of the authority and/or;
- ✓ there is a significant change in markets (debt financing costs continue to be at historic low levels despite more recent rises) and long term borrowing is deemed advantageous the authority will borrow over periods determined as the most appropriate to reduce the authorities exposure to interest rate risk

- The Council notes that the HRA debt cap has been removed with effect from the 29th October 2018. The Council will consider how the HRA can fulfil its ambition in terms of affordable housing within the core principles set out in the Prudential Code.

1.4 Recommendation

Cabinet is asked to note the report on treasury activity in the first six months of 2018/19, and our current expectations for the second half of the year.

2 Background

2.1 Capital Strategy

In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued revised Prudential and Treasury Management Codes. As from 2019/20, all local authorities will be required to prepare a Capital Strategy which is intended to provide the following: -

- High-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- Overview of how the associated risk is managed
- Implications for future financial sustainability

A report setting out our Capital Strategy will be taken to the full Council, (or Cabinet, with responsibility retained by the full Council), before 31st March 2019.

2.2 Treasury Management

The Council operates a balanced revenue budget, which should mean that cash raised will meet its cash requirements over the medium term. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.

Accordingly, treasury management is defined as:

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

3 Introduction

The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017) has been adopted by this Council.

The primary requirements of the Code are as follows:

1. Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.

2. Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

3. Receipt by the Full Council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report (stewardship report) covering activities during the previous year.

4. Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.

5. Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. This role is undertaken by the Cabinet Member for Finance and Resources.

This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first part of the 2018/19 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- The Council's capital expenditure (prudential indicators);
- A review of the Council's investment portfolio for 2018/19;
- A review of the Council's borrowing strategy for 2018/19;
- A review of any debt rescheduling undertaken during 2018/19;
- A review of compliance with Treasury and Prudential Limits for 2018/19.

Key Changes to the Treasury Strategy

- None – except to note the changes to the Prudential Code and the Treasury Management Code have introduced new requirements such as the need to produce a Capital Strategy that will be put in place as part of the 2019/20 budget setting process.

4 Economic update

4.1 Economic Backdrop and Outlook

The first half of 2018/19 has seen UK economic growth post a modest performance, but sufficiently robust for the Monetary Policy Committee, (MPC), to unanimously (9-0) vote to increase Bank Rate on 2nd August from 0.5% to 0.75%. Although growth looks as if it will only be modest at around 1.5% in 2018, the Bank of England's August Quarterly Inflation Report forecast that growth will pick up to 1.8% in 2019, albeit there were several caveats – mainly related to whether or not the UK achieves an orderly withdrawal from the European Union in March 2019.

Some MPC members have expressed concerns about a build-up of inflationary pressures, particularly with the pound falling in value again against both the US dollar and the Euro. The Consumer Price Index (CPI) measure of inflation rose unexpectedly from 2.4% in June to 2.7% in August due to increases in volatile components, but is expected to fall back to the 2% inflation target over the next two years given a scenario of minimal increases in Bank Rate. The MPC has indicated Bank Rate would need to be in the region of 1.5% by March 2021 for inflation to stay on track. Financial markets are currently pricing in the next increase in Bank Rate for the second half of 2019.

4.2 Interest rate forecasts

The Council's treasury advisor, Link Asset Services, provided the following forecast.

Link Asset Services Interest Rate View	Sep-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Mar-21
Bank Rate View	0.75%	0.75%	0.75%	0.75%	1.00%	1.00%	1.00%	1.25%	1.25%	1.50%	1.50%
3 Month LIBID	0.75%	0.80%	0.80%	0.90%	1.10%	1.10%	1.20%	1.40%	1.50%	1.60%	1.60%
6 Month LIBID	0.85%	0.90%	0.90%	1.00%	1.20%	1.20%	1.30%	1.50%	1.60%	1.70%	1.70%
12 Month LIBID	1.00%	1.00%	1.00%	1.10%	1.30%	1.30%	1.40%	1.60%	1.70%	1.80%	1.80%
5yr PWLB Rate	2.00%	2.00%	2.10%	2.20%	2.20%	2.30%	2.30%	2.40%	2.50%	2.50%	2.60%
10yr PWLB Rate	2.40%	2.50%	2.50%	2.60%	2.70%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%
25yr PWLB Rate	2.80%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%	3.40%	3.50%	3.50%
50yr PWLB Rate	2.60%	2.70%	2.80%	2.90%	2.90%	3.00%	3.10%	3.10%	3.20%	3.30%	3.30%

The MPC has stated that future Bank Rate increases would be gradual.

At the moment, we do not think that the MPC will increase Bank Rate ahead of the deadline for Brexit in March 2019. We feel that the MPC is more likely to wait until August 2019 before the next increase, to be followed by further increases of 0.25% in May and November 2020 to reach 1.5%. However, the cautious pace of even these limited increases is dependent on a reasonably orderly Brexit.

5 Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) update

The TMSS for 2018/19 was approved by this Council on 7th March 2018.

There are no policy changes to the TMSS proposed in this paper.

However, the details in this report update the position in the light of the updated economic position and budgetary changes already approved; which marginally impact on the Council's Capital Financing Requirement.

Prudential Indicator 2018/19	***Original £m***	***Revised £m***
Authorised Limit	£1,690	£1,690
Operational Boundary	£1,640	£1,640
Capital Financing Requirement	£1,558	£1,566
HRA Debt Cap	£388	£388

Following the Prime Minister's announcement at the Conservative Party Conference that the HRA debt cap would be abolished; the Chancellor confirmed in the October 2018 budget that the effective date for the removal of the HRA debt cap was 29th October 2018. The Council will consider how the HRA can fulfil its ambition in terms of affordable housing in the coming years under the core principles set out in the Prudential Code – Affordable, Sustainable and Prudence.

6 The Council's Capital Position (Prudential Indicators)

This part of the report is structured to update:

- The Council's capital expenditure plans;
- How these plans are being financed;
- The impact of the changes in the capital expenditure plans on the prudential indicators and the underlying need to borrow; and
- Compliance with the limits in place for borrowing activity.

6.1 Prudential Indicator for Capital Expenditure

This table shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure 2018/19	**Original Estimate £m**	**Revised Estimate £m**
Economic Growth	73.6	81.5
Housing Investment	66.6	72.8
Housing Growth	14.7	22.8
Quality of Life	13.8	23.0
Transport	1.3	8.7
People – Capital & Growth	40.5	48.1
Internal Infrastructure	3.6	7.9

Total	**214.1**	**264.8**

The overall expected level of capital expenditure in 2018/19 has increased by £50.7m. However, the element to be financed by additional borrowing has only increased by £7.2m to £88.6m. Some of the overall increase represents slippage from 2017/18, and so is simply a timing issue rather than an increase to the overall capital programme.

The main areas impacting on this increase in capital expenditure are:

- Programme slippage from the 2017/18 capital programme - £21.5m
- £6.0m on acquisition of brown field sites for future housing
- £4.5m on the roll out of brown bins
- £5.4m on transport initiatives including £2m on clean bus technologies and the Local Transport Plan
- £3.2m on additional works for the Heart of the City II programme
- £2.7m on schools maintenance and other capital works
- £7.4m on other miscellaneous capital expenditure changes

6.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), highlighting the original supported and unsupported elements of the capital programme, and thus the expected financing arrangements of this capital expenditure.

The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR). The CFR represents the underlying level of long term debt required to finance the total value of past and anticipated capital investment. However, the CFR will be reduced in part by revenue charges for the repayment of debt (these charges are called the Minimum Revenue Provision). This direct borrowing need may also be supplemented by replacing maturing debt and other treasury requirements.

Capital Expenditure 2018/19	**Original Estimate £m**	**Revised Estimate £m**
General Fund	135.3	180.7
HRA	78.7	84.1
Total spend	**214.1**	**264.8**
Financed by:		
Capital receipts	13.1	24.4
Capital grants	54.4	81.0
Revenue (mainly HRA related)	65.2	70.5

Capital Expenditure 2018/19	Original Estimate £m	Revised Estimate £m
Total financing	**132.7**	**175.9**
Borrowing need	**81.4**	**88.9**

6.3 Changes to the Prudential Indicators for the Capital Financing Requirement (CFR), External Debt and the Operational Boundary

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period, which is termed the Operational Boundary.

Prudential Indicator – Capital Financing Requirement

We are on target to achieve the original forecast CFR with an overall small increase on the forecast position at the end of March 2019 of £8.4m as a result of changes in the capital programme.

Capital Financing Requirement	2018/19 Original Estimate £m	2018/19 Revised Estimate £m
CFR – non housing	1212.1	1220.5
CFR – housing	345.9	345.9
Total CFR	1,558.0	1566.4
Net movement in CFR	**49.4**	**57.8**
Borrowing*	921.9	838.0
Other long term liabilities**	425.8	409.4
Total debt 31 March	**1,347.7**	**1,247.4**

*The expected borrowing has declined significantly on the basis that cash balances remain reasonably high (see section 6.4 for further information).

**On balance sheet PFI schemes and finance leases etc. A prepayment of £13.3m made at the end of 2017/18 to generate on-going revenue savings on the waste management contract mean the outstanding liability was lower than anticipated when the TMSS was set.

6.4 Limits to Borrowing Activity

The first key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose.

Gross external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2018/19 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent, i.e. it allows access to cheaper borrowing.

	2018/19 Original Estimate £'m	2018/19 Revised Estimate £'m
Gross borrowing	921.9	838.0
Plus other long term liabilities*	425.8	409.4
Total Debt	1,347.7	1247.4
CFR (forecast year-end position)	1,558.0	1,566.4
Internal Borrowing	210.3	319.0

** Includes on-balance sheet PFI schemes and finance leases etc.*

The Director of Finance and Commercial Services confirms that no difficulties are envisaged for the current or future years in complying with this prudential indicator.

<u>Prudential Indicator – the Authorised and Operational Limits for external debt</u>

There are further prudential indicator controls on the Council's overall level of borrowing. These are the Authorised Limit, which represents the limit beyond which borrowing is prohibited, which needs to be set and revised by Members, and the Operational Limit which makes allowance for future, as yet undefined, capital expenditure but sets a limit at which capital expenditure is not expected to exceed..

The Authorised Limit reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for future capital expenditure and unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt (2018-19)	**Original Indicator £m**	**Current Position £m**	**Revised Indicator £m**
Borrowing	1,200	1,200	1,200
Other long term liabilities*	440	440	440
Total	**1,640**	**1,640**	**1,640**

** Includes on balance sheet PFI schemes and finance leases etc.*

Operational limit for external debt (2018-19)	**Original Indicator £m**	**Current Position £m**	**Revised Indicator £m**
Borrowing	1,160	1,160	1,160
Other long term liabilities*	440	440	440
Total	**1,600**	**1,600**	**1,600**

** Includes on balance sheet PFI schemes and finance leases etc.*

7 Borrowing

The table under section 6.4 shows the Council is forecast to have borrowings of £1,247.4m and utilise £319.0m of cash flow funds (internal borrowing) in lieu of externally borrowing; this includes £60.9m of HRA under borrowing. This is a prudent and cost effective approach in the current economic climate but will require ongoing monitoring in the event that borrowing rates worsen

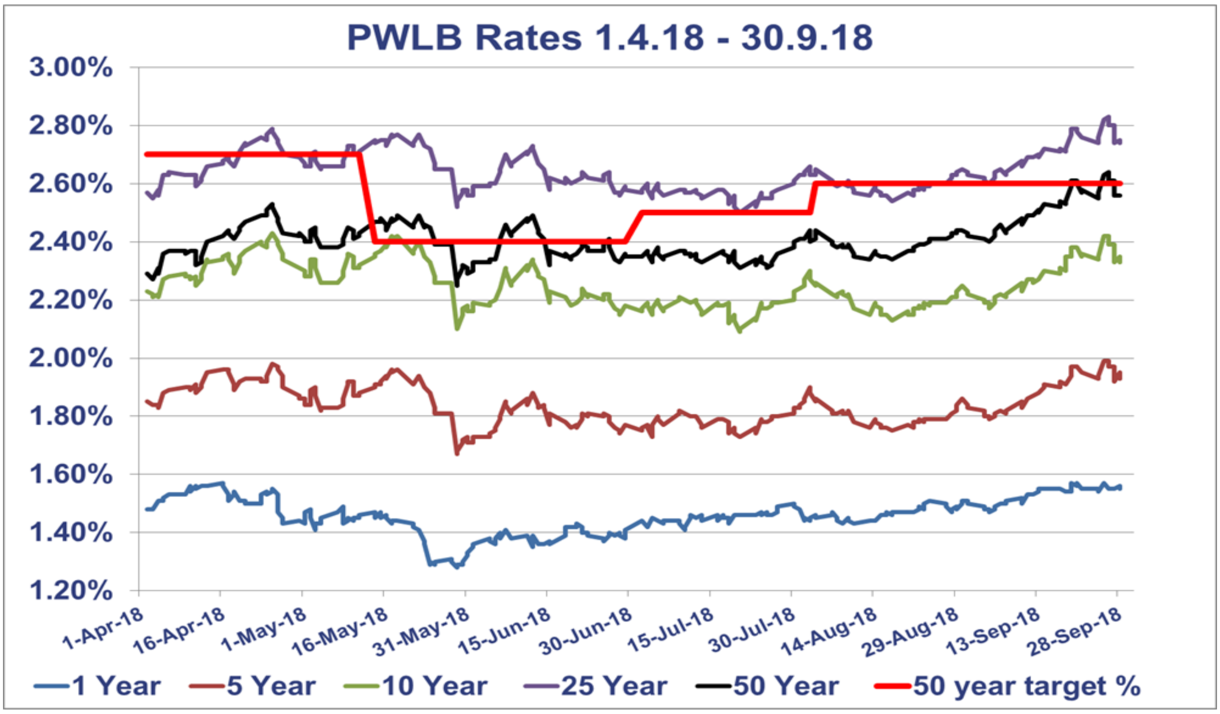
We originally anticipated adding £167.0m of new borrowing during the year to cover in-year capital expenditure and to maintain internal borrowing at sustainable levels.

Since the planned level of prudential borrowing has increased, we would expect to undertake further borrowing to maintain under borrowing at a sustainable level. However, to date we have undertaken no borrowing.

Given the strength of the forecast year end cash position, it remains prudent to delay all but £30m - £60m of the borrowing (depending on whether there is any re-profiling of planned capital expenditure during the remainder of the year) until next financial year unless the forecast cash position significantly worsens or if interest rates move against us – prompting us to lock in borrowing at historically low rates while we have the opportunity.

The HRA is forecast to be £60.9m under borrowed by the end of the year assuming no new borrowing is taken during the current financial year as it has sufficient reserves to meet its capital investment plans for the current financial year and maintain this level of under borrowing.

The graph and table below show the movement in PWLB certainty rates for the first six months of the year to date.



	1 Year	5 Year	10 Year	25 Year	50 Year
3.4.18	1.48%	1.84%	2.22%	2.55%	2.27%
30.9.18	1.55%	1.93%	2.33%	2.74%	2.56%
Low	1.28%	1.67%	2.09%	2.50%	2.25%
Date	01/06/2018	29/05/2018	20/07/2018	20/07/2018	29/05/2018
High	1.57%	1.99%	2.43%	2.83%	2.64%
Date	17/04/2018	25/09/2018	25/04/2018	25/09/2018	25/09/2018
Average	1.46%	1.84%	2.25%	2.64%	2.41%

8 Debt Rescheduling

Debt rescheduling opportunities have been limited following the increase in the margin added to gilt yields and with the current economic climate, and consequent structure of interest rates that has impacted PWLB new borrowing rates.

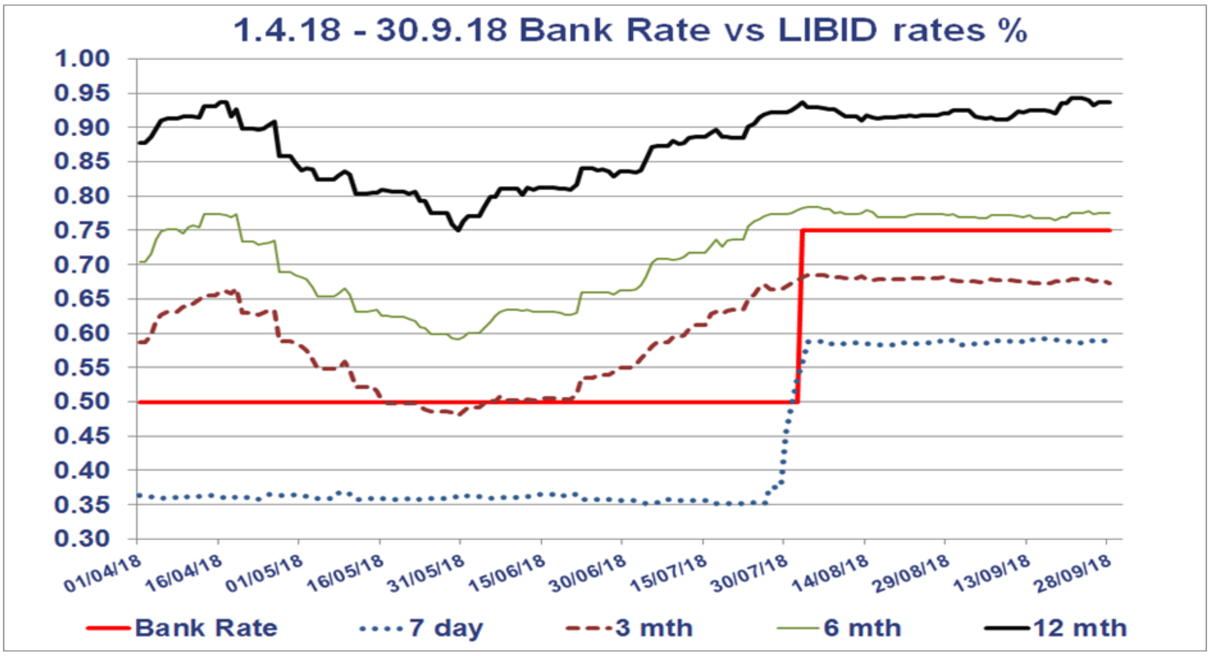
No debt rescheduling was undertaken during the first six months of 2018/19.

