MEDIUM TERM FINANCIAL STRATEGY: 2016/17 TO 2020/21

Purpose of the Report

1. The purpose of the Report is to:

    - provide Members with details of the forecast financial position of the Council for the next 5 years; and
    - recommend the approach to budgeting and business planning that will be necessary to achieve a balanced budget position over the medium term.

Recommendations

2. It is recommended that Members:

    - Note the forecast position for the next 5 years.
    - Agree the approach to business planning targets.
    - Agree the following approach to capital planning:
        - Maximise flexibility in capital resources pools including New Homes Bonus, capital receipts and Community Infrastructure Levy (CIL) to ensure that Council wide objectives are achieved
        - Review policies in relation to Affordable Housing, CIL and New Homes Bonus to ensure that the generation of these funding streams is optimised
        - Reaffirm the existing Corporate Resource Pool (CRP) allocation principles.

Background

3. The last report on the Medium Term Financial Strategy (MTFS) was considered by Cabinet on 15 October 2014. The MTFS has been updated to reflect the budget decisions of Full Council in March 2015.

4. This updated MTFS sets out the broad issues that will impact on the Council's financial position for 2016/17, outlines some of the decisions facing the Council over the medium term and sets out the planning parameters for the next 5 years.

5. The provisional Local Government Finance Settlement for 2016/17 will not be known until December 2015. However as part of the Chancellor’s Summer Budget announced in July 2015, the Government issued an indicative set of high-level Departmental Expenditure Limit figures for 2016/17 and beyond, from which projections about the level of future funding for local government can be made.

6. The Chancellor’s Summer Budget announcement in July 2015 will be followed up by his Autumn Statement on 24 November 2015 which will set the tone for the Local Government Finance Settlement in December 2015.

7. Regardless of the outcome of the Settlement, one point is abundantly clear: with the Government’s ongoing commitment to spending cuts in unprotected public sector budgets as part of the deficit reduction programme, in the future the Council’s financial position will be significantly determined by the level of business rate income and council tax income, each of which may be subject to considerable volatility. This consequently injects a higher level of risk and uncertainty into financial planning. The key financial risks and assumptions associated with the MTFS are summarised as appendices to this report.

8. On 2 October it was announced that the Council and the other 8 authorities in the area had successfully negotiated a Sheffield City Region devolution deal with HM Treasury. One of the key headlines of the deal is the ability to keep 100% of the growth in Business Rates. The detail of this and other aspects of the deal still need to be worked through, especially as business rates income is complex and subject to a wide range of variable factors. Therefore, the business rates figures included in the MTFS have not been revised at this stage. However, as further details become available, any changes will be fed into later updates of the MTFS.

Summary

9. 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, which differs from previous years. For further details, please see paragraph 44 onwards.

10. The first step in the business planning process for 2016/17 is to estimate the gap between the Council’s resources and expenditure. Following cuts to our grant of 52% over the last 5 years, we expect all our remaining Revenue Support Grant (RSG) of £115.8m to reduce to zero over the next five years – cuts of 20% or over £23m per year. However, in year one, due to corporate savings the Council is able to make, it is estimated that the Council’s budget gap for 2016/17 is a smaller £5.4m, rising to a cumulative position of £88.0m by 2020/21. This estimate reflects expenditure variations such as the cost of half increments, employers’ national insurance and pension costs as well as the Streets Ahead contract. However, this does not include 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 £45.5m for

2016/17. Further details on the gap can be found from paragraph 13 as well as in **Appendix 1**.

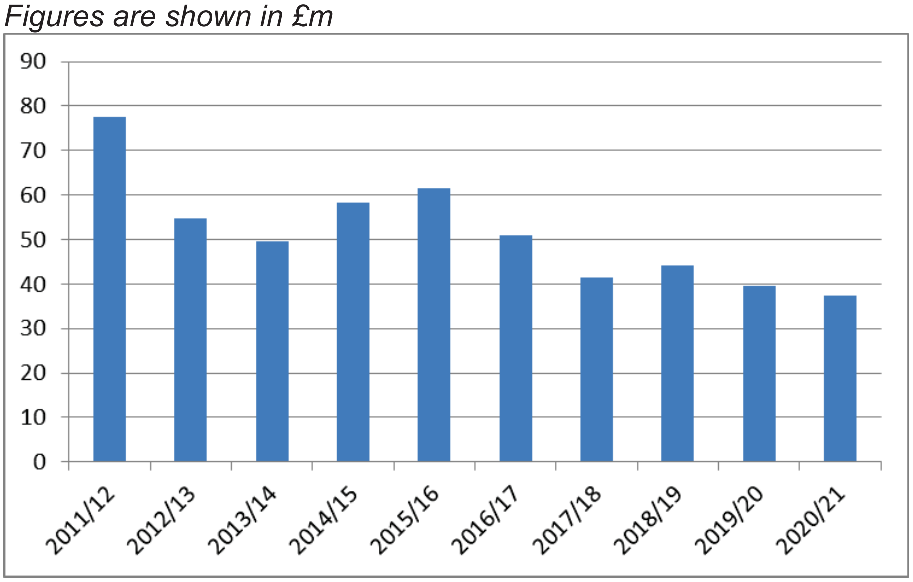
Figure 1 – Summary of Projected Budget Gap for the 5 years to 2020/21

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m
Reductions in RSG	23.2	23.2	23.2	23.2	23.2
Business Rates & Council Tax Income	(8.2)	(8.2)	(8.4)	(8.3)	(8.5)
Reversal of Collection Fund Surplus	3.3	0.0	0.0	0.0	0.0
Expenditure variations	(7.8)	6.4	9.5	4.7	2.7
Use of Invest to Save	(5.1)	0.1	0.0	0.0	0.0
Budget Gap	**5.4**	**21.5**	**24.3**	**19.6**	**17.4**

11. The chart below shows how the forecast gap for 2016-21 compares to the revenue budget savings for 2011-16.

Figure 2 – Comparison of Revenue Budget Savings in the 5 Years to 2015/16 vs Projected Budget Gap for the 5 years to 2020/21 (including an estimate of pressures in future years)

Figures are shown in £m



12. Whilst the forecast gap for 2016/17 appears to be relatively small compared to the budget savings required in the last five years, it should be noted that there are around £45.5m of portfolio pressures, including nearly £12m of risks which, if they crystallised, could increase the total budget gap to around £50m, as shown above.