The Council will remain vigilant for any opportunities that may arise for debt re-scheduling of either PWLB or market debt that offer potential savings. We have recently been approached by a financial institution to consider repaying a loan which can then be re-financed at current market rates. At the time of writing this report, we are assessing the value for money of this offer, so a decision has not yet been made. We will seek approval for any rescheduling decision from the Executive Director of Resources and the Cabinet Member for Finance and Deputy Leader.

9 Investment Portfolio 2018/19

In accordance with the Code, it is the Council's priority to ensure security of capital and liquidity, and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

As set out in Section 3, the investment market remains difficult as investment returns are very low and in keeping with the prevailing UK Bank Base Rate (i.e.0.5% - prior to the August 2018 increase to 0.75%). The continuing potential market volatility, its impact on banks and forecast calls on the authorities' cash balances, prompts a short term, low risk strategy. Given this risk environment, investment returns are likely to remain low – albeit reflecting the UK Base Rate. A graph of how key benchmarks have moved over this period is shown below.



The Council held £77.9m of investments as at 30 September 2018 (£90.1m at 31 March 2018) and the investment portfolio yield for the first six months of the year is 0.66% against a benchmark of 0.58% (average UK Base Rate for first six months).

A full list of investments held as at 30 September 2018 is shown below:

Type	Counterparty	Outstanding Balance £m	Current Rate %
Money Market Fund	BNP Paribas InstiCash	£12.4	0.68%
Money Market Fund	Federated Prime Rate	£26.6	0.70%
Call Account	Santander UK plc	£15.0	0.90%
Call Account	Barclays Bank plc	£20.0	0.75%
	Total	**£77.9**	

Investment Counterparty criteria

The investment counterparty criteria selection approved in the 2018/19 TMSS is meeting the requirement of the treasury management function.

10 Compliance

The Council has complied with all elements of the Treasury Management Strategy Statement (TMSS) and confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2018/19.

APPENDIX 1: Approved countries for investments

As at 30th September 2018, the approved list of countries allowed to be used for investments are shown below.

Based on lowest available rating

AAA

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

AA+

- Finland
- U.S.A.

AA

- Abu Dhabi (UAE)
- France
- Hong Kong
- U.K.

AA-

- Belgium
- Qatar

Author/Lead Officer of Report:
Damian Watkinson,
Finance Manager

Tel: 0114 273 6831

Report of:	*Eugene Walker*
Report to:	*Cabinet*
Date of Decision:	*13th February 2019*
Subject:	*Capital Approvals for Month 09 2018/19*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	✓	No	
- Expenditure and/or savings over £500,000		✓		
- Affects 2 or more Wards		✓		

Which Cabinet Member Portfolio does this relate to? ***Finance and Resources***

Which Scrutiny and Policy Development Committee does this relate to?
Overview and Scrutiny Management Committee

Has an Equality Impact Assessment (EIA) been undertaken?	Yes		No	✓

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information?	Yes		No	✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

Purpose of Report:

This report provides details of proposed changes to the Capital Programme as brought forward in Month 09 2018/19.

Recommendations:

- Approve the proposed additions and variations to the Capital Programme listed in Appendix 1, including the procurement strategies and delegate authority to the Director of Finance and Commercial Services or nominated Officer, as appropriate, to award the necessary contract

- Approve the acceptance of accountable body status of the grant funding detailed at Appendix 2

- Give authorisation to provide grants to third parties as detailed in Appendix 2a

Background Papers:

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: *Tim Hardie*
		Legal: *David Hollis*
		Equalities: No
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	*Eugene Walker*
3	**Cabinet Member consulted:**	*Councillor Olivia Blake* *Cabinet member for Finance and Resources*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	

Lead Officer Name: *Damian Watkinson*	**Job Title:** *Finance Manager Business Partner Capital*
Date: 04/02/19	

MONTH 09 2018/19 CAPITAL APPROVALS

1. SUMMARY

1.1 A number of schemes have been submitted for approval in line with the Council's capital approval process during the Month 09 reporting cycle. This report requests the relevant approvals and delegations to allow these schemes to progress.

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

- 3 additions of specific projects to the capital programme creating a net increase of £519k;
- 8 variations creating a net increase of £590k;
- 2 Feasibility requests creating a net increase of £132k (for note only as approved under Capital Programme Group delegations)
- 1 Change of scope with no overall increase to budget.

1.3 Further details of the schemes listed above can be found in Appendices 1.

2. WHAT DOES THIS MEAN FOR SHEFFIELD PEOPLE

2.1 The proposed changes to the Capital programme will improve the recreational leisure facilities, schools, roads and homes used by the people of Sheffield, and improve the infrastructure of the city council to deliver those services.

3. BACKGROUND

This report is part of the monthly reporting procedure to Members on proposed changes to the Council's capital programme.

4. OUTCOME AND SUSTAINABILITY

4.1 By delivering these schemes the Council seeks to improve the quality of life for the people of Sheffield.

5. OTHER IMPLICATIONS

5.1 **Finance Implications**

The primary purpose of this report is to provide Members with information on the proposed changes to the City Council's Capital Programme further details on each scheme are included in Appendix 1 in relation to schemes to be delivered, Appendix 2 in relation to grants to be accepted and Appendix 2a in relation to grants to be issued.

5.2 **Procurement and Contract Award Implications**

This report will commit the Council to a series of future contracts. The procurement strategy for each project is set out in Appendices 1. The award of the subsequent contracts will be delegated to the Director of Financial and Commercial Services.

5.3 **Legal Implications**

Any specific legal implications in this report are set out in Appendices 1,2 and 2a.

5.4 **Human Resource Implications**

There are no direct Human Resource implications for the Council.

5.5 **Property Implications**

Any specific property implications from the proposals in this report are set out in appendix 1.

6. ALTERNATIVE OPTIONS CONSIDERED

6.1 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.

7. REASONS FOR RECOMMENDATIONS

7.1 The proposed changes to the Capital programme will improve the services to the people of Sheffield

7.2 To formally record changes to 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.

7.3 Obtain the relevant delegations to allow projects to proceed.

Finance & Commercial Services | Commercial Business Development

February 2019

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	Scheme name & summary description			Value £'000
A	**Economic growth**			
	New additions			
	None			
	Variations and reasons for change			
	Inner Relief Road Junctions **Scheme description** The Sheffield City Centre Masterplan (2013) set out to establish and grow the Riverside Business District and to bring forward the West Bar Development. The Masterplan also recommends the continued removal of general traffic travelling through the City Centre and re-directing that traffic onto the A61 Sheffield Inner Relief Road. Currently, a number of key city centre development sites around the Inner Relief Road are constrained by the lack of highway capacity. Traffic congestion and journey times in this area are increasing, particularly during peak travel hours. The proposed project will provide additional traffic lane in each direction on the A61 Sheffield Inner Ring Road between Corporation Street and Bridge Street which all lie within the Riverside Business District. There will also be modifications in the existing junctions at Corporation Street, Gibraltar Street, Bridgehouses and Derek Dooley Way which will improve the efficiency of the operation of the junctions between Corporation Street and Savile street. These will provide increased capacity for planned city centre regeneration particularly in the Riverside Business District. **What has changed?** The project was initially approved by Cabinet in January 17 for feasibility studies. The feasibility stage is complete and in January 2019 Cabinet approved further funding of £3,894k and accept the grant funding award from Sheffield City Region Infrastructure Fund (SCRIF). The final project costs have now been calculated at £4,637k and, as a result, £400k Local Transport Plan funding will be added to the project. **Variation type: -** • [budget increase]			400
	Funding	Local Transport Plan Funding		
	Procurement		Detailed design and construction by direct award to Amey Hallam Highways via Schedule 7 of the Streets Ahead PFI. Traffic modelling by direct award to ARUP via the AIMSUM Microsimulation framework.	

<table>
<tr><td></td><td colspan="2"></td><td colspan="6">Signalling commissioning, environmental report, data collection and traffic audits delivered by in-house services.</td><td></td></tr>
<tr><td>B</td><td colspan="9">Transport</td></tr>
<tr><td></td><td colspan="9">New additions</td></tr>
<tr><td></td><td colspan="8">
Transforming Cities Fund (TCF) 1 Feasibility

Why do we need the project?

The provision of a strong cycling and walking network is a key part of the transport strategy.

A funding opportunity has arisen through the Transforming Cities Fund to make a bid a tranche 1 bid for £2m for Sheffield City Council to invest in schemes which promote active travel (cycling and walking). The decision on the funding bid will be made in February 2019 and the timescales are restrictive as all spend must be incurred by the end of March 2020.

Failure to take advantage of this opportunity will delay delivery of the strategy.

How are we going to achieve it?

Due to the restrictive timescales, three schemes have been selected which have already had a small element of design and / or feasibility but are currently on hold due to lack of funding. These are :-
• City Centre West cycle route – linking the new Broomhall cycle route to the City Centre
• Portobello Cycle Route – the addition of two crossing points that allow cycling and pedestrian priority and inclusion of cycle parking
• E bike grant – purchase of 200 e bikes that will be made available to employers through a grant scheme and loaned to staff for commuting

In order to meet the bid requirements, further feasibility and design work must be carried out.

What are the benefits?
• Reduced congestion on the network
• Improved health and wellbeing of people in Sheffield
• Creation of an attractive environment for investors / developers / residents

When will the project be completed?

March 2020
</td><td>100</td></tr>
<tr><td></td><td>Funding Source</td><td>LTP</td><td>Amount</td><td>100k</td><td>Status</td><td>Ring-fenced for Transport project</td><td>Approved</td><td>Part of annual allocation</td><td></td></tr>
<tr><td></td><td colspan="2">Procurement</td><td colspan="6">Amey design will be engaged through their existing contract for City Centre West and Portobello, including detailed</td><td></td></tr>
</table>

	design and surveys. Feasibility work for e-bikes will be undertaken in-house.	
	Variations and reasons for change	
	None	
C	**Quality of life**	
	New additions	
	None	
	Variations and reasons for change	
	Graves Leisure Centre Parking **Scheme description** Sheffield Council and Sheffield College each owned several separate areas of land at Bochum Parkway. The assembly of the lands and removal of the rights and cross rights was essential in order to form a commercially attractive site with regular and straight boundaries. The site assembly exercise involved Graves Tennis and Leisure Centre losing 28 car parking spaces. However, arrangements were put in place for a private developer to demolish a building and finish this land to the same level of the surrounding ground. This space could then be developed with the existing adjacent car park to provide an additional 62 spaces. Prior to the car park works being undertaken, the developer approached the Council with a commercial offer to purchase additional land to increase the size of the development, with a further 4 retail units and complete alternative car parking. An ICM decision was taken in January 2018 to approve the sale. **What has changed?** After the decision to sell the land was taken, the developer revised their plans for the additional retail units which were not consistent with SCCs wider ambitions. We are therefore reverting to the original plan. The Council will need to undertake the works to complete the car park, with the cost being met in accordance with the original agreement. This requires the funding of the additional car-parking spaces from the capital receipts received from the initial land disposal. Initially this will be funded by SCC with a contribution to be sought from Sheffield College.	220

Variation type: - budget increase

Budget:

Previous Costs £16.4m (Leisure Centre Build)
Current 18/19 budget £0 + £220K variation = £220K
TOTAL COSTS £16.6m

Funding	Capital Receipts
Procurement	Call off from SCC's existing non-highways resurfacing measured term contract.

D Green and open spaces

New additions

Burngreave Public Health Improvements 92

Why do we need the project?

Sites have now been agreed for Year 2 of the Public Health funding which includes this site selection in Burngreave.

Wensley Street Playground, Nottingham Cliff Recreation Ground and Denholme Close Playground have play facilities which are outdated, unfit, or removed pieces of equipment which provide limited play and agility opportunities for local children. They also attract anti-social behaviour (including drug use), which is currently preventing them being used fully by the local community. Nottingham Cliff and Denholme Close are also in close proximity to the new Astrea Academy. Improvements are required to ensure pupils can safely use these sites.

The aim is to tackle issues which are preventing people using the sites to increase their use. We will install and renew pieces of play and agility equipment aimed at encouraging increased play and activity, therefore increasing the opportunity for active healthy play. The project will also help improve the overall quality of the green space, raising the 'Sheffield Standard' score of the sites and improving local community facilities.
The project will consult with the green space locality ward councillors and community groups to ensure the project meets the needs and aspirations of the community.

How are we going to achieve it?

Wensley Street Playground

- 1 new toddler multi play unit
- 1 new older children's play equipment
- 38m bow top fencing
- 300m2 Tarmac removal

Denholme Close Playground

- 1 play unit removed
- 1 new toddler multi play unit
- M timber edging to bark pit
- 1 new K barrier

Nottingham Cliff

- 1 new multi age range multi play unit
- 1 new springer
- M2 New surfacing under swings
- 4 Replacement swing seats
- 100 new plants

What are the benefits?

Objectives:

- Tackle issues preventing use of the sites and improve safety and security in turn increase use of these sites
- Install new facilities to increase active use of the sites
- Improve and maintain site quality and Sustain Green Flag accreditation

Outputs:

- Renewed pieces of play and agility equipment and surrounding surfaces (all 3)
- Improved fencing (Wensley Street)
- New entrance (Denholme Close)
- New planted areas (Nottingham Cliff)

Benefits:

- Improved safety and security at three sites in Burngreave
- New playground equipment at three playgrounds in Burngreave
- Improve and maintain site quality and sustain or improve the Sheffield Standard score at three sites in Burngreave

When will the project be completed?

December 2019

Project Costs

Wensley Street	£31K	
Denholme Close	£27K	(tree works and needle sweeping £3.9K 18/19)
Nottingham Cliff	£28K	
Contingency	£6K	

TOTAL £92K

Tree works and needle sweeping need to be done at Denholme Close before the end of the financial year to avoid bird nesting season. The Outline Business Case includes the quoted cost and permission is requested to carry out the works as soon as the project has Cabinet approval on 13th February 2019. The final costs will be reported in the Final Business Case retrospectively for this element, otherwise the Denholme Close part of the project will be delayed by a year.

Unused contingency will be used for new signage across the sites, including a map of Burngreave's green spaces for new arrivals.

Funding Source	S106 Public Health	**Amount**	£2K £90K (£30K x 3)	**Status**	S106 Parks Programme Public Health Yr 2 Allocation	**Approved**	Cabinet May 2016 Cllr Lea July 2018

Procurement	A mixed provision of direct awards to in-house services and closed competitive tender procedures using local contractors where possible.

Ponderosa Active Park Improvements 187

Why do we need the project?

Ponderosa Park is an area of Council-owned green space between Netherthorpe and Upperthorpe that currently suffers from a range of site issues around poor access, connections, visibility, and facilities. These result in the site being underused and not able to fulfil its potential as an important central Sheffield green space which serves large diverse communities. Alongside S106 funds which are available, the Ponderosa is also in an area of health inequality and has been identified as a site to benefit from investment through the Parks and Countryside's Public Health funding.

The project will deliver on improvements identified in the masterplan for the site produced in 2010. This project will draw upon these original ideas and transform the park through delivering a variety of green space improvement elements, and move the green space towards becoming an active park.

How are we going to achieve it?

Carry out site improvements to the entrance and access, footpaths and connectivity, play and sports, and woodlands in a number of phases. These improvements will benefit a wide range of ages and abilities, providing opportunities for increasing activity. The new facilities will have a minimal impact on existing revenue budgets as they upgrade existing or install facilities that can be incorporated into existing maintenance regimes.

What are the benefits?

Objectives:

- Improve the recreational value of the park by renewing and providing new play and fitness facilities and opportunities
- Improve movement, connectivity and accessibility within the park and into the surrounding neighbourhoods and facilities by providing an upgraded path network
- Increased usage of Ponderosa Park

- Improved site security and natural site surveillance through selective thinning and management of woodlands, with a focus on entrances, paths and sight lines
- Ensure that the Ponderosa continues to be managed to at least the Sheffield Standard
- Engage with local stakeholders to encourage, promote, support and sustain community involvement in the site
- Improve the health and wellbeing of the local community

Outputs:

- 3 major green space entrance improvements (several minor entrance improvements)
- Approx. 400m tarmac footpath
- Additional playground equipment and renewal
- MUGA renewal
- Associated park infrastructure such as benches, signage, bins

Benefits:

- Site quality improved – an increase in the Sheffield Standard score for the site
- Increase in the Play Value of the playground
- Increased site usage by local community and green space users

When will the project be completed?
31/08/2019

Project Costs

Entrance and Access 19/20	£63K
Footpaths and Connectivity 19/20	£46K
Play and Sports 19/20	£46K
Contingency 5% 19/20	£8K
Fees 19/20	£10K
Woodlands 18/19	£14K
TOTAL	£187K

Woodlands work will be carried out before the end of financial year to avoid bird nesting season. S106 Programme funding (approved May 2016) included Woodland works in the scope. Other works will take place during Spring/Summer 2019/20.

Unused contingency will be used for further Ponderosa site improvements which complement the objectives listed in this business case; namely play, woodland, entrance and accessibility, and paths and connectivity improvements.

Funding Source	S106 S106	**Amount**	£72K £15K	**Status**	S106 Parks Programme Q0093, see entry in Variations Section below Allocated to Crookes Valley Park – ED	**Approved**	Cabinet May16 CPG to approve

	Public Health		£100K		for Place briefed 23.11.18 Parks Public Health Funding		Cllr Lea July 2018	
	Procurement		1. Woodland improvements via the in-house Trees & Woodlands team. Competitive quotes sought from local Arboricultural Association Approved Contractors. 2. Path improvement works by direct call-off from SCC's non-highways resurfacing measured term contract. 3. Entrance improvements by closed competitive tender procedure using Constructionline to shortlist local contractors. 4. Play improvement works delivered by the in-house Playground team, play equipment sourced by Request For Quotation via the SCC sourcing desk.					
	Variations and reasons for change							
	Section 106 Block Allocation for Parks Programme (Ponderosa & Philadelphia Gardens Phase 2) **Scheme description** Holds the S106 funding approved by Cabinet for a programme of works on 'Green and Open Spaces' by the Parks and Countryside Service. **What has changed?** Funds held for works at Ponderosa Park of £71.8K now need drawing down to the project following the approval of the Outline Business Case at Green and Open Spaces Board on 16th January 2019. An underspend on Philadelphia Gardens Phase 2 of £4.7K affecting S106 funding needs to be drawn back to the allocation following approval of the Final Business Case at Green and Open Spaces Board on 16th January 2019. **Variation type: -** Re-profile as funds already part of the Capital Programme but drawn down and up to/from a specific project. The allocation also requires a re-profile of funds to reflect when schemes are happening, i.e. Ponderosa was forecast to be drawn down in 19/20 not 18/19, return the £4.7K in 19/20 **Budget:** Current Total Budget £927.7K Draw down to Ponderosa -£71.8K Draw up from Philadelphia Gardens +£4.7K New Total Budget £860.6K Other likely schemes to come out of 18/19 are: Chancet Wood Swings (approved by Cabinet in 2016 as part of ongoing S106 programme) £4.8K Sheffield Lakeland £19.3K Total £24.1K							-67

Therefore new budget profile going forward needs to be:
18/19 £24.1K (increase of £7K)
19/20 £684.7K (reduction of £7K)
20/21 £151.8K (no change)
TOTAL £860.6K

Funding	S106
Procurement	N/A Procurement is part of the specific projects

Philadelphia Gardens Phase 2 -4.7

Scheme description

To upgrade the Philadelphia Gardens basketball court and create a multi-use games area:

- Replace the matting surfacing which is in poor condition and slippery in certain conditions, with a new tarmac surface
- Renew the fencing will be renewed to ensure the longevity of the site
- Install new seating
- Landscaping improvements in the surrounding area to make the ball court more welcoming.

What has changed?
The above has been successfully delivered under budget. £12.5K of funds remain that can be utilised on other improvements at the Gardens. The Parks and Countryside Service would like to remove the old, dilapidated skate park and playground equipment, breaking up the concrete, and re-grading the slope to create an attractive grassy bank.

£86K has been spent on Phase 1, so it is important to carry out work to ensure that users feel safe on the site, and that local people feel safe and confident using the Gardens as a through route. The skate park and bank slide have fallen into disrepair and attract anti-social behaviour and vandalism. By removing the equipment, hard landscaping and old fencing it will create a more welcoming and green environment beneficial to wildlife and local people. Increased usage of the site will have a positive effect on site surveillance and making the site feel safer.

Even with these works the budget will be underspent by £4.7K, which will not be required. This funding will be returned to Q0093 as S106 funding so it can be used in the same ward on a future project

Variation type: -

- Budget Decrease
- Scope

Total Budget £99.1K (S106 £79.1K + Public Health £20K)

Previous Yrs Spend Phase 1 £35.1K
2018/19 Spend Phase 1 £51.5K
Remaining for Phase 2 £12.5K

Cost of Phase 2 £7.8K
Under use of S106 £4.7K

Funding	Phase 2: S106
Procurement	Competitive quotations from local contractors.

Play Improvements Project Phase 3

18/19 -87.1
19/20 +87.1
All -1.8

Scheme description

Invest in play facilities in approximately 22 parks across Sheffield. The investment will improve the quality of the sites as measured by the Sheffield Standard and the Play Value scores.

What has changed?

Phase 3 has now been brought forward for 5 further sites highlighted in the original programme but in 2 stages. These are:
3a - Lydgate Lane Open Space, Osgathorpe Park, Darnall Community Park, and Phillimore Park
3b - Broadfield Road Open Space

3a has been procured and has final costs; 3b is being procured and will be subject to a revised Phase 3 FBC early in 2019.

The original budgets for these based on the funding available remains the same, however the S106 agreement for the Darnall / Phillimore area (1236) will be split differently between the sites to that originally planned:

Darnall Community Park £13.2K now £12.6K
Darnall Neighbourhood Park £2.0K now £0
Phillimore Park £13.2K now £15.8K
TOTAL £28.4K now £28.4K

Other Sites:
Lydgate Lane £13.6K
Osgathorpe Park £20.0K (PH funded)
TOTAL 3a £62.0K

Broadfield Park 3b £26.7K
TOTAL Phase 3 £88.7K

One of the sites in the original programme; Wensley Street, will now be part of the Burngreave Improvements project (see New Additions section above), funding for which will be removed from this project and transferred there.

Variation type: - Re-profile of existing funds and budget decrease

Budget:
Prev Yrs spend £58.8K
Current 18/19 £230.1K - £87.1K = £143.0K
Current 19/20 £91.5K + £87.1K = £178.6K
TOTAL £380.4K

- 1.8K removal of Wensley Street funding
= £378.6K

Funding	S106 £68.7K + Public Health funding £20K already part of the project budget
Procurement	Mixed provision of direct award to in-house services and competitive quotations from local contractors.

Colley Park Phase 1 Revised (final costs for 1b)

18/19 -5.9
19/20 +5.9

Scheme description

Colley Park is a site which has suffered from significant antisocial behaviour issues in the past. Historical vandalism has left the site in a poor state with remnants of old facilities that are in need of removal. As a result, the site scores low on the 'Sheffield Standard'. Phase 1 of the project aims to deliver improvements will help tackle the current site issues and reduce antisocial behaviour, including improvements and repairs to boundaries, opening up views and sight lines through the green space, installing CCTV and the removal of damaged and redundant facilities.

Phase 1a Final Business Case was approved in May 2018. There were no changes in budget or scope. At this time a final cost wasn't known for the CCTV and it was the wrong time of year for the tree works. These were therefore categorised as Phase 1b to be brought back at the appropriate time.

What has changed?

1. The costs for Phase 1a are slightly different to those quoted in the FBC submitted in May18. The costs have increased by £3.4K due to additional unforeseen works to the foundations once the original Bowling Shelter was removed, electrical service alterations required for the new Shelter, and the replacement of additional timber knee rails which had further degraded.

2. Phase 1b was estimated as £14K in May18 and is actually £11.3K. Including (unchanged) fees, the final cost of all Phase 1 is £48.7K (as opposed to £47.9K presented in May 2018)

3. The approved Phase 2 works will be brought forward in the new financial year. Some of the current budget held in 18/19 therefore requires slipping into 19/20. The total cost of Phase 1 is £48.7K, set up fees for Phase 2 (design, management of contract, contract admin, site

	progress meeting etc.) in 18/19 are expected to be £10.4K - so the 18/19 budget needs to be £59.1K (currently £65.0K). **Variation type: -** Re-profile and slippage **Budget:** Previous Yrs spend £16.3K Current 18/19 budget £65.0K - £5.9K = £59.1K Current 19/20 budget £188.2K + £5.9K = £194.1K TOTAL £269.5K + £0K = £269.5K	
	Funding S106	
	Procurement Competitive quotations (1a £37.4K + 1b £11.3K = £48.7K including fees)	
E	**Housing growth**	
	New additions	
	None	
	Variations and reasons for change	
	None	
F	**Housing investment**	
	New additions	
	None	
	Variations and reasons for change	
	None	
G	**People – capital and growth**	
	New additions	

	None	
	Variations and reasons for change	
Page 421	**Mossbrook Special School Expansion – (phases 2 and 3)** **Scheme description** A key outcome of the Sheffield Inclusion Strategy 2018-2022 is that 'We will have sufficient, quality placements in inclusive mainstream settings (age 0-25) to meet the needs of the majority of children and young people with Special Educational Needs. For the most complex children we will have a range of sufficient, quality specialist provision as close to home as possible.' This project will increase the number of places available at Mossbrook Primary Special School through internal remodelling. Mossbrook is a specialist school for children with Autism and Communication and Interaction difficulties. It is proposed that part of the existing internal and external space within the Old Moss House area of the school is refurbished to create space for additional teaching capacity for 20 pupils; this extra capacity is in addition to the extra 10 places recently provided in Phase 2 after completion of initial Adaptations works in Phase 1. **What has changed?** • This variation requests an additional £59k, comprising £48k for the additional 20 places plus £11k for overspend on the original 10 places, with the works being funded from the Special Provision Capital Fund allocation. **Variation type: -** • Budget increase: +£58,970 comprised as below: ○ £ 48,000 Phase 3 costs ○ £ 10,970 additional cost Phase 2 **Funding**: Special Provision Capital Fund **Procurement**: Mini-competition via SCC's Corporate Repairs and Maintenance framework, General Build lot.	59
	Adaptations (re Woodseats Primary School Phase 1 works) **Scheme description** Facilities Management and the Children and Young People and Families (CYPF) service are required to carry out adaptations to buildings within CYPF portfolio in order to support children with specific needs to ensure compliance with Equality Act 2010 requirements. This will involve installation of equipment i.e. chairlifts and hoists and minor alterations to buildings to accommodate these.	-17

What has changed?

- This variation reflects a £17k under-spend on the adaptations works at Woodseats Primary school against a previously slipped budget of £33,644 into 2018/19.

Variation type: -

- Budget decrease: -£16,993 on Phase 1 adaptations works at Woodseats School.

Disabled Facilities Grant 0

Scheme description

- Currently the Council only utilises Disabled Facilities Grant (DFG) Funding from central government for mandatory grants that are available to disabled people when works to adapt their home are assessed as being 'necessary and appropriate' to meet their needs, and when it is 'reasonable and practicable' to carry them out having regard to the age and condition of the dwelling, as set out in the Housing Grants Construction and Regeneration Act 1996.

What has changed?

- The scope for use of DFG funding has been widened to support any Council expenditure incurred under the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002 (RRO). Article 3 of the RRO enables housing authorities to give discretionary assistance, in any form, (e.g. grant, loan or equity release) for the purpose of improving living conditions, allowing the Council to use DFG funding for wider purposes which may be more appropriate for individuals than mandatory DFG allows.
- Following an amendment to the council's own Private Sector Housing Assistance Policy, it is now possible to take advantage of the widened scope of the grant in order to fund expenditure on other equipment and/or assistive technology such as:
    - mini-lifts – mobile sit to stand lifts to assist the user when rising from a sitting to a standing position
    - shower trays – provide level access to showering areas
    - sensor equipment – alert families or carers if there is a problem, such as a sensor to alert if a person falls out of bed
    - personal alarms and security systems (telecare) – devises that call for help if a user falls or has a problem at home
    - grab rails – grab handles designed to improve user safety and help with mobility in a variety of tasks around the home.

- This variation therefore is to ratify this extended use of DFG funding.

Variation type

- Change in scope

Funding	Disabled Facilities Grant Annual Allocation

	Procurement	No additional approval required as procurement arrangements already in place						
H	**Essential compliance and maintenance**							
	New additions							
	93539 Salix Programme - Moorfoot Lighting and Energy Project, Salix Recycling Fund **Why do we need the project?** • Much of the lighting to corridors, stairwells and lift lobbies, as well as the external lighting, at Moorfoot Building is no longer fit for purpose • Fittings are currently being replaced on a one by one scenario with an electrician being calling in each time • Currently the water is being heated 24/7, even when the building is empty • The hand dryers are inefficient These factors are impacting negatively on SCCs carbon footprint and electricity costs. It is therefore proposed to replace these fittings. **How are we going to achieve it?** • Replace all luminaires within Moorfoot Building (excluding office space and T5 and LED fittings) with new energy efficient LED fittings • Install all electrical water heaters in the kitchens throughout Moorfoot Building with timers to the current power supplies • Replace the hand dryers throughout Moorfoot Building with more energy efficient dryers **What are the benefits?** • Significant reduction in carbon output • Long-term reduction in SCC's energy revenue spending – Estimated at £38k p.a. • Improved staff health and wellbeing When will the project be completed? • August – October 2019							240
Page 423	**Funding Source**	Salix Finance Ltd (revolving loan)	**Amount**	£240,000	**Status**	Outline Business Case	**Approval Status**	To be Recommended by Essential Compliance Board on 21/1/19; then CPG on 23/1/19.

	Procurement	Closed competitive tender procedure, with local contractors prioritised in the first instance.	

Hoyles Barn – FEASIBILITY 32

Why do we need the project?

- In November 2018, SCC was successful in securing a Countryside Stewardship Capital Grant offer of £14k feasibility grant which due to its low value is being accepted by the Head of Service under the Leader's Scheme of Delegation. A successful feasibility opens access to 80% capital funding towards eligible building restoration works for rebuilding Hoyle's Barn for operational use within the Peak District National Park Boundary.
- Problem to address:
  - Health & Safety / repair liability: The barn forms part of the SCC commercial estate and has deteriorated to the point where the building has had to be partially de-constructed to remove the risk of injury to passers- by and livestock.
  - Statutory obligation: The site is of national historic importance and is Grade II* listed as such SCC has a statutory duty to appropriately manage and maintain the property. The poor / declining condition of the site and inappropriate management / maintenance has resulted in the Peak District National Park serving notice on SCC to restore the building
  - Heritage obligations: The city council has a statutory and moral duty to sustain buildings of national historic interest within its boundaries for future generations and as part of its cultural offer to its citizens.
- Why do we need to address it now:
  - The Historic Building Restoration grant offers a unique opportunity to secure the funding that is required to remedy the historic problems of disrepair. Award of the feasibility bid provides an increased probability that SCC will be able to secure 80% capital grant to progress the restoration.
- What are the implications of not doing it now:
  - The repair liability will remain with SCC (circa. £100k)
  - The building will continue to deteriorate.
  - SCC could face formal prosecution by the Peak District National Park

How are we going to achieve it?

- Funded in part by acceptance of the grant and in part by a contribution from revenue, the feasibility study will ensure both the scope and costing of the restoration project are fully understood;
- Implement the repair, conservation and improvement works as per the planning approved study specification;
- Procure appropriate contractor/s to undertake the construction works;
- Produce a revised Tenancy Agreement transferring future maintenance liability.

What are the benefits?

- Objectives:
    - Restore a decayed Grade II listed building
    - Ensure the building's continued sustainability post construction
    - Make a positive contribute towards Sheffield's Outdoor City ambitions.
- Outputs
    - Barn restored
    - New agricultural tenancy in place to transfer future maintenance liability across from SCC
- Benefits
    - Priority repair and condition issues will be addressed

When will the project be completed?

The project is expected to be completed in Quarter 2 of 2020.

Funding Source	HLF - CSCG Grant of £14,015; Revenue Contribution of £18,000	**Amount**	£32,150	**Status**	Feasibility stage only	**Approval Status**	To be Approved by Essential Compliance Board on 21/1/19; then CPG on 23/1/19.
Procurement		Natural England to procure a conservation consultant via competitive quotes on the behalf of SCC.					

	Variations and reasons for change
	None
I	**Heart of the City II**
	New additions
	None

	Variations and reasons for change	
	None	

	Scheme name / summary description of key terms	Funder	Value £'000
A	**Economic growth**		
	Upper Don Valley Flood Defence **Background** The scheme consist of three discrete flood "cells" at high risk: 1. Holme Lane 2. Penistone Road 3. Loxely Confluence The scheme will provide a comprehensive linear flood defence to three discrete flood 'cells' within an area at high risk of flooding on the River Loxley (a tributary of the River Don) and at the confluence of the Loxley and the River Don. The total project value will be £5,460 with the balance funded by and Environment Agency Grant which will be brought forward for acceptance at march Cabinet along with the approval of the full capital scheme. This approval is to allow eligible costs incurred to be drawn down from Sheffield City Region before financial year end. **Financial and Commercial Implications** The key features (not exclusive) of this grant agreement are summarised as follows: • A grant of £3.46m (including non-recoverable VAT) is to be paid by the Authority (Barnsley, Doncaster, Rotherham & Sheffield Combined Authority (BDRS CA)) to the Recipient (Sheffield City Council (SCC)) in accordance with the terms of the Funding Agreement. • Funding for the project will commence 28/1/2019 and the investment period will cease 02/08/2021. • The Recipient shall use the Grant only for the delivery of the Project and in accordance with the terms and conditions set out in the Funding Agreement.	Sheffield City Region	3,460

	• The terms and conditions are intended to ensure that the Project achieves the Project Outputs and the Project Outcomes. • The Recipient shall not make any significant change to the Project, or breach any EU rules, without the Authority's prior written agreement. For the avoidance of doubt, but not as an exhaustive list, significant changes include, those changes affecting the Completion Date; Project Outputs; Project Outcomes, Maximum Amount or Final Review Date. • Procure the commencement of the design, preparation, procurement and construction of the Works within 30 days from the date of this Agreement and procure Practical Completion of the same by the Completion Date. • The Recipient shall procure that all the Project Outputs are achieved by the Completion Date and procure that all the Project Outcomes are fulfilled by the Final Review Date. • Evidence that the Environmental Agency Grant funding has been secured for the Project. • The Grant is allocated to a particular year and any carry forward is at the discretion of the funder. • If the Recipient intends to apply to a third party for other funding for the Project, it will notify the Authority in advance of its intention to do so and provide the Authority with details of the amount and purpose of that funding. The Recipient agrees and accepts that it shall neither apply for nor accept duplicate funding or any funding which breaches EU Rules. • The Recipient agrees (subject to any changes to the profile of the Grant made in accordance with the Funding Agreement) to adhere to the claims profile and make claims only for the amount specified in the claims profile for the relevant Claim Period. • The Recipient acknowledges that payment of funding is towards capital expenditure and is treated as funded by a capital receipt to reflect section 25(1)(b) of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. • The Authority may reduce, suspend or withhold the Grant or require the Grant to be repaid if the terms and conditions set out in the Funding Agreement are not complied with. • The Recipient shall ensure that all requirements of the EU Rules and GBER are met in relation to the Project.		