Assessment of the Budget Gap

13. As shown in Figure 1, the scale of the budget gap is affected by changes in the Council's resources (Revenue Support Grant, Business Rates, Council Tax and other specific grants) and expenditure, as well as one-off and exceptional items. This section deals with each of these key components in turn.

Revenue Support Grant

14. For 2015/16, the Council will receive £115.8m of RSG from Government. No figures from Government for future allocations of RSG are currently available; provisional figures will only be published in late December 2015 as part of the Local Government Finance Settlement.

15. Officers have taken soundings from various sources (LGA, SIGOMA, CIPFA) to gauge the likely scale of reductions to RSG. The conclusion is that RSG will reduce to nil by the end of this Parliament, although the rate of reduction varies depending on the source. One positive indicator is the change in the Government's forecasts published alongside the Chancellor's Summer Budget which, compared to the Autumn Statement in late 2014, suggest that cuts to departmental expenditure will not necessarily be front-loaded in this Parliament, but rather spread more evenly over the next five years.

16. Nevertheless, as the prospects are high of local government budgets continuing to be squeezed even harder due to the Government's pledge to extend budgetary protection to Defence as well as Health and Education, the Council is taking a prudent view for the purposes of the MTFS. It has therefore been assumed that RSG will reduce by 20% per annum on a straight-line basis. This amounts to around £23.2m p.a.

Business Rates

17. With the introduction of the national business rate retention scheme in April 2013, a significant proportion of the Council's income now comes from the Council's 49% share of business rates collected locally. With RSG set to decline even further, the financial position of the Council will now be substantially dependent on its ability to raise and collect the expected level of business rates.

18. 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.

19. In order to counteract this national imbalance, the Government has introduced 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.

20. As the Council is deemed to have a level of need in excess of the business rates it is capable of collecting, it receives a top-up grant which amounts to £28.9m in 2015/16 and which is assumed to increase by 1% per annum over the next five years.

21. A series of complex assumptions need to be made in arriving at an estimate of how much business rate income the Council will collect and therefore how much it will rely upon in setting the budget for 2016/17 and beyond. For instance, it will involve the Council's own assumptions about growth (if any) in the amount to be collected, the losses on collection, the levels of reliefs that may be given and the levels of outstanding appeals. All of these carry significant risk and will involve assumptions about performance in 2016/17 and future years that will be based on experience of recent years and the use of the most up to date information available.

22. In arriving at a reasonable estimate of retained business rate income in 2016/17 and beyond, the following key assumptions have been made:

- 1% inflation uplift in the annual rating multiplier, generating approximately £1.1m per annum for the Council. Any funding from Government to compensate local authorities for the capping of the inflation uplift in 2014/15 and 2015/16 is assumed to continue to increase at current levels.

- From a review of the developments that have taken place in the current year or are expected to take place, there is the potential for there to be an increase of £2m in the locally retained share. 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). For the purposes of this forecast, an annual increase of £2m in retained business rate income is assumed over the next five years.

- The VOA is in the process of re-assessing all premises subject to business rates in preparation for full-scale national revaluation with effect from April 2017. No information is presently available to evaluate the potential impact of revaluation on the Council, so it is assumed in this MTFS that there will be a neutral impact.

- 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 remain constant at 2015/16 levels (circa £38.2m).

- Losses and costs of collection: this includes an estimate of the bad and doubtful debts in 2015/16, the potential legal and other recovery costs. It is assumed that losses on collection will stay at 2015/16 levels, i.e. £3m.

- 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 VOA. However, because of the large volume of appeals, decisions by the VOA can take several years, although the Chancellor announced in the Autumn Statement in December 2013 that he had set a target for the VOA to work through 95% of outstanding appeals (as at 30th September 2013) by July 2015.

- 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 2015/16 levels, i.e. £3.8m.

23. Significant risks in respect of business rates are described further in **Appendix 3**.

Council Tax

24. The Council set a Council Tax Requirement for 2015/16 of £170.379m. The Band D equivalent council tax was £1,308.28, a 1.99% increase on the previous year. The overall level of council tax income is dependent on the following:

    - The Council Tax base: i.e. the overall number of properties that the Council can collect council tax from;

    - The availability or otherwise of a Council Tax Freeze Grant;

    - Any restrictions on the ability of the Council to increase the level of council tax: i.e. the policy of the Government to prescribe an increase that will trigger a local referendum.

25. 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 5**.

<u>Council Tax base</u>

26. The council tax base for 2015/16 was set at 130,231.44 Band D equivalent properties. This was an increase of 2,087 properties (1.6%) compared to the figure for 2014/15, partly due to an additional 1,079 properties, but also as a result of 1,104 fewer properties being entitled to the Council Tax Support Scheme (CTSS).

27. The statutory date for the determination of the tax base for 2016/17 isn't until early next year. However, for the purposes of the MTFS, a review of the current position has been made based on information presently available:

    - The overall number of properties: at the present time, the prudent assumption being made is that there will be an additional 500 band D equivalent properties for each of the next five years, which is expected to generate around £650k per annum. Some increase was to be expected with additional properties being constructed or brought into use. It is not known to what extent this figure will grow in the coming months.

- Number of properties eligible to discounts and exemptions (not including CTSS). The tax base for 2015/16 assumed that 34,595 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.

- Number of properties eligible for CTSS. 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 2016/17.

- Estimated collection rate: 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 2016/17 assumes a collection rate of 95.5% (unchanged from 2015/16).

Council Tax referendum limits

28. Government policy regarding the trigger point for a local referendum is announced by the Secretary of State in February each year. In February 2015, the Secretary of State set a principle that an increase in council tax of 2% or above would trigger a local referendum. The trigger point for 2016/17 will not be known with certainty until the principles are issued in February 2016. For the purposes of the MTFS, it is assumed that the trigger point will not be adjusted.

29. It will be for the Council to decide the policy regarding future Council Tax increases. For the purposes of this report, a modest increase in council tax income is included in the forecast from April 2016 through growth in the current tax base.