	• The Recipient shall manage the Project in accordance with the terms of the Funding Agreement and appoint a Project Manager. The Project Manager is the Authority's main contact point for the Project. The Recipient shall be responsible to the Authority for ensuring that the Project Manager delivers the Project and provides all monitoring information required by the Authority. • The Project Manager will need to read, understand and comply with all of the terms and conditions detailed in the Funding Agreement. • Records are to be maintained for 10 years. • Project Outputs not reached for any part of the Project then the Authority shall be entitled to request repayment from the Recipient to the proportionate value of the Project Outputs that have not been met. • In the event that the Authority considers that the Project Outputs have not been achieved in full, the Authority shall, by notice to the Recipient, state as a percentage the extent to which the Project Outputs have not been achieved ("Clawback Percentage") and require the Recipient to repay that element of the Grant that equals the Clawback Percentage of the Grant ("Clawback Sum") to the Authority. **Procurement** • All public sector procurement is governed by and must be compliant with both European Legislation and UK National Law. In addition, all procurement in Sheffield City Council must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs). • Contracts Standing Orders requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase/acquire services, goods or works must go via a competitive process.		
B	Transport		
	None		
C	Quality of life		

	None		
D	Green and open spaces		
	None		
E	Housing growth		
	97554 New Build Phase 3 – Wordsworth Avenue, Sheffield (SECTION 256/257 CAPITAL GRANT AGREEMENT) **Background** There is insufficient purpose-built accommodation for adults with learning disabilities in Sheffield, therefore this scheme was put in place to deliver 8 homes for people with learning disabilities, which would be protected from the Right to Buy at Wordsworth Avenue. The original plan was to fund the scheme via HRA and Capital receipts (borrowing or reserves, 1-4-1 receipts, and Winterbourne released receipts). In 2017 the Council were made aware of NHS England funding that was available and although had already allocated enough resources to the scheme thought the funding would be useful to release some of those resources for other New Build schemes. The PID was submitted in October 2017 and the grant awarded November 2018. The original funding of the scheme was as follows: HRA Borrowing / Reserves £534K 1-4-1 Receipts £336K Winterbourne Receipts £250K TOTAL £1,120K The funding for the current budget will now be: NHS England Grant £672K 1-4-1 Receipts £336K	NHS England	Up to £672k

	Winterbourne Receipts £112K TOTAL £1,120K However, a revised Final Business Case will be coming forward for approval with an increased budget therefore the funding mix will be changed on the CAF at that point. N.B. 1-4-1 receipts can't be used if the grant funding is from Homes England (formerly HCA) but Strategic Finance have confirmed that they can be used with grants from other bodies. **Financial and Commercial Implications** Key features of the draft grant terms and conditions are summarised below: • Capital grant to develop property to care for people with learning disabilities or mental health conditions by providing community care facilities primarily for discharged patients from long stay NHS institutions. • Use the Property as accommodation for people with learning disabilities or mental health conditions. The use of the property to accommodate any other customer groups in the future would need to be negotiated with NHS England. The nomination rights sit solely with SCC. • Any property disposal by way of transfer, sale etc. to be agreed by NHS England. • The amount of capital contributed by SCC is Repayment of grant in a range of circumstances including (not exclusive): (i) Disposing of the whole or any part of the Property; (ii) Property not used for a period of (6) months or more for the Authorised Purposes; (iii) Property or any part of it being used at any time for any use or purpose other than that Authorised		

	• SCC pay to NHS England an amount equal to that proportion of the Market Value of the Property as is attributable to the expenditure of the Capital Sum and any other sums provided by or on behalf of NHS England • NHS England may waive (at its absolute discretion) its right to repayment • Notify NHS England if SCC plan to dispose of the property. • Before carrying out any improvement works obtain the prior written approval of NHS England. • SCC to record its additional financial contribution to the scheme • To perform / observe all the covenants and other obligations contained in schedule 1. • Prior to carrying out improvement works obtain the approval of NHS England • On request by NHS England the Recipient shall carry out an annual review of the scheme and a written report of the review should be prepared. • Keep all buildings and building works and Fixtures in a good state of repair. • Not without the prior written consent of NHS England to enter into any onerous or restrictive obligations affecting the Property. • Cannot demolish any structure or erect any new building or structure on the Property without the prior written approval of NHS England. • Keep indemnified NHS England against all costs/claims. • If the Practical Completion does not occur within 12 months SCC must repay the grant plus interest. • Within three (3) months of Practical Completion (or longer if agreed by NHS		

	England) notify NHS England in writing of the final amount of Total Scheme Costs together with supporting evidence showing the due and proper expenditure of such sums; • The Project Manager will need to read, understand and comply with all of the grant terms and conditions: **Procurement** • All public sector procurement is governed by and must be compliant with both European Legislation and UK National Law. In addition, all procurement in Sheffield City Council must comply with its own Procurement Policy, and internal regulations known as 'Contracts Standing Orders' (CSOs). • Contract Standing Orders requirements will apply in full to the procurement of services, goods or works utilising grants. All grant monies must be treated in the same way as any other Council monies and any requirement to purchase/acquire services, goods or works must go via a competitive process. **Legal** • In an e-mail dated 06 November 2018 NHS England approved an application for grant funding to Sheffield City Council to develop the property pursuant to s256/257 of the NHS Act 2006 (as amended by the provision of the Health and Social Care Act 2012) as accommodation for persons with learning disabilities (or such other needs as are agreed in writing in advance by NHS England). This grant is made to the Council as a local housing authority in connection with expenditure incurred in connection with its functions under Part 2 of the Housing Act 1985 (provision of housing). It is a capital grant towards the costs of a development that will be council housing and therefore will be accounted for within the HRA (Housing Revenue Account). • The Council also has the power to do anything incidental to its functions (s111 Local Government Act 1972). This includes the allocation of grant funding. • The Capital Grant Agreement is a standard document and no amendments will be accepted. The obligations have been reviewed and are considered to be		

	satisfactory for this type of arrangement. As noted above, and as is often the case with this kind of grant agreement, the grant is subject to the risk of repayment if certain events occur although NHS England may choose to waive its right to repayment (at its absolute discretion). • Any Occupancy Agreement other than an assured shorthold tenancy agreement needs to have first been approved in writing by NHS England (such approval not to be unreasonably withheld or delayed). As a local authority the Council cannot grant an assured shorthold tenancy and so approval of our standard secured tenancy terms will be required. This is not anticipated to be an issue. **Other** • Should there be any new /ongoing revenue costs arising from the project the Portfolio will need to identify funding to cover these costs. • Should there be any new lifecycle / capital costs arising from the project then the Portfolio will also need to identify funding to cover these costs.		
F	**Housing investment**		
	None		
G	**People – capital and growth**		
	None		
H	**Essential compliance and maintenance**		
	None		

I	**Heart of the City II**		
	None		

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	Scheme name / business unit / summary description of key terms	Recipient	Value £'000
A	**Economic growth**		
	None		
B	**Transport**		
	None		
C	**Quality of life**		
	None		
D	**Green and open spaces**		
	Sheffield Lakeland Partnership **Background** Outline Business Case including this approved at Quality of Life Board in June 2018 Zone 1: Stocksbridge and Upper Don of the Woodland Heart project will be delivered by the Steel Valley Project (SVP). It has therefore been agreed that the S106 agreements already approved by Cabinet on the S106 Parks Programme for this area be paid over to SVP to help them fund the works. These are: Birks Wood Agreement 746 & 1009 £12K Oxley Park Agreement 790 £ 7K Total £19K	Steel Valley Project	19

	Zone 1 of the Woodland Heart project will cost £55K and is being funded by: HLF Grant £30K + S106 from SCC £19K + SVP own monies £6K This was part of the funding bid that went to HLF to apply for the grant **Financial and Commercial Implications** 1. The agreement is for 12 months SVP agree to: 2. Manage the sites taking account of the City Council's policies and strategies to ensure the effective and efficient delivery of a quality service, making the best use of available resources 3. Keep the Council informed as a project develops in accordance with any timescales detailed by the Organisation to the Council and to consult on maintenance and management issues generally and specifically when requested by the Council. 4. Provide a measurable work plan 5. Demonstrate to the satisfaction of the Council how it has spent the payments received at quarterly meetings with the relevant Council Officer to monitor and sign off agreed works as completed. 6. Sign off with the Council all monitoring, ecological and other relevant reports and if necessary, agree any minor adjustments to the work plans. 7. Keep detailed financial records throughout the year and maintain its accounting record in accordance with the Code of Business practice, in compliance with all statutory requirements and to provide accounts if so requested by the Council within 25 working days of the receipt of such written request made by the Council. 8. Give immediate and unfettered access to any further financial information that may be reasonably required by the Council.		

E	**Housing growth**		
	None		
F	**Housing investment**		
	None		
G	**People – capital and growth**		
	None		
H	**Essential compliance and maintenance**		
	None		
I	**Heart of the City II**		
	None		

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Author/Lead Officer of Report:
Paul Billington, Director of Culture & Environment

Tel: 0114 2734700

Report of:	**Laraine Manley: Executive Director PLACE**
Report to:	**Cabinet (acting as the Trustees of the Oxley Park Charity)**
Date of Decision:	**February 13 2019**
Subject:	**Proposed Surrender and Re Grant of Lease of Stocksbridge Leisure Centre**

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	☐	No	X
- Expenditure and/or savings over £500,000		☐		
- Affects 2 or more Wards		☐		

Which Cabinet Member Portfolio does this relate to?
Culture, Parks and Leisure and Finance & Resources

Which Scrutiny and Policy Development Committee does this relate to?
Economic & Environmental Well-being

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	☐	No	X

If YES, what EIA reference number has it been given?

Does the report contain confidential or exempt information?	Yes	☐	No	X

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

*"The (**report/appendix**) is not for publication because it contains exempt information under Paragraph (**insert relevant paragraph number**) of Schedule 12A of the Local Government Act 1972 (as amended)."*

Purpose of Report:

To seek approval of Cabinet, acting as the Trustees of the Oxley Park Trust, to accept the surrender of the existing lease of Stocksbridge Leisure Centre and the grant of a new 30 year lease on the same terms and conditions (save for the Turnover Rent provisions) to 4SLC (For Stocksbridge Leisure Centre, Registered Charity No. 1153527).

Recommendations:

That Cabinet acting for the Council as the Trustees of the Oxley Park Charity in accordance with the powers given to the Council as Trustee under the provisions contained in the Trusts of Land and Appointment of Trustees Act 1996:

1. Accept the surrender of the existing lease of the Stocksbridge Leisure Centre to 4SLC dated 13 July 2015 and the re grant of new lease to 4SLC for a term of 30 years commencing on the day immediately following the date of surrender of the existing lease and on the same material terms and conditions as the existing lease (save for the provisions relating to the Turnover Rent) and in accordance with the terms of this Report and the Surveyor's Report attached in accordance with section 119(1) of the Charities Act 2011.

2. Authorise the Chief Property Officer in consultation with the Director of Legal and Governance to draft and complete all the necessary legal documents in accordance with the agreed terms and those required by the Charity Commission to affect the surrender and re grant of the lease.

3. Authorise the Chief Property Officer to give notice in accordance with section 121 of the Charities Act 2011 in order to notify people in the beneficial area of the proposed transaction with 4SLC.

Background Papers:

Cabinet Report 18th July 2014 and Qualified Surveyor's report 2014 to the Trustees as required by The Charity (Qualified Surveyor's Reports) Regulations 1992.
The Scheme dated 15 April 2015 in respect of the Oxley Park Charity at Stocksbridge Sheffield.

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	**Finance: Paul Schofield**
		Legal: David Sellars
		Equalities: None
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	

2	**EMT member who approved submission:**	Laraine Manley
3	**Cabinet Member consulted:**	Cllr Mary Lea, Cllr Olivia Blake
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: **Paul Billington**	**Job Title:** **Director of Culture & Environment**
	Date 13 February 2019	

1. PROPOSAL

1.1 At the meeting on the 18th June 2014, Cabinet (acting as the Trustees of the Oxley Park Charity) approved the grant of a lease of Stocksbridge Leisure Centre to 4SLC (For Stocksbridge Leisure Centre, Registered Charity No. 1153527) and the lease was completed on 13th July 2015. The term of the lease is 25 years and is on a Full Repair and Insurance basis, with a base rent of one peppercorn together with a turnover rent payable after the tenth anniversary of the commencement of the term ("the Lease"). A copy of the report is attached as Appendix 1 to this report, which also includes a copy of the Qualified Surveyor's Report (as required by s119(1) of the Charities Act 2011) which fully sets out the circumstances leading up the granting of the Lease .

1.2 At the time of writing of the 2014 Cabinet Report the Council was awaiting approval from the Charity Commission to the grant of the Lease and changes to the charitable objects of the existing trust. This Scheme was approved on 15 April 2015 a copy of which is annexed to this report. Amongst other things the Scheme allowed for land that was to be the subject of the Lease to be used as follows:

"to promote the benefit of the inhabitants of Stocksbridge and the surrounding area by the provision of facilities for indoor and outdoor recreation or other leisure time occupation of the public at large in the interests of social welfare and with the object of improving the condition of the life of the said inhabitants"

1.3 It also allowed the Trustees of the Oxley Park Trust to lease the land but only in the furtherance of the charities objects. Relying on the Scheme the Lease was completed on 13 July 2015.

1.4 4SLC have requested a 30 year lease commencing immediately on surrender of the Lease to assist with bidding for and securing grant funding in the short to medium term. The trust running the leisure centre is making a great success of the venture and they are continuously striving to ensure the sustainability of the centre.

1.5 In order to be able to grant an extended term the existing lease must be surrendered and the parties enter into a new lease creating the new term required. It is therefore proposed that the Trustees accept a surrender of the Lease and then grant a new lease for a term of 30 years from the day immediately following the surrender of the Lease on the same material terms and conditions (save for the provisions relating to the Turnover Rent).

1.6 The current Lease provides that the Turnover Rent does not commence until 10 years from commencement of the Lease i.e. July 2025. It is intended that this commencement date is preserved in the new lease i.e. that it will commence in July 2025.

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The surrender and grant of a new lease will support the continued provision of leisure facilities in the Stocksbridge area for the benefit of the community in accordance with the objects of the Oxley Park Charity.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 The original decision to close the leisure centre in 2013 was widely publicised and the Trustees' intention to grant the lease to 4SLC was also publicised, as required by section 121 of the Charities Act 2011. .

3.2 Given the terms of the 2015 Scheme Cabinet, acting as Trustees do not require a further specific consent from the Charity Commission to grant the lease, subject to complying with the other statutory provisions relating to the disposal of charity land, including:

a) Obtaining a surveyor's report on the terms of the disposal

b) Advertising the disposal for a period of one month from the date of the notice to allow any representations to be made before approval is considered by Cabinet acting as the Trustees. The original surveyor's report from 2014 advised that given the widespread publicity around the proposed closure and the grant of the lease to 4SLC there was no reasonable prospect of anyone other than 4SLC being interested in taking a lease of the centre.

3.3 That report has been reviewed by a Qualified Surveyor and the Trustees are advised that the conclusions and recommendations remain the same.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 <u>Financial and Commercial Implications</u>

4.1.1 Unless 4SLC continue to use and manage the centre it will need to be demolished. This would result in the loss of a valuable asset used by the local community and involve a cost to the Trustees of Oxley Park, or ultimately, the City Council.

If the proposed longer lease is not granted this may reduce the ability of 4SLC to be able to make bids for grant funding.

4.2 <u>Legal Implications</u>

Oxley Park was acquired originally by Stocksbridge Urban District Council in two conveyances in 1921 and 1925 from Thomas Oxley. This created a charitable trust on the basis that the land would be held on trust "for ever for perpetual use by the inhabitants of Stocksbridge as a

Park or Recreation Ground…"

As referred to above the trust objects were altered with effect from 15 April 2015 as follows:

"to promote the benefit of the inhabitants of Stocksbridge and the surrounding area by the provision of facilities for indoor and outdoor recreation or other leisure time occupation of the public at large in the interests of social welfare and with the object of improving the condition of the life of the said inhabitants"

The Council now holds the land subject to the terms of this trust as altered in 2015.

The granting of the lease constitutes a disposal of the charitable land and must comply with the relevant legal requirements. The overriding principle governing the disposal of charitable land is that the Charity Trustees must be satisfied that the terms of disposal are in the best that are reasonably available to the Charity in the circumstances.

In accordance with the Charities Act 2011 section 119(1) a report dated 10 June 2015 was prepared and officers have confirmed that the position has not changed in that the terms provisionally agreed with 4SLC represented the best that were reasonably available for the Charity. It also advised that given the widespread publicity generated at the time regarding the proposed closure of the Stocksbridge Leisure Centre there was no reasonable prospect other than 4SLC coming forward as in taking a lease of the centre. Officers have confirmed that this remains the position.

The terms of the new lease will as with those of the current Lease (save as to the provisions relating to the Turnover Rent) which ensures that centre continues to provide leisure facilities for local people at affordable prices.

Prior to the surrender and re grant it is necessary for the Trustees to give notice under section 121 of the Charities Act 2011. The notice will advertise the Trustees intentions regarding the transaction. If they fail to give notice the transaction will not be valid.

The transaction can be effected under the terms of the 2015 scheme and does not require Charity Commission consent.

4.3 <u>Other Implications</u>

4.3.1 Continued use of the centre supports a number of activities beneficial to the health and well-being of the local community.

5. ALTERNATIVE OPTIONS CONSIDERED

5.1 Not to grant the new lease:

This has been discarded by officers as unless 4SLC. As the only provider interested in the site continue to use and manage the centre it will need to be demolished. This would result in the loss of a valuable asset used by the local community and involve a cost to the Trustees of Oxley Park, or ultimately, the City Council.

6. REASONS FOR RECOMMENDATIONS

6.1 The proposal to accept a surrender and grant a new lease:

- enables grant funding bids to continue to be made by 4SLC to repair, maintain and improve the Pavilion
- ensures that a valuable asset is retained for use by the local community
- supports the charitable objects of the Oxley Park Trust and 4SLC

Author/Lead Officer of Report: Paul Dempsey – Assistant Director Provider Services

Tel: 0114 2734982

Report of:	*Jayne Ludlam*
Report to:	*Cabinet*
Date of Decision:	*February 2019*
Subject:	*Fostering Stability Sheffield's Staying Put Caring Policy for Care Leavers*

Is this a Key Decision? If Yes, reason Key Decision:-	Yes	✓	No	
- Expenditure and/or savings over £500,000				
- Affects 2 or more Wards		✓		

Which Cabinet Member Portfolio does this relate to? Children and Families

Which Scrutiny and Policy Development Committee does this relate to? Children and Families and Family Support Scrutiny Committee

Has an Equality Impact Assessment (EIA) been undertaken?	Yes	✓	No	

If YES, what EIA reference number has it been given? *(494)*

Does the report contain confidential or exempt information?	Yes		No	✓

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

*"The (**report/appendix**) is not for publication because it contains exempt information under Paragraph (**insert relevant paragraph number**) of Schedule 12A of the Local Government Act 1972 (as amended)."*

Purpose of Report:

The report asks for cabinet to endorse the attached revised **Staying Put Caring Policy** for young people leaving care: Fostering Stability: Sheffield's Staying Put Caring Policy for Care Leavers.

Recommendations:

Cabinet is recommended to:

Approve and endorse the publication of **Fostering Stability: Sheffield's Staying Put Caring Policy for Care Leavers**.

Background Papers:
Fostering Stability: Sheffield's Staying Put Caring Policy for Care Leavers

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: *Andy Bray*
		Legal: *Nadine Wynters*
		Equalities: *Bashir Khan*
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	*Jayne Ludlam*
3	**Cabinet Member consulted:**	*Cllr Jackie Drayton*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: *Paul Dempsey*	**Job Title:** *Assistant Director Provider Services*
	Date: *10.01.19*	

1. PROPOSAL

1.1 *The Children and Young Persons Act 2008 laid out guidance and regulations relating to care leavers with an emphasis on a more graduated approach to planning transition to adulthood. Staying Put foster care became a statutory duty for local authorities in England in May 2014, as set out in section 98, Part 5 (Welfare of Children) of the Children and Families Act 2014.*

1.2 *Staying put foster care is when a young person in foster care remains living with that foster carer beyond their 18th birthday. A staying put arrangement is not the same as a foster placement. The young person staying put is no longer a looked after child. They are a young adult and a care leaver. They are entitled to support as a care leaver and are allocated a personal advisor. The foster carer is no longer acting in the capacity of foster carer for that young adult; they are their 'former foster carer or Staying Put Caring r'. The foster placement becomes a 'staying put arrangement' and is not governed by fostering services regulations. The intention of staying put foster care is to enable young people leaving care to experience a transition akin to their peers, by enabling them to stay living with their former foster carers until they are ready for independence and adulthood.*

1.3 *Guidance requires local authorities to develop a Staying Put policy that provides foster carer/s and children/young people with information relating to all aspects of continuing the young person's placement with their foster carer beyond their eighteenth birthday. The policy should cover the following areas:*

- *the criteria for continuing a fostering placement as a "Staying Put" arrangement once the child reaches 18;*
- *how the "Staying Put" arrangement will impact on the allowances provided by the authority and whether other funding, for example Housing Benefit and funding for housing related support, will contribute to meeting some of the "Staying Put" costs;*
- *whether additional allowances provided when the child was a foster child to ensure they were embedded in the family will continue, for example holiday allowances, birthday and Christmas/festival allowances;*
- *any financial contributions from young people from their wages, salary, benefits or education allowances;*
- *how the Income Tax, National Insurance and welfare benefits situation of carer/s may be affected by "Staying Put" payments;*
- *insurance issues, including liability insurance and household insurance;*
- *the impact on foster carers' approval and their terms of approval, including the numbers approved for, and whether this number includes the "Staying Put" young persons;*

- *safeguarding arrangements, including Criminal Records Bureau checks on young people reaching eighteen where fostered children remain living in the household.*

1.4 *This new revised policy aims to provide clarity about the planning and practical arrangements for Staying Put Caring and to ensure consistency of approach for officers, foster carers and young people. For example on the payments carers will receive on entering into a Staying Put Caring arrangement, the Local Authority's responsibilities as well as detailing the expected contributions a young person is expected to make. Main clarifications are: -*

- *The intention of the Staying Put Caring allowance is that when added to the Housing Benefit payments the young person is entitled to receive and the young person's contribution to the carer, the amount in total the carer receives will be equal to the sum of the core fostering allowance plus any skill payment in place at the time of the young person's 18th birthday. Therefore the Staying Put Caring allowance will be the difference between the sum of Housing Benefit plus the young person's contribution to the carer, and the core fostering allowance and skill payment the carer previously received*

- *The Staying Put Caring payment may cover: accommodation, support, utilities, food and associated costs. Pocket money and clothing will be now covered by any benefit, earnings or personal allowance the young person receives.*

- *Staying Put Caring arrangements will not include additional allowances for birthdays, cultural celebrations etc.*

- *The policy clarifies that where a young person is in education, payments will continue to the end of the academic year in which they turn 21.*

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 The publication of the policy clearly communicates the Staying Put Caring arrangements and allows young people and foster carers to gain a clear understanding of the expectations and entitlements under the policy.

2.2 Providing a 'package' of financial support to the Staying Put carer that is equal to the sum they received as a foster carer for the young person will remove any financial barriers to the making of Staying Put arrangements

2.3 Offering young people in care the opportunity to benefit from 'Staying Put Care' with their foster carer will allow them to sustain this positive relationship and support into early adulthood. This enables young people leaving care to have more favourable outcomes in later life, to be employed, and less likely to be at risk of substance abuse and mental health issues.

The policy offers the chance to better prepare young people for independent living in the community and cementing relationships with carers that are hoped to last beyond the time living together.

2.4 Research into pilots of Staying Put found that those in staying put caring arrangements were significantly more likely to be in full time education at 19 than their counterparts who did not stay put. A higher proportion of young people who stayed put were also pursuing higher education than those who did not. This contributes to the corporate priority of strong economy as higher educational attainment among care leavers will better enable them to make a positive economic contribution to the city

3. HAS THERE BEEN ANY CONSULTATION?

3.1 Foster carers have been widely consulted through Voices foster carer group and are supportive of the new policy.

Consultation has taken place with Sheffield Care Leaver's Union in relation to the accommodation offer to care leavers, including Staying Put Caring. Feedback from young people in staying put caring arrangements has also influenced development of the policy.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 <u>Equality of Opportunity Implications</u>

4.1.1 Decisions need to take into account the requirements of the Public Sector Equality Duty contained in Section 149 of the Equality Act 2010. This is the duty to have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it

4.1.2 The Equality Act 2010 identifies the following groups as a protected characteristic: age; disability; gender reassignment; marriage and civil partnership; pregnancy and maternity; race; religion or belief; sex and sexual orientation.

4.1.3 An Equality Impact Assessment has and highlights the impacts on protected groups. The policy does not significantly or materially change the current offer to carers or young people in 'Staying Put' arrangements, but provides information that draws together all entitlements into an easy format that gives greater clarity.

4.2 Financial and Commercial Implications

4.2.1 The revised Staying Put Caring policy is intended to ensure consistency in relation to the payments carers receive; overall there will not be any adverse financial implications.

4.3 Legal Implications

4.3.1 The legal implications are set out in the body of the report. There are no other direct legal implications.

4.4 Other Implications
(Refer to the Executive decision making guidance and provide details of all relevant implications, e.g. HR, property, public health).

4.4.1 None

5. ALTERNATIVE OPTIONS CONSIDERED

(Outline any alternative options which were considered but rejected in the course of developing the proposal.)

5.1 There is a statutory duty to provide a policy for Staying Put. This revision provides consistency and clarity for young people and carers and promotes access to Staying Put Caring arrangements.

6. REASONS FOR RECOMMENDATIONS

(Explain why this is the preferred option and outline the intended outcomes.)

6.1 Supporting the recommendations in this report will ensure that the local authority meets their Statutory Duty to publish a policy for Staying Put that provides clarity to both young people and carers.

Fostering Stability: Sheffield's Staying Put Caring Policy for Care Leavers

Children and Families Service

January 2019

Contents

Introduction

Our aspiration for the children and young people living and growing up within our care is that they each grow to realise their full potential, dreams and ambitions. We know that the average age for young adults leaving home continues to increase year on year and we encourage our children and young people moving from being children in care to care leavers to remain connected to families and foster carers for ongoing support.

To this end we want to promote the 'Staying Put Caring ' opportunity for young adults to 'stay put' with former foster carers at the point they become eighteen years old and until they are 21 and this policy and framework below is set to encourage and facilitate this. For young people, their carers and social workers making decisions about the future will always require individual planning and consideration. Our commitment is to ensure that where it is possible, and assessed as the right thing for the young people, we provide the means by which they can continue to live within their former foster family based on ongoing needs and desire rather than limited through rules of age.

1. Legal Framework

This policy should be read in conjunction with:

- The Children Act 1989 Guidance and Regulations Volume 3 (Revised Jan 2015): Planning transition to adulthood for care leavers.
- Staying Put: Arrangements for care leavers aged 18 and above to stay on with their former foster carers, which is joint guidance produced by the Department for Education (DfE), Department for Work and Pensions (DWP), and Her Majesty's Revenue and Customs (HMRC). This provides more detail relating to many of the financial aspects of Staying Put Caring arrangements.
- Staying Put – Good practice guide (the Children's Partnership, 2014)

2. What is a Staying Put Caring Arrangement?

2.1 The Care Matters White Paper 2007 contained a significant focus on improving the support for children preparing for adulthood including a pilot programme enabling young people to remain with their foster carers beyond the age of eighteen and up to 21. This was introduced as formal guidance in May 2013 in order to emphasise a more graduated approach to planning transition to adulthood. The intention of the initiative was to ensure young people could remain with their former foster carers until they were prepared for adulthood, could experience a transition akin to their peers, avoid social exclusion and be more likely to avert a subsequent housing and tenancy breakdown. Initially, the duty was restricted to young people already in education, training and employment or to those who were assessed as vulnerable or disabled. Revisions to the law have removed any qualifying criteria beyond the requirement that a young person will have lived with a foster carer as a looked after child immediately before reaching 18 and was an "eligible child" entitled to leaving care services under the Children (Leaving Care) Act 2000. Our policy has recognised these changes and in addition provides a fair and equal level of funding to carers regardless of their status as either in-house or independent.

2.2 Staying Put Caring arrangements should replicate as far as possible normal family life. Foster carers are required to care for any child placed with them as if they were a member of their family, and this expectation should carry through into Staying Put Caring arrangements. Families all have different rules, expectations and ways of doing things, and Staying Put Caring arrangements should take account of this and be sufficiently flexible to be tailored to individual circumstances and needs.

2.3 An eligible child is someone who:

- is looked after by a local authority;
- is aged 16 or 17, and;
- has been looked after for a total of at least 13 weeks since the age of 14

It is a term meaning that they are eligible for support as a care leaver, and does not refer specifically to Staying Put support.

2.4 Once they become 18 an eligible child is known in law as a ‘former relevant child’. Whenever a young person continues to live with their former foster carer in these circumstances, it is referred to as a Staying Put Caring arrangement. Staying Put Caring arrangements continue until the young person becomes 21, or stops living in the household before then, or when the young person completes the agreed programme of education or training being undertaken on their twenty-first birthday, if continuously living in the arrangement since their eighteenth birthday.

2.5 Local authorities have a duty to monitor and support Staying Put Caring arrangements, and these are reflected throughout this policy.

2.6 Local authorities have significant statutory obligations to support care leavers whether or not they participate in Staying Put, and these are explained in the Children Act 1989 statutory guidance Children (Leaving Care) Act 2000 and Children and Social Work Act 2017already referred to.

3. Guiding Principles

3.1 Staying Put Caring arrangements will be most effective if they are underpinned by clear principles. This practice guidance is based on the principles listed below which are underpinned by our commitment within Sheffield City Council to support our care leavers achieve the best possible outcomes they can.

3.2 *Best interests*

The best interests of the young person should be at the heart of decision making about Staying Put Caring, enabling them to have the best possible opportunities to lead successful lives. Research informs us that a young person in a stable home environment is more likely to achieve well in employment, education and training. An increase in the number of Staying Put Caring arrangements will reduce the number of young people not in employment, training and education and closes the gap between our young people and those in the wider community who tend to leave home when it is right for them to do so, rather than at a set age.

3.3 *Support*

Support to both foster carers and young people should be geared to their specific circumstances and needs. Carers should be enabled to develop the skills required to best help the young person to do well in life and keep safe from harm. Ideally, no young person should lose out due to lack of financial support to themselves or their carer so every effort will be made to find solutions to financial barriers.

3.4 *Clear information*

Foster carers and young people should be provided with clear information about the support available from local authorities and fostering providers to help them to make choices about whether or not to become a Staying Put Caring r. This will always include information about financial arrangements and implications for benefits and tax for the carer.

3.5 *Early planning*

Early planning for Staying Put Caring is crucial and arrangements should be considered as part of the care and permanence planning process, from the time that a long term placement is planned or any new placement is made of a young person aged 16+. Decisions in principle about whether or not Staying Put is an option should be taken as early as possible in the placement, and written into the young person's pathway plan.

If a foster placement is considered permanent or long term, carers and young people should be informed that Staying Put Caring is an expectation at the time that a decision regarding permanence is made.

Discussion regarding the foster placement changing to a Staying Put Caring arrangement when the young person reaches the age of 18 years should be included at all statutory review meetings for young people aged 15 and above. This will ensure that arrangements are in place well before the young person's 18th birthday. This will ensure a smooth transition for the young person and mirror 'normal family life' as far as this is possible.

3.6 *Equality of opportunity*

In order to maximise the opportunity for young people to participate in Staying Put Caring , fostering services – both local authority and independent agencies - should do everything possible to ensure that all foster carers have an equal opportunity to become Staying Put Caring rs. This includes family and friends foster carers and foster carers approved by independent fostering providers. A young person's immigration or asylum status does not affect their entitlement to enter into a Staying Put Caring arrangement but may affect the duration. A Staying Put Caring arrangement should be the norm, not the exception, and services should work with carers to ensure that obstacles to a young person staying put are overcome.

3.7 *Flexibility*

Arrangements should be sufficiently flexible to enable support to be provided over and above the minimum legal duty. The Staying Put Caring arrangements will end at the 21st birthday or when the arrangement ends by either part prior to this date. Care leavers have the right to advice, support and guidance from a Personal Advisor up to the age of 25.

4. Criteria for Staying Put Caring arrangements

4.1 If on the day before their 18th birthday the young person was a looked after child placed with a foster carer, and had been looked after for at least 13 weeks since the age of 14, then by continuing to live with their former foster carer this constitutes a Staying Put Caring arrangement. This applies whether the foster placement was long term or short term, and includes placements made at any time up to the young person's 18th birthday.

4.2 We have a general duty to do all we can to support care leavers into further and higher education, training or employment, but these are not preconditions for starting or maintaining a Staying Put Caring arrangement. The legislation does not permit local authorities to introduce their own eligibility rules.

4.3 There is no reason to put foster carers through any sort of assessment or approval process to become Staying Put Carers because the arrangements are made between adults and are not regulated.

4.4 *Arrangements for young people with Learning Difficulties/Disabilities*

Young people who have an enduring disability which is likely to have an impact on their ability to live independently, should be referred to the Children with Disabilities Team for joint assessment in respect of continuing support needs i.e. from Adult Services. If following assessment the disability meets the Fair Access to Care criteria, the former foster placement should convert to an Adult Services placement known as Shared Lives once the young person becomes 18. Where the young person is in education then children's services will continue to fund at the fostering rate in place during that period until 31st July of the academic year of the young person's birthday. The placement will be recorded as a staying put/ shared lives and responsibility for payment will be transferred to adults' service from the 1 August that year. This ensures equity for all children in education until the end of that academic period regardless of date of birth. If the young person is not in education then the transfer point to adults will be on their 18th birthday. A Shared Lives assessment will need to take place through Adult Services as the placement will be regulated. Even where cases are led by a social worker from Adult Services, young people are able to access support from a Personal Advisor from the Leaving Care Service.

5. Implications for foster carers

5.1 Both Sheffield Local Authority's fostering and Independent fostering services need to ensure that their carers are given clear information about how they can expect to be supported if they enter into a Staying Put Caring arrangement, and how this may impact on their continued fostering.

5.2 *Becoming Staying Put Carers Only*

When a foster carer plans to become a Staying Put Carer they will need to discuss with the fostering service whether or not they wish to continue to be approved as foster carers, either to continue with an existing placement or to take new placements. If they decide that they no longer wish to foster they should submit their resignation in writing to the fostering service. This is an opportunity for the fostering service to acknowledge and celebrate their contribution as foster carers

5.3 *Becoming Staying Put Carer in addition to fostering*

When foster carers wish to continue as both approved foster carer and Staying Put Caring r, the impact of the new arrangements will need to be considered. The young person who is Staying Put will no longer be considered as a foster child in placement once they reach 18, so the foster carer will be able to take another placement within any terms of their approval. This may not always be possible or appropriate due to lack of accommodation; the demands of the Staying Put Caring arrangement, or other factors.