Council Tax Freeze Grant (CTFG)

30. The Finance Settlement for 2015/16 included details of CTFG, which would be paid to local authorities that did not increase the council tax from the 2014/15 level and the value of the grant would be equivalent to a 1% increase in council tax but calculated on the Council Tax Base before the deduction for CTSS. For Sheffield it would have meant a potential grant of around £2.0m; this is £1.4m less than the amount generated by the 1.99% increase in Council Tax agreed by Full Council.

31. No assurances have been given about CTFG beyond 2015/16. Although the Council agreed to freeze council tax for the four years 2011-15, it no longer receives freeze grant. Government policy has been to build CTFG into the local government finance settlement as a notional line within RSG. In any event, as the pattern

appears to be that CTFG will no longer be given as a specific grant for more than one year, acceptance of CTFG can no longer be viewed as a sustainable financial strategy, not least because RSG, which contains notional CTFG, is likely to continue to decrease each year. On this basis, Full Council decided to approve a 1.99% increase in council tax in March 2015.

Collection Fund Surplus

32. The 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 etc, based on information available by 15 January. Taking these factors into account, the projection on 15 January 2015 was that the Collection Fund would be in surplus with a distribution to the City Council of £3.3m in 2015/16. As this is a one-off source of funding, it needs to be disregarded for the purposes of financial planning, and hence becomes a pressure in 2016/17.

Specific Grant funding beyond 2015/16

33. The table below shows the main grants that the Council has taken into account when setting the 2015/16 revenue budget.

Figure 3 – Specific Grants

	Budget 2015/16 £000
Public Health	30,748
Business Rates Top Up Grant	28,883
NHS Funding	12,399
New Homes Bonus	7,738
Education Services Grant	4,420
Housing Benefit Admin Grant	3,564
S31 Grants for Business Rate Reliefs	3,100
Adult Social Care New Burdens (starting in 2015/16)	2,644
Independent Living Fund	2,216
S31 Grant for Business Rate Cap 2014/15 & 2015/16	1,916
Council Tax Support New Burdens Funding	124
Local Services Support Grant	53
Total	**97,805**

34. As very little information has been provided on future allocations of specific grants by Government, assumptions have been made about each of the grants listed in Figure 3 on a case by case basis. The following paragraphs focus on those grants where there is a relatively high degree of risk in terms of future cuts, or where certain assumptions have been made in the forecast.

Public Health

35. The Department of Health paid the Council a ring-fenced grant of £30.7m in 2015/16, frozen at 2014/15 levels. A further £3.7m will be allocated to the Council in 2015/16, along with a transfer of responsibilities from the NHS with effect from October 2015. These responsibilities will include health visitor services for children aged 5 years and under. This additional funding has not been shown in Figure 3 above because it has not yet been officially confirmed.

36. Alongside the Summer Budget in July 2015, the Chancellor announced that Public Health funding would be cut by £200m in-year (7% of the total funding nationally), and a subsequent consultation was launched to seek views on how the cut would be implemented. If a 7% cut were applied to the Council's allocation of its £30.7m funding, this would result in a £2.2m reduction with an immediate impact as all of the 2015/16 allocation is fully committed. It is currently assumed that this cut will follow through into 2016/17 and may be even bigger.

Education Services Grant

37. There are some grants where the precise allocation will not be known until nearer the start of the relevant financial year and which are not included in the spending power figures, for example the Education Services Grant (ESG) which is allocated to both the Council and academies in the city on a per pupil basis according to the number of pupils for whom they are responsible. Following the decision to cut £200m in ESG as announced in the 2014 Spending Review, the Council's allocation of ESG was reduced by £1.5m in 2015/16. Any future net reductions in ESG will depend on the number of pupils under the local authority's responsibility, which is primarily affected by the number of schools expected to become academies. If reductions do occur these would need to be reflected in the spending plans of the Portfolios affected: i.e. as part of the strategy for the management of "pressures".

Better Care Fund (BCF)

38. The Council currently receives £12.4m of funding via the NHS to meet the costs of providing adult social care. In addition, with effect from April 2015 the Council has pooled its adult social care budget with that of the local NHS Clinical Commissioning Group (CCG).

39. The actual amount which the Council will receive from the BCF is subject to ongoing discussions with the Clinical Commissioning Group. The 2015/16 budget includes a £9.3m contribution from reserves to temporarily bridge the gap between the Council's current level of expenditure and the amount of resources which it can afford to contribute to the pooled budget. For the purposes of the MTFS, it is assumed that this shortfall will be met either by the CCG or through recurrent savings on adult health and social care expenditure.

Independent Living Fund (ILF)

40. The ILF scheme was administered by Department for Work & Pensions (DWP) until 30 June 2015, after which point the responsibility for service users will transfer to local authorities. The scheme delivers financial support to disabled people so they can choose to live in their communities rather than in residential care. No official confirmation of funding beyond 2015/16 has been provided.

Adult Social Care New Burdens

41. The Government provided £2.644m of new funding for Sheffield to cover additional statutory responsibilities as a result of the Care Act. As with ILF, no official confirmation of funding beyond the current financial year has been provided.

Dedicated Schools Grant (DSG)

42. The amount of DSG grant continues to be flat cash settlements which do not keep pace with a range of cost pressures in the school system and the increasing numbers of children, many of whom need additional support. The position for 2016/17 remains uncertain and government announcements suggest a continuation of this position.

Forecast revenue expenditure

43. The Council set a net revenue budget for 2015/16 of around £424.1m. There will be a number of items of additional expenditure that are likely to be incurred in future financial years and there will be other issues, about which there will currently be uncertainty, but which may also subsequently involve expenditure for the Council. A key issue for the budget process will be the approach to including additional budget provision during a period in which resources are constrained. Compared to the amounts budgeted for in 2015/16, there are a number of potentially significant additions and reductions to annual expenditure in future years:

- Local Government Pensions costs: as a result of the triennial valuation of the South Yorkshire Local Government Pension Scheme (LGPS) completed by 31 March 2014, the Council's financial obligations with regard to the LGPS have increased significantly over the period 2014-17 compared to the previous triennial period. The Council set aside a further £2.4m to meet these obligations in 2015/16 compared to the previous year, and is required to provide for an additional £1m in 2016/17. As the results of the next triennial valuation will not be known until December 2016, no additional budget provision has been assumed in the MTFS. Clearly this is a risk, however we may seek to mitigate this risk by way of an early payment of the deficit recovery contribution.

- Employers' national insurance contributions: the introduction of the new state pension from April 2016 will mean the abolition of the "contracted out" rate of employers' contribution. On the basis of the existing payroll size, the Council faces additional costs of approximately £3.1m from April 2016.

- Pay strategy: the Council agreed a new pay strategy with effect from April 2014. As part of this strategy the increment freeze was extended to March 2015 although there was a payment of £250 for the lowest paid employees. The other elements of the strategy – involving the introduction of mandatory unpaid leave, the introduction of half increments and a Christmas shutdown – have taken effect from April 2015.

  The introduction of the new pay strategy, with discussions about the removal of enhancements continuing, will amount to a pressure of £2.0m in 2016/17 rising to £9.4m cumulatively (largely due to the cost of half increments) by 2020/21 based on the current staffing structures. This assessment will change as more is known about revised staffing structures in future years. These pressures are included under expenditure variations.

- Capital Financing costs: an assessment has been made of the likely level of capital financing costs in future years across the whole of the Council. Given the low levels of interest and the current capital spending profile, it is estimated that the capital financing budget can be reduced by £0.8m in 2016/17, with the potential for further reductions in future years.

- Streets Ahead contract: the Council investment in the Streets Ahead contract will result in the required amount increasing by approximately £1.8m per annum from April 2016, as planned. 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).

- Sheffield City Trust (SCT) debt charges: in 2013 Cabinet approved proposals to restructure the funding for SCT. The forecast includes an increase of £0.45m per annum from April 2016, plus a further £1.8m in 2017/18, as set out in the report to Cabinet on 19 June 2013.

- Howden House PFI: there will be 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 from 2016/17.

- The Sheffield City Region Local Transport Body (LTB), previously the Integrated Transport Authority, is currently looking at ways of reducing the transport levy in 2016/17. One possible option is that by reviewing the basis on which capital financing costs are charged to its main subsidiary the South Yorkshire Passenger Transport Executive (SYPTE), the levy could be reduced by 7.5% resulting in a saving to the Council of £2.1m. As part of the approach to balancing the budget for 2016/17, the Place Portfolio is also working with SYPTE to look at operational efficiencies which could be included within that Portfolio's overall savings proposals.

- MRP (£4.9m): the Council has reviewed the discretion available to it under legislation to profile the charges it makes to the General Fund revenue account to raise cash to repay debt. This type of charge is commonly known as the Minimum Revenue Provision (MRP). The review has concluded that the

Council can generate revenue savings through a re-profiling of these charges, whilst actually paying off debt over a shorter period. The results of the review have been shared with the Council's external auditors who found no cause to challenge the proposal. The MRP policy changes were approved by Full Council on 6 March as part of the Council's Annual Treasury Management Strategy.

- Capita contract: in-depth negotiations have taken place between Council officers and Capita to identify the potential for further savings on the Capita contract. It was announced in Autumn 2014 that the negotiations were successfully concluded, resulting in savings of £1.8m in 2015/16. A further £1.6m of savings are expected to be realised in 2016/17.

- Contribution to business rates appeal reserve (£2m): a substantial proportion of risk around appeals on business rates has been transferred to local authorities under Business Rates Retention. Officers have been monitoring appeals regularly, and have built up what is believed to be a reasonable amount in provisions. Consequently, it is proposed to reduce the transfer to the business rates appeal reserve by £2.0m.

- I2S (£5.1m): as part of the reserves strategy, the Invest to Save reserve will be fully repaid by the end of the current financial year. However, recurrent savings will continue to be paid into this reserve. It is proposed to make £5.1m of such savings available to support the General Fund from 2016/17.

- Impact of 2015/16 budget monitoring: the budget monitoring position for 2015/16 is presently showing a forecast overspend of £11.0m. Although it is expected that management action will be reflected in forecasts in future months, there are difficulties associated with delivering the full extent of the contract savings. For the purposes of the MTFS forecast, it has been assumed that there will not be any issues overhanging from 2015/16 or, if there are, these will be dealt with as part of the approach to managing pressures. The current estimate of such pressures is around £6.6m, but it is expected that these will be managed down.

  A significant part of the Council's net investment in the Place Portfolio is accounted for by three key lines of spending - the Streets Ahead road refurbishment project, the waste management and disposal contract and the levy payable to the Sheffield City Region Local Transport Body (LTB). If these areas of spending do not deliver the target level of savings there will be a disproportionate effect on the other services within the portfolio as these services will have to make good the shortfall.

- In terms of portfolio cost / demand pressures, these amounted to approximately £22m in 2015/16 and were offset by savings of an equivalent figure. The majority of the pressures in 2015/16 related to adult social care costs and it is likely that these will again feature prominently in a review of potential pressures in 2016/17. It is proposed that the approach to be taken regarding pressures will be the same as that adopted previously: i.e. that Services/Portfolios will be required to manage their pressures from within existing resources and where necessary will be required to identify offsetting savings.

The level of pressures for 2015/16 included a provision for staff pay awards of 1% amounting to approximately £2m. The Chancellor's Summer Budget Statement in July 2015 confirmed that a 1% pay cap for public sector pay will continue in 2016/17.

Approach to balancing the budget

44. The approach adopted to balancing the 2015/16 budget, namely to require Portfolios to find 15% reductions in their net expenditure, did not identify sufficient amounts to balance the budget, requiring a number of corporate items to be identified to bridge the gap (for example savings from the early payment of pension contributions, reduction in the ITA Levy and additional specific grant income). These difficulties reflected that 2015/16 was the fifth year of the Government's austerity agenda, and so ways of reducing net budgets across the board are becoming harder to find.

45. Consequently for 2016/17 onwards we are proposing a change in approach. Portfolios are still required to absorb their pressures (so there may well still be a number of Portfolio-based savings schemes). However to achieve the corporate savings necessitated by the anticipated further reduction in RSG from Central Government (we have planned for a 20% or £23.2m fall per annum), we will concentrate on a discrete number of key areas where we believe resources can be released.

Reserves

46. The Medium Term Financial Strategy 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.

47. The Director of Finance has reviewed the position relating to Reserves and has produced a Reserves Strategy as part of the 2015/16 revenue budget which is attached at **Appendix 4**. This sets out the estimated requirement for Reserves and explains the purpose of each earmarked reserve.