5.3.1 The change in the foster carer's circumstances, including the child in care becoming an adult member of the household, means that a review of the foster carer's approval should be undertaken before a Staying Put Caring arrangement begins. This will provide the opportunity to discuss the impact of the Staying Put Caring arrangement on the role of the foster carer and to think carefully through all the implications of the change in the legal status of the relationship with the young person. The local authority will discuss with the foster carer their needs for any further training or additional support needs. The review should be carefully planned at a stage which enables discussion of all the relevant matters and also allows time for the fostering service's decision maker to consider its recommendations, including any changes to terms of approval.

5.3.2 Sometimes Staying Put Carers are not able to take another foster placement whilst the former fostered young person remains living with them, but wish to remain approved as foster carers in order to resume fostering in the future. If the fostering service agrees that it is appropriate to continue approval then it must continue to meet the statutory requirements regardless of the fact that no child is placed. This includes regular visits by the supervising social worker (including an annual unannounced visit); reviews of approval; provision of training, advice, information and support; and support for continuing professional development.

5.4 *DBS checks on young people*

5.4.1 Since the young person who is Staying Put becomes an adult member of the foster carer's household, to comply with fostering regulations an enhanced disclosure must be obtained from the Disclosure and Barring Service (DBS). This shouldn't reveal anything of surprise to the fostering service or the carer, but may need handling sensitively, particularly with the young person themselves. It is appropriate to obtain the enhanced disclosure before the young person becomes 18, so that it may be considered at the review of the foster carer's approval before the Staying Put Caring arrangement begins. The cost of the DBS check will be met by the local authority.

5.4.2 There is no requirement to seek further DBS disclosures; however fostering services have a policy of updating checks at regular intervals through the DBS update service. If this is the case the young person will need to agree to this if their Staying Put Caring r remains a foster carer. The foster carer will also be bound by their foster care agreement to notify the fostering service of any circumstances which might make their household unsuitable to foster and this might include criminal offences committed by the young person who is Staying Put.

5.4.3 Known issues which may impact on the continued approval of the foster carer should be included in early discussions about Staying Put Caring, as these will be crucial to the ability of the foster carer and the fostering service to make an informed decision.

5.5. **House in Multiple Occupation**

A House in Multiple Occupation (or HMO) is "a property rented out by at least 3 people who are not from 1 'household' (e.g. a family) but share facilities like the bathroom and kitchen" see www.gov.uk/house-in-multiple-occupation-licence Carers may need to consider the possibility that their house may become a House in Multiple Occupation as the status of the young person changes. Information in relation to this can be sought from the Staying Put Coordinator or housing department.

6. Preparation for a Staying Put Caring arrangement

6.1 To ensure sufficient time is available to make the necessary planning arrangements for extending a placement beyond a young person’s 18th birthday, a professionals meeting should take place three months before a young person’s 16th birthday or 3 months after a young person becomes Looked After if this is after they are 16. The Staying Put Caring meeting and assessment should include the foster carer/s, the foster carer’s supervising social worker, allocated social worker and leaving care personal adviser and should establish the young person’s wishes regarding staying put, viability, appropriateness and likelihood of a Staying Put Caring arrangement occurring. The meeting should identify all key tasks and roles and responsibilities related to extending the former fostering arrangement. The meeting should explore the impact on the foster carers’ financial circumstances should the placement continue after the young person’s 18th birthday.

6.1.2 The Staying Put professionals meeting should be repeated when the young person reaches the age of 17 and should ensure any final arrangements and requirements are in place by the young person’s 18th birthday. *A review* meeting should be held 3 months before a young person reaches the age of 18 years to ensure that all requirements for the Staying Put Caring arrangement are in place.

6.1.3 All meetings should make reference to the criteria and financial framework for extending the Staying Put Caring arrangement and the National Insurance, Income Tax and Welfare Benefits issues for the foster carer/s and welfare benefit issues for the young person. The outcome of these meetings should be discussed at the subsequent statutory reviews.

6.2 Foster carer

6.2.1 A meeting to discuss the option of becoming a Staying Put Caring r should be arranged with the foster carer when their foster child has reached their 16th birthday. At this meeting the process and financial support available should be explained to the foster carer. The expectation is that young people can remain with the foster carer up to their 21st birthday and that the foster carer is preparing the young person fully for independence and that they are supporting the young person in employment, education or training. This will be included in the care/pathway plan and from part of the living together agreement.

6.2.2 The carer should be fully informed of the implications of agreeing to a Staying Put Caring arrangement and identify the differences between caring for a child and supporting an adult. Although there is an expectation of a seamless transition and the maintenance of existing rules and household/family norms carers should be encouraged to consider how they will react to impending adulthood and the young person’s expectation of greater independence

6.2.3 If the foster carer does not wish to sign up to the Staying Put Caring arrangement then the foster carers’ supervising social worker will inform the young person's social worker or personal adviser. A needs-led assessment will be carried out and formulated into a plan which will be drawn up in order to prepare the young person to acquire their independent living skills and included in the Pathway Plan. The move on options would be discussed and included in the Pathway Plan.

6.2.4 If a foster carer decides not to enter into a Staying Put Caring arrangement, The reasons describing why a foster carer has chosen not to sign up to a Staying Put Caring arrangement need to be clearly recorded on both the child’s file and the foster carer record by each respective worker

6.3 Young Person

6.3.1 A meeting to discuss the option of Staying Put should be arranged with the young person when they reach their 16th birthday by their social worker or personal adviser. At this meeting the changes, financial implications and process should be explained to them. The expectation is that young people can remain with the foster carer up to their 21st birthday. Following this meeting, young people need to be given the opportunity to think about the options that may be available for them and to consult with other professionals or family members should they wish to do so. They should be provided with written information and where possible linked with other young people who have benefitted from a Staying Put Caring arrangement who will be able to discuss on a peer to peer basis the pros and cons of the arrangement from the young person's perspective.

6.3.2 If the young person does/does not wish to sign up to the Staying Put Caring arrangement then the young person's social worker or personal adviser or transitions worker will inform the foster carer if they were not part of that joint discussion

6.3.3 An assessment will be carried out and formulated into a plan which will be drawn up, in order to prepare the young person to acquire their independent living skills, and included in the young person's Pathway Plan.

6.3.4 Young people who say they do not want to remain in a Staying Put Caring arrangement should have the opportunity to revisit this decision at any time, and as many times as they need to, before their 18th birthday in discussion with the foster carer. Even where a young person may initially say they do not want to remain in a Staying Put Caring arrangement, discussions need to be had with the young person's carers to ensure that if the young person changes their mind, arrangements are already in hand to ensure the smoothest transition possible for when the young person reaches the age of 18 years.

7. Extending Placements

7.1 There are circumstances where placements can be extended beyond a young person's 18th birthday without becoming Staying Put Caring arrangements. It may be that alternative accommodation is not available as planned, requiring a brief extension. The financial terms and conditions of the extension will remain unchanged. Extensions should only be approved on a month by month basis. Payments to the young person and the carer/fostering agency should be maintained at the existing rates. A written agreement to this effect must be recorded and approved by the relevant service manager and authorised by an Assistant Director for Children and Families.

7.2 If a young person will be completing a course of education that ends the academic year following their 18th birthday, regardless of whether a decision has been made that a Staying Put Caring arrangement will be in place thereafter, payments to the young person and the carer should be maintained at the existing rates until the end of the academic year on the 31stJuly. The placement will be recorded as a Staying Put Caring arrangement from their 18th birthday, as they will no longer be a child looked after. A written agreement to this effect must be on file and approved by the service manager and authorised by an Assistant Director for Children and Families by the time of the 1st review following a young person's 17th birthday.

8. Professional Roles

8.1 All Staying Put Caring arrangements will be supported and overseen by a personal advisor. Arrangements, and additionally supported where required, by a nominated Staying Put Coordinator in the Leaving Care Service. In situations when the household continues to foster, a supervising social worker will remain allocated and should support the carer in their combined role as Staying

Put Caring r and foster carer.

8.2 *Preparation for Staying Put Caring – Supervising social worker*

8.2.1 The fostering social worker will support and advise the foster carer up until the beginning of the Staying Put Caring arrangement throughout the Staying Put Caring process.

8.3 *Personal Advisor*

8.3.1 The personal advisor will support the young person throughout the Staying Put Caring process in keeping with leaving care legislation and guidance. They will assist the young person in applying for benefits or any other finance for which the young person is entitled to claim.

8.4 *Staying Put Caring Coordinator within the leaving care service*

8.4.1 The Staying Put Caring Coordinator will be the first point of contact when considering Staying Put Caring arrangements and in conjunction with a young person's Personal Advisor they will provide:

- Information to young people and foster carers about how Staying Put Caring works in Sheffield
- The detail regarding payments to former foster carers and the young person's contribution
- Advice, support and information. This may include advice about money, jobs, benefits, and employment, training and housing options
- Support with benefit applications
- The link between Children and Young People's Services and other agencies, such as The Department for Works and Pensions and Independent Fostering Agencies
- To lead on the development of the Staying Put Caring arrangements, including consultation with interested parties
- Data regarding the use of Staying Put Caring arrangements

8.5 *The Placement Team*

8.5.1 The Placement Team will ensure that a copy of this policy is made available to independent Fostering Agencies (IFA) at the time a foster placement is commissioned. There should be an explicit expectation that an IFA accepts the terms of this policy. The placement team also ensure that the Local Authority arrangements for payments to a Staying Put Caring r are made.

9. Financial Issues

9.1 *Funding*

9.1.1 The funding of the Staying Put Caring arrangement is derived from a number of sources: the young person's contribution; (including potential housing benefit/ universal credit, other benefits or personal allowance) and the local authority element. The authority will reduce any payment by the amount the young person is expected to contribute which is a maximum £20 where the young person is able to claim housing benefit to cover the accommodation costs see 9.1.4 below.

9.1.2 Where applicable the young person will apply for the maximum housing benefit/universal credit for which they are entitled.

9.1.3 The young person is expected to make a financial contribution from their personal benefit allowance towards the cost of food and utilities. This is currently set at a maximum of £20.00 per week; however the actual amount will be agreed between young person and the provider in advance of the Staying Put Caring arrangement starting, incorporated into the Living Together Agreement and reviewed either when circumstances change or at the pathway plan review.

9.1.4 Where a young person is working, they will be expected to contribute towards the household and their upkeep and in addition to the initial £20.00, the young person should be contributing an agreed %, up to a maximum of 20% of their net earnings towards the household costs (this needs to be agreed between the carer and young person – with the support of the personal adviser and the Staying Put Caring Coordinator. The percentage agreed will need to avoid causing any unnecessary hardship to the young person and will be set at a low rate where required to achieve this. These amounts should be reviewed annually by the young person, carer and personnel advisor and earlier if there are significant changes and should not be at a level that prevents the young person from saving. This is to be paid by the young person directly to the carer. This will be laid out in the Living Together Agreement.

9.1.5 The Staying Put Caring payment may cover: accommodation, support, utilities, food and associated costs. Pocket money and clothing will be now covered by any benefit, earnings or personal allowance the young person receives.

9.1.6 The element of payment for the Staying Put Caring arrangement from the local authority will be set at the equivalent of fostering core allowance plus the skill level payment in place at the point of the young person's 18th Birthday, less the young person's contribution. The skill element will remain fixed throughout the period of Staying Put Care . The core element will be increased in line with the annual government guidance payment for those children/ young people aged 18. This will ensure that the carer receives the same financial package in the new arrangement as previously although funding sources may be different. The agreement to maintain a former foster child through Staying Put Caring will mean that payments for any other foster children in placements will remain the same. e.g. if a carer has 2 or more foster children receiving skill rates for 1 child and then a reduced rate for subsequent children the Staying Put Caring arrangement will not change the skill rate for the second or subsequent children.

9.1.7 All young people are required to claim housing benefit. In situations where young people are working part-time, and do not claim a means tested personal benefit they will still need to claim housing benefit/ universal credit. Earnings over a certain threshold (set by the DWP) will result in a tapered reduction of housing benefit/ universal credit. In these circumstances the element of contribution by the young adult living in the household will vary in amount to restore the contribution to the full equivalent amount of full benefit entitlement. E.g. if housing benefit/ universal credit was initially set for £70 and then reduced to £40 due to income changes it would be the responsibility of the young person to pay the £30 difference to ensure no detriment to the carer.

9.1.8 Where the carers are already in receipt of means tested benefits and that income is reduced should a young person claim housing benefit /universal credit, Sheffield children's services will become responsible for paying the equivalent amount based on the Local Housing Allowance rate.

9.1.9 The Personal Advisor will help young people complete housing benefit/universal credit applications. This will be laid out in the Living Together Agreement. If a young person does not claim benefits they are entitled to or pay their contribution, they will be in breach of their Living Together Agreement. The Coordinator will meet with the carer and young person to find a resolution to the situation.

9.1.10 When housing benefit/universal credit or the young person's contribution is not made available to the carers a meeting will be called as soon as practical to review the Living Together Agreement. Sheffield children's services will compensate for a young person's failure to pay their contribution or claim housing benefit/universal credit for a period of one month from the start date of the arrangement. Thereafter the carer should decide a decision will be made as to whether the placement is still practicable and whether they wish to continue providing the accommodation. It is important that the carer notifies the personnel advisor and Staying Put Caring Coordinator of the failure to pay immediately if this occurs in order that appropriate consultation and liaison can occur to prevent elongated periods without the young person making payments.

9.1.11 Housing benefit/universal credit is now determined by Local Housing Allowance or Local Reference Rates based upon the area in which the applicant lives and may change each month. However, these rates are fixed in the month of application until the end of the financial year. Up to date Housing benefit levels are published each month on the area LHA website: https://www.gov.uk/

9.1.12 The young person's housing benefit/universal credit application should be made by the young person with support from their Personal Advisor. To ensure that there is a smooth process the application should be made at least 4 weeks prior to the young person's 18th Birthday.

9.1.13 Carers receiving a Staying Put Caring payment have a duty to inform the Local Authority of any significant changes in circumstances e.g. another person moving into the home.

9.2 *Young People at University*

9.2.1 Young people at university are not normally able to claim housing benefit/universal credit but can apply for student finance, out of which they are expected to pay the rent element of the Staying Put Caring arrangement if they are living with their former foster carer while studying. Any contribution from Sheffield children's services should be in keeping with the finance policy.

9.2.2 If a young person is at university and living away from home during term time, a Staying Put Caring arrangement can still be made to ensure that they can return home for the university holidays and weekends. The local authority will pay the Staying Put Caring rate for the times the young person is at home, and will agree a financial arrangement with the carer, if it is necessary, to ensure the placement is kept open and available for use by the young person. This decision will be made at the discretion of the Assistant Director for Provider Services and will be made in the best interests of the young person.

10. Independent Fostering Agency (IFA)

10.1 Young people placed in Independent Fostering Agency placements will be considered against the same criteria as Sheffield local authority foster carer placements. The local authority will ensure that the process as detailed in sections 4 and 5 of this policy involves the IFA at all key stages.

10.2 Once a young person becomes 18, the fostering placement ends and thereafter the IFA is not a formal party to the Staying Put Caring arrangement. The financial arrangements for Staying Put Caring are made between the local authority and the carers and reflect the way in which payments to local authority carers are calculated. i.e. the carer will receive from the various sources set out above in 9.1.7, a sum equal to the income they received previously from fostering the child, minus the amount that previously covered the costs of pocket money and clothing. There should be no expectation that the carer's independent fostering agency itself continues to receive a fee.

10.3 The post age 15 planning meetings, professionals meetings and child care reviews will be the medium by which all IFAs will be involved in the Staying Put Caring process. There will be occasions where the decision by the young person and their carer/s to enter into a Staying Put Caring arrangement will not follow the processes in Section 4, for instance the young person may have come in to placement post 15, however at whatever point discussions occur, the IFA will be fully involved. The local authority expects that those representing the IFA at meetings/reviews have the authority to agree with the decisions made by the carer/s and the young person when considering Staying Put Caring arrangements.

10.4 Once the decision is made by the young person and their carer/s to enter into a Staying Put Caring arrangement post 18, the IFA will be notified and asked to ensure that their carers formally notify the IFA of their change in circumstances. The IFA may be continuing to provide a supervising social worker where a child in care remains placed with the carers, in keeping with the governments good practice guidance.

10.5 It is expected that IFAs with whom the local authority commission placements will fully embrace the legislative and good practice guidance associated with the Staying Put Caring initiative. A copy of this policy will be sent to the IFA at the point of commissioning a placement by the Commissioning Team.

11. Benefits for Young People

11.1 Young people remaining in a Staying Put Caring arrangement can claim means tested benefits for their personal needs from their 18th birthday. These benefits replace the pocket money and clothing allowance previously contained in the foster carer's maintenance allowance.

11.2 Personal advisers will be responsible for assisting care leavers in understanding their benefits and will assist them using the **Benefit Adviser tool on www.gov.uk**. As every case is different and there are different entitlements, this tool is vital in understanding the exact entitlement for that individual. Further benefits advice is available from Citizens Advice Bureau.

12. The Treatment of Benefits

12.1 Personal payments from Children's Services to young people and carers under section 17, section 20, section 23, section 24 and section 31 do not count as income for benefit purposes.

13. Income Tax and National Insurance Issues for Staying Put Caring arrangements

Income Tax

13.1 All foster carers and Staying Put Carers must register with HMRC as self-employed.

13.2 The Simplified Tax Arrangements apply and Foster carers and Adult Placement Carers will continue to be able to claim under their existing simplified tax arrangements. Full Tax details are provided in the HMRC help sheet 236.