Capital Programme for 2016/17

48. 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. The Council's Corporate Capital Strategy is shaped by a number of Government policies.

- the devolvement of capital funding to City Region authorities and the involvement of the Local Enterprise Partnerships (LEP) in capital allocation decisions

- the shift towards capital funding to economic regeneration projects which generate a financial return to repay the initial investment and create a revolving fund;

- the Government austerity programme, which has had a major impact on the rest of the non-housing programme, which has not only led to less capital funding but is also reducing revenue budget funding reducing the scope for contributions to the capital budget;

- the education policy mandating that all new schools should be academies which transfers maintenance responsibilities away from the Council's Local Education Authority (LEA) role and will subsequently reduce central grant funding which is formula driven based on pupil numbers;

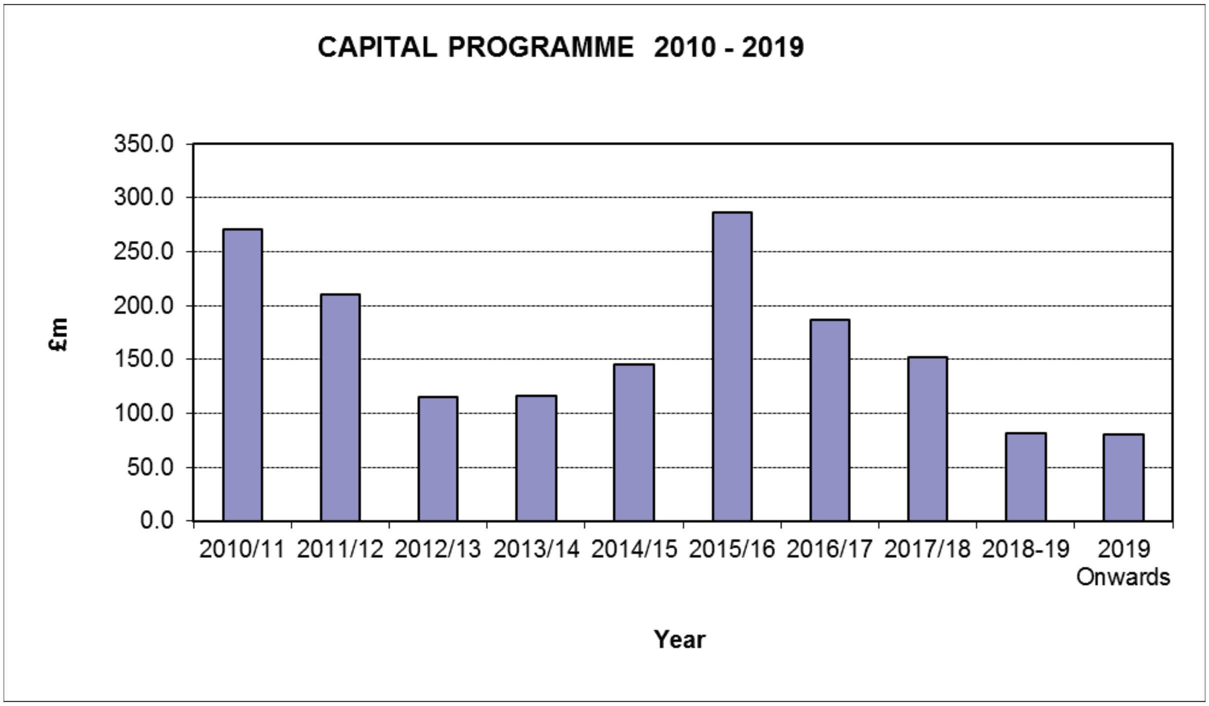
- the self-financing regime for the Housing Revenue Account (HRA) has provided for a relatively well funded programme of investment in existing and even new Council housing stock;

- the Streets Ahead programme is providing massive investment in the City's roads and street lighting over the next few years, funded via the Private Finance Initiative (PFI), which is outside the capital programme.

49. As a result of the above, the Housing investment programme therefore now accounts for almost sixty per cent of the Capital Programme. The next biggest applications include economic regeneration and infrastructure renewal of highways, schools and leisure facilities.

50. The delivery of the Council's Affordable Housing policy will be increasingly through council housing investment and, for private sector affordable housing, local housing associations or the Sheffield Housing Company initiative where the Council is working in partnership with a private sector developer to increase the number of affordable homes and regenerate housing estates.

51. In the Strong Economy priority, the focus will be on creating the necessary infrastructure to support economic regeneration. The declining central government support will place increased reliance on the Council's Asset Enhancement programme to generate capital receipts to use on its own priorities. The graph below illustrates the change in activity levels in the Capital Programme over the last decade.



52. The forecasts tail off beyond 16/17 as only approved projects are included. The Council is preparing other bids to secure funds for programmes such as Flood Defence (£35m) or from the Sheffield City Region Investment Fund (SCRIF). The potential redevelopment of the Sheffield city centre could significantly expand the capital programme.

Corporate Resource Pool

53. The CRP funds those elements of the capital programme not funded by other dedicated funding streams which already have established provision for housing, transport and education schemes – be that internal funds for housing (Housing Revenue Account and housing land) or government funds for education and transport. A large number of Council priorities have no clear source of funding and have to be funded by the Corporate Resource Pool (CRP), which is largely financed by capital receipts from land sales.

54. So, capital receipts plug the gaps and provide match funding to lever in external funding. Recent examples include;

- the significant enhancement of the City's recreational leisure facilities which should also deliver revenue budget savings. The Council has put £2.5m into the £7.1m North Active facility to gain £2.3m from the Department of Health's National Centre for Sport Exercise and Medicine (NCSEM) initiative. A further £750k has been used by Sheffield International Venues at Concord Leisure Centre;

- £3m has been invested in improving football pitches.

55. Without capital receipts, these projects would not have happened. Other projects requiring CRP support include the demolition of vacant property which again helps the Revenue budget. Castle Market buildings is an example where the Council has invested £4m in anticipation of winning further external funds to develop the site.

56. A large proportion of our capital already goes to social housing but in addition many housing sites are disposed of under value or at nil value to deliver social housing (e.g. for housing association schemes where the council is obliged often to give its land at little or no value to make the scheme work).