13.3 Where young people remain living with their former foster carer/s under a Staying Put Caring arrangement, the Income Tax and National Insurance framework and liabilities that apply are set out in the new "Shared Lives Carers" Guidance. The 'Shared Lives' - 'Qualifying Care Relief

Guidance' sets out that Staying Put Caring receive tax exemptions up to a given qualifying amount for each Staying Put young person living with them. The Staying Put Caring qualifying rate mirrors the system and amounts that applied when the placement was previously a foster care placement.

13.4 The Staying Put Caring exemptions do not affect any income from other sources, for example, from employment or from investments. Such other income will be taxed in the normal way.

13.5 Staying Put Caring r/s as well as foster carer/s should note that they may be able to claim Working Tax Credit /universal credit which are administered by HMRC. Fostering/Staying Put Caring is counted as work for tax credit purposes. The carer's taxable income is used to assess the amount of tax credits that they are entitled to. So, where the carer receives less in Staying Put Caring personal payments than the tax free allowance is, their income from caring for Working Tax/ universal Credit purposes is treated as nil, which means they get the highest rate of WTC.

National Insurance

13.6 The same Class 4 National Insurance contributions apply as for fostering.

14. Staying Put Caring arrangement Guidance - Living Together Agreements

14.1 A Staying Put Caring agreement meeting must take place prior to the young person's 18th birthday, to include the young person, foster carer and supervising social worker. This meeting will address the final arrangements and detail roles and responsibilities and a support plan for the young person.

14.2 The meeting should discuss the reason for Staying Put Caring, practical considerations, financial or benefit considerations, and any issues or concerns for the foster carer or young person. The meeting will also confirm the financial support arrangements for the Staying Put Caring r.

14.3 Once agreed, the Staying Put Caring arrangement can extend until the young person moves to their independent tenancy or reaches their 21st birthday (or until the end of the academic year (31st August) of any education/training course being undertaken on their 21st birthday), with monitoring of the arrangement being undertaken by the personal adviser in the Leaving Care Service.

14.4 Following a young person's 18th birthday, the legal basis on which they occupy the property (the home of the former foster carer) changes and they become an 'excluded licensee' who is effectively lodging in the home and the former foster carer becomes a Staying Put Carer. Whilst the term 'excluded licensee' is a legal one, it should not denote that the young person will be treated differently than they were as a fostered child.

14.4 The associated change from foster child to adult member of the household, and for the carer from foster carer to Staying Put Carer, should be carefully and sensitively planned in order to ensure that both young people and carers understand the nature of the arrangement, and that the positive aspects of being in foster care are not diminished by the new legal and financial arrangements and terminology.

14.5 Under certain circumstances, an excluded licensee can be asked to leave the property by the Staying Put Carer, who must give 'reasonable notice'. In extreme circumstances it may be considered reasonable for the Staying Put Carer to give very short notice or ask the young person to leave on the same day.

16. Health and Safety

16.1 The same health and safety principles including household/car insurance that applied under the Foster Placement will continue. The car must have a current MOT certificate. This will be monitored by the Staying Put Caring Coordinator.

17. Household Insurance

17.1 Staying Put Carers should ensure they inform their mortgage provider or landlord and their buildings and contents insurance provider that they will continue to be supporting a former foster child as a young adult under a Staying Put Caring arrangement. Failure to do so may cause a breach of mortgage/tenancy requirements and may result in insurance cover being void due to a 'failure to disclose material facts'.

17.2 Staying Put Carers who transport young people are required to apply the same level of standards and care when transporting Staying Put young people as they did when they were transporting a foster child, i.e. comprehensive business insurance, a valid MOT, a valid Road Vehicle License and a road worthy vehicle.

17.3 Staying Put Caring expectations should be incorporated into the 'Foster Carer Agreement' that foster carers sign on initial approval, and then on a yearly basis following a successful review of their terms of approval.

18. Monitoring and Reviewing Arrangements

18.1 The Staying Put Caring arrangements should be reviewed as part of the Pathway Plan at least every six months. This should record any problems or difficulties that have emerged and what is working well in the arrangement. A review can be arranged earlier if needed by agreement between the young person, the carers and the personal advisor involved.

19. Safeguarding Measures

19.1 The same safeguarding measures that apply under the foster placement will continue to apply to a Staying Put Caring arrangement. In addition, safeguarding policies and procedures as they apply to vulnerable adults will also be observed.

20. Ending the Staying Put Caring arrangement

20.1 The Staying Put Caring arrangement can be ended at any time before the young person reaches their 21st birthday, by either the young person or the carer by giving a minimum of 28 days' notice. This period can be shortened in exceptional circumstances.

20.2 If the young person wishes to remain with the carer post 21 then it will become a private or informal arrangement and no longer funded by the Local Authority. However, funding may be considered to support an agreed course of education but not necessarily at the level agreed as part of Staying Put Caring.

20.3 There will be circumstances whereby a planned move-on from a Staying Put Caring arrangement doesn't work and a return to the Staying Put Caring arrangement is in the young person's best interests. Subject to prior agreement and within an 8 week period a young person can return to their previous Staying Put Caring household and the original payment arrangement will resume. In these circumstances the arrangement will continue to be considered as Staying Put

Caring.

Report of:	*Jayne Ludlam*
Report to:	*Cabinet*
Date of Decision:	*13th February 2019*
Subject:	*Improving support for older people with high care needs to leave hospital*

	Yes		No	
Is this a Key Decision? If Yes, reason Key Decision:-	Yes	x	No	
- **Expenditure and/or savings over £500,000**		x		
- **Affects 2 or more Wards**		x		

Which Cabinet Member Portfolio does this relate to? ***Health and Social Care***

Which Scrutiny and Policy Development Committee does this relate to? ***Healthier Communities and Adult Social Care***

Has an Equality Impact Assessment (EIA) been undertaken?	Yes		No	x

If YES, what EIA reference number has it been given? ***(495)***

Does the report contain confidential or exempt information?	Yes		No	x

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-

"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."

Purpose of Report:

To:-

- ***Describe the proposed model for assessment beds that will enable older people with high care needs to leave hospital and provide a safe setting to arrange longer-term support***
- ***Gain approval to proceed with a single procurement (led by Sheffield City Council on behalf of Sheffield Clinical Commissioning Group) for 36 assessments beds (18 funded by Sheffield City Council)and***
- ***Delegate the contract award to the Director of Adult Services in conjunction with the Director of Commercial and Finance Services, the Director of Legal Services and Clinical Commissioning Group Chief Nurse***

Recommendations:

Approve the procurement of the Assessment Beds as outlined in this report.

Delegate the decision for whole contract award to the Director of Adult Services in consultation with the Director of Commercial and Finance Services, the Director of Legal Services and Clinical Commissioning Group Chief Nurse, in line with this report.

Where no such authority exists, delegate such authority to Director of Adult Services in consultation with the Director of Commercial and Finance Services to carry out such actions in order to meet the aims and objectives of this report.

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: *Hayley Ashforth*
		Legal: Henry Watmough-Cownie
		Equalities Ed Sexton
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	*Phil Holmes*
3	**Cabinet Member consulted:**	*Cllr Chris Peace*
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: *Joe Horobin*	**Job Title:** *Head of Commissioning (Adult Social Care)*
	Date: *(Insert date)* *18th December 2018*	

1. PROPOSAL

1.1 *Background*

Assessment beds can be used following a hospital admission or to prevent a further admission, the aim is always that the person if possible should return home or to their usual place of residence. The beds are typically used for up to 28 days, where a person is “medically fit” but needs a period of time to fully recover and to work out their potential to manage in the future.

Assessment beds allow “future needs conversations” to take place outside of an acute setting, reducing the person’s risk of infection and/or decompensation in hospital and ensuring discussions about the future don’t take place at a point of crisis when their needs are likely to be higher.

1.2 *The Model and Procurement*

The evaluation of a pilot scheme this has helped shape the model for the new assessment beds and has used the feedback from those involved.

An options appraisal was undertaken about the type of model most suitable and recommended the following:-

- A quadrant model with 9 beds available in the North, South, East and West of the city – this will allow some flexibility/choice to individuals to be nearer to their usual place of residence (feedback received as part of the pilot) and ensure the beds are integrated into the primary care and locality areas (currently the beds are centred around the SW of the city)
- The procurement of four Care Homes who can offer both residential, nursing and dementia care– This will mean people do not have to move when their needs change particularly from residential to nursing (feedback from the evaluation) and the contract and management of the beds is easier to undertake (currently managed separately between the Sheffield Clinical Commissioning Group and the Council and raised as a concern by providers)
- The beds will be paid on a block basis at the current standard rate (plus FNC for nursing) for a period of 2 years plus an option to extend. Despite the number of growing vacancies in the city there are only a small number of providers who are able to provide the range of services required. The combination of standard rate fee with a guaranteed payment over 2 years is likely to attract more interest from providers and offer an improved selection of bidders. Block purchasing can bring risks in terms of voids however previous beds have been well utilised so there is no reason why this should not continue to be the case. Contract management will involve negotiation every 3 months and reduction of beds if voids are seen to be an issue.
- The suggested timeline for the procurement is as follows:-

Action	Revised Date	Note
Cabinet Approval	13th Feb	
Decision can be Implemented	21st Feb	Earliest Date
Procurement Strategy Finalised and Signed Off by Commercial Services	13th Feb	
All ITT documents agreed and finalised	18th Feb	
ITT issued	22nd Feb	(must be advertised for a minimum 30 days)
Deadline for queries	18th March	
Deadline for submissions	25th March	Closes at 12 Noon
Evaluation of ITT	28th March – 4th April	
Contract Award issued	12th April	
Successful/Unsuccessful Notification	11th April	
Alcatel 10 Days Expires	22nd April	Voluntary
Contract start date	22nd April	Increasing at a rate of 12 per week until contract is fully operational (3 weeks)
Contract fully operational	13th May	

- The procurement will be subject to an open tender and it is anticipated that that the beds will be in place by 13th May 2019.

1.3 ***Selecting providers***

Sheffield care homes have been made aware of this opportunity via meetings and individual conversations. The open tender will include method statements which require the provider to demonstrate their ability and experience of managing and delivering the specification including all aspects of quality, performance and delivering the primary outcome of supporting people to recover, maintain their independence and return home if they are able.

Procurement will follow legal and commercial requirements as defined by both organisations. Sheffield City Council will lead the procurement however the Clinical Commissioning Group will be actively involved; the joint contract will use agreed NHS terms and conditions (which are a national stipulation) with a Sheffield specification which has been jointly agreed.

1.4 ***Operating the Model***

A collaborative approach is required to enable the contract to operate successfully. This includes for example:-

- A Standard Operating Procedure which describes the end to end process from admission to discharge and the responsibility and function of each team/worker who will make this happen.
- A single “brokerage” function to ensure appropriate placements and flow through the beds – The City Council will be hosting this and the brokerage function will manage the resource by allocating people to resources and moving people through the system to ensure flow out of hospital and prevent unnecessary flow into hospital
- A single contract management and quality and performance function which the City Council will host. This will ensure the providers’ adherence to the specification, will develop and negotiate any variations to the contract arrangements and ensure the quality of the provision is maintained.
- A Memorandum of Understanding between the City Council and the Clinical Commissioning Group which specifies the responsibilities if each organisation under the joint agreement

2. HOW DOES THIS DECISION CONTRIBUTE?

2.1 This procurement recognises the advantages of collaboration across a health and social care system. The outcome for the system means reduced Delayed Transfers of Care from hospital and associated costs and creates opportunities for further efficiencies. For those in receipt of the support and for the providers it means easier navigation through a complex system and means a conversation with only one organisation rather than multiple conversations. All this builds on the learning from feedback from individuals, the public and providers of services.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 Feedback from individuals, families and providers on the pilot approach was used to design the model which is proposed. In addition the need to integrate commissioning approaches more is an ambition from both organisations and this proposal meets with those ambitions.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 *Equality of Opportunity Implications*

There are no adverse risks or implications in this proposal, there are benefits to the older population in supporting and promoting independence

4.2 *Financial and Commercial Implications*

The forecast demand for the beds has been based on the joint 5Q Pilot evaluation and Council's own evaluation of the beds, it has taken account of the needs and demand rather than the current usage. There is recognition that the supply will need to flex at certain times of the year and therefore the contract will allow for a 3 monthly review and change, if required, to the number of block beds purchased.

The costing below are based on 38 beds block booked each week, with the four dual registered Care Homes allocated a mixture of residential and nursing care beds.

Bed type and numbers	Unit Price	Cost per annum	Cost 2 Year Contract Duration
EMI Residential x 18	£463	£481,520	£866,736
Nursing Care x 18	£621.16 [1]	£646,006	£1,162,812
Totals		**£1,127,526**	**£2,029,548**

Sheffield City Council will fund the EMI Residential cost of £866,736; the Sheffield Clinical Commissioning Group will fund the Nursing Care costs.

Sheffield City Council will fund the gross cost and recharge the Sheffield Clinical Commissioning Group for its contribution.

The model will result in earlier discharges from hospital which will take pressure off acute hospital beds and which will save the NHS money. This is an excellent outcome for the person and provides a strong example of the Local Authority working collaboratively to support the NHS. Improved assessment support is also enabling a greater number of people to be able to return safely to their own homes with domiciliary care, rather than need to move permanently into care home provision.

However there will be a corresponding displacement of activity and cost to the Local Authority. Evaluation of the pilot suggests that each person leaves hospital an average of 5 days earlier than they would have done under the old system and those in residential beds will be funded by the Local Authority for that time. This creates additional financial pressure for the Council in an already extremely constrained

[1] Includes FNC at a rate of £158.16

situation.

The Council is currently working with local NHS organisations to set up arrangements to ensure that available funding in Sheffield is deployed appropriately to secure this and similar initiatives over the longer term.

4.3 *Legal Implications*

The Council has a duty to meet the eligible needs of those in its area and it fulfils this duty in part through Council arranged services. The Council also has functions under the Care Act 2014 to ensure that service users:

- receive services that prevent their care needs from becoming more serious, or delay the impact of their needs;
- can get the information and advice they need to make good decisions about care and support• have a range of provision of high quality, appropriate services to choose from.

Support which offers people time to be assessed about their long term needs are now a core element of the local offer.

The European Convention on Human Rights requires local authorities to take into account their 'positive obligations' to actively promote and protect the rights of people as described in the Convention and maintains that providers of publically funded care should consider themselves bound by the HRA.

Sheffield City Council has to comply with its own internal procurement rules and the 2015 Public Contract Regulations so that the required legal obligations and that there is fair and open competition across the EEU.

4.4 *Risks*

There are risks associated with this procurement; the table below details these risks and the mitigations which will be adopted.

Risk	Mitigation
Insufficient beds available of the right type (nursing/residential/dementia)	Providers engaged early so they can adapt their business model in time for the tender and the longer contract term will give some guarantees to providers
Risk to Delayed Transfers Of Care (DTOC) as a result of poor flow through the assessment period and transition of individuals to their final care destination.	Single brokerage arrangements for both organisations will identify flow issues and ensure flow is optimised with clear monitoring and escalation systems in place. Will also act as an early warning system for overstays and alert locality teams to this Use of joint weekly meetings to track flow and

	move on.
Under or over utilisation of the block booked beds resulting in poor value for money.	The brokerage function will closely monitor and control bed utilisation, there will be 3 monthly contract meetings with the provider where the bed numbers can be varied Joint work with STH to ensure appropriate placement to assessment beds. The brokerage team will also ensure that the Care Homes are compliant in providing weekly admissions reports to support the monitoring.
Risk of the market responding poorly to the bed price of £463 for EMI Residential Care, which would pose a financial risk to the budgeted costs.	Currently relatively high vacancies in the care home sector suggest that this risk is lower than it would have been when the 5Q beds were procured. The length of contract also offers security which will be attractive to providers in the current climate.
Any delay to the timeline means current beds will have to be extended, this has cost implications	The Council's decision making process sets the timeline, sufficient time is also required to allow the providers to recruit/ensure staff are ready to access this type of admission. Discussion will take place with current providers about the costs/continuation of the contract
Current providers will not extend the contract	Negotiations will take place with providers currently delivering the contract A contingency plan is being developed to ensure there is adequate provision until the new model is in place

5. ALTERNATIVE OPTIONS CONSIDERED

An options appraisal was undertaken which considered the following alternatives

Revert back to the previous arrangements for hospital discharge: This would have a significant negative effect on the DTOC position and would prevent the benefits of the pilot from being realised. This would mean less people being able to return home.

The hospital avoidance element to these beds would also be lost.

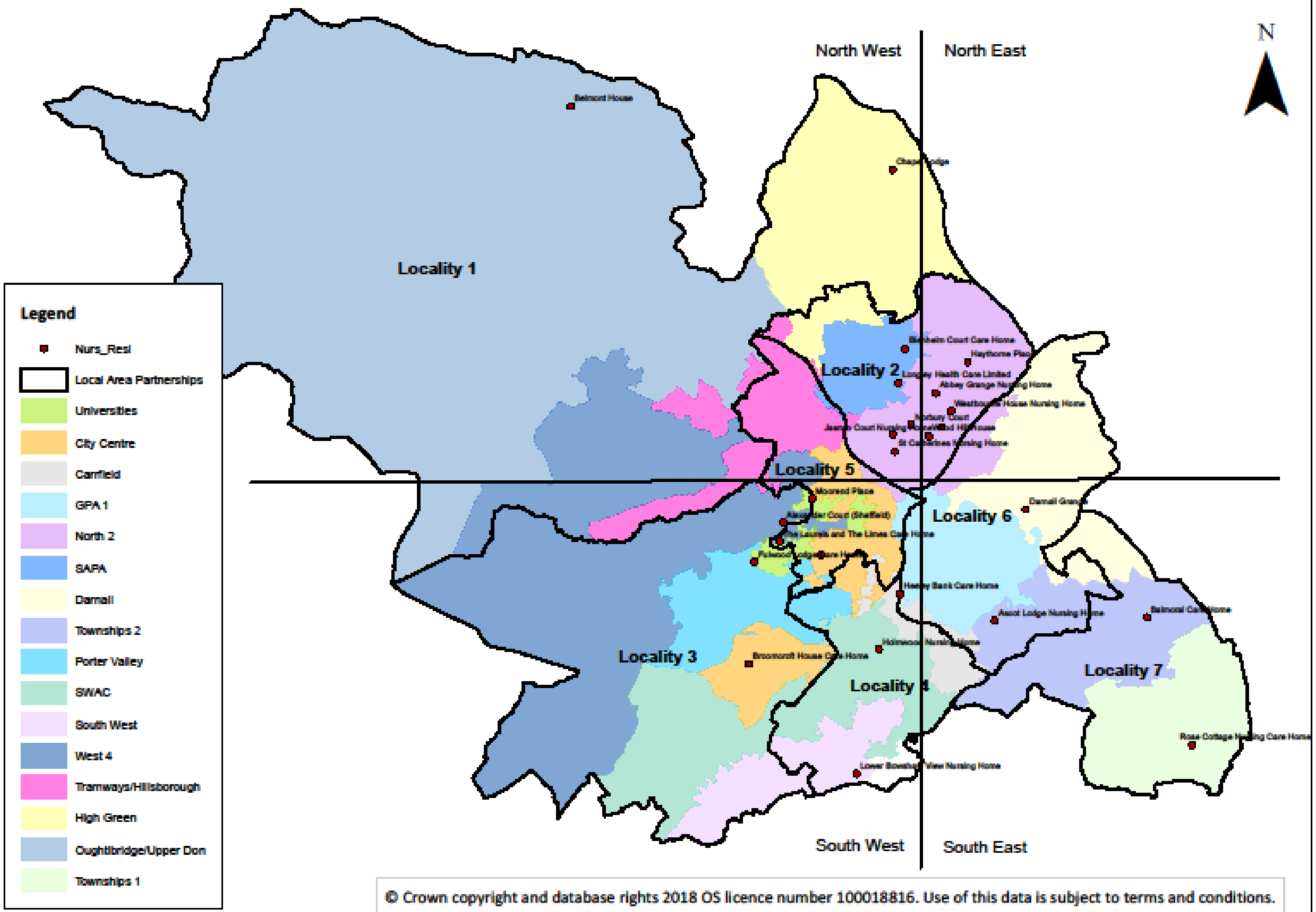
Continue with pilot in the current format: The benefits of the pilot would be realised, however additional improvements would not be realised. The continuation of the current service would also be more expensive to both the Council and Clinical Commissioning Group.

6. REASONS FOR RECOMMENDATIONS

This is the preferred option as it offers:-

- A more integrated commissioning approach
- Builds on lessons learned from the pilot approach
- Is cost effective
- Supports a system wide approach to making hospital discharges and preventing hospital admissions
- Has more chance of securing preferred providers
- Offers individuals an opportunity to go home if possible
- Reduces delays in hospital and prevents people from decompensating or becoming less able whilst in hospital
- Ensures conversations with people about their long term future are done at the most appropriate time

GP Neighbourhoods and ASC Localities with Homes Providing Nursing & Residential Care



Author/Lead Officer of Report: Neil Jones,
Regeneration and Property Services

Tel: 273 5539

Report of:	Laraine Manley
Report to:	Cabinet
Date of Decision:	13th February 2019
Subject:	West Bar Square Potential Investment Partner

Is this a Key Decision? If Yes, reason for Key Decision:- Yes [x] No [ ]

- Expenditure and/or savings over £500,000 [x]
- Affects 2 or more Wards [ ]

Which Cabinet Member Portfolio does this relate to?
Business and Investment – Cabinet Member Mazher Iqbal
Finance – Cabinet Member Olivia Blake

Which Scrutiny and Policy Development Committee does this relate to? Economic and Environmental Wellbeing

Has an Equality Impact Assessment (EIA) been undertaken? Yes [ ] No [x]

If YES, what EIA reference number has it been given? *(Insert reference number)*

Does the report contain confidential or exempt information? Yes [x] No [ ]

If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:- Confidential information is within report in the Closed Part 2 to this report

Purpose of Report:

To seek approval to the City Council entering into an agreement with a major financial institution which would deliver over £150 million of new investment into the West Bar Square development in the city centre.

Recommendations:

1 That Cabinet notes the Executive Director Resources' advice in the Financial Implications contained in section 5.2 and in the closed Part 2 to this report.

2 That Cabinet approves the proposals set out in this report and the terms of the proposed agreement as explained in the closed Part 2 to this report.

3 That Cabinet delegate authority to the Executive Director Place in consultation with the Executive Director Resources and the Director of Legal and Governance to agree the terms of the agreement and the terms of any other documentation required.

4 That the Director of Legal and Governance be authorised to complete such legal documentation as she considers necessary or appropriate on such terms as she may agree to give effect to the proposals set out in this report and generally to protect the Council's interests.

Background Papers:

Report to Cabinet 21st March 2018 and earlier papers referred to in that report

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: Jayne Clarke Legal: David Sellars and Sarah Bennett Equalities: Annemarie Johnston
	Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.	
2	**EMT member who approved submission:**	Laraine Manley
3	**Cabinet Member consulted:**	Councillor Mazher Iqbal and Olivia Blake
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	Lead Officer Name: Neil Jones	**Job Title:** Partnership Team Manager, Regeneration and Property Services
	Date: 13 February 2019	

1. BACKGROUND

1.1 West Bar Square is a long standing strategic project promoted by the Council which aims to extend the city centre to the riverside and Kelham on a site that is currently mostly vacant land and temporary car parks. Its development will create a vibrant new place offering large-scale office development to accommodate over 3,600 jobs for major business and potentially public sector employers in high quality buildings set around new public realm. The development will also include a significant element of long term ‘build to rent’ homes. Whilst a great deal of preparatory work has been done by private developers on assembling most of the land and securing planning permission the development has not yet started.

1.2 Urbo (West Bar) Ltd is a joint venture between local regeneration developers Urbo Regeneration Ltd and Peveril Securities Ltd. Peveril is the development arm of Bowmer & Kirkland, the UK’s largest independent building contractor. Urbo and the Council have an existing development agreement in respect of West Bar Square.

1.3 Urbo controls the 7.33 acre development site by direct ownership and by legal agreements with the Council and options. A small proportion of the site remains to be acquired, but this process is the subject of current commercial negotiations with current owners. A report to Cabinet on 21st March authorised using the Council’s CPO powers if required and the Order was formally made on 24th October. The acquisitions are being funded by the Peveril partner in the Urbo joint venture company.

1.4 In February 2017 Urbo secured an outline planning permission for the development of up to 1.5m sq.ft of mixed-use space. It is proposed that over half of the developed scheme will be offices and the remainder a mix of residential apartments, small scale retail, leisure and other uses. The scheme comprises:

- Up to 85,000m2 of office space
- Up to 50,000m2 or 525 units of residential
- Up to 20,000m2 or 500 bed spaces of hotel use
- Up to 5,000m2 of combined retail and leisure uses
- Up to 25,000m2 or 700 car parking spaces
- Provision of high quality public realm including new pedestrian routes and two new squares

1.5 Urbo and regeneration officers of the Council are working together to secure delivery of the first phases of the project and in order to accelerate the development it needs the introduction of a substantial long-term investment partner to bring forward the main elements.

1.6 In view of the large scale regeneration nature of this project, Urbo approached Legal & General (L&G) who have recently developed a number of major funding/investment partnerships with Local Authorities in cities including

Salford, Cardiff and Newcastle. These regeneration projects have been funded by Legal & General Capital (LGC) which invests L&G's balance sheet into strategically important direct investments.

1.7 Legal & General Investment Management (LGIM) is one of the largest fund investors in UK property. L&G is also one of Europe's largest institutional asset managers and currently manages over £700bn across all asset classes. Many of LGC's completed developments are transferred to LGIM. This combination of in house development expertise creating long term investment propositions for the annuity funds within the same group of companies is unique and allows L&G to deliver large scale regeneration projects in very cost effective structures with their selected partners.

1.8 LGC looks to invest in area-wide regeneration of the type proposed at West Bar Square in order to benefit from long-term good management and investment growth. LGC has spent several months carrying out due diligence on West Bar Square and following negotiations with officers and Urbo, LGC is now positively considering the commitment of a substantial financial investment.

2. PROPOSAL

2.1 Officers, supported by specialist property advisers Cushman and Wakefield have been negotiating with LGC and Urbo on a proposal which would be very similar to that entered into between Newcastle City Council and LGC at Science Central, the first phase of which is now on site.

2.2 The proposal is that the Council agrees to take a lease of a high quality new office building of 100,000sqft (net internal) to be developed by Urbo. At the same time LGC will simultaneously fund the development by Urbo of 345 'build to rent' apartments; a multi storey car park and good quality public realm. These elements will all form phase 1 of West Bar Square and demonstrate a huge commitment to the delivery of the project.

2.3 If this is agreed then LGC will also fund the development of a second 100,000sq ft office to start on site on the earliest of Office 1 being 85% let or two years from practical completion. This building will be sufficiently different from Office 1 as to avoid each competing with the other for tenants.

2.4 Due to the covenant strength of the Council and the long term nature of LGIM investment strategy, LGC is able to offer the Council an extremely competitive rental deal on Office 1 which is well below market value. This will create a profit rent buffer which reduces the Council's financial letting risk over the term. The Council will have the option to acquire the asset at the end of the 40 year term for £1.

2.5 If the proposals are agreed and progressed this would represent a substantial commitment by LGC of over £150 million in investment over the next 5 years and would show a tremendous level of confidence in the economic strength and potential of Sheffield City Centre.

2.6 In other cities, such as Newcastle and Cardiff, where LGC have committed to an initial investment on this basis they have subsequently sought out further investment opportunities and delivered far in excess of the first tranche. There is no reason why this should not also be the case here and LGC and Urbo are already discussing how they could work together on the rest of West Bar Square.

2.7 If the current proposals set out in this report are approved it is anticipated that the first phase will start on site in 2020.

3. HOW DOES THIS DECISION CONTRIBUTE?

3.1 Economic

3.1.1 It is widely acknowledged that as the new offices which have been built in the city centre over the past 3 - 4 years have been occupied there is now an increasing need and demand for more good quality office development. Figures released recently by Invest Sheffield and Knight Frank showed that total office take up across the city in 2018 was 363,584 sq ft, higher than the ten-year average take-up of 300,000 sq ft. There is currently no new speculative office space of scale being built in the city centre and this could have a negative impact on the local economy in terms of options for new or existing businesses to move.

3.1.2 The City Centre Plan proposes a strategy to enhance and expand the existing business districts within the city centre which each have distinctive attributes to meet a wide range of differing occupier requirements. West Bar Square is an important site within the Riverside Business District that is particularly well suited to large floor-plate employment space. The surrounding area is well established as a location for large public sector employers and other businesses requiring larger floor space than can be found in the Central or Sheaf Valley Business Districts.

3.1.3 Officers, our advisors and importantly LGC are confident that new office development at West Bar Square will provide desirable new space which will be attractive to a wide range of tenants and can also be let without detriment to new office space which is proposed to be developed as part of the Heart of the City II project. Officers are intending to commission a study from specialist commercial agents to advise on current and future office demand in the city centre in order to ensure that these schemes are designed so as to complement and not compete with each other.

3.1.4 It is expected that the entire West Bar Square development will deliver commercial employment floor space supporting around 3,660 full time jobs and new homes for up to 850 residents.

3.1.5 The development will generate Council Tax and business rate receipts for the Council’s revenue budget. It is estimated that the first phase of the development which would be delivered through this proposal would generate approximately £1.6m pa in business rates and £500k pa of Council Tax and New Homes Bonus.

3.1.6 Delivery of the first phase will greatly enhance progression of the rest of the West Bar Square project. The total annual impact has not been assessed at this stage as the development will be delivered in phases over 5-10 years. However it is likely to generate similar amounts as the first phase which represents approximately 50% of the total floorspace that the whole site could accommodate.

3.2 Environmental

The development will deliver considerable environmental improvements; removing semi-derelict buildings and surface car parks; delivering energy efficient buildings, high quality public realm and landscaping with new pedestrian and cycle routes to/from the City Centre, Kelham Island and Woodside/Burngreave.

3.3 Social

In addition to the substantial number of jobs which can be accommodated the development will deliver improvements to social well-being with a high quality development with new public spaces and active ground floor leisure uses for people to meet; safer routes through the area for pedestrians; high quality housing and offices.

4. HAS THERE BEEN ANY CONSULTATION?

4.1 As the proposals set out within this report are largely confidential there has been no formal consultation. However the principle of comprehensive redevelopment at West Bar Square has been the subject of numerous public consultations with positive feedback including the West Bar IPG (2006), previous developer Castlemore's planning application (2006), City Centre Masterplan (2008 and Draft 2018) and community consultation was undertaken as part of the promotion of Urbo's planning application (2015).

5. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

5.1 Equality of Opportunity Implications

An Equality Impact Assessment has not been carried out in respect of the proposals set out in this report. However an EIA was carried out at the time of the March Cabinet report on the CPO and that concluded that the redevelopment of the site will be of universal positive benefit for all local people who will benefit from the creation of a significant number of new full and part time jobs. The socio economic and community cohesion impacts locally will be particularly positive.

5.2 Financial and Commercial Implications

5.2.1 Analysis has been carried out by the Council's property advisers, Cushman and Wakefield, of the likely take up of the office space over the term of the agreement based on anticipated demand. It has been assumed that there will be a staggered take up of occupation with a number of 10 year leases in operation.

5.2.2 Members are advised to note that the proposal involves a 40 year property lease from which there are no exit clauses. Income generated from letting should cover the annual revenue charge over time but, as well as the net cost in the first few years, there will be an income risk every 10 years as leases come up for renewal. Clearly there are considerable potential economic benefits from the scheme too, but this is a significant long term financial commitment.

5.2.3 On balance the scheme does offer potentially significant economic activity, with commensurate business rate and council tax income. However, the risk and potential cost to achieve this comes at a time when budgets are under severe pressure.

5.2.4 If a significant level of long term pre-letting of the building can be achieved then this will change the risk profile of the transaction considerably. The Council will therefore actively market the building following the Cabinet approval and seek to secure the necessary commitment. Further details of the types and levels of pre-let that would give the required level of comfort and the detailed financial and commercial implications of the proposals relating to the terms of the LGC offer are set out in Part 2 of this report.

5.3 Legal Implications

5.3.1 The taking of the lease as proposed is an acquisition of land. Section 120(1) of the Local Government Act 1972 allows a local authority to acquire land (a) for the purposes of any of its statutory functions or (b) for the purposes of the benefit, improvement or development of their area.

5.3.2 More generally section 1(1) of the Localism Act 2011 states that a local authority has power to do anything that individuals generally may do. This power of general competence allows local authorities to act in innovative ways and sub section 1(5) makes clear that the generality of section 1(1) is not limited by the existence of any other power of the authority which may (to an extent) over- lap the generality of the power.

5.3.3 As with all functions of the Local Authority the exercise of the power of general competence is subject to the public law limitations in respect of vires and any existing specific limits imposed by other legislation.

5.3.4 The terms proposed, which are set out in detail in the closed Part 2 of this report, have been negotiated and verified by experienced specialist surveyors acting on the behalf of the Council. The level of rent which would be payable is well below current open market value. The proposals are therefore in accordance with the Council's statutory obligations in respect of best value.

5.3.5 The specialist surveyors also carried out some limited soft market testing with a small number of other financial institutions who invest in similar long term lease deals with Local Authorities. This concluded that whilst there could be other institutions who would be willing to negotiate a similar proposal with the Council on a stand alone office building, there do not appear to be any who would be willing or able to commit to the wider comprehensive development proposals. It is these wider benefits which are particularly attractive in this scenario.

5.3.6 On the basis of the commercial aspects outlined in paragraphs 5.3.4 and 5.3.5 it is considered that the proposals are State Aid compliant.

5.3.7 The proposals in this report involve land and / or financial transactions. The Council will agree to take the lease of a building if certain conditions are met and will have no obligation to lease the building if those conditions are not met. No works or services will be completed on behalf of the Council and no goods will be purchased on the Council's behalf. Consequently the proposed transactions/agreements do not involve the procurement of goods, works or services which are subject to the public procurement regime.

6. ALTERNATIVE OPTIONS CONSIDERED

6.1 The Council could simply do nothing to try to bring this development forward and leave it entirely to Urbo to negotiate development finance. It is quite possible that the market is strong enough to support this and the scheme would still be delivered over time. However there is no doubt that this would take considerably longer to achieve than what is being proposed.

6.2 If this approach were to be taken then the significant economic, environmental and social benefits to the city set out in the report would take longer to materialise. The same would apply to the financial benefits accruing to the Council from new business rates and Council Tax.

6.3 As described briefly in paragraph 5.3.5 it might be possible to negotiate similar lease terms with an alternative investor on a stand alone office building. However if this was to be done it is highly unlikely that the wider development would be brought forward at the same time. As with the do nothing option this would result in delays to the delivery of the wider benefits

7. REASONS FOR RECOMMENDATIONS

7.1 The proposed agreement with Legal and General and Urbo outlined in this report will secure over £150 million of new investment into the city centre. This will deliver a substantial first phase of development at West Bar Square totalling 200,000 sq ft of new Grade A offices, 345 private rented apartments, a multi storey car park and new high quality public realm.

7.2 This represents a massive sign of confidence in the future of the city and will generate major economic, environmental and social benefits as well as new business rates and Council Tax receipts to the Council.

7.3 Based on evidence from other cities where Legal and General are investing on a similar basis it is considered likely that the Council agreeing to enter into the proposed agreement will stimulate further substantial investment by Legal and General in future years.

7.4 The proposals are commercially sensible for the Council and comply with statutory obligations.

Laraine Manley
Executive Director Place

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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