57. So, to ensure the CRP reaches the projects it is intended to support, and make best use of a scarce resource, CRP allocations are based on the following guidelines:

- The project has no other available funding sources i.e. not from central government, internal investment funds e.g. HRA, or other grant funding bodies; and

- is in line with corporate priorities; and

- the project is necessary to make an asset compliant with legislation; or

- the project has a robust business case which delivers financial savings or significant improvements in performance; or

- is a strategic project which requires cash flow support until a funding package can be arranged. Funding for these projects will be on an ***exceptional*** basis taking into account the current level of unallocated cash within the CRP. The project must be viable and capable of repaying the CRP within a reasonable time, for example, by generating asset sales. If the project does not proceed, any abortive project costs would have to be financed from the sponsoring portfolio’s Revenue Budget

58. For the last three years, officers have recommended that no commitments beyond one year are made from the CRP. This reflects the uncertain and lower level of receipts due to the general economic downturn. The impact of the Affordable Housing policy has created further pressure whilst diverting more funds towards Housing investment.

59. The timing of future capital receipts has been very difficult to forecast and usually over optimistic. All land transactions are inherently fraught with difficulty because of the contractual process and often tend to slip. The relatively low level of receipts in recent years means that the pool has reduced and approved and potential commitments, plus the need to maintain reserves for emergencies like major infrastructure failures or the floods of 2007, mean that these cumulative demands exceed the current reserves and a future stream of receipts is essential.

60. The situation is under constant review but the Report on the 2016/17 Capital Programme is likely to recommend again that no further commitments are made beyond 2016/17.

Pressures on the Capital Programme

61. The capital programme faces several challenges:

- Decreasing central government funding e.g. for local transport;

- Increasing demand pressures e.g. school places plus local standards which may mean that additional support beyond that provided by central government is required. Tinsley and the Attercliffe schools are examples;

- Increasing costs as the construction sector recovers from the recession and tender prices rise. This means we get less for our money or need to spend more to deliver the same scope;

- Contingency for overspends to cover unforeseen delivery problems e.g. ground contamination on BRT North (£4m+);

- Contingency for assumed future funding streams such as Community Infrastructure (CIL) not materialising;

- Providing capital to enable revenue saving projects to go ahead and deliver savings to meet the demands of the National Austerity programme;

- The increasing age of the Council's building estate requiring refurbishment. This may incur significant compliance costs to bring infrastructure up to current standards (e.g. electrical systems) or make buildings accessible; and, of course,

- Member priorities.

Alternative Funding Opportunities

62. Faced with the pressures identified above, the Council needs to look at alternative funding streams. The General Fund is not likely to be an option given the continuing austerity measures. At best there may be some limited headroom *if* there is a genuine increase in National Non Domestic Rates (NNDR) from additional development activity – but there are many competing demands on these resources.

<u>Sheffield City Region Investment Fund (SCRIF)</u>

Not new money but central government grants devolved to City Regions to allocate in pursuance of their local priorities. Likely to be allocated to large economic development projects (e.g. city or town centre redevelopments, transport infrastructure). £2.1m has been secured to support the Grey-to-Green project to redevelop West Bar to Castlegate. Over £20m of other bids submitted for city centre redevelopment.

Tax Incremental Financing (TIF)

This initiative is useful for large scale infrastructure projects which are expected to generate future revenue streams e.g. through business rates. It is to be employed to fund the city centre development work.

Community Infrastructure Levy (CIL)

To be introduced from 1st April 2015 this will raise funds from developments on a differential scale linked to the location and type of development. It is intended to cope with the costs of growth e.g. additional schools and transport infrastructure. Expectations around the impact of this money need to be carefully managed. It is a significant opportunity but the annual income is likely to be no more than £2m and the first receipts are promised to complete the BRT North project which will help regenerate the Lower Don Valley.

New Homes Bonus

A scheme which incentivises Councils to facilitate additional housing through either new construction or bringing long term empties back into use with premiums for Affordable Housing. Typically this generates between £1,400 and £1,800 per unit. This could amount to £7m - £9m in each of the next three years. £9m existing of planned commitments over this period have already been made but there is still a substantial sum to be used. However, NHB is not additional money. It is top sliced out of the Revenue Support Grant and most empirical studies suggest that Northern metropolitan councils are “net losers” compared to those areas in the South East experiencing very active housing construction.

Better Care Fund (BCF)

Proposals for this initiative are being developed and within the scale of BCF and the capital programme this is very small. However it does fund work to adapt homes to enable people to live independently which is a Member priority.

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There is about £3.5m of unallocated funding from previously made agreements which can be used as part of the capital strategy for funding the programme.

Conclusions on Capital Strategy

63. The Capital programme funding strategy needs to be flexible enough to respond to the above opportunities.

64. The traditional approach to funding capital is not sustainable. A *passive* approach relying on central government grants is likely to result in a much diminished programme and undelivered priorities. The Council will only be able to expand the programme to meet its priorities by winning alternative external funding. Many of these funding streams are the subject of competitive bidding. Three consequences follow:

- The Council will have to ensure that it is organised such that it has the necessary skills to construct successful bids for funds. This may require new investment in training on new cost-benefit-analysis techniques as seen in the recent Transformation Challenge Award (TCA) bids;

- The Council will need to have its own resources to pledge as match funding; and

- The Council's Priority Boards must proactively select and supervise projects to ensure that approved projects deliver maximum benefits and offer real value for money.

65. The current programme is heavily skewed towards Housing schemes because of 3 things that ensure that a significant proportion of the council's capital programme already goes to social or affordable housing:

- The capital programme itself is nearly 60% housing;

- A large number of housing land sales are under value;

- Affordable housing obligations reduce the capital receipt from Council owned land.

66. The current discussions and recommendations are seeking to ensure that a reasonable proportion of potential receipts go to fund the other unfunded commitments in the capital programme to meet a broad range of Corporate Plan objectives. The budget process will test if Council priorities are accurately reflected in the current distribution of capital funds.

67. In terms of a medium term financial strategy for capital, the approach to be adopted should:

- Involve members on a regular basis in determining the priorities for capital spending;

- Maximise flexibility in resource pools to ensure priorities in relation to housing can be most effectively achieved, including policies related to affordable housing;

- Manage flexible capital resources including New Homes Bonus and Community Infrastructure Levy to ensure that Council wide objectives are achieved;

- Reaffirm the existing Corporate Resource Pool allocation principles.

Housing Revenue Account

68. The Housing Revenue Account (HRA) is the statutory financial account of the Local Authority as landlord. The Council owns approximately 40,700 homes that are home to around 47,400 people as tenants. In addition, 2,256 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.

69. 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 MTFS. The next update to the HRA Business Plan will be presented alongside the HRA revenue budget for 2016/17 to Cabinet in January 2016.

Appendix 1

Forecast Revenue Position 2016/17 to 2020/21

		2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	cumulative £m
Grant variations:							
	RSG						
	Reductions in RSG	23.2	23.2	23.2	23.2	23.2	116.0
	Re: Business rates						
	Top-up grant - inflation	-0.3	-0.3	-0.3	-0.3	-0.3	-1.4
	Business rates inflation cap grant (BRIC)	-0.8	-0.9	-0.8	-0.8	-0.9	-4.2
Business rate income:							
	Inflation on business rate multiplier	-1.1	-1.1	-1.1	-1.1	-1.1	-5.3
	Growth in Business rate base	-2.0	-2.0	-2.0	-2.0	-2.0	-10.0
Council Tax income:							
	Growth in Council Tax Income	-4.0	-4.0	-4.3	-4.2	-4.3	-20.8
Collection Fund surplus:							
	Fall out of 2014/15 Collection Fund surplus paid in 2015/16	3.3	0.0	0.0	0.0	0.0	3.3
Expenditure variations:							
	Council Tax Hardship Fund	0.1	0.1	0.1	0.1	0.1	0.5
	Pensions deficit	1.0	0.0	0.0	0.0	0.0	1.0
	Employers NI Contributions	3.1	0.0	0.0	0.0	0.0	3.1
	Streets Ahead contract	1.8	1.8	1.8	1.8	1.8	9.0
	Pay Strategy	2.0	1.8	2.0	1.8	1.8	9.4
	MSF ongoing increase	0.5	2.2	5.7	0.4	0.5	9.3
	Howden House PFI	0.1	0.0	0.1	0.0	0.1	0.3
	Capital Financing costs	-0.8	0.0	-2.0	0.0	-1.0	-3.8
	Capital Financing ITA Levy Savings @7.5%	-2.1	0.0	0.0	0.0	0.0	-2.1
	MRP - Policy Adjustments - Supported Borrowing - Pre 2007	-4.9	0.7	0.7	0.0	0.0	-3.5
	Accounting Adjustment - Places for People	-5.0	0.0	0.0	0.0	0.0	-5.0
	Capita contract costs	-1.6	-0.2	1.1	0.6	-0.6	-0.7
	Amount Paid to Business Rates Appeals Reserve	-2.0	0.0	0.0	0.0	0.0	-2.0
Use of Invest to Save:							
	Ongoing budget support	-5.1	0.1	0.0	0.0	0.0	-5.0
TOTAL	**Year on year movement**	5.4	21.5	24.3	19.6	17.4	88.0
	add bf position	0.0	5.4	26.8	51.1	70.6	
	gives cumulative position	5.4	26.8	51.1	70.6	88.0	

Key Assumptions

RSG	20% per annum straight-line reduction
Business rates	• Annual increase of £2m in locally retained business rate income • Multiplier increases by 1% per annum • Neutral impact from 2017 revaluation • Reliefs, costs of collection and appeals will remain at 2015/16 levels
Council tax	• 500 additional band D equivalent properties per annum • Local Council Tax Support Scheme stays the same • Referendum trigger remains at 2% • In-year collection rate 95.5%
Specific grants	• Public Health subject to an in-year cut of 7% in 2015/16, assumed to be recurring • Education Services Grant cut by £500k in 2016/17 • Independent Living Fund (ILF) and Adult Social Care New Burdens: no official confirmation of funding beyond the current financial year
Pay inflation	1% per annum from 2016/17, to be absorbed by portfolios
Pay strategy	Half increments and mandatory 3 days' unpaid leave to continue from 2016/17
Employers' national insurance	The introduction of the new state pension from April 2016 will mean the abolition of the "contracted out" rate of employers' contribution. On the basis of the existing payroll size, the Council faces additional costs of approximately £3.1m from April 2016.
Local Government Pension Scheme (LGPS) costs	As a result of the LGPS triennial valuation in 2013/14, the Council's financial obligations with regard to the LGPS have increased significantly over the period 2014-17 compared to the previous triennial period. The Council set aside a further £2.4m to meet these obligations in 2015/16 compared to the previous year, and is required to provide for an additional £1m in 2016/17. As the results of the next triennial valuation will not be known until December 2016, no additional budget provision has been assumed in the MTFS.
2015/16 budget savings	All savings approved by Full Council in March 2015 will be achieved in full. If in-year monitoring of the deliverability of these savings identifies a high risk of non-achievement, portfolios will be expected to find mitigating savings.
Better Care Fund	The £9.3m contribution from reserves to temporarily bridge the gap between the Council's current level of expenditure and the amount of resources which it can afford to contribute to the BCF pooled budget will be replaced with either additional funding from the CCG or through recurrent savings on adult health and social care expenditure.

Key Financial Risks

RSG reductions	Current assumption (20% p.a.) cannot be validated until Local Government Finance Settlement is announced in December 2015. If the reduction is 25%, the forecast gap will be understated by circa £5.8m.
Business rates	Key sensitivities relate to: • Growth forecasts (approximately 2% per annum) – a shift of 1% in these forecasts is equivalent to £1m • 2017 revaluation – local authorities have been assured that the outcome of revaluation will be fiscally neutral • 2020 reset – no indications presently available, but could have a significant impact on the Council's top-up grant (£28.9m) • Appeals – highly volatile; the Council seeks to mitigate fluctuations in appeals by regular monitoring and communications with VOA • Future increases in the multiplier
Council tax	The key risk is around the referendum trigger which is set by Central Government and will not be confirmed until February 2016. If the trigger is reduced by 1%, this will limit the Council's ability to generate additional income by circa £1.7m.
Spending Review	National policy announcements affecting the future of local government funding, in particular the Autumn Statement due in late November 2015, could have a profound effect on all sources of Central Government funding, including RSG and specific grants such as Public Health.
Pay inflation	A 1% variance in pay equates to around £1.7m. Public sector pay is expected to be capped at 1%; this has been used as the basis for calculating portfolios' pay pressures
2015/16 budget savings	Any risk of non-achievement of agreed savings in the 2015/16 budget is reported in monthly budget monitoring reports. Portfolios will be expected to find mitigating savings.
Better Care Fund	If additional funding from the CCG or recurrent savings on adult health and social care expenditure cannot be found by year-end, the Council will face an additional pressure of £9.3m on next year's budget. Discussions are underway with CCG to resolve this.

Reserves Strategy

Introduction

- This appendix reports on the latest position in relation to the level of the Council's reserves. This assessment of reserves is even more important in the context of the significant and sustained cuts in central government funding in the five years from 2011/12 to 2015/16, and the further 4 years of cuts announced in the Chancellor's 2015 Summer Budget.

- As at the 31 March 2015 the balance of General Fund reserves was £89m. However, as part of the assessment of the adequacy of reserves, a number of reserves are set aside or "earmarked" to cover liabilities for expenditure which is already committed but not yet paid for. The following table shows the split of earmarked and non-earmarked reserves. All but £11m the aforementioned £89m is set aside as earmarked reserves for future liabilities.

- The table shows that during 2015/16 earmarked reserves levels are planned to increase by £20m. This is primarily as a result of the transfer of Highways PFI grant to reserves to fund future increases in unitary charge payments relating to the Streets Ahead project, the final outstanding amounts being repaid to the invest-to-save Reserve and the planned repayment of funds borrowed from the PFI and MSF reserves in 2014/15 to cover the early pension deficit payment made to South Yorkshire Pension Authority.

- Although the balance on reserves as at 31 March 2016 of £109m seems significant it is worth noting that this is well below the national average as a proportion of net revenue expenditure for Single Tier and County Councils. The National Audit Office Report 2014 'The impact of funding reductions on local authorities' highlighted that:

  "*There has been a marked increase in levels of both types of reserve. For single tier and county councils most growth has been in earmarked reserves. These have increased from 19% to 27% of net revenue expenditure in real terms. Unallocated reserves have remained stable at 6% of net revenue expenditure.*"

- This report shows that on average Single Tier and County Councils have set aside 33% of their net revenue expenditure budget in reserves. The comparable figure for Sheffield City Council in 2015/16 is only 27.5%.

Summary of Non-Earmarked & Earmarked Reserves at 31 March 2015 & Estimate of balance at 31 March 2016

Description	Balance at 31/03/15 £000	*Movement in 2015/16 £000*	Balance at 31/03/16 £000
Non-earmarked Reserves			
General Fund Reserve	11,186	640	11,826
	11,186	***640***	**11,826**
Earmarked Reserves			
Invest to Save Reserve:			
Projects	3,114	(3,114)	0
Capita Contract	(4,404)	4,404	0
Customer First	(9,914)	9,914	0
Investment Fund	3,959	(3,959)	0
Total Invest to Save Reserve:	**(7,245)**	**7,245**	**0**
PFI Reserve	7,591	9,388	16,979
Highways PFI Reserve	3,574	7,110	10,684
Total PFI Reserve	**11,165**	**16,498**	**27,663**
Major Sporting Facilities	**15,064**	**(661)**	**14,403**
New Homes Bonus	**1,922**	**183**	**2,105**
Insurance Fund Reserve	**11,519**	**(3,000)**	**8,519**
Public Health	**2,005**	**(2,005)**	**0**
Other earmarked	**43,062**	**1,032**	**44,094**
Total Earmarked Reserves	**77,491**	**19,292**	**96,783**
Total Revenue Reserves	**88,677**	***19,932***	**108,609**

* a negative number (in brackets) indicates that the reserve is in deficit: in this case because of up front investment that is to be repaid in future years from savings.

General (Non-Earmarked) Revenue Reserves

- 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. 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.

- Non-earmarked General Fund Reserves (the “working balance”) are estimated to be £11.8m at 31 March 2016, representing only 2.8% of the 2015/16 budget (at the maximum net budget requirement of £424m). If this £11.8m were ever used, it would have to be replaced as soon as possible as the Council would always need a minimum level of emergency reserves.

- 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…”

- Sheffield’s level of general fund reserves at 2.8% of the 2015/16 net revenue budget is below this benchmark. It is also low in comparison to most other major cities. The table below shows that Sheffield has the lowest level of General Fund reserves as a percentage of their 2014/15 net revenue budgets when compared to similar councils.

	Estimated Reserves 31 March 2014	% of Net Revenue Budget (2014/15)
Liverpool	£24.8million	5.2%
Leeds	£27.2million	4.8%
Manchester	£24.1million	4.6%
Newcastle	£10.1million	3.8%
Nottingham	£9.8million	3.5%
Bristol	£9.9million	2.7%
Birmingham	£25.2million	2.6%
Sheffield	£10.6million	2.4%

Earmarked Reserves

- 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.

- A detailed list of earmarked reserves, their purpose and proposed use are set out in the 2015/16 Revenue Budget Book at the following link: https://www.sheffield.gov.uk/your-city-council/finance/statement-of-accounts.html

Glossary of Terms

Term	Definition
Abbreviations	The symbol 'k' following a figure represents £thousand. The symbol 'm' following a figure represents £million. The symbol 'bn' following a figure represents £billion.
Capital Expenditure	Expenditure that is incurred to acquire, create or add value to a non-current asset.
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.
Community Infrastructure Levy (CIL)	A charge to be introduced from 1st April 2015 which will raise funds from developments on a differential scale linked to the location and type of development. It is intended to cope with the costs of growth e.g. additional schools and transport infrastructure.
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.

Corporate Resource Pool (CRP)	An internal source of capital funding, which is largely financed by capital receipts from land sales.
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 Freeze Grant	Grant funding provided by national government to support councils that freeze their Council Tax charges. The grant scheme is open to all billing and major precepting authorities, including police and fire authorities, which decide to freeze or reduce their council tax. If they do, they receive additional funding equivalent to raising their council tax by 1%.
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.
DCLG	Department for Communities & Local Government
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.
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.
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.
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.
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).*"
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.